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Labour Markets Performance and Migration Flows in Arab Mediterranean Countries: Determinants and Effects

Volume 3

National Background Papers Mashreq (Egypt, Palestine, Jordan, Lebanon, Syria)

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STUDY

LABOUR MARKETS PERFORMANCE AND MIGRATION FLOWS IN ARAB MEDITERRANEAN COUNTRIES: DETERMINANTS AND EFFECTS

The European University Institute (RSCAS) was selected by the European Commission to carry out a Study on "Labour Markets Performance and Migration Flows in Arab Mediterranean Countries: Determinants and Effects" (Nº ECFIN/D/2008/036).

Co-financed by the European Commission (DG Economic and Financial Affairs and DG Employment)

Scientific Director: Philippe Fargues

Project Coordinator: Iván Martín

Objectives

The objectives of the Study are two-fold:

- to analyze the key labour market determinants of migration flows from selected Arab Mediterranean Countries (Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia and the Occupied Palestinian Territories), with a particular emphasis on demographic pressures, wage differentials and relative income disparities with the EU, employment policies, labour market flexibility and unemployment rates; this analysis includes the impact of migration on the labour markets of Arab Mediterranean Country (AMCs) labour markets;
- to propose a series of specific recommendations to improve the design of the EU's migration policies towards AMCs and policy options available to them for the management of mismatches between labour supply and demand.

Team of Experts for the Study

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Jackline Wahba, University of Southampton, UK

Background papers

To cope with the ample regional diversity and the variety of issues addressed in the Study, 10 background papers were commissioned to feed the Study:

8 national background papers on labour markets performance and migration flows in Arab Mediterranean Countries. A country-by-country analysis (Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia and the Occupied Palestinian Territories), following a common questionnaire, of the migration trends in the AMCs, with particular emphasis on key labour market factors such as demographics, labour costs, skills composition, effectiveness and efficiency of current employment policies, recent labour market reforms, contractual arrangements and size of the informal sector.

2 thematic background papers on "EU Migration Policy towards AMCs and its Impact on their Labour Markets" and "The Impact of Migration on AMC Labour Markets: A Bibliographical Review".

Activities

The Study was carried out between January and October 2009. The main activities were the following:

- Methodological Workshop. Florence, 28 January 2009. A one-day co-ordination workshop focused on methodology and data issues for the National Background Papers.
- Validation Workshop. Montecatini Terme, 26-27 March 2009. A two-day workshop to discuss and validate National and Thematic Background Papers and to undertake a regional comparative analysis of labour markets performance and migration flows in AMCs.
- Policy-Makers and Experts Conference on "Labour Markets and Migration Flows in Arab Mediterranean Countries". Cairo, 11-12 October 2009. Jointly organised by the EUI, Cairo University and the European Commission. A two-day conference for policy makers, labour market specialists and experts on migration issues from the EU and the AMCs to present and discuss the final Study and proposals and recommendations to improve the design of the EU's migration policies towards AMCs and policy options available to them for the management of mismatches between labour supply and demand.

For more information on the Study

www.eui.eu/DepartmentsAndCentres/RobertSchumanCentre/Research/Migration/LabourMarketsMigration/Index.aspx

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Chapter I – National Background Paper

Labour Markets Performance and Migration Flows inEGYPT

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Introduction

This paper studies the relationship between labour market performance and emigration flows in Egypt. It examines recent labour market conditions and the impact of labour market reforms on employment, unemployment, the informal economy and migration flows. In a globalised world economy, workers perceive international migration as a channel to access overseas labour markets. Individuals choose whether to participate in the domestic labour market or in an overseas labour market. Thus, the conditions of domestic labour markets play a pivotal role in the decision to migrate overseas. In turn, emigration can potentially affect national labour markets.

This paper will review the trends and prospects of labour supply in Egypt, then examines the characteristics of the Egyptian labour markets and highlight some of the challenges in the labour market, before turning to the impact of the labour market on international migration.

1. Labour Supply in Egypt: situation and prospects

1.1. Demographic dynamics and prospects

One of the major challenges facing the Egyptian economy has been growing population. Although this has been labelled by some as a demographic gift, the resulting increase in the labour supply has put pressure on the labour market. According to the 2006 Census figures by the Central Agency for Public Mobilisation and Statistics (CAPMAS) Egypt's population was estimated to have reached 76.5 million in 2006, 3.9 million of whom were Egyptians living abroad up from 2.2 million in 1996, up by 37% from the 1996 Census. Population in urban areas increased by 40.22% to around 30.95 million, whilst the rural population rose by 64.22% to 41.63 million. CAPMAS estimates in May 2008 put Egypt's population at 78.7 million.

In fact, the Egyptian population has doubled during the past thirty years from 36.6 million in 1976 to about 72.6 million in 2006. During, the past ten years (1996 – 2006), population has increased by about 13.3 million. The government's efforts to reduce the national birth rate have resulted in a decline in population growth rate from an annual average of 2.79% during 1976-1986, to 2.08% throughout the period 1986-1996 and then to 2.04% during 1996-2006. Despite this decline in population growth rate, it is not yet below the 2% benchmark. This rate will result in 89 million people within the next ten years, an increase of more than 16 million people. If the population growth rate decreased to 1.75 percent, population will reach 86.3 million in 2016 (instead of 89 million). In other words every 0.25 percentage point decrease in the growth rate corresponds to 2 million fewer people in the census of 2016.

Egypt has only recently entered the third stage of the demographic transition in which both fertility and mortality are falling steadily. The third stage of the transition is initially characterised by a rapid growth in the proportion of the young, but more importantly, by continued growth in the proportion of working age Egyptians and decline in the proportion of children, leading to a long-run fall in the dependency rate (FEMISE 2004). The 2006 Census showed a decline in the population age structure from 37.7% to 31.7% for the young age group "less than 15 years" between 1996 and 2006. At the same time, the census showed an increase in the elderly. People above 60 years of age amounted to 4.55 million representing 6.3% of the total population compared to only 5.7% in the previous census of 1996. These developments will decrease the demographic dependency burden from about 61.3% in 2005/06 to about 52.8% by 2011/12.

From a labour market perspective, Egypt's demographics have resulted in an expanding and increasingly young working-age population. In 2006/07, the labour force was 22 million and it is expected to increase to 25.3 million in 2011/12. That is an annual average growth rate of 2.8% according to official estimates (Ministry of Economic Development). According to CAPMAS in 2007, 28% of the Egyptian population was between the ages of fifteen and twenty-nine.

Table 1.1 shows the projections of the population, working population and the labour force in Egypt by the UN and the ILO. The population estimates by the UN are similar to the estimates published by the government in its 6th Five Year Plan, though the latter goes only up to 2012 (Fig 1.1). The ILO projections, estimate that the working population in Egypt will increase to 54.9 million in 2015 then to 59.6 million in 2020, whilst the labour force will be almost 28 million in 2015 and reach 30.4 million by 2020. The ILO estimates that the female participation rate was 23 percent, compared to a male participation rate of 75% in 2005. Labour force projections suggests that female participation rates will increase driven by rising educational attainment until about 2010, when the growth of the labour force is expected to slow down (FEMISE (2004). It has to be noted though that ILO projections of the labour force are slightly lower than the actual figures for 2008 which, according to the Ministry of Manpower and Emigration (MOME), reports that the labour force was already 24.995 million in 2008. Thus, the ILO labour force projections are best viewed as underestimates.

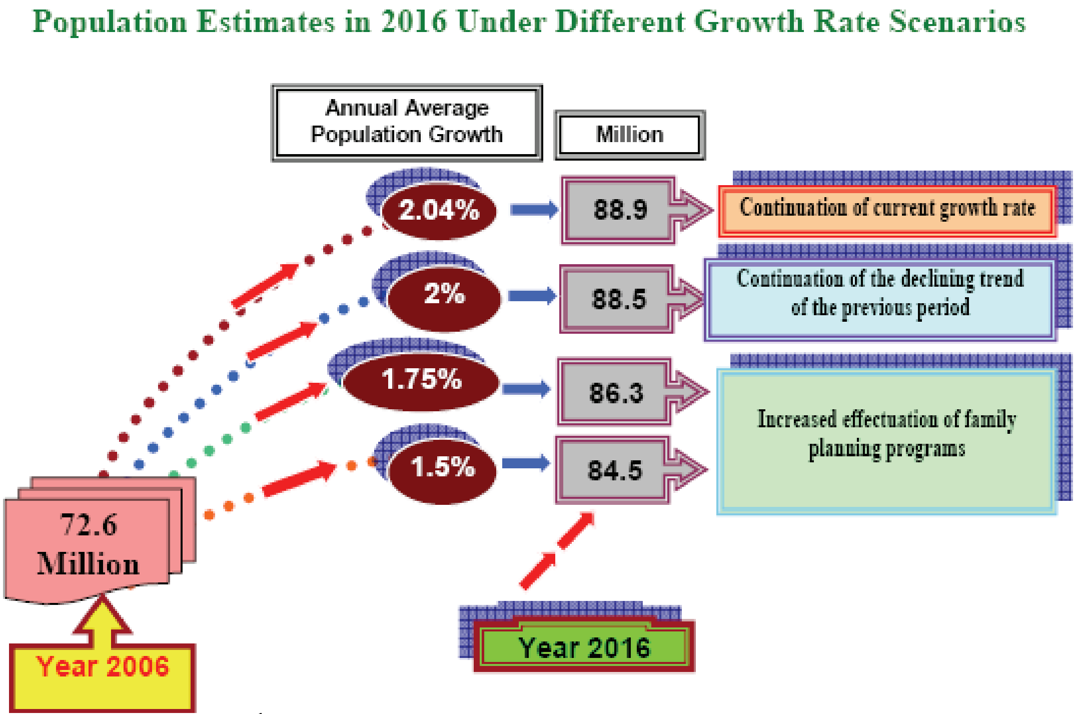
Table 1.1 Demographic dynamics and prospects in Egypt

		2000	2005	2010	2015	2020
Total Population *	**Number, 000**	66529	72850	79537	86219	92578
	Change t, t+5, 000	5881	6321	6687	6682	6359
Working age population (15-64)**	**Number, 000**	39637.7	45045.8	50055.5	54866.8	59573.6
	Change t, t+5, 000	4914.8	5408.2	5009.6	4811.3	4706.8
Labour Force Participation Rate (%)**		49.0	49.9	50.7	51.0	51.0
	Male	75.2	74.6	75.1	75.1	74.5
	Female	22.7	22.7	25.2	27.1	27.6
Labour Force**	**Number, 000**	19419.9	22483.6	25389.2	27992.4	30370.8
	Change t, t+5, 000	2286.2	3063.7	2905.6	2603.2	2378.4
	Male	14929.7	16817.2	18766.1	20541.6	22120.3
	Female	4490.2	5666.4	6623.1	7450.7	8250.4

Sources: *UN & **ILO

Change t, t+5, 000 is the difference (in thousands) between 1995 and 2000 for 2000, 2000 and 2005 for 2005 …etc.

Fig 1.1:



Source: MODE, Egypt's 6th Five Year Plan.

1.2. Characteristics and composition of the labour force and employment

Labour Force

Based on the 2006 ELMPS, around 41% of the labour force in Egypt was under 30 years of age with one third between 20 and 29 years of age. In 1998, 39% of the labour force was under 30 years of age but almost 11% were between 15-19 of age and 28% between 20-29 years old, Table 1.2. This reflects the recent patterns of demographics where the working age population and the youth population are growing faster than the overall population.

The significant growth in educational attainment in Egypt has altered the composition of the labour force over the past three decades. In the 1980s, 40% of those entering the labour force had not achieved a primary level of education. By 2005, 70% had received a secondary education or better (Assaad 2007). Almost 50% of the labour force in 2006 had at least high school degree. However, there is still a gender gap in educational levels: 29% of females in the labour force were illiterates compared to only 20% of males in 2006, Table 1.2.

According to Assaad (2007) the most dramatic shift in the educational composition of the male working age population is the sharp increase in the proportion of technical secondary school graduates from 1988 through 2006. This was accompanied by a steady reduction in the proportion of illiterate males and literate males with no educational degrees. The proportion of university graduates has also increased over the last 25 years, but at a slower pace than that of technical secondary graduates. The male labour market is, therefore, becoming increasingly dominated by technical secondary school graduates who now make up over 30% of the male working age population in both urban and rural areas.

Table 1.2: Composition of the Labour Force by Age and Educational Level

	2006		
	Male	**Female**	**TOTAL**
Labour Force (thousands)	17,341.64	6,283.14	23,624.78
Labour Force (by age, %)			
15-19	7.30	7.67	7.40
20-29	32.78	35.35	33.46
30-39	25.62	23.30	25.01
40-49	18.53	20.28	18.99
50-59	13.47	11.75	13.01
60-64	2.30	1.65	2.13
Labour Force (by level of education, %)			
Illiterate	20.47	29.13	22.77
Literate without any diploma	7.62	2.06	6.14
Elementary school	11.34	4.16	9.43
Middle school	5.74	2.15	4.79
General high school	0.97	0.42	0.82
Vocational high school	31.97	32.66	32.15
Post-secondary institute	4.76	2.25	7.01
University & above	17.12	8.40	25.52

Source: ELMPS2006.

The educational composition of the female working age population exhibits similar trends. The share of vocational secondary school graduates has increased, especially in rural areas and the share of illiterates has come down significantly. In rural areas, illiterates made up 81% of the female working age population in 1988. By 2006, their share has gone down to 47%. Conversely, the share of female technical high school graduates in rural areas had gone up from 4% in 1988 to over 22% in 2006. These compositional shifts have enormous implications for female labour force participation since female participation rates increase significantly once women reach the technical secondary level.

Table 1.3: Composition of Employment in Egypt

	2006		
	Male	**Female**	**TOTAL**
Employment (thousands)	16,480	5,209	21,689
Employment (by age, %)			
15-19	5.89	4.50	5.61
20-29	32.71	29.02	31.99
30-39	27.78	26.50	27.53
40-49	19.44	26.61	20.86
50-59	13.33	13.08	13.28
60-64	0.85	0.29	0.74
Employment (by level of education, %)			
Illiterate	15.89	7.28	14.19
Literate without any diploma	6.85	1.83	5.86
Elementary school	11.52	2.70	9.78
Middle school	5.71	1.51	4.89
General high school	0.93	0.76	0.90
Vocational high school	33.55	38.46	34.52
Post-secondary institute	5.60	9.77	6.43
University & above	19.95	37.69	23.44
Employment (by activity, %)			
Agric. & Fishing	22.36	37.56	26.02
Mining, manufacturing & utilities	15.22	8.24	13.62
Construction	1.04	0.45	0.9
Trade, restaurant & hotel	10.21	0.39	7.85
Transportation	15.19	11.88	14.39
Finance & real estate	8.87	1.63	7.13
Com., social & personnel services	0.96	1.19	1.02
Other	26.04	38.65	29.07
Employment (by sector, %)			
Government	21.84	34.15	24.79
Public Enterprises	5.5	2.25	4.72
Private sector	72.67	63.29	70.5
Employment (by status, %)			

Own-account workers	9.2	11.55	9.77
Employers	15.96	3.71	13.02
Contributing family workers	7.7	32.64	13.69
Employees	67.14	52.1	63.53

Source: ELMPS2006.

Employment

Overall employment growth based on the market labour force definition in the period 1998-2006 was 4.6% *per annum*, nearly 1.7 times the growth of the working age population. The growth was more in rural areas at 5.4% p.a. compared to 3.5% p.a. in urban areas. Although this difference may be somewhat exaggerated by improved measuring of female employment in home-based activities, employment growth for males in rural areas also exceeds, by a large margin, its level in urban areas (4.2% p.a. vs. 3.3% p.a.). It should also be kept in mind that these figures are based on region of residence (urban vs. rural) rather than on region of work and that many of the jobs of rural residents will be in urban areas. Female employment grew at more than twice the rate of male employment (7.5% p. a. vs. 3.8% p.a.), but again this is largely due to the better measurement of household-based market activities. However, some of the excess female growth goes beyond the non-wage work category that may be affected by such measurement issues. Female wage work grew at 3.5% p.a. compared to 3.1% p.a. for male wage work (see Assaad 2007).

As for the characteristics of employment, in 2006, Table 1.3 shows how the age structure reflected the bulge among the young with 38% below 29 years of age. It also indicates that educated women dominated among employed women.

The structure of employment in 2006 shows that agriculture employment amounted to 26% of total employment. The industry sector which is dominated by the manufacturing sector amounted to 14 percent, whilst services employed 60% of total employment.

The pattern of employment reflected ongoing efforts to downsize the public sector, which amounted to only 30% of total employment, with 25% in the government sector and only 5% in public enterprises, as opposed to almost 37% a decade before. The private sector accounts for 70% of employment, yet the *formal* private sector comprises only 10% after increasing its share from 8% in the years 1998-2006, at 7.8% average annual growth rate (see Assaad 2007). As for working status, in 2006, almost 64 % were waged workers, 10% were self employed, 13% employers and 14% unpaid family workers. Table 1.3 shows the gender divide in working status with 33% of employed women being engaged in unpaid family work compared to only 8% among employed men.

Another important indicator of the economy's ability to create jobs is the elasticity of employment, i.e. the percentage change in employment with every percentage change in GDP growth. Estimates of elasticity of employment in Egypt are sketchy. The ILO estimates that the elasticity of employment to total GDP was 0.68 in 2001-05, up from the period before and thus suggesting that for every one-percentage point of additional GDP growth, total employment grew by 0.68 percentage points which is higher than the world average at around 0.30, but lower than the average for MENA which was 0.90 in 2000-2005. The region's high elasticity figures suggest that GDP growth was very employment-intensive, but this also suggest that labour productivity growth was poor. Thus, Egypt's elasticity of employment suggests also poor labour productivity growth in comparison to other world regions, albeit better than the average for MENA.

Table 1.4 shows that male elasticity of employment was 0.76 and 0.35 for females indicating an improvement in females' productivity, but this may also be due to fewer women being employed in low paid jobs. Table 1.4 also shows the sectoral employment to value added elasticity between

1993-2005 was 0.33 for agriculture, 0.38 for industry, and 0.85 for services suggesting higher-labour productivity growth in agriculture and industry relative to services.

Table 1.4: Employment Elasticity in Egypt: 1993-2005

Employment elasticity			
	1993-1997	**1997-2001**	**2001-2005**
Total	0.55	0.59	0.68
Male	0.60	0.58	0.76
Female	0.35	0.64	0.35
Sectoral Employment 1993-2005			
			Elasticity
Agriculture Employment to Value Added			0.33
Industry Employment to Value Added			0.38
Services Employment to Value Added			0.85
			Growth Rate
Agriculture Value Added			0.5
Industry Value Added			0.4
Services Value Added			0.8

Source: ILO Database.

1.3. Estimation of national job creation needs to absorb projected labour force growth
Estimating the number of new jobs needed to absorb the increasing labour force is not straightforward as it depends on a number of assumptions such as the growth of the labour force, labour force participation rates (which are bound to increase with the increase in educational attainment) and unemployment rates. To provide a rough estimate of the number of jobs needed, a number of assumptions are made: first that the current rates of unemployment remain constant, and, second, that employment rates are going to increase by 3.5% per annum on average (as stated in the current 6th Five Year Plan by the Ministry of Planning). Based on these estimates in Table 1.5 the Egyptian economy needs to create an average of 715, 526 jobs each year. The second scenario assumes a 5% increase in female labour participation rates from 25.4% to 30.4 percent, which would lead to a need for around 742,286 new jobs annually. It is worthwhile noting that the increase in the number of jobs needed as a result of higher female labour force participation is not substantial as an unemployment rate for women is assumed to be 25 percent.

Table 1.5 Estimation of national job creation needs

	Total Labour Force (thous) 2006	LFP rates (%) 2006	Current Employment (thous) 2006	Needed jobs (thous) 2006-2015	Needed jobs (thous) 2006-2020	Jobs to be created each year (thous)
Total	23,027	49.97	20,443.6	6,440	10,017	715.526
Male	17,168	74.51	16,559.4	5,216	8,114	579.579
Female	5,859	25.43	3,884.2	1,224	1,903	135.947
+5% Female Participation Rate	24180.3	52.47	21208.2	6,680.6	1,039	742.286
Male	17168	74.51	16559.4	5,216.2	8,114	579.579
Female	7012.3	30.43	4648.8	1,464.4	2,278	162.707

Source: Author's calculation based on ILO data.

Estimates by Assaad (in FEMISE 2004) on labour force projections[1] indicate that the labour force is expected to increase from around 23 million in 2005 to 27 million in 2010, to 34 million in 2020. According to these projections, the annual increment in the labour force will be 660,000 in 1998-2005 and 790,000 in 2005-2010. It will then decline to 750,000 in 2010-2015, only to increase again to 790,000 in 2015-2020. The stability in the annual increment from 2005 onward shows that the relative growth of the labour force will be slowing over the next decade and a half. Because of the increase, as educational attainment rises, in the labour force participation of women, the rate of growth in the labour force will exceed that of the working age population. Those projections take into account the pattern of participation by age and education and assume an increase in educational attainment, unlike the rough estimates in Table 1.5 which can be regarded as a lower bound.

Assaad's projections are not dissimilar to the Government's estimates. In July 2001, the government introduced "the government employment scheme", which intended to provide 800,000 work opportunities per year. The Ministry of Planning's 6th Five Year Plan (2005/06 - 2011/12) aims to create 750,000 jobs annually.

The problem for the Egyptian labour market is not only the issue of the growing labour force leading to the need to create a substantial number of jobs (approx. 750,000 annually), but that the labour market suffers from a demand-supply mismatch and a discrepancy between the outcome of the education system and the skill required by the private sector.

[1] Ragui Assaad carried out labour force projections that take into account the age composition of the population, the expected increase in its educational attainment over time, and the patterns of participation in the labour force by education and age. Using the UN's 2002 medium variant projections of the population by age and gender up to 2020 as the basis for the projection of working-age population, and based on the projections of educational attainment by age group and gender on the results of the LFSS 1988 and ELMS 1998, he put each age/gender group into one of three educational levels over time on the assumption that education is acquired prior to age 25 and that younger age groups will increase their attainment based on previously observed trends. See FEMISE (2004).

2. The labour market performance in Egypt

2.1. Regulation of the labour market

The Constitution of the Arab Republic of Egypt is the supreme law of Egypt. It was adopted on September 11, 1971 through a public referendum and amended in 1980, 2005 and 2007. It is socially oriented and emphasises social solidarity. Article 26 goes further by highlighting the participative approach to industrial relations: “The workers shall have a share in the management and profits of the projects. They are committed to the development of production and the implementation of the plan in their production units, in accordance with the law. Protecting the means of production is a national duty. Workers shall be represented on the boards of directors of the public sector units by at least 50% of the number of members of these boards. The law shall guarantee for the small farmers and small craftsmen 80% of the membership on the boards of directors of the agricultural co-operatives and industrial cooperatives” (See Boni (2009).

Until July 2003, when the New Labour Law was enforced, existing legislation had been rather stringent both for workers and for employers. It prohibited employers from terminating the contract of a worker after a probation period. In addition, employers were not allowed to recruit workers directly but only through local employment offices.

The Egyptian labour market is regulated by the recent Labour Act No. 12/2003 which was promulgated on 7 April 2003. The new Law comprises 257 articles that address all the legal aspects regulating the Egyptian labour market. The new law aims at increasing the private sector involvement and, at the same time, achieving a balance between employees’ and employers’ rights. Amongst the most important issues that the new law addresses is the right of an employer to fire an employee and the conditions pertaining to this as well as granting employees the right to carry out a peaceful strike according to procedures prescribed in the new law.

This law does not apply to public servants of state agencies, including local government units and public authorities, nor to self-employed workers. Public servants enjoy a higher level of job security as their contracts cannot be terminated. The promotion system is based on seniority rather than performance. This rigid system consequently separates decisions such as promotion or termination of contract from the process of performance appraisal. Act No. 47/1978 deals with the status of public servants.

The labour law states that the number of foreign (non-Egyptian) employees in any establishment must not exceed 10% of the total work force for unskilled or semi-skilled workers. For skilled workers the limit of foreign labour is 25%. Also total compensation of foreign employees must not exceed 35% of the payroll of the establishment.

Contracts of employment: The new Labour Law mentions two types of labour contract: contracts for an indefinite period and fixed-term contracts. The latter category includes labour contracts with a fixed term and contracts concluded for the accomplishment of a specific task. Employment contracts are required to be in writing, in triplicate, and in Arabic. The employer, employee and social insurance office each keep one copy of the employment contract, which must include certain information as specified in the Law (Article 32). It is necessary that both employer and employee agree on essential matters in the law concerning wages, job description, and contract period. It is also important to state the kind of work, which the employee is obliged to do. The probation period shall be specified in the labour contract and no employee shall be appointed under probation for a period exceeding three months, neither shall an employee be appointed under probation more than once with the same employer (Article 33).

The maximum duration of a fixed contract is five years. If the employer and employee agree on a longer employment duration, then the employee has the right to terminate the contract after the initial five years, without receiving compensation; however, the employer must be notified within an agreed time period, namely three-months prior notice. If the employee and the employer continue in implementing a fixed-term contract after its term, such shall be considered as a renewal of the contract for an indefinite term. A fixed-term contract is deemed renewed for an indefinite period if both parties continue to abide by it after its date of expiry, although an exception is made for foreign workers (Article 105). Upon agreement of the two parties, the fixed-term employment contract may be renewed several times (Article 106). See Boni (2009).

Working Hours and Annual Leave

According to the 2003 Labour Law, employees should not work more than eight hours a day or 48 hours over a six days working week. Most private sector employees work 5 days a week, usually Sunday to Thursday. The number of working hours may be increased to 9 hours a day in certain circumstances. Employees are entitled to one whole working day off each week. Certain exceptions apply when work is intended to prevent a serious accident or to cope with a heavy workload. In such situations, the employee must be paid overtime.

An employee is entitled to a minimum annual paid leave of 21 days every full year of service and proportionally if his period of service is less than one year. This annual leave is increased to one month after the employee has worked for 10 consecutive years or is over 50 years old. In addition, every employee is entitled to full pay for official holidays not to exceed 13 days a year.

If employees are required to work during official holidays, employees are entitled to overtime (paid at twice their normal rate). Overtime for hours worked beyond 36 per week is payable at the rate of 35% extra for daylight hours and 70% extra for work performed at night. The premium for work on rest days is 100% while workers should receive 200% for work on national holidays. See Boni (2009).

Dismissal and Termination of Employment

A worker can now be dismissed for a just cause based on a ‘serious error’. The Labour Law lists some nine types of serious errors on the side of the worker, including a long absence without legitimate justification; false documents submitted by the worker; serious damage to the employer committed by the worker, if the employer notifies the authorities of this damage within 24 hours; serious worker misconduct etc. Moreover, the employer is entitled to dismiss a worker in the case of some custodial sentences, which are listed under Article 129, such as ‘breach of honour, honesty or public morals’. Similarly the worker can terminate the contract if the employer ‘defaults on any of the substantial obligations ensuing from the law, the individual or collective labour contract, or the articles of association of the establishment, or if the employer or his representative commits a hostile act against the worker or a member or his family’.

An employee may not be dismissed until the matter is brought before a committee with judicial powers at the Ministry of Manpower and Emigration (MOME). The committee shall decide the request for dismissal brought to it within 15 days from the date of the first session and its decision shall be final. However, the employer may thereafter dismiss an employee and the employee retains the right to challenge the dismissal in court. Egyptian Labour Courts retain discretion in reviewing a dismissal. Compensation awards may be granted to employees for wrongful dismissal on the basis of a review of the facts and circumstances of each case. An employee is entitled to 60 days notice for dismissal if his period of service does not exceed 10 years and 90 days if that period exceeds 10 years. Should the employer desire to dismiss the employee without giving him the relative notice period, the employee shall receive two or three month’s salary payment instead of such notice. Article 122 states that the compensation shall not be less than the wage of two months’ salary for each year of employment for wrongful dismissal. Throughout the notification period the labour contract shall remain active. The termination of employment provisions do not apply to public servants employed by State agencies, public establishments and local authorities; domestic workers and the like; or employer's family members whom the employer is in charge of. (See Boni (2009).

As noted by Boni (2009) a very protective provision, very much in line with the legislation of EU Member States, is that the termination of employment is not possible for reasons of the worker's illness, unless he/she has exhausted sick leave entitlement as determined by the Social Insurance Law, in addition to his/her annual leave (Article 127).

Termination of employment at the initiative of the employer

Under Article 110, both parties may terminate an open-ended contract, provided that notice period is given and it is done in writing. However, the employer cannot dismiss a worker, except in the cases listed in Article 69, or for reason of a worker's incompetence, which must be established in respect of "endorsed regulations".

A worker cannot be dismissed unless he/she has committed a serious offence (Article 69). The decision to dismiss a worker as a sanction for serious misconduct is taken by a special committee established for this purpose (Article 68). This kind of committee acts under civil and commercial procedure law. The composition of each committee is provided for by article 71.

Protection against discrimination is also provided for by the Labour Code. The Law, indeed, lists some invalid reasons for dismissal, such as, among others, colour, sex, social status, family obligations, religion, political views, participation in trade union activities, and filing a complaint against an employer (Article 120).

In addition, the Trade Unions Act No. 35/1976 protects members of boards of trade unions from suspension or dismissal, except pursuant to a Court decision (Articles 26, 27 and 46). In Egyptian law, collective dismissals can only be for economic reasons. The employer cannot dismiss a woman during maternity leave (Article 92). The employer is entitled to terminate the apprenticeship agreement for reasons of the ineptitude of the apprentice (Article 143). See Boni (2009).

Notice period for termination

As regards the termination of an open-ended employment contract, the notice period is two months if the worker's uninterrupted period of service with the employer is less than ten years, and three months if that period exceeds ten years (Article 11). This notification cannot be addressed during the worker's leave (Article 113). During the notice period, the worker is entitled to a full day or eight hours a week, taken at time convenient for both parties and without loss of pay, for seeking other employment (Article 116). See Boni (2009).

Procedure for collective dismissal for economic reasons

If contemplating collective redundancies, the employer must submit a request for closing the enterprise or reducing its size or activity to a committee established for this purpose. However, the employer is not allowed to ask for partial or total closure of the enterprise during mediation or arbitration (Article 200). The Prime Minister defined, by Decree No. 984 of 2003, the composition of these committees, their powers and procedures. Each committee must consist of a representative nominated by the General Federation of Egyptian Trade Unions, a representative of an employers' organisation nominated by the concerned organisation, a technical and economic representative from the General Authority for Investment, and a representative from the National Social Insurance Authority. The chair is the concerned director of the MOME. The committee must prepare an argued decision, adopted by majority vote, within thirty days from the date of the submission of the request. In the request to the committee, the employer must provide information including the reasons for the contemplated terminations, and the number and categories of workers likely to be affected (Article 197). In case of authorisation of dismissals, the committee must fix the effective dates. Each party may bring an appeal against the committee's decision before the Central Committee for complaints established in the MOME. The employer must inform the workers and trade unions concerned about the request to the committee and the decision received from the committee (Article 198). If the collective agreement in force in the enterprise does not provide any objective criteria for selecting the workers to dismiss, the employer must consult with trade union representatives. The criteria for selection must take into account the interests of both the enterprise and the workers (Article 199). As an alternative to dismissing workers for economic reasons, the employer is entitled to propose modifications to the employment contract. If the worker refuses it, he/she has the right to leave the enterprise without giving any notice. In this case, the dismissal is deemed lawful and the worker keeps his/her rights to compensation prescribed for dismissals for economic reasons (Article 201, LA). See Boni (2009).

Severance pay
As regards terminations for economic reasons, the severance allowance must be equal to one month's wage for each of the first five years of service, and one-and-a-half months for each subsequent year (Article 201). Employees retiring at the age of 60 are entitled to severance pay (Article 126). At the age of 60, a worker is entitled to indemnity calculated on the basis of half of his/her monthly wage for each of the first five years of employment, and one month's wage for each subsequent year, unless he/she is entitled to benefits under the old-age, disability and death insurance scheme provided for by the Social Insurance Law. See Boni (2009).

ILO Core Conventions
Egypt has ratified the ILO's Core Conventions: Freedom of Association and Collective Bargaining (Conventions 87 and 98); Elimination of Forced and Compulsory Labour (Conventions 29 and 105), Elimination of Discrimination in respect of employment and occupation (Conventions 100 & 111) and Abolition of Child Labour (Conventions 138 and 182).[2] The International Labour Organization was in charge of ensuring that the new legislation would not contradict Egypt's participation in international agreements.

Trade unions and Collective Bargaining
The Egyptian constitution acknowledges labour rights in establishing unions and federations on a democratic basis. Syndicate activities are allowed as long as they match the framework of the General Federation for Labour Unions' programs. However, the right to form and join trade unions is heavily curtailed in law. There is a minimum membership requirement of at least 50 employees in the same enterprise, and unions can only operate if they join one of the 23 industrial federations. All of these have to belong to the only legally recognised trade union centre, the Egyptian Trade Union Federation (ETUF). The ETUF has the power to control the nomination and election procedures for trade union offices. The law specifies how much unions have to pay to federations in affiliation fees and how much the federations have to pay the national centre. 'High administrative officials' in government and public-sector enterprises may not join unions. All trade unions are required by law to affiliate with the Egyptian Trade Union Federation (ETUF), the only legally recognised labour federation. Most trade unions are concentrated in the public sector and large private firms. The ETUC maintains that it operates independently of the government and actively promotes the interests of unionized workers.

2 Source: ILO, ILOLE X Database (http://www.ilo.org/ilolex).

Regulations under the Civil Societies and Institutions Law bar national groups registered as civil societies, including trade unions, from being involved in political activities.

Under the old Labour Law, workers were not entitled to go on strike when facing hardworking conditions. They could not engage in collective bargaining, either. The new law shows a considerable degree of flexibility when compared to previous labour laws. The law permits collective negotiation at all levels starting at the establishment level and reaching the national level. Collective negotiation may aim at improving labour terms and conditions, fostering cooperation between various labour parties to achieve workers' social development, and settling disputes between workers and employers.

According to Clause 192 of the new Unified Labour Law of 2003 workers cannot legally strike without a green light from the EFTU which must agree any industrial action by a two-thirds majority. There is very little scope for collective bargaining in the private sector. Companies must comply with certain government-established standards, particularly in relation to the minimum wage, social security and official public holidays. The 2002 Special Economic Zones Law laid the legal foundation for setting up export-oriented SEZs. Newly established investment companies in the zones are exempted from complying with legal clauses relating to labour organising, depriving workers of the right to set up local union committees.

Wage Determination

The MOME oversees and monitors collective negotiations and agreements. The government sets wages, benefits and job classifications for public sector and government employees. Employers must pay social insurance contributions to the Ministry of Social Insurance and Social Affairs with respect to their Egyptian employees. Egyptian employees are also liable for contributions. Employees' contributions are withheld by the employer from the employees' salaries and wages each month and paid to the ministry; together with the employer's own contributions, within the first two weeks of the following month.

In Egypt, for public employment and public enterprises wage setting mechanisms are defined by law. Labour legislation sets the minimum wage and wage increases linked to the cost of living. It fixes wage levels according to the different job categories, field of specialisation, and describes the qualifications required to receive a specific salary. Promotion and incentive mechanisms are also precisely defined. In addition, a maximum amount to be granted for overtime, allowances and incentives are all set by law. In 1987, public enterprises were granted a certain degree of freedom in setting rules on incentives and the system applied in public enterprises became more successful in promoting productivity than that adopted in the public sector.

In the formal private sector, wages are determined by labour demand and supply. National law only sets the minimum wage, social insurance, special wage increases, and living-cost allowances. These rules have always been largely ignored by private employers and their application can certainly not be imposed by workers, given their low level of unionisation. Wages are set almost on an individual level according to personal skills and degree of specialisation. In the agricultural sector and in the informal one, wages are determined by the labour market and are, therefore, rather flexible.

Employers make social insurance contributions at rates of 26% of basic wage and 24% of variable wage. The basic wage consists of basic salary and all fixed allowances, while the variable wage comprises bonuses and incentives that may be paid by the employer from time to time. Employees pay at rates of 14% and 11% respectively. The maximum monthly amounts on which contributions are payable are, for basic salaries, EGP 650 and, for variable salaries, EGP 500.

In 2003 a National Council for Wages was established to set and adjust minimum wages, establish national wage policy, carry out studies on minimum wages, and study reports issued from Arab and international organisations. The National Council for Wages has been revising the minimum wage level in an attempt to provide better levels of income to a large proportion of society.

The legislative framework of the wages system in the government sector is very complicated since it is regulated by more than 40 laws and decrees issued between 1942 and 2008. The monthly minimum wage was set at LE 35 in 1984 when it represented 60% of GDP per capita. It reached LE 214 in 2005/06 according to the Wage Council In practice, official figures based on the Annual Bulletin of Employment, Wages and Working Hours in 2007 state that the average weekly wage was LE 252, with the average weekly wage being LE 308 in the public sector and LE 214 in the private sector.[3]

According to estimates by the World Bank and the Ministry of Economic Development, the poverty line was at LE 155 per individual per month, thus, the Wage Council was considering raising the minimum monthly wage to LE 250.[4]

The minimum wage in Egypt is not only very low, but is also poorly enforced. Employers in the private sector do not adhere to the minimum wage even in the formal sector.

Job stability/instability and trends

As far as job stability trends in Egypt are concerned, comparing 1998 to 2006, there is evidence that the number of permanent jobs has risen and that the share of permanent jobs has increased from 82% to almost 85%. Both genders experienced an increase although males experienced a slightly higher increase than women, Table 1.5. However, job stability is different from job security. Workers in the informal sector may have stable (i.e. regular) jobs but those jobs are insecure because they lack job contracts.

Table 2.1: Job Stability Trends

	1998			2006		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Permanent (000)	9970.027	2793.84	12763.87	13179.24	4656.474	18375.72
%	80.57	88.32	82.14	83.25	89.4	84.72
Temporary (000)	612.09	201.832	813.9003	1063.244	415.707	1478.951
%	4.95	6.38	5.24	6.45	7.98	6.82
Seasonal (000)	118.399	164.427	182.8267	39.444	31.901	71.344
%	0.96	2.04	1.18	0.24	0.61	0.33
Intermittent (000)	1674.303	103.351	1777.654	1658.555	1040716	1763.272
%	13.53	3.27	11.44	10.06	2.01	8.13

Source: ELMPS2006.

3 The exchange rate in 2007 was 1 Euro=8.05 Egyptian Pounds.

4 Wage Council meeting: http://www.mop.gov.eg/PDF/INTER_NEWS1.pdf.

Overall assessment of labour market flexibility

The new Labour law has attempted to make the labour market more flexible. However the Egyptian labour market is highly segmented. The public sector is highly regulated and workers cannot be dismissed and wages are set relative to seniority rather than performance. On the other hand, in the private sector, a small proportion of firms abide by labour market regulations whilst the majority do not. Together with other reforms in tax and corporate regulations (see section 4.4), the new labour law is a step towards increased market flexibility. However, it still remains the case that 30% of employment in the public sector is not governed by this labour law, whilst around 60% of employment is informal employment, and therefore is not regulated. Although one aim of this law is to encourage the formalisation of informal jobs by making it easier for employers to fire workers, without reducing the other costs associated with hiring workers formally such as social insurance contributions, this labour law might not have gone far enough.

2.2. Wage and national income analysis

There is no doubt that there is a significant wage/income gap between Egypt and the EU. Based on 2007 figures, Gross Domestic Product at market current prices in EU15 was Euros 1,148,809.4 whilst that of Egypt was c. Euros 92,522. GDP *per capita* (PPS) in 2007, for the EU15 was Euros 27,800 and for Egypt it was Euros 3,803 which is over seven times as little. According to the Ministry of Finance (2008), wages as a % of GDP declined from 8.1% of GDP in 2001/02 to 7.1% in 2007/08. The Gini coefficient in Egypt is 34.4 and 30 for the EU15 suggesting a higher income inequality in Egypt which may be another potential push factor for migration or the result of temporary overseas migration. Although Egypt has experienced real economic growth of 7% recently, this growth was not reflected in improved income distribution, lower poverty and increased *per capita* expenditure (Kheir El-Din and El-Laithy 2006).

Table 1.6 shows the average weekly wage by economic activity and sector in 2005-07. The average monthly wage in the public sector was LE 1232 (equivalent to Euros 153) and in the private sector LE 856 (equivalent to 106 Euros). This suggests a huge gap in the average wage rate between Egypt and the EU.

According to Said (2007) in 2006, though the overall wage distribution was much wider, median real wages have sufficiently increased so that the proportion of workers that can be classified as low-waged has significantly declined in comparison to 1998. In fact, in many ways, the 2006 wage structure very much resembles that of 1988, in terms of level and distribution of real wages as well as the percentage of workers with low wages. Thus, after almost twenty years of structural adjustment measures, labour market rewards in Egypt have mostly followed a ‘U turn path’ of decline followed by recovery and return to pre-adjustment levels. She also finds that the relative rewards for women have significantly improved in 2006 compared to the situation in 1998. They witnessed larger real wage improvements in comparison to their male counterparts because women were concentrated in the government sector where real wages increased by 40% as opposed to only 17% in the private sector. But even in the private sector, the unexplained gender pay gap was almost halved in comparison to its magnitude in the 1980s.

Second, although the government sector remains a haven for groups such as women or vocational school graduates, paying them higher wages than in the private sector, the magnitude of those wage gaps have significantly declined in 2006. Moreover, rewards for a university level of education are now highest in the private sector, and the government sector has a much more decentralized/dispersed wage structure than in the 1980s. As real wages increased much faster in the public compared to the private sector, public sector wage *premia* also widened, particularly in public enterprises. In fact, wage setting in public enterprises now closely resembles that in the private sector so the divide is between government and non-government wages.

Table 2.2: Average Weekly Wage by Economic Activity

*Economic Activity	Sector	2005	2006	2007
Agriculture	Public	354	211	183
	Private	105	127	140
Fishery	Public	123	130	156
	Private	104	134	192
Mining	Public	390	337	454
	Private	506	650	656
Manufacturing	Public	247	304	297
	Private	147	153	185
Utilities	Public	267	345	321
	Private	387	298	399
Construction	Public	236	255	299
	Private	236	214	241
Trade	Public	226	254	281
	Private	185	222	205
Hotels & Restaurants	Public	133	131	318
	Private	156	150	175
Transportation	Public	253	296	315
	Private	220	254	253
Finance	Public	317	327	345
	Private	514	465	783
Housing & Real Estate	Public	299	180	244
	Private	410	231	246
Education	Public	0	0	-
	Private	93	98	111
Health and Social Work	Public	43	254	252
	Private	88	115	120
Personal & Social Services	Public	267	156	136
	Private	133	125	137
Total	Public	257	303	308
	Private	168	172	214

Source: CAPMAS.

Table 2.3: Distribution of Real Hourly Wages for Wage and Salaried Workers, 1988-2006

	Median real hourly wages by group					Gini coefficient for earnings by group				
	Level (in 2006 L.E)			Change (%)		Level (in 2006 L.E)			Change (%)	
	1988	1998	2006	1988-98	1998-2006	1988	1998	2006	1988-98	1998-2006
TOTAL	2.25	1.73	2.10	-23	21	0.39	0.37	0.55	-0.02	0.18
Gender										
Male	2.31	1.75	2.08	-24	19	0.39	0.36	0.48	-0.04	0.12
Female	1.90	1.65	2.24	-13	36	0.39	0.43	0.71	0.04	0.27
Age Group										
15-24	1.78	1.23	1.46	-31	18	0.35	0.33	0.42	-0.02	0.09
25-34	2.25	1.63	1.97	-28	21	0.33	0.32	0.54	-0.01	0.22
35-49	2.92	2.00	2.50	-32	25	0.36	0.35	0.53	-0.01	0.18
50-64	2.95	2.54	3.21	-14	26	0.44	0.38	0.59	-0.06	0.21
Region										
Greater Cairo	2.82	2.14	2.49	-24	16	0.44	0.39	0.52	-0.05	0.13
Alexandria and Canal Cities	2.71	2.06	2.42	-24	18	0.38	0.42	0.47	0.04	0.05
Urban Lower Egypt	2.25	1.79	2.21	-21	24	0.38	0.34	0.51	-0.04	0.17
Rural Lower Egypt	2.27	1.78	2.50	-22	40	0.33	0.32	0.63	-0.01	0.31
Urban Upper Egypt	2.00	1.58	1.92	-21	22	0.35	0.36	0.54	0.01	0.18
Rural Upper Egypt	2.21	1.43	1.88	-36	31	0.28	0.32	0.50	0.04	0.18

	Median real hourly wages by group					Gini coefficient for earnings by group				
	Level (in 2006 L.E)			**Change (%)**		**Level (in 2006 L.E)**			**Change (%)**	
	1988	**1998**	**2006**	**1988-98**	**1998-2006**	**1988**	**1998**	**2006**	**1988-98**	**1998-2006**
Education Level										
Illiterate	2.00	1.43	1.71	-29	20	0.32	0.33	0.40	0.01	0.08
Literate without										
Diploma	2.19	1.54	1.71	-30	11	0.35	0.35	0.45	0.01	0.10
Elementary School	2.09	1.59	1.77	-24	11	0.37	0.33	0.49	-0.04	0.16
Middle School	2.17	1.78	2.00	-18	12	0.32	0.32	0.44	0.00	0.12
General High school	3.25	2.14	2.22	-34	4	0.38	0.45	0.51	0.07	0.06
Vocational high school	2.25	1.58	2.01	-30	27	0.38	0.32	0.61	-0.05	0.29
Post-secondary institute	2.85	1.92	2.49	-33	30	0.38	0.34	0.60	-0.04	0.26
University & above	3.74	2.65	3.04	-29	15	0.41	0.38	0.52	-0.03	0.01
Sector of Activity										
Agriculture	2.00	1.43	1.67	-29	17	0.26	0.31	0.35	0.05	0.04
Industry	2.31	1.78	2.02	-23	14	0.39	0.37	0.53	-0.02	0.16
Services	2.44	1.78	2.22	-27	24	0.41	0.37	0.57	-0.04	0.20
Economic Sector										
Government	2.38	1.77	2.47	-26	40	0.37	0.35	0.61	-0.02	0.26
Public Enterprises	2.92	2.32	2.82	-21	22	0.37	0.37	0.52	0.00	0.15
Private Sector	2.24	1.60	1.88	-29	17	0.40	0.38	0.45	-0.02	0.07

Source: Said (2007) based on 1988 LFSS, 1998 ELMS and 2006 ELMPS.

3. Main labour market performance: issues and challenges

3.1. Unemployment

Egypt witnessed an increase in both unemployment rates and in the numbers of unemployed individuals in the 1980s and 1990s. However, by 2006, the first signs of a slow down or even a decline in unemployment rates were seen. The standard definition of unemployment requires: the individual not to have worked even one hour in the week prior to the interview; to have desired to work; to be available for work; and to have actively searched for it during the reference period. According to this definition of unemployment and the market definition of economic activity Assaad (2007) using the 1998 ELMS and 2006 ELMPS, finds that the unemployment rate in Egypt declined from 11.7% in 1998 to 8.3% in 2006. The observed broad-based decline in unemployment rates in the 1998-2006 period came after a period of fairly widespread increases in the previous decade. The absolute number of unemployed has also declined from just over 2 million to 1.9 million. The number of discouraged unemployed has fallen even more rapidly during the period from 381,000 to 296,000, a rate of decline of 3.4% p.a.

There are various estimates of unemployment in Egypt. However, they all indicate the same recent downward trend. According to the most recent Census (2006) data, the unemployed amounted to two million, corresponding to a rate of 9.3% of the total labour force. Given the Sixth Five Year Plan in 2006 the rate of unemployment was 9.3% and fell to 8.4% in 2007 and is expected to reach 5.4% by 2011/12 according to the Ministry of Planning.

An important aspect of unemployment in Egypt is its gender dimension: the female unemployment rate is higher than the males equivalent. This higher female unemployment rate is due to the growth in the female working-age population and the rising labour force participation rate brought about by higher educational attainment. In 1998, female unemployment rate was almost 28% while the male unemployment rate was 7 percent. Although by 2006, unemployment rates have declined for both genders: female unemployment was still almost four times as high as the male equivalent at 19% compared to 5% among men, Table 3.1. Thus the gender gap in unemployment is among the highest in the region. Overall, women are four times as likely to be unemployed as men and young women, and 3.8 times as likely to be unemployed as young men. Although unemployment rates for young women with technical secondary degrees have declined, those for women with post-secondary institute degrees and university degrees have increased since 1998. The decline in unemployment for women technical secondary graduates results from increased discouragement and, therefore, increased inactivity. Assaad (2007) argues that the dramatic contraction in government hiring from 1998 to 2006 led to fewer applications for government jobs among these young women. Since for many among them the going wage in the private sector was below their reservation wage not only because of the lower average private sector wages, but also because of the lack of substantial non-wage benefits associated with public jobs, many women stopped seeking employment. Assaad (2007) showed that reduced employment rates in government during this period were counteracted by reductions in labour force participation for educated women in general and for technical secondary graduates in particular. As the number of vocational high school graduates increased and the opportunities for them in the government have dwindled, female technical secondary graduates were participating at lower rates in 2006 than before.

As for unemployment rates by educational level, in 2006, unemployment rates were very low for people with lower levels of education, increased for technical secondary graduates, but increased even more for post-secondary and university graduates in most cases. In fact, university graduates are the only educational group to have experienced an increase in unemployment rates between 1998 and 2006. All other groups have seen a decline in unemployment, in many cases quite large declines. Thus, unemployment in Egypt is best represented among more educated workers, with those without education having very low unemployment rates – probably for them unemployment is a luxury.

An important characteristic of unemployment in Egypt is its young face. About three quarters of the unemployed are young. Youth unemployment is also concentrated among the educated as a result of the incapability of the economy to create sufficient new job opportunities to accommodate the annual increase in the labour force which is mostly composed of youth entering the labour market for the first time at the same time as the public sector has been downsizing.

Unemployment is especially high for new entrants to the labour force with intermediate and higher education and for women. This structure of unemployment suggests that a significant part of unemployment results from high job expectations by workers with some formal education, and a low valuation of these credentials by the private sector because education systems have concentrated on making public-sector jobs accessible rather than on building skills. Although government hiring has been curtailed in recent years, the structure of the labour market remains segmented. Educated new entrants continue to queue for government jobs because of such non-wage benefits as job security and social protection.

Unemployment benefit schemes

Unemployment benefits are *r*egulated by Law 79/1975, and they correspond to 60 % of the last salary received by the dismissed worker and are granted for a maximum period of 28 weeks after dismissal. Unemployment benefits are financed through a contribution of employers equal to 2% of their workers' wages, and through the revenues made from the investment of such contributions. Requirements to qualify for unemployment benefits are as follows:

- the employee must not have resigned or lost his/her job as a result of a judicial sentence
- compromising his/her honour, honesty and moral attitude;
- the employee must have been part of the official insurance system for at least six months, the last three of which with no interruption;
- the name of the employee who is officially part of the insurance system must appear in the unemployment register of the labour office.

The conditions under which a dismissed worker is not entitled to receive unemployment benefits are rather numerous:

- the dismissed employee has refused a suitable job assigned to him/her by the labour office (a job is deemed suitable when the corresponding salary is at least 75 % of the last salary received, when it matches the experience and qualifications of the former employee, and when the job is within the governorate where he/she has been working before);
- the dismissed employee is self-employed;
- the unemployed person is a waged employee receiving a salary which is equal to or higher than unemployment benefit;
- the unemployed person benefits from a social pension which is equal to or higher than unemployment benefit;
- the former employee has left the country for an indefinite period;
- the former employee is 60 years or older.

Unemployment benefits are no longer granted when the cases listed below occur and are provided again as soon as the situations described here cease to exist:

- when the unemployed person does not visit the labour office regularly, unless serious reasons account for it;
- when the dismissed worker refuses to participate in the training indicated by the labour office;
- when the unemployed person joins the army;
- when the dismissed worker receives a wage or a pension which is lower than the unemployment benefits (in this case, the individual is granted only the difference between what he/she earns and the unemployment benefits). See De Gobbi and Nesporova (2005)

The Workers Emergency Aid Fund was created to alleviate the effects of economic liberalisation, privatisation and adoption of the new Labour Law which gives employers more flexibility to dismiss, to adopt fixed-term contracts and to change the conditions of the labour relationship. Regulated by Law 156/2002, this fund provides some financial support to those workers who stopped receiving their salaries because of the partial or total closure of the enterprise where they were employed or because of dismissal due to a reduction in staff. To have access to the financial allocations from this fund, workers must be part of the official insurance system and must not be receiving unemployment benefits. In addition, he/she must have been employed in the same enterprise for at least one year. The financial support offered can be enjoyed for a maximum period of six months. The financial contribution received by the former worker corresponds to 75% of his/her highest salary and ranges between L.E. 150 and L.E. 1,000 per month. The fund is financed through a fee of about 1% of basic workers' wages. The financial contribution ceases to be granted in the following cases:

- when the former employee finds another job;
- when the enterprise where he/she was working restarts activities;
- when the labour relationship is terminated according to law provisions;
- when it is found that the financial support is being received through fraud. De Gobbi and Nesporova (2005).

In practice, very few workers receive unemployment benefit. Data on the rate of coverage of unemployment benefit is not available. According to the ILO, although since 1982, the government was not committed to providing unemployment insurance benefits against unemployment for workers in the private sector, it continues to apply the law requiring employers to pay 2% of all the salaries for unemployment insurance.

Table 3.1: Unemployment rates by Gender, Age & Education 1998-2006

	1998			2006		
	Male	**Female**	**TOTAL**	**Male**	**Female**	**TOTAL**
Unemployment Rate (by age, %)						
15-19	17.88	54.68	26.31	10.25	27.02	14.57
20-29	15.16	51.13	25.35	9.58	38.69	17.46
30-39	2.56	12.29	4.99	2.23	13.06	4.89
40-49	1.3	2.57	1.54	0.8	1.07	0.88
50-59	2.05	0.31	1.8	0.59	0	0.45
60-64	0.39	0	0.35	0.36	0	0.28
	1998			**2006**		
	Male	**Female**	**TOTAL**	**Male**	**Female**	**TOTAL**
Unemployment Rate (by level of education, %)						
Illiterate	3.26	5.29	3.66	1.17	0.38	0.9
Literate without any diploma	3.52	19.03	4.42	1.41	0	1.28
Elementary school	4.41	14.62	5.23	1.7	4.29	2
Middle school	5.31	12.32	5.8	2.47	5.55	2.84
General high school	7.37	33.80	12.13	5.11	3.62	4.92
Vocational high school	14.06	48.18	24.99	6.55	34.21	13.77
Post-secondary institute	9.59	25.64	15.75	5.59	23.58	11.12
University & above	6.52	16.84	9.69	9.33	24.93	14.37
Unemployment rate (%)	7	27.64	11.68	4.68	18.57	8.3

Source: ELMPS2006.

3.2. The Informal economy

The informal economy consists of a wide range of informal enterprises and informal jobs. Despite its heterogeneity, it can be two main component segments can be distinguished: type of economic unit and employment status. Informal economic units consist of micro-enterprises (with an employer plus some employees with permanent employees), family businesses (with an owner operator and, sometimes, unpaid family workers, without permanent employees), and own account operations (with an individual owner operator). The enterprise of informal employers must fulfil one or both of the following criteria: size of unit below a specified level of employment, and non-registration of the enterprise or its employees. The informal sector refers to all unregistered or unincorporated enterprises below a certain size, including: micro-enterprises owned by informal employers who hire one or more employees on a continuing basis; and own-account operations owned by individuals who may employ contributing family workers and employees on an occasional basis. In addition, the informal sector does not include agricultural activities.

Informal employment status also refers to employees of informal enterprises as well as wage employment in formal enterprises, households with no fixed employer including: domestic workers, casual or day labourers, temporary or part-time workers, industrial outworkers (including homeworkers), and unregistered or undeclared workers. Under the expanded concept, informal employment is understood to include all remunerative work – both self-employment and wage employment – that is not recognised, regulated, or protected by existing legal or regulatory frameworks and non-remunerative work undertaken in an income-producing enterprise.

Egypt has a large and substantial informal sector. The informal sector has played an important role in job creation in the Egyptian labour market. However, the jobs created in this sector tend to be of lower quality in terms of wage, sustainability and work conditions. According to Assaad (2007) informal employment has increased from 57% in 1998 to 61% in 2006. Moreover, 75% of new entrants who entered the labour market in the first five years of this decade were entering into informal work, compared to only 20% of workers in the early 70s. Thus, the informal sector has acted as a buffer for unemployment.

According to Wahba (2009) and based on the 1998 ELMS and 2006 ELMPS, informal employment is male dominated with over 85% of informal workers being men, although there has been a slight increase in the proportion of women. There has been an increase in the share of 20-29 years old among informal workers. This pattern is the result of queuing by the new entrants to the labour market for public sector jobs and also the result of previous fertility trends that have translated into more youth entering the labour market. The share of illiterate workers among informal workers has also declined due to the overall increase in educational attainment over that period. There is too a noticeable increase in the share of those with intermediate education among informal workers in 2006. Moreover, the share of university graduates has increased slightly over this period suggesting that more university graduates have informal employment in 2006 than they did in 1998. The regional variation in informal employment is quite interesting. Greater Cairo no longer has 1 in 5 informal workers. The biggest regional increase in the share of informal workers was in Upper Urban Egypt, which almost doubled between 1998-2006.

Available data on household economic units in 2006, according to Al Mahdi 2007, suggest that there were 3.5 million economic units. The percentage of economic units that do not comply with any legal procedures (having a license, a commercial/ industrial registration, and keeping regular accounts for tax purposes) increased from 32% of the total number of economic units in 1998, to 35% in 2006. This increase happened despite government policies aiming to improve the situation such as (a) the simplification of the legal procedures; (b) the new labour law; (c) the new Micro and Small Establishments law; and, (d) the new tax law – see section 4.4. The number of semi-formal economic units that comply with one or two procedures has dropped from 50% in 1998 to 47% of all economic units in 2006. On the other hand, the percentage of economic units that comply with all procedures (18%) has remained at the same level as in 1998 (18%). The main non-compliance procedure is in not keeping regular accounts. These results suggest a state of steadiness of informality among the MSEs, but also indicate that the current policies are not conducive enough to small entrepreneurs or have not reached the small entrepreneur yet.

3.3. Immigration and labour market: role and impact

Egypt attracts a limited number of legal migrants. Legal immigration is heavily regulated. According to the 2003 Labour law, foreign workers can only work in Egypt on the basis of reciprocity (Article 27). Moreover, in order to be employed, foreign nationals must seek residence and work permits, and enter Egypt for the purpose of employment (Article 28). In 2007, according to the MOME, 20,198 (7,794 of which were new) foreign nationals obtained work permits – Table 3.2.

Table 3.2: Number of Foreign Nationals in Egypt granted work permits by main countries of origin in 2007

	Number
Arab Countries	7881
European Countries	5704
African Countries	203
Asian Countries	4710
Americas & Australia	1570

Source: The MOME.

Egypt receives a substantial number of irregular migrants and refugees but the estimated numbers vary according to source, Nassar (2008). According to UNHCR, in 2005, there were 70,255 Palestinian, 13,446 Sudanese, 3,940 Somali refugees in Egypt, Table 3.3. Due to Egypt's location, transit and irregular migration has grown in size. Refugees and failed asylum seekers are subject to the same restrictions that other foreign nationals face namely, to be employed they need: i) reciprocity; ii) a valid residence permit; and iii) a valid work permit. The lack of employment opportunities and educational opportunities drive refugees to flee to neighbouring countries (Badawy 2008). Refugees have limited access to labour markets and thus if they work they join the informal labour market. Assessing the impact of irregular immigration on the Egyptian labour market is difficult. Nassar (2008) notes the various jobs performed by the various groups of refugees – such as the Sudanese and Somalis – tend to be, especially for females, in domestic work.

Table 3.3: Refugees and asylum-seekers in Egypt

Refugee population, end of year--main origin										
Origin	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Occupied Palestinian Territory	15	32				134	70,195	70,215	70,245	70,255
Sudan	1,461	1,587	1,863	2,577	2,883	4,659	7,629	14,178	14,904	13,446
Somalia	3,493	3,546	3,119	2,568	2,610	1,177	1,639	3,068	3,809	3,940
Ethiopia	47	59	44	56	54	102	111	329	481	516
Yemen	559	631	669	678	683	628	412	344	319	209
Asylum applicants during the year--main origin										
Origin	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Sudan	2,057	1,384	4,953	5,202	12,206	9,529	6,253	5,726	9,720	2,400
Somalia	113	112	197	647	1,822	2,559	1,977	224	340	538
Ethiopia	97	384	295		547	545	299	325	289	189
Eritrea	14	20			211	224	59	55	106	153
Iraq	26	27			64	23	92	57	20	133

Source: UNHCR, Statistical Yearbook 2005.

3.4. Brief analysis of other major challenges

- Recent Development

Egypt has undergone a number of economic reform measures since the early 1990s, with the aim of liberalizing the economy and moving towards a market economy. The main challenges have been in absorbing the increasing numbers of the unemployed resulting from the increase in labour supply and from the downsizing of the public sector. One of the main structural problems facing the labour market has been the limited demand for labour by the formal private sector, resulting in an increasing informal private sector. The inability of the private sector to become a major source of job creation is driven by the high cost of labour due to low productivity, the high cost of social insurance and the high cost of firing and hiring even after the introduction of the new labour law. At the same time, the increase in technical education graduates with skills that are not matching the needs of the private sector have resulted in high unemployment rates among vocational secondary school graduates.

Since 1991, privatisation of state owned enterprises has been on the agenda and has only gained momentum since 2004. The Government used various privatization techniques: 26% of companies were privatised through sale to an Employee Shareholder's Association; 28% through shares offered on the stock market; 24% by means of liquidation and asset sales; and 22% through sales to anchor investors. Out of the remaining 153 public owned companies, 86 will be "mass privatised". The overall impact of privatisation on employment has not been yet analysed. However an earlier study based on 69 firms, which were privatised between 1994 and 1998, found that these privatised firms have experienced significant increases in profitability and operating efficiency, while significant decreases in employment, leverage, and risk were found.

Assaad (2007) finds that while employment in state-owned enterprises (SOEs) started to decline in the 1988-98 decade, employment in government was still growing rapidly during that period at about twice the rate of the growth of overall employment. This has clearly changed in 1998-06. Employment growth in the civil service has slowed dramatically and much of the burden of employment creation has shifted to the private sector.

The main changes in the Egyptian labour market over the last decade are as follows.

- Female employment

Educated women have been much more negatively affected than educated men, as a result of privatisation for, unlike in the past, they cannot find new jobs in the public sector, while the private sector gives clear priority to men. Barriers to entry for women into the private sector are due to a number of factors, including employers who are unwilling to hire workers whose commitment to the labour force may be short-lived, predominant social norms, and attitudes limiting what constitutes gender-appropriate employment, and mobility constraints that limit women's job search activities to local labour markets. While female-specific mandates on employers to provide paid and unpaid maternity leave, as well as child-care provisions may also make them reluctant to hire women, the poor enforcement of these mandates in the private sector makes this an unlikely reason for not hiring women.

- Youth employment

Unemployment in Egypt is essentially a problem relating to the labour market insertion of a growing and increasingly educated youth population. The vast majority of the unemployed are under the age of 30, educated at least up to intermediate level, and have never worked before. According to Assaad and Barsoum (2007), in 2006, 50% of male school leavers had found their first job within 2 years of leaving school, down from three years in 1998. Seventy five percent found jobs in 2006 within 5 years of leaving school, whereas in 1998 it would have taken nearly 8 years for that proportion to find jobs. The female rates of transition from school to work are much lower and do not exceed 25% even after 15 years. There is no perceptible improvement in the transition time from 1998 to 2006 for women.

The ELMPS of 2006 shows that only 33% of the employed young who received wages had a legal contract with their employers. Only 30% had social insurance coverage, 21% had medical insurance, and only 15% were members of a labour syndicate or a union. Moreover, only a fraction of the Egyptian working young received the basic package of non-wage benefits such as paid vacations (23 percent) and sick leave (22 percent). In terms of earnings, Assaad and Roushdy (2007) have shown that 69% of working youths in 2006 could be classified as low earners, based on a low earning threshold that uses the national poverty line as a basis. Thus, the majority of those who obtain paid employment are in a poor quality job that does not allow them to start a family and complete their transition to adulthood and independence.

- Public Sector:

The public sector has been pivotal in the Egyptian labour market. It has played a major role in absorbing the increasing labour force during the past three decades. It has been the preferred sector of employment for many new entrants to the labour market, particularly women. The guaranteed civil-service employment for graduates of secondary and higher educational institutions has led to the concentration of educated workers in the public sector. But by the early 1990s – prior to economic reforms – the public sector was overstaffed and inefficient, and its wage bills constituted a huge burden on government expenditure. Also, the growth of the private formal sector in job creation and absorption was limited. Thus, any structural adjustment programmes in Egypt had to start with the public sector.

The Egyptian government has turned to downsizing the public sector in an effort to reduce budget deficits and to address the inefficiencies in the civil service as part of the economic reform programme. Early retirement has been the main method used to reduce public-sector employment in the 1990s. In addition, the growth of the public sector has been declining. By 2006, there is evidence to suggest that both the shares of government employment and public enterprises in total employment have declined. However, the brunt of the squeeze in the public sector has been experienced by females who 54% of whom used to work in the public sector in 1998, compared to 37% in 2006. Another characteristic of public employment is its high level of graduates from intermediate and higher education institutions. Guaranteed employment, without concern for productivity in the public sector, led to the prevalent rent-seeking behaviour among the graduates and created strong disincentives for working in the productive sectors. The result is poor use or even waste of educated labour by distorting the incentives in labour markets.

Assaad (2006) argues that the longstanding policy of the Egyptian government to guarantee government employment to upper secondary and university graduates has given households distorted signals. These shaped the educational decisions of households and encouraged them to invest heavily in forms of education, such as technical secondary and higher technical institute education that have very low returns in the private sector. Faced with strong demand for such education from the public, the government supplies it at the expense of being able to guarantee basic quality education to all of those who are eligible for it. The government also used technical schooling as a way of limiting university enrolment since technical schooling was an alternative pathway. The combination of educational and hiring policies have resulted in the distortion of household decisions and the misallocation of human resources to unproductive activities, leading to the low productivity of those resources in the economy.

- Education, training and employment

Free education, publicly provided, has been a central tenant of the social contract in Egypt since independence. The government significantly expanded the education system, driven by rapidly expanding young populations and the need to build nationhood. Formal education indicators have been improving rapidly with massive investment in education and training. However, the focus on universal access to education has often overshadowed the issue of quality resulting in some serious labour market imbalances caused by the inadequate educational and training systems, which do not respond to a changing demand for skills.

According to Assaad (2007) the educational composition of new entrants has also changed significantly over time. The proportion of those without any educational credentials dropped from close to 45% in the mid 1970s to about 15% in 2005. This secular decline was matched by a dramatic increase in the share of new entrants with secondary educational credentials, which went from nearly 20% in 1975 to over 40% in 2005. The vast majority of these secondary degree holders are technical secondary graduates since nearly all of general secondary graduates continue onto post-secondary degrees. The share of those with only elementary or preparatory education increased somewhat in the 1980s but then has declined again since.

- Current Global Economic Conditions

The Egyptian economy suffered last year from the repercussions of the unfavourable worldwide conditions. However, the economy managed to meet these challenges and to maintain its momentum with a real GDP growth rate exceeding 7 %, for the second year consecutively, and real private consumption growth rate of 3.7% (MODE)

The government has started to tackle the under-pricing of energy. They hiked diesel prices in mid-2004; further adjusted retail prices in mid-2006; and, in late 2007, launched a three-year program to phase out most industrial energy subsidies. However, prices for most energy products are still far below international prices. This distortion could attract investment into sectors where Egypt does not have a long-run comparative advantage. It also encourages levels of energy consumption that impose high environmental costs and that use up public funds.

At the same time, with the increase in food prices in the summer of 2008, many households felt the pressure. Official estimates by CAPMAS put the inflation rate in urban areas at around 22.3% in November 2008. Hence, the brunt of the recent food price hike has been experienced by Egyptian households.

In addition, the current global financial crisis may have indirect impacts on the Egyptian labour market. First, if the demand for Egyptian exports (e.g. textile industry and agricultural products) by the West falls, this will affect both manufacturing and agricultural sector outputs and employment and might lead to higher unemployment. In addition, if tourism declines this will have wider implications given the importance of this sector for the economy as a source of foreign exchange as well for employment. Finally, if the crisis affects the Gulf States and Arab labour exporting countries this will lead to less demand for Egyptian workers in the region and may result in significant numbers of these returning. Thus, the Egyptian labour market is not immune from the repercussions of the current global crisis.

4. Employment policies and labour market reform

4.1. Institutional setting of national employment policy and employment policy-making process

Since 2000, the government has launched a set of initiatives to improve conditions in the labour market with the purpose of better matching supply and demand under the National Employment Strategy. Associated with this is the National Programme for Youth Training, implemented by the Ministry for Military Production and the MOME, and a long number of smaller scale initiatives. The integration of the Egyptian Observatory for Education, Training and Employment under the Work Programme of IDSC (Information and Decision Support Centre at the Cabinet of the Prime Minister) has represented a further step in the fight against unemployment with better and more elaborate labour market information and its conversion into policy recommendations to be translated into concrete human resource development policies (ETF, 2008).

The Egyptian National Competitiveness Council, created in order to monitor the objectives and targets of growth and competitiveness of the government and the private sector, has recently declared its interest in further investigating the links and relationships between human capital development, employment and economic growth. Their recent studies show that while the country is doing extremely well in terms of macroeconomic indicators, this has not yet been translated into more and better employment and increased social welfare for different segments of the population (ETF, 2008).

4.2. National Employment Programme

In 2000, the government launched a set of initiatives to improve conditions in the labour market with the purpose of better matching supply and demand under the so called National Employment Programme (NEP), with five main components.

1. *Emergency employment schemes*: to correct labour market imbalances, targeting bottleneck groups (nurses, maintenance workers, transport…) and deprived regions (especially Upper Egypt). The schemes also include the launching of public-works project.
2. *Creation of a National Training Fund*: this demand-driven government-subsidised fund will

finance enterprises recruiting new graduates. It will also include a research facility to monitor labour market demand and to cater for required skills..

3. *Reforming labour market institutions*: the reform of particularly service providers through upgrading and modernising the employment services offered by the MOME and other existing agencies, councils and funds.
4. *Implementation of an informal sector strategy*: this strategy will focus on this viable sector and provide a package including credit, marketing, infrastructure and social protection.
5. *Strengthening the labour market information system*: this will come through an objective, timely and transparent approach.

In addition to these areas, the NEP aimed at enhancing the competitiveness of the Egyptian economy as a long-term objective through establishing a skill formation system that includes the reform of the educational system; introduction of new skills (ICT); continuous re-skilling; as well as public-service reform. In 2001, the government launched a 'national plan for training graduates and the young'.

However, it has been argued that the launch of the NEP was not followed by serious implementation efforts, see for example, El Ehwany and El Laithy (2001). These authors also add that there is 'complete divorce between the macro-economic policies and the employment policies'. El-Megharbel (2007) argues the NEP was not part of the national development plan. She argues that 'there was no comprehensive strategy for employment' because the government tended to deal with job creation through piecemeal and scattered measures and only in emergencies.

Although the NEP indicated that employment has climbed up the political agenda, it has not yet delivered its aims in terms of job creation. There is no doubt that there is a need for a more integrated approach to employment that takes into account not only macro-economic policies and the demand side, but also the education system and the supply side.

4.3. Active Labour Market Policies

Active labour market policies (ALMPs) aim to correct labour market failure and have been used in Europe and the US to deal with high unemployment and deficient aggregate demand. These polices take the form of direct job creation to restore the employability of workers, labour market training to give workers the skills required by firms, and job brokerage to improve the match between job seekers and vacancies such as employment services that provide better information on vacancies or help to improve the search effectiveness of the unemployed. Several active labour market policies in the form of employment and training programmes have been set up in Egypt to promote job creation and reduce the unemployment problem. Such programmes are organized by several ministries and organisations: the MOME, SFD, IDSC, as well as by various NGOs.

Public Work Programmes:

- The Public Works Programme organised by the Social Fund for Development (SDF)[5] provides funding for small projects to improve infrastructure in rural and deprived urban areas. It aims to attract investment in local communities and lead to a favourable work environment. During the period 1994-2000, the PWP created some 6,316 permanent jobs and 111,013 temporary

5 The Social Fund for Development (SFD) is a semi-autonomous governmental agency under the direct supervision of the Prime Minister, financed by the Government of Egypt in cooperation with the World Bank/IDA, the European Union, Arab Funds and other donors. The SFD was created to protect and improve the status of the poor and the unemployed, during the period of economic transition. Its mission is to facilitate the implementation of Egypt's economic reform programme by mitigating the adverse effects of structural adjustment on low income groups, and by strengthening Egypt's institutional capacity (governmental and non-governmental) to develop new social programmes and upgrade existing ones.

ones. The wage share in these programmes was only 30% of the total cost. Thus these programmes have not been perceived to be particularly successful in job creation.

- *The Skorouk Programme* (Egyptian National Integrated Rural Development Program) is another example of PWPs. This was launched by the Ministry of Local Administration and its main objective is the empowerment of the Egyptian rural community by providing jobs opportunities to the unemployed and by responding to the needs of the local community in terms of infrastructure, social services and economic opportunities. Between 1994-2000 about 59,000 permanent jobs and about 123,000 temporary ones were created.

El Megharbel (2006) notes that these programmes failed to meet their targets. For example, the impact of the public works program is limited to alleviating poverty during its implementation, with no sustainable outcomes. Similarly, the majority of jobs created by the rural development program, *Shorouk*, were temporary.

Programmes promoting micro and small enterprise development

Small and micro finance lending is another example of active labour market policy.

The Small Enterprise Development Organisation (SEDO) is to assist in the creation of jobs for low-income groups by supporting both new and existing small enterprises by providing credit and business support services. A key feature is the loan approval based on the proper assessment of feasibility studies instead of collateral and guarantees. The SEDO is a successful and cost-effective programme where industrial projects have been found to be the most employment-generating ones. It has created between 50,000 to 70,000 jobs per year, which corresponds to almost one-quarter of all non-agricultural jobs. The cost for each job created was estimated at around L.E. 5,856. (De Gobbi and Nesporova, 2005).

Mubarak Solidarity Program launched in 1996, which target people with very low incomes and unemployed youth. It tries to mobilise the production capabilities of beneficiaries and to provide aid in money and in kind. New small projects are supported through loans, on condition that the project yields social returns (investments for L.E. 700 million per year). The gross number of programme beneficiaries has reached 2.6 million. In total L.E. 65.3 million has been allocated to this programme, half of which for financing income-generating activities, with an interest rate of 3-4 percent.

Productive Family Programme was launched in 1964, through the Ministry of Social Affairs. It provides training, micro-credit and production and marketing support. SFD has been largely funding this programme. Loans are small and only allow for the sustaining of income-generating activities.

The main problems facing SMEs promoting programmes are sustainability and accessibility. Few programmes have managed to achieve financial self-sufficiency and as a result largely continue to rely on external funding. The accessibility of the programmes has been limited because banks providing credit to micro-enterprises impose stringent requirements. On the whole, these programs have only a limited impact on job creation. (See De Gobbi and Nesporova 2005). El-Megharbel (2007) notes that they lack follow-up and evaluation and are not successful because they require a certain level of formality and are, therefore, inaccessible to firms in the informal economy. Barsoum (2006) documents similar results, noting that despite the plethora of microfinance programs there remains an unmet need because of the restrictive requirements of many of the programs that provide credit.

Labour market information programmes
The MOME used to play a major role in allocating public employment jobs to new graduates. In the last two decades its role has though greatly diminished. It is now limited to providing a link between job seekers and job opportunities in the private sector, registering Egyptian workers abroad and issuing work permits. A National Employment Bulletin is issued regularly to give information on job vacancies. However, employment offices are inefficient. Several current projects aim at modernising these employment offices.

The Egyptian Observatory for Education, Training and Employment work integrated under IDSC. The main objective of the establishment of the Egyptian Observatory is to create a dynamic information system for employment and training in Egypt in order to provide accurate and updated data and information about both the supply and demand sides. The observatory functions are a focal supporting point and coordinating mechanism linking the agencies that produce data and the agencies benefiting from this data. It serves decision-makers in the government as far as education, training and employment are concerned. It also provides important data about the requirements of the Egyptian labour market for investors. According to ETF (2008), this is an important step towards better and more elaborated labour market information and its conversion into policy recommendations to be translated into concrete human resources development policies.

Human resource development programmes

Retraining the Unemployed
The Community Development Programme (CDP) and the Human Resources Development Programme (HRDP) run by the Social Fund for Development focusses on social and human development by supporting activities in the field of education, health, training, environment, etc. The CDP works in cooperation with the Productive Family Association supported by the Ministry of Social Affairs funds. The Productive Family scheme aims at improving poor family's economic resources through training and marketing services and vocational skills formation. The Human Resource Development Program (HRDP) targets the unemployed and the vulnerable and assists this group in obtaining and maintaining job opportunities by: improving the employability of unemployed and workers; building the capacity of the employment and redeployment services; and improving the capacity of the training system in line with the needs of the labour market. Between 1994 and 2000, the two programmes generated about 25,857 permanent jobs and a similar number of temporary ones.

Another scheme has been the Employment and Retraining Programme (ERP), one of the SFD programmes, created in response to the needs of public enterprise employees during and immediately following the restructuring and privatisation of the firms that employ them. The ERP funds labour adjustment schemes that mitigate any labour displacement that may occur in the process. It also trains unemployed new graduates in skills that are relevant to market demands.

Vocational Training
Many training programmes have been launched in Egypt since the early 1950s, most of which have been technical cooperation projects aiming to establish links between training centres and future employers. Vocational training in ministries has also mushroomed with several ministries organising training activities that are not coordinated e.g. the MOME, the Ministry of Education, the Ministry for Military Production, and the Ministry of Industry. Training policy is supposed to be the primary task of the Supreme Council for Human Resources Development. Although these programmes have had an impact locally, none of them managed to generate effects at a national level and to build partnerships with private firms.[6] Also, training centres have traditionally not taken into account demand for skills as

6 ETF (2008).

they were not concerned with the placement of workers in the labour market, since graduates were guaranteed jobs in public enterprises. Thus, the training system does not provide skills that are in demand in the labour market and particularly not in demand in the private sector. For a detailed list of suppliers of various training programmes see ETF, 2008 and De Gobbi and Nesporova, 2005.

Although there have been many different strategic documents for the reform of human-capital development (education, training, employment and active labour market policies), most of these have not been implemented.[7] A fundamental problem is the fragmentation and multiplicity of institutions involved. Yet, there is a now growing awareness of the need for a more integrated approach.

Summary**:**
De Gobbi and Nesporova (2005) argue that the ALMPs in Egypt have not always met their set targets since there are skill mismatches between workers and jobs, there are obstacles in job placements; and the credit schemes for self employment do not work well. El-Megharbel (2007) adds that ALMPs should be considered as short-term solutions to overcome labour market failures. Consequently, the impact of these policies on job creation should not be overstated. These policies must also be aligned with macro-economic policies in a global framework of a national employment strategy that aims at increasing employment.

Assaad and Barsoum (2007) argue that most active labour market programs are primarily provided through governmental or quasi-governmental bodies and suffer from limited efficiency, skewed targeting, and a heavy reliance on international donor support. Those programs fail either because they come from the top down, or were implemented badly. Many programs are initiated and supported through foreign donor support and are insufficiently institutionalized or integrated into a policy framework. Despite the success of some NGOs, these programs remain limited in scale and depend heavily on grants and, therefore, are not sustainable over the long term. Finally, there have been no systematic evaluations of most of the programs and policies addressing youth employment in Egypt. Studies with pre- and post-intervention designs involving control and intervention groups are very rare. This creates a huge knowledge gap that hinders the learning of lessons and the building of new projects.

To conclude, ALMPs have not been effective in creating jobs in Egypt. These programmes receive substantial public resources, yet their effectiveness remains in doubt. Most of these programmes have not been appropriately monitored and their impacts have not been well evaluated. In addition, there have been too many dispersed and uncoordinated policies. There is a need for a more integrated set of policies that address the roots of the malfunctioning labour market.

4.4. Recent changes in labour market legislation and reform

New Legislation
The Government introduced a new labour law (No.12) aiming at increasing flexibility in the labour market in 2003. The new law provides comprehensive guidelines for the recruitment, hiring, compensation, and termination of employees. In particular it provides increased flexibility for firms in the hiring/firing process which has been a major bottleneck for job creation in the Egyptian labour market. The new Law comprises 257 articles that address all the legal aspects regulating the Egyptian labour market. The new law aims at increasing the private sector involvement and at the same time achieving a balance between employees' and employers' rights. Amongst the most important issues

7 ETF (2008).

that the new law addresses is the right of an employer to fire an employee and the conditions pertaining to this as well as granting employees the right to carry out a peaceful strike according to controls and procedures prescribed in the new law. The new labour law aims to lead to more flexibility in the labour market by allowing a private sector employer to renew a temporary contract without transforming it automatically into a permanent employment status as was stated in the preceding law. Also, under the new regulation, employers can terminate a contract more easily and lay offs can be justified by difficult economic conditions. In return workers that have been dismissed have the right to appeal. However, workers in the public sector keep their privileges of life-long security for jobs as their contracts cannot be terminated.

Subsequent development in the new Labour Law includes other measures to foster human resources such as national accreditation processes, the creation of a National Training Fund and the recognition of training institutions. More recently, the Egyptian National Competitiveness Council was created in order to monitor the objectives and targets of growth and competitiveness of the government and the private sector.

Given the widespread evasion of labour regulations that occurred prior to the new law, the likelihood is that the 2003 law will merely formalise employment rather than increase employment. Even though the new labour law shows some progress it is clear that there is a need for further changes in taxes and social security systems to enable the new labour law to become more effective. The high cost of social security contributions is still acting as a deterrent for both employers and employees in formalising jobs.

In 2004, a new MSE law was decreed with the main objective of providing support to MSEs, first by defining them, and then by describing the main incentives that the law provided to them. Those incentives included (a) establishing local funds to finance MSEs; (b) allowing MSEs to take part and provide goods and services to the public; and (c) allocating 10% of the new land in industrial cities to be used by MSEs.

In 2005, a new tax law (No. 91) was decreed according to which tax rates were reduced from around 41% to 20%. The income brackets were widened and tax exemption was increased. The new tax law was associated with several incentives for enterprises. The new income tax law reduced the tax burden by 50 percent, eliminated tax exemptions and benefits, and simplified tax structure and tax administration. These reforms aimed at increasing disposable income, widening the tax base and enhancing economic growth. In addition, the government adopted a two-year plan to streamline and modernize tax administration and increase the efficiency of collection. Evidence so far suggests that this tax law has resulted in an improved taxpayers' compliance (MOF 2008).

4.5. Alternative strategies and policy options available for the sound management of excess labour supply

Managing the increase in labour supply is still a priority. The government should continue to raise public awareness about the implications of high birth rates. However, there is a need for an integrated approach in dealing with the increasing labour supply: it is vital to deal with the educational system, the labour market and private-sector support in an integrated fashion. There is a need to plan employment needs taking on board both the demand for labour in terms of macro-economic policies, investment policies and trade policies as well as the supply of labour in terms of skills, needs and the efficiency of the educational system in producing these skills.

It is crucial for Egypt to improve the quality of its education. Although educational levels in the labour force have increased, the quality of education has deteriorated with the increasing numbers of pupils. Moreover, although there has been an increase in the numbers of technical and vocational secondary school graduates, given their high rates of unemployment, it is obvious that these graduates do not have the skills required in the labour market.

Also, the government should consider providing incentives for firms to train workers. Private sector firms need to be encouraged to hire new graduates and women and also in training its workers through tax rebates.

In addition, the government should supplement the new labour law with other regulations that would allow the labour market to be flexible and to formalise jobs, for example by reducing social insurance contributions by employers and employees.

Finally, it is important to change the expectations of the young about the 'right' to a government job. Although the government has kept to the social contract of providing guaranteed employment for the educated since the 1950s, it is important to 'sell' to the young the importance of the private sector in a globalised competitive world where foreign investors seek cheap and skilled workers to invest their capital and set-up their business. The role of the government will change from directly providing jobs to one where it helps in job creation by enabling the private sector to create decent jobs. It is thus essential for the youth of Egypt to have the right expectation about the government's role and the need to contribute to the economy in a productive manner.

5. The impact of outward labour migration flows on national labour markets

5.1. Estimation and characteristics of outward migration flows since 1990

International migration has played an important role in the Egyptian economy over the last three decades. Egypt has been a major labour exporter since the early 1970s, exporting both educated and uneducated labour and becoming the largest labour exporter in the MENA region.

The Egyptian constitution guarantees each citizen a right of permanent migration. Law No. 11 of 1973 defines permanent and temporary migrations as follows. The second article states that an Egyptian is considered a permanent migrant if he/she establishes permanent residence outside the country and acquires the nationality of a foreign country or obtains a permit for permanent settlement, stays in that country for a period of not less than 10 years or obtains a permit for migration from the country of destination. Item three of the above mentioned law defines a temporary emigrant as an Egyptian who is not studying or who is on sabbatical leave or foreign duty, who makes his usual place of residence abroad, and holds a job to earn a living even if more than a whole year passes in his stay abroad. Official estimates on emigration in Egypt distinguish between temporary and permanent migration, though in practice this distinction is misleading since some temporary migrants stay permanently and *vice versa*.

There are two patterns of Egyptian emigration – the first pattern of emigration is to other MENA countries – to the Gulf States as well as replacement workers in Arab labour exporting countries such as Jordan and Lebanon. The majority of Egyptian migrants have been destined to neighbouring Arab countries. The second pattern has been to Western Countries: the US, Canada and Australia, but more recently to Western Europe. Temporary migration has been used to refer to migration to MENA countries and permanent migration to Western counties. However, with the new temporary migration to Europe, official statistics do not make a distinction based on destination. In 2005 according to CAPMAS there were around 2.8 million emigrants, 71% of whom were temporary and 29% permanent (Table 5.1). In fact, 95% of temporary migration was to Arab countries, and almost 4% to Europe (Table 5.2).

Table 5.1: International Migration in 2005

	Number	%
Permanent Migration	824000	28.96
Temporary Migration	2020958	71.04
Workers with work	784912	27.59
Accompanying	1236046	43.45
Total Migration	2844958	100

Source: CAPMAS

Table 5.2 : Temporary Migration in 2005

Country of Destination	Workers	Accompanying	Total	%
Arab Countries	748849	1179311	1928160	95.41
European Countries	29675	46723	76398	3.78
Australia	4660	7293	11953	0.59
African countries	912	1483	2395	0.12
Asian Countries	480	742	1222	0.06
Americas	336	494	830	0.04
Total	*784912*	*1236046*	*2020958*	
%	*38.84*	*61.16*		*100*

Source: CAPMAS.

Emigration to the Gulf States and to neighbouring countries tends to be affected by oil prices and political conditions in the region. The period 1992-1997 witnessed an upward trend in Egyptian emigration after a slowdown as a result of the Gulf war in 1991. The total number of contracts for Egyptian workers in Arab countries increased from a very low level of 589 in 1991 to 83,458 in 1994. Outflows of employed nationals increased from 1.221 million in 1992 to 2.181 million in 1997, at an average annual rate of 12.3%. The total number of Egyptian nationals abroad increased from 1.856 million to 2.901 million, at an average annual rate of 9.3%. The period 1998-2000 witnessed another downward trend due to the slowdown in the world economy as a consequence of the collapse of the East Asian financial markets in 1997. Outflows of employed nationals decreased from 1.982 million in 1998 to 1.9 million in 2000. Total number of nationals decreased from 2.806 million in 1998 to 2.724 million in 2000 (Nassar 2008b). However, by 2005-07 estimates show a bounce back. According to the 2006 Census, there were 3.9 million Egyptians abroad in 2006.

Based on a very recent CAPMAS study, in 2007, the number of overseas temporary Egyptian workers granted work permits was 1,008,771 up from 876,423 in 2006. 44.24% were granted work permits for the first time in 2007. Almost 95.8% of Egyptian workers abroad were in Arab countries: in Saudi Arabia, Kuwait, Jordan and UAE. Also, 97% of Egyptian workers abroad were males. Italy was the main destination of Egyptians granted work permits in Western Europe (24,252) followed by Greece (5,924). In the period 2000-2007, the total number of temporary migrants granted work permits was 5,794,631, see Table 5.3.

Around thirty percent of all Egyptian migrants are residing in OECD countries. According to CAPMAS, in 2000, 0.8 million Egyptians were in OECD countries. About 70% of Egyptian migrants to the West were concentrated in: the US (39 percent), Canada (13 percent), Italy (10 percent), and Greece (7 percent). Italy has become the main destination of Egyptian permanent migrants since the early 1980s. The US is no longer the main destination of permanent Egyptian migrants but Western Europe, in particular Italy and Greece, has become more popular among recent Egyptian migrants.

Table 5.3: Egyptian Workers Abroad by Work Permit Type and Country of Destination: 2000-2007

Country	New		Renewal		Total	
	Number	%	Number	%	Number	%
Arab Countries	2412047	96.32	3133882	95.24	5545929	95.71
European Countries	71504	2.86	129733	3.94	201237	3.47
Australia	2719	0.11	4005	0.12	6724	0.12
African countries	1442	0.06	1705	0.05	3147	0.05
Asian countries	1292	0.05	1611	0.05	2903	0.05
Americas	31	0	35	0	66	0
others	15147	0.6	19478	0.59	34625	0.6
TOTAL	2504182	100	3290449	100	5794631	100
%	43.22	–	56.78	–	100	–

Source: CAPMAS.

As for the occupation of Egyptian emigrants, Table 5.4 and 5.5 show the occupation of those Egyptian workers abroad who were granted work permits 1985-2002 and their destinations in 2002. Around 41% of Egyptians who were granted work permits in 2002 were scientists and technicians and a third were production workers. Over time (between 1985-2002) there is evidence of emigration becoming more selective of high skills among Egyptian workers granted work permits. Examining the occupation of Egyptian emigrants by destination highlight that emigrants to the Gulf tend to be more skilled relative to those who go to Lebanon, Jordan and Iraq.

Examining the educational level of emigrants, based on OECD estimates, 39% of permanent Egyptian migrants in 2003 were residing in the US, followed by 13% in Canada and 11% in Italy (Table 5.6). Examining the educational level of Egyptian emigrants – Table 5.7 – shows a very interesting pattern of emigration by education, even though these figures refer to permanent migrants only. First, 96% of all highly-skilled Egyptian migrant workers reside in Arab countries and only 2% reside in European Countries. At the same time, the majority of Egyptian workers in Arab Countries, 71% of all Egyptian workers, have intermediate education or below.

Table 5.4 Work permits granted to nationals abroad, by country of residence and occupation in 2002, %

Arab Countries	Occupation						
	Scientists and technicians	Managers	Clerical Workers	Sales and Services	Agriculture, animal husbandry and fishing	Production workers	Total
Bahrain	27.2	5.5	24.3	24.3	0	33.7	100
Iraq	2.6	0	1.5	1.5	33	62.9	100
Jordan	1.4	0	1.7	1.7	31.9	62.9	100
Kuwait	53.5	1.1	21.5	21.5	0.2	14.1	100
Lebanon	0	0	2.3	2.3	21.1	76.6	100
Libya	57	9	0	0	0	34	100
Oman	52.9	8.1	4.1	4.1	1.4	31.5	100
Qatar	51.5	1.9	6.1	6.1	1	37.4	100
Saudi Arabia	40.5	0.4	0.3	20.6	7.1	31.1	100
UAE	41.1	4	2.9	2.9	0.9	50.1	100
Yemen	69.1	18.1	1.1	1.1	0	7.7	100
Total	**39**	**2.4**	**12.7**	**12.7**	**8.6**	**35.8**	**100**

Source: Ministry of Manpower and Emigration, CARIM Database.

Table 5.5: Work Permits Granted to Egyptians in Arab Countries, by Occupation and Year (%)

Occupation	1985	1990	2002
Scientists and technicians	20.4	40.2	41
Managers	0.3	0.3	2.4
Clerical Workers	8.8	8	1.5
Sales and Services	18.5	17.3	12.7
Agriculture, animal husbandry and fishing	8.9	5.3	8.6
Production workers	43	28.9	33.8
Total	**100**	**100**	**100**

Source: Ministry of Manpower and Emigration CARIM Database.

Table 5.6: The Highly Skilled Egyptian Migrants to OECD Countries According to Country of Residence, 2003

Country of Residence	Number (in Thousands)	%
Australia	70	8.5
Austria	14	1.8
Canada	110	13.3
France	36	4.3
Germany	25	3
Greece	60	7.4
Italy	90	10.9
Netherlands	40	4.8
Spain	12	1.4
Switzerland	14	1.8
United Kingdom	35	4.2
United States	318	38.6
Total	**824**	**100**

Source: CAPMAS, 2003, CARIM Database

Table 5.7: Egyptian Emigrants Working Abroad in 2006 by Educational Level

Destination	Educationaal Level								Total	%
	High	%	Above teIntermedia	%	Intermediate	%	Below Intermediate	%		
Arab Countries	216352	96.21	29006	92.79	266737	93.47	325475	97.25	837570	95.59
%	25.83		3.46		31.85		38.86		100	
European Counties	5248	2.33	1887	6.04	15672	5.49	8225	2.46	31032	3.54
%	16.91		6.08		50.5		26.5		100	
Australia	7	0	..	..	3	0	…	..	10	0
%	70		..		30		..		100	
African Countries	877	0.39	15	0.05	83	0.03	34	0.01	1009	0.12
%	86.92		1.49		8.23		3.37		100	
Asian Countries	355	0.16	10	0.03	75	0.03	26	0.01	466	0.05
%	76.18		2.15		16.09		5.58		100	
Americas	282	0.13	21	0.07	107	0.04	81	0.02	491	0.06
%	57.43		4.28		21.79		16.5		100	
Others	1760	0.78	322	1.03	2710	0.95	843	0.25	5635	0.64
%	31.23		5.71		48.09		14.96		100	
Total	224881	100	31261	100	285387	100	334684	100	876213	100

Source: CAPMAS.

A field survey was carried out by the Egyptian MOME to identify the push factors in Egypt as seen by potential migrants. The results of this survey indicate that push factors in Egypt were overwhelmingly economic. Egyptian youth regard migration – legal or illegal – as a possible way to escape poverty and unemployment. With respect to the reason for migration, the study indicates that the main reasons behind migration were the low wages and salaries in Egypt compared to Europe, bad living conditions, and the lack of job opportunities in Egypt, especially among new graduates. An important factor that plays a major role in stimulating migration streams to Europe is the wealth of successful migrants and return migrants. Remittances of Egyptian migrants who work in European countries are important factors that stimulate a continuous stream of migration. Potential migrants claim that ordinary workers can save an average of 6,000 Euro *per annum* while working abroad (about 40,000 Egyptian Pounds). Potential migrants claim that the "*savings of one-year work in Europe is more than a lifetime salary in Egypt*" Zohry (2008).

As argued by Zohry (2008) Egyptian migration to Europe is different from other migration streams that target the same destination: Egyptian migration is male-dominated and generally temporary in nature, while other streams involve males and females who usually intend to stay in the destination countries. It is also important to note that the Egyptian migration stream to Europe today is different from the Egyptian migration stream to the West in the 1960s and early 1970s, a stream which was motivated by political unrest at home, economic pressures, and the Egyptian transition to socialism at that time. Most Egyptian migrants in that period were highly educated and economically established. Contemporary migrants to the West (to Europe) are less educated males who suffer poverty and unemployment to the extent that one may call this new stream of migration *"the migration of the poor"* See Zohry 2008.

Irregular migration

The current stream of Egyptian irregular migration to Europe started in the late 1990s with a massive number of new graduates and poorly-educated unemployed youth engaged in irregular migration to Europe either across the Mediterranean via Libya or through tourist Schengen visas that they then overstayed on. Zohry (2008) argues that the main reasons behind this new type of migration are not related to the tightened policy adopted by the European community, but to the following three factors: 1. Unemployment: the increasing severity of unemployment is one of the main push factors that stimulates a strong irregular migration stream to Europe. 2. Associated with unemployment is the difficulty for Egyptian youth in finding employment opportunities in the Arab Gulf countries due to the competition they face there from the massive influx of cheap South East Asian labourers who migrate to the same destination. 3. Geographical proximity and the ease of travelling to Libya where most of the boat journeys to Europe originate.

Circular and Return Migration

The majority of migrants from Egypt tend to be temporary. According to the ELMPS 2006, 4.8% of households had a member of the household working overseas. However, it is important to remember that this figure underestimates the real number since it does not include migrant *households* who are currently overseas; i.e. does not include migrants with their families currently overseas. This shows a fall compared to 1988 when it was estimated that around 9.9% of the households had current migrants abroad.

Also, according to the ELMPS 2006 around 2.5% of the working age population in 2006 (15 - 65 years old) have previously worked overseas i.e. are overseas returnees. Moreover, 7.1% of households have a return overseas migrant. The results from the 1988 LFSS indicates that in 1988, 5.1% of the working age population were international return migrants and that 9.1% of the households had a return migrant. It is worth remembering though that the population (15 years and over) has increased by almost 20 million (from 28.9 million to 48.3 milllion) between 1988 and 2006.

5.2. Elements for analysing the impact of migration flows on national labour markets

Impact on employment and wages

Very little is known about the impact of emigration on the Egyptian labour market. Emigration was seen as a safety valve reducing the supply of workers in the 1970s and 1980s. Some argue (e.g. Nassar (2005)) that emigration has reduced unemployment rates adding that if all emigrants returned unemployment would shoot up. Perhaps, speculation about the effect of non-migration on increasing labour supply is pretty forward.

However, little is known about the impact of emigration on labour demand, incentives to work, wages, contracts, female labour supply, or young people's labour supply. Given the educational mix of the migrants, there have not been bottlenecks in the Egyptian labour market that persisted. The emigration of skilled workers did not have negative impact on the labour market since they were either unemployed or worked in the public sector where wages are not flexible and as such emigration does not affect wages, but might have reduced the public sector wage bill.

Impact on the availability of skilled workers and productivity

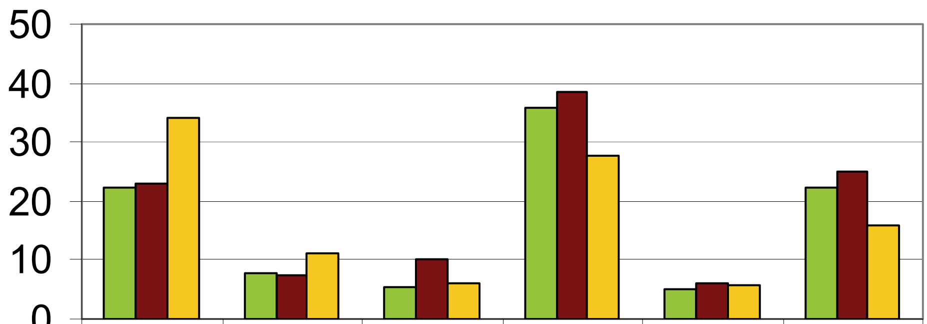
The evidence suggests that a substantial proportion of Egyptian emigrants to OECD are highly educated with around 59% of total emigrants from Egypt in 2000 being highly educated. But the emigration rate among the highly educated is quite low at only 4.6 percent. Given the high proportion of educated workers in Egypt, this suggests that Egypt is not experiencing a brain drain problem. Adams (2003) also finds that international migration does not tend to take a very high proportion of the educated in Egypt. Moreover, a large proportion of the educated in Egypt tend to be either employed in the public sector, where, in fact, they are underemployed or are unemployed, thus the emigration of educated workers from Egypt is not as detrimental as for other countries in the region where it leads to a drain or bottlenecks in the economy. Although Egypt is not losing an important proportion of their educated workers and thereby is not facing a brain drain, Egypt is still losing some of its human capital which it has invested in and educated since education is free in Egypt. This may still be an issue of concern then. However, this cost may be outweighed by the potential gains from remittances and the reduction in pressure on the labour market given the high unemployment rate in Egypt among the educated.

Another important channel leading to loss of skilled workers or brain drain from developing countries is through student migration. Many foreign students carry on living in the country where they moved to acquire higher education. In 2003, OECD countries had 135,398 students from Arab countries, representing about 7% of the total number of foreign students in OECD see Dumont (2006). Only 5,875 students in OECD originated from Egypt, suggesting that the number of Egyptian students in OECD is quite low given its population size of around 71.9 million in 2003. There is no data on the return of students migrants to enable us to examine whether this is a potential problem for Egypt or not.

Examining the educational levels of current, return and non-migrants in 2006 based on the 2006 ELMPS (Fig 5.1), suggests that return migrants are more educated than non-migrants supporting the selectivity of migration. However, return migrants are on average not less educated than current migrants. Almost 25% of returnees hold a university degree compared to 23% among current migrants. This is an important issue since in many countries, returnees are believed to be negatively selected: i.e. although emigrants are usually among the high end of the skill distribution in the home country, returnees are the ones who have not performed as well whilst overseas and, therefore, have returned home. There is no evidence that this is the case in Egypt which is not surprising given the temporary nature of migration in Egypt. Overall, migrants, both returnees and current, tend to be more educated than non-migrants, Wahba (2007).

Fig 5.1

Education of Non-Migrants, Current and Return Migrants in 2006 (%)



	None	primary	preparatory	secondary	above interm.	university & higher
current migrants	22.2	7.69	5.56	35.85	5.1	22.26
returnees	23.03	7.36	10.23	38.45	6.18	24.97
non-migrants	34.17	11	6	28	5.65	16.04

current migrants returnees non-migrants

Source: Wahba (2007).

Impact on the informal economy and migration
Whether migration has any impact on the informal economy is difficult to say. In the 1970s and 1980s, the government's maintenance of multiple exchange rates and restrictions on business access to hard currency, encouraged the entrance of remittances through illegal routes at the black market rate, where migrant workers could obtain at least 30% more for their foreign currency than the official rate of exchange on the open market. However, by the late 1980s, exchange rate reforms corrected this misalignment and brought in remittances through official channels. Although, recent figures for 2006 still suggest that Hewala (32 percent) and friends/relatives (31 percent) are the two most popular ways for current migrants to send remittances to Egypt, with almost two thirds of households receiving remittances by these two methods. Only 22% of current migrants send their transfers through the banking system, Wahba (2007).

Remittances and their impact on the national labour market
Remittances have been a major source of foreign currency in Egypt. Remittances have had a substantial impact on the Egyptian economy over the last three decades. According to the World Bank, recorded remittances reached \$5.9 billion in 2007, compared to \$5.3 billion in 2006. Egypt was in sixth place among the top 10 remittance recipients of Middle Income Countries in 2007 overtaking Morocco. In 2006/07 according to the Central Bank of Egypt, Egyptian emigrants in the US sent the highest proportion of remittances followed by Egyptians in Kuwait, the UAE and Saudi Arabia (Table 5.8). However, it has to be noted that those are official remittances, i.e. transmitted officially.

Table 5.8: Expatriate Remittances by Country of Origin (US$ Millions)

Country of origin	2002/03	2003/04	2004/05	2005/06	2006/07
Bahrain	23,8	7,1	10,5	47,0	21,9
Canada	8,3	8,7	12,9	11,4	13,2
Emirates (UA)	302,9	278,8	371,6	729,0	989,6
France	63,3	63,4	68,7	49,8	53,5
Germany	125,9	131,1	230,5	198,4	209,6
Greece	7,9	8,4	11,6	13,8	14,1
Italy	48,3	64,3	74,9	54,0	42,0
Japan	9,0	3,8	19,8	17,1	3,0
Kuwait	254,3	205,6	589,2	922,8	1.106,0
Lebanon	18,0	14,6	20,6	27,6	24,6
Libya	1,6	2,7	2,1	3,5	5,5
Netherlands	22,4	36,6	25,9	19,3	32,5
Oman	14,9	15,5	18,4	24,9	17,7
Other countries	120,8	141,5	179,4	208,8	239,1
Qatar	48,5	46,2	63,8	109,0	102,1
Saudi Arabia	634,4	639,6	725,5	775,8	859,4
Spain	10,7	6,3	12,4	15,2	10,4
Switzerland	97,7	91,5	102,7	143,1	261,0
U.K.	124,0	122,8	169,4	147,4	235,5
U.S.A.	1.025,9	1.111,1	1.619,6	1.516,3	2.080,3
Total	**2.962,6**	**2.999,6**	**4.329,5**	**5.034,2**	**6.321,0**

Source: Central Bank of Egypt, CARIM Database.

More recent figures by the Central Bank of Egypt show record high remittances amounting to $8.5 billion in 2008, Table 5.9. The reason behind the increase in remittances is not clear. And given the current global financial crisis, it is difficult to predict the effect on remittances. On the one hand, emigrants may send more money to help their families back home, but, on the other hand, if emigrants are struggling they might not send back as much money as before. In addition, if the economic climate forces many to return, this will have a positive impact on remittances in the short run, but a negative one in the long run.

Table 5.9: Total Remittances of Egyptians working abroad US $ (Million)

Year	Remittances
1991	1445.7
1992	2981.4
1993	3578.6
1994	3486.2
1995	3430
1996	2988.8
1997	2335.9
1998	3636.7
1999	3290.3
2000	3067.3
2001	2842.7
2002	2952.5
2003	2962.6
2004	2999.6
2005	4329.5
2006	5034.2
2007	6321
2008	8559.2

Source: The Central Bank of Egypt.

The issue of remittances use by migrants has attracted the greatest interest and debate. Some argue that remittances are used primarily for the purchase of land and housing and general household consumption, rather than 'productive investment' and conclude that remittances thus do little to stimulate development in the home country. Others believe that migrants do save and invest, that expenditure on land and housing are rational under prevailing conditions (they frequently offer better rates of return or are a better store of value than other available investments) and that expenditures on housing and consumption have positive multiplier effects on the whole economy. In addition, expenditure on education and health is investment in human capital. Empirical evidence shows that households with return migrants are more likely to invest in a child's schooling and are less likely to send their children to work. Thus, remittances encourage investment in children's human capital. There is also evidence to suggest that remittances have a strong impact on reducing poverty. Certainly, Nassar (2008) finds that remittances provide households with safety nets against poverty in Egypt.

Another important issue related to the impact of remittances on the labour market is who receives the remittances and the impact of these financial windfalls on their labour market behaviour. In 2006, almost 65% of the overseas remittances were sent by spouses and a quarter by offspring. Also, 60% of households receiving remittances were headed by a female. Households receiving remittances were more likely to be rural (almost 69 percent). Heads of households receiving remittances are less likely to be waged workers and more likely to be out of the labour force. This may reflect the fact that a big proportion of receiving heads were females (Wahba, 2007).

Table 5.10: Characteristics of Return Migrants and Non-Migrants in 2006

	Non-Migrants	Returnees
Occupation (%)		
Technical & Scientific	20.72	32.20
Management	5.21	16.38
Clerical	6.36	7.29
Sales	8.80	3.17
Services	8.55	3.30
Agriculture	23.97	17.44
Production	26.40	20.21
Industry (%t)		
Agriculture	24.61	19.03
Manufacturing & Mining	14.58	11.48
Electricity	0.91	1.06
Construction	7.55	6.20
Trade	14.65	15.66
Transport	6.64	6.57
Finance	1.48	0.80
Services	29.58	39.20
Sector (%)		
Government	26.97	36.21
Public Enterprise	5.57	3.71
Private	66.28	58.03
Other	1.17	2.04
Employment Status (%)		
Waged	65.93	64.12
Employer	12.11	21.15
Self-employed	9.59	13.17
Unpaid family worker	12.37	1.56

Source: Wahba (2007) based on 2006 ELMPS.

Impact of temporary migration flows and return migrants
Wahba (2007) compares returnees to non-migrants in the labour market in 2006 and finds that returnees seem on average to be more skilled than non-migrants (Table 5.10). In fact, more returnees

(around 49 percent) are involved in technical, scientific, and management occupations compared to almost 26% of non-migrants. In terms of economic activity, the services sector employs almost 40% of returnees. In fact, almost 10 percentage more of returnees compared to non-migrants work in the services sector. Interestingly, the share of returnees (36 percent) working in the government sector is higher than among non-migrants (26 percent). This is partly due to public sector employees being able to go and work overseas for 2 years or so without losing their jobs. In addition, due to the recent slowdown of hiring in the public sector in the last few years as a result of economic reforms, the share of employment in the government sector has declined. The shares of returnees and non-migrants employed as waged workers are very similar. Yet, the proportion of employers among returnees is much higher than among non-migrants. Indeed, McCormick and Wahba (2001) found that one of the most important aspects of international migration has been its impact on occupational choice upon return and its tendency to increase the share of employers and entrepreneurship in Egypt. They find that overseas employment opportunities have had significant effects on the probability of those returning migrants becoming entrepreneurs in Egypt. Overseas savings play a crucial role in access to entrepreneurship. Overall, the evidence shows how temporary migration, through savings, provides access to credit which enable returnees to become self-employed and so entrepreneurs in Egypt.

Another aspect of return/temporary migration is the benefit from overseas work experience and the extent to which it impacts on human capital by affecting wages of migrants upon return to the home country. Wahba (2007b) finds strong evidence that overseas employment and temporary migration result in a wage premium upon return to Egypt. On average, return migrants earn around 38% more than non-migrants in Egypt. The findings show that highly-educated (university graduate) returnees earn on average 19% more than non-migrants. Indeed, the wage premium is even higher for the uneducated returnees who earn on average 43% more than non-migrants. This evidence highlights the importance of temporary migration on human capital in Egypt.

Temporary Migration of Public Employees
One channel which facilitated the temporary migration of public sector workers has been Law no. 73 which was passed in 1971. This law allowed an Egyptian worker who emigrated and had been working in the government or in public sector, and whose resignation had been accepted for the purpose of permanent emigration, and who returned back home within two years of when the worker's resignation has been accepted, to be re-appointed at the entity where he/she had been working before emigration if the worker applied for this within three months of his/her final return. A worker shall be appointed to his/her last post, if it is still vacant, or to another similar post. A person whose emigration duration exceeds the period referred to in the previous paragraph may be reappointed, if the worker meets the conditions required for filling the post. In such case, the said worker shall be exempted from the examination procedures or the contest required for the filling of the post. In practice, this law allowed many public-sector employees to emigrate for up to two years and keep their public-sector jobs, in particular in the 1970s and 1980s. In 2006, 40% of returnees went back to the public sector.

5.3. Policy options
Given the scale of international migration, there is no doubt that Egypt has not fully utilised the potential benefits of human and capital flows over the last thirty five years. For a long time the government's approach towards international migration was one of *laissez-faire*. Several laws were passed to legalise emigration. Egyptian laws regarding migration and return migration have evolved over time starting with Article 52 of the 1971 which allowed Egyptians the right to emigrate permanently or temporarily. In 1981, the Ministry of State for Emigration Affairs was established to sponsor migrants and provide them with services and facilities. This was followed in 1983 by the

promulgation of the Emigration and Sponsoring Egyptians Abroad of Public Law no. 111, which is regarded as the main emigration law in Egypt and is included among other facilities providing help for those wanting to return. The law grants Egyptian migrants the right to keep their Egyptian nationality along with the nationality of the country of destination. It also covers provisions for temporary migration and return migration as well as issues related to exemption from taxes and fees on the returns of their deposits invested in Egyptian banks and granting capital invested in projects by migrants in Egypt similar benefits to those enjoyed by foreign capital investors. In 1996 the responsibilities of the Ministry of State for Emigration Affairs was transferred to the Ministry of Manpower and Employment, which was later re-named the Ministry of Manpower and Emigration. The MOME currently provides information to potential migrants about jobs and to existing migrants about various facilities.

More recently, the government embarked on two bilateral agreements with Italy: the re-admission agreement and the labour agreement. These set the framework for the institutional management of illegal and legal flows of migrants towards Italy. The labour agreement, in 2005, established means for the regulation of the entry, residence, and recruitment of Egyptian workers according to Italian legislation and labour market needs. In addition a number of synergic cooperation actions and projects have been implemented in Egypt aiming to: upgrade professional skills and language abilities; match-make Egyptian demand and Italian need; curb illegal migration through press awareness and media campaigns. Two projects, IMIS and the IDOM were implemented. The IMIS Project (Integrated Migration Information System) was financed by the Italian Cooperation for Development in collaboration with the MOME and implemented by IOM. IMIS is a technical tool and a capacity-building mechanism that supports the MOME in the management of regular migration flows from Egypt, improving Egyptian migrants' social status in receiving countries and channelling human and financial resources resulting from the phenomenon of migration. The IDOM Project focused, instead, on contributing to the efforts of the Egyptian Government in supporting the strategies set up by EU member states to counter irregular migration by raising public awareness about its realities and risks. Roman (2008) questions the success of this bilateral agreement in meeting its aims given the rise in illegal migration. She also argues that curbing illegal migration without facilitating legal migration would not work.

There is a need for the managing of migration. It is recognised that cooperation between origin and destination states helps to maximise the potential benefits from migration. Formalising such cooperation through bilateral or multilateral labour agreements is essential. Bilateral agreements between Egypt and European countries are needed to facilitate and support migration. Temporary migration may be a solution for both Egypt and European countries. Quotas for semi-skilled workers which seem to be in abundance in Egypt, given the growing labour force and the increase in the number of technical secondary graduates, can be used to fill the EU labour market needs of European countries and also to reduce irregular migration. Given the geographical proximity and the demographic gap in Europe, on one hand, and the growing labour force in Egypt on the other, it seems that managing and coordinating migration should be a high priority.

Another policy that would benefit both labour-sending and receiving countries would be one that allowed developed countries to compensate origin countries for skilled workers. One suggestion would be for overseas development aid to be based on the number of skilled migrants. Thus, developed countries that are bring about brain drain end up paying for it. Although this is not a problem for Egypt-EU migration at present, such a policy would still enable Egypt to be compensated for the loss of any highly educated workers. Alternatively, developed countries should help in financing higher education in home countries. Establishing links with higher-education institutions, or setting up universities would be one way to pay back home countries and to improve the quality of education. In addition, providing scholarships for postgraduate studies in the EU would be another way to support the cost of generating highly-educated workers.

It is vital for Egypt to treat labour as human capital and to improve the quality of education so as to be able to produce skilled labour that can be productive in the domestic economy while competing in the wider world. Egypt should view their labour as a valuable export. As with goods, exporting labour services has to be based on an in-depth analysis of the receiving labour markets. Labour exporters should focus on specific skills that are needed by overseas countries. For example, the Philippines has established training centres to prepare nurses for the international markets. Egypt, for example, is renowned for its doctors and has an excess supply of doctors, who could be trained for overseas employment, for example in the UK. There is also to the possibility of investing more in ICT to compete in supplying Arabic-speakers who have IT skills. A recent report by the World Bank (2009) highlights that the EU needs mid-level skills and given the increasing numbers of technical and vocational secondary-school graduates in Egypt, it would seem important to focus on providing those graduates with the right level and mix of skills needed by the EU. In addition, provision of language skills is important in preparing workers for migration. There could also be coordination between education authorities in the home and host countries on curriculum to facilitate approval or accreditation of degrees. This would help when training workers for overseas employment.

It is vital to have an integrated set of policies that deal with the educational system, the labour market and migration at the same time. The only way to manage migration is through economic development.

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Annex 1

Sources of key data on labour market and migration in Egypt

1.1. Labour market

National sources:

1. **Central Agency for Public Mobilization and Statistics (CAPMAS) is the main official source** for provision of data and statistics in Egypt.

   (http://www.msrintranet.capmas.gov.eg/pls/fdl/tst12e?action=1&lname=FREE)

   The following statistics on labour, household budget and consumption are collected regularly:

   - Population Census (every 10 years)
   - Annual Bulletin of Employment, Wages and Working Hours
   - Annual Bulletin of Civil Employees in the Government Public sector and Public Business Sectors
   - Annual Bulletin of Labour Injuries in Public Sector
   - Annual Bulletin of Labour Force Sample Survey
   - Bulletin of Labour Force Sample Survey (quarterly).
   - Expenditure, Consumption and income Survey (every 5 years)

2. **Ministry of Manpower and Emigration (MOME)**

   http://www.manpower.gov.eg/

3. **The Institute of National Planning (INP)**

   INP was established in 1960 by law NO. 231 as an independent institution to promote research and studies related to the preparation of the national Development plan and provide tools for its implementation. INP with UNDP prepares the annual Human Development Report of Egypt.

   http://www.inplanning.gov.eg/About/Narrative/Details.aspx

   The Egyptian Cabinet, Information and Decision Support Centre (IDSC):

   Egypt's Information Portal

   http://eip.gov.eg/Default.aspx

Private Research Centres:

The Economic Research Forum

is a regional research network: http://www.erf.org.eg/cms.php?id=home_page

- 1998 LFSS and 2008 ELMS (joint with CAPMAS)

- Micro and Small Enterprises Dataset, MSE Dataset, 2006.

6. Egyptian Centre for Economic Studies **ECES**

is an independent, non-profit think tank http://www.eces.org.eg/default.asp

- Egypt's Economic Statistics (Annual)

Intended mainly for investors and the business community, this annual publication provides summary data and information on the various aspects of the Egyptian economy.

7. **Social Research Centre at AUC**

   Conducts multidisciplinary social science research and carries surveys; e.g. A Field Survey of Skills Needs in the Egyptian Labour Market.

   This survey conducted on 300 firms provides the Ministry of Investment and relevant policy makers with information to formulate policies for enhancing the abilities of Egyptian workers and increasing national and foreign direct investment.

International Sources:

1. **The World Bank** http://www.worldbank.org/
   World Development Report
   Doing Business

2. **ILO** http://www.ilo.org/global/What_we_do/Statistics/lang--en/index.htm
   KILM, Laborsta, Database.

3. **UNDP** http://hdr.undp.org/en/
   HDR

4. **Arab Labour Organisation** http://www.alolabor.org/

5. **FEMISE** http://www.femise.org/accueil3en.html
   Country Profile on Egypt

1.2. Migration

National sources:

1. **Central Agency for Public Mobilization and Statistics (CAPMAS).**
   (http://www.msrintranet.capmas.gov.eg/pls/fdl/tst12e?action=1&lname=FREE)
   Egyptian Population Censuses
   Annual Bulletin of Permanent Egyptian Emigrants
   Annual Bulletin of Temporary Migration of Egyptian abroad
   Bulletin of Foreign Employees in Government & Public Business Sectors (Biennial)
   Field surveys e.g.
   - Egyptian Labour Force Out Side Egypt (Temporary Immigration) 2007 (one-off publication).
   Administrative records
2. **Ministry of Manpower and Emigration (MOME):**
   http://www.emigration.gov.eg/

The Integrated Migration Information System (IMIS) project

Contemporary Egyptian Migration 2003

Field Surveys e.g.

Attitudes of Egyptian Youth Towards Migration to Europe

3. **The Egyptian Cabinet, Information and Decision Support Centre (IDSC):**
   Egypt's Information Portal
   http://eip.gov.eg/Default.aspx

International Sources:

1. **World Bank** http://www.worldbank.org/

   Migration and Remittances Factbook 2008

2. **IOM** http://www.iom.int/jahia/Jahia/pid/403

   World Migration Report 2008

   (join in survey collections)

3. **ILO** http://www.ilo.org/public/english/protection/migrant/info/ilm_dbase.htm

   ILM Database

4. **OECD**

   http://www.oecd.org/document/51/0,3343,en_2649_33931_40644339_1_1_1_1,00.html

   Database on Immigrants in OECD countries (DIOC)

5. **NIDI**

   Eurostat and the Netherlands Interdisciplinary Demographic Institute (NIDI) conducted a study on the push and pull factors determining international migration flows that started in 1994. The focus of the project is on migration from the Southern and Eastern Mediterranean region and from Sub-Saharan Africa to the European Union. The five predominantly migrant-sending countries participating in the project are – in the Mediterranean region – Turkey, Morocco and Egypt; and – in West Africa – Senegal and Ghana.

   http://www.nidi.knaw.nl/web/html/pushpull/

6. **Arab Labour Organisation** http://www.alolabor.org/

7. **FEMISE** http://www.femise.org/accueil3en.html

   Country Profile on Egypt

8. **CARIM** http://www.carim.org/index.php?areaid=4

An Overview of Data Sources

Labour Market Data:

There are several data sources on the Egyptian labour market. However there are problems in terms of comparability across the different sources and over time, and in terms of data accessibility.

The Central Agency for Public Mobilization and Statistics (CAPMAS) is the main official statistical source in Egypt. It produces several regular publications as well as occasional ones related to the labour market.

The population census goes back to 1846. From 1976, population censuses have been collected every ten years in November. The last census was in 2006. All individuals present in the Egyptian territory are interviewed (*de facto* population). The definitions of employment and unemployment are those of the ILO referring to economic activity in its broadest sense (including subsistence activities). However, participation rates obtained from population censuses underestimate the real extent of economic activity for two reasons. First, the period of reference to measure labour force participation is one day, which does not allow for a correct measure of irregular activities. Second, the population censuses neglect female and children's economic activities particularly when they are irregular.[8]

The Labour Force Sample Surveys (LFSS) are nationally representative and were carried out annually: then since 1987, they have been carried out quarterly. The annual LFSS survey is not conducted in the population census year which does not allow for comparison between both data sources. The LFSS provides information on working-age population, labour force, employment and unemployment by gender, age groups, educational attainment, employment status, economic activity, occupation. The reference period is the week preceding the survey.

In theory the LFSS uses the broad definition of economic activity (including subsistence activities) of the ILO (1993). However, in practice, LFSS captures female participation in subsistence activities very poorly. Thus, the participation rates obtained reflect only female participation in market economic activities. Moreover, the definition of unemployment was changed in 1996 so as to exclude all individuals receiving any income.[9]

In 1988, a special LFSS survey was carried out. This was the first detailed survey that attempted to extend and deepen the measurement of employment in Egypt. [10] This was followed by the 1998 Egypt Labour Market Survey (ELMS98) which was carried by CAPMAS under the auspices of ERF. It was designed to be comparable to the 1988 LFSS. Both surveys were designed more carefully with a better construction in the sampling operations, a more detailed questionnaire and better control of responses[11]. They collected more detailed information than the regular LFSSs and special attention was given to female and child labour and wages and earnings. Special modules on economic units run by households and the history of employment were added. Three periods of reference were used: the week, the month and the trimester. However, in the 1988 LFSS, the ILO definition of the economically active population was strictly applied with no attempt to determine what constituted an 'important contribution to household consumption'. This resulted in an overestimate of female participation. In the ELMS98, the employment questions were asked in such a way as to allow for the separate identification of the market labour force as well as the

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8 Amer (2005).

9 According to the ILO, an unemployed person is an individual not employed, available for work and actively seeking a job.

10 Fergany (1991)

11 See Assaad & Barsoum (1999).

extended labour force. The ILO international recommendation for measuring unemployment states that in situations where the labour market is organised or limited in scope or where labour absorption is inadequate, the 'seeking work' criterion can be relaxed. This was used for the estimates of unemployment in the 1988 LFSS. However, the practice in Egypt since then is to impose the 'seeking work' criterion. So, the ELMPS98 collected data on whether the unemployed are searching for jobs.[12]

In 2006, a follow-up survey to the ELMS98, Egypt Labour Market Panel Survey (ELMPS06) was carried out by the Economic Research Forum (ERF) in cooperation with CAPMAS. The ELMPS06 is the second round of what is intended to be a periodic longitudinal survey that tracks the labour market and demographic characteristics of the households and individuals interviewed in 1998, any new households that might have formed as a result of splits from the original households, as well as a refresher sample of households to ensure that the data continue to be nationally representative.[13]

In addition, CAPMAS collects data on establishments – the Employment Wages and Hours of Work Surveys (EWHW) – which are nationally representative and conducted annually. They comprise all public establishments and only private establishments employing 10 workers or more. This limitation restricts the survey to the formal sector and therefore reduces its usefulness. The EWHW gives information on weekly and monthly earnings, bonuses and hours of work by gender, economic activity, occupation and employment status.[14]

One important obstacle is access to data. Not all data collected by CAPMAS is accessible for researchers. Summary tables are published by CAPMAS. The ELMS98 and the ELMPS06 are available through the ERF. CAPMAS is the main source of data that feeds the ILO databases and, in turn, the World Bank uses the ILO as the main source of data on the Egyptian labour market.

Migration Data

Statistics on migration are sparse and, in many cases, based on estimates. The main sources of migration statistics are the following.

Population census: Census data is the major source of statistics on immigration and emigration in Egypt. Nevertheless, Egyptian censuses, conducted during the past century, have not collected the basic data necessary for studying this phenomenon such as place of arrival and departure, and the times of these movements. They presented data on resident foreign nationals in the country that varied in detail and coverage from one census to another.

In the 1976 and 1986 censuses, there was a migration module asking about individuals or households abroad, but the response rate was too low. So, CAPMAS, the MOME and the Ministry of Interior provided estimates of Egyptian abroad. The estimated number were 1.425 million Egyptian emigrants in the 1976 census and 2.250 million Egyptian emigrants in the 1986 census. The latest census (2006) included a short module on Egyptians residing abroad aiming at estimating the wholly-moving households by enquiring from relatives and neighbours.

Field studies: The first statistical sample study on emigration was carried out by the National Population Council in 1984. This study was followed by two External Migration Surveys conducted by CAPMAS. The first survey was in 1987 in collaboration with ILO and was funded by UNFPA. The second panel survey was in 1997 and was carried out with the European Union.

12 See Assaad & Barsoum (1999).

13 See Assaad (2007)

14 Amer (2005).

Occasional field studies are conducted by the MOME and CAPMAS e.g. Attitudes of Egyptian Youth towards Migration to Europe. Again, data accessibility is limited: only aggregate tables are published and the raw statistics are not accessible.

CAPMAS produces the annual estimates of Egyptian emigrants based on data of:

- work permits from the Ministry of Interior and the MOME.
- Border Cards, Departure & Arrival movement from Passports, Emigration & Nationality Agency in the Ministry of Interior.
- These estimates do not include all Egyptian abroad but only those who emigrated and acquired emigrant status after 1962. Furthermore, this data included only emigrants who departed through legal channels.

Another source of data on emigration from Egypt is the OECD which relies on host countries records and censuses. This data is published and accessible. These figures do not include non-OECD countries, though. Thus they underestimate Egyptian emigration where the majority of migrants are in non-OECD countries, namely in Arab countries. It is important to note that the estimates of Egyptians in major receiving countries differ from those made by CAPMAS. OECD statistics, based on Census data at country of destination, suggest that there were only around 340,000 Egyptian emigrants in OECD countries in 2000. However, CAPMAS estimates put this number as high as 824,000 based on reports from Egyptian Embassies abroad, cross-border flows from the Ministry of Interior, work permits from the MOME, and some other sources and international estimates.

Intra-regional migration data is scarce. Gulf countries usually publish aggregate data that distinguish between their national and non-national labour force, but do not always identify the country of origin of non-national workers e.g. ALO data. Access to this data is very limited.

Chapter II – National Background Paper

Labour Markets Performance and Migration Flows in PALESTINE

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Highlights

- The Palestinian labour market has been affected by Palestine's historical and political background.
- The population of the Palestinian Territory (PT) totalled 3.8 million in 2008.
- The age structure of the Palestinian population is a young one; in the year 2008 44.1% of the total population were younger than 15, 53.0% were aged 15-64 years and 2.9% were aged 65 years and over.
- The labour force in the PT totalled 2.1 million in 2008 which represents 55.4% of the total population. It is expected to reach about 2.8 million in 2015 and about 3.3 million in 2020.
- The participation rate has decreased from 41.5% in 2000 and dropped to 38.7% in 2001 and 38.1% in 2002 before increasing to 41.3% in 2008.
- The male participation rate decreased from 70.1% in 2000 to 66.8% in 2008, while the female participation increased from 12.7% in 2000 to 15.2% in 2008.
- The employment rate started declining in the year 2001, from 81.3% in 2000 to 74% in 2008.
- The Palestinian labour market needs creating an average of about 46,000 new jobs a year: about 34,000 for males and 12,000 for females, according to the most optimistic scenario.
- The Palestinian economy was negatively affected by the political situation in the PT and the collapse of the peace process. Gross national income (GNI) decreased by 55% and the average per capita income declined to the poverty line (about 830US$) leaving about 63% of households living below the poverty line.
- Average daily wages are increasing. But this does not reflect a real increase with regard to the purchasing power of income because of inflation.
- Unemployment has got worse and more complicated in the PT due to political instability and the absence of sovereignty, an economy dependent on the Israeli economy that has resulted in a weak economic performance in addition to limited resources for development.
- Unemployment has fluctuated over time. It registered 18.2% in 1995, then it increased to reach its highest level 31.3% in 2002, while it reached 26.3% in 2008.
- The employed in the informal sector represents 9.2% of total employees *excluding those working in the agriculture* sector in 2008. In absolute figures, those employed in the informal sector numbered 52,000 of which 47,000 were males and 5,000 females.
- The PT does not have an attractive labour market for outsiders, so inward migration is marginal and does not have a significant role in the Palestinian labour market, this owing to weak investment and political instability.
- The Palestinian economy has been almost totally destroyed and is fully dependent on international aid and humanitarian assistance. The Palestinian economy is hence abnormal and one can even wonder whether we can speak of a Palestinian labour market in any meaningful way.
- Remittances increased until 2000 (the outbreak of the second *intifada*) only to drop dramatically in 2001 by 50%, a downward trend that has continued since 2005. This is clearly the result of the Israeli labour market being closed to Palestinians and associated losses. The majority of these remittances came from Palestinian labour in Israel.
- International donations played a major role in financing investment particularly in developing the PT's infrastructure.
- About one third of the young (aged 10-29 years) think of migration: 45% for males and 18% for females.

Introduction

The Palestinian labour market has been affected by the historical and political background there that have shaped and that continue to shape the labour force and Palestinian migration. The 1948 Arab-Israeli war saw Palestinians lose more than three quarters of total historical Palestine and with it the bulk of its agriculture and agricultural industries, which represents the main Palestinian economic activity. It also saw Israel take control of Palestinian natural resources, building their own economy on the wreck of the Palestinian one.

Moreover, due to the forced emigration of approximately 750,000-900,000 Palestinians mainly to the West Bank (WB) and Gaza Strip (GS) and neighbouring Arab countries, this increased the burden on the labour market particularly in the West Bank and the Gaza Strip; the 1948 land was drained of its labour force, oversaturating labour market in the West Bank and Gaza Strip. Less than twenty years later, in 1967, Israel occupied the rest of the Palestinian land (West Bank & Gaza Strip), weakening the Palestinian economy by making that economy dependent and manipulating it to serve the Israeli marketing environment, a move that impoverished Palestinian economic competition. These determinants naturally created push factors for migration and labour force. These conditions continued until the late 1980s, when the Palestinian labour force had come to depend on the Israeli labour market.

As a result, the Palestinian people rose in the first *intifada* in 1987. This rising came as a result of the accumulation of suffering from the occupation and this *intifada* continued and synchronized with the first Gulf War in 1990, which saw the first alarming steps in limiting Palestinian labour movement to Israel and the first Palestinian wave of returnees (about 25,000) to the PT within less than a year (1991). A peace process began in Madrid between the Arab countries and Israel then the Palestine Liberation Organization (PLO) and Israel signed the Declaration of Principles on Interim Self-Government Arrangements in September 1993 along with the formation of the Palestinian Authority (PA). A new economic era prevailed with the creation of PA institutional bodies and attempts by the PA to build the nucleus of a Palestinian economy in the private and non-governmental sectors, giving raise to a good investment environment and other waves of Palestinian returnees. Unfortunately these opportunities did not last due to the collapse of peace negotiations, a collapse which resulted in the second *intifada* in late 2000. The progress that had been made during the early years of the PA declined both politically and economically. Parts of the West Bank were reoccupied. There was the closure, siege and destruction of Palestinian infrastructures. This was compounded by the fact that about 150,000 Palestinian workers in Israel (representing 25% of the total Palestinian labour force till 1999) were no longer allowed to cross the border: the number of Palestinian workers working in Israel declined to represent only 10% of the labour force after 2000. In 2003 Israel started building the Annexation and Expansion Wall between Israel and the West Bank which caused more difficulties for Palestinians in general and their socio-economic conditions in particular: this was matched by Israeli confiscations of Palestinian land and the expansion of Israeli settlements. This environment caused major distortions in the Palestinian labour force, and may have played a role in pushing the labour force out to seek job opportunities and better life conditions (particularly in terms of security) elsewhere.

The results of the collapse of the peace process and Israeli measures that destroyed the infrastructure of PA institutions were disastrous. There were high unemployment rates (31.3% in 2002), high poverty rates (61% of total households in the Palestinian Territory lived below the poverty line in 2003) and a wrecked economy (the economy lost 27.6% of its value in 2002 when compared with 1999, while the GDP *per capita* declined by 33.6% for the same period). These facts encouraged the PA to seek support from the international community in 2003 to start reform plans to overcome and minimize the impact of these unhappy consequences. The Ministry of Labour took part in these reform plans with a package of projects to rehabilitate the labour market, concentrating on employment projects; employment funds, income-generating projects and food for work projects.

The implementation of these projects was jointly conducted with labour unions, the Ministry of Social Affairs and other relevant bodies. These rehabilitation projects are ongoing as the economic situation in the Palestinian Territory (PT) continues to deteriorate and strict Israeli measures are still being imposed.

In 2006, ten years after the first Palestinian elections in 1996, the second legislative elections took place and for the first time included most of the political parties from outside the PLO, including Hamas. The elections resulted in a Hamas majority and ushered in a new political era for the PT, regionally and internationally.

As soon as Hamas formed its government financial and political support was cut off from most of the international donor community. The result was that the PT could no longer run development programs or pay public–sector salaries for one year. The Palestinians suffered from both external and Israeli sanctions with closed borders and a freeze on Palestinian allowances from taxes and other revenues. This led to an increase in unemployment and higher poverty rates, particularly in the Gaza Strip: a 34.8% unemployment rate in 2006 compared with 16.9% in 1999, and 77% of households in Gaza Strip living below poverty line in 2007.

One year later mid 2007, and due to disagreements between the main two political parties (Hamas and Fatah) a military confrontation took place: Hamas seizing full control in the Gaza Strip. This came less than 2 years after Israeli disengagement from the Gaza Strip which complicated Palestinian society and added to the conflict between the different Palestinian political parties. Now that Hamas ruled the Gaza Strip a stricter embargo was enforced and labour movements outside the Strip were halted entirely. The result was once again deep poverty and higher rates of unemployment (40.6% unemployment rate in 2008 compared with 16.9% in 1999) and 65% of households in Gaza Strip found themselves below the poverty line in 2008.

1. Labour supply in the Palestinian Territory: description and prospects

1.1 Demographic dynamics and prospects

The Palestinian Territory (PT) consists of two geographical regions: the West Bank (WB) and Gaza Strip (GS). The total population of the Palestinian Territory totalled 3.8 million in 2008, 2.4 million in the West Bank and 1.4 million in the Gaza Strip. The growth rate registered 2.9% and the sex ratio is 103 males per 100 females.

The age structure of the Palestinian population reveals that the population is young: 44.1% of the total population were younger than 15 years of age, 53.0% were aged 15-64 years and 2.9% aged 65 years and over in 2008.

The WB and GS are separated geographically, the WB bordering by Israel and Jordan, while the GS borders Israel, the Mediterranean and Egypt. Both regions have characteristic economic conditions and can be considered as two different economies; for the WB economic transactions are more flexible and there is relatively free movement with Israel and Jordan which makes the investment environment attractive. The GS, meanwhile, has stricter Israeli limitations on movements and higher unemployment, poverty and deterioration of economic infrastructures, making the region less attractive for investment and economic transactions.

1.1.1 Working Age Population

The labour force in the Palestinian Territory totalled 1.6 million in the year 2000 which represents 53.3% of the total population and reached 2.1 million in 2008 or 55.4% of the total. Data reveals that the Palestinian labour force is increasing gradually: it increased by about 4.2% annually, and the total increase during the past nine years (2000-2008) amounted to 37.5%.

This large annual growth in the labour force is almost one and a half times larger than population growth during the same period. This is due to the fact that the Palestinian population is characterized by a wide population pyramid base, where the percentage of the 0-14 years age group is about 44%. This is high relative to other countries in the region and internationally and is a burden for the Palestinian labour market that already suffers from a lack of opportunities and weak economic growth and this has led and will continue to lead to an increase in unemployment rates. This naturally too creates push factors, sending Palestinians to seek out alternatives abroad. However, finding alternatives abroad is very complex due to the obstacles in leaving Palestine and entering destination countries, not to mention the difficulties associated with the latest international financial crisis.

Working age population estimates for the period 2009-2020 showed similar trends and even higher levels of increase as shown in Table 1, due to the expected constant natural increase of the population over the coming 10 years. The working age population exceeded 2.1 million in 2008 and is expected to reach about 2.8 million in 2015 and about 3.3 million in 2020, an average increase of 4.1% during 2009-2020 according to the projections; during the period 2009-2015 the rate of change is expected to reach 3.6% annually, while during the period 2015-2020 it will reach 3.8%.

As for the sex composition of the Palestinian population by age structure, the percentage of males and females in the working age population is similar; 50.3% for males and 49.7% for females.

Table 1: Population[15] and Working Age Population (15 Years and Over) in the PT by Sex, 2000-2008

Year	Population	%	Both Sexes	Males	Females
2000	3,053,335	53.3	1,627,428	818,596	808,832
2001	3,138,471	53.4	1,675,944	843,000	832,944
2002	3,225,214	53.6	1,728,715	869,543	859,172
2003	3,314,509	53.7	1,779,891	895,285	884,606
2004	3,407,417	53.8	1,833,190	922,095	911,095
2005	3,508,126	53.9	1,890,880	951,113	939,767
2006	3,611,998	54.9	1,982,987	997,442	985,545
2007	3,719,189	55.1	2,049,273	1,030,784	1,018,489
2008	3,825,512	55.4	2,119,334	1,066,025	1,053,309

Table 2: Projected Population[16] and Working Age Population (15 Years and Over) in the Palestinian Territory by Sex, 2009-2020

Year	Population	Working Age Population			
		%	Both Sexes	Males	Females
2009	3,935,249	56.0	2,203,739	1,108,481	1,095,258
2010	4,048,403	56.5	2,287,348	1,150,536	1,136,812
2011	4,165,807	57.0	2,374,510	1,194,379	1,180,131
2012	4,286,615	57.5	2,464,804	1,239,796	1,225,008
2013	4,410,927	58.0	2,558,338	1,286,844	1,271,494
2014	4,538,844	58.5	2,655,224	1,335,578	1,319,646
2015	4,670,471	59.0	2,755,578	1,386,056	1,369,522
2016	4,796,573	59.5	2,853,961	1,435,542	1,418,419
2017	4,926,081	60.0	2,955,648	1,486,691	1,468,957
2018	5,059,085	60.5	3,060,746	1,539,555	1,521,191
2019	5,195,680	61.0	3,169,365	1,594,191	1,575,174
2020	5,335,964	61.5	3,281,618	1,650,654	1,630,964

[15] The data source for population studies is to be found at the Palestinian Central Bureau of Statistics (PCBS; www.pcbs.gov.ps), http://www.pcbs.gov.ps/Portals/_pcbs/populati/GOVER1997-2010E.htm (date access February 15, 2009). Data for working age population is to be found at the PCBS Labour Force Survey databases for the years 2000-2008, the distribution of the working age population by sex is estimated according to the sex ratio of PCBS databases.

[16] Data for the years 2011-2020 is based on the authors' projections according to the following hypothesis: net migration is equal to zero, constant fertility and mortality rates as to the previous years. For that, the population growth is assumed constant at 2.9% for the years 2011-2015 and, a decline in growth at 2.7% for the years 2016-2020 is assumed (based on the trend of the population growth during 1997-2007). Data for the labour force is based on the authors' projections according to the labour force indicators derived from PCBS Labour Force Survey databases for the years 2000-2008: assuming that the percentage of working age population increases by 0.5% annually from 2009 and that there is a constant sex ratio of 50.3% for males and 49.7% for females.

1.2 Composition of Labour Force

The labour force survey 2000-2008 presented in Table 3 showed that the average participation rate for the reference period was 40.5% in the PT. The participation rate decreased from the year 2000 till 2005 and this trend fluctuates from year to year. It was 41.5% in 2000 and dropped to 38.7% and 38.1% in 2001 and 2002 respectively. The participation rate in 2001 declined by 8.2% compared with 2000, and declined by 1.6% in 2002 compared with 2001.The participation rate again increased to 40.3% in 2003 and continued to increase when it reached 40.7%, 41.3% and 41.9% in respectively 2005, 2006 and 2007. It once again dropped to 41.3% in 2008.

The participation rate in absolute terms was 675,000 in 2000 and about 770,000 in 2005. The labour force increased by 14% in 2005 relative to 2000, and continued increasing to reach 875,000 thousand in 2008 with a 30% rate of change compared to 2000. The participation rate of about 41% in the PT for both sexes is considered low relative to neighbouring countries and this can be explained by the lower participation rate of females, about 13% in the PT compared with higher rates of females in the neighbouring countries: the participation rate in Egypt for 2006 was 47.0%, 21.1% for females: in Syria it was 49.0% in 2003, 18.8% for females, and in Israel 56.3% in 2007, 51.1% for females[17].

The participation rate by sex showed that the average male participation rate for the period 2000-2008 was 67.4%, which is very high compared with the average female participation rate, 13.2% for the same period. Male participation rate trends revealed that this number decreased from 70.1% in 2000 to 66.8% in 2008 with a negative change of 4.7%, while the female participation rate is generally increasing (except 2001 and 2002 when it decreased to respectively 10.3% and 10.4%). Indeed, it increased from 12.7% in 2000 to 15.2% in 2008 with a positive change of about 20%[18]. The male participation rate in the PT was 66.8% in 2008, which is lower than some Arab neighbouring countries: Egypt 71.9% in 2006, Syria 76.5% in 2003, while it was 61.8 % in Israel in 2007[19].

As we have seen, notwithstanding the increase in female participation, female participation is still very low, even one of the lowest worldwide. This can be explained by many factors; the main reason for females being outside labour force is housekeeping, the percentage of those females who remain outside the labour force due to housekeeping amounted to about 66.0% of total females aged 15 years and over, followed by study at about 26.0% in 2007[20]. Illiteracy is higher among females, what makes it more difficult for women to join the labour force. Poverty[21] among females was 25.6% compared with 19.8% for males in 2003, while illiteracy[22] among females was 10.2% compared with 2.9% for males in 2006.

In the same context, the PCBS time use survey revealed that women spend about 60% of their time on housekeeping and children care[23]. Moreover, the cultural context and the traditional view of the role of women and the services that she can participate in limited female participation in all sectors.

The increase in female participation can be explained by the increase in female employment in the public sector, particularly in the GS that registered about one third of all employed females, in addition to the increase in females with higher education – 13 years of schooling and over – seen in

17 ILO Laborsta, Labour Statistics Database: http://laborsta.ilo.org/ (date of access: February 25, 2009).

18 PCBS, 2009. Labour Force Survey database.

19 ILO Laborsta, Labour Statistics Database: http://laborsta.ilo.org/ (date of access: February 25, 2009).

20 PCBS, 2008. Labour Force Survey: Annual Report 2007. Ramallah-Palestine.

21 MIFTAH, 2008. Towards Gender Responsive Budget, first edition December 2008.

22 PCBS, 2007. Statistical Abstract of Palestine, “NO.8”. Ramallah- Palestine.

23 MIFTAH, 2008. Towards Gender Responsive Budget, first edition December 2008.

female labour force participants with higher education: 43.7% during 1995-2003[24], 48.6% in 2007[25] and 57.8% in 2008[26]. Another significant reason was the increased need for alternative sources of income for households due to the deteriorating economic situation: the loss of Palestinian jobs in Israel push Palestinian women to assist in fulfilling their household needs, either in finding jobs in the informal sector or with other wage opportunities in the PT.

In general, the low PT participation rate in the labour force was a consequence of the weak Palestinian economy and limited work opportunities in both the public and private sectors there, in parallel with the closure of the Israeli labour market for Palestinians, particularly in the GS. There is also the age structure of the Palestinian population which is, as we have seen, a very young one.

Table 3: Participation Rate in the Labour Force[27] for Persons aged 15 Years and Over in the Palestinian Territory by Sex, 2000-2008

Year	Both Sexes		Males		Females	
	%	Number	%	Number	%	Number
2000	41.5	675,382	70.1	572,839	12.7	102,543
2001	38.7	648,590	66.8	562,840	10.3	85,750
2002	38.1	658,640	65.4	569,204	10.4	89,436
2003	40.3	717,296	67.5	604,106	12.8	113,190
2004	40.4	740,609	66.9	617,490	13.5	123,119
2005	40.7	769,588	67.6	643,543	13.4	126,045
2006	41.3	818,974	67.7	675,930	14.5	143,044
2007	41.9	858,645	67.7	698,575	15.7	160,070
2008	41.3	875,285	66.8	714,617	15.2	160,668

Future labour force participation rates based on prevailing demographic trends suggest that participation will increase at a constant rate through 2009-2014 to 42% and that the rate is expected to reach 43% during 2015-2020.

The absolute figures show that participants in the labour force will increase during 2009-2020 by about 486,000 representing a rate of change of 52% with an average of about 40,000 annually representing an annual rate of change of 4.4%. For the period 2009-2015 it will increase by 259,000 with an average of about 37,000 annually representing a rate of change of 4%. And it will increase by 226,000 during the period 2015-2020 with an average of about 45,000 annually representing a 3.8% rate of change.

Participation rate according to sex shows that the male participation rate will be constant for the period 2009-2020 at 67.4%, while the absolute figures suggest an increase in male participants. For the female participation rate, projection results suggest that their participation will increase by 21% during 2009-2020 with an annual average increase of 1.8%, the absolute increase for the same

24 PCBS, 2005. Palestinian Labour Force in Israel and Settlements (1995-2003). Ramallah-Palestine.

25 PCBS, 2008. Labour Force Survey: Annual Report 2007. Ramallah-Palestine.

26 PCBS, 2009. Labour Force Survey database.

27 The data sources used here are the PCBS Labour Force Survey databases for the years 2000-2008, the distribution of labour force by sex is estimated according to the sex ratio of the PCBS databases.

period being 134,000, representing a 78% rate of change with an annual average of 11,000 representing 6.5%.

As indicated above, regardless of the increase in the female participation rate and the stability of the male participation rate, the absolute figures show a significant increase for both sexes and in favor of females. Policy makers must take such increases into account when drawing up policies that can provide extra job opportunities, in accordance with the limited PT resources, the absorbing capacity of the PT economy and the prevailing international financial crises. The Palestinian public sector is over saturated and totally dependent on external donations, the private-sector infrastructure leaving little room for optimism as to its absorbing capacities. Progress in development is interrelated to political stability. Realistically politicians have few resources and few choices: we should expect then unemployment to continue growing at least for the foreseeable future.

The participation rate by region as shown in figure 1, revealed that the participation rate in the WB is significantly higher than in the GS. The annual average was 42.8% for the period 2000-2008 in the WB, while it was 36.4% in the GS over the same period.

Table 4: Projected[28] Participation Rate in Labour Force for Persons 15 Years and Over in the Palestinian Territory by Sex, 2009-2020

year	Both Sexes		Males		Females	
	%	Number	%	Number	%	Number
2009	42.0	925,571	67.4	752,399	15.7	173,172
2010	42.0	960,686	67.4	778,163	16.0	182,523
2011	42.0	997,294	67.4	804,948	16.3	192,346
2012	42.0	1,035,218	67.4	832,602	16.6	202,616
2013	42.0	1,074,502	67.4	861,151	16.9	213,351
2014	42.0	1,115,194	67.4	890,624	17.2	224,570
2015	43.0	1,184,898	67.4	942,980	17.5	241,918
2016	43.0	1,227,203	67.4	973,241	17.8	253,962
2017	43.0	1,270,929	67.4	1,004,415	18.1	266,514
2018	43.0	1,316,121	67.4	1,036,527	18.4	279,594
2019	43.0	1,362,827	67.4	1,069,607	18.7	293,220
2020	43.0	1,411,096	67.4	1,103,680	19.0	307,416

The lower participation rate in the GS can be referred to the wider base of the younger parts of the age-structure pyramid that has higher percentages than in the WB. There is also the problem of

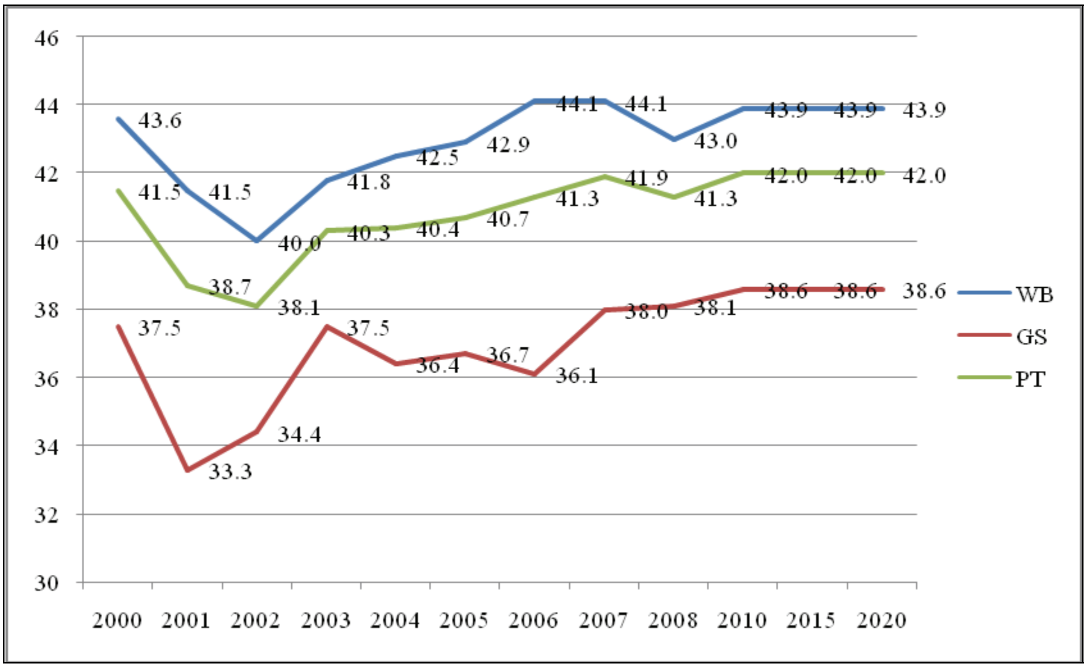
28 Data for the participation rate is based on the authors' projections according to the trends of labour force indicators derived from the PCBS Labour Force Survey databases for the years 2000-2008: assuming the participation rate is 42.5% till 2014 and 43.0% for 2015-2020, the participation rate for males is assumed as constant at 67.4%, while the female participation rate is taken to be 0.3% annually.

worse political instability in the GS, and a lower participation rate of females in the GS compared with the WB; respectively 11.0% and 18.3% in 2007[29].

Relatively, the better participation rate in the WB can be referred to the better economic situation; a significant percentage of the labour force can still work in the Israeli labour market, the fertility rate in the WB is lower than the GS and the younger parts of the age pyramid (especially those aged fourteen or younger) are not as large as in the GS. There is also a higher participation rate of females in the WB than in the GS.

The lowest participation rate in GS was at 33.3% in 2001 and 34.4% in 2002, and likewise 2001-2002 saw the lowest participation rate in the WB at respectively 41.5% and 40.0%.

Figure 1: Participation in Labour Force by Selected Years and Region[30]



As shown in Tables 5 and 6, participation rate in labour force by age groups reveals that the highest participation rates in the PT is among the 25-34 and 35-44 age groups; the average participation rate for the 25-34 age group during the period 1995-2008 was about 55%, and 56% for the 35-44 age group with a stable participation rate for these two over time, followed by the 45-54 age group with an average of 51% during the same period. The lowest participation rate was among the 55 years and over age group, namely about 21%.

The low participation rate for both sexes in the 55 years and over age group could be explained by illness, old age and retirement in general. The preferences of employers in hiring the young as

29 PCBS, 2008. Labour Force Survey: Annual Report 2007. Ramallah-Palestine.

30 PCBS, 2008. Labour Force Survey: Annual Report 2007. Ramallah-Palestine .

PCBS, 2009. Labour Force Survey database.

Data for the participation rate is based on the authors' projections according to the trends of labour force indicators derived from PCBS Labour Force Survey databases for the years 2000-2008: assuming the participation rate is 42.5% till 2014 and 43.0% for 2015-2020, the participation rate for males is assumed at a constant 67.4% while the female participation rate is assumed to have increased by 0.3% annually.

regards expenses for compensations, health insurance and other retirement costs is well established. There is a reluctance to hire females because of the maternity leave of about two months.

The participation rate for males in different age groups revealed the same trends of the participation for both sexes; the highest was again among the same two age groups (25-34 and 35-44) at respectively 88% and 91% with 57.7% of the total male participation rate (respectively 32.9% and 24.8%). The lowest participation rate was among the 55-years-and-over age group at 38% with a share of 4.3% of the total male labour force in the 55-64 years age group. While the contribution of the 15-24 and 45-54 age groups was respectively 24.4% and 13.6%.

The relatively low participation rate of males aged 55 years as compared to other age groups can be explained by their lower educational level that compares unfavourably with the better educated young (25-44 years).

For the 15-24 age group, the participation rate is almost half of that for the 25-34 and 35-44 age groups; this can be explained by educational attainment age (schools and higher education).

Table 5: Percentage Distribution of Labour Force Participants by Age Groups and Sex, 2008[31]

Age group	Males	Females	Both Sexes
15-24	24.4	22.4	24.0
25-34	32.9	37.1	33.7
35-44	24.8	23.4	24.5
45-54	13.6	12.3	13.3
55-64	4.3	4.8	4.4
Total	**100**	**100**	**100**

For females, although the participation rate was highest for the same age groups as males, the rates over time are increasing significantly. So it increased by 41% for the 25-34 age group between 1995 and 2008. It increased by 39% for the 35-44 age group over the same period. And the share of these two age groups in the total female participation rate reached 60.5% (respectively 37.1% and 23.4%). The lowest participation rate for females was found in the 15-24 and 55-years-and–over age groups at a stable rate of about 7.5% for each, with a share of 27.2% (respectively 22.4% and 4.8%), while females in the 45-54 age group reached 12.3%.

For females aged 15-24, the low rates may be due to early marriages that limit their chances of participation in the labour market owing to household responsibilities and early child bearing. In addition, those who did not get married early are often enrolled in education (schools and higher education). Moreover, the cultural factors limit female participation in the labour market in general and among the younger in particularly.

Participation rate by years of schooling for both sexes revealed that the highest rate was among those who completed 13 years of schooling with an average of 58% among all those who completed 13 years of schooling and above for the years 1995-2008. The lowest participation rate,

31 PCBS, 2009. Labour Force Survey database.

meanwhile, was among those who never attended school at an average of 13.7% for the same period, while it was 43%, 41% and 37% among those who completed respectively 1-6, 7-9 and 10-12 years of schooling. The above description represented the level of education share in 2008. The highest share was for those with primary certificates at 31.4%, followed by the secondary level that contributed 27.4%, then university degree holders at 27.2% and those of the non-educated at 14.0%.

The participation rate of males in the labour force by years of schooling showed quite close rates for the different years of schooling categories except in the case of the none category at an average of 27% for the period 1995-2008. While the average for the 1-6 and 7-9 years of schooling categories was 72% for both and was 66% and 70% for respectively 10-12 and 13 years and above.

The share of education levels among males showed that the highest share there was for the primary certificate holders at 35.7%, followed by the secondary level at 31.2%, while the share of bachelor holders represents 20% and the lowest share was 13.1% for non-educated males.

Table 6: Labour Force Participation Rate of Persons Aged 15 Years and Above in the Palestinian Territory by Age, Sex and Selected Years[32]

Age and Sex	1995	2000	2005	2006	2007	2008
Both Sexes						
15-24	32.1	30.1	25.5	26.1	26.6	26.9
25-34	54.1	54.4	55.4	55.7	56	55.8
35-44	50.9	56	57	57.9	58.8	57.3
45-54	44.4	50.5	52	52.7	53.4	51.6
55+	19.4	21.1	20.9	21.5	22.7	21.2
Total	**39**	**41.5**	**40.7**	**41.3**	**41.9**	**41.3**
Males						
15-24	53.2	52.1	43	43.6	44.2	43.7
25-34	88.8	90	89.4	89.2	88.4	87.8
35-44	87	90.2	92.4	92.1	92.4	92.3
45-54	76.7	84.9	85.5	84.9	84.9	83.1
55+	35.4	38.4	38.6	39.1	38.2	37.1
Total	**66.9**	**70.1**	**67.6**	**67.7**	**67.7**	**66.8**
Females						
15-24	7.1	7.1	7.2	7.9	8.2	9.3
25-34	16.1	17.5	20.1	20.9	22.3	22.7
35-44	14.7	19.5	19.3	21.6	23.3	20.4
45-54	15.5	16.9	17.1	18.9	20.3	17.9
55+	6	7.6	6.7	7.1	9.8	7.8
Total	**11.2**	**12.7**	**13.4**	**14.5**	**15.7**	**15.2**

Table 7: Percentage Distribution of Labour Force Participants by Level of Education and Sex, 2008[33].

Age group	Males	Females	Both Sexes
None	13.1	17.5	14.0
Primary	35.7	14.9	31.4
Secondary	31.2	12.7	27.4
Bachelor	20.0	54.9	27.2
Total	**100**	**100**	**100**

32 PCBS, 2009. Labour Force Survey database.

PCBS, 2008. Labour Force Survey: Annual Report 2007. Ramallah-Palestine.

33 PCBS, 2009. Labour Force Survey database.

The participation rate of females in the labour force by years of schooling is not unlike that of males for all categories except the 13 years and above category at an average of 42% for the period 1995-2008, while the average for the non educated, 1-6, 7-9 and 10-12 years of schooling categories were respectively 9%, 12%, 7.5% and 7%.

The share of female level of education in terms of the total female participation rate showed that the highest share was for bachelor certificate holders at 54.9%, followed by those with no education at 17.5%, while those with only primary education was 14.9% and the lowest share was 12.7% for secondary-certificate holders.

Table 8: Labour Force Participation Rate of Persons Aged 15 Years and Above in the Palestinian Territory by Sex and Years of Schooling, Selected Years[34]

Years of Schooling and Sex	1995	2000	2005	2006	2007	2008
Both Sexes						
0	14.1	15	11.9	13.2	14.8	13.2
1-6	41.5	42.4	44.2	44.6	45.1	43
7-9	38.8	41.1	41	41.8	42.2	41.9
10-12	38.4	39.4	36.4	36.6	37	36.6
13+	62.5	62.1	56	55.8	56.2	55.3
Total	**39**	**41.5**	**40.7**	**41.3**	**41.9**	41.8
Males						
0	32.2	30.2	23.4	25.9	27.2	25.1
1-6	70.9	73	74	72.9	71.6	69.9
7-9	69.7	72.9	71.6	72.2	71.1	71.7
10-12	65.2	70.2	65.7	65.5	65.8	65.9
13+	74.6	73	67.7	68.5	69.5	66.6
Total	**66.9**	**70.1**	**67.6**	**67.7**	**67.7**	**67.1**
Females						
0	7.8	10.4	8.7	9.4	11.1	9.3
1-6	8.7	9.5	11.6	13.2	15.6	13.4
7-9	5.9	6.9	7	8.5	9.5	7.2
10-12	7.9	7.7	6.3	7.2	8.1	7
13+	43.3	44.7	41.1	40	40	42.3
Total	**11.2**	**12.7**	**13.4**	**14.5**	**15.7**	**15.4**

34 PCBS, 2009. Labour Force Survey database.

PCBS, 2008. Labour Force Survey: Annual Report 2007. Ramallah-Palestine.

Data in Table 9 shows that the lowest share of labour force participation is among the non-educated category at 1.4% of the total participants in the labour force. The share then gradually increases with the years of schooling. And while the contribution of the 13+ years of schooling category is still modest at 29.5%. it is clear that the younger ages have a higher percentage share in the labour force: those aged 15-24 years with 10-12 years of schooling were at about 42% compared with 20% for those aged 55 years with the same level of schooling.

Table 9: Percentage Distribution of Labour Force Participants in the Palestinian Territory by Years of Schooling, and Age, 2008[35]

Years of Schooling	Age					Total
	15-24	25-34	35-44	45-54	55+	
0	0.2	0.4	0.9	2.4	13.3	**1.4**
1-6	7.2	11.2	14.8	19.6	24	**12.9**
7-9	24.5	21.9	26.7	23.9	18.4	**23.8**
10-12	41.7	32.8	30.7	22.7	20	**32.4**
13+	26.4	33.7	26.9	31.4	24.3	**29.5**
Total	**100**	**100**	**100**	**100**	**100**	**100**

According to the figures mentioned above, the majority of female participants in the labour force were those highly-educated females: more than half of the females in the labour force. This points unambiguously to the importance of education in increasing the female participation rate and in competing successfully with men. This explains too the continuous increase in the female labour force participation rate which is related to education level.

1.2.1 Composition of Employment

As shown in Figure 2, the full employment rate, which is calculated as a percentage of the total labour force, started declining in the year 2001 from 81.3% in 2000 to 74.8% and then it declined to 69.7% in 2002 – its lowest level. Then it started to increase gradually till 2007 when it reached 78.5%, before again declining in 2008 to 74%. Despite the improvements since 2003, the rate has not yet reached the rate of the year 2000 (81.3%). As for employment status by region (the WB and GS), the data reveals that GS employment is lower than that of WB employment. The worse employment rate for the GS was 59.4% in 2008 compared with 81% in the WB in the same year. The worst employment rate in the WB, meanwhile, was in 2002 at 72.8% compared with 61.9% in the GS in the same year. This fluctuation up and down clearly reveals the political instability, particularly in the GS, that affects economic development and performance and which is reflected in the number of those employed.

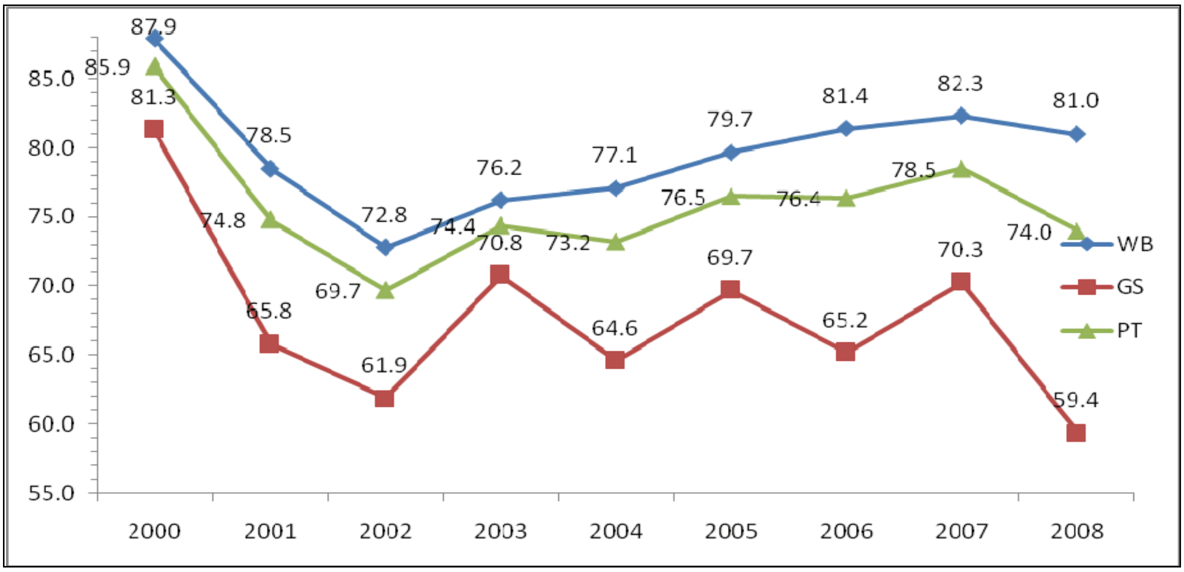
The lower employment rates in the GS compared with the WB may be explained by two main factors; the disengagement plan implemented by Israel in 2005 which resulted in a closed Israeli labour market for the Gazans, and internal Palestinian political conflict which led to the GS being taken over by Hamas, which was followed by international sanctions and lack of work opportunities there.

The Palestinian labour market is a major challenge for the Palestinian economy. It represents the real expression of the economic crises since the 1990s, where the clear gaps between the income and production of the Palestinian economy gives raise to a continuous imbalance of supply and

35 PCBS, 2009. Labour Force Survey database.

demand in the labour force. The main reasons for this are the contradictory policies of Israel (with its influence over the Palestinian economy). On the one hand, the Palestinian labour force is allowed to work in Israel with high wages that ultimately increases demand in the whole economy. On the other, Israeli policies restrict investment and trade in the PT, thus limiting the increase in production to cope with increased demand.

Figure 2: Employed Persons Aged 15 Years and Over by Region, 2000-2008[36]



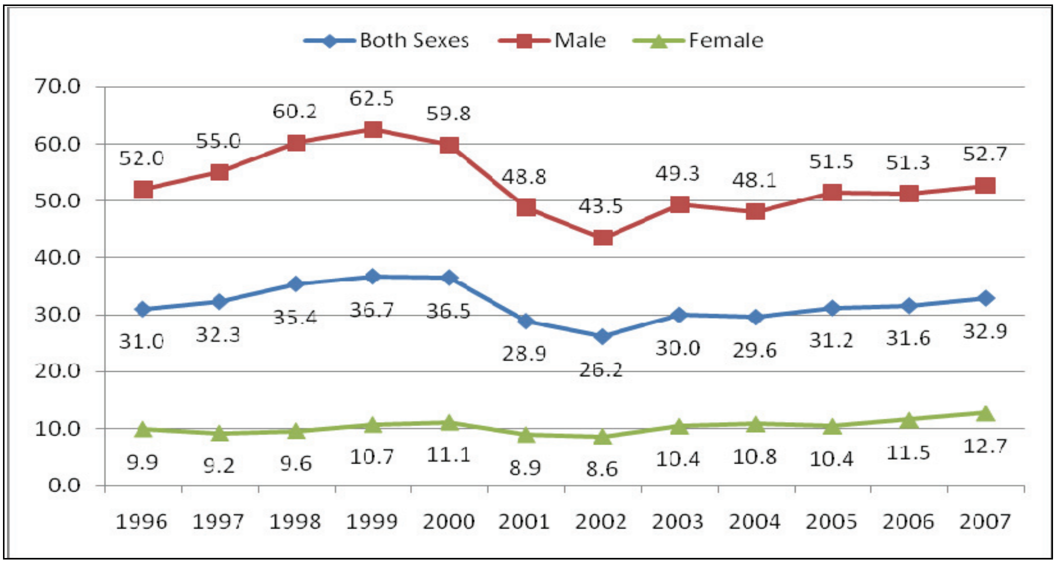
As a result of this situation, imports replaced production in bridging the gap between supply and demand in commodities and services. And to bridge the gap between supply and demand in the labour market the only options available were either to work in Israel or in a neighbouring Arab countries (particularly the Gulf states) or in the Palestinian labour market.

About one third of the Palestinian population was employed during the period 1996-2007, or an average of 53% males and 10% of females, which, simply put, means that one employed person is responsible for two non-working persons, which is different from the economic dependency ratio which amounted to about 100.

36 PCBS, 2009. Labour Force Survey database.

PCBS, 2008. Labour Force Survey: Annual Report 2007. Ramallah-Palestine.

Figure 3: Employment-to-Population Ratio by Sex, 1996-2007[37]



The employment rate by employment status (employed and underemployed) showed that underemployment[38] represented 10.2% of the total labour force in 2007 and 8.9% in 2008. The highest employment rate was among the 55 years and over age group at 89.3% in 2007 and 85.6% in 2008, While the contribution of the 55-64 age group was 5.2% and 5% of all the employed aged 15 years and over for the same period.

The lowest employment rate was among the 15-24 age group at 64.7% in 2007 and 59.8% in 2008, while its share represents 19.2% of the total employed persons aged 15 years and over in 2007 and 20.4% in 2008. The highest contribution age group in employment terms was 34.4% for the 25-34 age group in 2007 and 33.6% in 2008, followed by 26.2% and 26.6% for the 35-44 age group in respectively 2007 and 2008.

As shown in Figure 3, the decline in employment rates affected both full employment and underemployment in 2008 for both sexes compared with 2007. This is an illustration of the weak performance of the Palestinian economy that may be seen in the decline of the underemployment rate, which was not reflected in an increase in the full employment rate or a decrease in the unemployment rate.

37 PCBS, 2009. Labour Force Survey database.

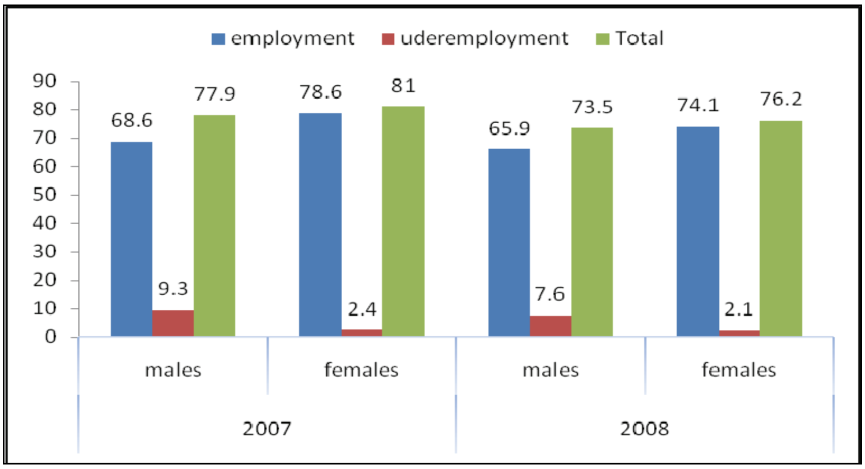
38 Both visible unemployment, those individuals who worked less than 35 hours per week or less than the normal hours for certain occupations and who intended to increase their work hours, and invisible underemployment, namely the desire of the employed to change their work due to insufficient income or improper working conditions.

Table 10: Employed Persons 15 Years and Over in the Palestinian Territory by Employment Status, Age and Sex, 2007-2008[39]

Age and Sex	2007			2008		
	Employment	Underemployment	Total Employed	Employment	Underemployment	Total Employed
Both Sexes						
15-24	57.1	7.6	**64.7**	53.0	6.8	**59.8**
25-34	70.8	8.9	**79.7**	67.3	7.2	**74.5**
35-44	75.4	8.6	**84.0**	74.0	6.5	**80.5**
45-54	76.5	7.3	**83.8**	75.4	6.2	**81.6**
55+	85.6	3.7	**89.3**	82.0	3.6	**85.6**
Total	**70.5**	**8.0**	**78.5**	**67.4**	**6.6**	**74.0**

Employment went down from 580,000 in 2000 to 450,000 in 2002, the rate reaching about 22%. The employed either worked in the Israeli labour market or in the PT labour market. The Israeli labour market employed about one fifth of employed Palestinians in 2000, while the Palestinian labour market employed about 80%; approximately 19% in the public sector and 61% in the private sector. With the rise in political instability the Israeli labour market limited job opportunities for Palestinians. It employed about only one tenth of Palestinian workers in 2002 and only about 8% in 2004. Those Palestinians who lost their jobs in Israel either found private or public jobs in the PT or found themselves unemployed.

Figure 4: Employed persons 15 Years and Over by Employment Status and Sex, 2007-2008[40]



39 PCBS, 2009. Labour Force Survey database.

PCBS, 2008. Labour Force Survey: Annual Report 2007. Ramallah-Palestine.

40 Ibid.

Employment distribution by sector continued increasing due to the decrease in Palestinians employed in the Israeli labour market. It is clear from the figures in Table 11 that the public sector contributed more than the private sector relative to its size in absorbing those Palestinians who had previously worked in Israel. In fact, the public-sector share increased from 19% in 2000 to 24% in 2008, while the private sector increased its employment share from 61% to 63%. The public sector employed about 112,000 Palestinians in 2000. This became about 160,000 in 2008, that means an additional 48,000, representing a rate of change of 42%. The rate of change of public sector employment was, instead, about 27% from 2000 to 2008.

The private sector, meanwhile, absorbed about 60,000 of those Palestinians who had lost their jobs in Israel in 2007-2008, a rate of change of about 16%, while the rate of change in private sector share as a part of overall employment was about 4.6% from 2000 to 2008.

Theoretically speaking, the public-sector share should be relatively static, while the private sector is supposed to be dynamic, growing as is typical in the economy of a developing country. In the Palestinian case though the public sector absorbed, in absolute terms, about 44% of the returning Palestinians, which indicates the important role of the public sector in absorbing extra labour force, though this may create disguised unemployment.

The Palestinian employment in the Israeli labour market decreased in absolute terms by 34% from about 114,000 in 2000 to 74,000 in 2008. This decline caused higher unemployment rates due to the inability of the Palestinian labour market to absorb the new labour force – i.e. the young coming of age – and those Palestinians who had lost their jobs in the Israeli market. It is worth mentioning that a significant percentage of those 74,000 Palestinians working in Israel market are Jerusalemites (about 30,000) who are subject to less strict regulations than PT Palestinians, regulations that allows them to work and move freely in Israel. If this figure is excluded from the 74,000, then the Israeli market becomes marginal for the PT, especially when compared to its role before 2000.

Employment distribution by sector according to region (the WB and GS) shows a significant change in distribution in the private, public sectors and the Israeli labour market. It is striking that those employed in the public sector in the WB increased from 14.5% in 2000 to 16.8% in 2008, while in GS it increased from 31.3% in 2000 to 46.8% in 2008. The major increase in employment in the public sector in the GS is mainly due to the closure of the Israeli market to Gazans since 2006 and the new hiring polices of the Hamas government in 2006-2008, in addition to a decline in the absorption capacity of the private sector.

Table 11: Percentage Distribution of Employed Persons 15 Years and Over in the Palestinian Territory by Sector, Region and Selected Years[41]

Sector and Region	2000	2001	2002	2003	2004	2005	2006	2007	2008
Palestinian Territory									
Public Sector	19.4	23.0	23.6	20.7	22.5	23.0	23.7	23.3	24.7
Private Sector	61.0	63.2	66.1	69.6	68.8	67.1	66.7	67.3	63.8
Israel & Settlements	19.6	13.8	10.3	9.7	8.7	9.9	9.6	9.4	11.5
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
West Bank									
Public Sector	14.5	16.6	18.4	16.5	16.9	16.9	17.3	17.0	16.8
Private Sector	63.1	65.4	68.3	710	71.5	69.3	69.7	69.9	67.5
Israel & Settlements	22.4	18.0	13.3	12.5	11.6	13.8	13.0	13.1	15.7
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Gaza Strip									
Public Sector	31.3	41.5	36.8	30.5	37.1	38.1	41.6	39.1	46.8
Private Sector	55.8	56.6	60.7	66.2	61.8	61.5	58.4	60.9	53.2
Israel & Settlements	12.9	1.9	2.5	3.3	1.1	0.4	-	-	-
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

The Israeli blockade of the GS is due in part to the easily controlled borders (small geographical area of 365 Km^2) compared with the WB with its wider geographical area (15 times bigger than the GS), that is difficult to control. This advantage for the WB will finish though once Israel completes building its Annexation and Expansion Wall. The imposed geographical separation between the WB and GS weakens any mutual employment interchange, compounding a weak economy in both regions which is, in turn, reflected in a weak production infrastructure.

Employment in the private sector in the WB increased from 63.1% in 2000 to 67.5% in 2008, while in the GS it decreased from 55.8% in 2000 to 53.2% in 2008.

It is clear that employment is concentrated in the WB (about 62% of the total employment in the PT), and it was only 26% in the GS despite the fact that the GS constitutes about 40% of the total population. This naturally leads to the conclusion that the GS is suffering from higher unemployment.

Employment by economic activity revealed that the highest employment economic activity was found in services, where it increased from about 30% in 2000 to about 38% in 2008. This may be a consequence of lower risks in investment compared with other branches which need more stability

41 PCBS, 2009. Labour Force Survey database.

PCBS, 2008. Labour Force Survey: Annual Report 2007. Ramallah-Palestine.

and flexible rules and regulations (importing raw materials, exporting products, maintenance…etc) in addition to an increase in employment in the public sector which is mostly service activities.

**The most affected activity during the period 2000-2008 was construction, which decreased from 19.7% in 2000 to about 11% in 2008. This sharp decline can be explained by the risks associated with investment in this sector, particularly with the decline in purchasing power and the difficulties in importing raw materials which leads to unbalanced supply and demand that freezes construction transactions.

The percentage of employed persons in agriculture has declined slightly with 13.7% in 2000 and 13.4% in 2008. This is not due to agricultural sector modernization but rather to the destruction of agricultural production sources (plant and animal); in fact, the agriculture sector lost 345 million US$ during 2001 including 115 million US$ for lost employment in agriculture[42].

The distribution of employed persons by economic activity revealed no significant differences at an aggregate level (both sexes), though the difference in the share of economic activity by sex is significant in agriculture and services for females, which is higher than males. The share for females in agriculture reached 27.5% and 55.2% for services in 2008 compared with respectively 10% and 34.5% for males. These discrepancies can be explained by cultural factors that favour females work in agriculture and services. Other economic activities – construction, commerce and transport – show a bias towards males.

The distribution of employed persons by employment status revealed that the major share is for wage employees though there was decline during the politically difficult years 2001-2004: respectively 62.1%, 59.2%, 57.2%, and 58.3%. Afterwards it remained at a rate of about 60%. Instead, the tendency for self-employed work increased over the same period 2001-2004: respectively 24.0%, 26.8%, 27.8% and 26.5% and reached a stable rate of 24% later on.

This may lead us to conclude that a significant percentage of those who lost their jobs either in the Israeli market or in the Palestinian private sector during the stated period became self-employed.

42 PCBS, 2005. Change in labour market indicators during the second intifada. Ramalla-Palestine.

Table 12: Percentage Distribution of Employed Persons 15 Years and Over in the Palestinian Territory by Economic Activity and Sex, Selected Years[43]

Economic Activity and Sex	1995	2000	2005	2006	2007	2008
Both Sexes						
Agriculture, Hunting & Fishing	12.7	13.7	14.6	16.1	15.6	13.4
Mining, Quarrying & Manufacturing	18.0	14.3	13.0	12.4	12.5	12.1
Construction	19.2	19.7	12.9	11.1	11.0	10.9
Commerce, Hotels & Restaurants	19.6	17.5	19.4	19.2	19.5	20.2
Transportation, Storage & Communication	4.9	4.9	5.7	5.7	5.6	5.0
Services & Other Branches	25.6	29.9	34.4	35.5	35.8	38.4
Total	**100**	**100**	**100**	**100**	**100**	**100**
Males						
Agriculture, Hunting & Fishing	10.3	9.8	11.0	12.0	10.8	10.1
Mining, Quarrying & Manufacturing	18.3	14.9	14.0	13.3	13.3	12.9
Construction	22.3	23.3	15.4	13.5	13.5	13.4
Commerce, Hotels & Restaurants	21.5	19.3	21.6	21.8	22.3	23.2
Transportation, Storage & Communication	5.6	5.7	6.7	6.8	6.9	5.9
Services & Other Branches	22.0	27.0	31.3	32.6	33.2	34.5
Total	**100**	**100**	**100**	**100**	**100**	**100**
Females						
Agriculture, Hunting & Fishing	26.9	34.6	32.5	34.3	36.0	27.5
Mining, Quarrying & Manufacturing	16.2	10.8	8.1	8.5	9.5	8.8
Construction	0.7	0.3	0.3	0.2	0.2	0.5
Commerce, Hotels & Restaurants	8.3	7.7	8.3	7.4	7.7	7.4
Transportation, Storage & Communication	0.9	0.7	0.6	0.9	0.4	0.6
Services & Other Branches	47.0	45.9	50.2	48.7	46.2	55.2
Total	**100**	**100**	**100**	**100**	**100**	**100**

43 PCBS, 2009. Labour Force Survey database.

PCBS, 2008. Labour Force Survey: Annual Report 2007. Ramallah-Palestine.

Table 13: Employed Persons 15 Years and Over in the Palestinian Territory by Region and Employment Status, 2007-2008[44]

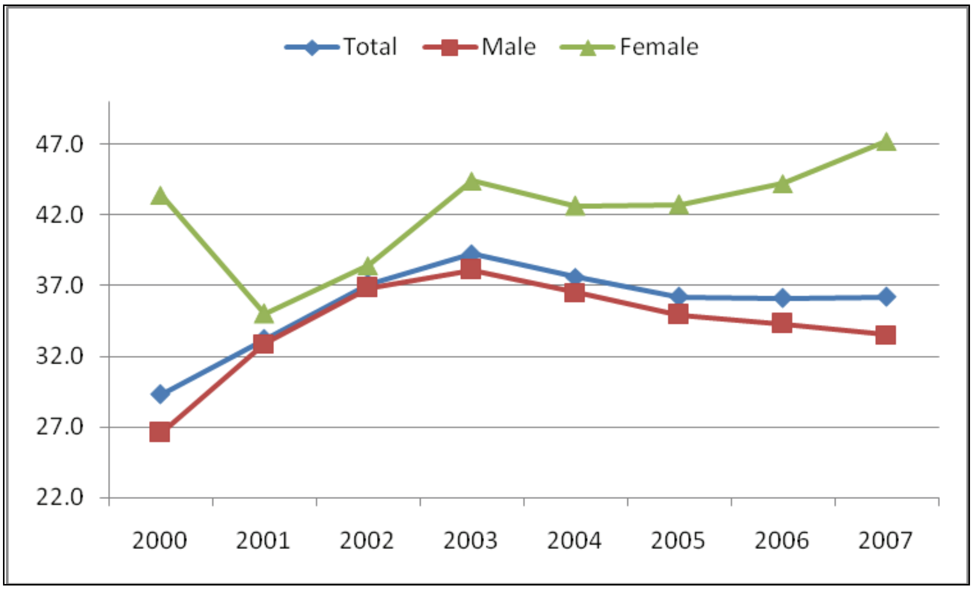
Employment Status and Region	1995	2000	2005	2007	2008
Palestinian Territory					
Employer	6.9	4.6	4.3	4.0	4.2
Self Employed	21.2	19.6	26.1	24.2	20.7
Wage Employee	61.7	66.1	59.5	59.8	65.3
Unpaid Family Member	10.2	9.7	10.1	12.0	9.8
Total	**100**	**100**	**100**	**100**	**100**
West Bank					
Employer	7.1	5.1	5.0	4.4	4.5
Self Employed	21.3	20.6	27.6	25.4	21.6
Wage Employee	61.3	64.7	56.4	57.9	63.7
Unpaid Family Member	9.9	9.6	11.0	12.3	10.2
Total	**100**	**100**	**100**	**100**	**100**
Gaza Strip					
Employer	6.1	3.3	2.6	3.2	3.5
Self Employed	20.4	17.2	22.4	21.2	18.4
Wage Employee	62.6	69.5	67.1	64.4	70.0
Unpaid Family Member	10.8	10.0	7.9	11.2	8.1
Total	**100**	**100**	**100**	**100**	**100**

As shown in Figure 5, it is clear that female economic participation is weak and that women have only a weak role in managing the economic activities that weakens, in turn, their ability to reach higher managerial and political positions. Likewise it is clear that unpaid female family members an unaccounted work is increasing over time, to about 50% of total female employment: such activities minimize the size of female contributions in the national economy as unpaid work is excluded from the national accounts. Note that the majority of unpaid work is done by women, mainly in the agricultural sector.

44 PCBS, 2009. Labour Force Survey database.

PCBS, 2008. Labour Force Survey: Annual Report 2007. Ramallah-Palestine.

Figure 5: Proportion of Own-account and Contributing Family Workers in Total Employment[45]



The figures in table 14 confirm the argument offered above on the contribution of female work in the Palestinian economy. It is clear that the share of women in wage employment in non-agricultural sectors is very low, that means, naturally, that their contribution to national income is low.

Table 14: Share of Women in Wage Employment in the Non-agricultural Sector[46]

Year							
2000	2001	2002	2003	2004	2005	2006	2007
13.6	**16.0**	**17.2**	**17.0**	**18.0**	**16.2**	**17.2**	**17.1**

1.3. Estimation of national job creation needs 2009-2020[47]

With employment and unemployment trends during the period 2000-2008, the prevailing political situation and the expectation of a final political negotiation between the PLO and Israel has produced two scenarios: one, broadly speaking, optimistic and the other pessimistic. The optimistic one counts on the political situation calming down and sees unemployment decline to its pre-2000 levels: 22% for the years 2009-2010; 22.5% for males and 20% for females, and 15% for the period 2011-2020; 15.5% for males and 13% for females. The pessimistic scenario assumed a constant average unemployment rate for the period 2005-2008 of 23.6%; 24.2% for males and 21.3% for females.

In the first scenario, the Palestinian labour market needs an average of about 46,000 job opportunities annually in the period 2009-2020 about 34,000 for males and 12,000 for females. While the second scenario demands about 36,000 job opportunities annually from 2009-2020 26,000 for males and 10,000 for females.

45 PCBS, 2009. Labour Force Survey database.

46 Ibid.

47 Authors' projections.

Table 15: Average Annual Job Creation Needs, 2009-2020

Scenario	Both Sexes	males	females
I: optimistic	45,977	33,717	12,260
II: pessimistic	35,864	25,747	10,117

The estimated national needs for job opportunities according to the above two scenarios would be a great deal for a normal economy, never mind the weak Palestinian economy. Economic studies regarding the necessary investment have suggested that one job opportunity requires 20,000 thousand US$ on average[48]. Extrapolated this would mean that the Palestinian authorities would need an additional budget of about one billion US$ to respond to the first scenario, while it would need about 700 million US$ for the second one.

2. Labour market performance in Palestine

2.1 Regulations of the labour market

Labour law number (7) for the year 2000 is considered the basic law that regulates the mandate of the Ministry of Labour (MoL) and its responsibilities, this law was legislated by PLC in agreement with the three main partners; MoL, employers and employees. This law regulates the relations between the three mentioned partners in terms of the guaranteed rights of each party: police, contracts, work conditions, work hours, wages, compensations, allowances, vacations, leave and other issues. The law also guaranteed work for the disabled at 5% of the workforce per employer. It allows foreign investment in Palestine and gives non-Palestinians the right to work in the PT labour market. Generally speaking the law includes a lot of additional positive material: work is a right for every worker, equality must be guaranteed to prevent discrimination, especially against women... principles these that guard the rights of both workers and employers.

The law stated that special committees would prepare executive regulations: these committees include representatives from the three main work parties[49]. Despite these executive regulations being issued, there are no enforcing procedures that would empower women with employment incentives or punish employers in cases where the law had been violated. In addition, the law does not provide individual social security for the unemployed. And there is no articles in the law applying to employees in the informal sector which would guarantee the rights of employees

In addition to the labour law, the MoL issued a regulating system for the Ministry in 2004, and social security law number (3) for the year 2003 helped in drawing up the main legal frame of MoL[50]. Despite the available legislation, there were still not enough laws to formulate the legal framework of the MoL as the Ministry itself stated in the executive summary of the development plan in 2004. This should urge responsible parties to add more laws that cover the gaps, laws that would regulate labour markets and the informal sector in addition to vocational training needs as well as creating labour databases.

The rights of public employees are regulated by the amended Civil Service Law 2003. This law covers all rights in this sector. It is guaranteed and implemented by the personnel council and the

48 Abdel Karim, N, 2004. Current status of Palestinian economy and development opportunities.

49Alwaqe' Al filestinyya, 2001. No. 39: the Labour law number (7) for 2000.

50 http://www.mol.gov.ps/ministry/haykal.html, accessed February 10, 2009.

Ministry of Finance (MoF). The commitment of the government in applying the pertinent regulations has been satisfactory, except for one year (2006/2007) when employee salaries were not paid in full and regularly on a monthly basis due to a chronic shortage of financial resources, the result of political issues.

Moreover, the Palestinian Declaration of Independence and the PA Basic Law (Temporary Constitution) ensures social and economic rights including work rights characterized by social justice and equality without discrimination on the basis of race, religion or sex. But the gap between principles and practice continues.

2.2 Wages and national income analysis

During 1970s the Israeli market employed 20 thousand and due to the high wages, Israel policy encouraged more Palestinians to work in Israel: by 1998 there were as many as 110,000. These high wage rates led to increased wages for the employed in the Palestinian economy and, of course, increased GDP.[51].

The Palestinian economy was negatively affected by the prevailing political situation and by the collapse of the peace process, where gross national income (GNI) decreased by 55% and the average income *per capita* declined below the poverty line (about 830US$) that weakened the purchasing power of Palestinians by more than 30%, particularly with inflation in the local currency, the “Israeli Shakel”, and higher unemployment rates. The decline in income *per capita* led to accelerated percentages of household living below the poverty line: about 63% of all households in 2003[52].

GDP per capita "in US$" at constant prices in the Palestinian Territory (excluding East Jerusalem) was respectively, for the years from 2001 to 2007, about 1,270, 1,070, 1,195, 1,300, 1,349, 1,250 and 1,177. While the GDP "in million US$" at constant prices in the Palestinian Territory (excluding East Jerusalem) for the same period amounted to respectively 3,765, 3,264, 3,750, 4,197, 4,479, 4,266 and 4,133 million US$ over the same period.[53] Moreover, there was an expected GDP rise of only 0.8% in 2008 with a corresponding population growth of about 3.0%: to put this in perspective annual GDP growth before 1999 was about 6%.[54]

The Gini index revealed the distribution of the national income for the PT from the calculation of poverty databases as 0.34 in 2007. This means that there is a wide gap in national income distribution between the rich and the poor.

51 Naser. M, 2003. The role of the industrial sector in Palestinian economic development.

52 Abdel Karim, N, 2004. Current status of Palestinian economy and development opportunities.

53 PCBS , 2008. National Accounts at Current and Constant Prices (2000-2005). Ramallah - Palestine.

PCBS, 2008. Statistical Abstract of Palestine No. “9”. Ramallah-Palestine.

54 World Bank: OPT: Growth weak, aid dependency rising.

Table 16: The Percentile of National Income Among the Richest and Poorest and the Gini Coefficient, 1996, 2007[55]

Deciles/year	P10	P20	P30	P40	P50	P60	P70	P80	P90	*Gini coefficient*
1996	0.043	0.106	0.177	0.257	0.345	0.443	0.549	0.671	0.809	**0.34**
2007	0.042	0.097	0.162	0.238	0.318	0.414	0.519	0.634	0.784	**0.35**

As is shown below, the HDI had slightly increased in terms of figures between 1996 and 2007 which means very slow development in the PT over 11 years. It changed from 0.689 in 1996 to 0.708 in 2007. This clearly indicates that the development process is almost frozen and this should encourage more in depth reviewing of development and investment policies in addition to inquiry into the best approaches in developing the economy within the context of the collapsed peace process.

55 PCBS. 2009. Poverty database.

Human Development Index "HDI[56]"

Indicator	Max value	Min value	Palestinian data	
			1996	**2007**
Life expectancy	85	25	71.2	72.8
Adult literacy rate (%)	100	0	86.1	93.8
Combined gross enrolment (%)	100	0	86.8	85.5
GDP per capita (US$)	40,000	100	1,348	1,177
HDI			**0.689**	**0.708**

Average daily wages in the PT differ according to work sector and economic activity as well as place of work and sex. General speaking average daily wages are increasing, but this does not reflect a real increase with regard to currency purchasing power because of inflation.

The average daily wage in 2008 was 91 ILS (Israeli new shekel) (17.1 EURO); the average daily wages in the public sector 84.3 ILS (15.9 EURO). The equivalent in the private sector was 76.1 ILS (14.3EURO) and was 139.7 ILS (26.3 EURO) in the Israeli market. The clear gap in wages between work in Israel and the PT is particularly striking: 1.65 times higher in Israel than in the Palestinian public sector and 1.84 times higher than in the Palestinian private sector.

It is worthwhile comparing these numbers with the minimum daily wages in selected European countries for 2005 (calculated on the basis of 22 working days per month): in Belgium it was 55.6 EURO, in France 60.1 EURO, in Luxemburg 66.7 EURO, in Greece 26.3 EURO, in Spain 23.3

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[56] Authors' calculations based on PCBS databases, 2009:

Palestinian data 1996

- Life expectancy index = (71.2 – 25)/(85-25) = 0.77
  - Adult literacy index = (86.1-0)/(100-0) = 0.861
  - Gross enrollment index = (86.8-0)/(100-0) = 0.868
- Education index = 2/3 (adult literacy index)+1/3 (gross enrolment index)
  = (2/3) (0.861)+ 1/3(0.868) = 0.863
- GDP index = [log (1248)-log(100)]/[log(40000)-log(100) = 0.434
- HDI1996 = 1/3 (life expectancy index) + 1/3 (education index) + 1/3 (GDP index)
  = (0.77+0.863 +0.434)/3 = 0.689

Palestinian data 2007

- Life expectancy index = (72.8 – 25)/(85-25) = 0.797
  - Adult literacy index = (93.8-0)/(100-0) = 0.938
  - Gross enrollment index = (85.5-0)/(100-0) = 0.855
- Education index = 2/3 (adult literacy index)+1/3 (gross enrolment index)
  = (2/3) (0.938)+ 1/3(0.868) = 0.915
- GDP index = [log (1177)-log(100)]/[log(40000)-log(100) = 0.412
- HDI2007 = 1/3 (life expectancy index) + 1/3 (education index) + 1/3 (GDP index)
  = (0.797+0.915 +0.412)/3= 0.708.

EURO and in Portugal 16.6 EURO. It is clear then that the **average** daily wages in the PT are meagre compared with minimum daily wages in European countries.

The average daily wages for wage employees in the WB was higher than that of the GS at 90.1 ILS (17 EURO) compared with 65.4 ILS (12.3 EURO) in the GS which reflects the demand conditions for Palestinian labour in these two markets. The wage-gap between the WB and GS, it should be noted, is well known.

Higher daily wages in construction can be explained by the fact that a significant portion of Palestinians working in Israel are working in construction with high daily wages and higher demand on skilled persons in this sector. The average daily wages for wage employees by sex showed a gender gap where the average wages for males 94.1 ILS (17.7 EURO) compared with 76.6 ILS for females (14.4 EURO). This can be explained by the high number of women working in agriculture where the lowest wages are to be had and the concentration of men in high-earning sectors like construction[57].

Figure 6 : Average Daily Wages for Wage Employees in the Palestinian Territory by Sector, 2004-2008[58]

3. Main labour market performance issues and challenges

On occupying the PT in 1967 Israel started by separating the PT into three regions; the West Bank, Gaza Strip and Jerusalem. Israel then set about patrolling the borders and limiting their relations with the wider world which affected the free movement of persons and commodities. The majority of PT land, 63% is controlled by Israel for the purposes of building settlements, military bases, bypassing roads, and what they called security zones, all of these affect the agricultural, construction and industry sectors in addition to having a negative impact on roads and other types of land use.

57 EURO exchange rate for ILS = 0.1883, as of mid-2007.

58 PCBS, 2009. Labour Force database 2008.

These Israeli measures aimed to link the Palestinian economy directly with the Israeli economy, so it would serve the Israeli economy. This would create a weak Palestinian economy and lead to the emigration of capital, push peasants to abandon their agriculture lands and work in the Israeli labour market. As a result the Palestinian economy became a market for Israeli products.

When the PNA took over the PT in 1994, it inherited a destroyed infrastructure, a totally dependent economy, Israeli controlled borders, not to mention Israeli confiscation of lands and buildings. The PNA started to build a decent Palestinian economy with limited resources while working under conditional economic agreements with Israel and the international community in addition to the Israeli measures mentioned above. As a result the Palestinian economy continues to work in a weak investment environment which prevents it from being independent from Israel.

This situation frustrated Palestinians and led to the second *intifada* in 2000, when Israeli measures continued and escalated with closure, sieges, curfews, incursions, building expansion and the Annexation Wall around the West Bank with hundreds of Israeli military checkpoints which prevent the free mobility of people and commodities between the West Bank, the Gaza Strip and Jerusalem. There was too the isolation of Jerusalem as the most vital economic part of the PT and a decrease in the number of Palestinian workers in Israel by more than 50% from 165,000 thousand to 75,000. Then came high unemployment and poverty rates among Palestinian households, a freeze on development and negative economic growth.

By this point the Palestinian economy was wrecked and fully dependent on international aid and humanitarian assistance. Hence the Palestinian economy is today an abnormal one. This raises the issue, indeed, of whether the Palestinian Territory has a real labour market or not.

3.1 Unemployment situation and trends (1995-2008)

The unemployment rate has deteriorated in the PT for reasons of political instability, absence of sovereignty, dependency on the Israeli economy and limited resources for development.

Unemployment fluctuates as shown in table 15. The unemployment rate in 1995 it was 18.2% of which 13.9% in the WB and 29.4% in the GS. The rate increased to respectively 23.8% and 20.3% in 1996 and 1997. Then it start decreasing in 1998 reaching 14.4% and then, its lowest level, 11.8% in 1999. A dramatic change in unemployment occurred in fourth quarter of 2000, it reached 28.3% which was reflected in the total unemployment rate of 2000 at 14.1%. Later on unemployment continued to increase, reaching its highest level in 2002 at 31.3%, while, in 2008, it stood at 26.3%.

There was, in employment terms, significant discrepancies between the GS and WB, in favor of the WB where unemployment reached it lowest level in 1999 at a rate of 9.5% compared with the lowest for the GS in the same year at 16.9%, while the highest rate in the WB was 28.2% in 2002 to be compared with 38.1% in the GS in the same year. These high rates were due to Israeli incursions and Israeli reoccupation of areas under PNA control in the WB according to Oslo declaration principles.

For the GS, the highest unemployment rate was in 2008 when 40% was registered. This was mainly a result of the international sanctions imposed on the GS that weakens economic development in the private sector in addition to Israeli aggression on the GS in late 2008.

The GS's worse unemployment relative to the WB can be explained either by demographic factors or politics. The GS, after all, has high fertility rates and a higher population growth rate which means a higher flow of labour force, "labour force demand", where the supply to respond to this status is very limited. There is also poor economic development in the GS, geographic separation from the WB that prevents Gazans benefiting from working in WB development projects, in addition to the political dimension. As well as, the limited choices for labour migration outside the GS, including Israel given Israel's tight grip on GS borders.

Following the trends of unemployment by sex, trends of unemployment among females was higher than for males before 2000, while 13% was registered for females and 11.6% for males in 1999. But this pattern began to change; in 2000 14.7% for males compared with 12.3% for women; and, in 2008, 26.7% for males compared with 25.5% for women. These trends do not reflect improvement in employment for females, but we see here the worsening of male unemployment rates.

As far as female unemployment by region GS females have higher rates compared with WB females, almost double, indeed: in 2002 the unemployment rate was 28.4% for GS females compared with 14% for the WB, and it was 31.6% and 35.2% for Gazan females in respectively 2004 and 2005 compared with 16.6% and 18.3% for WB females in the same years. The same trend continues to the present.

Table 17: Unemployment Rates in PT by Region and Sex, 1995-2008[59]

year	Palestinian Territory			West Bank			Gaza Strip		
	Both Sexes	Males	Females	Both Sexes	Males	Females	Both Sexes	Males	Females
1995	18.2			13.9			29.4		
1996	23.8			19.6			32.5		
1997	20.3			17.3			26.8		
1998	14.4			11.5			20.9		
1999	11.8	11.6	13.0	9.5	9.2	11.1	16.9	16.6	19.3
2000	14.1	14.7	12.3	12.1	12.8	9.9	18.7	19	18.5
2001	25.2	26.9	14.0	21.5	23.3	10.9	34.2	35.3	24.2
2002	31.3	33.5	17.0	28.2	30.9	14.0	38.1	39.1	28.4
2003	25.6	26.9	18.5	23.8	25.5	15.8	29.2	29.6	26.8
2004	26.8	28.1	20.1	22.9	24.3	16.6	35.4	35.9	31.6
2005	23.5	23.7	22.3	20.3	20.8	18.3	30.3	29.6	35.2
2006	23.6	24.2	20.5	18.6	18.9	17.6	34.8	35.1	32.3
2007	21.5	22.1	19.0	17.7	18.3	15.5	29.7	29.7	29.7
2008	26.3	26.7	25.5	19.0			40.6		

The high female unemployment rate in the GS is mainly the result of the cultural context there: Gazan society is more conservative with higher unemployment rates for males. The priority culturally is for males to work as they are responsible for providing household needs.

Unemployment in the PT by age group followed an inverse relation. It is high among the young and then decreases with age. Certainly, it is striking that the unemployment rate among the 15-24 age group was at 20% in 2000 and doubled in 2008. The next youngest age group, 25-34, registered 14.8% in 2000 and reached 25.5% in 2008.

59 PCBS, 2009. Labour Force Survey database.

Table 18: Unemployment Rate by Age group and Sex, 2000, 2008[60]

Age group	**2000**			**2008**		
Age group	Males	Females	Both sexes	Males	Females	Both sexes
15-24	19.6	23.2	20.0	38.8	47.3	40.2
25-34	14.3	17.1	14.8	25.1	27.2	25.5
35-44	12.0	6.2	11.0	21.3	11.0	19.5
45-54	10.6	2.5	9.2	20.8	6.1	18.4
55-64	9.0	0.5	7.3	20.3	2.6	16.9
Total	**14.6**	**12.8**	**14.3**	**26.7**	**24.1**	**26.2**

These numbers reveal that the main age group in unemployment-terms are the younger ones (15-35 years) that had a 72.5% share in 2000; 70.5% for males and 85.1% for females and followed the same trend in the year 2008. Such results among the young who are supposed to be starting their independent lives (creating their own households, owning a housing unit, building future prospects…etc) are damaging, especially given the political situation, the lack of stability, the seeming hopelessness for a two-state solution. For this reason migration becomes a real option. However, there too the difficult political situation (both internal and external) limits migration options, particularly in the GS with its stricter regulations on free movement.

Table 19: Share of Unemployment Rate by Age Group and Sex, 2000, 2008[61]

Age group	**2000**			**2008**		
	Males	Females	Both sexes	Males	Females	Both
15-24	37.3	38.1	37.4	35.3	43.9	36.7
25-34	33.2	47.0	35.1	30.9	41.7	32.7
35-44	18.7	12.3	17.8	19.6	10.6	18.1
45-54	8.0	2.4	7.2	10.5	3.1	9.3
55-64	2.7	0.2	2.4	3.3	0.5	2.8
Total	**100**	**100**	**100**	**100**	**100**	**100**

Investigating the impact of the educational level on unemployment we see an inverse relation for males: as education increase unemployment decreases. The trends for females, on the other hand, goes in the opposite direction: as education level increases unemployment increases. Indeed, the highest unemployment rate was among females who received bachelor degrees at 36.4% in 2007 and 39.4% in 2008, while the lowest unemployment rate was among non-educated females at 2.7% in 2007 and 4.7% in 2008.

60 PCBS, 2009. Labour Force database 2000, 2008.

61 PCBS, 2009. Labour Force database 2000, 2008.

Table 20: Unemployment Rate for Persons 15 -64 years by Educational level and Sex, 2007-2008[62]

Educational level	2007			2008		
	Males	Females	Both	Males	Females	Both
None	24.4	2.7	18.4	30.4	4.7	23.8
Primary	26.1	4.7	23.4	31.5	6.0	29.0
Secondary	20.5	9.2	19.3	24.3	16.6	23.6
Bachelor	15.4	36.4	23.5	18.5	39.4	27.2
Total	**22.4**	**19.4**	**21.8**	**26.7**	**25.5**	**26.2**

It is striking that the major share for females was for bachelor degrees at 86% in 2007 and 85% in 2008, compared with a share of 13.4% and 14% for males with the same level of education in the same years. The difference between male and female educational-level contribution has a long history and has increased with unemployment.

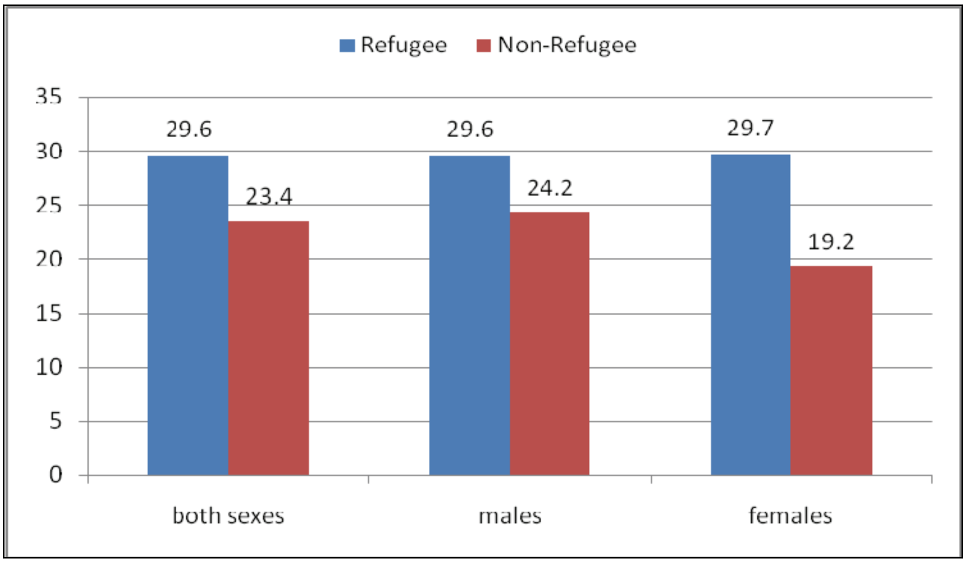
Table 21: Share of Unemployment Rate for Persons 15-64 Years by Educational Level and Sex, 2007-2008[63]

Educational level	2007			2008		
	Males	Females	Both	Males	Females	Both
None	15.8	2.9	13.4	15.0	3.2	12.7
Primary	42.8	4.7	35.7	42.3	3.5	34.6
Secondary	28.0	6.4	24.0	28.6	8.3	24.6
Bachelor	13.4	86.0	26.9	14.0	85.0	28.1
Total	**100**	**100**	**100**	**100**	**100**	**100**

62 PCBS, 2009. Labour Force database 2007, 2008.

63 Ibid.

Figure 7: Unemployment Rate for Persons 15 Years and Over in the PT by Refugee Status and Sex, 2008[64]



3.2 The informal economy

Palestinian temporary labour migration was concentrated in Israel as Palestinians sought job opportunities and a better economic life. But there was also, with help from relatives or for study, migration further afield in Europe, North and Latin America and the Arab states, especially the Gulf and other petrol-rich states.

However, by the early 1990s, the Gulf countries, especially Kuwait, minimized the number of Palestinian workers there, and hundreds thousands of Palestinian workers spread out all over the world specially to North America and Jordan with about 25,000 returning again to the PT. The Palestinian economy and Palestinian families suddenly found themselves deprived of the remittances from this group.

By late 2000, given this situation and the difficult work environment within the PT Palestinians there had either to think about migrating abroad 'if possible' or they had to find job opportunities in the informal sector. As for migration abroad, the regulations became stricter for Europe and North America, whereas the Gulf States did not reopen to the point they had been before, so migration was limited to a few thousand highly-skilled and educated migrants a year.

Those who create their own opportunities in the informal sector dramatically affect the Palestinian economy in terms of regulations, economic stability, development priorities and the whole planning process, where the ability of the PNA to formalize regulations is limited due to other political priorities that consume time and resources.

As in other parts of the developing world the informal sector absorbs the unemployed – about 40% of the Egyptian labour force and 39% in Syria and Morocco – while also contributing to GDP. But there are only limited studies of the Palestinian informal sector and there are difficulties in measuring it precisely – 20% of the informal sector establishments are not officially registered[65].

64 PCBS. 2009. Labour Force Survey database 2008.

65 Democracy for workers' rights center "DWRC", 2007. Current status of the informal sector in the Palestinian Territory.

Data from different sources in the PT, the 1997 Palestinian census, the PCBS labour force survey and other sources reveals that the percentage of those working in the informal economy was about 30% of all employed persons in the PT during 1997-2003[66]

Employed persons in the PT informal sector for 2003 were distributed over household projects and informal-sector establishments; the major economic activity for household projects was constructions at 38%, followed by agriculture at 17.6%, then commerce at 17.5%, transport at 15.8% and services at 5.1%, while the major economic activity for informal-sector establishment was commerce at 61.6%, followed by industries at 20%, then services at 17.5% with 0.9% for transport and construction. The concentration of females in informal-sector household projects was 31.5% in agriculture, followed by industry and commerce at respectively 28.4% and 27.9%, and the rest was for services. The females contribution in informal-sector establishments was 49.2% in services and 44.5% in commerce[67].

Another 2003 study estimated that there were approximately 110,000 informal businesses, an increase of 50,000 since 2000. According to this study, the informal sector employed 188,000 people, generating 50% of the income for 100,000 Palestinian households[68].

A 2008 study for PCBS revealed that those employed in the informal sector represent 9.2% of all employees, excluding those working in agriculture sector. In absolute figures, 52,000 were employed in the informal sector, 47,000 males and 5,000 females, 39,000 in the WB and 13,000 in the GS. The percentage of the self employed in the informal sector is 48%; 70% females and 46% males, 45% in the WB and 59% in the GS[69].

The above figures show that where unemployment rates are higher (i.e. the GS and among females), the informal sector is more important.

3.3 Inward Migration in the National Labour Market

The PT is not, at present, an attractive labour market for outsiders due to the investment environment and political instability. Therefore, inward migration is marginal and does not much affect the Palestinian labour market.

Due to the complications in measuring inward migration in general and inward migration in the PT in particular, the available data on this phenomenon is limited. The only available data, in fact, was from the 1997 Palestinian census where we learn of 1,208 inward migrants of whom 666 were males and 592 females. Their distribution by country or region of origin was as follows: Jordan 227, Europe 469, USA & Canada 99, 154 other Arab countries and 232 from other non Arab countries[70].

A special labour migration survey conducted in 2008 by PCBS and the Palestine Economic Policy Research Institute (MAS), targeted 3 major attracting localities (Ramallah, Albeireh and Beitonia); because the headquarters of the PNA and its institutions are located there.

The results of this study revealed that 46.8% of the surveyed population had a previous place of residence of which 33.9% had a previous place of residence within the PT and, in the case of

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66 Ibid.

67 Democracy for workers' rights center "DWRC", 2007. Current status of the informal sector in the Palestinian Territory.

68 Khaled. M, Lauer. K and Reille, X, 2006. Meeting the demand for microfinance in the West Bank and Gaza Strip.

69 PCBS, 2009. Labour Force Survey (October-December 2008) Round (Q4/ 2008). Press conference on the Labour Force Survey results. Ramallah-Palestine.

70 ILO Laborsta, Labour Statistics Database: http://laboursta.ilo.org/ (date of access: February 25, 2009).

12.9% of respondents, their previous place of residence was outside PT. 30.1% of these had previously resided in Jordan, followed by 21.3% in the US and 13.6% in the UK[71].

3.4 Other Challenges

As the total refugee population[72] constitutes 45% – 31% in WB and 68% in GS – a significant percentage of the total population, the unemployment rate among refugees is higher than for the non-refugees: 29.6% among refugees compared with 23.4% among non-refugees. The unemployment rate among refugee males and females is quite similar at about 30%, while the unemployment rate for the non-refugee females is lower, 19.2% than for non-refugee males, 24.2%.

Refugees were deprived of their homeland agricultural lands that would have absorbed part of the labour force. In addition refugees do not benefit from investment or development projects within "the camps". The consequence is high unemployment rates among refugees who represent a large percentage of the population. This, of course, means worse living conditions for the Palestinian population as a whole.

4. Employment policies and labour market reform

4.1 National employment policy and employment policy making

Due to the difficulties in all aspects of Palestinian life and particularly in the broken economy with its inflated labour market, the loss of work in Israel, not to mention the young unemployed the ability of the PNA to draw up relevant policies in accordance with events and the limited available resources is severely limited. But policies have, nevertheless been drawn up to minimize the impact of this difficult situation on the Palestinian people.

At its establishment the PNA dealt with unemployment through the Ministry of Labour Force and a national committee that included representatives from the different governmental bodies responsible for documenting the unemployed. Estimates for registered unemployed persons at the end of 2004 came to about 115,000 thousand of which 18,000 were female.

The Palestinian government also offers emergency employment programs within the emergency investment plan. This program is for temporary three-month employment so as to employ the unemployed in sustainable projects. It is based, as much as possible, on local raw material and women were particularly interested in beings involved. The estimated cost of this project was about 274 million US$.

2004 began with the establishment of employment funds in the Ministry of Labour that contribute to the employment process as a program to help with the crisis in the Palestinian society, aiming to minimize the unemployment rate. By mid 2005, about 394,000 unemployed persons had registered for this project, 62% males and 38% females. This program contributed in providing six work cycles in the PT during 2004-2005. And, while there is no available data for the GS, about 65,000 in the WB benefited from this program which contributed in reducing unemployment and poverty rates. This program stopped at the beginning of 2006 due to the international boycott of the PA which the fund was mainly based upon. There can be no doubt that this program contributed to a

71 PCBS and Palestine Economic Policy Research Institute (MAS), 2008. Survey on Palestinian labour migration to localities of Ramallah, Al beireh and Beitonia-2008. Press release on the main findings. Ramallah-Palestine.

72 UNRWA defines Palestinian refugees as any person whose normal place of resident was Palestine during the period 1 June 1946 to 15 May 1948 and who lost both homes and means of livelihoods as a result of the 1948 conflict. In addition Palestine refugees and descendants of Palestine refugee males, including legally adopted children, are eligible to register for UNRWA services (source: UNRWA Near East Project IUED/UCL, draft version. January 2007-V 13, P. 8).

reduction in unemployment and poverty rates. But some conclusions have to be drawn in this regard. The supervising authority did not have precise control procedures to prevent ineligible persons benefiting from this program. This effectively meant that eligible persons were not allowed to benefit from it. This fund depended on international donations which means that it lost its sustainability in an unstable political environment.

A third policy for reducing unemployment was an increase in the public sector that absorbed the unemployed. And, in fact, public-sector employed persons increased from 53,000 (about 15% of all employed persons) in 1995 to about 109,000 (18.4% of all employed persons) in 1999 and continued to increase to 115,000 (23.6% of all employed persons) in 2002. The gap in the increase between 1999 and 2002 was due to an 18% decrease of all employed persons in the PT. The policy of increasing employment in the public sector played a role in absorbing a percentage of the unemployed. But this policy also overburdened the public budget (wages for the public-sector constitute an average of 58% of the public budget) and negatively affected other development and investment projects (not exceeding 2% of GNI).

UNRWA is a major partner in providing employment and relief programs for Palestinians and particularly Palestinian refugees who represent about 44% of all PT Palestinians. UNRWA created its own job creation program in the PT to provide job opportunities for unemployed Palestinians to respond to refugee needs in the PT and to take over some responsibilities from the PT. This program started in 2001 and the most recent data about the job opportunities provided revealed that in 2005 UNRWA hired about 34,000 Palestinians with 250,000 beneficiaries, and 52,000 job opportunities with 270,000 beneficiaries, and in 2007 in the WB UNRWA alone provided 39,000 job opportunities with 300,000 thousand beneficiaries. The estimated value of wages for the mentioned period totaled about 80 million US$.

UNRWA mainly depends on international funds in providing its services and lately UNRWA has complained about a lack of commitment from donors in fulfilling their contributions. This job creation program is, therefore, subjected to interruptions and may even be stopped on the basis of donations flow. Such a program cannot be considered a strategic solution for unemployment or an alternative sustainable source of employment[73].

4.2 National employment strategy: formulation and guide lines

Since the establishment of the PNA, the Ministry of Planning took responsibility for coordinating with all PNA ministries so as to develop, monitor and evaluate development plans.

Ministry of Labour, the Palestinian cabinet while coordinating the donor community. This centralized role makes sure that there is no duplication of development projects among the different institutions and facilitates getting donor support, as the national action plans of all institutions are available in one pool and give the opportunity for a holistic view on all development projects and this gives the chance for joint work projects between interested and common institution projects. The Ministry of Planning is the only key institution able to prevent project duplication. Coordination continues to be minimal and leads though to the duplication of projects. As noted above the Ministry of Planning asks for detailed three-year plans focusing on priorities in consultation with the main users of each institution. Development priorities are determined with the total budget for each project, then the three years plan of action are sent for approval from the cabinet to the Ministry of Planning.

It is clear that strategic planning is still necessary for the PT, lacking as it does sovereignty and wracked as it is by political instability. Short and mid-term plans were well-designed but the ability of institutions to carry out what had been planned was limited because of over-ambition,

73 UNRWA, 2008. UNRWA raw data on job creation program in the WB and the GS.

dependence on international donors and the modest capacity of the ministry staff particularly in the Ministry of Labour.

Social protection

Government spending on social protection has increased significantly in recent years. It doubled to approximately 6.5% of GDP in 2005 - the last year for which reliable figures are available. Given increasing hardship and economic recession in 2006 and 2007, this figure will have risen sharply. Social assistance is provided through a complex web of PNA organizations, NGOs and other external agencies "including UNRWA" implementing a series of uncoordinated social protection initiatives[74].

This has inevitably led to wastage of resources and poor assistance targeting. Without coherent reform of the social safety net, its efficiency and effectiveness will continue to decline, and Palestinian and international resources will be wasted.

The mid-term development plan 2008-2010 is committed to helping the poorest and most vulnerable in society and the developing of a Social Protection Strategy to guide the Palestinian 'Social Protection Reform and Integration' program. This aimed at improving the equity, efficiency and effectiveness of social protection programs to ensure the best use of resources.

In addition to the social protection reform and integration program, the 'Employment Generation Initiative' will provide productive, paid employment and micro-financing programs to unemployed and vulnerable people across the WB and GS. The initiative will focus on small and medium-sized labour-intensive infrastructure projects which make meaningful contributions to the achievement of Palestinian national goals for enhancing life quality and increasing prosperity.

The different alternatives mentioned in the official plans as a solution to the labour market crises concentrate on humanitarian assistance and not on strategic planning for employment. What is more, this is connected directly with international donations but not with local resource support meaning that these projects risk failure or that they will not be implemented. Certainly, it is notable that some of these projects go from one plan to another without any assessment or evaluation of the convenience to integrate them into the next plans.

The difficult economic situation in the PT with falling levels of income, poor-living conditions and a decline in investment levels (at 1.5 billion US$ during 2001- 2003, where the World Bank estimated lost investment opportunities due to this decline at 3.2 billion US$) means that the PA was unable to overcome these crisis and go ahead with socio-economic development. The only way, in fact, to overcome these crises were international donations that played a major role in financing the expenditure on investment particularly in developing the infrastructure of the PT.

International donations play a major role in investment. But international donations also present problems: they are not part of a national development plan; a major share of donations covers the compensations of external experts; and aid is often politically oriented in terms of priorities and expenditure mechanisms[75].

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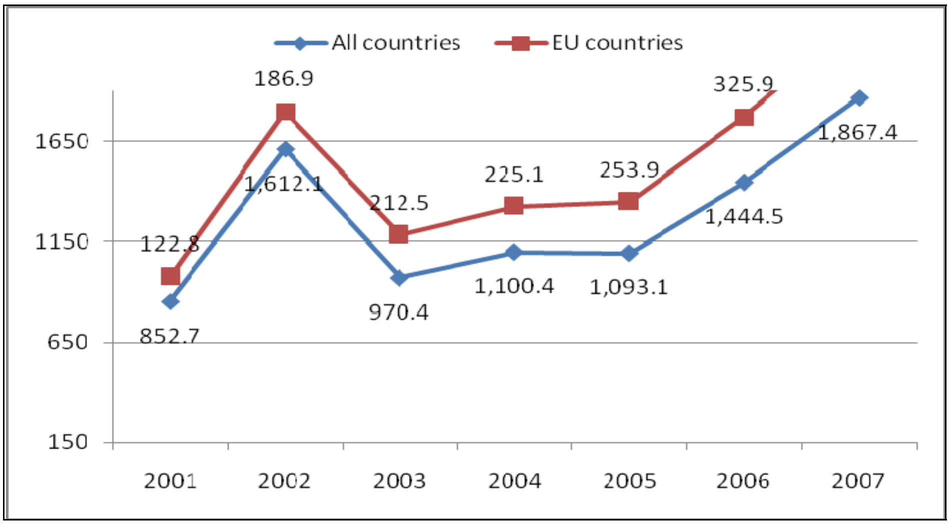
74 Ministry of Planning, 2007. Mid Term Development Plan 2005-2007.

75 Abdel Karim, N, 2004. Current status of Palestinian economy and development opportunities.

Grant Disbursement for the Palestinians in Millions US$[76]



The figure above shows the grants donated to the Palestinians in the PT 2001-2007 from all countries compared and from EU countries.

4.3 Active labour market polices: description and performance

Plans related to labour, management of financial and human resources and its development and vocational training are the main responsibilities of the Ministry of Labour working together with labour unions and employer unions and other related ministries: the Ministry of Education and Higher Education, the Ministry of Agriculture and the Ministry of Social Affairs

The Ministry of Labour started its development plans to overcome the above-mentioned obstacles gradually notwithstanding the limited human and financial resources enabling reform plans for the PA supported by the international community. The Ministry of Labour focused on projects that can help in achieving general goals: employment and training programs that regulate the labour market, internal capacity building programs, well-developed insurance programs, and collabourative joint work, in addition to inspection of employment establishments.

As we have seen the Ministry of Labour was confronted with difficult conditions and limited resources which restrict its active performance to deal effectively with employment crises and to draw strategic employment policies as all its initiatives and developing plans depend on international donations rather than on national resources, thus limiting these plans both in terms of sustainability and impact.

Today the Ministry of Labour has the ‘Vocational Training Initiative program that focuses on the provision of vocational and technical training at the secondary and tertiary levels, to better prepare young Palestinians for the job market. Palestinian investment in education had been negatively affected by the availability of the Israeli labour market and investment in education increases now as the Israeli labour market is closed.

76 http://stats.oecd.org/wbos/Index.aspx?DatasetCode=ODA_RECIPIENT, accessed on 05/04/2009.

4.4 Recent changes in labour market legislation and reform projects

The PNA inherited a mixture of regulations and laws from Egypt, Jordan and Israel. The Palestinian Legislative Council (PLC) has worked gradually to update and replace these former laws and regulations with Palestinian ones that suit the Palestinian context and that would mean consistent laws for the whole Palestinian Territory. Regarding the labour market, the Labour Law 2000 was drafted and approved to just this end. It seeks, in its different parts, to improve the labour-market environment "working days, working hours, contracts, paid and unpaid vacations, maternity and sick leave, work conditions, compensations", among many other regulations in the labour-market determinants.

The PLC considered the dramatic political changes which affect the Palestinian labour market, above all those Palestinians working in Israel and the Israeli settlements. Legislation was directed to both the private sector and the public one. For the private sector, the PLC encouraged the investment environment by minimizing taxes and facilitating the logistics of registrations and official documentation, as well as defining the investment areas where there was great demand in the PT. As for the public sector, it urged the government to think about the retirement law to enable replacement and so absorb new graduates into the labour force as well as those losing their jobs in Israel and outside the PT.

Overall, the forceful disruption of the PLC – we refer to the arrest of tens of its members by Israel as well as Palestinian in-fighting – has prevented a further review of the labour laws and the economic policy regulations, though, efforts have been made in drafting regulations and other specific executive regulations for formal approved laws. Hence, the distortions wracking the political environment were carried through into the legislative process.

5. The impact of outward migration flows on national labour market

5.1 Outward migration flows

5.1.1 Migration in 1999 - in the West Bank

A survey conducted by Birzeit University in late 1999 revealed that there were on average 1.2 emigrants per household[77]. Of the total number of emigrants 55% were males. Regarding age distribution, 51% of emigrants were aged 35-54. 20% of migrants held a university or college degree, 19% had just secondary education and 3% had post-graduate degree.

Of all migrants, 30% reported work as their reason for emigration, 29% marriage, and 11% education, while 14% reported other reasons such as being born abroad or accompanying someone else. A significant proportion (16%) migrated due to expulsion. There were differences between males and females regarding motives for migration. Half of the males left for work, 2% for marriage, 19% for study and 20% were expelled, while only 5% of females left for work, 61% for marriage, 1% for study and 12% were expelled. The older migrants tended to leave because of expulsion. Of those aged 50 years and over, about 56% left for this reason, while younger males (15-49 years) were predominant among those who have left for work (66%). Younger females (under 35 years) predominantly left for marriage (67%).

The results of the survey indicate that camp dwellers accounted for a higher percentage of those who emigrated to Jordan (72%), while more villagers (33%) migrated to the US and Canada, and more urban migrants (28%) migrated to the Gulf States. These results indicate that patterns of migration are linked to family histories and the shape of job opportunities; villagers are mostly

77 Gicaman, R. and Jonson, P. (eds) (2002), Inside Palestinian Households, Birzeit University, Institute of Women's Studies and the Institute for Community and Public Health.

found in the US where there is a higher demand for unskilled labour and less special qualifications, and urban migrants with generally higher levels of education are mostly found in the Gulf.

Palestinian villagers migrating to the US tend to take up difficult or dangerous forms of unskilled work with the help of relatives and friends from their place of origin who have settled abroad. This help from the Diaspora constitutes the main opportunity for Palestinian villagers to find work in the US. Furthermore, a high percentage of Palestinians working in the US are employed by Palestinian and Arab businesses. In brief, those Palestinians who have moved to the US receive help from friends and relatives to gain employment in unskilled jobs.

There were regular financial links with 15% of migrants: 22% among males and 7% among females. Of the 22% male emigrants who maintained a link, more sent money (14%) than received money (8%), and of the 7% of females who had a link, more received financial support (4%) than sent money back (2%). By receiving country/region, migrants in the US are more likely to send money back home (30%) than migrants in the Gulf States. In the Gulf region, remittances have declined when compared with earlier periods and other destinations, where financial links are weaker and, in the case of Jordan, more money flows out to emigrants than back to Palestinian households.

5.1.2 Migration, 2000-2007

There is little reliable data on Palestinian migration, however Israeli border police and observers have documented net migration as follows: approximately 10,000 Arabs left the WB and GS in the period 2000-2003; 12,000 in 2004; 16,000 in 2005 and 25,000 in 2006, with expectation of a significant rise in 2007 net-migration[78].

Since September 2000, 10% of the Christians living in Bethlehem have left for destinations abroad, which amounts to 2,071 persons and 357 households[79]. The Palestinian Authority Deputy Minister of Foreign Ministry told the press that "in the time of gaining the return of about 235,000 Palestinians during 1994-2000 to the Palestinian Territory - who had contributed effectively to the establishment of the Palestinian institutions - some 10,000 Palestinians received approval for their emigration requests from the West Bank and Gaza Strip in the first quarter of 2007, and at least 45,000 emigration applications were being reviewed by different countries"[80].

Other resources stated that about 15,000 Palestinians live in Sweden, and nearly 20,000 have settled in Denmark, while the number of asylum-seekers in Sweden was about 1,600 for 2006 according to Swedish immigration officials[81]. However it is easier for those who already carry foreign passports or have relatives abroad. As a result of previous emigration waves, some 40,000 West Bankers hold US citizenship[82].

It is clear that work is the main reason for leaving the Palestinian Territory. It is worth noting that both Jordan and Egypt, as the only crossing borders open to GS and WB Palestinians, have strict border-crossing procedures and that Palestinians who are trying to obtain an entry/migration visa to the US, Canada or Europe now face increased difficulties. In addition the short-term nature of job opportunities in the Gulf States and the situation in Iraq have reduced migration opportunities to the east.

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78 Ettinger, Yoram. The Palestinian Census: Smoke and Mirrors. Ynet, February 11, 2008.

79 Office of the Special Coordinator of the Middle East Peace Process (UNSCO) (2004). The Changing Face of Bethlehem.

80 Shakid, Roni. Palestinian Emigration. Yedeo'at Ahranoat, 10/04/2007.

81 Moreover, one foreign official in Ramallah, who declines to be identified, said: “we used to get an average of one or two inquiries a day but we are getting more then seven inquiries these days” (late 2006).

82 Keyser, Jason: The Associated Press “Moving abroad or to the next town, thousands of Palestinians flee hardships”. March 1, 2004.

The Palestinian Central Bureau of Statistics (PCBS), released survey results for 2007 demonstrating that about one third of the Palestinian young (aged 10-29 years) think of migration: 45% for males and 18% for females. As for the reasons beyond this potential migration, the survey has, first, the declining economic situation, second safety and security, third the political situation and, fourth, social reasons. The same survey mentioned that about 20% of the young wished to emigrate in 2003[83]. In the same context, Anajah University and the Palestinian Center for Public Polls stated that about 38% of Palestinians wished to emigrate in February 2007 and a Birzeit University. September 2006 study had 32% of Palestinians indicating that they wished to emigrate[84].

A few Israeli political scientists propose that the most obvious alternative for Palestinians is emigration to Israel. But the construction of the Expansion and Annexation Wall which separates the WB from Israel is largely blocking new waves of Palestinian emigration to Israel. Indeed, Israel has closed the borders to Palestinians from abroad, especially from Jordan, as well as all Palestinian visitors from abroad who are not permanent residents in the WB or the GS. Recently and during 2007 and 2008 Israel approved about 50,000 reunification applications for Palestinians but the majority of these were already residing in the PT. Israel did not allow those who are currently abroad to return though their applications have been approved.

Thus, we can summarize that the migration balance is certain to be negative with an average of 10,000 according to the above mentioned sources.

5.2 Elements for analyzing the impact of migration flows on national labour Market

Migration flows as a result of the peace process and the 1990s Gulf Wars have increased the burden on the PNA to absorb Palestinian home-comers into the labour market and the development process to benefit from their skills and experiences. But the limited resources and vacancies to employ them hinder absorption.

Despite these challenges, the PNA, particularly in the early stages of its establishment, drew up policies to absorb these expertises in the development process in the private and the public sectors.

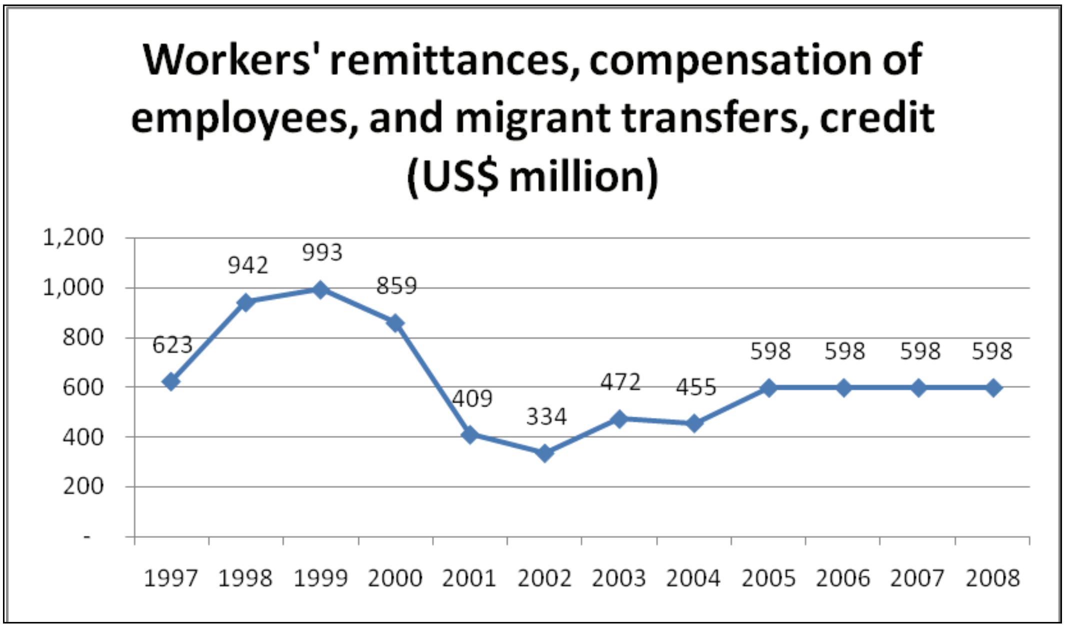
The main source of employment for the Palestinian labour force was the Israeli labour market till the outbreak of the second *intifada* in late 2000. At that point the majority of the labour force lost their jobs and their ability to move freely and to continue enjoying legal work in Israel and so the rights of compensation and other allowances. This created more ‘illegal’ employment where workers had no special Israeli permits for work. They lose their basic work rights and then have no other choices to getting their family’s basic needs. This phenomenon has too started to decline since Israel started building the Expansion and Annexation Wall.

The estimated losses of Palestinian labour due to the closure of the Israeli labour market during the first 27 months of the second *intifada* was 1.3 billion US$, in addition to 28 billion US$ of work compensation for Palestinian workers in Israel. The latter figure represented more than 50% of Palestinian GDP before the outbreak of the *intifada*[85].

83 Palestinian Central Bureau of Statistics 2008, Press Release on Youth Day (12/08/2008). Ramallah - Palestine.

84 Ettinger, Yoram: “Palestinian' emigration and birth rate defy demographic doomsayers”. Ha’aretz (April 12, 2007).

85 PCBS, 2005. Palestinian Labour Force in Israel and Settlements (1995-2003). Ramallah-Palestine.



As shown in the figure above, remittances were increasing till 2000 (and the outbreak of the second *intifada*) and dropped dramatically in 2001 to more than 50%, before rising slightly where it has held steady since 2005. This clearly explains the impact of closing the Israeli labour market and the losses that the Palestinian economy faced from Israeli measures. The major share in these missing remittances belonged to the Palesinian labour force in Israel where circular migration was concentrated, circular migration that was heavily affected by political instability.

Due to the recent international financial crisis, the World Bank estimated that remittances worldwide will drop on average by 5% and we expect even greater drops in the Palestinian case[86].

Moreover, the remittances received for the Palestinian Territory from abroad amounted to 2100 million US dollar in the year 2007, this figure formulate a big increase jump comparing with the previous year (2006) at 87.4%, the major contribution of these remittances (69%) came from other sectors transfers received from abroad (out of the compensations of employees and capital transfers), while the contribution of the capital transfers amounted to about 90 million US dollar which consist about only 4% of the total remittances.
The increase in the remittances for both the compensations of employees and capital transfers, was much less than what other sectors transfers had (about 183%), while it was 6% for the Compensations of employees and 16% for the capital transfers.
In addition, these results, and as indicated in the table below, that the trend of the compensations of employees represent the political situation as the employees mainly, if not totally, are working in Israel, so the years 2001-2004 is the period of the most instability years in the situation where the remittances are the lowest.

Palestinian Balance Payment 200-2007 (in million US$)

Components	2000	2001	2002	2003	2004	2005	2006	2007
Total Remittances Received from abroad (WBG)	1353.9	1166.9	1125.2	728.1	854.6	994.4	1120.6	2100.2
Compensations of employees received from	777.1	362.2	301.1	396.9	400.1	479.3	533.5	566.5

86 RemittancesData_March09-Release World Bank. World Bank web page; visited date 05/04/2009.

abroad								
Current transfers received from abroad- other sector	519.9	738.8	768.9	250.3	355	336.7	509.4	1443.6
Capital transfers received from abroad- other sector	56.9	65.9	55.2	80.9	99.5	178.4	77.7	90.1

Source: Palestinian Central Bureau of Statistics, 2009. Palestinian Balance Payment 200-2007 (not published data)

5.3 Policy options

As long as political stability prevailed unemployment and poverty rates registered relatively low levels with higher economic growth rate. These facts were reflected positively in working conditions; high wages with compensation, regular working hours, health insurance and other basic rights determined by the labour law and an agreement between the PNA and Israel. But when political stability crumbled in 2000 the closure of the Israeli labour market for the Palestinian labour force and the limited resources of the newly developing Palestinian economy meant that the returning labour force had to seek jobs either 'illegally' in Israel or in the Palestinian labour market with its limited capacity for absorbing these huge numbers of new job seekers.

This situation resulted in high unemployment and poverty rates and low economic growth which rolled back the benefits in working conditions gained before 2000.

Large numbers of the Palestinian labour force had been engaged in the Israeli labour market the nature of the work they were doing did not request special qualifications in construction, agriculture and other services. The Palestinian labour market engaged both skilled and unskilled workers. But due to the nature of the Palestinian economy – small, still developing and shocked by excess unskilled, returning workers from the Israeli labour market – human development resources did not focus on vocational training programs and capacity building skills programs.

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PCBS, 2004. Work conditions survey, main findings. Ramallah-Palestine

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Annex 1. National statistical data sources on labour market and migration

This paper covers two main issues labour force and migration. Despite an interest in these phenomena the coverage of migration flow data is weak and its sources limited. The unique political situation in the PT and the absence of Palestinian sovereignty over people, land, borders and other resources are core issues in gaps in the data.

This piece of research focuses primarily on the national scale surveys and censuses, national studies and research, official Palestinian documents and reports, in addition to international project documents and outputs.

I. Palestinian Central Bureau of Statistics:

1. The main source for labour market data is the Palestinian labour force survey that has been conducted by the Palestinian Central Bureau of Statistics since 1995 (ongoing) on a quarterly basis. The sample amounts to about 7500 households. It is a multi-stage stratified cluster sample randomly selected to represent the Palestinian population in their main socio-economic characteristics and geographical distribution. This survey provides detailed data on labour-force indicators (participation in labour force, employment, unemployment, underemployment, economic activity, occupation, wages, labour force status, educational attainment ...etc). All these indicators can be disaggregated by age, gender and geographical level.
2. Population, Housing and Establishments Censuses (1997, 2007); this source provides full enumeration of the population characteristics including labour and migration. In addition, it provides disaggregated data by social and demographic variables. The evaluation of both censuses by the United Nations Statistical Division and other UN relevant agencies revealed that the censuses had satisfied UN principles and methodologies in its different stages (planning, implementation and analysis and dissemination stages).
3. The impact of Israeli measures on the Palestinian household: The main purpose of this survey was to examine the impact of Israeli violations on the lives of Palestinian household. The survey data covers:

   - Impact of the Israeli measures on households in general.
   - The role of the household in responding and coping to events
   - The socio-economic conditions of the households before and during the events.

   A random stratified cluster sample composed of 3,393 households, 2,301 in the West Bank and 1,092 in Gaza Strip, was selected to represent the target population. The sample included enumeration areas close to clashes, settlements, and Israeli check points. The sample covered areas exposed to direct aggression from the Israeli military machine (shelling, shooting, uprooting of trees, land drifting, etc), in addition to other areas.
4. The impact of the Expansion and Annexation Wall in the West Bank on the socio-economic conditions of the Palestinian household: this is a monitoring survey begun in the year 2003 when the building of the wall began. It covers socio-economic indicators; providing data about labour, health education, living conditions and changing residency.

5. Youth Survey 2003: This survey is national, covering 5,570 households in the PT; the data elicited was compared with the data of other demographic and health surveys, labour force survey and census 1997 which reveals a high consistency among compared sources.
6. The impact of unilateral Israeli measures on the social, economic and environmental conditions of the Palestinian household, 2006: This survey is national, covering 8,077 households in the Palestinian Territory. The quality of this survey data was evaluated as being accurate. It was conducted by highly-qualified experts and well-trained field workers. The results were compared with other sources and revealed a high consistency.
7. Palestinian labour migration to Ramallah, al Beireh and Beitonia localities survey 2008: this survey was conducted in 850 households in three localities. This survey is considered as purposive as it targeted only the three mentioned localities, but still these localities are the most attractive areas in the Palestinian Territory in the Palestinian political context. The majority of PA institutions and ministries are located there and this is considered the economic center for Palestinian society.
8. Demographic Survey in the West Bank and Gaza Strip 1995: the first nationwide demographic survey in the Palestinian Territory under the PNA. It targeted 15,000. The response rate was 98.2%,.Consistency and reliability checks of the data were made for demographic indicators revealing that the results were of a high quality. The minimal missing percentages of births, deaths and age ranges between 1.0 and 1.2%.
9. The Palestinian Expenditure & Consumption survey 1995/1996-1998, 2001, 2004-2006 and 2007: This is a national survey, targeting about 3,500 households (except the first 3 rounds (1995/1996-1998) which targeted 4,500 households and the 2007 round which targeted 1,714). The sample was designed as a random stratified cluster in two stages, the households were interviewed over a 12 month period. Comparison between survey data and previous surveys was carried out and revealed high consistency results. These surveys provided poverty data as well.
10. Poverty survey 2003: the survey was based on a random sample of 3,725 households, the consistency checks and comparisons revealed good quality data.
11. Work conditions survey 2004: a national scale survey with a random two-stage cluster sample targeting 5,239 households. This survey provided information on health insurance, annual paid vacations, paid leaves, maternity, emergency leave, job stability and security, incentives, crowdedness in the workplace, employee legal status, availability of work contracts, health and conditions, discrimination and violence and instruction.
12. National accounts statistics: The Palestinian national accounts are prepared according to the 1993 System of National Accounts. This system highlights the current internationally agreed upon basis and standards set forth to prepare coherent and harmonious accounts for the macro economy. In preparing national accounts, the following elements are taken into consideration:

    In terms of sources: economic surveys, foreign trade statistics, agricultural statistics, labour force statistics, the Palestinian expenditure and consumption survey, and administrative records of international and governmental institutions.

    The weakness of these sources is the data pertaining to foreign trade, agricultural statistics, as well as the governmental sector. However, using supply and use tables minimize the discrepancies among these sources and places them in an integrated and internally consistent frame. The modifications that are preformed to the data are meant to achieve and balance at both levels: supply and use. With regard to data about Jerusalem, it is always best to handle such data carefully. Thus this data is listed in tables separated from those of the WB and the GS. This is due to Jerusalem's unique circumstances. These circumstances make it difficult to collect and estimate data accurately. Therefore, supply and use tables do not include this geographical region due to the distortions and difficulties in the budgeting process it might create.

II. Palestine Economic Policy Research Institute (MAS). Economic & Social Monitor series: this series is released on a quarterly basis. The data is based on the official records of several institutions within the PA, private sector and non-governmental organizations.

III. Ministry of Planning: Rehabilitation Plan 2002-2004, MidTerm Development plan 2005-2007, 2008-2010

IV. Palestinian Legislative Council: Palestinian Labour Law 2000; as an advanced step to regulate the wrecked labour market, the Ministry of Labour proposed a law to the Legislative Council for approval, this resulted in an approved labour law for the Palestinian Territory in 2000.

V. Mid Term Plans of Ministry of Labour, Ministry of Women Affairs, Ministry of Social Affairs, Ministry of Education and Higher Education, Ministry of Detainees Affairs, Ministry of Agriculture and Ministry of National Economy.

VI. Living Palestine, Family survival resistance, and Mobility under occupation, 2006. Edited by Liza Traki. First edition

VII. The standard international databases which include:

1. World development indicators of the World Bank
2. World Bank Doing Business datasets
3. United Nations Department for Economic and Social Affairs, Population Division quinquennial estimates and projections
4. ILO global employment trends
5. ILO Key indicators on labour markets
6. ILO labour stat, Labour Statistics Database

VIII. Israeli Central Bureau of Statistics "ICBS" Abstracts (since 1990)

IX. United Nations for Relief and Working Agency "UNRWA" web site:www.unrwa.org

X. Abdel Karim, N, 2004. Current status of the Palestinian economy and development opportunities: one of the key economists in the PT who has contributed to many economic studies and who provides consultancies for PT economic policies.

XI. Gicaman, R. and Jonson, P. (eds) (2002), Inside Palestinian Households, Birzeit University, Institute of Womens Studies and the Institute for Community and Public Health. And Traki L, 2006, Living Palestine, Family survival resistance, and mobility under occupation, First edition: it is one of the few studies done on this topic; it is based on a well-designed statistical representative sample supervised by professional researchers and edited by PhD staff in Birzeit university.

XII. PCBS, 2005. Change in labour market indicators during Al-Aqsa intifadah. Ramalla-Palestine: this study was done by two PhD researchers and was based on 1997 PCBS census data and labour force survey data sets

Chapter III – National Background Paper

Labour Markets Performance and Migration Flows in JORDAN

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Highlights

- **Outward migration** Since the 1970s, a significant proportion of skilled Jordanians have emigrated to work in GCC countries. This has eased pressure on the Jordanian labour market, especially given the high proportion of unemployed university graduates. The Jordanian economy has one of the world's highest levels of remittances as a proportion of GDP and remittances are a key source of income and foreign exchange for Jordan.
- **Inward migration** Around one quarter of Jordan's workforce is composed of migrant workers, the overwhelming majority of whom are engaged in low-skill, low-wage employment. Our analysis supports the argument that many of these migrants compete with low-skill unemployed Jordanians for employment, rather than complementing the existing workforce. Moreover, they undercut Jordanian workers' wages.
- **Brain Drain** Despite the high outflow of skilled workers, there remains a significant number of skilled unemployed in Jordan, who hold qualifications relevant to the needs of the labour market. Although many employers perceive a lack of skills in the Jordan labour force, the educational profile of the unemployed shows that the problem is often not a lack of relevant qualifications, but a lack of skills among those holding such qualifications.
- **Unemployment** Jordan suffers from consistently high unemployment rates. Jordanian unemployment is a youth phenomenon both in terms of absolute numbers and in terms of unemployment rates. Also worth noting are high unemployment rates among females, though their low level of economic activity means that they are not a large group in terms of absolute numbers.
- **Labour market participation** Jordan has one of the lowest rates of labour market participation in the world. A main factor underlying this is the low rate of female labour force participation. Most economically active women in Jordan come from mid-to-high socio-economic backgrounds and have high educational attainment. It is among less educated women from poorer socio-economic backgrounds that economic activity rates are extremely low. It is worth noting that remittances in Jordan accrue mostly to prosperous households with high educational attainment. This suggests that remittances are not a major factor in decreasing women's labour market participation in Jordan, as is the case in many other countries.

1. Labour Supply in Jordan: Situation and Prospects

1.1. Demographic dynamics and prospects:

Jordan's demographic profile presents a major challenge for labour market performance in the Kingdom. The Population and Housing Census carried out in 2004 gave a total population figure of 5.35 million, a six-fold increase over the 901,000 population in 1961. This high rate of population growth has been caused by several waves of migration over the past 50 years combined with a high population growth rate, especially up until the end of the 1970s (average 4.8% between 1952 and 1979).

Table 1- Demographic dynamics and prospects

		2000	2005	2010	2015	2020
Total Population *	**Number, 000**	5039	5473	6500	7720	9169
	Change t, t+5, 000		434	1027	1220	1449
Working Age Population (15-64, 000)			3251	3861	4585	5446
Labour Force Participation Rate (%)**	**Total**	39.4	38.3	38.9	38.9	38.9
	Male	66.1	66.4	66.3	66.3	66.3
	Female	12.3	11.7	12.0	12.0	12.0
Labour Force[87];**	**Number, 000**	1194	1308	1547	1837	2182
	Change t, t+5, 000		114	244	290	345
	Male	1043	1131	1334	1584	1882
	Female	178	194	232	275	327

Source: DoS, Jordan in Numbers 2000; DoS, Jordan in Numbers 2007; authors' calculations
* Central hypothesis on fertility evolution.
** Assuming constant participation rate.

The labour force is also growing at a very fast rate, as illustrated by the labour force projections above. Recent labour force supply projections modeled by Arouri[88] suggest that Jordan's total labour force supply will almost double over the next twenty years, from 1.27 million people in mid-2005 to 2.36 million people in mid-2025.

The labour force projections presented in the above table and those made by Mryyan et al.[89] differ slightly from those modeled by Arouri because they assume a stable rate of labour force participation. In contrast, Arouri projects labour force participation using a logarithmic model that takes into account labour force participation trends by age and gender over the past 18 years. As the latter approach is more accurate, projections calculated throughout this study will be based on Arouri's figures. Arouri's projections are based on the following:

- Annual growth rates will range from 5% for the period 2005-2010 to 1.92% for the period 2020-2025. These projections assume that the total fertility rate in Jordan will decline at the same rate as it did during the period 1961-2004 and that age and gender distributions will remain the same as in

[87] Figures for female and male labour force do not add up to the figure for the total labour force due to rounding.

[88] Arouri, F. (in press) "Labour Force Migration in Jordan".

[89] Mryyan et al (2007) *New Entrants to Jordanian Labor Market,* Amman: National Center for Human Resources Development.

the 2004 Census.

- Working-age population projections assume that net migration equals zero.
- To project the labor force supply, working-age population projections were combined with labour force participation rate projections, taking into account the effects of age and gender.

Table 2 below presents Arouri's projections for labour force supply in Jordan for the period 2005-2025.

Table 2- Labor Force Supply Projections by Age and Sex in Jordan for the Period 2005-2025 (in 000s)

Age Group	2005	2010	2015	2020	2025
15-19	82.4	92.7	89.4	80.0	95.8
20-24	262.9	317.4	317.5	310.6	278.6
25-29	596.3	360.1	408.2	408.8	403.7
30-34		239.1	353.0	399.2	399.3
35-39		183.5	227.1	336.9	381.4
40-44	247.4	144.7	168.3	209.2	311.4
45-49		104.2	133.1	154.1	193.3
50-54		72.2	89.8	114.7	133.2
55-59	65.0	48.6	57.7	72.3	93.2
60-64		36.7	33.0	39.1	49.1
65+	16.2	22.2	26.4	25.5	26.5
Total	1270.2	1621.4	1903.5	2150.4	2364.6
Annual growth rate	**2005-2010 5.00%**	**2010-2015 3.26%**	**2015-2020 2.47%**	**2025-2025 1.92%**	

In discussing the relationship between demography and labour supply in Jordan, it is important to note Jordan's persistently low rates of economically active individuals. The Department of Statistics' Employment and Unemployment Survey for 2007 found that only 39.8% of Jordanians are economically active (that is, employed or seeking employment). Jordan's employment-to-population rate is extremely low at 43 percent[90] which is much lower than the world average of 61 percent.[91] This is also significantly lower than the regional rates for the Middle East (47%) and North Africa (46%), which have the lowest regional employment-to-population rates in the world.[92]

A key factor underlying the low economic participation rate is the low rate of female labour force participation. Only 15 percent of females above the age of 15 are economically active compared to 64 percent for males. Importantly, female labour force participation has not increased significantly over the past decade, having stayed at around 11-12 percent for the past ten years. This figure only

90 Calculated from figures in DoS (2008) Employment and Unemployment Survey 2007, Annual Report.

91 ILO (2009) Global Employment Trends, January 2009.

92 ILO (2009) Global Employment Trends, January 2009.

jumped to 15 percent in 2007. It remains to be seen whether this jump represents the beginning of a trend towards increased female labour force participation.

1.2. Characteristics and composition of the labour force and employment:

1.2.1 Economic Overview

Over the past fifteen years, the Jordanian government has undertaken an extensive programme of economic liberalization involving the privatization of various state enterprises and more recently the liberalization of trade. Over the past nine years, Jordan has been admitted to the WTO and has ratified agreements for the establishment of a Free Trade Area with the US, EU, European Free Trade Association countries, and sixteen Arab countries. The self-proclaimed purpose of the economic liberalization programme is developmental: 'aimed at transforming the economic structure of the country to one that generates internal and self-sustaining activity'.[93] The attempt to develop internal and self-sustaining growth is a response to the Jordanian economy's high level of dependency on remittances from oil-rich Arab countries as well as to the demographic challenge of population growth.

In recent years, economic growth rates in Jordan have increased significantly with other economic indicators following similar patterns to the growth rate. The private sector has also assumed a larger role in the economy. However, after more than fifteen years of economic reform, patterns of sectoral growth and output composition suggest that the economy has not changed substantially. Services continue to dominate the economy, accounting for more than 70 percent of GDP. The service sector is also the fastest growing sector, due mostly to the growth of banking and financial services. There has been growth in the manufacturing sector over the past few years, especially with the establishment of the Qualified Industrial Zones (QIZs) in various parts of the Kingdom.[94] However, this does not represent a significant economic shift towards industrialization.

Labour mobility between economic sectors has been limited. Where it does occur, it has flowed from poorly-paid jobs in the agricultural sector to low-paid service sector jobs.[95] Because agricultural activities are based in rural areas whereas the service sector is concentrated around urban centres, the urban population has benefited more than the rural population from changes in the sectoral composition of the economy. In this context, it is worth noting that the Jordanian population is highly urbanized. According to the latest Population and Housing Census, 78 percent of the Jordanian population lives in urban areas.

1.2.2 Labour Force Overview

Unsurprisingly, the basic structure of the labour market in Jordan has also seen limited changes over the past fifteen years. The Jordanian labour market remains characterized by the emigration of a large number of highly-skilled Jordanians to GCC countries and the immigration of a large number of foreign workers to fill low-skill jobs. There are currently over 300,000 migrant workers in Jordan[96] who filled 62.8% of the new jobs created in Jordan between 2001 and 2005.[97]

The biggest change in the Jordanian labour market over the past ten years has been the shift towards private-sector employment. As can be seen in the figures below, the private sector went

93 Executive Privatization Commission (2006).

94 QIZs are industrial zones entitling goods jointly produced by Israel and Jordan to enter the US duty free and quota free.

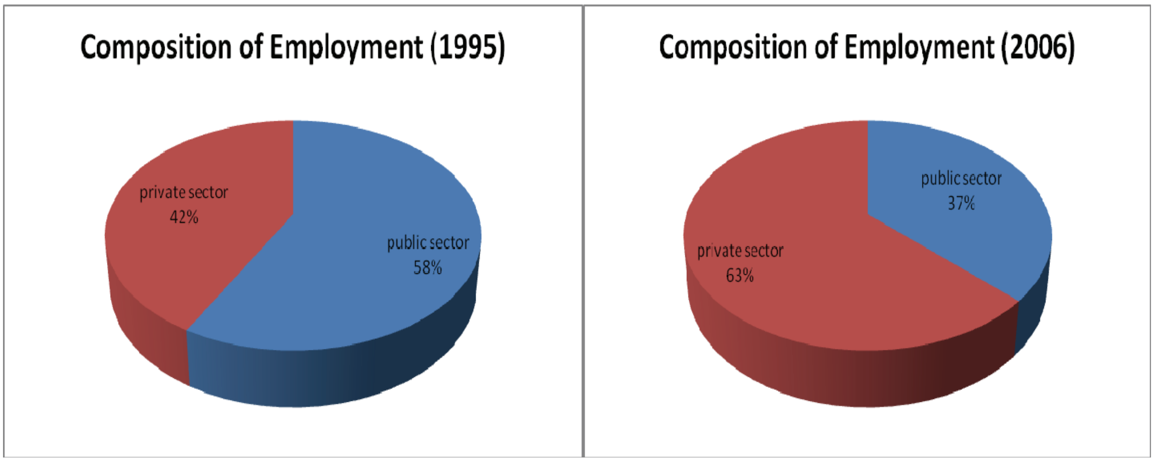
95 Saif, I. (2006) Employment Poverty Linkages and Policies for Pro-poor Growth in Jordan (1990-2003) Amman: Center for Strategic Studies, University of Jordan.

96 MoL (2009) Database on Officially Registered Migrant Workers.

97 World Bank (2007) "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment".

from employing 42% of the workforce in 1995 to employing 71% of the workforce in 2006. Put differently, 447,137 new jobs were created in the private sector between 1995 and 2004 compared to only 34,310 new jobs created in the public sector. However, it is important to note that these figures include several recently privatized organizations as part of the private sector: these organizations have been required by government regulations to maintain their workforce. Moreover, the government has done little to curb the expansion of the central government workforce due to concerns about the social disruption that such moves could trigger. The public sector remains a large employer employing 37% of the working population.

Figure 1



Source: DoS Employment Surveys 1995; 2006

In line with the structure of the economy, the large majority of employed Jordanians (78%) work in the service sector[98], with 20% employed in the industrial sector.[99] Job growth roughly corresponds to sectoral output growth. Several sectors with high GDP growth from 2000-2004, such as manufacturing and construction, created a large number of jobs. However, the jobs created paid low wages and were often filled by expatriate workers. Finance and transport, sectors which tend to hire Jordanian rather than foreign workers, also grew strongly. However, these sectors are capital intensive, rather than labour intensive and created few jobs. As the World Bank has noted GDP growth over 2000-2005 was 'more strongly correlated with growth in jobs for foreign workers than for Jordanian workers'.[100]

Overall, from 2000 to 2005, the manufacturing and construction sectors created many jobs, though the majority of these were filled by expatriate workers. There was also a large increase in the number of expatriate workers in agriculture during this period, while the number of Jordanians working in this sector decreased. The wholesale and retail trade sector created a considerable number of jobs for Jordanians and very few jobs for expatriate workers.[101]

98 This includes: wholesale & retail trade; hotels & restaurants; transport, storage & communications; public administration & social security; education; health & social work; community, social & personal services; real estate, renting & business and financial intermediation.

99 This includes manufacturing; mining & quarrying; construction and electricity, gas & water supplies.

100 World Bank (2007), "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment", p. 21.

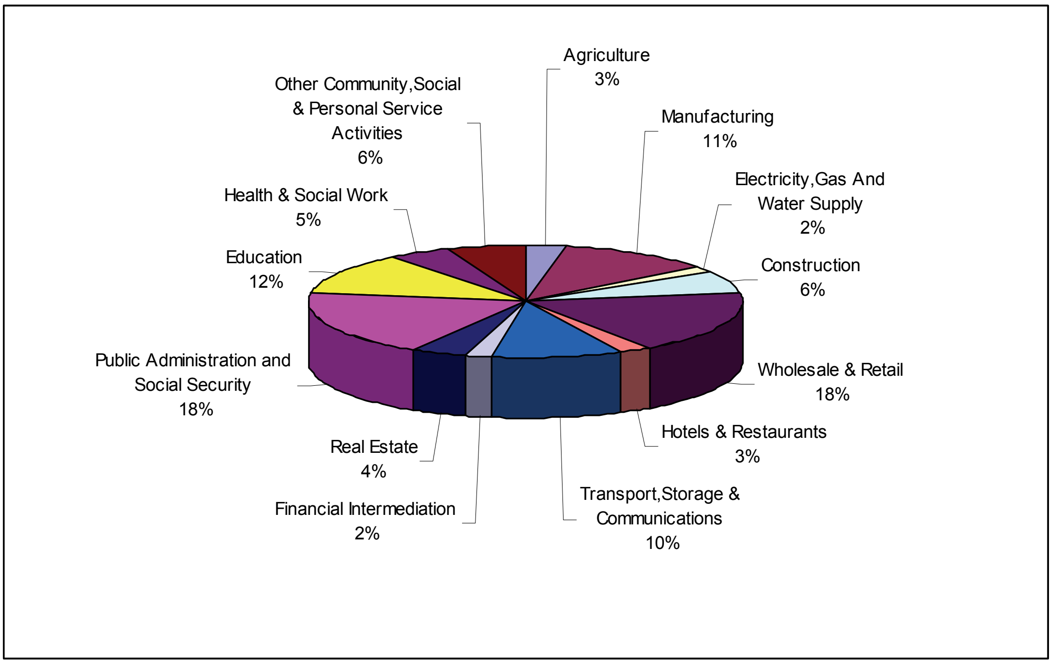
101 World Bank (2007), "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment".

Table 3- Composition of Labour Force

		2007		
		Male	Female	TOTAL
Labour Force (by age)		%	%	%
	15-24	23.3	24.5	23.6
	25-34	33	42.4	34.8
	35-44	25.4	25.4	25.4
	45-54	12.1	6.5	11
	55-64	4.8	0.9	4.1
Labour Force (by level of education)[102]				
	None	4.4	2.4	4
	Primary	51.2	13.9	44.3
	Secondary	24.7	35.6	26.7
	University	19.7	48.2	24.9

Source: DoS *Employment and Unemployment Survey 2007* (data available for Jordanians only)

Figure 2- Employment of Jordanians by Sector (2006)



Source: DoS Employment and Unemployment Survey 2006

102 Because the educational categories used in official Jordanian statistics do not correspond to this classification, categories were aggregated as follows: None (Illiterate/ Read & Write); Primary (Elementary/Preparatory/Basic Education); Secondary (Secondary / Vocational apprenticeship / Intermediate Diploma); University (Bachelors & Above).

Table 4- Composition of Employment

		2007		
		Male	**Female**	**TOTAL**
Employment (by age)		%	%	%
	15-24	19.9	17.2	19.5
	25-34	33.7	43	35.2
	35-44	26.9	30.2	27.4
	45-54	12.8	8.2	12.1
	55-64	5.2	1.2	4.5
Employment (by level of education)[103]				
	None	4.5	2.8	4.2
	Primary	50.3	13.7	44.6
	Secondary	25.3	35.7	27
	University	19.9	47.8	24.3
Employment (by activity)				
	Agriculture	2.8	2	2.7
	Industry	14.2	8.6	13.3
	Services	83.2	89.3	84.1
Employment (by sector)[104]				
	State	35.4	50.8	37.9
	Private sector	64.1	48	61.6
Employment (by status)[105]				
	Own-account workers	8.8	2.4	7.8
	Employers	8.5	1.7	7.4
	Contributing family workers	0.5	0.8	0.5
	Employees	82.1	94.8	84.1

Source: DoS *Employment and Unemployment Survey 2007* (data available for Jordanians only)

It is important to note that government labour force statistics refer only to employed Jordanians, and provide no information on migrant workers. Official statistics on migrant workers are available from a separate MoL database. The characteristics of migrant labour will be discussed further in section 3.3 on inward migration.

1.3. Estimation of national job creation needs to absorb projected labour force growth

According to Arouri's labour force supply projections, the number of Jordanian entrants into the labor market over the next five years will range from 50,000-75,000 annually.[106] In 2007, the Jordanian

103 Because the educational categories used in official Jordanian statistics do not correspond to this classification, categories were aggregated as follows: None (Illiterate/ Read & Write); Primary (Elementary/Preparatory/Basic Education); Secondary (Secondary / Vocational apprenticeship / Intermediate Diploma); University (Bachelors & Above).

104 These do not add up to 100% because those working for Intergovernmental organizations are excluded.

105 These do not add up to 100% because it excludes the category of "unpaid worker".

106 Arouri, F. (in press) "Labour Force Migration in Jordan".

economy created about 70,000 jobs[107] with around 20 percent of these jobs being filled by foreign workers.[108] This means that the economy generated 56,000 new jobs for Jordanians, which is enough to absorb new Jordanian entrants into the labour market.

However, it is important to note that 2007 was exceptional in several respects. First, 2004-2007 saw a period of very high growth with real growth averaging 7.6 percent during these years. These growth rates were significantly higher than the average of 5.2 percent achieved since the beginning of the economic liberalization reforms and partly reflected a speculative bubble in the property and stock markets. Such high growth rates are not likely to be sustained over the coming years. A correction in property and share prices is already dampening activity in the construction and financial services sectors with growth dropping to 5.7 percent in 2008. In May 2009, the IMF projected that real GDP growth in Jordan will be decline to 3% in 2009[109]. Thus, it seems that the high level of job creation witnessed in 2007 will not be sustained over the next few years.

Second, it is important to note that over the period 2000-2005, 60 percent of jobs created in the Jordanian economy were filled by foreign workers.[110] There are a number of reasons why this figure dropped to 20 percent in 2007. For one, many of the new jobs created over 2000-2005 were in the QIZs which overwhelmingly employ foreign workers. Since 2005, growth in the QIZ sector has slowed considerably thus lowering the proportion of foreign workers filling new jobs. A slowdown in the agricultural sector, also dominated by foreign workers, has had a similar effect. It remains to be seen whether job creation in coming years will continue to benefit mostly Jordanians or return to the previous pattern of mostly benefitting migrant workers.

Even if it is assumed that Jordanians will continue to fill 80 percent of new jobs, the Jordanian economy will need to generate around 60,000-90,000 jobs annually over the next five years in order to maintain unemployment at its current rate of 13 percent. This is a high figure given that in 2006 (the latest year for which official figures are available) the Jordanian workforce in Jordan numbered around 770,000.[111]

In estimating labour demand, it is necessary to take into account the effect that the global economic downturn is likely to have on Jordan. As mentioned above, the IMF projects that real GDP growth in Jordan will be decline to 3% in 2009. Although this is considerably lower than the average of 6.4 period achieved from 2005-2007,[112] it compares relatively well to the effect of the global recession on many other countries worldwide. Indeed, the IMF's latest assessment of the Jordanian economy predicts global economic downturn will have a limited impact beyond reversing the large gains made in the property and stock markets over the past few years. Certainly, the recent turmoil in global financial markets has had a limited impact on Jordan. Although the stock market has declined sharply, its performance this year remains better than many other markets in the region. Moreover, in contrast with equity markets elsewhere, inflows from foreign investors remained positive throughout 2008, despite a declining trend during the first half of 2009. It is also important to note that Jordan is still in a position to continue benefiting from ongoing improvements in the business environment.[113]

107 DoS (2008) Job Creation Survey 2007 Annual Report.

108 DoS (2008) Job Creation Survey 2007 Annual Report.

109 IMF (2009) IMF Country Report No. 09/159: Jordan: 2009 Article IV Consultation—Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Jordan.

110 World Bank (2007), "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment", p. 21.

111 DoS (2007) Employment Survey 2006 Annual Report.

112 Central Bank of Jordan, "Monthly Statistical Bulletin", several bulletins.

113 IMF (2008) "Jordan--Aide-Mémoire for the Staff Visit Discussions".

This paper will project labour demand according to the historical relationship between GDP growth and job creation in Jordan since economic liberalization reforms began in 1990. For the period 2009-2011, the IMF's growth projections will be used to project job creation, as these figures take ito consideration the effect of the economic downturn. A gradual recovery of the global economy is widely expected to take hold towards the end of 2009 and growth is expected to return to trend in 2012. Thus, for the period 2012-2020 growth will be taken as the average since economic liberalization reforms began.[114] Saif (2006) calculates labour elasticity over the period 1990-2003 at 0.855 percent per percent increase in real GDP.[115] Projected labour demand based on this figure is presented in Table 5 below:

Table 5

Year	Projected GDP growth (%)	Projected number of jobs created
2009	3	30,208
2010	4	41,310
2011	4.1	43,791
2012	5.2	57,487
2013	5.2	60,043
2014	5.2	62,712
2015	5.2	65,500
2016	5.2	68,412
2017	5.2	71,454
2018	5.2	74,631
2019	5.2	77,949
2020	5.2	81,415
2009-2020	**57,9.**	**734,912**

According to these projections, the Jordanian economy will create an average of 61,000 jobs a year between 2009 and 2020. This is slightly below the official job creation figure of 70,000 for 2007. These projections suggest that the Jordanian economy will create around 735,000 jobs over the period 2009-2020, giving a total of 1.99 million jobs to the economy by 2020. However, if 20 percent of new jobs created continue to be taken by migrant workers, only 1.36 million of the workforce will be composed of Jordanians.[116] Put differently, just under three quarters of Jordan's workforce will be composed of Jordanians. This is similar to the current proportion of Jordanians in the workforce which stood at 75 percent in 2006.[117]

According to Arouri's labour force supply calculations cited above, the Jordanian labour force will reach 2,150,400 persons in 2020. Under the optimistic scenario that Jordanians continue to fill 80 percent of new jobs, as they did in 2007, our projections for labour demand suggest that there will be an unemployed population of around 790,000 persons by 2020 and an unemployment rate of 37 percent. If, on the other hand, migrant workers fill 60 percent of new job opportunities, as they did

114 Central Bank of Jordan, Monthly Statistical Bulletin; several bulletins.

115 Saif (2006) Employment, "Poverty Linkages and Policies for Pro-Poor Growth in Jordan (1990-2003)", Amman: Center for Strategic Studies.

116 DoS (2007) Employment Survey 2006 Annual Report; MoL (2007) Database on Officially Registered Migrant Workers.

117 DoS (2007) Employment Survey 2006 Annual Report.

from 2000-2005, the unemployment rate for Jordanians will reach 51 percent by 2020. Table 6 below shows projections for unemployment rates in 2020 at different levels of migrant worker employment.

Table 6

Proportion of new jobs created filled by migrant workers (2009-2020)	Unemployment rate among Jordanians in 2020
60%	51%
40%	44%
20%	37%
0%	30%

As the table above illustrates, the sheer number of new entrants into the labour market will lead to a substantial rise in the unemployment rate, even if none of the new jobs created in the economy over the next ten years are taken by migrants. The worst case scenario presented above shows that if 60 percent of new jobs created are taken by migrant workers, as they were over 2000-2005, unemployment will reach 51 percent by 2020.

It is important to note that these calculations make three major assumptions:

8. The projections for Jordanian labour force supply calculated by Arouri assume that net migration equals zero. If migration increases, labour force supply will decrease with the effect that unemployment will also decrease. Indeed, encouraging outward migration has been one of the Jordanian government's main strategies for bringing down unemployment over the past 35 years.
9. The projections above assume that the Jordanian economy will continue to have a comparable level of labour elasticity to the level it has seen over the last 20 years. Increasing the labour elasticity of the Jordanian economy is one way to decrease unemployment rates, albeit at the cost of economic efficiency.
10. The projections above also assume a similar level of economic growth to that which has been achieved since 1990. If Jordan is able to achieve a higher level of economic growth than this, unemployment would certainly be reduced. But even if real GDP growth averages 6 percent over 2011-2020, and Jordanians fill 80 percent of new jobs created over this period, the unemployment rate will still reach 21 percent by 2020.

There remains scope for the government to tighten its currently liberal policies towards the entry of migrant labour by erecting barriers to the employment of non-Jordanians and increasing the cost of foreign labor in order to ensure that Jordanians fill a greater proportion of jobs created. However, increasing restrictions on employing non-Jordanians may stifle overall growth. For this reason, restrictions on migrant labour should be linked to developments in GCC economies. Should GCC economies improve, thus providing more job opportunities for Jordanians, the Jordanian government can react by liberalizing migration policies. A realistic strategy towards dealing with these labour market challenges must also involve improving working conditions in sectors that Jordanians do not want to work in.

Importantly, the dire scenarios presented above suggest that neither the strategy of improving growth rates nor that of restricting migration will be sufficient on its own. A multi-pronged approach dealing with all of these factors is necessary for tackling unemployment.

2. Labour Market Performance in Jordan

2.1. Regulation of the labour market

The Jordanian constitution guarantees Jordanians' right to work and states that the State provides opportunities for work to all citizens by directing and improving the national economy (Article 23). The constitution also states that the State shall protect labour based on several principles which are, generally speaking, in harmony with the principles included in the International Covenant on Economic, Social and Cultural Rights and particularly, Article 7 of the Covenant, and the International Labour Organisation's (ILO) standards of 'suitable work'.[118] However, the Jordanian government has yet to ratify ILO Convention 87 (Convention on Freedom of Association and Protection of the Right to Organise), described by the ILO as one of its fundamental conventions. Jordanian law contradicts the basic principles set out in ILO Convention 87 by restricting workers from various forms of striking, prohibiting Jordanian unions from including foreign members and prohibiting migrant workers from organizing.

Employment in the public and governmental sectors is reserved for Jordanian nationals, as is employment in the sixteen free professions. Private sector employment is regulated by the Jordanian Labour Law (No. 8 of 1996). The Labour Law entrusts the Ministry of Labour (MoL) with organizing the labour market, creating job opportunities for Jordanians, licensing offices specialized in employment, organizing the employment of non-Jordanian workers and determining the minimum wage. It also sets out labour rights related to issues such as working hours, conditions of dismissal, sick leave and maternity benefits which are stipulated as the minimum labour rights of workers in Jordan. Any employment contract which violates these rights is considered null and void under Jordanian law. This law entrusts MoL labour inspectors with enforcing its implementation and bestows on them judicial police capacities to do so. Government intervention to ensure compliance with labour standards tends to be weak in practice. However, the MoL tends to respond positively in cases where serious violations of labour rights are publicized by the media.

It is worth noting that workers in the domestic and agricultural sectors do not enjoy all the labour rights accorded to those working in other sectors. Until 2008, these two sectors were excluded from the provisions of the Labour Law altogether. At the time of writing, special legal regulations for workers in these two sectors were being formulated by the MoL. These new regulations will set parameters for these workers' employment contracts, working hours and for the inspection of their workplaces.

Overall, hiring and firing regulations in Jordan compare favorably with other countries in the region. Jordan ranks of 48th out of 143 countries for rigidity of employment in the World Economic Forum's (WEF) *Global Competitiveness Report 2008-2009*. It also ranks 52nd out of 181 countries for ease of employing workers in the World Bank's *Doing Business 2009* Report. Importantly, WEF's Executive Opinion Survey 2008 of 131 Jordanian business leaders found that only 8.6 percent listed restrictive labour regulations as one of the five most problematic factors for doing business in Jordan. But although hiring and working hours are relatively flexible, concerns have been expressed about difficulties associated with firing workers in Jordan.[119]

118 Jordan has ratified a total of 19 ILO Conventions including the following seven core Conventions: Convention No. 29: Forced Labour, 1930; Convention No. 98: Right to Organize and Collective Bargaining, 1949; Convention No. 100: Equal Remuneration, 1951; Convention No. 105: Abolition of Forced Labour, 1957; Convention No. 111: Discrimination (Employment and Occupation), 1958; Convention No. 138: Minimum Age, 1973; Convention No. 182: Worst Forms of Child Labour, 1999.

119 World Bank (2009) Doing Business 2009 Report; World Bank (2007), "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment"

Labour rights violations in the Qualifying Industrial Zones

The Qualifying Industrial Zones (QIZs) were set up in 1996, entitling goods jointly produced by Israel and Jordan to enter the US duty free and quota free. As of 2008, 97 garment factories were operating in the Jordanian QIZs. Almost 60% of the labour force in these factories is non-Jordanian coming from countries such as Bangladesh, Sri Lanka, and China.

The Jordanian government has faced serious challenges with regard to the working conditions of migrant workers in these zones. In May 2006, the US-based National Labour Committee (NLC) published a report alleging prevalent conditions of forced overtime, confiscation of passports and incorrect payment of wages in the QIZs, which amounts to human trafficking. The widespread negative publicity generated by this report prompted the Jordanian government to commission its own report on the matter, which confirmed some of the NLC's allegations, mainly regarding incorrect payment of wages and sub-standard work conditions. In conjunction with this report, the Government published an action plan to improve labour administration and working conditions, especially in the QIZs. According to the ILO, subsequent Government efforts 'have resulted in some improvements in the working conditions in the QIZs. However, the Government realizes though [*sic*] that certain problems persist and need to be addressed'.

At the institutional level, in early 2007, the Government formed an Inter-Ministerial Committee for the coordination of labour issues, including trafficking in persons. The Committee's work has led to the first sentences ever in Jordan for physical abuse of workers and a series of prosecutions for labour rights violations.

However, the United States' Government *Trafficking in Persons Report 2008* criticized Jordan for its failure to provide evidence of increasing efforts to combat trafficking in persons. In addition, an ITUC report published in November 2008 for the Trade Policy Review of Jordan at the WTO concluded that there had been a lack of substantial progress on the improvement of workers' rights and working conditions in QIZs and that worker maltreatment continues to be widespread.

Sources: ILO, Special Action Programme to Combat Forced Labour (http://www.ilo.org/sapfl/lang--en/index.htm); US Department of State *Trafficking in Persons Report 2008*; ITUC *Internationally Recognized Core Labour Standards in Jordan 2008*

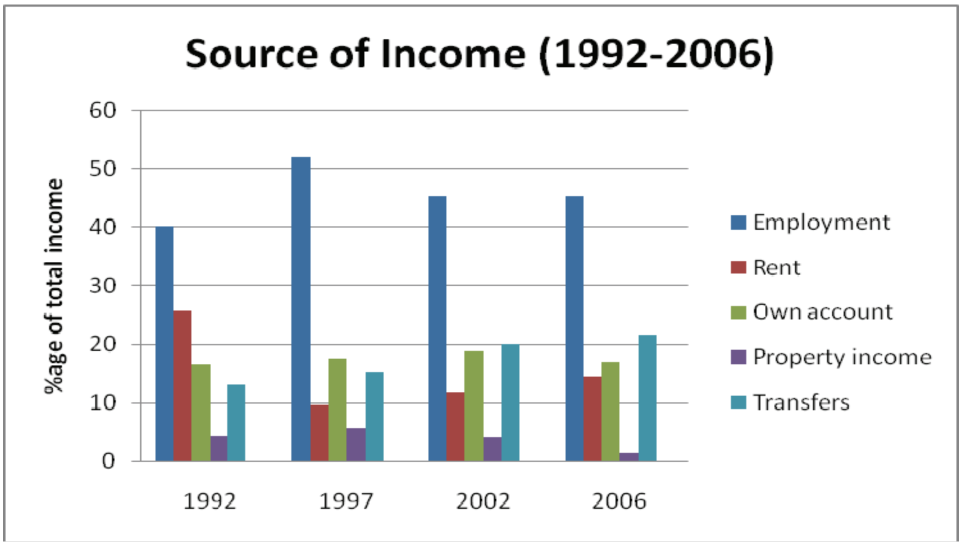
2.2. Wage and national income analysis

Although Jordan is a lower-middle income country, the Kingdom's *per capita* GNI of 2,850 USD is considerably higher than the average for lower-middle income countries which stands 1,887 USD.[120]

Data from the Department of Statistics HHIES 2006 reveals that wages are the most important source of income for Jordanian households, although other sources of income such as rent and transfers are also important. HHIES data suggests that over the past fifteen years, wages have accounted for 40-50 percent of Jordanian households' income. A detailed breakdown of Jordanian households' sources of incomes is presented in Figure 3, below.

120 World Bank (2008) World Development Indicators

Figure 3



A breakdown of sources of income by deciles reveals that the middle deciles are most dependent on wages.[121] Remittances are an important source of income for households in the wealthier economic deciles and tend to benefit these households more than they benefit poorer households. In fact, remittances are greater for wealthier households than for poor ones, both in their absolute value and also as a percentage of household income. The wealthiest quintile gets 14 percent of its income from remittances.[122]

As is the case in many developing countries, Jordan's income distribution is highly skewed towards the rich. Figures from the HHIES 2006 suggest that the richest 30 percent of the population earn around 60 percent of total income, with 30 percent of that income earned by the richest 10 percent. The richest two percent of the population earn 13 percent of total income, while the poorest 30 percent earn 11 percent. According to the HHIES 2006, Jordan's Gini coefficient is 0.355. [123] Although this figure reveals a much higher level of inequality than that prevalent in Western European countries, it compares favorably to most developing countries. Jordan's Gini coefficient is comparable to India's (0.368) and is significantly lower than that of China (0.469) and Brazil (0.570).[124]

However, it is worth noting that despite high rates of real growth over the past ten years, little has been achieved in the way of inequality reduction. Over the period 1997-2006, the Gini coefficient decreased only minimally from 0.379 to 0.355.[125] After dividing the population into ten consumption groups, a change in the distribution of households is observed whereby the number of families in the richest deciles declined between 2002 and 2006, and the number of poor families increased.[126]

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121 DoS (1992) HHEIS 1997 Annual Report; DoS (1997) HHEIS 1997 Annual Report; DoS (2002) HHEIS 1997 Annual Report; DoS (2006) HHEIS 2006 Annual Report

122 World Bank (2007), "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment".

123 DoS (2006) HHEIS 2006 Annual Report.

124 UNDP (2008) UNDP Human Development Report 2007/2008.

125 DoS (1997) HHEIS 1997 Annual Report; DoS (2006) HHEIS 2006 Annual Report.

126 Saif, I. & Tabbaa, Y. (2008) *Economic Growth, Income Distribution and the Middle Class in Jordan (2002 – 2006)* Amman: Center for Strategic Studies, University of Jordan.

Table 8 below presents wages in Jordan by four broad skill levels, following the classification system formally adopted by the 14th International Conference of Labour Statisticians (ICLS) for ISCO. This classification divides the ISCO into four skill levels as follows:

Table 7

Skill level	Corresponding ISCO category	Basis of definition
1	• Elementary occupations	Requires primary school education
2	• Clerks • Service workers and shop and market sales workers • Craft and related workers • Plant and machine operators and assemblers	Requires secondary education and/or formal training such as on-the-job training and experience, or apprenticeships
3	• Technicians and associate professionals	Requires post-secondary education, not equivalent to a first university degree
4	• Professionals	Requires a university degree

Table 8- Monthly Wages by Skill Category in Jordan (2006)

Skill level	Jordanian Dinar	Euros[127]	PPP International Dollars
1	167	187	432
2 [128]	202	226	521
3	299	350	773
4	398	445	1028

Source: DoS (2007) Employment Survey 2006 Annual Report

Jordan's national minimum wage is currently 150JD (157 Euros). Given that the average Jordanian household is composed of 5.7 individuals,[129] a household with one member earning the minimum wage would fall far below the poverty line, which is currently set at 506JD per person annually.

This poverty gap is even more pronounced given that average household size among the poorest three deciles is 7 individuals.[130] To lift a household of this size above the poverty line would require a monthly income of 295JD (308 Euros). This is considerably higher than the income of one breadwinner earning minimum wage. It is also significantly higher than the income of one breadwinner earning the average wage for low-skill jobs (skill levels 1 and 2 presented in Table 7 above).
There are no official statistics on labour market participation rates at the household level, however the fact that the ratio of employed individuals to total population is 1:6.7[131] suggests that it is atypical for a household to have more than one full-time breadwinner. All this suggests that

127The exchange rate used here is the Interbank rate for 31/10/2006 as DoS' Employment Survey 2006 took October 2006 as the reference month for wages.

128 These figures represent a weighted average of the monthly wages for the four occupational groups in this skill level.

129 DoS (2006) Household Income and Expenditure Survey 2006 Report.

130 DoS (2006) Household Income and Expenditure Survey 2006 Report.

131 Authors' calculations based on: DoS (2007) Employment Survey Annual Report; DoS (2005) Main Results of the Population and Housing Census 2004; DoS population estimates, available at http://www.dos.gov.jo.

prevailing wage levels for low-skill workers (represented by categories 1 and 2 in the table above) are insufficient to fulfill household needs, and will remain so unless economic activity rates increase considerably.

Importantly, any analysis of Jordanian wage levels must take into account the fact that, in contrast to the wage structure in most economies, Jordanian public sector wages are higher than those in the private sector. This is despite the fact that private-sector employees, on average, work more hours per month (260 hours) than public-sector employees (213 hours). In addition to higher average wages, the public sector provides several other advantages such as a high level of job security and more generous maternity benefits. Given the relative comfort and security of civil service jobs, it is unsurprising that many of the unemployed have high hopes of obtaining a civil service position. According to research carried out by the World Bank,[132] about 20 percent of all unemployed individuals and 45 percent of unemployed women have submitted applications to the Civil Service Bureau.

The World Bank also points out that for many applicants, hopes of civil service employment are unrealistic. For example, 139,300 employment applications were submitted to the Civil Service Bureau in 2004, but only 8,800 people were appointed that year.[133] Moreover, there is a clear mismatch between the qualifications of the average applicant and those of appointees. Those with intermediate diplomas, for example, account for 33 percent of applicants but only 25 percent of those hired. Women account for 68 percent of applicants, but just 50 percent of those hired.[134] The World Bank has argued that by continuing to accept applications that are not associated with specific job vacancies, the Civil Service Bureau has perpetuated the unrealistic expectations of applicants thus discouraging them from looking to the private sector for employment.[135]

Table 9: Average Monthly Private-Sector Wages in Jordan

Year	Average wage	Consumer Price Index (2002= 100)	Average real wage
2000	202	96.5	209
2001	205	98.2	209
2002	213	100.0	213
2003	211	101.6	208
2004	210	105.1	200
2005	234	108.7	215
2006	257	115.5	223

Source: Department of Statistics,[136] Central Bank of Jordan Monthly Bulletins

132 World Bank (2007), "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment", p. 21.

133 Ibid.

134 Ibid.

135 Ibid.

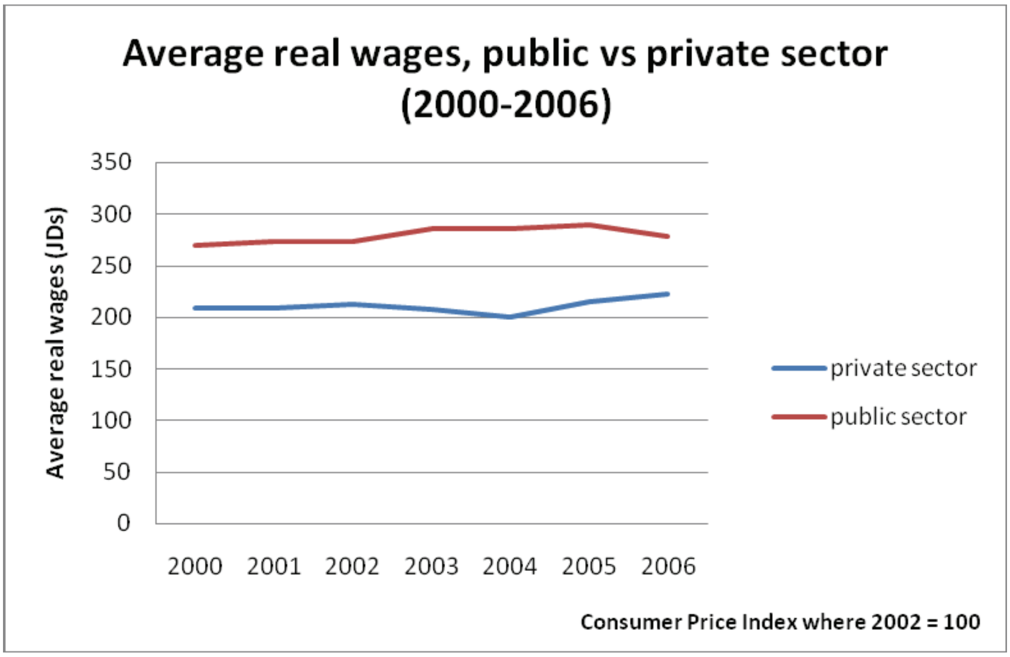
136 DoS Employment Survey, several bulletins.

Table 10: Average Monthly Public-Sector Wages in Jordan

Year	Overall	Consumer Price Index (2002= 100)	Average real wage
2000	261	96.5	270
2001	268	98.2	273
2002	274	100.0	274
2003	291	101.6	286
2004	301	105.1	286
2005	313	108.7	289
2006	321	115.5	278

Source: Department of Statistics,[137] Central Bank of Jordan Monthly Bulletins

Figure 4



Income disparities between Jordan and the main destination countries for Jordanian migrants are very high, even when the lower cost of living in Jordan is taken into account. Figures from the Department of Statistics' Household Income and Expenditure Survey (HHIES) 2006 suggest that the average annual Jordanian household member's income is 1,306 Jordanian Dinars.[138] When

137 DoS Employment Survey, several bulletins.

138 To avoid problems associated with the under-reporting of income in the Jordanian HHIES, this paper uses household member expenditures as a proxy for income.

adjusted to take Purchasing Power Parity (PPP)[139] into consideration, this is equivalent to 3,375 international dollars. Table 11 below compares Jordanians' income to that in the main destination countries for Jordanian migrants.

Table 11

Country	**Average annual income per household member, 2006 (International Dollars)[140]**	**Comparative Income Ratio (Jordan = 1)**
Jordan	3,375[141]	1
US	26,004[142]	7.7
UK	23,812[143]	7.1
Saudi Arabia	21,525[144]	6.4
Euro Area[145]	19,102[146]	5.7
United Arab Emirates	16,288[147]	4.8

3. Main labour market performance issues and challenges

3.1 Unemployment and Unemployment trends (1995-2000-latest)

Unemployment is the major challenge facing the Jordanian labour market. Despite high rates of economic growth over the past decade, unemployment has remained high averaging at 13.8% between 2003-2007.

In terms of educational qualifications, individuals with less than secondary education represent the largest group in terms of unemployment. Unemployed individuals with less than a secondary education account for around one half of all the unemployed in Jordan.

139 All PPP calculations use the IMF's implied PPP conversion rates for 2006, as cited in the IMF's World Economic Outlook database.

140 IMF 2006 implied PPP conversion rates from the IMF World Economic Outlook database.

141 DoS (2006) Household Income and Expenditure Survey 2006 Report

142 US Census Bureau/Bureau of Labor Statistics (2007) Current Population Survey 2007 Annual Social and Economic Supplement

143 Eurostat Population and Social Conditions Statistics

144 Kingdom of Saudi Arabia Central Department of Statistics and Information (2007) Annual Statistical Book 2007. This figure represents GDP per capita. This figure is used here as a proxy for income per household member because Saudi Arabia has not published official statistics on household income and expenditure since 1999. The Kingdom of Saudi Arabia Central Department of Statistics and Information undertook a Household Income and Expenditure Survey in 2008, however the results have yet to be published.

145 EU-15 income in international dollars is calculated using a weighted PPP conversion rate for the region. Implied PPP conversion rates for each country were weighted to account for the relative size the different economy

146 Eurostat Population and Social Conditions Statistics

147 Authors' calculations based on consumption data and population estimates from: UAE Ministry of Economy (2007) The Annual Economic and Social Report 2006

The second highest number of unemployed individuals are university graduates (Table 12). Within this group, women constitute the majority of the unemployed with a university education and have an unemployment rate of 26.1% compared to 9.6% for men. It is also important to note that, although those with a university education are not the largest group of unemployed people in absolute numbers, they have the highest unemployment rate of any educational attainment category.

Table 12- Unemployed Jordanians by Gender and Educational Level (2007)

Educational Level	Female	Male	Total
Illiterate (%)	0.5	1.1	0.9
Less than Secondary (%)	14.8	62.5	45.4
Secondary (%)	10.1	12.6	11.7
Intermediate Diploma (%)	25.5	5.4	12.6
Bachelor & above (%)	49.2	18.3	29.4
Total	**100.0**	**100.0**	**100.0**

Table 13- Unemployment Situation and Trends (1995-2000-2007)

		1995			2000			2007		
		Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
Unemployment rate (by age)										
	15-24	24.0	53.6	27.9	24.5	39.7	26.7	23.7	47.8	28.3
	25-34	10.4	27.7	13.8	9.4	21.2	11.6	8.2	24.8	12
	35-44	6.8	5.9	6.7	6.5	7.5	6.7	5.2	11.6	6.3
	45-54	7.0	2.2	6.6	7.5	2.4	7	4.4	5.9	4.6
	55-64	6.8	2.5	6.6	5.2	4.3	5.2	3.8	3.5	3.8
Unemployment rate (by level of education)										
	None	10.6	3.8	10.1	10.7	11.9	10.8	9.1	11	9.3
	Primary	13.4	24.6	14.0	14.4	23.9	14.9	11.8	26.3	12.6
	Secondary	14.4	36.9	20.8	10.6	22.5	13.5	8.1	25.6	12.4
	University	10.4	17.9	12.1	9.2	18.5	11.8	9.6	26.1	15.5

Source: Department of Statistics, *Employment and Unemployment Surveys 1995; 2000; 2007*

It is important to note that high levels of unemployment among Jordanian university graduates do not necessarily indicate an oversupply of skilled labour in the Kingdom, as it may be the case that university graduates' specializations do not match market demand. However, data from the DoS Employment and Unemployment Survey 2007 suggests that Jordanian graduates do have the specializations required by the labour market. Table 14 shows that 80 percent of skilled workers in Jordan fall into one of 15 educational specializations. Since a high proportion of skilled employees have similar educational specializations, it can be assumed that there is high demand for these specializations in the Jordanian job market. Table 14 also shows that unemployment levels among graduates in these highly demanded specializations are often high. Notable exceptions are found amongst graduates of engineering (unemployment: 4.7%), management/business administration (unemployment: 6.0%), and social/behavioural sciences (unemployment: 6.1%). Given that these three specializations combined only compose 19 percent of the skilled labour force, it is possible to conclude that overall, there is an oversupply of skilled labour in Jordan.

Table 14

Educational Specialization	**As proportion of skilled workers (2007)**	**Unemployment rate among graduates (2008)**
Accounting and taxation	8.8%	10.4%
Engineering and engineering occupations	8.4%	4.7%
Education Sciences	8.1%	10.1%
Management, public management and business administration	7.4%	6.0%
IT and Computerization	7.0%	11.8%
Foreign languages	6.3%	10.3%[148]
Law	6.1%	9.8%
Arabic language	6.0%	13.4%
Finance, banking sciences and Insurance	4.4%	12.5%
Physical Sciences	3.9%	12.3%
Social and Behavioural Sciences	3.4%	6.1%
Medicine	3.3%	7.9%[149]
Mathematics and Statistics	3.1%	9.4%
Religion	3.0%	20.8%

Source: DoS Employment and Unemployment Survey 2007; 2008

3.1.1 A young labour force

Jordan has a young population with 37% of its inhabitants under the age of 15.[150] With over 50,000 new entrants into the labour market each year,[151] the youthfulness of the Jordanian population is a major challenge for government employment policy.

Unemployment is already a phenomenon associated with the young, both in terms of absolute numbers and unemployment rates. Unemployment rates are high among those aged 15-19 years. However, because only 11 percent of this age group is economically active, they constitute only 14

148 This figure is taken from 2007 data as the figure for 2008 is not available.

149 This figure is taken from 2007 data as the figure for 2008 is not available.

150Department of Statistics, Population and Housing Census 2004.

151 Arouri, F. (in press) "Labour Force Migration in Jordan".

percent of the unemployed.[152] The 20-24 age group, on the other hand, constitutes a large proportion of the unemployed (38%).[153] Unemployment is uncommon among those aged 40 years and over, a group that constitutes a mere 10 percent of the unemployed.[154]

3.1.2 The gender gap

Female labour force participation in Jordan is very low. Only 12 percent of females above the age of 15 are economically active compared to 64 percent for males.[155] Moreover, female labour force participation has not increased significantly since 1995 having stayed at around 11-12 percent for the past ten years.[156] Women's participation in the labour force is strongly correlated with education. Nearly two-thirds of Jordanian women with a university education are employed whereas those with secondary education or lower tend to be economically inactive.

Importantly, women are at a particularly high risk of unemployment. In 2006, the unemployment rate for women (25%) was twice as high as that for men (12%). Female unemployment has risen since 2003, while male employment has declined. However, women comprise only 27 percent of the unemployed population because of their very low labour force participation rate.

Like female participation in the labour force, female unemployment is strongly correlated with education. More than half of unemployed women have post-secondary educational qualifications.[157] Indeed, although women make up just 27 percent of the unemployed population as a whole, they constitute a majority among unemployed persons with a university education. Moreover, the number of unemployed women with a university education is on the rise. This is a significant waste of human resources and a waste of the investment made in these women's education.[158]

According to a nationally representative survey of the unemployed undertaken in 2006, 31 percent of unemployed women have received job offers which they declined.[159] The main reasons given by women for declining job offers are similar to those given by men: wages and working hours. However, unlike men, women often decline job offers because of the distance of the job from home (see Figure 5 below). This is linked to the fact that Jordanian women in certain communities face restrictions on their mobility in the community. For some, improvements to the currently underdeveloped public transport system would improve access to the labour market. Indeed, the improvement of the public transport system is key to improving the access of the unemployed to employment in Jordan, especially in light of the geographical mismatch between areas in which job creation has been concentrated and areas in which there is high unemployment, as will be discussed further below.

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152 Department of Statistics, Employment and Unemployment Unit, calculations based on Employment and Unemployment Survey 2006.

153 Ibid.

154 All figures from Department of Statistics (2008) Employment and Unemployment Survey 2007 Annual Report.

155 Ibid.

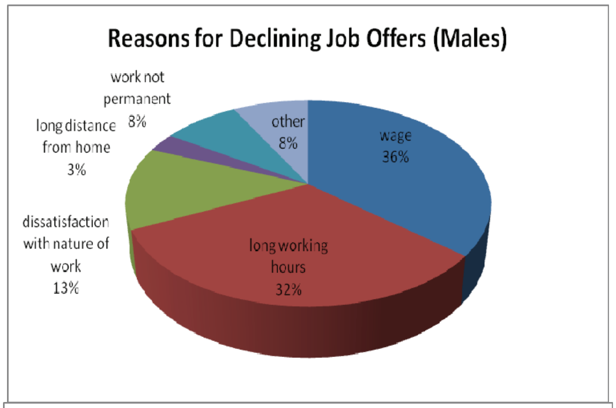
156 European Training Foundation (2005) "Unemployment in Jordan".

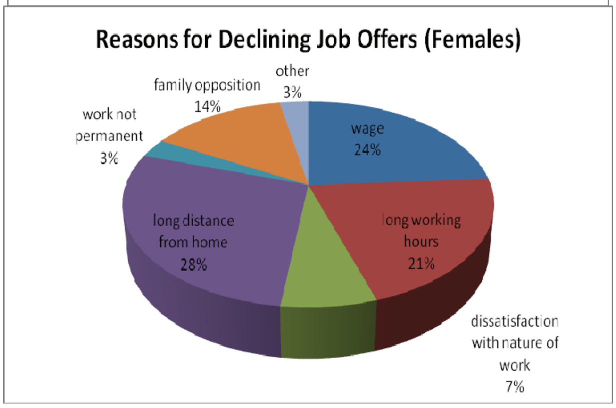
157 These women are almost evenly split between those with an intermediate diploma, and those with a university diploma.

158 All figures from Department of Statistics, Employment and Unemployment Survey 2006.

159 Center for Strategic Studies, University of Jordan (2006) Study on Employment in Jordan: Replacement of Foreign Labor.

Figure 5





Source: Center for Strategic Studies, University of Jordan (2006) *Study on Employment in Jordan: Replacement of Foreign Labor*

3.1.3 Geography of unemployment

Between 2000 and 2005, 55 percent of new jobs created were in Amman although the capital only contains 33 percent of the unemployed. In most other governorates, job creation was less than the governorate's share in national unemployment.[160]

Amman's share of job creation is even more disproportionate when only jobs filled by Jordanians are taken into account. Irbid, for example, contains 22 percent of the unemployed and 11 percent of new jobs created. However, in Irbid there was a net loss in jobs filled by Jordanians. The geographical distribution of job creation led to a fall in unemployment rates in Amman and Zarqa between 2000 and 2005, compared to a rise in all other governorates. In Aqaba, Irbid, Tafilieh, Maan, and Karak unemployment rates increased by 5 percent or more over this period.

In terms of absolute numbers, unemployment among Jordanians is an urban phenomenon. Two thirds of unemployed Jordanians live in the major population centres of Amman, Irbid and Zarqa. However, it is worth noting that rural areas tend to have higher *rates* of unemployment (17.8%) than urban areas (13.2%). The governorates with the highest levels of unemployment are Karak followed by Ajloun and then Ma'an.

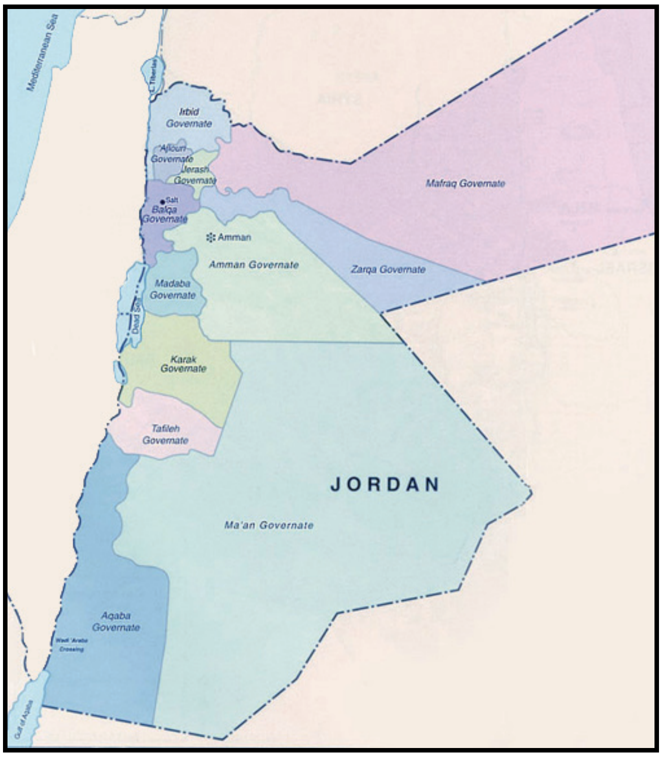
160Department of Statistics (2008) Employment and Unemployment Survey 2007 Annual Report

Table 15- Geography of Unemployment (2006)

Governorate	Proportion of Unemployed population	Unemployment rate
Amman	35.7	12.1
Balqa	6.8	14.1
Zarqa	12.9	12.3
Madaba	3.0	15.5
Irbid	18.2	15.6
Mafraq	4.9	16.9
Jarash	2.9	15.5
Ajloun	3.3	18.1
Karak	6.8	22.3
Tafiela	1.5	14.9
Ma'an	2.2	17.5
Aqaba	1.9	13.8
Urban	-	13.2
Rural	-	17.8

Source: Department of Statistics, Employment and Unemployment Survey (2006)

Figure 6- Map of Jordan



It seems that the unemployed have not moved to take advantage of new job opportunities in the capital. Recent census data shows low mobility among the working-age population. The percentage of working age people living in Amman grew by less than 1 percent between the 1994 and 2004 Population and Housing Censuses. Relatively high housing prices in Amman are likely to be a major factor contributing to this low level of mobility.[161]

3.2. The informal economy

Although there are no official statistics on the informal Jordanian economy, the World Bank estimated such activity at 19.4 percent of GNI in 2004.[162] Moreover, no quantitative studies have been conducted on informal labour in Jordan official or otherwise. The results of a World Bank/Ministry of Planning survey of women's informal labour undertaken in 2008 are expected to be published in the near future, but are not yet available.

In 2006, a study by Hourani et al[163] undertook some exploratory research into the informal sector in Jordan. However, the use of quota sampling in addition to the small sample size used in this study means that it is not possible to draw any generalizations from the findings.

161 World Bank (2007) "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment"

162 World Bank (2003) Doing Business in 2004: Understanding Regulation

163 Hourani, H., Abu Rumman, H., Abu Sundus, I and Kamel, N. (2006) The Informal Sector in Jordan, Amman: Dar Sindbad Publishing

3.3. Inward migration in national labour market: role and impact
MoL figures suggest that in 2008 there were 303,000 legal migrant workers in Jordan, which is equivalent to around one quarter of the total workforce in the country. Migrant workers are concentrated in five sectors, as shown in table 16 below.

Table 16- Distribution of migrant workers by sector

Sector	**Proportion of migrant workers**
Agriculture	24%
Manufacturing	23%
Social and personal services[164]	25%
Retail, restaurants and hotels	13%
Construction	12%
Other	3%
Total	**100%**

Source: MoL database on registered migrant workers

According to the MoL database on registered migrant workers, 90 percent of migrant workers earned less than 110 JDs a month. Moreover, 89 percent have no formal education.[165] This suggests that the vast majority of migrant workers are low-skilled. The fact that Jordanian workers in elementary occupations earn an average monthly wage of 167 JDs (see section 2.2 above) suggests that low-skilled migrant workers are willing to accept much lower wages than low-skilled Jordanian workers. Indeed, only 3 percent of migrant workers earn more than 150 JDs a month.

As discussed above, around half of unemployed Jordanians have less than secondary education, suggesting that migrant workers are competing with Jordanians for employment, rather than complementing the existing workforce. According to a nationally representative survey of the unemployed carried out in late 2006, a significant proportion of the unemployed (especially males) accept the idea of working in the agricultural, manufacturing and construction sectors (table 17 below).

Table 17

	Accepts work in principle		
	All (%)	Male (%)	Female (%)
Agricultural labour	**31**	**43**	**16**
Construction labour	**18**	**29**	**1**
Factory worker	**41**	**51**	**26**

Source: Center for Strategic Studies, University of Jordan (2006) *Study on Employment in Jordan: Replacement of Foreign Labor*

164 Workers in this category are mainly domestic workers.

165 MoL database on registered migrant workers.

Table 18- Proportion of unemployed males accepting work at different levels of hypothetical wages

	Accepts work at hypothetical wage			
	115 per month	150 per month	180 per month	200 per month
Agricultural labour	24	48	62	73
Construction labour	13	28	42	49
Factory worker	22	44	61	69

Source: Center for Strategic Studies, University of Jordan (2006) *Study on Employment in Jordan: Replacement of Foreign Labor*

Importantly, a large proportion of unemployed males would accept work in agriculture, construction and as factory workers for a hypothetical wage of 200 JDs per month. However, only a small proportion would accept employment in these sectors for 115 JDs per month. This suggests that migrant workers not only compete with unemployed Jordanians for low-skill jobs, but that they undercut the wages of Jordanian workers.

4. Employment Policies and Labour Market Reform

4.1 Institutional setting of national employment policy and employment policy-making process

The national policy-making process in Jordan is highly centralized and is thus dominated by the executive branch of government. The Jordanian state's executive authority is vested in the King and his Council of Ministers. The Council of Ministers is charged with initiating the legislative process by submitting legislative proposals to the National Assembly for approval. In matters relating to private sector employment, the Council of Ministers formulates policy in cooperation with the MoL.

4.2 The National Employment Strategy

The Government of Jordan's *National Employment Strategy* was put together in 2008 by the MoL with assistance from the International Labour Organization. The self-proclaimed aim of this strategy is to create sustainable employment through a multi-pronged employment generation strategy and to increase labour productivity at all levels.

According to the *National Employment Strategy* document, previous Jordanian employment policies and programmes were lacking for two reasons. First, they were fragmented and were not comprehensive enough to effectively address labour market dynamics and challenges. For example, employment creation policies were formulated separately from tax policies. This resulted in a tax system which encouraged investment in areas that generate low-wage jobs, which are usually filled by migrant workers, and that discourage investment in areas that generate high-wage jobs, which are usually filled by Jordanian workers.[166] Second, previous employment programmes were not formulated with full stakeholder participation at all levels.

166 World Bank (2007) "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment".

According to the *National Employment Strategy* document, the new employment strategy aims to fill the gaps left open by past policies and programmes. It emphasizes the need to sensitise and mobilize all actors and sectors of the economy, and to mainstream employment promotion in their respective policies and development programmes. To this end, the National Employment Strategy aims to have all national strategies and policy implementation programmes contribute towards attaining the objectives and targets of the Jordan Employment Strategy. While the MoL is envisaged as leading employment policy formulation, the *National Employment Strategy* is envisaged as a national document concerning all other Ministries.

According to the *National Employment Strategy*, Jordanian employment policies will be formulated and implemented according to the following guiding principles:

1. The promotion of a common understanding of unemployment among key stakeholders and the generation of collaborative efforts towards solving it;
2. The creation of opportunities for men and women to acquire skills and competencies in demand in the labour market for wage and self-employment;
3. The promotion of full and productive employment as a national priority to enable all participants in the labour force to gain productive and full employment, as a major strategy for poverty reduction;
4. The promotion of equal access for men and women to employment opportunities, skills, knowledge and resource endowments, while addressing the specific needs of vulnerable groups, such as women, youth and people with disabilities;
5. The creation of an enabling environment that will enhance the transformation of enterprises operating in the informal economy into formal productive and competitive enterprises;
6. The creation of an enabling environment for the development of the private sector;
7. The promotion of employment strategies that enhance income security and prevent social exclusion;
8. The safeguarding of the basic rights and interests of workers in accordance with Jordanian Labour Law and International Labour Standards;
9. The promotion of faster economic growth and more efficient allocation of investment resources, to more employment intensive sectors such as micro-, small- and medium-scale enterprises in agriculture, tourism, labour-based infrastructure development, manufacturing, social services and other economic services and productive sectors;
10. The promotion of action-oriented research that contributes to enhancing employment creation and prospects.

4.3. Active Labour Market Policies: description and performance

The work of the MoL and its local offices largely centres on issuing work permits to foreign workers and ensuring compliance with labour regulations. Relatively few efforts and resources are directed towards the provision of active labour market programmes (ALMPs). The *National Employment Strategy* recognizes this as a problem and aims to develop effective ALMPs that help Jordanians cope with changing labour markets, shorten periods of unemployment and ease the transition to new jobs. This is envisaged as involving the establishment of a modern Employment Service which provides ALMPs that aim to ensure that enterprises can obtain the labour force they require. The *National Employment Strategy* aims to focus implementation on the local level in order to better respond to the needs of enterprises and job seekers. Moreover, the *National Employment Strategy* aims to link access to social safety nets with economic activity, particularly vocational training and job-seeking. The National Aid Fund – Jordan's public cash assistance program for the poor – is not currently linked to active labour market policies.

It is worth mentioning that the MoL does currently undertake some active labour market programs. Within the overall umbrella of the MoL a number of labour market institutions/ programmes are supposed to facilitate the matching of supply and demand. These are: the 19 National Employment Service Centres, the National Centre for Human Resources Development, and the Vocational Training Corporation, in addition to several smaller employment, training and wage subsidy programmes. However, the activities of these institutions are fragmented and little coordination exists between them. Additionally some of them are not efficient. For example, employment offices largely play a traditional rather than a proactive role through the issuing of work permits to foreign workers and labour inspection.

Importantly, despite the large amount of resources that have been allocated to vocational training programs over the years, the Jordanian vocational training system is largely viewed as a failure that has produced poorly-trained and uncommitted workers. The historical lack of collaboration with the private sector in designing vocational training programmes has led to an increasingly widening gap between the private sector's needs and the training system.[167] However, the MoL is currently working with international partners to develop a more effective and relevant vocational training system.

4.4. Recent changes in labour market legislation and reform projects/ Assessment of the impact of labour market reforms on labour productivity and relative wages

As has been noted, the current *National Employment Strategy* is highly critical of the way in which Jordan's employment policy has been formulated in the past. It presents a strategy for changing the nature of employment policy formulation in the Kingdom in two key ways:

- 'Joining up' employment policy formulation with other aspects of policymaking related to human capital and the economy. These include macro-economic, tax and education policies.
- Establishing effective ALMPs, especially by creating constructive dialogue with the private sector at local level. This includes developing the first unemployment insurance system in the history of the Kingdom. It is important to note, however, that receipt of unemployment benefits will likely be linked to participation in ALMPs.

These reforms to employment policy remain in the planning stages and have yet to be implemented.

The other arena worth discussing with respect to labour market reforms is social protection policy. The strengthening of social protection has been a key aim of all major national policy frameworks including the aforementioned *National Agenda* as well as its successor document *We Are All Jordan*, published by the government in 2006. It is also a key objective of the *National Employment Strategy*. Notable labour market reforms pertaining to social protection issues are listed below:

- In 2008, the Labour Law was expanded to include the previously excluded domestic work and agricultural sectors. Special legal regulations for workers in these two sectors are in the process of being formulated. These regulations will set parameters for these workers' employment contracts, working hours and for the inspection of their workplaces. It is worth noting that the majority of the estimated 300,000 migrant workers in Jordan are either domestic or agricultural workers. Moreover, these sectors can be said to be 'migrant worker

167 Government of Jordan (2006) National Agenda, p.25

sectors' in the sense that migrants comprise the majority of workers in both of them.

- In 2008, the Labour Law was amended to allow for the creation of a tripartite consultative committee on labour affairs with the aim of improving social dialogue between employers, trade unions and the government. The committee was involved in making recommendations on amendments to the Labour Law covering wages, sexual harassment and assault, forced labour, freedom of association for guest workers, maternity benefits, employment contracts, and the inclusion of agricultural and domestic workers in the Labour Law.
- The MoL, in partnership with the ILO, aims to reform the financing of maternity leave benefits. At the moment, maternity leave benefits are financed by employers. This makes women more expensive to hire and discourages employers from hiring them, or means that employers offer women lower wages in order to recoup the cost of maternity benefits. MoL intends to design a centrally-financed system of maternity leave benefits to facilitate the entry of Jordanian women into the labour market.

These are the only significant reforms to labour market legislation that the government has undertaken in the past five years. Again, it is too early to assess the impact of these reforms. However, it is clear that the increased regulation of agricultural and domestic employment will increase labour costs in these sectors. As mentioned above, these sectors are dominated by non-Jordanian workers and these reforms are thus likely to decrease demand for migrant workers in Jordan.

4.5 Alternative strategies and policy options available for the sound management of excess labour supply

Jordan simultaneously faces both a shortage and an excess of labour. As discussed above, there is a high level of mismatch between the qualifications of unemployed Jordanians and the skills demanded by the Jordanian labour market. The oversupply of skilled workers and a concurrent shortage of unskilled workers in the Kingdom is a major challenge for Jordanian policymakers.

A major cause behind this mismatch of skills to job opportunities is the fact that Jordan's business environment encourages investment in sectors that create low-wage jobs. Jordanian tax and employment policies provide incentives to agriculture and industrial-estate-based manufacturing at the expense of others, including many 'knowledge economy' services such as communications and finance. Moreover, immigration and emigration policies provide 'easy entry for low skills; easy exit for high skills'.[168]

The sound management of excess labour supply requires the creation of jobs for skilled workers. In order for this to happen, significant changes must be made to the Jordanian business environment. In the words of the World Bank,

> 'Cultivating Jordan's competitiveness in high-wage services and high-tech products will require policies that encourage firm entry and that remove the distortions that presently distract entrepreneurs from focusing on Jordan's comparative advantage: its relatively well-educated citizens. In the long term Jordan can enhance its competitiveness as a high-wage, knowledge-based economy by emphasizing the quality of education (including problem-solving and teamwork) and including in the curriculum links to the labor market (including accurate information on career options and employability skills.'[169]

168 World Bank (2007) "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment", pg. v.

169 World Bank (2007) "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment", pg. vi.

5. The impact of outward labour migration flows on national labour markets

5.1. Estimation and characteristics of outward migration flows since 1990

5.1.1 Jordanian workers in GCC countries

Since the oil boom of the 1970s many educated Jordanians have left their country for better opportunities abroad. The major destination for these workers has been the oil rich countries of the Gulf Cooperation Council (GCC). Although the Jordanian government does not provide definitive figures on the number of Jordanian emigrant workers, the MoL has labour attachés stationed in several Jordanian embassies in Arab countries who compile estimates of the number of Jordanian workers in these countries as set out in Table 19.

Table 19- Number of Jordanian workers in GCC countries (excluding Bahrain) and Libya (2008)[170]

Country	Number of workers
United Arab Emirates	54,834
Saudi Arabia	50,928
Kuwait	18,880
Qatar	10,000
Oman	3,500
Libya	3,060
Total	**141,202**

Source: MoL, "Report on the Impact of the Financial Crisis on Jordanian Workers in Several GCC Countries and Libya", 31/12/2008.

These figures suggest that in 2008, there were around 138,142 Jordanians working in Saudi Arabia, the United Arab Emirates (UAE), Kuwait, Oman and Qatar. Estimates of the number of Jordanians workers in Bahrain are not available from the MoL. There were also a further 3,060 Jordanian workers employed in Libya. According to these estimates, more than three quarters (77 percent) of Jordanians working in GCC countries are based in the UAE and Saudi Arabia. Of these, forty percent are based in the UAE and thirty seven percent are based in Saudi Arabia.

5.1.2 Jordanian workers in OECD countries

The OECD's "Database on Immigrants in OECD Countries" (DIOC) provides extensive information on workers born in Jordan, now living in OECD countries. This data is mainly drawn from census data from the 2000 round of censuses. Figures from the database suggest that there are 36,432 Jordan-born workers employed in OECD countries, although it is important to note that this does not include Germany, for which the relevant information is not available. It is also worth noting that these statistics refer to Jordan-*born* workers, and that being born in Jordan does not entitle a person to citizenship under Jordanian law. It is thus possible that some of these migrants to the OECD are Jordan-born Palestinian refugees.

The United States is by far the most important destination for Jordan-born workers in OECD countries, with 74 percent of them residing there. The second most popular destination for Jordan-

170 Ministry of Labour, "Report on the Impact of the Financial Crisis on Jordanian Workers in Several GCC Countries and Libya", 31/12/2008.

born workers is Canada (6%), followed by the United Kingdom (4%), Australia (4%) and Italy (3%). The number of Jordan-born workers living in the remaining OECD countries is negligible. Overall, only fifteen percent of Jordan-born OECD workers reside in European Union countries. In absolute terms, this represents 5,523 workers which is a very small number when compared to the number of EU-based workers born in Morocco (655,716 workers[171]), Algeria (522,545 workers) or even Egypt (63,683 workers).[172]

DIOC data also provides information on the occupational category of Jordan-born OECD workers. According to DIOC, more than half (55%) of Jordan-born workers residing in OECD countries are skilled workers (senior officials/managers, professionals or technicians/associate professionals) as shown in Table 20 below. Only seven percent are employed in elementary occupations.

Table 20- Jordan-born workers residing in OECD countries by occupational category (excluding the US and Germany)

Occupational Category	Number of workers	Proportion of total
Legislators, senior officials and managers	1193	13.9%
Professionals	2523	29.5%
Technicians and Associate Professionals	1009	11.8%
Service workers, shop and market sales workers	1279	15.0%
Clerks	757	8.9%
Plant and machine operators and assemblers	608	7.1%
Craft and related trades workers	568	6.6%
Elementary Occupations	615	7.2%

Source: OECD "Database on Immigrants in OECD countries"

It is important to note that DIOC uses national census data which sometimes needs to be adapted in order to fit into the International Standard Classification of Occupations (ISCO 1988). Thus, these figures should be treated as estimates rather than definitive statistics. Moreover, these figures exclude the United States and Germany.

Data on the occupational category of Jordan-born workers from the US Census 2000 suggests that Jordan-born migrants living in the US are less skilled than those in other countries, although straightforward comparisons are hard to make due to the different occupational typology used by the US Population and Census Bureau. According to the US Census 2000 the most common occupational category among Jordan-born workers is "sales and office occupations" with 35 percent of Jordan-born workers falling into this category. 34 percent of Jordan-born workers in the US are employed as managers or professionals, compared to 43 percent in other OECD countries. Further details are provided in Table 21 below.

171 Germany has been excluded from this figure for purposes of comparability, although the number of Morocco-born workers in Germany is available from DIOC.

172 OECD "Database on Immigrants in OECD Countries"

Table 21- Jordan-born workers residing in the United States by occupational category

Occupational Category	Number of workers	Proportion of total
Management, professional, and related occupations	8,870	34.4%
Service occupations	2,875	11.1%
Sales and office occupations	9,035	35.0%
Farming, fishing, and forestry occupations	40	0.2%
Construction, extraction, and maintenance occupations	1,705	6.6%
Production, transportation, and material moving occupations	3,275	12.7%

By combining the data from DIOC and the US Census Bureau, we arrive at an estimate of 12,600 Jordanian migrants[173] employed in skilled occupations in OECD countries.[174] This is an extremely small figure compared to the 225,000 Jordanians employed in skilled occupations in Jordan[175] and thus it can be assumed that migration to OECD countries is not leading to a brain drain, especially taking into consideration the 40,000 unemployed Jordanians with university degrees in Jordan itself.[176]

5.2. Elements for analyzing the impact of migration flows on national labour markets

5.2.1 Brain Drain?

Despite high levels of emigration, there remains an oversupply of skilled labour in the Jordanian labour market, as discussed in section 3. However, there is some evidence to suggest that it is possible to talk of a limited ‘brain drain’. A World Bank investment climate study undertaken in 2006 found that 44 percent of enterprises in Jordan’s service sector identified an inadequately educated labour force as a major or very severe constraint on operations and growth. Lack of educated workers was considered a less serious problem among manufacturing firms, which make less use of educated labour, with 23 percent of manufacturing firms identifying this as a constraint.[177]

Given the high disparity between income levels in Jordan and the main destination countries for Jordanian migrants (discussed in section 2), it is unsurprising that the most talented and productive workers leave Jordan. Although this is a clearly a loss to the Jordanian economy and to Jordanian employers, the idea the Jordan suffers from ‘brain drain’ should not be over-emphasized. It is clear

173 For all countries excluding the US, this refers to Jordan-born migrants falling under the ISCO classifications ‘Professionals’ or ‘Legislators, senior officials and managers’. For the US, this refers to Jordan-born migrants falling under the classification ‘Management, professional and related occupations’.

174 Excluding Germany, for which the relevant data is not available.

175 DoS (2007) Employment Survey 2006 Annual Report. As with the figure cited for OECD countries (excluding the US), skilled workers is here defined using the ISCO classifications of ‘Professionals’ and ‘Legislators, senior officials and managers’.

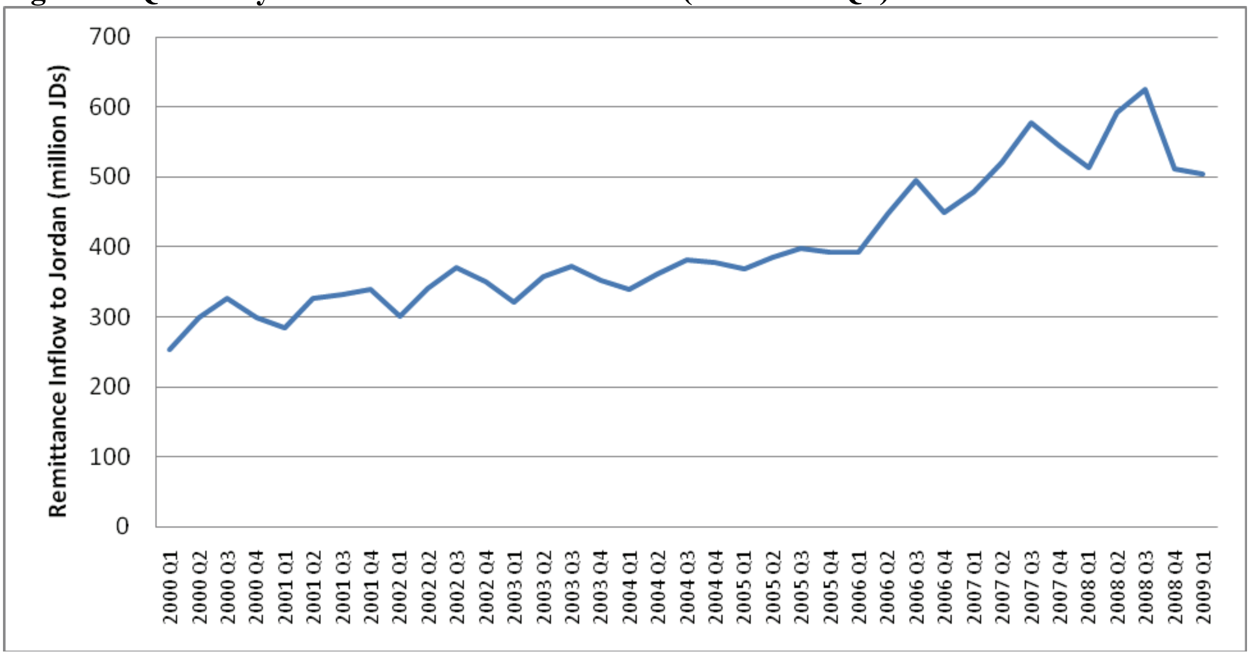
176 Authors’ calculations based on: DoS (2008) Employment and Unemployment Survey Annual Report; DoS (2005) Main Results of the Population and Housing Census 2004.

177 World Bank (2006) Investment Climate Survey Online.

that there are a sizeable number of unemployed highly-educated Jordanian workers who have skills that fit well with the Jordanian labour market's needs. Employers' perception of a skills shortage is not caused by a lack of qualified workers, but rather by a lack of skills among qualified workers: in other words, it is a question of universities and vocational training centres producing unproductive workers.

Moreover, the global recession may lead to an increase in the number of skilled workers in Jordan, as newly unemployed emigrants return from the Gulf. It has already been reported that around 50 percent of outbound airline bookings from the UAE (to all destinations) made in late March/early April 2009 are one way tickets.[178] However, speculation on the effect of the global recession on Jordanian emigrants remains premature. Although remittances witnessed a slight drop in January 2009, they witnessed a 5.6 percent increase in February. It is hard to draw conclusions from remittances data at this stage, especially as month-on-month fluctuations in remittances are common in Jordan (see Figure 7 below).[179]

Figure 7- Quarterly Remittance Inflow to Jordan (2000-2009 Q1)



Source: Central Bank of Jordan

So far, the actual number of Jordanians losing their jobs in the Gulf or elsewhere has been limited. In the Gulf countries, Jordanians are skilled workers. They are mostly employed in white collar jobs in both the private and public sectors, in education, medical services or the financial sector. It is likely that they will be among the last to lose their jobs. Jordan has not yet witnessed a mass wave of returnees.

178 Middle East Financial Network (02/04/2009) "50% of travel bookings from the UAE this summer are one-way" http://www.menafn.com/arabic/qn_news_story_s.asp?StoryId=1093241787

179 Central Bank of Jordan

5.2.2 The role of remittances

Inward remittances are an important source of income and foreign exchange for Jordan. Economic impact aside, remittances are often thought to influence the labour market by affecting the behaviour of potential workers. It is often argued that remittances decrease labour market attachment, especially among women. However, this does not seem to be the case in Jordan. Most economically-active women in Jordan come from mid-to-high socio-economic backgrounds and have high educational attainment. It is among less educated women from poorer socio-economic backgrounds that economic activity rates are extremely low. Importantly, remittances in Jordan accrue mostly to prosperous households with high educational attainment.[180] This suggests that remittances are not a major factor in decreasing Jordanian women's labour market participation, as is the case in many other countries.

It is also worth noting that there is an important link between outward and inward migration. Inward remittances help to fuel the Jordanian construction industry which mostly employs Egyptian migrant workers. Thus, inward remittances partly fund outward remittances. However, because inward remittances far exceed outward remittances, there is still a significant net gain for the Jordanian economy. In 2008, inward remittances were valued at 2.44 billion JDs whereas outward remittances were only 295 million.

In many cases remittances are used to help create small and medium scale business for the family relatives of the migrants. Hence, not only do they fuel consumption, but they could also be a useful source of financing for those who cannot afford collateral to banks in Jordan. In that sense, remittances can be viewed as source of employment generation. So far there is no data on how remittances have been utilized and this is an important area that needs to be investigated. Remittances do not seem to have a negative impact on motivating low income groups to join the labor market given the fact that, remittances constitute a small part of low income consumption, as shown earlier.

6. Conclusions

As in other Arab Mediterranean countries, the Jordanian labour market is characterized by high unemployment rates and low labour market participation rates, especially among women. Moreover, high population growth rates have led to a large number of new entrants into the labour market each year making youth unemployment a major challenge.

In discussing the effect of migration on Jordanian labour market performance it is important to note that Jordan exports and imports a high proportion of its labour force. Many highly-skilled Jordanians emigrate to work in more affluent countries, especially those of the GCC. At the same time, a large proportion of low-skill, low-wage labour is imported from various countries, most notably Egypt.

Remittances represent an important source of income for Jordan making up 16 percent of GDP in 2008.[181] It is worth noting that inward remittances help to fuel the Jordanian construction industry which mostly employs Egyptian migrant workers. Thus, inward remittances partly fund outward remittances. However, because inward remittances far exceed outward remittances, there is still a significant net gain to the Jordanian economy. In 2008, inward remittances were valued at 2.44 billion JDs whereas outward remittances were only 295 million.

Brain drain is another major issue with respect to the possible effects of outward migration on labour market performance. This paper has demonstrated that brain drain is not a major issue in Jordan. Despite the high outflow of skilled workers, there remains a significant number of skilled

180 World Bank (2007) "Resolving Jordan's Labour Market Paradox of Concurrent Economic Growth and High Unemployment"

181 Central Bank of Jordan, Monthly Statistical Bulletin

unemployed individuals in Jordan who hold qualifications relevant to the needs of the labour market. Although many employers perceive a lack of skills in the Jordan labour force, the educational profile of the unemployed shows that the problem is often not a lack of relevant qualifications but a lack of skills among those holding such qualifications. To remedy this, it is essential to improve the quality of university education and on-the-job training.

On balance, outward migration contributes positively to the Jordanian economy. For a natural resource-poor country such as Jordan, remittances are an important source of foreign exchange. Moreover, outward migration eases a considerable amount of pressure off the Jordanian labour market. This is not only significant in economic terms, but also has significant political ramifications. By reducing unemployment among the urbanized middle and upper-middle classes, emigration mitigates political dissatisfaction among an influential sector of the population. By helping to pacify the middle and upper-middle classes, outward migration thus contributes to the stability of the current Jordanian regime.

With regards to inward migration, it has been demonstrated that migrant workers generally compete with, rather than complement Jordanian workers. In particular, the relatively liberal immigration policies of the Jordanian government have made it possible for migrant workers to undercut the wages of local workers in some sectors, such as construction. There are several policy options for dealing with this. There is certainly scope for erecting further barriers to inward migration, especially in those sectors where wage productivity is low. It is also possible to provide tax incentives to companies who hire a certain number or proportion of Jordanian workers.

Annex 1- Official Jordanian Statistical Data Sources on Labour and Migration

1.1 Labour Statistics

1.1.1 Department of Statistics

The Department of Statistics (DoS) is the unit within the Jordanian Ministry of Planning and International Cooperation which is tasked with collecting official government statistics. DoS undertakes two surveys related to the labour force, as described in greater detail below.

Employment Survey

The DoS Employment Survey is a quarterly household sample survey. It provides aggregate information, in percentages, describing the main characteristics of the population, employed and unemployed Jordanians according to age, gender, level of education, occupation, field of education, and unemployment duration. At the time of writing, the latest edition of the Employment Survey contains figures from 2006.

Employment and Unemployment Survey

The DoS Employment and Unemployment Survey is an annual sample survey for establishments that includes all public-sector establishments as well as all private-sector establishments with more than 50 employees and a sample representing all other remaining establishments in the formal sector. This survey offers specific information, numerical and percentages, about employed Jordanians regarding: their age, gender, occupation, field of education and average wage. In addition, there is information available regarding the establishment's size, location and type of activities. At the time of writing, the latest edition of the Employment Survey contains figures from 2007.

1.1.2 Social Security Corporation

The Jordanian Social Security Corporation has an administrative database containing information about employed individuals contributing to the Social Security Corporation as well as individuals receiving pensions from this establishment. This database includes information about participants related to their wage, gender, age, and economic activity for the establishment. In 2007, the latest year for which official figures are available, 41.6% of the total labour force contributed to the Social Security Corporation.[182] At the time of writing, the latest edition of "Social Security in Numbers" contains figures from 2007.

1.1.3 Civil Service Bureau

The Civil Service Bureau is a governmental organization with its own administrative database containing information about public-sector employees. This database includes information about: age, gender, field of education, level of education, salary, marital status and location of employment. The Civil Service Bureau also gathers information about job-seekers applying to the public sector.

182 Social Security Corporation (2008) "Social Security in Numbers. Volume 7- 2008"

Information on these job-seekers covers the categories: age, gender, major, education, and location. This information is available on special request.

1.1.4 Ministry of Labour

The Jordanian Ministry of Labour (MoL) has its own administrative database with information about foreign workers holding work permits and the names of the establishments that they work for. This database contains details about wages, nationality, gender, age, occupation, field of education, level of education, and the economic activity of the establishment. This information is available on special request.

1.2 Migration Statistics

1.2.1 Department of Statistics

The Population and Housing Census, published every ten years, is the only DoS publication containing statistics on migration. It provides information on Jordanian emigrants with household members residing in Jordan. Information on these migrants is available according to the categories: gender, country of residence, reason for emigration, number of years living abroad and health insurance status. These figures do not include Jordanian emigrants who live abroad with their entire household.

The Population and Housing Census also contains figures on non-Jordanians living in Jordan. Information on these migrants is available according to the categories: age, gender, nationality, marital status, area of residence, reason for living in Jordan, educational level, occupation and occupational sector. At the time of writing, the latest Population and Housing Census report contains figures from 2004.

2.2.2 Ministry of Labour

The MoL has its own administrative database with information about foreign workers holding work permits and the names of the establishments that they work for. This database contains details about nationality, gender, age, occupation, field of education, level of education, and the economic activity of the establishment. This information is available on special request.

The MoL also has labour attachés stationed in the Jordanian embassies of the Gulf Cooperation Council countries and Egypt who collect statistics on Jordanian workers in each of those countries. These statistics include the following characteristics of Jordanian workers: number, gender, educational level, economic sector, wages and occupational category (managers, technicians, professionals etc.). This information is available by special request.

2.2.3 Central Bank of Jordan

The Central Bank of Jordan’s Monthly Statistical Bulletins provide quarterly figures on workers’ remittances transferred to Jordan.

Chapter IV –National Background Paper Labour Markets Performance and Migration Flows in LEBANON

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[183] I would like to thank Ms. Maroulla Haddad for her excellent research assistance on this paper. Iván Martin, Nader Kabbani and other workshop participants at Montecatini Terme provided very helpful comments and suggestions. The usual disclaimer applies; all opinions expressed in this paper are those of the author alone and do not necessarily reflect the opinions of any institution he is affiliated with.

Highlights

- *Problematic data*: Lebanon's last official census dates back to 1932 and its last labour market survey to 1970. Labour market indicators are obtained from two official household surveys conducted in the last 10 years, and a few private sector (university and private research centres) surveys.
- *Small country, with a small labour force*: Lebanon's population is reckoned to be about 3.76 million, with a labour force barely exceeding 1.1 million.
- *Low labour force participation of women*: only 20% of women of working age are in the labour force.
- *Educated labour force*: a high percentage of Lebanon's labour force (36%) has secondary and tertiary education.
- *The majority of employees work in the private sector, mostly in services*: of the total number of workers in Lebanon, 85.4% work for private sector companies and institutions; 64% work in the services sector.
- *Many jobs needed in the future*: estimates of 15,000 jobs per year needed until 2020 in order to provide employment opportunities for new labour marker entrants, under the prevailing labour participation assumptions.
- *Archaic labour regulations*: Lebanon's Labour Law is outdated and deficient; it excludes coverage of foreign workers; social insurance schemes are costly (23% of wages) and inefficiently managed.
- *Low labour costs*: Lebanon's Gross National Income (GNI) *per capita* is evaluated at almost 5000 Euros per year in current terms; almost 6 times lower than the average GNI in European countries. Average unit labour cost has been estimated at 484 Euros per month.
- *Significant domestic inequality*: the consumption expenditure of half of the Lebanese is approximately 20% the average consumption level; and significant regional inequalities persist.
- *Unemployment*: unemployment stands at 9%, with a higher incidence of unemployment among the young than among adults, and among those who have been through tertiary education. Joblessness is costing Lebanon 630 million USD per year in lost productivity.
- *Immigrants and refugees*: there are 120,000 registered foreign workers, mostly maids from Asia and Africa. There are also an estimated 500,000, mostly undeclared, Syrian workers, working primarily in construction and agriculture. There are too almost 450,000 Palestinians, with a 60% unemployment rate and a lack of full working rights.
- *'Laissez-faire' economy*: there are no labour market policies and there is an absence of public strategic human-resource planning. The only reform was a 70% increase in the minimum wage in 2007, the first raise since 1996.
- *Absence of national employment strategy*: the Lebanese Government does not have a national employment strategy to identify labour-market challenges and so addressing them in a consistent manner.
- *High emigration, mostly to the Arab Gulf*: the average annual emigration flows are estimated at 15,000 persons, with a stock of migrants abroad of nearly 560,000 in 2005, a quarter of the resident population. Most migrants are highly-skilled (more than 10 years of schooling), males (80%) and young (below 35).
- *High remittances received, yet loss of human capital*: more than 4.5 billion USD per year, almost 23% of GDP. Yet remittances mostly finance domestic consumption, and outward remittances are also very high (almost 4 billion USD). Almost 22% of university graduates migrate each year, and 50% of current university students wish to leave.

1. The labour supply in Lebanon: situation and prospects

1.1. Demographic dynamics and prospects

a. Working age population projections

According to the latest official households' survey conducted in 2004, the resident Lebanese population is estimated at 3.76 million. This excludes residents in the Palestinian camps, who are considered refugees. The Lebanese represent 93.4% and non-Lebanese 6.6% of the resident population. It is interesting to note that international sources such as the ILO estimate the Lebanese resident population to be 4.1 million. This discrepancy is the direct result of the lack of an official population census in the country, as the last census was conducted in 1932. Confessionalism, which still marks Lebanese politics, acts as the main inhibitor against conducting a census, given the sensitivity of revealing sectarian information in the context of the political divisions in the country.

The Lebanese population is characterized by a young age structure, with around 37% of the population younger than 20; this ratio is expected to decrease to 30% in 2020, according to ILO estimates. The Lebanese population's growth rate ranks at 119 worldwide (CIA World Fact book). Although this rate has been decreasing over the last 8 years from 1.38% to 1.15%, it is still considered high when compared to other developed countries and results in a continued increase in the younger population. The working age population (age 15 to 64) constituted 65% of the total population in 2004 (

Table 1-1).

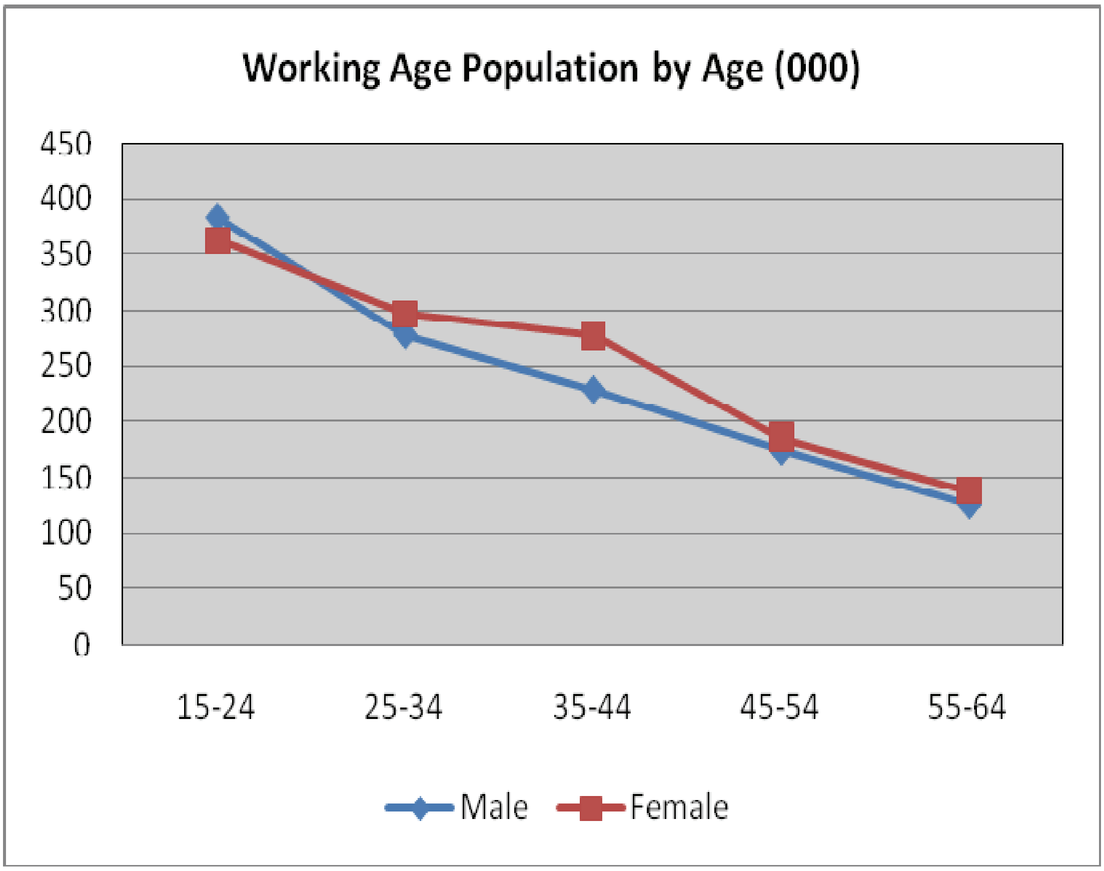
The share of females of working age is around 52% and is expected, according to ILO projections, to remain at that level until 2020. Population distribution reveals that there has been a considerable decrease in the number of men aged 25-44, relative to the number of women (Figure 1-1). The main reason for this decrease is the large flow of men emigrating since the Civil War.

Table 1-1: Working Age Population by Age and Sex

Working Age Population by age (000)	2004 (latest available year)		
	Male	Female	TOTAL
15-24	383	363	746
25-34	278	297	574
35-44	229	277	507
45-54	174	186	360
55-64	125	138	264
Total Working Age Population	**1,189**	**1,261**	**2,450**
Total Population	**1,887**	**1,868**	**3,755**

Source: The National Survey of Household Living Conditions 2004

Figure 1-1: Working Age Population by Age and Sex



Source: The National Survey of Household Living Conditions, 2004

b. Labour force projections and participation rate

Although the Lebanese population is relatively young, the participation in the economy of the younger part of the population is volatile due to the high level of migration, especially among the young, who have witnessed several crises that Lebanon has gone through in the past three decades. The Lebanese labour force according to the latest household survey stands at 1.062 million in 2004 (of which 76% are men and 24% women) while the ILO estimated it at 1.34 million in 2004 with the claim that it would reach 1.7 million by 2020 (Table 1-2). Notice that major discrepancies appear in data sources in Lebanon, especially between two nationally representative surveys, one conducted by the University Saint Joseph in 2001 and the other conducted by the Central Agency of Statistics in 2004. The two surveys show a decline in the overall population, working age population and the labour force between 2001 and 2004 by as much as 350,000 individuals! This tells us more about statistical surveying errors than it does about major changes in population dynamics during this short period.

Table 1-2: Demographic Dynamics and Prospects for Lebanon

		2000[a]	2004[b]	2010[c]	2015[d]	2020
Total Population	**Number, 000**	3,935	3,755	4,227	4,431	4,616
	Change t, t+5, 000		-180	472	204	185
Working Age Population (15-64, 000)	**Total**	2,830	2,450	2,791	3,004	3,147
Labour Force Participation Rate (%)	**Total**	50.4	43.3	43.4	53.5	54
	Male	75.7	68.0	66.9	80.2	79.6
	Female	24.3	20.1	21.1	28.3	29.7
Labour Force	**Number, 000**	1,416	1,062	1,493	1,607	1,700
	Change t, t+5, 000		-354	431	114	93
	Male (%)	75.7	76.1	73.0	72.9	72.0
	Female (%)	24.3	23.9	26.5	27.2	28.1

Sources: a USJ survey 2001, b National estimates from the Household survey 2004, c Data for 2007 according to Central Administration of Statistics Survey, d 2015 and 2020 ILO estimates.

A closer look at the labour force participation rate shows that only around 43% of the working-age population is actually working or looking for a job. A comparison with other countries reveals that this is a low labour force participation rate. The world average stands at 70% in 2007 with 69% for Europe according to the ILO. The share of the Lebanese working-age population that is economically inactive is high which indicates that a large source of productive potential remains untapped. Most inactivity is due to females being excluded from the labour markets, as the labour participation rate for females, while growing, will not exceed 30% by 2020.

1.2. Characteristics and composition of the labour force and employment

a. Composition of labour force

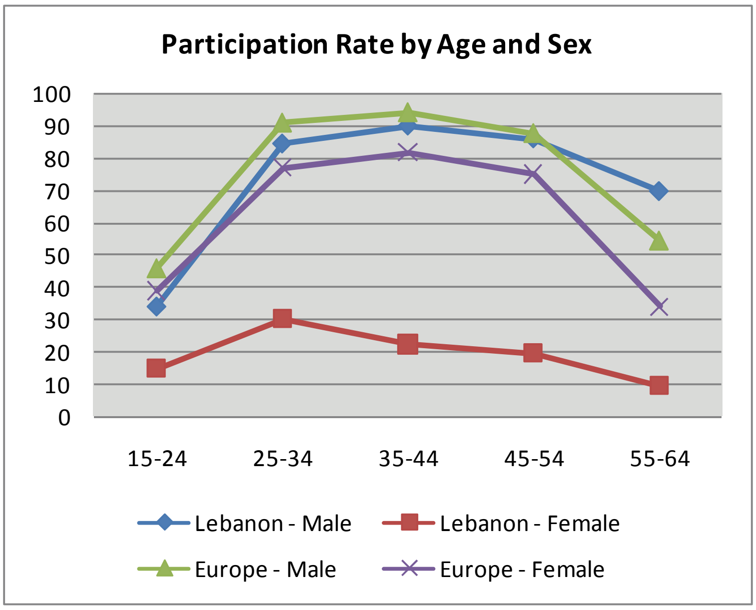
The labour force participation rate of youth (aged 15-24) is much lower at 34% (with an inactivity rate, therefore, of 66%) than the prime working-age population (aged 25-54) at 64% (26% inactivity). The ILO estimates that this difference is not expected to drop by much till 2020 reaching only 33% and 67% respectively (Table 1-3).

Table 1-3: Composition of Labour Force by Age and Sex

Labour Force by age		2004 (latest available year)		
		Male	**Female**	**TOTAL**
Total (000)		**808**	**254**	**1062**
Percentage distribution	15-24	16.18	21.02	17.34
	25-34	28.97	35.37	30.50
	35-44	25.48	24.35	25.21
	45-54	18.50	14.30	17.50
	55-64	10.82	5.16	9.47

Source: The National Survey of Household Living Conditions, 2004

Figure 1-2: Labour Force Participation Rate by Age and Sex – Comparison with the Europe



Sources: The National Survey of Household Living Conditions 2004 & Laborsta

The labour force participation rate for women is estimated at an average of 7% for young women (15-19) and 32% for prime aged women. Compared to the European Countries (as defined in the LABORSTA database), Lebanon has a lower participation rate for men aged 54 and younger and a higher participation rate for men aged 55 and above. However women participation rates are much lower than the European average in all age brackets (Figure 1-2).

b. Composition of Labour Force by Level of Education

The household survey shows that the percentage of women in the labour force holding a university degree is higher than the percentage of men participating in the labour force and holding a university degree (34% versus 16%). Indeed, those who only attained a primary degree make up the highest percentage of men workers (Table 1-4 & Figure 1-3).

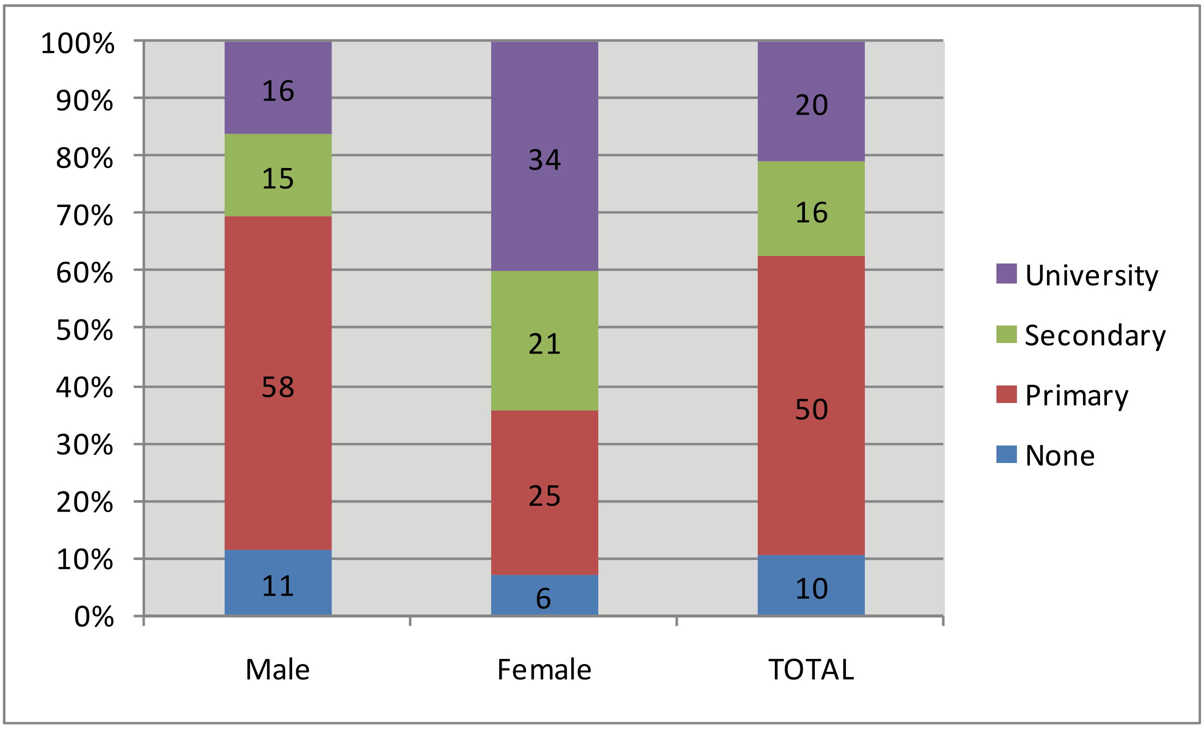
Table 1-4: Labour Force by Education Level and Sex

	2004 (latest available year)		
Labour Force[184] (by level of education, %)	**Men**	**Females**	**Total**
None	11.3	5.9	10
Primary	57.8	24.6	50.1
Secondary	14.6	20.6	16
Tertiary	15.9	34.1	20.1

Source: The National Survey of Household Living Conditions, 2004

[184] The Household Survey categorizes education as follows: illiterate, literate (read and write), pre-school, elementary, complementary, secondary and university. For the purpose of comparison, the "none" category shown in table 4 and figure 5 groups the illiterate, literate (read and write) and pre-school; the primary groups the elementary and complementary categories.

Figure 1-3: Labour Force by Level of Education and Sex



Source: The National Survey of Household Living Conditions 2004

c. Composition of employment

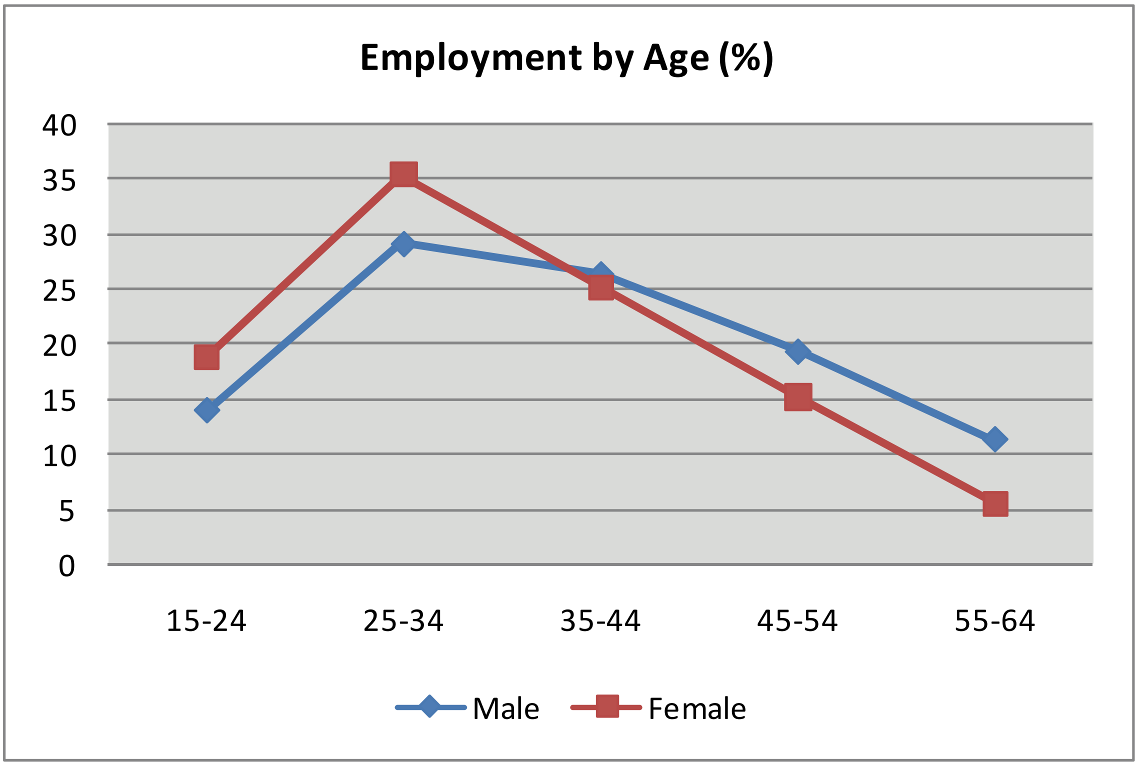
Employment in Lebanon constitutes 92.5% of the total labour force, the distribution of employment by gender is the same as that of the labour force (74% women, 26% men). Of the total employed population, the age group (25-34) is the most active as is the trend in other countries (Table 1-5 & Figure 1-4).

Table 1-5: Employment by Age and Sex

	2004 (latest available year)		
Employment by age (%)	**Male**	**Female**	**TOTAL**
Total (000)	751,212	230,990	982,338
15-24	14	19	15
25-34	29	35	31
35-44	26	25	26
45-54	19	15	18
55-64	11	6	10

Source: The National Survey of Household Living Conditions, 2004

Figure 1-4: Employment by Age and Sex



Source: The National Survey of Household Living Conditions 2004

Most employed Lebanese have only had primary education (48%), followed by those with tertiary education (Table 1-6). Employed females seem to have a higher educational level than males, with 45% of females having a university degree compared to only 18% of males. This reflects the interplay of two factors: first, the increased educational enrolment for women over the past decades, and, second, the prevalence of high emigration among educated males, who are employed outside Lebanon.

Table 1-6: Employment by level of education

Employment Distribution (%)	2007		
	Male	Female	Total
None	9.7	5.4	8.7
Primary	54.6	26.4	48.3
Secondary	17.4	22.8	18.6
University	18.3	45.3	24.4

Source: Central Administration of Statistics Survey, 2007

Of the total number of workers in Lebanon, 64% work in the services sector (23.3% in commerce and 40.7% in other services), while 15% work in industries, 12% work in construction and 9% in agriculture. Furthermore, 85.4% of all workers work for private-sector companies and institutions, while 13% are employed by public-sector institutions and 1.2% by institutions and organizations from other sectors (i.e. international organizations, civil or non-governmental organizations, (Table 1-8).

Table 1-7: Employment by Activity

Employment* (by activity, %)	**2004 (latest available year)**		
	Male	**Female**	**TOTAL**
Agriculture	10.2	5.7	9.3
Industry	15.5	13.3	15.1
Construction	14.2	0.9	11.6
Commerce	24.4	18.3	23.3
Services (other than commerce)	35.7	61.8	40.7

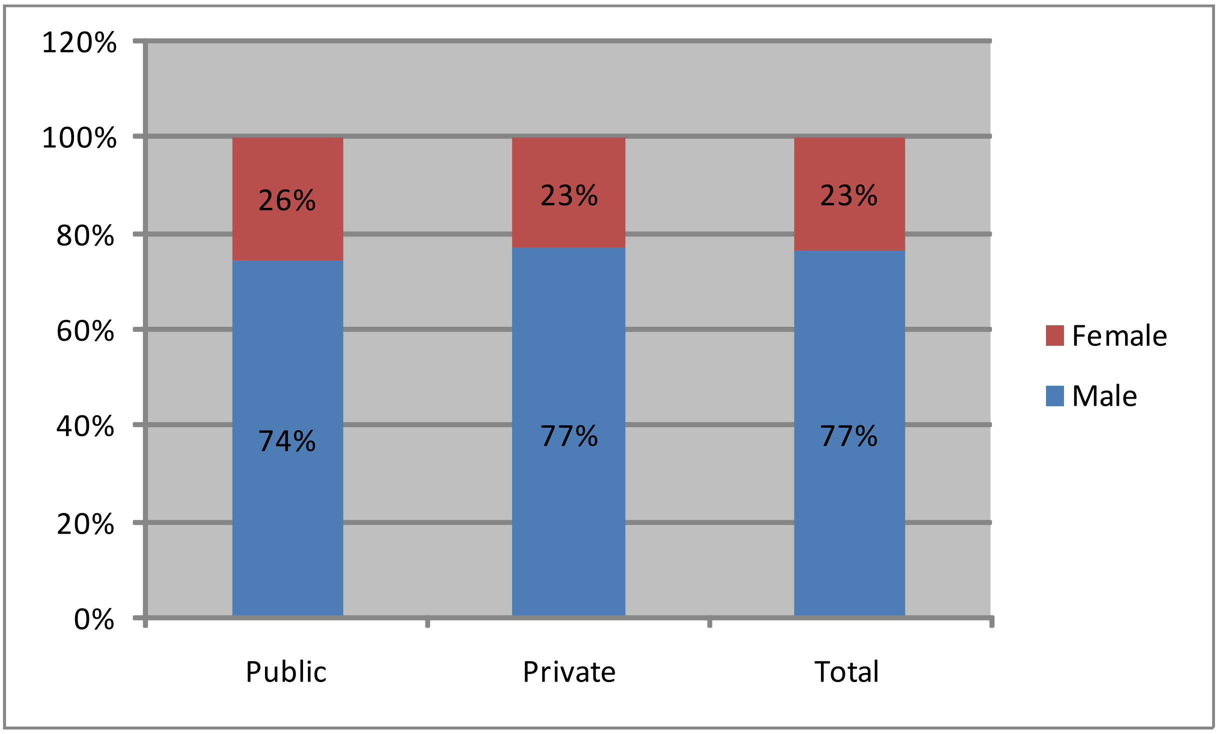
Source: The National Survey of Household Living Conditions, 2004

Table 1-8: Employment by Sector

Employment* (by activity, %)	**2004 (latest available year)**		
Employment (by sector, 000)	Male	Female	Total
State	14.3	13	13.3
Private sector	84	85.9	85.4

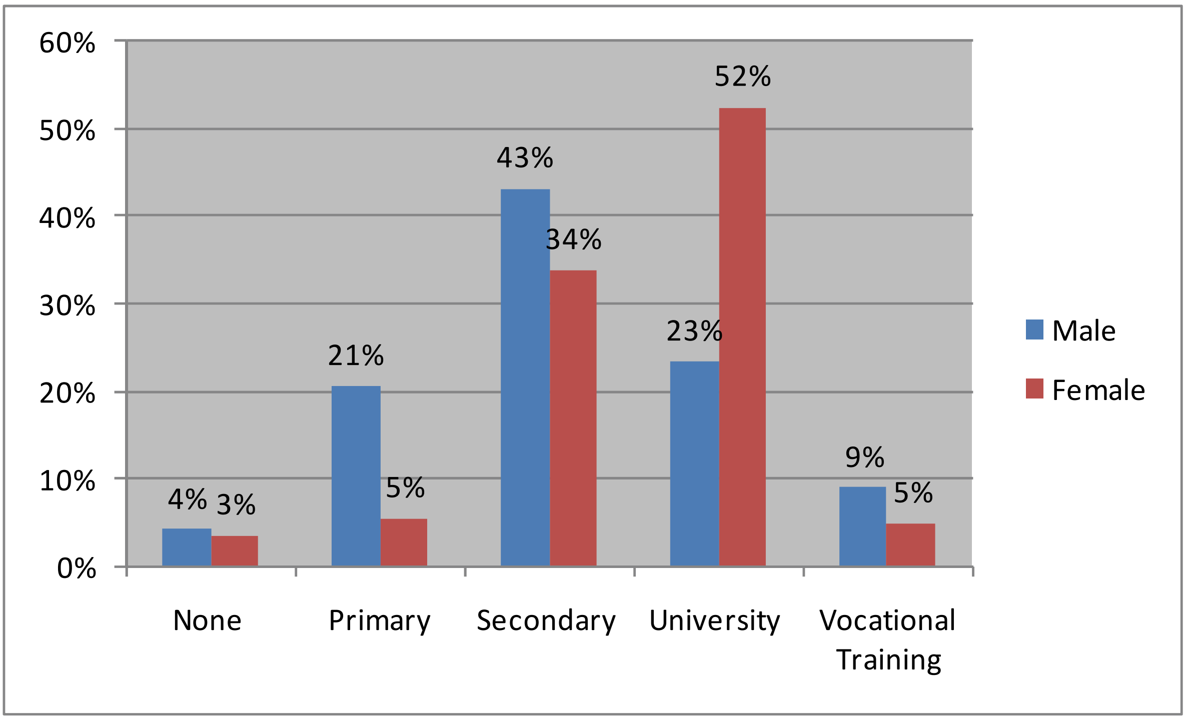
Source: The National Survey of Household Living Conditions, 2004

Figure 1-5: Distribution of Labour Force by Type of Activity and Sex



Source: The National Survey of Household Living Conditions, 2004

Figure 1-6: Distribution of Public Employees by Level of Education and Sex



Source: The National Survey of Household Living Conditions, 2004

Note that gender imbalances in employment in Lebanon are seen across the private and public sectors (Fig. 1-5), with a slightly greater share of females in public sector jobs.

Most public-sector employees have secondary and university education (Fig. 1-6). It is noteworthy that women in the public-sector have much higher educational attainment levels than men.

The majority of the working force in Lebanon are salaried employees, and almost 27% are workers on their own account (Table 1-9).

Table 1-9: Employment by Status

Employment (by status, %)	Male	Female	Total
Own-account workers	9.6	32.6	27.1
Employers	1	6	4.8
Contributing family workers	4	3	3.3
Employees	84.2	57.3	63.8

Source: The National Survey of Household Living Conditions, 2004

1.3. Estimation of national job creation needs to absorb projected labour force growth
Assuming that current rates of unemployed workers remain constant, Lebanon would need to create more jobs in the immediate future to absorb new entrants into the labour force. Table 1-9 shows estimates for two scenarios: the first is for prevailing activity rates, taking into account projections in labour force growth according to ILO estimates. The second is for a scenario assuming a 5% increase in women's activity rates.

Estimates suggest that the Lebanese economy needs to create an average of 15,000 jobs per year in order to provide employment opportunities for new labour market entrants, at least according to prevailing labour participation assumptions. If women's participation rate in the labour force were to increase by 5%, then 7,400 new jobs would be needed each year on average for females, with total job creation needs per year increasing to 16,700.

Table 1-10: Estimation of national job creation needs

Lebanon, 000		Total Labour Force (2007)	Current Employment (2007)	Needed jobs 2007-2015	Needed jobs 2007-2020	Jobs to be created each year
Current activity rate: 43.4%		1,493	1,340	1,451	1,535	15
	Male	1,090	979	1,052	1,099	9.2
	Female	396	361	399	436	5.8
+5% Activity Rate of Women; Activity Rate in 2015: 54.2%		1493	1340	1,471	1,557	16.7
	Male	1090	979	1052	1099	9.3
	Female	396	361	419	457	7.4

Source: Author's estimates based on data from CAS and LABORSTA

Note that these estimates are based on ILO projections for the Lebanese labour force, and these projections already rely on somewhat shaky national data estimates. These estimates should rather be considered the lower limit of job creation needs.

2. The labour market performance in Lebanon

2.1. Regulation of the labour market

The Labour Code

Lebanon's Labour Law is outdated (the first draft was enacted in 1946 and the latest amendment was passed in 2000) and relatively short (114 articles). The Lebanese government, Lebanese labour unions and international organization all see the need for a new code, one that might adapt to the changing dynamics of the Lebanese market. The government is presently working with the ILO to prepare a new Labour code, under the ILO Post Conflict Decent Work Country Program. However, the passage of a new code through the Lebanese Parliament is not likely to happen in the near future. The present labour code was originally drafted under the French mandate and carries traces of the French labour code of that time.

The labour code is deficient in many respects, for instance many categories of workers are not included, categories that could greatly benefit from the rights and obligations imposed on them as well as on employers. This exclusion discourages the Lebanese from working in low paid jobs that are currently filled by foreign workers. These categories include: domestic servants employed in private homes; seasonal agricultural workers; public service wage-earners who are not governed by Civil Service regulations; family businesses employing only members of the family; and casual workers or journeymen in government service.

Given this situation, employment contracts and working conditions are regulated by the labour code and related decrees. The law provides for mandatory employment contracts that can be verbal or written and of fixed or open-ended duration. Termination of a contract can be initiated by any of the parties at any time. A prior notice of 1 to 4 months should be given to either party depending on the length of service. The law protects the employee from an abusive termination of contract. Disputes between employers and employees are to be resolved before the Labour Arbitration Council established by the Labour Code. In practice, unless the worker is clearly at fault, terminations are routinely considered abusive even for economic, technical and managerial reasons, including cases were companies were adversely affected by hostilities (such as the case of one of the biggest Lebanese dairy production companies which was destroyed in the Israeli attacks in 2006). Abusive terminations call for the payment by the employer of benefits ranging from between 3 and 16 months of the last salary of the employee (including the required notice of termination).

International conventions

Lebanon has ratified 50 ILO conventions, the last of which in 2006. Out of the 8 Fundamental Human Rights conventions, Lebanon has adhered to seven concerning equality, the elimination of child labour, the elimination of forced labour and the right to organize and collective bargaining. However, it still has to ratify the last one on Freedom of Association and Protection of the Right to Organise.

Social protection and pension

The Government established a National Social Security Fund (NSSF) in 1963 by decree covering national insurance for sickness, maternity and work-related accidents, family, education and transportation allowance and an end of service pension. All employees are entitled to register with the NSSF. However, contributions from a company increase with salary level and number of employees. Therefore, some firms refrain from registering their employees in the NSSF or declare lower salaries in order to decrease their contributions to the NSSF for the end of service pay. Another major problem with the national social security fund is that it is attached to the husband's rather than to the wife's salaries.

Lebanon offers pension plans to its civil service and military personnel. But it does so only while the urban private sector and contractual workers in the public sector are under an End-of-Service Indemnity (EOSI) program, which provides lump sum payments upon retirement. Pension plans are defined benefit financed on a pay-as-you-go basis and administered by the Ministry of Finance. The EOSI plan combines a defined contribution and a defined benefit component and is financed through a quasi capitalization scheme and administered by the NSSF. Voluntary pension schemes are relatively underdeveloped, and are provided by insurance companies. The Ministry of Social Affairs provides a small social pension to a limited number of elderly women/widows.

Lebanon's pension system suffers from low coverage and high fiscal costs. The schemes for the civil service and military cover just 6% of the labour force, and cost 2.7% of GDP per year (of which 2.2% are military pensions). The current implicit pension debt represents between 50 and 60% of GDP. On the other hand, the EOSI plan covers 30% of the labour force and comes out at 0.8% of GDP. It is still running a surplus and has reserves of about 12.6% of GDP. Unfunded liabilities, however, could range between 7 and 15% of GDP. The social pension is paid to around 1,000 women/widows at LBP25,000 (US$16) per month.

The NSSF uses the annual surpluses of the EOSI plan, in part, to finance deficits in health and family allowance plans. The NSSF does not fully credit the interest earned on the reserves of the EOSI program to the individual accounts of plan members. In addition, the NSSF determines last employer liabilities in a discretionary manner so creating uncertainty about labour costs. These liabilities can be considered an implicit tax on labour. There are no built-in incentives within the system to ensure that funds are managed in the best interest of plan members.

The implicit taxes collected by the NSSF, the high costs involved with bureaucratic procedures in dealing with the NSSF and poor services provided to plan members discourage participation in formal labour market In addition, the EOSI distorts the relative labour cost of local *versus* foreign labour since employers cannot enrol foreign workers in the NSSF: they are not eligible. Furthermore, labour mobility between civil service and private sectors, and also within the private sector is discouraged by inadequate portability of benefits.

Regulation of working conditions and of redundancy

Employees working full time for a company are entitled to 15 days of paid vacation, and to paid sick leave, provided 3 months after the end of contract date. The maximum working week is 48 hours and, in case of overtime, a rate of 150% should be applied. The law demands special occupational health and safety obligations from employers. However the 2008 Human Rights report on Lebanon claims that there are cases where employees could not avoid hazardous conditions without jeopardizing their employment.

Redundancy occurs when the employer's company ceases to exists, when it ceases to carry out the activity for which the person concerned was appointed, or when the activity carried out by the employee is expected to cease or diminish. The concept of redundancy exists in a very primitive form in the labour code; the law provides that the employer may terminate some or all employment agreements in the firm in case of *force majeure* or economic or technical circumstances necessitating such termination. In such a case the employer has to inform the Ministry of Labour and Social affairs of the *force majeure* and shall consult the Ministry on a plan for such terminations and the means for the re-employment of those laid off. The only right that the employees have in such circumstances is the priority to return to work if the firm resumes activities.

Although the law protects the employee, in practice it makes the employer the actual provider of insurance to formal sector workers. The definition of abusive termination is vague and is translated into high contract termination costs – thus discouraging hiring. The Labour Law does not make provision for temporary layoffs that can serve as a relief valve for employers during short-term adversities.

Intermediary institutions and main agents involved in collective bargaining
The labour code stipulates that all employees, except public-sector employees, have the right to join and establish unions as well as the right to organize and to bargain collectively. There exists in Lebanon many sector specific unions and syndicates all represented by the General Confederation of Lebanese Workers, which is the only union recognized by the government as the official interlocutor and representative of the labour force. The General Confederation coordinates and organizes most national negotiations and strike actions regarding cost-of-living increases and social benefits. Relations between the General Confederation and the government is consumed in party political struggles rendering the Confederation's ability to influence policy-making weak and dependent on the political power of the day.

Wage formation and labour costs
An employee has the right to a minimum wage set by the government according to the cost of living index, a wage which must be sufficient to meet the essential needs of the worker and his family. The minimum wage was frozen at $200US per month (300,000 LBP) for 12 years from 1996 to 2008, totally disregarding cost-of-living inflation. The legislation does not provide for a periodic review of the minimum wage, instead minimum wages are reviewed at the discretion of the government or the collective bargaining powers. The government recently approved an increase in the minimum wage to $333US (500,000 LBP) without undertaking a proper assessment cost-of-living increases. The fact that minimum wages are not applied to foreign workers and exclude certain categories, as explained above, causes high unemployment among unskilled workers. And, while the minimum wage does not satisfy the needs of Lebanese households, wages lower than the minimum wage are accepted by incoming migrant workers.

The high level of termination benefits in cases of abusive dismissal can add to labour costs, up to 8.5% on salaries. Thus individual companies, especially larger ones, act as *de facto* unemployment insurance providers (World Bank Lebanese Economic and Social Impact Assessment, 2006). Nominal payroll contributions/taxes under social insurance add up to 23.5%, as detailed in

Table 2-1. They could alternatively be used for worker protection and employment creation among Lebanese nationals. In practice, the effective rate of deductions as a percentage of total labour costs is much lower. In addition: (a) employers and workers evade them, through mutual agreement and under-reporting of wages; (b) employers alone may impose tax avoidance on workers as a pre-condition for employment; or (c) employers may also diversify their workforce through the use of contract/informal labour with a resulting decline in their overall obligation to payroll contributions.

Table 2-1 : NSSF payroll contributions

	Employer	Employee	Total
Health insurance	7% (max. LL105,000 a month)	2% (max. LL30,000/ month)	9%
Family allowance	6% (max. LL90,000 a month)		6%
End of service benefits	8.5% (no maximum)		8.5%
Total	**21.5%**	**2%**	**23.5%**

Source: World Bank Lebanese Economic and Social Impact Assessment, 2006

Note: 1 Euro= ca 2000 LL

Overall assessment of labour market flexibility
The Lebanese labour market is characterized by *de facto* flexibility, but for the wrong reasons. Table 2.2 shows data from the *Doing Business* World Bank surveys, for the labour flexibility module. Lebanon's labour markets seem to be characterized by rigidity of hiring, yet with flexibility in firing and overall employment when compared to regional norms. As mentioned earlier, regulations are evaded by most of the labour market. In addition, wages are low in unskilled occupations such as agriculture, construction and certain services (such as garbage collection and domestic service) due to open immigration policies coupled with the non-payment of payroll contributions by foreign workers.

Table 2-2: Indicators of labour market flexibility, Doing Business Report 2009

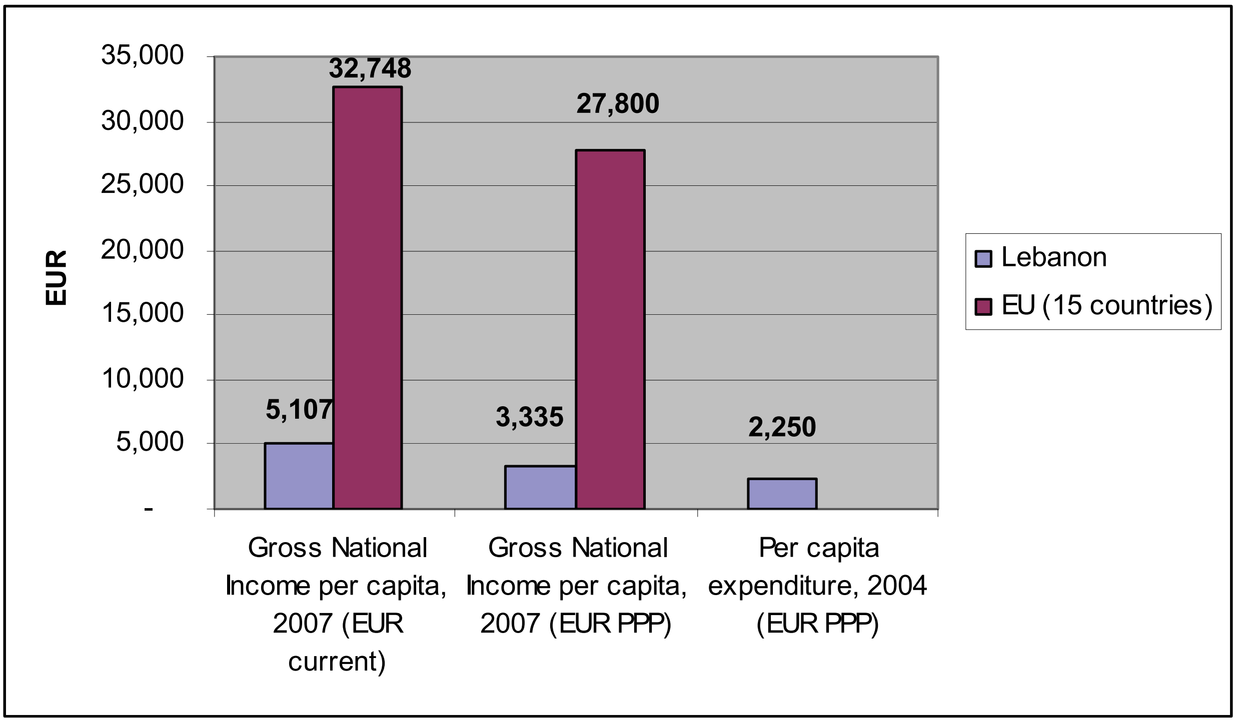
Indicator	Lebanon	MENA Region	OECD
Difficulty of Hiring Index	44	22.5	25.7
Rigidity of Hours Index	NA	41.1	42.2
Difficulty of Firing Index	30	31.6	26.3
Rigidity of Employment Index	25	31.7	31.4
Firing costs (weeks of salary)	17	53.6	25.8

Source: The World Bank Doing Business database, 2009

2.2. Wage and national income analysis

Lebanon's Gross National Income (GNI) *per capita* is estimated at almost 5000 Euros per year in current terms; almost 6 times lower than the average GNI in European countries. When measured in Purchasing Power Parity (PPP) terms, Lebanon's GNI stands at 3335 euros/year/person, and it is much lower (at 2250 Euros/year/person) when measured by taking expenditure *per capita* as a proxy for income. The wide difference between Lebanese and European incomes might be a pull factor for Lebanese emigration to Europe, yet when compared to average incomes in the Arab Gulf region (almost 37,000 Euros PPP/year/person in 2007); Europe becomes less attractive as a destination.

Figure 2-1: Comparison of Lebanon's income with EU-15



Source: Lebanon National Income Statistics, 2007 and Eurostat

According to a recent national poverty study (El Laithy et al., 2008), in 2004-2005 average *per capita* annual nominal consumption reached 3,975,000 LBP (approximately $2,650). When taking regional price differentials into consideration, annual *per capita* real consumption is reduced slightly (by 1%) to 3,935,000 LBP (Table 2.3).

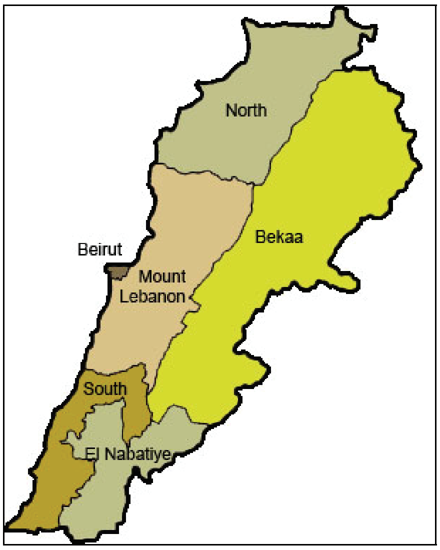
Regional welfare differences appear to be predominant in Lebanon. *Per capita* consumption is highest in Beirut (more than one and a half times the national average) and lowest in the North (three quarters of national average). The North, South and Bekaa governorates have *per capita* real consumption below the national average. The median *per capita* consumption is always smaller than the mean indicating that most Lebanese consume less than the national average: the consumption expenditure of half of the Lebanese is approximately 20% the average consumption level.

Table 2-3: Mean and Median Nominal and Real Per Capita Consumption by Governorate (2004-2005) in Thousand LBP

Governorate	Nominal *Per Capita* Consumption		Consumption Adjusted for Regional Price Differences	
	Mean	Median	Mean	Median
Beirut	6514	5240	6141	4939
Mount Lebanon	4512	3661	4321	3506
Nabatieh	3924	3349	4075	3478
Bekaa	3385	2747	3558	2888
South	3007	2276	3151	2385
North	2532	1933	2671	2039
All Lebanon	3975	3101	3935	3073

Source: El Laithy et al. (2008)

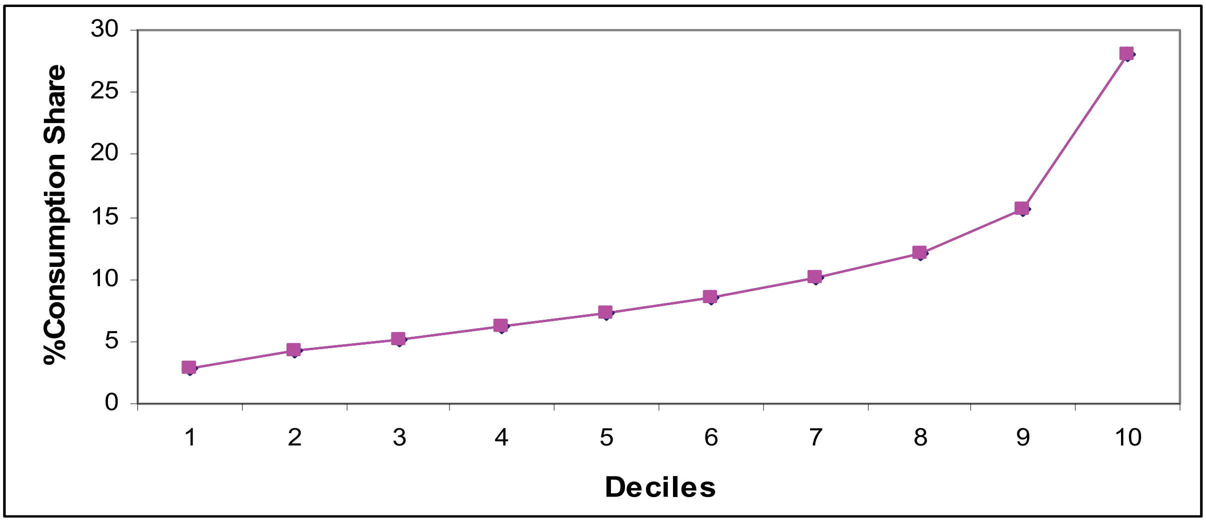
Figure 2-2: Lebanon's Map (the 6 Muhafaza)



Expenditure distribution among the Lebanese population was also found in El Laithy et al. (2008) to be relatively unequal. The bottom 20% of the population consumed only 7% of all consumption in Lebanon, and the richest 20% consumed 43% (Figure 2-3). However, inequality is comparable to other middle-income countries. Gini coefficient, a measure of inequality, is estimated at 0.37 for nominal consumption and 0.36 for real consumption. These levels of inequality are comparable to the average for MENA countries (average Gini value of 0.37) and much lower than that of Latin American countries (0.55). Relatively equitable distribution up to the 5th decile (Figure 2.2) also implies a high concentration of population around any consumption threshold – a factor which explains why in Lebanon 20% of the population are bunched between the lower (extreme) and upper (normal) poverty lines.

Within-governorate inequality accounts for most of the inequality in Lebanon. About 92% of aggregate inequality in consumption in Lebanon can be attributed to within-governorate inequality, while only 8% is due to inter-governorate inequality. Although the North has the lowest *per capita* expenditure, it exhibits the largest inequality compared when to other governorates: the Gini coefficient amounted to 0.37. On the other hand, Nabatieh's *per capita* consumption is ranked third in descending order, yet it has the lowest inequality: Gini Coefficient 0.29.

Figure 2-3: Consumption Shares by Deciles



Source: El Laithy et al. (2008)

Reliable data on national wages is scarce in Lebanon. The only recent official wage surveys were undertaken during the establishment of the 1997 national accounts, where detailed wages, salaries and other labour charges paid by firms were collected. These estimated the share of GDP from wages and salaries at an average of 35.5%, 83.2% of which from the public sector and 29.1% from the private sector. Data on national accounts published by the Central Agency of Statistics does not include any recent estimate of this share, and there is no data on the evolution and trend of wages.

However, a recent World Bank firms' survey conducted in 2005, as part of the Investment Climate Assessment for Lebanon, contained questions to companies related to the cost of labour, and contained measures such as the total yearly cost of labour including wages, salaries, and bonuses. The survey was representative of Lebanon's major private sectors, and included 456 companies. Table 2-4 below details the average monthly labour costs, computed by dividing a firm's total labour cost by the number of workers.

Table 2-4: Average monthly labour costs in main sectors, 2005

	USD	EUR
Food and Beverages	492	364
Textile and Clothing	428	317
Furniture	565	418
Trade	556	412
Services	802	594
Construction	884	655
Overall	*654*	*484*

Source: World Bank Investment Climate Assessment Survey 2005

The data shows that average unit labour cost in Lebanon reached 654 USD in 2005, or 484 Euros. The highest labour costs were found in construction, followed by the service sectors. The textile and food and beverages sectors had the lowest labour costs, at almost 350 Euros/month. These numbers reveal two important points. First, labour costs in Lebanon are very low, especially when compared to those prevailing in the EU-15 bloc: where average labour costs were at almost 3500 Euros/month in 2005, according to Eurostat figures. This reveals a reasonably competitive domestic labour market, especially for potential foreign investments. Second, prevailing labour costs in Lebanon are almost two times higher than the recent minimum wage level, set at 330 USD/month. This indicates how public intervention tools are disconnected from current market dynamics.

As for the structure of wages, data is also very scarce, with a complete absence of public statistics. One source of information is a private research centre, InfoPro, which gathers data on occupations in selected sectors. Table 2-5 shows the main wage structure for selected professions, according to years of experience.

Table 2-5: Wage structure for selected professions, 2007

Years of experience	**Secretary**	**Accountant**	**Foreman**	**Electrical Engineer**	**Architect**
Fresh Graduate	$300-$400	$400-$600	$500 - $700	$600-$800	$600 - $900
1 year	$350-$450	$450-$600	$600 - $800	$600-$900	$650-$900
2 years	$400-$500	$500-$650	$700 - $900	$800 - $1200	$900 - $1200
3 years	$500-$600	$600-$800	$800 - $1000	$1050 - $1400	$900 - $1200
5 years	$550-$650	$700-$950	$900 - $1300	$1200 - $1650	$1200 - $1600
7 years	$600-$750	$800-$1000	$900 - $1450	$1500 - $2000	$1350 - $1900
10 years	$700-$850	$950-$1250	$1000 - $1700	$1900 - $2700	$1700 - $2650
15 years	$800-$1000	$1200-$1600	$1200 - $1900	$2200 - $3000	$2300 - $3500
20 years	$1000-$1250	$1450-$1800	$1400 - $2250	$2800 - $4000	$2500 - $4500

Source: Infopro research, ***www.opportunities.com.lb***

The data above reveals some interesting patterns in the Lebanese labour market. The skill/education premium, computed as the difference in wage between say a foreman and an architect, and an accountant and an electrical engineer, is much smaller for fresh graduates than for persons with years of experience. An electrical engineering graduate just out of university seems, for instance, to earn almost 30% more than an accountant, while after 5 years of experience the gap would double. This indicates that new skilled graduates are facing stiff competition in the national market, which lowers their comparative wage premium. This acts as a push factor for persons considering emigration.

Moreover, wage increases are rather compressed when workers accumulate years of experience. An architect would double his/her wage in 5 to 7 years, which is quite a long time given the much better remunerations available to experienced architects in, for instance, the Gulf countries.

3. Main labour market performance issues and challenges

3.1. Unemployment situation and trends

As is the case with overall labour statistics in Lebanon, the measurement of unemployment rates is still precarious. The latest official statistic put it at 9.2%, using the conventional ILO definition (Table 3-1). A closer look at unemployment trends in the country reveals fluctuations by as much as 3% during the past decade, reflecting slow economic growth and also the impact of the July War in 2006. Yet it should be emphasized that reliable unemployment estimates are still unavailable; there being no official Labour Force survey.

Table 3-1: Unemployment Rate Trends

Unemployment Rate	1997(a)	2002(b)	2004 (c)	2007(d)
Total	8.5	11.5	7.5	9.2

(a) Source: Central Administration for Statistics, ages 15+
(b) Source: USJ, L'Entrée des Jeunes Libanais dans la vie active et l'Emigration, June 2002 (ages 15-54)
(c) Source: Central Administration for Statistics, Living Conditions of Households Survey, 2004, ages 15+
(d) Source: Central Administration for Statistics; ages 15-54

Given this, official and private statistics also differ on recent trends in the unemployment rate for males and females (Table 3-2).

While both sources indicate a rise in unemployment rates for males, the private survey conducted by USJ in 2001 shows a steep rise in unemployment among females, due to increased female labour force participation. Yet official surveys show a decline in female unemployment, with a very small increase recently. This may seem at odds with labour market dynamics in the country, where a rising number of educated females is entering the labour force each year.

Table 3-2: Unemployment Rate Trends by Sex

Unemployment Rate	1997(a)	2002(b)	2004 (c)	2007(d)
Male	8.9	9.3	9.6	10.2
Female	7.1	18.2	8	8.8

(a) Source: Central Administration for Statistics, ages 15+
(b) Source: USJ, L'Entrée des Jeunes Libanais dans la vie active et l'Emigration, June 2002 (ages 15-54)
(c) Source: Central Administration for Statistics, Living Conditions of Households Survey, 2004, ages 15+
(d) Source: Central Administration for Statistics; ages 15-54

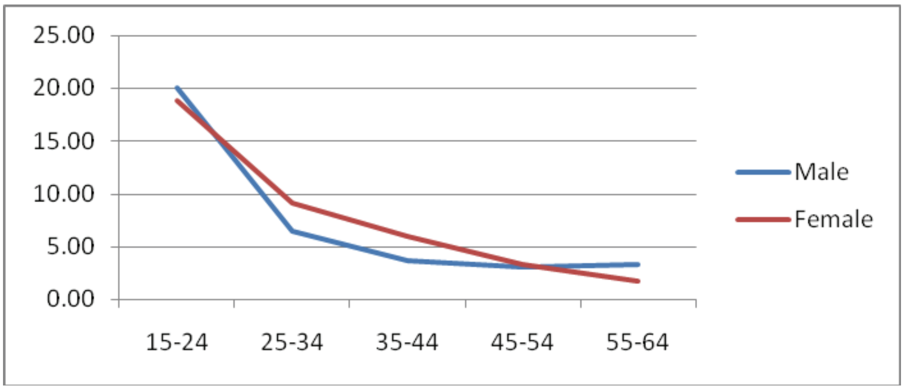
Data is also not consistent when one seeks to compare unemployment trends by age groups, as surveys classified age groups in different ways (Table 3-3). Yet a trend that comes out of the age-specific unemployment rates is that the young (15-24) experience more unemployment than adults (Figure 3-1).

Table 3-3: Unemployment Rate Trends by Age and Sex

	1997(a)				2002				2004		
Unemployment (by age, %)	**Male**	**Female**	**Total**	**Unemployment (by age, %)**	**Male**	**Female**	**Total**	**Unemployment (by age, %)**	**Male**	**Female**	**Total**
<20	30	22.4	29.1	**15-24**	19.3	30.4	22.6	**15-24**	20.00	18.86	19.67
20 - 24	20	11.4	17.7	**25-34**	8.9	18.7	11.9	**25-34**	6.43	9.21	7.20
25 – 29	9.7	7.4	9.1	**35-49**	5.4	9.7	6.3	**35-44**	3.71	6.00	4.20
30 - 54	4.2	5.2	4.4	**50-64**	6	5.7	5.9	**45-54**	3.11	3.34	3.14
55 +	2.2	1	2.1					**55-64**	3.32	1.78	3.12

a) calculation includes first-time job seekers

Figure 3-1: Unemployment Rate Trends by Age and Sex



The decline in unemployment rates in higher age groups reflects two factors: first, the problems facing young persons when they enter the labour market, in terms of the mismatch in education and skills and the time necessary to find a job. Second, migration for Lebanese aged above 25 contributes to lowering the unemployment rate, as it tends to 'evacuate' persons who cannot find a job on the local market towards opportunities abroad.

Unemployment figures also show a higher incidence of jobless individuals among those with higher levels of education (Table 3-4). The data shows that in the past decade unemployment has been rising among individuals with secondary and university education, reaching almost double the unemployment rate levels for persons with no education at all.

Table 3-4: Unemployment Rate Trends by Educational Achievement

Unemployment (by level of education, %)	1997			2002			2004			2007		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
None	6.7	2.5	5.8	..	..	9.8	11.0	4.8	5.4	5.8	5.3	5.2
Primary	10.6	7.5	10.2	..	..	12.0	13.9	7.7	8.5	15.2	8.1	9.1
Secondary	8.4	8.1	8.3	..	..	11.9	9.2	8.6	8.7	9.6	9.8	9.7
University	5.5	7.5	6.2	..	..	10.8	10.3	6.9	8.2	11.4	10.9	11.1

Many reasons could explain high unemployment rates among young Lebanese. On the demand side, a scarcity of entry-level opportunities for young people in the productive sectors stems from factors including economic instability and the deterioration of macro-economic conditions (inflation, budget deficit and public debt); and the recruitment practices of employers, who frequently resort to personal contacts, thereby reinforcing the perception of a lack of opportunity. On the supply side, the most important factors are the gap between the skills of the new entrants to the labour force (professional training and a high level of education) and the labour market needs, as well as the reluctance of young Lebanese to accept low-skilled jobs due to poor wages and working conditions. The lack of an effective guidance and orientation system and few internship opportunities offered by employers for gaining work experience also play a role. This situation has led to a mismatch between the demand for and the supply of labour.

Unemployment among the Lebanese is also found to be long term: nearly half of unemployed individuals have been looking for a job for more than a year. Most of the unemployed are those who recently lost their jobs, predominantly for personal reasons, the closure of firms or insufficient salaries. It seems, therefore, that unemployment in Lebanon is not only related to economics, and that high reservation wages might be a factor in a mismatch between workers' wage expectations and market rates.

High reservation wages in Lebanon are mostly due to the high cost of human capital investments, mainly in education. As most quality educational training in the country is private, both at the school and university levels, students and their parents spend a high proportion of their budget on education. This, in turn, fuels a demand for wages that would compensate the high costs of investment in degrees and diplomas.

Table 3-5: Reasons for unemployment

Status of unemployed	%
Looking for 1st job	45.3
Lost job	54.7
Reasons for losing previous job	
Personal reasons	37
Closing of enterprise	18.6
Insufficient salary	15.4
End of contract or of work	10.7
Collective firing	8.9
Military service	6.6
Other	2.1

Source: USJ, L'Entrée des Jeunes Libanais dans la vie active et l'Emigration, June 2002

Based on the assumption that the young earn on average 80% of national wages, and in addition, that females earn on average 25% less than males, it is possible to calculate the exact financial impact on a national economy of excluding the young from the job market (Chaaban 2008, 8). If it is assumed that youth unemployment is equivalent to adult unemployment (as zero unemployment among youths is arguably unrealistic), youth unemployment is costing Lebanon 1.07% of its GDP each year (ibid.). The cost of male youth unemployment is more than three times higher than that of female youth unemployment (ibid.). This is partially a result of fewer females participating in the active workforce. If this gauge of inactivity is expanded to examining the cost of youth joblessness, the figure is significantly inflated. The joblessness rate includes the official unemployment rate as well as the inactivity rate of youths who are not engaged in education. Such a measure is perhaps more illustrative of the real costs involved in the inability of the young to successfully enter the job market. In the case of Lebanon, based on the same assumptions as above, joblessness among the young is costing the country 2.74% of its GDP. That is equivalent to almost 630 million USD per year. Indeed a significant detail that becomes evident when the joblessness rate is considered is the real impact of inactivity on the country's young females. If the joblessness rate is measured, the lack of employment among young females costs the Lebanese economy 2.03% of its GDP (Chaaban 2008, 8).

3.2. The Informal economy

The World Bank estimates Lebanon's informal economy at around 36% of GDP. The informal, largely invisible, sector is difficult to measure given its heterogeneity (from subsistence farming to high-level self-employed professionals). Yet the few estimates available reveal that self-employment in non-agricultural sectors accounts for a surprisingly large share of the Lebanese labour force (34%), higher than Egypt, Syria, Algeria, Tunisia, Djibouti and Morocco (Table 3-6).

Table 3-6: Self-employment Rate (% of non-agricultural employment)

	Period	**Women**	**Male**	**Total**	**Source**
Lebanon	**1990-2000**	**16**	**39**	**34**	ILO 2002
Palestine	2001	17	34	**n.a.**	ILO 2003
Egypt	2000	17	31	**29**	ILO 2003
Syria	1990-2000	15	31	**29**	ILO 2002
Algeria	1990-2000	35	27	**28**	ILO 2003
Tunisia	1990-2000	61	20	**30**	ILO 2002
Djibouti	1991	16	19	**18**	ILO 2003
Morocco	1990-2000	25	18	**20**	LABORSTA

3.3. Inward migration in national labour market: role and impact

In 2007, the Ministry of Labour renewed 79,000 work permits and issued 42,000 new ones: all in all declared foreign labour amounts to 121,375 workers (). The highest percentage of declared foreign labour is maids: 72% of total permits issued in 2007. Immigrants mostly come from Ethiopia, Sri Lanka, Philippines, Egypt and India (Table 3-8)). Although Syrian workers amount only to 0.42% of the total work permits issued, the number of undeclared Syrian workers is much higher.

Table 3-7: Work Permits issued by Profession, 2007

	2007			
Profession	**First Permit**	**Renewal**	**Total**	**%**
Maid	37,104	50,564	**87,668**	72.2
Male cleaner	1,512	8,231	**9,743**	8.0
Porter	669	5,399	**6,068**	5.0
Agriculture worker	512	4,468	**4,980**	4.1
Male domestic worker	166	3,186	**3,352**	2.8
Gas station worker	186	1,351	**1,537**	1.3
Cement worker	41	493	**534**	0.4
Cook	6	44	**50**	0.0
Entrepreneur	14	75	**89**	0.1
Construction worker	31	297	**328**	0.3
Tiler	2	195	**197**	0.2
Manager	25	88	**113**	0.1
Baker	41	386	**427**	0.4
Female cleaner	31	216	**247**	0.2
Other professions	1,878	4,164	**6,042**	5.0
Total	**42,218**	**79,157**	**121,375**	

Source: Ministry of Labour

Table 3-8: Work permits issued by nationality

	2007			
Nationality	**First time**	**Renewed Permit**	**Total**	**%**
Ethiopia	27,321	9,538	**36,859**	30.37
Philippines	1,924	21,073	**22,997**	18.95
Sri Lanka	3,903	17,391	**21,294**	17.54
Egypt	1,862	15,193	**17,055**	14.05
Bangladesh	2,908	4,155	**7,063**	5.82
India	529	4,765	**5,294**	4.36
Nepal	1,374	1,094	**2,468**	2.03
Other nationalities	804	1,379	**2,183**	1.80
Sudan	362	1,134	**1,496**	1.23
Iraq	273	690	**963**	0.79
Syria	211	302	**513**	0.42
Eritrea	40	376	**416**	0.34
Nigeria	62	306	**368**	0.30
Pakistan	30	240	**270**	0.22
Benin	105	155	**260**	0.21
Senegal	37	208	**245**	0.20
Togo	93	111	**204**	0.17
Cameroon	109	94	**203**	0.17
France	39	135	**174**	0.14
Ghana	13	159	**172**	0.14
Turkey	10	147	**157**	0.13
United States	63	92	**155**	0.13
Jordan	26	124	**150**	0.12
Palestine	28	113	**141**	0.12
Burkina Faso	39	99	**138**	0.11
Ivory Coast	53	84	**137**	0.11
Total	**42,218**	**79,157**	**121,375**	

Source: Ministry of Labour

Syrian workers mostly work in construction and agriculture. However according to Kawakibi (2008) in recent times more Syrian workers are engaged in manufacturing, though with no health or social insurance. Syrian workers in Lebanon get paid about 10 to 15 dollars per day. This is equivalent to the 330 dollars of minimum wage, except that Syrians usually work more than 22 days per month and there are no additional benefits granted to them. There is a lack of statistics and studies on the status of Syrian workers in Lebanon, some sources state that fewer than a 100,000 are legally registered (Kawakibi, 2008). Other sources talk of between 300,000 and 1.5 million Syrians; independent observers, however, estimate the number at 400 to 600,000 (almost 47% of the Lebanese Labour force). Kawakibi states that many studies prove that unemployment in Lebanon is not affected by the immigrant Syrian workers, as the majority of unemployed Lebanese are skilled workers, and the highest rate of unemployment occurs among residents with a secondary education and university degrees.

As noted above, the majority of foreign migrant workers in Lebanon are unskilled, performing strenuous, labour-intensive and often dangerous jobs that do not require specific educational or skills qualifications. They are frequently either illiterate, or have pre-school education. They mainly work seasonally or intermittently in the construction and agricultural sectors or in the domestic service sector, accepting low wages, and are excluded from social-security schemes (ILO, 2006, Jureidiny, 2002). Poor governance has created severe distortions in the labour market, such that migrant labour is not usually in competition with Lebanese labour. Lebanese labour has higher educational levels than foreign labour. More importantly, and in light of the current living conditions in Lebanon, the Lebanese labour force cannot accept the wage levels on offer to foreign workers. Most Lebanese would not work for the US $330 per month minimum wage, yet this wage is acceptable to many unskilled migrant workers. Even if Lebanese workers were able to receive higher wages for the same occupations performed by foreign labour, the culture of shame surrounding cleaning, construction and agricultural would cause Lebanese job seekers to avoid these occupations, preferring emigration or unemployment.

3.4. Brief analysis of other major challenges

Unemployment among Palestinian refugees in Lebanon

Lebanon currently hosts about 410,000 Palestinian refugees, almost 10% of the Lebanese resident population (according to the latest United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) estimates). Most of the refugees live in the 12 registered refugee camps distributed throughout the country, and they suffer from dire living conditions, bad housing, extreme poverty and unemployment.

UNRWA estimates the unemployment rate in the refugee camps at 60%, translating into almost 150,000 unemployed Palestinians. This figure exceeds total unemployed Lebanese residents, estimated at nearly 137,000 in 2007. This constitutes a major challenge to the Lebanese economy, but is also causing major problems and humanitarian concerns for Palestinian refugees, most of them having lived now in Lebanon for over 30 years.

In fact, there are severe restrictions on the right to work and the rights at work preventing Palestinians from improving their lives. Dozens of professions and trades are restricted to Lebanese nationals: for many years, Palestinians could not legally work in as many as 70 professions, including accountants, secretaries, sales-persons, pharmacists, electricians, guards, drivers, cooks and hairdressers. They are also barred from owning a business involved in trading, currency exchange, gold, printing, publishing, car repair, and engineering or health services. Palestinians are generally able to practice most professions or own businesses inside the 12 official camps, but the restrictions apply elsewhere in Lebanon.

In June 2005 Lebanon's Minister of Labour announced that Palestinian refugees would be permitted to work in various occupations that were previously barred to them by law, though not those governed by a professional syndicate (such as engineering, medicine and pharmacy). However, in order to qualify, Palestinian refugees are still required to obtain a work permit. It remains unclear whether Palestinians will be able to do so and whether this decree will actually reduce restrictions on Palestinians' employment rights.

Interviews conducted by Amnesty International with Palestinian refugees suggest that employers are more likely to employ Palestinian refugees in jobs that do not require a work permit such as construction work or cleaning. In such cases, Palestinians compete mainly with other foreign nationals. In some cases, Palestinian refugees are employed in jobs that require a work permit though they do not have one. Such employees are paid less than their Lebanese counterparts and do not have the benefits and protection provided by a work contract.

Restrictions on employment have a direct effect on other human rights. They magnify the various restrictions on housing rights and negatively affect standards of living. A recent unpublished survey conducted in 2008 by Secours Populaire Libanais revealed that the average monthly wage for Palestinian workers is 260-266 USD/month for males and 188-200 USD/month for females. As many as 50% of the surveyed workers stated their desire not to continue working. The Palestinian refugee population is entirely dependent on URWA and welfare organizations for educational and healthcare services, yet work injuries are not covered. UNRWA requires official work permits to cover these injuries, under Lebanese Labour Law. Hanafi and Tiltnes (2008) equally document exploitation of Palestinian professionals working outside the refugee camps, who work as medical doctors, nurses, pharmacists, engineers and teachers. Palestinian workers are therefore caught in a vicious circle of low-pay and bad working conditions, causing further discrimination against them.

4. Employment policies and labour market reform

4.1. Institutional setting of national employment policy and employment policy-making process

The Lebanese Government does not have a national employment strategy which identifies labour market challenges and tries to address them in a consistent manner. There is a Ministry of Labour (MoL), yet it has a minimal role in developing and engaging in a national employment policy. For this, there are, to date, no Active Labour Market Policies (ALMP) in the country. This situation is a by-product of at least two main factors: 1) Labour market challenges have always been diffused in Lebanon by a 'passive' policy of encouraging emigration, as the Lebanese authorities have failed to address over many decades the 'push' factors that cause Lebanon's mainly skilled workforce to seek jobs abroad. 2) Lebanese policy-makers have done very little to address the issue of high reservation wages (mostly linked to high private educational investments and a high cost of living), which discourages Lebanese workers from engaging in low-skilled jobs. Instead, an influx of foreign workers has been encouraged to take on the available low-skilled jobs, mostly in the construction and agricultural sectors.

4.2. National employment strategy: formulation and guidelines

The Lebanese Government Social Action Plan, drafted in 2006, is restricted to forming a social alleviation strategy for medium- and long-term actions to be executed together with relevant stakeholders. Specific interventions have been designed for education, health, social and local development. The objectives of this plan are to: (a) reduce poverty and improve the quality of education and health indicators; (b) improve the efficiency of social spending while preserving budgetary allocations at an appropriate and sustainable level; and (c) minimize regional disparities and achieve better dissemination of allowances allocated in the national budget for social intervention. There is no mention in this plan to a national employment strategy.

In fact, the government does not have an effective national human-resource strategy, even for the public sector. Neither generally, does most of the private sector that faces little difficulty in recruiting labour; and, in any case, the private sector is primarily composed of small-size firms. In terms of labour relations, the provisions of the Labour Law are dated and the limited tripartism that exists among workers, employers and the government are largely ineffective. The main player in the area of employment programs is the National Employment Office (NEO). It has neither the capacity nor the funds required for research or for administering effective employment services. It provides limited training (subcontracted to NGOs), and assists individuals in finding jobs. It currently employs 50 staff (out of 107 authorized positions) in nine offices around Lebanon and made 152 placements in 2005 out of 853 applications it received.

4.3. Active Labour Market Policies: description and performance

A major issue affecting Lebanon's labour market policies is nepotism and the confessional divisions within the political establishment. One explanation why the Lebanese government hesitates in introducing massive reforms is that the state is, in some senses, a confessional-rentier state. Historically, the Lebanese government has not been dependent on state revenues for its plans and projects. It has historically depended on long-term loans, grants and donations. Lebanese politicians have grasped the notion of the state and its mode of functioning and have continually manipulated the political and economic situation by using the state to satisfy their clientele and remain in power. Hence, the state is a form of welfare fund that has employed thousands of people that it does not really need. More importantly, this mentality has allowed corruption to establish itself in government agencies. Government servants capitalise on their status and blackmail citizens for the simplest of services such as issuing an ID card. Government overstaffing can also be explained by the compensation package it offers its servants. In general, the public sector portrays itself as offering better job security than the private sector. Its benefits include an education subsidy, health insurance, pension fund, and survivor benefits (Chaaban & Gebara, 2007).

4.4. Recent changes in labour market legislation and reform projects

There are no serious reform programs in labour currently contemplated in Lebanon. A draft Labour Law was proposed in 1992 and again in 2000 but still remains a draft. A modest post-hostilities program (US$200,000 from the International Labour Organization) aims at providing some regional support to NEO offices for job-matching and training services in the affected areas.

The MoL issued a Decree after the July 2006 War (n. 193/1, August 24, 2006) forbidding the dismissal of employees for economic reasons, *force majeure* or the cessation of work due to hostilities before consulting the MoL. Otherwise, termination shall be considered abusive. The Decree also provides that the employer should provide the employee the requisite one to four months notice (depending on seniority) prior to the termination of the employment agreement. The MoL has instructed its inspectors to refuse terminations of employment agreements only after examining each situation on a case by case basis, on the grounds that each case has its own merits. This practice also opens the door to delays, interferences and favouritism.

More recently, 2007, an increase in the minimum wage was implemented, from 300,000 LBP (200 USD) to 500,000 LBP (380 USD). This was the first time that the minimum wage had been raised since 1996. To date there is no analysis, official or unofficial, on the impact of this raise on Lebanon's labour markets' dynamics.

4.5. Alternative strategies and policy options available for the sound management of excess labour supply

Enacting a national employment strategy is of central importance for the country, as the 'passive' policy of ignoring labour markets and immigration dynamics is threatening the Lebanese economy. There is a need to draft a new labour law and regulations should be made with a view to benefiting workers at the lowest possible costs to the labour market. Updating the Labour Law and modernizing labour relations is a necessary step for an upper middle-income country aspiring to integrate more forcefully in the globalizing economy.

There is also a need to reform pension schemes and social security contributions, by providing some form of unemployment insurance which, if properly designed, can be funded from contributions of no more than 2-3% of the payroll. Such an unemployment insurance scheme will also provide more generalized worker protection against the risk of unemployment.

In fact, there are many ways to support the unemployed and each should be assessed after a careful empirical analysis of the elasticity of labour demand, as well as the incidence of labour taxes. However, at face value, unemployment insurance may be preferable to other alternatives (such as unemployment assistance or individual savings accounts). Any unemployment insurance measure is bound to increase labour costs unless compensatory mechanisms are found elsewhere. There should be a re-examination of the Labour Law in respect of its provisions for termination of employment – termination can add up to 8.5% of salaries to labour costs. For example, in its application the current Labour Law: (a) treats most employment terminations as abusive, even if they arise from financial difficulties due to the hostilities; and (b) views employment as either "full time" or "nothing" and makes no provision for temporary layoffs. Most European and OECD countries have provisions for temporary layoffs, and Lebanon can move in this direction ensuring that worker protection is maintained through an insurance mechanism that would reduce individual risks to employers and be funded by lower (than 8.5%) payroll contributions.

Lebanon would also need to introduce a Labour Force Survey and better understand the dynamics of migration. The Central Agency for Statistics is planning to launch a Labour Force Survey soon, which is a welcome step in the development of a labour market information system that would establish the characteristics and trends of the labour market. With such data and additional research, Lebanon should better understand the mobility patterns and broader dynamics of its labour market, both among departing and returning Lebanese, and also among incoming immigrants.

5. The impact of outward labour migration flows on national labour markets

5.1. Estimation and characteristics of outward migration flows since 1990

In contrast to many developing countries, notably those in the Arab world, Lebanon's resident population has actually fallen in the past ten years (Kasparian 2007, 120). This is despite an almost twofold increase in foreigners entering Lebanon for work (as measured according to the number of work permits issued to foreigners) (ibid., 119). In 1997, 60,547 work permits were issued to non-Lebanese residents, while in 2005, 109,379 work permits were issued to foreigners (ibid.). The decline in the Lebanese population is due to high emigration, with is estimated at an average of 15,000 persons per year.

Lebanon experienced a natural peak in emigration during its Civil War. Between 1975 and 2000, an estimated 600,000 to 900,000 Lebanese left their country (ibid., 120). In addition to these estimates, some 7% of the population migrated during this period but later returned to their homeland. (ibid.). Today, just under half of the country's population has one or more family members living abroad (46.2%), these having emigrated between 1975 and 2000.

Today, there are varying methods for calculating, or in Lebanon's case due to the lack of data, estimating, the number of first generation immigrants abroad. It is estimated that somewhere between 15,000 and 20,000 people immigrate every year (Characteristics of Emigrants, 2000). It has also been estimated that there is a stock of almost 550,000 first generation migrants in 2005 – almost 14% of the Lebanese population. Table 5-1 below shows the distribution of Lebanese immigrants abroad (Chaaban, 2008 - Presentation). Most Lebanese migrants are in the Arab Gulf countries, where job opportunities for skilled multi-lingual individuals have grown quickly in the past decade. The USA, Australia and Canada follow as top destinations, capturing respectively 19, 15 and 12% of Lebanese migrants. Migrants to EU countries have a somewhat small share, not exceeding 15% of total Lebanese migrants abroad.

Table 5-1: Stock of Lebanese migrants abroad, 2005

Destination	Emigrant stock	Distribution
Arab Gulf	150,000	27%
USA	105,910	19%
Australia	85,347	15%
Canada	67,230	12%
Germany	39,380	7%
Syria	37,219	7%
France	33,278	6%
Other	36,446	7%
Total	554,810	100%

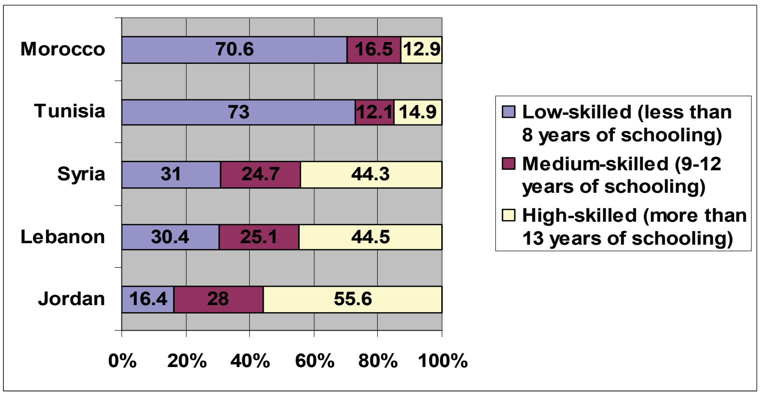
Source: OECD and www.carim.org, and author estimate for Arab Gulf.

Almost 76% of emigrants are between the ages of 15 and 34. The age group 25-34 ranks first with 46%, while the age group 15-24 follows with 31% of Lebanese emigrants. Moreover, the age group 20-44 makes up 38.7% of the Lebanese population. Of this segment, 82.6% are immigrants. This is worrying for Lebanon's future social make up and its aging population.

Moreover, based on migrant registries from OECD countries, Adams (2006) shows evidence that most Lebanese emigrants to the OECD are high-skilled (more than 13 years of schooling), which contrasts with migrants from North African countries where more than 70% of registered migrants are low-skilled (

Figure 5-1).

Figure 5-1: Distribution of emigrants from the MENA to OECD by level of education (2000)



Source: Adams (2006)

Kasparian (2007) shows that in terms of distribution between the sexes, although both men and women migrate, the number of male emigrants was significantly higher (16.4% versus 10% women). On the whole, the majority of migrants are married (75.4%), while male migrants are more likely to be "single" than female migrants. It is worth noting that Lebanese female migrants are on the whole younger than male migrants.

Table 5-2: Estimation and characteristics of legal outward migration flows

		Stock			Stock		
		Male	**Female**	**TOTAL**	**Male**	**Female**	**TOTAL**
Outward migration (by age)		223045	130455	353500			
1987-2001	15-24	63379	45460	108839	28.4	34.8	30.8
	25-34	108405	55344	163749	48.6	42.4	46.3
	35-44	48375	26672	75047	21.7	20.4	21
	45-65	2886	2979	5865	1.3	2.3	2
		Stock			**Stock 2007 (latest available year)**		
Outward migration (by level of education)		**Male**	**Female**	**TOTAL**	**Male**	**Female**	**TOTAL**
1975-2001	None			40680			6.7
	Primary			258463			42.6
	Secondary			142991			23.6
	University			154278			25.4
		Stock			**Stock**		
Outward migration (by countries of destination)		**Male**	**Female**	**TOTAL**	**Male**	**Female**	**TOTAL**
1975-2001	Africa	28149	9907	38056	7.2	4.6	6.3
	North America	110367	68914	179281	28.3	31.9	29.5
	Central and South America	18471	7536	26007	4.7	3.5	4.3
	Asia	1610	1076	2686	0.4	0.5	0.4
	Australia	44023	35551	79574	11.3	16.4	13.1
	Europe	107214	49817	157031	27.4	23.0	25.9
	Arab States	80704	43262	123966	20.7	20.0	20.4
	Undetermined	98	114	212	0.0	0.1	0.0

Source: Enquête sur l'entrée des jeunes libanais dans la vie active et l'émigration, USJ-2001.

There are distinct trends that can be identified regarding the regional origins of migrants, their educational background and their economic status at the time of departure. Saint Joseph University's comprehensive 2003 study illustrates some of these trends.

First, the young aged 15 to 29 residing in, or originating from rural and peripheral areas are more inclined to emigrate. Migration is noticeably higher in poorer areas such as the Bekaa, South Lebanon, North Lebanon and Nabatieh. Second, in terms of their educational level at the time of migration, the largest group is found among 15 to 19 year olds with primary or supplementary education. This might be explained by those in this age group migrating with their parents and completing their studies abroad. Those aged 20 to 24 meanwhile with secondary education were the second largest group to migrate. Faced with the likelihood of unemployment or low salaries in the local markets, the young in this category were exposed to migration. Third, a significant majority of those who departed were people aged between 25 and 29 who were in employment when they made the decision to leave the country. The other noticeable segment of this age group that chose to migrate were those classified as inactive at the time of departure. Within the working population aged 25 to 29 which migrated, more than half were male. Among those noted as inactive, the overwhelming majority within this same age group was female, possibly signalling the propensity for home-making spouses to follow their husbands abroad.

Migration increased between 1996 and 2001, and has accelerated further since – particularly among the young (Kasparian 2007, 120). In a study of 3,500 graduates from Saint-Joseph University between 2001 and 2004, 21.5% of graduates emigrated. A further 5.7% of the sampled graduates went abroad for a protracted period of time, but eventually returned (Kasparian 2007, 120). Unofficial figures place yearly migration numbers between 15,000 and 20,000.

The broader Saint Joseph University survey of 2003 showed that job opportunities and further education were primary incentives for youths to leave Lebanon permanently or for a longer duration. Within the chosen sample of individuals, more than one third wished to emigrate or leave the country for a certain period. 16.6% of those who wished to leave wanted to do so for good (Kasparian et al. Vol 2 2003, 78).

The more limited survey of Saint Joseph University students illustrated that engineering graduates, medical students and information technology students were the most prevalent among graduates working abroad (Kasparian 2007, 120). This indicates that these are jobs with insufficient opportunities in Lebanon. Meanwhile, males were more likely to go abroad for work than females: 48% of male graduates and 26% of female graduates (Kasparian 2007, 120).

The broader 2003 survey showed that youths living in the suburbs of Beirut and in the region of Nabatieh were the keenest to migrate with some 42% of the young surveyed in these areas wishing to leave. Youths from Beirut and the Bekaa were marginally less intent on leaving, with 39% responding that they wished to leave the country (Kasparian vol. II 2003, 78). It is worth noting that Nabatieh, as discussed above, is one of the areas with the highest poverty rate in Lebanon: poverty is at almost 50% there.

Indeed, in line with the desire of youths from less developed areas wishing to emigrate, the Saint Joseph University survey showed that 40.1% of surveyed individuals who did not hold a diploma of education, wanted to leave Lebanon. However, of these, a number stated that they were unable to do so because they did not have the means to pay to leave the country. Of youths with limited technical education, 42.1% wanted to leave. Again, a portion of these youths (9.4%) specified that they did not have the means to depart (Kasparian vol. II 2003, 79). Although a significant proportion of university graduates surveyed also wished to leave the country (33%), they were proportionately fewer than the two categories mentioned above (ibid.).

The desire to emigrate was significantly more pronounced among the unemployed young. 58% of the unemployed in the survey wished to leave Lebanon, compared to 49.2% of those studying and actively looking for work. Of the unemployed wanting to leave Lebanon, one quarter wanted to leave permanently. (ibid., 80)

Young labourers were most likely to wish to leave Lebanon: 46.4% for specialized labourers and 37.7% for non-specialized labour. For office workers, service personnel, medical staff and social services of the designated age group, between 30 and 32% wished to leave. Military staff were the least likely to want to leave the country with only 10% of the survey sample expressing an interest in leaving. (ibid.)

Job insecurity is a core reason for those young Lebanese who wish to go abroad. 42.6% of who were not in permanent employment wished to leave Lebanon. Of these, 18.1% wanted to leave permanently (ibid., 82). Those not in employment were also relatively eager to move with 37.9% of them wishing to leave. Of those, 16.5% wanted to emigrate permanently. Meanwhile, one third of those in full employment intended to leave the country.

The young working in the public sector were less inclined to leave the country. 83.9% of the survey sample working in the public sector had no desire to leave the country either permanently or provisionally (ibid.). It is evident that the public sector with its employment and payment guarantees provides the young with the security and stability they seek.

The inability to find work in the same field as their area of education was also an incentive for the young to seek a life abroad. Among those working in a field related to their education, 30.6% intended to leave. Meanwhile, 39.5% of those who did not work in a field related to their field of study, desired to emigrate (ibid.).

Unsatisfactory remuneration also plays a part in the desire of the young to emigrate. Of those earning 500,000 LBP or less ($334) per month, 40% of those surveyed wanted to leave. The survey showed that as salaries rose, the desire to leave Lebanon diminished. 46.7% of those who were unhappy with their financial situation were prepared to go abroad in search of a better paid job, while only 25% of those who considered themselves to be content with their salary (judging it sufficient and fair) wanted to pursue other options abroad. (ibid.).

Difficulty in finding satisfactory work were the primary reasons for considering migration. 30.2% of the young surveyed in the 2003 Saint Joseph University's study wanted to emigrate to find a job elsewhere. This was equivalent to 80% of all those considering emigration – whether permanent or temporary.

In sum, emigration in Lebanon, as in other resource-poor countries in the region, is affected by both 'push' and 'pull' factors. The 'push' factors are political instability; the high cost of living, especially for young graduates; and a mismatch between education and market needs combined with a tight labour market for skilled graduates. As for 'pull' factors, these include high salaries in Arab petrodollar-rich countries; an established network of Lebanese communities abroad which helps the young who want to leave the country; and also opportunities for good quality graduate studies.

5.2. Elements for analysing the impact of migration flows on national labour markets

Lebanese immigration has, as is the case in many small labour-exporting countries, its pros and cons. The benefits of Lebanese immigrants include:

- *Ability to send transfers and remittances*: Lebanon ranks in the top 10 countries in the world in terms of remittances to GDP ratio, reaching 22.8% of GDP in 2006 according to World Bank estimates.
- *Increase in the "skill stock" of the Lebanese workforce*: The possibility of migration raises the expectations of students and their parents, encouraging extensive investment in education. The number of students registered in Lebanon's universities doubled in the last ten years, from around 88,000 in 1997 to 160,000 in 2007 (according to data from the Educational Centre for Research and Development - CRDP).
- *Bringing down local unemployment*: As was noted previously, unemployment decreased for higher age groups in Lebanon, reflecting the impact of adult emigration.
- *Potential gains from "return immigrants" and knowledge transfer*: Most influential politicians and businessmen in Lebanon are from families of return migrants or are return migrants themselves. They have all established successful businesses and contributed to knowledge transfer in the Lebanese economy.

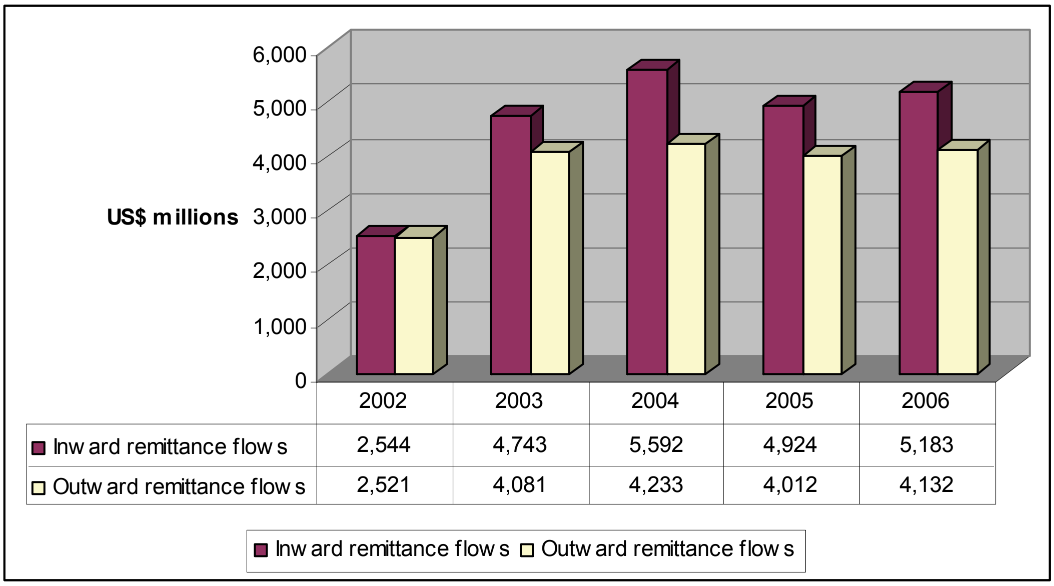
However, immigration also carries with it an unpleasant side. The most notable negative effects include:

- *Loss of the country's human capital and workforce*: Migrants constitute almost a third of Lebanon's labour force, most of them skilled professionals. Data from the 2001 USJ survey shows that the emigration rate among the tertiary educated stands at 29.7%, while the emigration of physicians is evaluated at 1,327 or 9.3% of physicians trained in the country.

- *Paying locally for an education that renders returns abroad*: Lebanon's education expenditure is very high, as public and private educational expenditure reached in 2007 almost 8% of GDP, according to World Bank estimates.
- *Loss of talent and knowledge pool to fill needed skill shortages in the country*: Although no data exists on the professions and skills needed in the Lebanese economy, anecdotal evidence suggests a shortage in nurses, medical technicians, agro-food specialists, translators, and semi-skilled construction workers.

In fact, the financial net return of Lebanese immigration is not that beneficial in monetary terms. For instance, 80% of immigrant remittances are consumed by daily household consumption (daily expenses and school tuition) rather than being used for direct investments. Furthermore, Lebanon receives only slightly more money than it is sending, mostly through foreign domestic workers in Lebanese households (Figure 5-2). The country is therefore experiencing an economic cycle where remittances fuel real estate and services investments; which in turn increase the demand for unskilled workers mainly in construction and the cleaning sectors; thus contributing to an increase in inward emigration flows. Inward remittances are indirectly contributing to the high rates of outward remittances.

Figure 5-2: Inward and outward remittances, billion USD



Source: Data from Banque du Liban and the World Bank.

Immigration is also leading to a gender imbalance. Approximately 80% of emigrants are males (Characteristics of Emigrants, 2001). This fact tends to create an unhealthy social environment over the medium- and long-term. Families are developing with the constant absence of the male figure at home. In addition, the average marriage age has gone up. The percentage of single males and females in their late 20s as compared to the period prior to 1975 is more than double. The make-up of Lebanese society is heading then towards a radical change (Living Conditions of Households: 2004, 2006).

Women are still not the direct beneficiaries of this mass male exodus. Working women only make up 23.3% of the labour force. This low number has a negative effect on Lebanon's GDP. It is not clear whether the low rates of female emigration would be linked to their participation in the labour markets. A priori one would think that high rates of male migration would increase the demand for female labour, but in the case of the Lebanese economy this effect is not observed. This might be due to two factors: the stickiness of employment practices in relation to the hiring of female workers; and the high levels of remittances which can be sustaining the inactivity of women. These important dynamics would require further evaluation.

Finally, in 2006, Lebanon received twice as much money from immigrant remittances as Foreign Direct Investments (FDI) - $5.2 billion vs $2.6 billion. Such a high level of remittances, the highest among the Arab nations, distorts markets, causes the Dutch Disease and creates a parallel economy. Moreover, the presence of remittances creates a rentier mentality in which reward is not a function of productivity or work in general. It is a windfall gain (Chaaban & Gebara, 2007).

The recent global economic crisis has had a mixed impact on the Lebanese economy. While the country emerged unscathed from the global financial breakdown of major banks and stock markets – local financial institutions had sound regulation in place – the country is starting to experience the effects of the slowdown on foreign investments and remittances. The World Bank and IMF forecast a global decrease in remittances in 2009, and Lebanon will surely be affected by this. Most Lebanese workers in the Arab Gulf remained in their jobs, but it is not clear whether layoffs might not occur if the crisis is prolonged.

5.3. Policy options

A first step in addressing the complex issue of migration in Lebanon would be a serious attempt to gather more information on this phenomenon. It is strange that a labour-exporting country like Lebanon does not have official accurate information on the extent of emigration and its patterns. For this, there is a need to form a committee which might be dubbed the "National Emigration Study Group", in partnership with public and private institutions, in charge of producing updated analytical information on migration, especially among the young. There are timid attempts currently being discussed to form a national human resources task force, affiliated to the Prime Minister's office, to conduct a strategic review of Lebanon's human resources and propose recommendations. This initiative should be widened, broadening its scope of actions to assess the Lebanese brain drain and proposing initiatives to rationalize it.

A second step would involve tackling the 'push' factors that drive the Lebanese, and especially the young, to migrate: 'pull' factors cannot be really affected by a small country like Lebanon. This first involves an economic program to reduce living expenses, especially reducing housing cost by providing cheaper and bigger housing loans for all young graduates. In parallel, active fiscal interventions should target inflation in the housing sector, by taxing empty apartments and large luxurious real estate projects and offering tax breaks for real estate investments which offer affordable housing for young couples. Second, there is a need to invest more in skilled public-sector jobs, as the country cannot keep on relying on the private sector to provide more job opportunities under an adverse political environment. The latest estimates provided by the World Bank's resident mission in Lebanon shows that the labour elasticity to value added growth during the period 1997-2007 did not exceed 0.001, which indicates a significantly inelastic domestic labour market. This indicates that in a period of 10 years, despite a modest real GDP growth of, on average, 3%, the Lebanese economy barely created enough jobs to sustain its growing labour force. Moreover, the agricultural and industrial sectors have witnessed negative labour elasticities. This indicates the presence of rigidities and distortion in the domestic labour market, and the inability of the Lebanese private sector to create jobs.

While many in Lebanon argue that political unrest and infighting, both locally and regionally, are the main culprits behind this sluggish performance, one should note that the last decade witnessed extensive infrastructure and real estate projects in the country. These projects lead to a Dutch Disease phenomenon in the country, with a booming real estate sector inflating the price of essential non-tradable goods and services and creating job opportunities for foreign unskilled workers. This, in turn, depressed the demand for jobs in other sectors of the economy, and provoked large waves of emigration. It is also important to note that focusing on real estate and construction as growth engines of the Lebanese economy was not solely a State decision – the entire ruling political establishment was implicated.

There is a need for a renewed (and reformed) public intervention, through carefully designed programs which promote the creation of job opportunities for skilled workers, within competitive clusters that would ideally be set up through public-private partnerships. These clusters could centre on Information Technology, agro-food industries for high-value added crops, knowledge translation to benefit from the rich linguistic culture in the country, and other sectors where Lebanon has a comparative advantage. Vocational and technical education is an important area for reform in the country, with a view to strengthening and establishing programs that are in tune with markets needs.

Ultimately, migration should be made an option and not a goal, as higher educational institutions teach more skills that promote local job creation instead of contributing to the export of Lebanon's labour force. Currently there are 1 public and 40 private universities in Lebanon with a population of 160,000 university students. Clearly there should be a rationalizing of the number of private higher educational institutions and a revision of the majors being offered, to introduce diplomas that better match the needs of the domestic market. These could produce translators, IT experts, health professionals other than doctors (nurses, medical experts, elderly care specialists, etc), and other specializations which would be defined once a national review of national labour market needs has been conducted.

ANNEXES

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2. List of key information sources

National statistical data sources on demographics and labour markets in Lebanon

Lebanon's last official population census was conducted in 1932 and, since then, all successive governments have deliberately avoided updating this census due to the delicate sectarian and political structure of Lebanese society. In 1970, before the start of the Civil War, the government conducted a labour market study that was also never updated due to the turmoil of the fifteen-year conflict.

Given the absence of a comprehensive population census, sample surveys provide the only source for estimating the number of residents and their demographics, educational, economic and professional conditions. Of these surveys only two official ones, conducted in 1997 and 2004, and a university-based one conducted in 2001 provide information and statistics about the labour force in Lebanon. All national household surveys employed a nationally representative sampling methodology and adopted international standards in the definitions of Labour markets statistics.

11. **Living Conditions of Households, 1997**: Conducted by the Central Agency of Statistics with financial and technical support from the United Nations Development Programme (UNDP) and the Ministry of Social Affairs. This survey used a sample of 20,400 households, excluding the South region, which was under Israeli occupation, and aimed to study the different characteristics of the living conditions of the Lebanese population.
12. **Saint Joseph University Survey: L'Entrée des Jeunes Libanais dans la Vie Active et l'Emigration, 2001**: A nationally representative households' survey, with a special focus on labour markets and migration. Published in: Kasparian, C. (2003), 3 volumes, Beirut: Press de l'Université Saint-Joseph.
13. **The National Survey of Household Living Conditions 2004**: Conducted by the Central Agency of Statistics, in collaboration with UNDP and the Ministry of Social Affairs. This survey provides the most recent national statistical database vital for the analysis of the demographics, the economic activities and the living conditions of Lebanese residents. The sample covered primary residences distributed across Lebanese territory, with the exception of the Palestinian camps, regardless of the nationality of the residence's occupants.

The Lebanon country background paper relies mainly on the most recent national data published in the Household Survey of 2004; and additional data obtained from the Central Agency of Statistics for 2007. However the ILO estimates are used to provide labour force projections.

Chapter V – National Background Paper

Labour Markets Performance and Migration Flows in SYRIA

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Foreword

This report comes a second in a series of three in author's analyses concerning the labour market in Syria since 2006; this is while major transformations were simultaneously occurring in the country: inward migration flows of Iraqis and rapid liberalization of the economy. The focus point of the three studies was different: respectively, the Euro-Mediterranean Partnership[185], migration flows[186], and labour market institutions[187]. For the first focus point, the author had also had the occasion to draft a synthetic and comparative study[188] covering Arab Mediterranean Countries (AMCs).

The analyses targeting the first focus point have been best developed in the comparative study. The main outcomes of interest here (migration flows) could be summarized as follows:

- The Arab Mediterranean Countries, and specifically Syria, but also Jordan and Egypt, are facing significant inward migration issues (Iraqis, Palestinians, Sudanese, Somalians, etc.) representing a significant size of their population. This makes that, in first-generation immigrants' stock terms, during the last fifty years, the AMC countries have received more immigrants than what they have sent to Europe. And while European countries and EU institutions had dedicated significant efforts on migrations flows to Europe, little has been made in terms of analysis and assistance on the inward migrations towards the AMCs.
- The Euro-Mediterranean Partnership, along with the "structural adjustment" policies of the IMF that it follows, has created tremendous challenges on the AMCs. On one hand, it has contributed to the deterioration of the situation of the local labour markets, specifically with significant losses of jobs in agriculture and industry (as well as in the state-led sector), and to the deterioration of the workers' status (increase of informal employment and of the precariousness of jobs), in a period of the AMC demographic transition characterized by the "youth bulge". On the other hand, the State institutions had weakened, and their policies, focusing on private sector and entrepreneurship promotion in a context of liberalization, have put little efforts on labour market institutions, social safety nets and jobs creation. Consequently, it is astonishing how weak was the attention paid by the EU towards the labour market issues in the Euro-Mediterranean partnership and its different mechanisms since Barcelona in 1995.
- In particular, one of the major determinants of migration from AMCs towards Europe (comparatively with GCC countries per example) is the attraction exercised by the "European social model". And while migration inflows have been a major concern in the EU, little has been made within the framework of the Euro-Mediterranean agenda to foster the "fundamental social rights" in the AMCs, and to help improving the local social safety nets and States' social protection. On the other hand, the remittances of the immigrants (not only from Europe) have played in practice the role of a social safety net *in fine* in the AMCs; their levels having attained a sizable share of these countries GDP, largely above FDI's flows. And this migration/remittances mechanism is considered strongly active in the AMCs, as in average 17% of the newcomers to the labour market were considered emigrating abroad every year.

For the case of Syria, which has not ratified the partnership agreement, these three outcomes are also valid. The inward migration issue is a major concern, as in two years (2005-2006), Iraqi migrants have reached 7% of the total population. The liberalization policies, with little labour market policies, accelerated since 2005; while the MEDA and FEMIP programs have only

185 AITA Samir & Al MUSBEH Imaddedine: The (Potential Impact) of Euromed Partnership on Employment and the right of Work in Syria; May 30, 2006; unpublished.

186 The present study.

187 Aita Samir: Labour Markets Policies and Institutions, with a Focus on Inclusion, Equal Opportunity and the Informal Economy. The case of Syria, National background paper, ILO, 2009; to be published.

188 AITA Samir (coord.) et alia: Employment and Labor Law in the Arab Mediterranean Countries and the Euro-Mediterranean Partnership: a comparative study; Fundacion Paz y Solaridad Serafin Aliaga; 2008. Available at http://www.ccoo.es/comunes/temp/recursos/1/216566.pdf

addressed labour market issues pointing excessive employment in the public sector and bringing a contribution on the financing of SME's[189].

This report on Syria has put substantial efforts on assessing the population and labour force data evolution in the country, in the context of absence of migration specific ones. These efforts were estimated necessary by the author in light of the strong year-to-year variations in the labour force (with strong decrease in some years) and some confusion in the official statistics (and the literature) on the meaning of population labour force statistical categories[190]. The major findings of this effort are detailed in the executive summary. However, what should be pointed out for the focus on migration, is that the job creations level for the period of concern (2001-2007) were far too low comparatively to the needs, estimated in this report with different manners, including or not the different categories of population (resident Syrians, Palestinian and Iraqi inward migrants, non-citizen Kurds). This results in strong pressures for outward migration, which is estimated presently from population data as ranging around one third of the newcomers to the labour force. Little can be said more on the detailed characteristics of this migration in the absence of detailed consistent data, even from OECD countries' sources.

The author invites the interested readers to refer to the third study[191] and to the ILO synthesis report[192] for a more in depth analysis of the (socio-economic) mechanisms leading to the strong year-to-year variations in the labour force data in Syria, of the labour market policies and institutions, and of the mechanisms of exclusion.

However, few issues are worth mentioning in this foreword of the present study, in particular in relation to the interaction between country specific studies and synthesis reports summarizing and assessing the issues common to several AMCs. In fact, even if the synthesis report constitutes by itself a significant contribution to the subject, some of its findings could be argued. Here below some major examples:

- *The lack of statistics is an important issue, but maybe as or more important is the lack of analysis and in depth assessment of the existing statistics, not only on migration but on the labour force itself*. So even if proper detailed statistics on migration are scarce, the information on inward and outward migration is somehow included in the population statistics (resident population comparatively to citizens). More significantly, little attention has been made by researchers on how the country's labour force surveys (which are available for most countries in details) include migrants. This is of major importance in Syria and Lebanon (but also in Jordan and Egypt, maybe less elsewhere) as around one third of the Lebanese work force is constituted of foreign workers (mostly Syrians) and around one seventh of the Syrian labour force is in fact working in… Lebanon (circular migration). Also, inward migrants are in all AMC active in the labour market. *One outcome of the present project could have been to foster the necessity to better assessing the inward migrants' situation in the AMC labour markets and the interaction between inward and outward migrations.*
- *The argument that low women participation in the AMC has a cultural root is controversial and challengeable, as it in particular it neglects the effect of the recent job losses in agriculture lowering even further women participation, and the informal character of most of the jobs in the urban private sector, with no (or no enforcement of) women rights in labour.* In the case of Syria (but the same is observable in other AMCs) major transformations have occurred in the last decade in the agricultural sector, which has gained productivity (60% in Syria in few years), but what has lead to massive losses of agricultural

189 AITA Samir & Al MUSBEH Imaddedine: The (Potential Impact).. 2006.; op.cit.

190 This is not specific for Syria, and similar efforts should be devoted to the case of other AMCs, even if the rapid evolutions occuring in Syria makes the effects measurable on a relatively short term period (here the 2001-2007 period).

191 Aita Samir: Labour Markets Policies and Institutions... 2009; op. cit.

192 ILO: Labour Markets Policies and Institutions, with a Focus on Inclusion, Equal Opportunities and the Informal Economy; Draft Interim Report; ILO joint project with European Commission Directorate of Employment, Social Affairs and Equal Opportunities; November 2009; to be published.

jobs (around 20% of total labour force), and to a renewal of massive rural-urban migration. Women have lost around 50% of their total jobs, and were pushed away from the labour force. Female employment in urban labour market is mainly constituted by informal employment, with no social/maternity protection for women. Wherever this social/maternity protection is available (i.e. public sector and a small share of the formal private sector) women participation and effective employment is rather high. Also, even for the women considered non-participating, a large share could be characterized as discouraged workers (as most of the women considered unemployed, has been such for long term), and another share are informally participating, especially in the case of rural women taking the role of the effective head of family, with their men involved in seasonal or long term circular work migrations to major cities (or to Lebanon for the case of Syria). *One outcome of the present project could have been to foster the necessity to better assessing participation to the labour force (especially for women) as its links to migratory pressures.*

- *The argument that the informal employment is a "solution of last resort" for employment could be misleading, as most of the newly created jobs, in particular for the youngs are informal*. Informal employment, which covers the informal (economic) private sector and the informal employment in the formal private sector (including self employment), is a dominant and the structural form of employment outside agriculture. In Syria, it constitutes 79% of employment outside agriculture and state-enterprises and administrations. And the figures are similar in the other AMCs. Also, in the context of absence of passive labour market policies in most AMCs (unemployment benefits) the proper category of "unemployed" is to be considered with scrutiny; as those "unemployed" have often an informal employment. Finally, a significant share of those formally employed (mainly in the public sector with low salaries) has a second job in the informal sector; putting more pressures on the "informal labour market" and creating complicated situations of underemployment. *One outcome of the present project could have been to change perspective, assessing in particular the link between informality and the outward migration pressures*.
- *The focus mostly made on the employment and migration of the youngs, although important, could be also misleading, as it tends to bias the focus on the conditions of the eldest.* For the eldest, and even if the absolute numbers are low comparatively to the youngs, there is an issue that a significant share of the above 60 years are participating in the labour force and informally employed. The absence of a retirement scheme for most of the formerly employed and the low pensions for those retiring from the public sector force the eldest to work until advanced ages. This questions how countries with mostly a young population cannot build up effective redistributive schemes between ages. It poses also the issue of salary job seeking for the youngs, with no perspective for the retirement. This may be more a reason for tendency for migration than wage differentials (and the same for health coverage). In this regard, the discussion on "return migration" introduces a bias, as it is mostly the youngs who are candidates for migration, while the eldest candidates for return (if they have sufficient retirement revenues). *One outcome of the present project could have been to change perspective, assessing the interaction between generations on labour market and migration issues.*

A more cooperative scheme in a field which still needs much more attention and analyses, and where local authorities are reluctant to perform and disseminate statistics (on migration, but also on the detailed segmentation of the labour markets) could have helped to have better outcomes and more focused recommendations.

In the present context, few general recommendations are worth mentioning in this foreword:

- The labour market and social protection in the AMCs should be a priority topic in the future perspectives of Euro-Mediterranean social and political dialogues and EC programs. This is in the interest of both parties and will bring more social support to European partnership in the AMC.

- In the framework of partnership and neighborhood with the AMCs (and the Union for the Mediterranean), the migration issue merit to be considered as a whole by European institutions, including inward and outward migrations to the AMCs. The approach shall also gain from adopting United Nations agencies' and ILO perspectives[193] (being even more preferential), rather than focusing on security and limitations, and on selective migrations.
- The conduction of EC assessment and policy recommendation studies would gain involving more efficiently researchers and social activists from the AMCs, besides the collection of data and local analyses. The perspectives are different on the two sides of the Mediterranean, and reaching a consensus on analyses, assessment and recommendations could be a useful step laying out political dialogue between the EC and AMC governments.

193 See in particular: Antoine PECOUD & Paul de GUCHTENEIRE: Migration without Borders: Essays on the Free Movement of People; UNESCO publications; Bergham Books Ed.; 2007 and UNDP: Overcoming Barriers: Human Mobility and Development; Human development Report 2009.

Executive Summary and Acknowledgements

When addressing questions of unemployment and migration, one of the major issues is the reliability of statistics. In Syria, as in many other Arab countries, this issue is particularly acute. Population and employment data is disseminated following censuses and surveys; however, **very large annual variations have been observed in official data,** sometimes from year to year; which is surprising as the non-measured information between two major censuses should, if no major socio-economic event occurs, be smooth extrapolations.

A first challenge then, addressed by this study, is to consider whether such variations have a meaning or not; and the basis for this is to give credibility to population and employment data, rather than to official unemployment and labour force participation estimates, which could be overly subjective. The inherent risk in such an approach is the identification of the 'subjective' data and the explanation of any differences.

A second major issue concerns the interpretation of yearly variations over a short period. Normally socio-economic changes are very slow and do necessarily show themselves over a few years: in this case 2001-2007. However, **Syria has experienced some major events during these years:** namely the arrival of 1.5 million Iraqi refugees (7% of the population) after the US invasion of Iraq in 2003; the withdrawal of Syrian troops from Lebanon in 2005; and the sudden reduction of Syrian circular migration to Lebanon; not to mention a dramatic shift in the macro-economic policies of the Syrian government, from being state-driven (though influenced by regional crises) to being 'Social Market' (which has led the value of imports to more than double). These events were all (along with the last two years of exceptional drought, while half of the population still live in the countryside) significant enough to have had an impact on participation, work, unemployment and outward migration. The link between the data and these socio-economic transformations is the second challenge of this study, along with the risky enterprise of judging the validity of official data.

Thus, to assess labour supply in Syria, **a first problem is an assessment of the resident reference population.** The country counts non-citizen Kurds and Palestinian refugees permanently residing (at least 4% of the population). They are active in the labour market, and assumed to be accounted for in labour force surveys (LFS). With the new Iraqi refugees, this makes the total population size 11% higher than the bare numbers of resident Syrian citizens. And the additional population should be accounted for in the labour force. A second problem concerns the characteristics of the working age population, as Syria is currently experiencing the arrival in the labour market of the sons of the 'baby boom' of the 1980s and the early 1990s. And the third problem is describing work-force characteristics, the LFSs and somehow the ILO (contrary to UNDP) have drastically reduced the 'estimates' of participation, in particular for women the (current official rate is 14% only), and for work in agriculture.

The last documented ILO participation rates were used to estimate labour force supply for the study. But this, rather low estimate, led to 219,000 yearly increases in labour force supply for resident citizens (around 30% of whom were women), and which might be as high as 311,000 if non-citizens and/or a slight increase in female participation are considered.

Employment data is considered to be more reliable. It shows a yearly rate of job creation at only 36,000. This corresponds to a yearly average loss of 69,000 jobs in agriculture (which can be correlated with drought, internal migrations and macro-economic policies), and the average annual creation of 104,000 jobs in non-agricultural sectors. Mostly in services, as industry is estimated to have created only 6,500 jobs annually. Men gained jobs (56,000 yearly), while women lost jobs (25,000 yearly, mostly in agriculture but also in industry, particularly among less educated women). Indeed, female employment was only bolstered by the government and state-owned sector: a yearly 10,000 jobs (and almost the same for men) for the highly educated. This does not mean that men were generally favored, as 69% of the new jobs created were in the informal sector: the year 2005 was characteristic in that respect.

Given this situation the government stated its intention, in its present five year plan, to achieve an 8% unemployment rate by 2010. This is unrealistic (if the participation rates are kept credible) when it is considered that the present rate is over 20%. A simulation, based on ILO assumptions for the evolution of the labour force and the last available data on employment, suggests that, **in order to reach an unemployment ratio of 11% in 2015 (that of the early years of the present century, 7.9% for men and 22.4% for women), it would be necessary to create 257,000 jobs annually (only citizen population, with no improvement in women participation), 295,000 if women participation increases slightly, and 353,000 jobs** if jobs were also provided for non-citizens, Kurds, Palestinians and Iraqis. And if the agricultural sector continues to lose jobs, the needs will certainly be higher.

Despite the government's calls for more flexibility, the labour market in Syria is flexible, even in comparison to regional averages according to World Bank assessments. In addition, the size of the informal market is increasing more and more. The labour laws are old, not enforced by authorities, and circumvented by employers. Wages are driven by those in the public sector, where there have been real improvements in the last few years. The 2007 average monthly wage in industry was 146 € for men and 112 € for women, below **the country average monthly salary of around 150 €, for a minimum wage of 83 €;** i.e. respectively around 300 € and 166 € ppp. Most of the salaried get more than 116 €, except in agriculture, tourism and women in trade. However, with inflation and the new macro-economic policies, poverty is growing, even among workers, and wealth distribution is becoming more unequal: the Gini index has increased quickly from 0.33 to 0.37 (0.4 by some more recent estimates). In 2008, the minimum wage increased to around 100 €, finally passing, in US$ terms, its value in the mid 1980s.

Unemployment is then a major problem in Syria. Correcting the size of the labour force to that of the recent ILO model, the **unemployment rate in 2007 was estimated at 22.6%** (14.5% for men, and 53% for women). The rate increases to 30.3%, if non-citizens are accounted for. And the analysis indicates that recent events have led to a stabilization of male unemployment rates, while female unemployment has deteriorated significantly. In support of these high estimations, comparative to the official unemployment figure of 8.6%, the exploitable share of unemployment data shows that, except for the illiterate, more than 80% of the unemployed have never worked before. The more the potential worker is educated, the worse their unemployment situation is; and women are widely more disadvantaged than men.

In 2007, **41% of the working had informal jobs:** 42% for men, and 28% for women. The low share of informal jobs for women is related to their relatively high share in government employment and to the 'decrease' in the agricultural labour force.

The yearly rate of outward migration from Syria has been, in the last hundred years, at around 0.5% of citizen resident population, going down to 0.3% in normal periods and accelerating to around 1% in 3 major 'migration' periods. From 68,000 yearly in the first part of the present century, the annual **number of outward migrants has now increased to 128,000 (0.72% of population)**. This figure is sustained by UNPP estimates, and consistent with labour market pressures. Most migrants are qualified, which creates a serious 'brain drain'. More so than Europe, the Gulf countries and the Americas are the major destinations. It is expected that the current economic crisis will also affect these trends.

The absence of social and work rights adds significantly to migratory pressures, even if the society 'safety networks' are still active. And, as stated in an earlier report, 'the continuation of the migration flows towards Europe are mostly due to the attraction exerted on the other side of the Mediterranean sea, by the 'the European Social Model'; even if such a model is presently regressing; and this attraction is much stronger than the real job opportunities'. The reforms of the labour market institutions, the generalization of social protection and the freeing of the right of association for independent unions, should be a condition of European assistance programs, and an integral part of the Euro-Mediterranean partnership.

The author is grateful to Dr. Chafik Arbash (General Manager), Dr. Ali Rustom, head of population censuses, and the teams of the Central Bureau of Statistics, Syria, for providing the labour force surveys data, and for many fruitful discussions. He is also grateful to Dr. Jamal Barout, Mr. Rabi Nasr and Mr. Imaddedine Al Musbeh.

1. Labour Supply in Syria: Situation and Prospects

1.1. Demographic Dynamics

Population and Resident Population

Syria's population has recently reached 20 million. However, population counting in itself, as in many other Arab Mediterranean countries, is a complex matter. In fact, the country has experienced, through its history, large inward and outward migration flows, as well as significant internal migration, which complicate population censuses[194].

Syrian official statistics[195] recorded (1/1/2008) a total Syrian resident population of 19.4 million, and a total population of civil registries of 22.3 million: 2.9 million (15% of the resident population) are then, it must be assumed, living outside the country. The UNPP[196] statistics correspond to those of the resident Syrian population at mid-year (1/7/2008): 19.7 million. In addition, official statistics record (1/1/2008) 460,000 resident Palestinian refugees (2.3% of total)[197], who have fled their country, particularly since 1948, and who can be considered permanent residents. These Palestinian emigrants have the same work rights as Syrian nationals, and are active in the labour market. Syria also has a Kurdish population in its North-Eastern region with no clear citizenship[198]; their number was estimated in 1996 at 250,000 thousand[199]. They are also accounted for in the labour market statistics[200], like the Palestinians, but not in the population censuses; which again adds to the complexity of the situation.

In addition, since the US-led invasion of Iraq, an estimated 1.5 million Iraqis have immigrated to Syria, and only a negligible share of them returned to their country even after the recent stabilization of the security situation there[201]. These Iraqis in Syria are now active in the labour market[202], but not included in the statistics (population and labour force surveys).

Finally, Syria has experienced in these last years, inward migration of tens of thousands of foreign workers (from Sri Lanka, Ethiopia, Somalia, etc.), for home-work assistance: there are no official statistics available for them.

Thus, the effective resident population of Syria does not just include Syrian resident nationals: 4% are Palestinian refugees and non-citizen Kurds, and an additional 7%[203] are

194 See Jamal Barout 2008, who estimated the total number of Syrian migrants living abroad at 9.84 millions, and who showed the difficulty of measuring old inward migrations from the twentieth century (Sircassians, Armenians, Kurds, Assyriacs, etc.) now integrated in the Syrian population, while keeping their own culture.

195 Central Bureau of Statistics, Syria, Statistical Abstracts, 2008.

196 United Nations, Department of Economic and Social Affairs, Population Division. http://esa.un.org/unpp

197 Another UNPP source puts their number in 2000 at 903,000 (4.6%), see esa.un.org/migration/, and while only 460,000 for UNRWA in 2005.

198 A complex issue. The region has a native Kurdish population, who were refused citizenship in the 1960s, and others who have fled from Turkey and Iraq due to the civil wars there; some are now circular or permanent migrants in the Iraqi Kurdistan.

199 Figure declared by the Syrian government to Human Rights Watch on September 1996. No official figures have been published since. However, a small share (10,000?) is believed to have immigrated to Iraq (Kurdistan). See Rustom Mahmoud 2008.

200 Interviews with the managers at the Central Bureau of Statistics.

201 The figure of 1.5 million is consistently reported by the Syrian authorities, the IMF (see Article IV consultation reports) and UNHCR; for a discussion of such numbers, see ICG: Failed Responsibility; 2008.

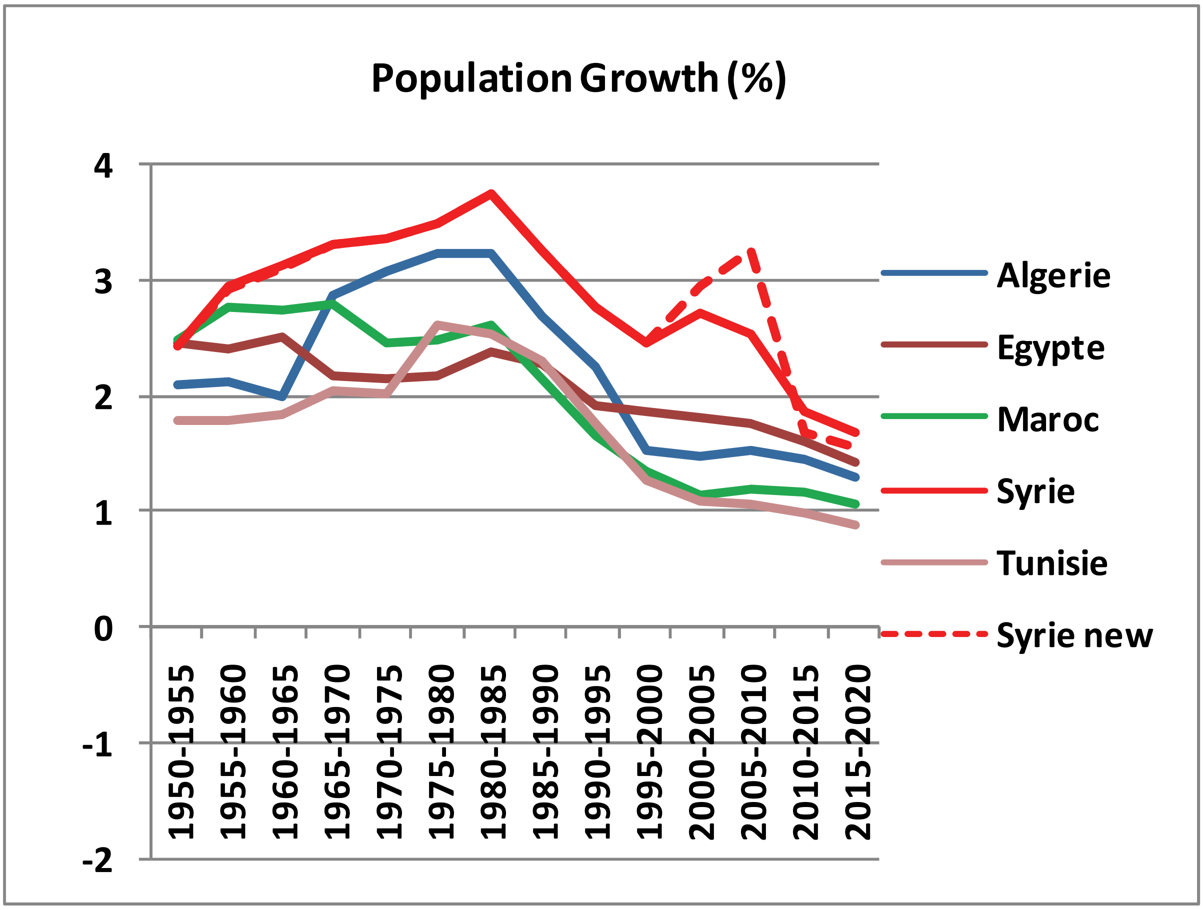
202 See Al Khalidi 2007.

203 The 2005 revision of UNPP migration gives the percentage at 5.2%, similar to that before the Iraqi refugees' problem.

Iraqis. This is the case for official and ILO[204] population statistics, but only partially for UNPP data (see below).

Population Growth

The assessment of population size is made through general censuses, performed approximately every ten years (1960, 1970, 1981, 1994, and 2004). In the last census of 2004, the (resident) population growth rate has been in decline from its high levels (above 3% per year) for the 1960s to the mid 1990s, falling towards 2.45% with the new century. This still makes Syria the first Arab Mediterranean country in terms of population growth (see figure[205]) and the country is presently experiencing the arrival of the 'baby boom' children to the labour market: working-age population growth rates are still higher than 3% yearly.



UNPP reports an increase in the Syrian population growth rate for the period 2000-2010, which has been updated recently to show an increase to a 3.25% average for the period 2005-2010. Most probably, this takes, at least partially, Iraqi refugees into account. Also, the IMF report mentions

Iraqi refugees in their Article IV assessment, but assumes that their number is fixed at 1.5 million.

Here, it is worth noting the difference in the statistics of population and population growth rates in the different sources. This clearly shows the difficulty of the issue.

204 See laborsta.ilo.org

205 This data is derived from UNPP statistics (http://esa.un.org/unpp/), and seem to take – partly – into account the jump in the 2000-2005 period due to the arrival of Iraqi immigrants, who may return gradually after 2010. How this was taken into account (in the population growth table) is unclear. However, two extractions of the data made at 2 years interval are shown in the figure.

Base year 2007	UNPP	Official Resident	Official Registry	ILO	IMF Syrians	IMF with Iraqis
Population (,000)	20,504	19,405	22,331	19,929	19,300	20,800
Population growth (%)	3.26%	2.45%	3.10%	2.68%	2.12%	1.96%
	1-Jul	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec

The notion of population growth has also to be examined at a sub-country level. In fact, some Syrian governorates[206] still experience higher than 3% population growth rates among Syrian nationals. The country is in demographic transition, as the share of the urban population is at 50% (2007), a share which is expected to increase towards 59% in 2020. This will have significant consequences on population growth in cities. These local aspects significantly affect the labour market, in particular in the urban areas.

The Palestinians, non-citizen Kurds and the Iraqis might be assumed to have the same growth rate as the Syrian population. However, care should be taken when population growth is estimated for 2003 to 2006, for the Iraqi refugees.

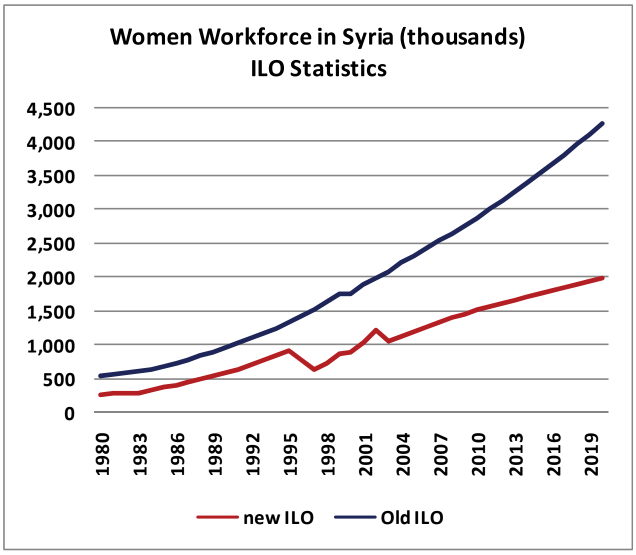
Syria has then the highest population growth amongst Arab Mediterranean countries (+2.45% yearly). Iraqi refugees have added significantly to this growth; and internal rural-urban migration makes the growth rate even higher in urban areas.

Population sex ratio

UNPP reports a sex population ratio[207] for Syria of 102.0: it was as high as 108.0 in the 1950s. Official Syrian statistics report this ratio as 101.0 in the civil registries for 2007, and 104.5 for the resident population. The ILO reports the number at 102.0.

Participation and Activity Ratio

The measurement of participation in the Labour force seems also to be a difficult issue in Syria. The data is usually collected through labour force surveys (LFS), which are performed yearly by the Central Bureau of Statistics[208]. And the ILO updates its statistics regularly in function of survey results.



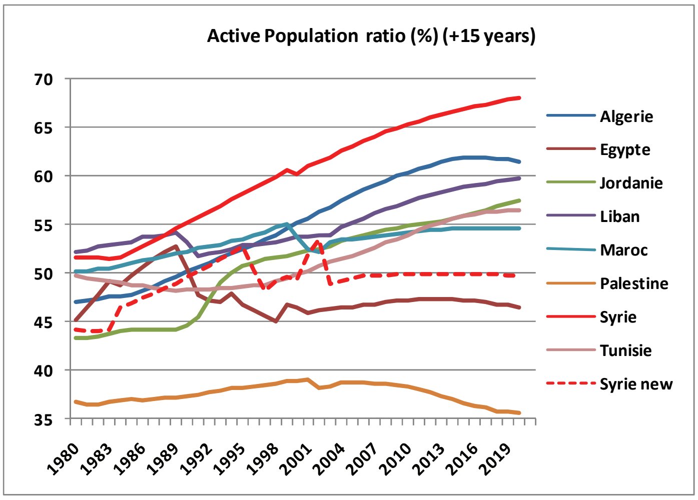
The analysis of the data presents some difficulties. Progressively, the Labour force surveys and the ILO database excluded the reporting on children (defined as younger than 15) work/participation, and changed the methods for accounting female participation, in particular in agricultural activities in the countryside. Measurement of female participation has the most significant impact on the assessment of the size of the labour force, both in terms of absolute value and trends[209] (see in the figure above the drastic changes in ILO statistics on the female workforce).

206 Syria is divided into 13 governorates (Mouhafazat). Damascus is the only case where a governorate corresponds to a city alone without the surrounding countryside.

207 Defined as the number of males for 100 females.

208 Recently, these surveys have been performed quarterly. But no thorough analysis has been made of the data and the change of methods in surveying.

209 The author of the report performed a detailed analysis of the ILO database in 2007 for the preparation of the regional employment report (see Aita and Al Musbeh 2006) and in March 2009 for the preparation of this report. The comparison of the data extracted shows the changes clearly.



The differences are explained by the Central Bureau of Statistics as due to 3 factors: *a real reduction of female participation in agriculture* – the changes seem significant, and may be due to the fact that the last published measures were made in 2007, a year of drought with significant consequences on female paid and non-paid work in agriculture; *the change in survey methods* – without further explanation; and the *change in the seasonability of the surveys* – but this should change employment data and not the workforce. As a consequence, the total (Net) Activity ratio in Syria which was earlier assessed at between 56.6% and 63% for the year 2005, has diminished in recent ILO statistics, which place it at only 50% for 2005, and then have it constant (see figure). Some authors[210] have depicted, in their assessment of the employment issue, these changes in female participation (sudden major decrease) and trends (slower), and noted that these changes run against reality. Other authors[211] have noted some heterogeneity in the data provided by the Central Bureau of statistics, but then obtained even lower participation ratios, after applying mathematical correction models. The differences in the assessment and functioning of the source, can be shown in the following table (+15)[212].

	2001			2007			
	ILO old	ILO New	Official	ILO old	ILO New	Official	UNDP
Men	86.00%	83.3%	81.3%	88.30%	78.3%	74.00%	89%
Women	36.0%	20.3%	21.3%	39.7%	20.9%	14.40%	40%
Total	61.0%	51.9%	52.3%	64.0%	49.8%	44.90%	65%

A recent report of the World Bank on MENA countries shows average participation rates at the beginning of the present century as follows: 57-61% for the total, and 32% plus for women. Such inconsistencies in data will remain until we have further detailed investigations of the details of the national labour force surveys (LFS). And it is worth noting in this respect, that the LFSs account not only for the Syrian resident national population, but also for Palestinian refugees and non-citizen Kurds: i.e. adding 4% to the Syrian nationals. It is also interesting to note that the activity statistics do not cover the armed forces, in a country where military service is mandatory (2.5 years), and where changes have occurred in the early years of the present century for the university-educated young (engineers, physicians), who were no longer expected to perform civil service (formerly another 2.5 years).

The most recent official Labour force surveys and ILO reporting show inconsistent reduction in participation ratios, in particular for women in agriculture, which has led to a comparatively abnormally low female participation ratio for the region.

210 See Nabil Marzouk, 2008.

211 See Somaya Sadeldine, 2008.

212 The 10-14 years old constituted in the 2001 official statistics 2.6% (men) and 6.3% (women) of the corresponding gender total labour force. Also, the share of who 'never worked before' in the labour force evolved from 5.8% (men) and 20.3% (women) in 2001, to 4.1% (men) and 24.8% (women) in 2007.

The Size of the Labour Force
Because of inconsistencies in the participation ratios (which will be discussed further below), the first reasonable approach, for assessing the evolution of the size of the labour force (of Syrian resident Syrians), is to use the most recent ILO time series for male and female participation (see table).

In these time series male participation rates are slowly decreasing from 80.1% to 76.6%, and the female participation ratio is increasing from 18.4% to 22.6%.

The assessment shows that in the last years, labour force is increasing yearly by 219,000: with an average growth rate of 4.49% in 2005 declining to 2.9% in 2010. It will fall to 186,000 in 2020. 25 to 30% of the increase is coming from female participation. This constitutes a minimal estimation.

Citizens Only		2000	2005	2010	2015	2020
Total Population*	Number, 000	16,511	18,894	21,428	23,510	25,573
	Change t, t+5, 000	1,901	2,383	2,534	2,082	2,063
Working age population (15-64, 000)*		10,197	11,980	14,041	15,742	17,696
Labour Force Participation Rate (%)**		49.3%	49.5%	50.0%	50.0%	49.8%
	Male	80.1%	78.8%	77.9%	77.3%	76.6%
	Female	18.4%	20.1%	21.8%	22.5%	22.6%
Labour Force**	Number, 000	4,838	5,931	7,014	7,876	8,805
	Change t, t+5, 000	598	1,093	1,083	862	929
	Male	3,935	4,734	5,491	6,115	6,813
	Female	902	1,198	1,523	1,761	1,992

* as for ILO, not including refugees, Palestinian and others

** ILO most recent data

*** Net ratios (15+), ILO most recent data

However, non-citizen Kurds and resident Palestinians and Iraqis refugees also need to be considered in labour force calculations. A simple model could take into account their number: +4% before 2005 with only Palestinians and Kurds; +11% afterwards, thus including Iraqis, to be applied in total and working age population; assuming participation ratios similar to those of Syrians resident. With non-citizens, the increase in labour force supply would have been around 311,000 yearly; around 240,000 in 2010, and around 206,000 in 2020.

Citizens + Kurds + Palestinians + Iraqis		2000	2005	2010	2015	2020
Total Population*	Number, 000	17,171	20,972	23,785	26,096	28,386
	Change t, t+5, 000	1,977	3,801	2,813	2,311	2,290
Working age population (15-64, 000)*		10,605	13,298	15,586	17,474	19,643
Labour Force Participation Rate (%)**		49.3%	49.5%	50.0%	50.0%	49.8%
	Male	80.1%	78.8%	77.9%	77.3%	76.6%
	Female	18.4%	20.1%	21.8%	22.5%	22.6%
Labour Force**	Number, 000	5,030	6,585	7,786	8,742	9,774
	Change t, t+5, 000	622	1,554	1,201	957	1,031
	Male	4,092	5,255	6,095	6,788	7,562
	Female	938	1,330	1,691	1,955	2,211

* including Palestinians and kurds (<2005) and Iraqis after 2005

** including Palestinians and kurds (<2005) and Iraqis after 2005

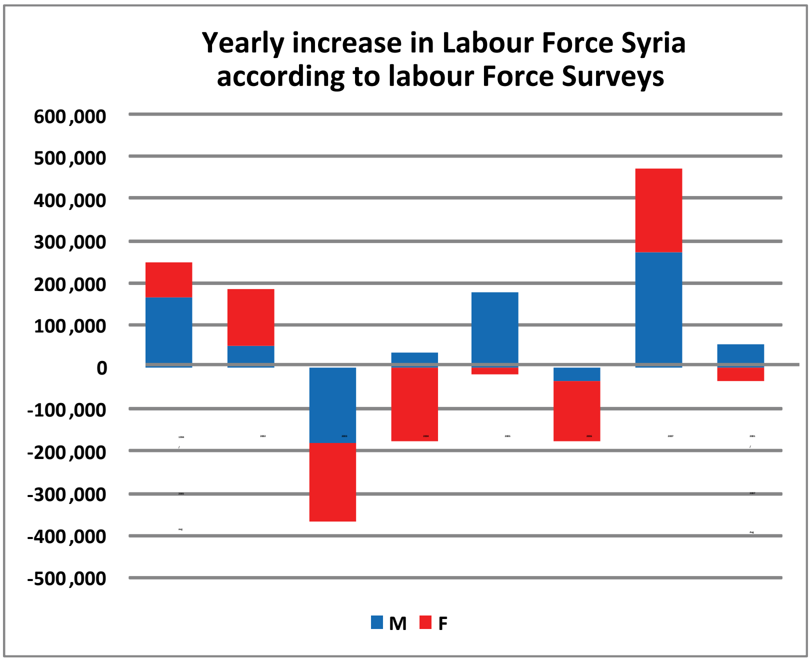
*** Net ratios (15+), ILO most recent data

If real participation rates were those of old the ILO data (86% for men and 36% for women), even without the Iraqis, the average increase in labour force supply would have been around 277,000 in 2005, decreasing to 249,000 in 2020.

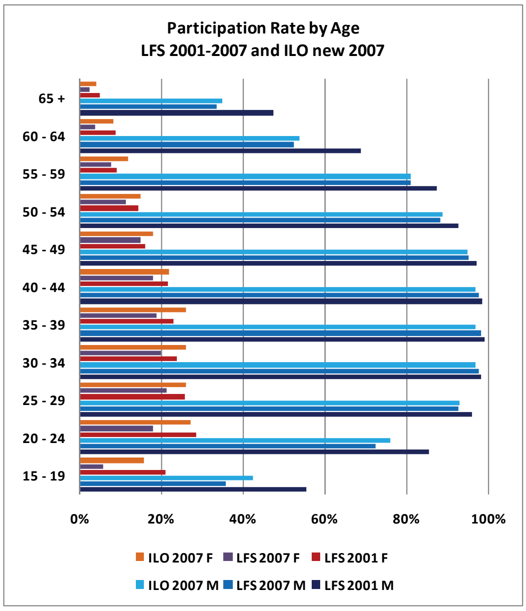
Thus, if refugees and non-citizens are included or are not included (and as participants they should be included), and depending on how participation is accounted for (especially for women in agriculture), the present labour force supply in Syria varies between 219,000 and 311,000 yearly (growing more than 4% each year). This significant rate of supply will not diminish significantly before 2020 (only by 15 to 20%).

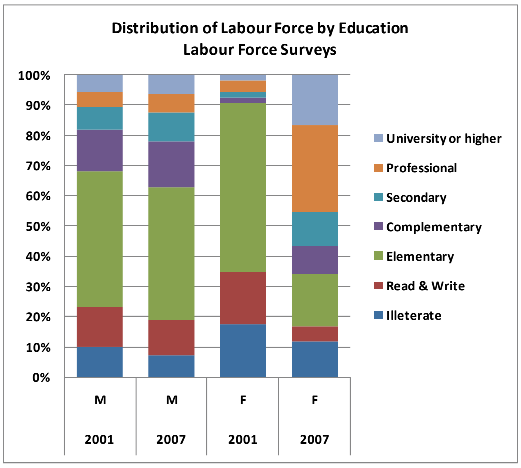
1.2. Characteristics and Composition of the Labour Force and Employment

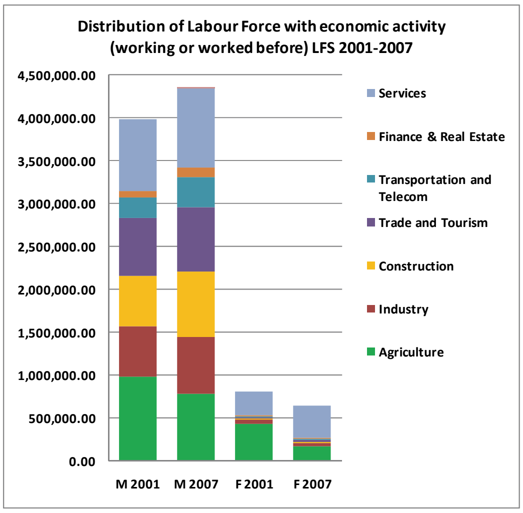
Characteristics of the Labour Force
The above mentioned inconsistencies make it difficult to rely on the LFSs for any analysis of the characteristics of the labour force. However, a few remarks could be made at this stage:



- The average yearly increase in labour force supply (+15) for the period 1997-2001 was measured at around 250,000; but for the whole period between 2001 and 2007, LFS data shows an average yearly increase of only 20,850[213] (+52,700 for men and -31,800 for women). This is inconsistent with the range of yearly labour force supply discussed above, which is also the range considered by the authorities and by different scholars. The year by year analysis shows strong illogical decreases in the labour force for the years 2003, 2004 and 2007.
- The differences in assessing the labour force affects all age categories. But the most concerned are the 15-19, 20-24 and above 60 age categories where participations is diminishing drastically. The 15-19 age-category has the most significant impact on the size of the labour force. This leads to falls, comparing LFS's 2007 and 2001, of: -383,000 for the 15-19 work force, -62,000, for the 20-24, -27,000 for the 60-64 and -30,000 for the +65. In general, women are more affected than men. Young men (15-25) accounted for 38% of male working age population in 2001, and represented 32% of men work force (+15); in 2007, they represented 35% of men WAP and their share of the work force dropped to 25%. In 2001, young women (15-25) represented 37% of the female WAP, with a share of 42% in the female LF, have seen their share dropping to 27% of the female LF in 2007, while they constituted 33% of the female WAP.
- The ILO generally followed these drops in participation for young men, but not for young women where it kept an assessment for all age categories with higher participations. The share of highly-educated women in the labor force appears higher than reality.
- The last reported LFS data for the 10-14 year age group (2001) measured child participation at around 182,000 (3.4% of the +15; among them 38% females). The evolution of children's work is not known for the subsequent years, as children's work was not reported in LFSs. However, a special survey performed in 2006 in partnership with UNICEF[214], suggested that 6.7% of the 11-







213 While they are assumed to include the resident Palestinians and non-citizens Kurds.

214 See CBS and UNICEF, 2008.

14 age group were working in Syria and that 2.9% of the 5-11 age group. Most of this work is outside family living activities. Also, the rate for 5-14 age group work reaches 12.5% in the Hama governorate and 8.9% in that of Dier-Ez-Zor. Children's work remains then, more than ever, an important issue in the country; but, because of the lack of data, the analyses below can only consider those aged fifteen and older.

- The discrepancies in measurements greatly affect the education distribution of the work force (+15), mainly as regards the share of women with elementary educateion and the illiterate.
- More importantly, it drastically reduces the size of agriculture in the work force, especially the female share. The share of Agriculture and Fisheries in the labor force (+15, working or have already worked), has decreased from 25% to 18% for men, and from 53% to 28% for women. Thus, a large part of the work force in agriculture has been taken away by the LFS. This is notwithstanding the fact that around 50% of the population still live in rural areas.

For the purposes of this study, with the inconsistencies observed in the LFSs, the only reasonable assumption is to consider the new ILO data as the basis for participation, but with the details of the distribution of the work force taken from LFS 2001 (+15), where participation data are close to the new ILO. This gives the following table of characteristics:

		LFS 2001		
		Male	Female	TOTAL
Labour Force (by age, %)*				
	15-19	15.4%	21.4%	16.5%
	20-24	16.7%	21.4%	17.6%
	25-29	13.4%	15.2%	13.7%
	30-34	11.1%	12.0%	11.3%
	35-39	11.0%	10.2%	10.8%
	40-44	8.8%	7.9%	8.6%
	45-49	6.8%	4.5%	6.4%
	50-54	6.2%	3.6%	5.7%
	54-60	3.7%	1.5%	3.2%
	60-64	3.2%	1.3%	2.8%
	65+	3.8%	1.0%	3.3%
Labour Force (by level of education, %)**				
	None	21.9%	30.9%	23.7%
	Primary	58.3%	30.6%	53.5%
	Secondary	13.0%	24.0%	14.9%
	University	5.8%	7.7%	6.1%

* As per LFS 2001

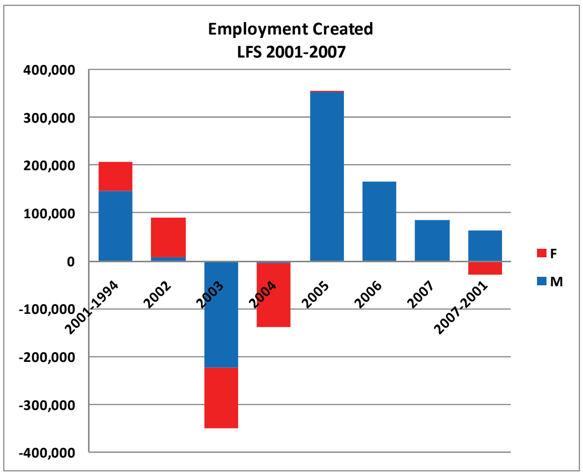
** As per LFS 2001, primary education are reported "primary and less"

Very large variations are shown in the official labour force statistics in Syria from 2001 to 2007, with an illogical decrease in total labour force for some years. The average yearly work force supply is given as more than 10 times below normal. The major inconsistencies concern mostly: the youngest, that is men and women between 15 and 25; the less-well educated (especially amongst women); and those working in agriculture. All these are assumed to have decreased participation. These inconsistencies affect the assessment of the size and the characteristics of the labour force, and do not permit us to analyze the sociological effects of several major events (such as Iraq, Lebanon…), as well as the impact of the new Syrian economic policies, or even the exceptional last years of drought in a country where agriculture still contributes more than 20% of GDP. All the above could have a significant effect on the labour market and on migration trends.

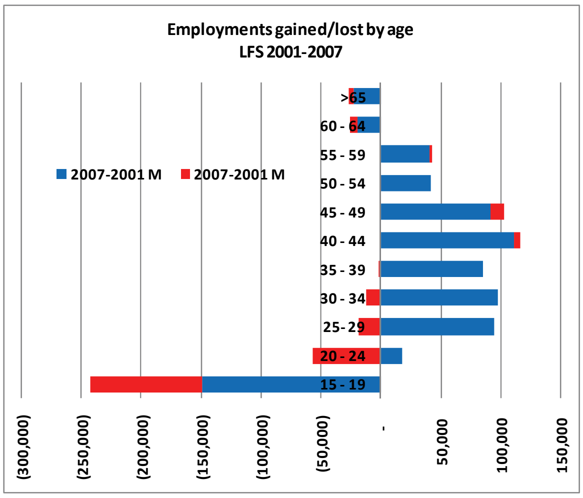
The last LFS data of 2007 cannot then be considered for the remainder of the study, but assumptions are needed to make analyses. The 2001 LFS labour force characteristics seem to constitute a better basis for the study, and they are consistent with the most recent ILO data.

Characteristics of Employment

Normally, measuring employment in the LFSs should be less subjective than measuring participation. The characteristics of employment will be analyzed hereafter in detail.



The 2007 LFS reports 4,945,978 persons with employment in Syria (only 12.7% of them women). Comparatively, the 2001 LFS had reported 4,844,020 employed (17.4% of them women), among which 2.4% were younger than 15 years old (4.5% of the women employed). The country is then assumed to have only created around 216,000 jobs for the +15 in 6 years: An average of 36,000 yearly, 17% of the lowest estimate of the yearly newcomers to the labour force.



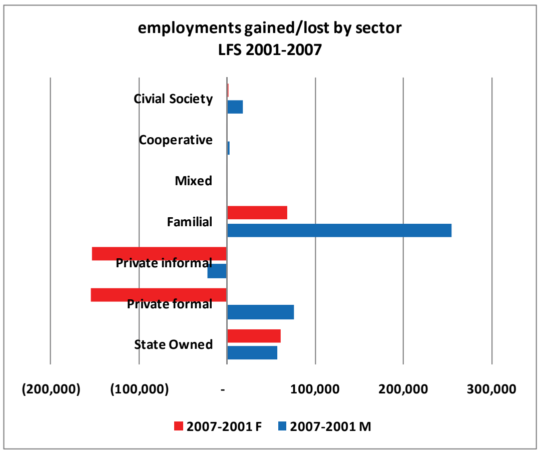
A careful analysis shows that men would have gained 390,000 jobs between 2001 and 2007: 65,000 as a yearly average, to be compared with 148,000 from 1994 to 2001. But, women would have lost jobs: -175,000, a yearly average of -29,000, while the 1994-2001 period has seen around 59,000 new jobs for women annually.

2003 (the year of the US invasion of Iraq) would have been the worst in terms of job losses for both men and women; and 2005 (the year of the withdrawal of Syrian forces from Lebanon) the best for men; but with no serious benefits in job creation for women. These statistical observations could correlate with the sociological and economic transformations, or have been caused by important regional events: the arrival of 1.5 million Iraqis and the return of hundreds of thousands of circular Syrian migrant workers from Lebanon in 2005 and afterwards.

		2007 LFS		
		Male	Female	TOTAL
Employment (by age, 000)		4,316,066	629,570	4,945,636
	15 - 19	8.6%	5.2%	8.1%
	20 - 24	14.2%	13.0%	14.0%
	25 - 29	14.5%	17.3%	14.9%
	30 - 34	13.0%	15.9%	13.3%
	35 - 39	12.6%	15.1%	13.0%
	40 - 44	11.1%	13.7%	11.5%
	45 - 49	8.8%	9.2%	8.8%
	50 - 54	7.0%	5.7%	6.8%
	55 - 59	4.5%	2.7%	4.3%
	60 - 64	2.6%	1.1%	2.4%
	65 +	3.1%	1.1%	2.9%

In any case, if the labour force increase would not have been reduced in the statistics between 2001 and 2007, the country would have seen a major increase in unemployment, and not a decrease as reported by official sources.

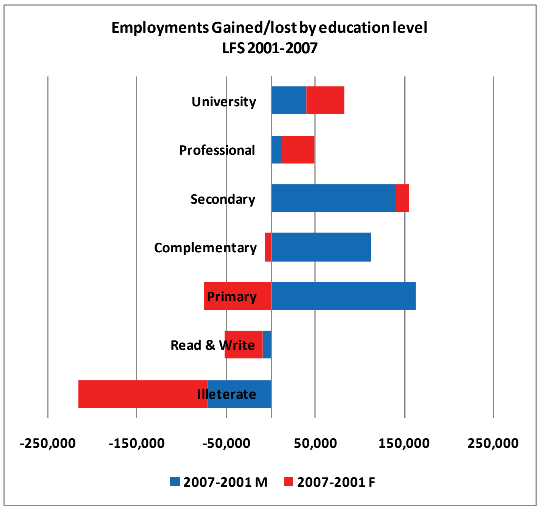
Age distribution by employment age for 2007 is illustrated above. The youngest and oldest have been the hardest hit in terms of male job losses. But for women, the losses concerned almost all age categories, as there were few gains in the middle of the table. Hence, the total number of lost jobs is assumed to be around 280,000 among the 15-25 year olds, and around 52,000 for those older than 60. And, taking into account only the core of the working population (25-50 years), the total number of employed is said to have increased by 550,000 in 6 years (an average of around 92,000 yearly), while the total number of women employed in this 'core' period is shown as diminishing by -15,000 or -2,500 yearly.



These observations demonstrate that unemployment has dramatically increased for the young and among women. But in which sector have the jobs disappeared? The state-owned sector (government and state-owned companies) created 119,000 jobs between 2001 and 2007 (52% of which were for women); while the private formal sector lost 77,000 new jobs; men gained 77,000, but women lost 154,000. A new sector was introduced in the 2007 statistics (familial jobs) displayed independently from the private informal sector. But for these two informal sectors together, 149,000 jobs were created (69% of total job creation for the +15): Men had gained 232,000 jobs (60% of all job creation); while women had lost 84,000 jobs. The other sectors (mixed public-private, cooperative and civil society) had created 25,000 jobs (only 8% of which were for women).

		2007 LFS		
		Male	Female	TOTAL
Employment (by sector 000)		4,316,066	629,570	4,945,636
	State Owned	23.9%	55.6%	27.9%
	Private formal	33.4%	15.9%	31.2%
	Private informal	36.1%	16.9%	33.7%
	Familial	5.9%	10.9%	6.5%
	Mixed	0.1%	0.1%	0.1%
	Cooperative	0.1%	0.1%	0.1%
	Civial Society	0.4%	0.4%	0.4%

The informal sector has then created most male jobs in the core age category, followed by the government. The formal private sector had lost a significant share of its jobs, especially for women who had lost 60% of their jobs there.



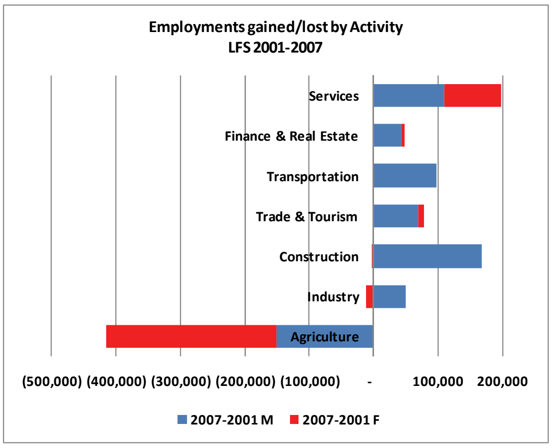
Were these jobs given to Iraqi immigrants? Or are we, instead, to understand that most private employers do not formally register their new employees, and in particular female employees? Or did men move women out of the informal sector, especially those returning from Lebanon? And might someone say that it is hopeful that there is some employment in the state-owned sector, to save female employment? And, likewise, that any reduction in state-owned employment would be particularly detrimental for women?

In 2001, 32% of working children (<15) were illiterate, and 35% knew how to read and write. For the +15, the less well educated men and women were the worst hit by job losses; while of those with university or professional education, women gained even more new jobs than men: mostly in the state-owned sector as discussed above. It was men with intermediate education who gained most jobs, while women lost a significant share of their jobs. Such results could correlate well with observations on the

		2007 LFS		
		Male	Female	TOTAL
Employment (by education, 000)				
	Illeterate	7.1%	11.8%	7.7%
	Read & Write	11.7%	5.1%	10.8%
	Primary	43.8%	16.8%	40.4%
	Complementary	15.4%	9.1%	14.6%
	Secondary	9.7%	11.1%	9.9%
	Professional	6.0%	29.1%	8.9%
	University	6.4%	17.0%	7.7%

ground concerning employment and education. For example, state-owned jobs created for women were mostly for the university educated.

Another result which might well correlate with reality is the distribution of gained/lost jobs by activity. Most of the jobs lost (+15) were in Agriculture (more than 400,000 jobs, 63% of them female jobs). The industry offered a few additional jobs for men (39,000), but women lost 11,000 jobs there. Most of the jobs created were in Services (around 200,000, 44% for women), and in construction (around 170,000; for men only). For Trade and Tourism the jobs created were: +79,000 (13,000 a year; only 11% for women); In Transportation +97,000 (16,000 a year; mostly men); and in Finance & Real Estate +49,000 (8,200 yearly; 11% for women). But most of these creations were in the informal sector.

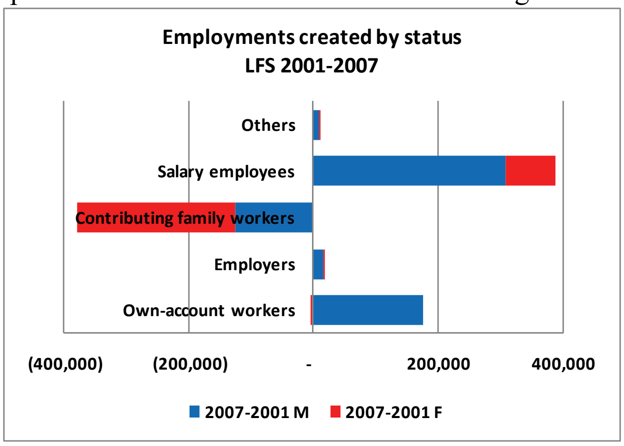


The distribution of the employed by activity, as given by the 2007 LFS, shows that Agriculture still offers 19% of all jobs (26% of female jobs), while the Services provide 26% (57% of women jobs). The comparison with 2001 LFS shows that in 6 years -527,000 jobs disappeared from Agriculture (-301,000 for women; around half of these jobs for the 10-14).

Employment (by Status)		2007 LFS		
		Male	Female	TOTAL
	Own-account workers	32%	10%	29%
	Employers	9%	2%	8%
	Contributing family	7%	19%	9%
	Salary employees	52%	69%	54%

Employment (by activity)		2007 LFS		
		Male	Female	TOTAL
	Agriculture	18%	26%	19%
	Industry	15%	7%	14%
	Construction	17%	1%	15%
	Trade & Tourism	17%	5%	16%
	Transportation	8%	1%	7%
	Finance & Real Estate	3%	2%	3%
	Services	22%	57%	26%

Even when Agriculture is eliminated, +628,000 jobs were created (104,000 yearly; 14% for women); at least two times less than the numbers necessary to maintain unemployment at current levels. Such results of the FLS seem much more consistent with the liberalization of the economy carried out in 2005, in particular with the Services share increasing slightly, especially for women.



When employment status is accounted for, the 2007 LFS shows that 54% of the working population is constituted of salaried employees (52% of men and 69% of women). And the new salaried jobs created for women were, for the most part, those created in the state sector. The category most hit by job losses were the 'contributing family workers'.

It is also worth noting that the number of the new jobs created as 'own-account workers' for men is similar to that of new jobs in the informal sectors. 18,000 new employers have emerged amongst men, and only 1,000 amongst women.

While labour force supply in Syria is a controversial issue, and estimations vary yearly from 216,000 to more than 330,000, the economy of the country only created around 37,000 jobs between 2001 and 2007. Non-agriculture job creation rates were much higher – 104,000 yearly, only 14% for women while they constitute around 30% of labour force supply; while agriculture is assumed to have lost 67,000 jobs annually. The job creation rhythm in the formal private sector was very low, despite liberalization in the economy. Most (69%) of the jobs created were in the informal private (and family-work) sector. Job creations in government and state-owned enterprises played a significant role (55%); especially when they contributed significantly to the employment of women, mostly among the educated. The formal private sector has globally lost jobs, namely -36%.

It is believed that the arrival of 1.5 million Iraqis after 2003 and the return of hundreds of thousands of Syrian circular workers from Lebanon, as well as the new economic policies and the years of drought all had a considerable effect on labour supply as well as on the characteristics of the labour market in Syria.

1.3 Estimation of national job creation needs to absorb projected labour force growth

Official discourse and the debate in the country
The elaboration of the 10th five year plan[215] constituted a major effort for developing new macro-economic policies in the country, towards a '*Social market Economy*'. The voluminous documents do not set out the needs for job creation during the concerned period (2006-2010). It only states that '*the labour force has increased to more than 5 million in 2004, with a current yearly growth rate of 3.9%; and the share of female participation has increased from 12.8% to 16.3%*' (2004)[216]. It also indicates that '*unemployment has increased in these last years because of the gap between job demands and offer. The Syrian economy created on average 200,000 jobs in the 1990-1995 period; which has decreased to 160,000 jobs in 1999-2003*'. As a target for 2010, the plan sets the objective '*to reduce unemployment rate from 12% in 2005 to 8% in 2010, knowing that such rate could rise up to 17% if current policies are continued*'. '*The share of who has finished basic education (9 years, complementary education) should increase towards 50% of the total labour force*'[217]; and '*the share of women in the labour force should increase from 17.3% in 2004 to 21.3%*[218] *in 2010, and 25% in 2020*'[219].

The recent UNDP reports were much more explicit. Its Poverty Report states, following a specific survey run with the participation of the Central Bureau of Statistics: '*Each year about 382,000 people, with varying degrees of education and skills, enter the labour market. This constitutes a considerable increase in the size of the labour force, particularly of the young age group who also constitutes the bulk of the new job seekers in the labour market*'[220]. And its earlier Human Development Report of 2005, considering only the 2001 statistics, estimated the labour force in 2002 at 5.46 million increasing yearly '*at a rate higher than 4%',* then with more than '*300,000 newcomers each year to the work force, according to the Central Bureau of Statistics*'[221]. Later in 2007, it insists, in a report on female economic activities in Syria, that Labour force participation was '40% for women and 89% for men'[222] (instead of 21% and 78% as in the LFSs). And the same statistics were repeated in the 2008 Report[223].

The problem of erroneous and misleading statistics has also been noted by some authors[224]: '*The Agency for Combating Unemployment has stated the number of unemployed in 2003 at 16%, the Central Bureau of Statistics estimated it at 11.6%, the World Bank at 37% and the Arab Economic Unity Council at 30%. The former director of the Central Bureau of Statistics (...) gives it in 2006 between 8 and 8.5% (...); this is when this unemployment rate was given for 2003 and 2004*

215 State Planning Commission, Syria, the 10th Five Year Plan, 2005: Cross sectoral Issues.
216 It is worth noting that the year 2003 saw an unexplained and significant decrease in the labour force; with another decrease in 2004; see section 1.2 characteristics of the labour force.
217 Compare labour force education characteristics in 2001.
218 Which was the official level in 2001.
219 State Planning Commission, Syria, the 10th Five Year Plan, 2005: Women empowerment.
220 See UNDP: Poverty Report, 2005.
221 UNDP: National Human Development Report, 2005.
222 UNDP: Information Map … on Women Economic Activities, 2007.
223 UNDP, 2008.
224 See Deeb 2008.

between 10 and 11% (...). In the Statistical Abstracts, it was mentioned that the unemployment rate in 2006 is equal to 8.1%, when it was 12.3% in 2004. And the Deputy Prime Minister for Economic Affairs estimated the unemployment rate in 2007 at 8.5%, after it was 11.2% in 2001 (...). Which of these figures should we consider? And how we can study how to create jobs to combat unemployment when we don't know how many are unemployed?'.

Job creation needs and unemployment figures seem then to be 'politicised' data in Syria; which can only make the task of the Central Bureau of Statistics more difficult in its independent assessments.

Job creation needs

Owing to the inconsistencies in the data, assumptions need to be made.

We assume that the ILO data for the work force is the best available, and the employment data we use is that given by the LFS. When one takes the labour force in 2007 (ILO recent data), the total labour force in Syria stands at 6,390,000, 18% higher than that of the 2007 LFS. With the 2007 LFS employment data, this means that unemployment had reached (without non-citizen Kurds, the Palestinians and the Iraqis) 22.6% in 2007; 14.5% for men and 53.0% for women. Comparatively, if we use the same ILO labour force recent data and LFS employment statistics for the year 2001, this leads to a global unemployment rate of 10.8% (7.9% for men and 22.4% for women), a rate consistent with official reporting on unemployment.

Also, the growth rate of the working age population will decrease significantly in the coming years with the end of the 'baby boom', moving from its 2000-2006 levels >4% to around 2.3% in the 2010-2020 period. This will help to alleviate the burden concerning the size of yearly newcomers to the labour market. And the ILO estimates, in its simulations of future evolutions, that the male participation level will decrease from 79% to around 77%, while for women it will increase from 20% to 23%.

To estimate job creation needs other assumptions are required: what is an acceptable level for unemployment in 2015? Should the answer be around 23%, as it was in 2007, or 11% as in 2001, or 8% as in the present official declarations? For this study, we shall be conservative and state that the target should get back to the unemployment level of 2001: 7.9% for men and 22.4% for women.

SYRIA ILO last data citizens resident		Total Labour Force 2007	Current Employment 2007	Needed Jobs 2007-2015	Jobs to be created each year	Needed Jobs 2007-2020	Jobs to be created each year
,000		6,390	4,946	2,052	257	2,875	221
	Male	5,050	4,316	1,316	164	1,959	151
	Female	1,340	630	737	92	916	70
	Male	79%	87%	64%	64%	68%	68%
	Female	21%	13%	36%	36%	32%	32%
, 000 (+5% Activity Rate of Women)		6,390	4,946	2,356	295	3,216	247
	Male	5,050	4,316	1,316	164	1,959	151
	Female	1,340	630	1,040	130	1,257	97

Then, in order to obtain an unemployment rate of 11% in 2015, when the participation of men and women would have been respectively 77.3% and 22.5%, 257,000 jobs will need to be created annually[225]; 64% for men and 36% for women. And if this target of 11% unemployment is only to be achieved in 2020, the yearly needs will be 243,000 jobs.

Also, if female participation increases by 5% in 2015 (i.e. from 22.5% to 27.5%), the needs for job creation, with the same unemployment target, would be 295,000 yearly, with 44% new jobs for women[226]. And if this 5% increase in participation is only reached in 2020, the needs decrease to 247,000.

However, the above does not take into account the real resident population: the share of non-citizen Kurds, Palestinian and Iraqi refugees[227]. We can assume that these 'additional resident populations' shall remain until 2020, and that they have the same growth rates and participation characteristics as the resident Syrian population. And it is to be noted that this additional population means that the unemployment rate in 2007 really was much higher: 30.3% in total, 23.0% for men and 57.6% for women. Hence, the needs for job creation transforms as follows: 353,000 jobs will be needed yearly if the 11% is to be reached in 2015; and 287,000 if it is to be reached in 2020.

SYRIA ILO last data including Palestinians, Kurds and Iraqis		Total Labour Force 2007	Current Employment 2007	Needed Jobs 2007-2015	Jobs to be created each year	Needed Jobs 2007-2020	Jobs to be created each year
,000		7,093	4,946	2,822	353	3,735	287
	Male	5,606	4,316	1,935	242	2,649	204
	Female	1,487	630	887	111	1,086	84
	Male	79%	87%	69%	69%	71%	71%
	Female	21%	13%	31%	31%	29%	29%

SYRIA ILO last data only Palestinians and Kurds		Total Labour Force 2007	Current Employment 2007	Needed Jobs 2007-2015	Jobs to be created each year	Needed Jobs 2007-2020	Jobs to be created each year
,000		6,646	4,946	2,589	324	3,475	267
	Male	5,252	4,316	1,662	208	2,344	180
	Female	1,394	630	927	116	1,131	87
	Male	79%	87%	64%	64%	67%	67%
	Female	21%	13%	36%	36%	33%	33%
, 000 (+5% Activity Rate of Women)		6,646	4,946	2,935	367	3,864	297
	Male	5,252	4,316	1,662	208	2,344	180
	Female	1,394	630	1,273	159	1,520	117

225 Note that the size of the labour force in 2007 has no influence on this result.

226 The calculation shows total unemployment would reach 11.7% in this case.

227 Al Khalidi 2007 reports that 55% of Iraqi men and 80% of Iraqi women are unemployed. The others have different jobs in the informal sector.

Even if Iraqis refugees were all to leave for their home country before 2015 leaving only Palestinians and non-citizen Kurds, who are permanent residents, then, if the target is to reach the 8% unemployment rate (6% for men 15% for women) claimed by the government by 2015, the number of jobs needed yearly stands at 324,000; 267,000 is the target if unemployment is only reached in 2020. And the figure would rise to 367,000 and 297,000 yearly if female participation were to increase by 5% in respectively 2015 or in 2020.

The government 10th five year plan is to reach 8% unemployment in 2010 and to increase female participation in the labour force. Even without taking Iraqi refugees into account the needs for job creation stands at 324,000 if this target is only reached in 2015, and 367,000 if female participation is to reach 27% by then.

These needs are to be compared with the 37,000 created yearly in the period 2001-2007 (+104,000 non agriculture; -67,000 in agriculture), and also with the 95,000 yearly for those of age 25-65, the 48,000 for those with better than complementary education, the 20,000 created yearly by state-owned enterprises and the government, the losses of jobs in the formal private sector and the 4,000 created yearly by industry.

Employment is then a very serious issue in Syria.

2. The Labour Market Performance in Syria

2.1 Regulation of the Labour Market

Legal Regulation of work
The Syrian constitution guarantees the rights of and to work[228], as well as the rights of association. It stipulates that:

- Article 36 (1) ‘Work is the right and duty of every citizen. The State undertakes to provide work for all citizens’.
- Article 36 (2) ‘Every citizen has the right to earn his wage according to the nature and yield of the work. The State must guarantee this.’
- Article 36 (3) ‘The State fixes working hours, guarantees social security, and regulates rest and leave rights and various compensations and rewards for workers.’
- Article 16 ‘The law defines the maximum of agricultural ownership in a manner that guarantees the protection of the farmer and of the agricultural worker against exploitation and insures increase in production.’
- Article 45 ’The State guarantees women all opportunities enabling them to fully and effectively participate in the political, social, cultural, and economic life. The State shall remove all restrictions that prevent women's development and participation in building the socialist Arab society.’
- Article 48 ‘The popular sectors have the right to establish unionist, social, professional organizations, and production cooperatives. The framework of the organizations, their relations, and the scope of their activities is defined by a specific law.’
- Article 49 ‘The legally constituted popular organizations shall effectively participate in the various activities and State organizations to realize the following: (1) Building the socialist Arab society and defending the governing system of the country. (2) The planning and guiding of the socialist economy. (3) The development of work conditions, safety, health, culture, and all other affairs pertaining to the lives of the organization members. (4) The achievement of

228 The Syrian Constitution was adopted in 1973, see http://www.oefre.unibe.ch/law/icl/sy00000_.html.

scientific and technical progress and the development of production means. (5) The popular supervision of the functioning of government.'

Not many of these constitutional provisions and rights are effectively implemented. And in fact, Syria is now in a constitutional transition stage. The liberalization measures initiated in 2005, were made in the name of a transition towards a '*Social Market Economy*', agreed by the Congress of the Baath Party, constitutionally '*leader of society and the State*'; while the same constitution stipulates the Syrian State as '*democratic, popular and socialist*'[229], with a '*socialist economy'*.

Several laws regulate the labour market[230]. But in practice, the current laws are not properly enforced. Free trade unions and strikes are forbidden. And, with the current 'reforms', the Ministry of Social Affairs and Labour (MOLSA) initiated, in 2004, a new labour code for private-sector employees. The initial project led to a major controversy[231], especially concerning its principles where it stipulates '*a work contract is to be considered as a 'free' contract between two parties*', including its dismissal provisions (where the present governing Decree 49 of 1962, stipulates in particular that '*no employer can end the contract of an employee, without his knowledge and without prior authorization from the Commission for Dismissal Affairs'*). The controversy also concerns questions of freedom of association and the contradictions between the project and signed ILO conventions. The project is still pending in 2009.

For public-sector employees, a new law has been promulgated also after some controversy and debates. For example, on the issue of dismissal, this can now be authorized by the Prime Minister without any justification (law no 50 of 2004 regulating work in state institutions).

ILO conventions

Syria has ratified many of the essential conventions of the ILO. Continuous dialogue is maintained between the government and the ILO concerning non-conformities to the ratified conventions, and the ratification of others. The last ILO recommendations to the Syrian authorities states: '*The Committee recalls the information supplied by the Government* (of Syria) *in August 2007, indicating that the National Committee for Consultation and Social Dialogue periodically conducts a legal review of the Conventions which have not yet been submitted to the competent authorities for ratification. It noted previously that the Conventions thus examined with a view to their ratification include Conventions Nos 97* (migration)*, 150* (labour administration)*, 173* (protection of workers claims) *and 181* (private employment agencies)*, and that, moreover, the tripartite committee had endorsed the proposal to ratify Convention No. 187* (occupational safety and Health)*. The Committee recalls that 40 of the instruments adopted by the Conference are still waiting to be submitted to the People's Council*.' The MOLSA only envisages the ratification of conventions 102 (social security minimum standards) and 159 (vocational rehabilitation and employment of the disabled)[232]. Very little of this debate appears before the public, as unions are under the control of the Baath party and the Syrian 'power system'[233].

Legal hiring modalities

A new employer need simply declare the work contract to the MOLSA and to the Social Security Establishment (GSSE)[234]. But, given the size of the informal sector, it is clear that this procedure is not necessarily respected. And when contracts are declared the real salary is not always declared so as to minimize social duties to be paid to the SSF. The MOLSA has a very weak organization to be able to check hiring conditions and relative contracts.

229 See Aita 2007.

230 For an exhaustive list, see: http://www.barasy.com/forum/forumdisplay.php?s=&daysprune=&f=114

231 For an insight into the relevant debates, see in particular: "Al Hewar Al Motamadden" (the modern debate), www.ahewar.org; especially issue 1579, June 12, 2006; and "Al Badil" (The Alternative), www.albadil.net.

232 See: http://www.molsa.gov.sy/index.php?m=202

233 See Samir Aita: "Reform, State and Politics in Syria", Samir Radwan & al. Ed. 2007.

234 http://www.taminat.gov.sy/en/

Regulation of working conditions

Work relations in Syria are organized by several laws, related to each economic sector.

- Private sector employees are governed by law no 91 of 1959[235], as amended by Legislative Decree no 132 of 1960, Decision no 124 of 1981, and, more recently, by Law no 24 of 2000. Also, the dismissal of employees is regulated by Decree no 49 of 1962. These regulations are often not respected in Syria, even in the formal private sector. In particular, as ending contract conditions are stringent, most employees sign an undated resignation letter, simultaneously with their hiring contract, if there is one. Over the last decades, the MOLSA has made no serious efforts to enforce the various stipulations of the law.
- Government and public-sector employees are governed by Law no 50 of 2004 (which replaces Law no 1 of 1985, called the 'Unified Law for Employees'), except for professors at public universities, employees of research institutions, judges, military personnel, customs officials, the employees in the public airline and maritime companies, and local employees in embassies, all of whom are governed by special laws.
- Law no 92 of 1959 regulates the social security issues for both government and private-sector employees. It has permitted the founding of the Social Security Establishment (GSSE), which provides retirement pensions, and in which 2.8 million employees are registered: 86% of government employees and only 22% of formal private-sector employees[236]. The employee subscribes with 7% of his monthly salary, while the employer pays 14%[237]. Private-sector employers complain about these 'costs', arguing against the charges and the bad management of the GSSE. Several years of subscriptions have not been paid even by government companies, and the MOLSA has been lax in imposing social security regulations. However, the GSSE was known to manage surpluses of up to US$600 millions in 2004. Another fund, the Insurance and Pension Fund, protects the retirement insurance of the remaining employees in the government sector which has not been covered by the 'Unified Law for Employees'. Most of its subscribers are now in retirement. In 2004, it had 135,000 subscribers and 156,000 retired employees. And it had a yearly deficit of up to US$ 140 millions, well above the yearly surplus of the GSSE. Each professional association (physicists, engineers, etc.) also has its own complementary fund for retirement. For years, calls have been made for a global reform of the health and retirement system in Syria, including better enforcement and better management of the funds. Recently, new private insurance companies have been allowed to enter the Syrian market, and are offering health and retirement insurance schemes. And the government is considering the creation of a mixed public-private sector institution for health and retirement insurance[238].
- The Syrian constitution grants employees and workers the right to form unions. However, in practice, only two major unions exist in the country: the General Federation of Workers Unions (GFWU) and the General Union of Peasants (GUP). These unions are controlled by the Baath party ('*leader of State and society*') and by the authorities. GFWU groups several regional unions, as well as those organized by industrial sector, e.g the Union of Construction Workers, the Professional Union of the Textile Sector, etc. In addition, other professional unions exist in Syria for teachers, doctors, engineers, lawyers, etc., as well as a General Union for Women, which specifically fights for women's rights. The Baath party and security services control the elections and the functioning of these unions. No strikes (forbidden) or negotiation processes (except recently for the new labour law, under strong pressure from the bases) were organised by these unions. The last major social movement dates from the 1970s. Some professional unions have called for the end of the state of emergency[239] in the country

235 Available at www.arablaw.org in Arabic, see also the ILO legal database Natlex http://www.ilo.org/dyn/natlex/natlex_browse.country?p_lang=en&p_country=SYR.

236 See Samir Aita (coordinator): Country Profile Syria, 2005.

237 See AITA 2005-1.

238 See http://www.moi.gov.sy/ar/pid4764.html.

239 A state of emergency was declared in Syria in 1962, before the 1963 revolution/coup which brought the Baath party to power. The new Constitution approved by plebiscite in 1973 did not end the state of emergency.

and a return to the rights of association. The leaders of the movement were condemned by exception courts[240] and jailed for several years. The state of emergency is still in force. The adhesion to these controlled unions is in practice mandatory, as no one outside a union can exercise his or her professional activities in a normal fashion.

- Agricultural workers are a special case. They are governed by the recently amended Agricultural Relations Law[241]. Its article 6 defines the workers in this category and creates some confusion by considering the employees of state agricultural establishments[242] as 'workers' having to adhere to GFWU, while those organized in cooperatives or working for a private owner are considered 'peasants' and should adhere to the General Union of Peasants (GUP). The GUP has a different status than GFWU, as it includes both employees and employers (owners), while GWU is only a Union of employees and the owners are organized in the Federation of Chambers of Commerce and Industry.

It should, in any case, be clear that labour laws are very far removed from the 'dreams' of the 1960s, where there were major calls to protect the most socially-disadvantaged workers: the seasonal workers in agriculture, for example, who can be counted in the hundreds of thousands [243].

On these issues, it is worth noting that the 'Doing Business' index[244] published by the World Bank and IFC ranks Syria favourably by its employing workers criteria, comparatively to the region and OECD countries, except for the difficulty and cost of firing[245]. The index shows a substantial improvement in the ranking of the country in the last years.

Intermediary institutions in the labour market

The old public agencies for employment in Syria have mostly lost their role. Private employment agencies have only recently been legalized, as have agencies for the employment of foreign workers and family assistants. Conscious of the challenges presented by unemployment, the government created, in 2001, an Agency for Combating Unemployment[246] (ACU). ACU was, from the beginning, conceived as a micro-credit agency to boost small and medium-size projects, especially in rural areas. It took almost 2 years after its creation for its financing schemes to be clarified, while it received funds from the government and different donors. Around 5 billion Syrian pounds (around 83 million €) were budgeted in 2005 to help finance 25,000 family projects and 15,000 small projects. It also established private-public partnerships for training employees with promises of employment[247].

ACU, it was hoped, would create 450,000 job opportunities within 5 years. It claims though that it only achieved between 175,000[248] and 196,000[249] jobs: figures that would mean 81% or 91% of all jobs created between 2001 and 2007. A lot of criticisms were addressed to the ACU, and major controversies were kicked up concerning unemployment and poverty figures, the necessary action plans, and many other issues, including the confusion between the ACU's role and that of classical banks (which also started micro-credit activities, especially state-owned banks) and other 'welfare' associations: for example, the Syria Trust for Development[250] created and managed by Syria's First Lady or the Agha Khan Fund for Economic Development[251].

240 As for the State Security Court.

241 Law no 56 of 29/12/2004.

242 Similarly to those working in the agriculture industrial establishments, who belong to the Union of Agricultural Development and Agro-Industries in the different governorates.

243 See Samir AITA: "L'economie Syrienne peut-elle etre sociale? », 2007.

244 See: www.doingbusiness.org

245 See Aita and Al Musbeh 2006.

246 Law no 71 of 2001.

247 http://www.syria-news.com/readnews.php?sy_seq=3306

248 http://www.an-nour.com/index.php?option=com_content&task=view&id=166&Itemid=58

249 http://syrianelector.com/index.php?option=com_content&task=view&id=3096

250 http://www.syriatrust.org/

251 http://www.akdn.org/syria_microfinance.asp

Finally, the General Manager of ACU had criticized government policies in an official newspaper,[252] after the reduction of ACU's budget by a third. He was dismissed and ACU was dismantled and replaced, in 2006, by the General Organization for Employment and Projects Development (GOEPD)[253], which also focused on micro-credits. But here, like NGOs acting in Syria, the number of credits and training programs are to be counted in their hundreds.

Wage formation and labour cost

There is no formal process for the negotiation of the level of wages in the country. The level of salaries is driven by those in the public sector, which have remained almost fixed for decades, while inflation was significant. In the first years of the present century, several general increases in salaries were given as Presidential 'gifts' (25% in 2000, then 20% in 2002 and 2004, then 25% in 2008); later, in 2006, a bonus of 50% of a month salary was granted. Usually, when the salaries of state-owned institution employees increase, this is followed by pressures for a similar increase in the formal private sector. With the recent liberalization of the economy, the salaries of the most qualified personnel (especially those with foreign language skills or having banking knowledge) have increased especially as there were strong incentives for such personnel to immigrate (mainly to the Gulf countries).

Regulation and compliance with minimum wage

The minimum wage in Syria increased in 2008 from 5000 Syrian pounds (SYP) (83 €) a month to 6250 Syrian pounds (103 €), following a general increase in salaries granted by presidential decree[254]. However it has lately become a more complex tool. The MOLSA has differentiated minimum wages for the different working categories in the private sector. For example, in March 2009, MOLSA fixed the minimum monthly salary for movie theatre operators at 6500 SYP, and for his assistant at 6496 SYP, for the general sweet manufacturer 7440 SYP, while the *Kenafe*[255] oven operator receives 7290 SYP, the sales person 7084, and the handler and server 6500 SYP[256]. This minimum salary can also be a function of residency.

It is worth noting that a monthly salary of 6250 SYP is equivalent to US$ 134, i.e. US$ 4.5 per day. This means that such a monthly salary cannot sustain a typical Syrian family (on average 5.6 persons) above the poverty line. An economist has recently[257] calculated the minimum monthly family salary for assuring food subsistence above poverty line at 13,580 SYP (224 €), and, if other needs are taken into account, 22,063 SYP (364 €).

Here it is worth noting that the formal private sector complies with the minimum wage only for employees registered at the Social Security Establishment (22% of total). As mentioned earlier, employers tend to register most employees at this minimum wage so as to reduce social-security charges. Salaries in the informal sector are mostly below the minimum wage level.

252 http://www.tishreen.info/__archives.asp?FileName=24491904420050111222230l

253 Law no 39 of 2006; http://www.molsa.gov.sy/index.php?d=253

254 Laws no 24 and 25 of 2008.

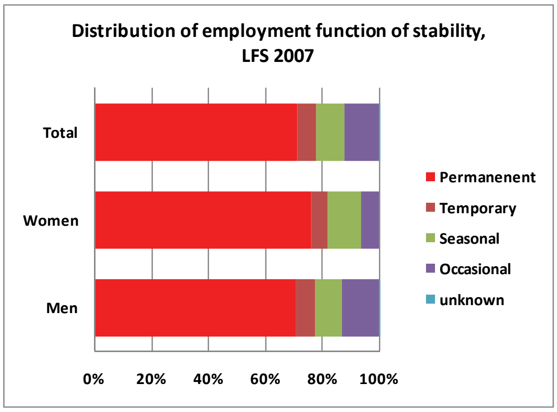
255 A sweet speciality found in Damascus.

256 See: http://www.aksalser.com/?page=view_news&id=012b101b7c63003e849335e5fb35c498&ar=909714936

257 See Kadri Jamil, Syrian Economic Sciences Society, April 22, 2008: http://www.mafhoum.com/syr/articles_08/jamil.pdf

Job stability and trends

The 2007 labour force survey shows that more than 70% of the employed have permanent jobs. Female jobs seem even more permanent than those of men; but this result should be taken cautiously, as female work in agriculture is seasonal, and the data may reflect the exceptional drought year of 2007.



Overall assessment of labour market flexibility

The World Bank has established, on the basis of surveys, an index on rigidity of employment[258], based on an average of 3 sub-indices: difficulty of hiring, rigidity of hours, and difficulty of firing. In the last update, Syria stands at 34 in this index (100 = completely rigid), while Algeria scores 48, Egypt 27, Lebanon 25, Morocco 63 and Tunisia 49.

In fact, effective rigidity is much less than that reported by the World Bank, because of non-compliance with the legal provisions of the labour market: there is a generalized practice of signing undated resignation letters at the same time that the labour contract, a lack of effective inspection organized by the Ministry of Labour (MOLSA); the MOLSA does not many aspects of labour laws; etc. And if the assumed high index for the 'difficulty of firing' were adjusted to reality, the Syrian labour market would be even more flexible than that of Lebanon.

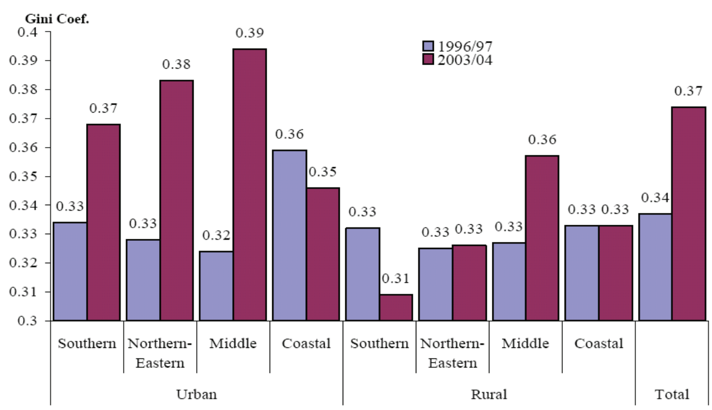
The labour market in Syria is one of the most flexible amongst Arab Mediterranean countries, because of the pressures of labour force supply and high unemployment and systemic non-compliance with existing regulations.

2.2 Wage and National Income Analysis

GDP and National Income

Syrian GDP stood, in 2007, at between € 29[259] and 34 billion according to sources (IMF, WB, Syria CBS and CIA World Fact book). The PPP value is given between € 67 and 69 billion. This gives a *per capita* GDP ranging from between € 1,450 and 1,700 (depending on whether Iraqi refugees are considered or not), and for PPP € 3,100 and 3,500. This is 10 times less than the European average.

Figure 2.7: Changes in the Gini Coefficient by Region



National Income Distribution

According to a UNDP survey[260], 'Between the years 1997-2004, inequality in Syria, as a whole, rose (the Gini index rising from 0.33 to 0.37, and the coefficient of variation also increased from 82 to 88%). In 2003-2004, the bottom 20 per cent of the population consumed only 7 per cent of all expenditures in Syria, and the richest 20 per cent consumed 45 per cent. Once again, regional variations were significant: in the rural areas of the Southern region,

258 http://www.doingbusiness.org/

259 The Syrian pound is mostly pegged to the US$: 50 SYP before 2005, and 46.5 since then. To simplify, we take here a fixed euro/US$ exchange rate of 1.3.

260 UNDP, June 2005

inequality improved whereas it worsened in the rural areas of the North Eastern region. However, the rural-urban variations were equally noticeable as inequality in urban areas increased significantly, but it did not change in rural areas.'

Other sources have the Gini index evolving towards 0.42 in 2008[261]. While the deputy Prime Minister for economic affairs has recently claimed[262] that it has decreased from 0.37 in 2004 to 0.36 in 2007.

Proportion of wages in national income

The 'Statistical Abstracts' of Syria do not clearly give the distribution between salaries and benefits in income from domestic factors. It is also worth noting that the contribution of compensation from abroad is small and negative for the years 2006-2007.

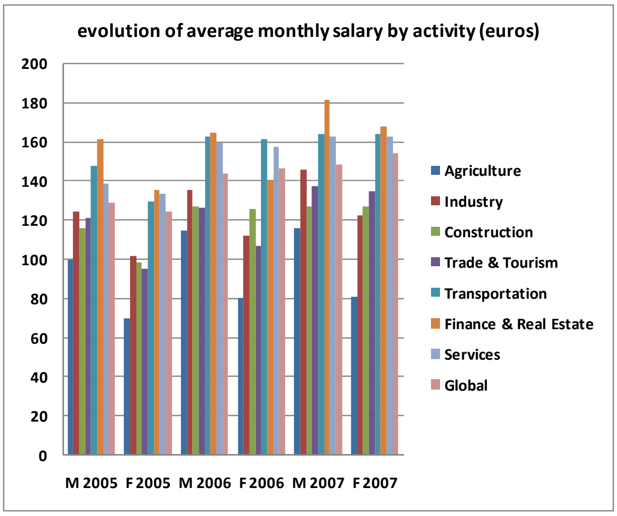
A Syrian economist[263] recently estimated this distribution as follows:

- 19.8% salaries for an average monthly salary of 8,693 SYP (€ 144);
- 32.3% mixed salaries and profits for own employers (including 2.1% for self production of agriculture; 8.1% revenues from housing rentals; and 22.1% for the self-employed);
- 57.7% profits (including 22.4% oil revenues; 4.9% profits in the financial sector; 30.5% profits in the formal private sector; and -9.9% net taxes).

Another economist[264] has nevertheless shown using different surveys that the average salary in Syria has increased by only 22%, while the national income increased by 26%, indicating that distribution is becoming more favourable to profits rather than to wages. Depending on the method of calculation, the share of salaries for 2005 ranged from 14% to 23%[265].

Average wages

After the 1986 crisis, the levels of salaries in Syria declined sharply in terms of purchasing power. Despite the high levels of inflation, salary levels in the government sector were almost fixed in their nominal value until the first years of the present century. And, these government salaries, as well as the increase in unemployment drove down the general salary level in the country. Several bulk salary increases have been made in the last years, and the average monthly level stands in 2007 (in the LFS) at around 150 € (148 € for men, and 154 € for women, as the informal sector share of women is much lower). Despite the major 'presidential' increase of 2006, the salaries still do not follow inflation.



The lowest monthly average salaries (81 €) are for women in agriculture, and the highest are for men in finance (181 €). And the average salary in industry stands at 146 € for men and 123€ for women.

261 http://en.wikipedia.org/wiki/List_of_countries_by_income_equality

262 See http://www.souria.tv/ar/em/hl/article.asp?at=25758

263 Seifan, 2008

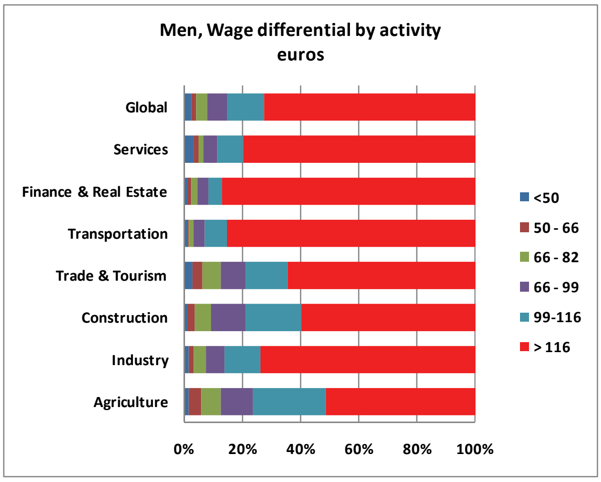
264 Jamil 2007.

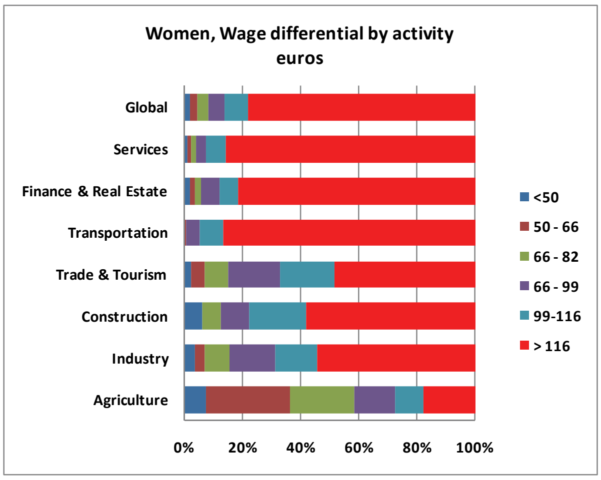
265 Jamil, 2008.

Wage Structure and Wage Differential

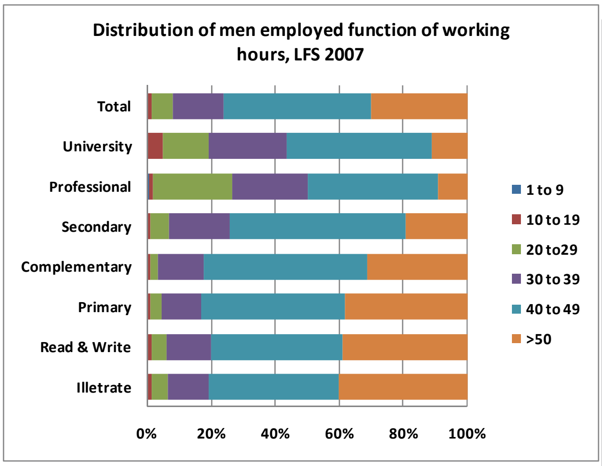
The 2007 LFS differentiates the levels of salaries at 7,000 Syrian pounds (116 €). Globally, the share of women with salaries (>116 €) is higher than the share of men, mostly because this is the case in services where women have around 60% of their total jobs, notwithstanding their very low salaries in agriculture. And it is worth noting that, if their activities were as in LFS 2001, when 55% of the jobs were in agriculture, their average salary levels would be much lower, and the differential much wider.

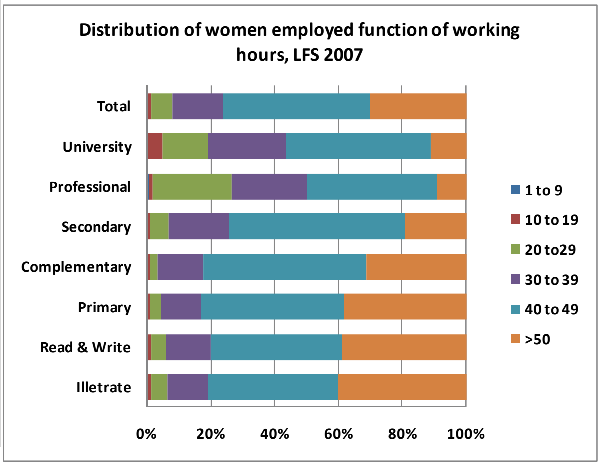
As in agriculture, the spectrum of female wage distribution in industry is much wider than for men: half of the salaries are below the 116 € threshold.





Working hours





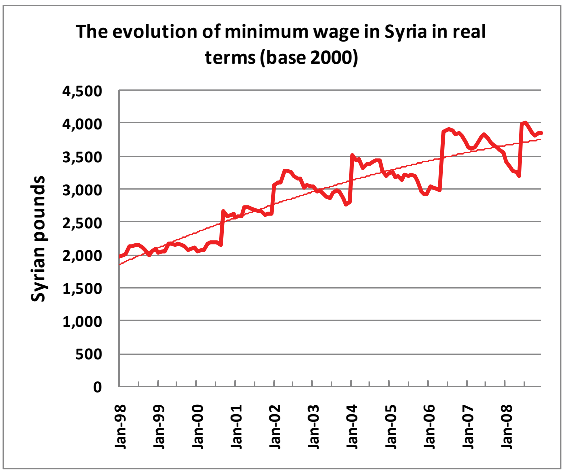
The 2007 LFS data on employment shows that around 78% of the employed work for more than 40 hours per week, and around 30% work more than 50 hours. Except for those with professional education, the number of hours seems to decrease with education; the university educated working less hours.

Wage Trend index, convergence with EU

As discussed above, the minimum wage has seen increases in the 1980s. In 1985[266], it was set at 625 SYP (i.e. US$ 104, by the then exchange rate). In 1986, Syria experienced a major financial crisis, stopping the payment of its international debts. Quickly the Syrian pound devalued (US$ 1 from 6 to 22, evolving to around 50 in the 'free market' in the early 1990s), and inflation rose in Syria. Several increases in the exchange rates were carried out in 1987, 1989 and 1999 (globally +163%), but these increases never compensated for the loss in purchasing power.

266 Law no 1, February 1985.

In the first years of this century, the minimum wage was set at 2645 SYP (US$ 53), and as the exchange rate remained globally fixed (pegged to the US$) the subsequent increases only recently led the minimum wage to its 1980s value in US$. In 2008, it reached 6000 SYP (US$ 129 = around 100 €). This wage is comparable with that in Bulgaria (112 €) and Romania (141 €) in the EU, but is far below that of Turkey (254 €), Greece (681 €) or France (1280 €).



In terms of real value in the country and taking inflation into account, the minimum wage has seen improvement; but such improvements have decelerated with the increase in inflation: the official inflation rate in 2008 was 15%.

Syria *per capita* GDP, even in ppp terms, is around 10 times lower than the average *per capita* GDP in Europe. The Gini index is above 0.36, and is expected to have increased in recent years with the liberalization of the economy. The proportion of wages to national income is low, less than 23% in the best estimates. But the large size of the informal sector means that another similar share constituted by the revenues of the self-employed could also be considered as quasi-salaries.

Even with the efforts made by the authorities to increase the reference state-owned sector salaries and the minimum wage in the last decade, salaries in Syria are low compared to neighbouring countries, including Lebanon and the Gulf countries, and far below European levels. The high level of unemployment, especially after the return of Syrian circular workers in Lebanon and after the arrival of a large number of Iraqi refugees, has pushed the value of salaries downward. A larger share of salaried workers is oriented then towards the private informal sector, and private industry has been known to call for the importing of labour from Asian countries. The current average salary is assumed to be around 150 € (1.8 times the minimum salary), i.e. 300 € ppp.

3. Main Labour Market Performance Issues and Challenges

3.1 Unemployment Situation and Trends

Unemployment Situation and Trends

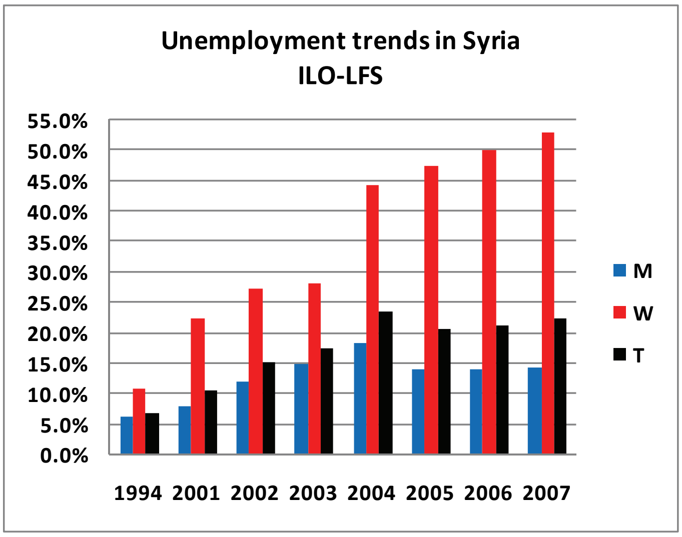
The question of the unemployment level is one of the most controversial issues in Syria. Inward and outward migration, permanent and circular, internal migration, participation in the work force and informal economy all significantly influence unemployment.

As seen above, the official LFSs show that only 36,000 annual jobs were created in the period 2001-2007; while this rate was 223,000 for the period 1994-2001, and the yearly rate for labour force supply is above 250,000. The details show that 52,000 jobs were created annually for men (2001-2007), whereas female jobs experienced an average reduction of 35,000, mostly in the agriculture sector. In the 1994-2001 period, the corresponding yearly average creations were 159,000 jobs for men and 64,000 for women. Accordingly one can question how the official total evolved from 7.0% in 1994 towards 11.2% in 2001 and then declined down to 8.4% in 2007.

It is worth noting, that even with these official figures (where the work force increased only by around 125,000 between 2001 and 2007), female unemployment stood at 11.1% for 1994, 23.9% for 2001 and 25.7% for 2007; and that the share of those 'who had never worked before' stood at 71% (86% for women) for 1994, 89% (97% for women) for 2001 and 85% (93% for women) for 2007.

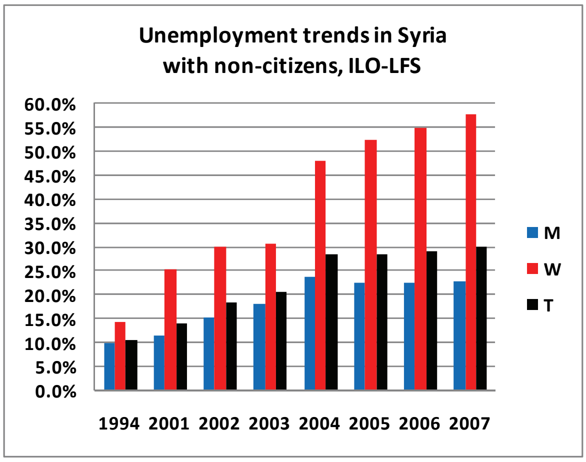
Thus it is reasonable to consider the most recent ILO model of the Syrian work force that does not take non citizens and refugees into account, with 219,000 additional yearly supplies to the labour market, see chapter 1. With this basic work force, and the employment data of the LFSs, the unemployment rate would have been 10.8% in 2001 (excluding those younger than 15[267], with 7.9% for men and 22.5% for women) and 22.6% in 2007 (14.5% for men and 53.0% for women).

So the ILO labour force data will be taken for 2001[268] and the years following: and the LFS employment data for assessing unemployment. This leads to the following trends of unemployment, even without taking non-citizens and refugees into account. Global unemployment would have increased gradually from 1994 to 2004, when it would have reached a peak of 23.6%; then it suddenly decreased to 20.9% in 2005; and increased to 22.6% in 2007.



The sudden decrease in 2005 was due to male unemployment: from 18.4% in 2004 to 14.2% in 2005, precisely the year that Syria withdrew from Lebanon and Iraqi refugees arrived. One plausible explanation of this sudden decrease is that the workers returning from Lebanon sought jobs in Syria. Another sudden change in unemployment numbers was for women between 2003 and 2004: from 28.1% in 2003 to 44.2% in 2004. Had the Syrians returning from Lebanon or the refugees effectively taken jobs from women?

Now, if non-citizen Kurds, and Palestinians and Iraqi[269] refugees are taken into account unemployment would have been 10.6% in 1994 (14.5% for women), evolving to 14.2% in 2001 (25.4% for women). While the trend was increasing smoothly (the macro-economic policies failing to produce new jobs), a jump occurred in 2004 (with the arrival of the Iraqis) towards 28.7% (and to 48% for women). After 2005, the male unemployment rate stood at around 23%, at the expense of women more of whom became unemployed. Such an assessment leads then to a global unemployment rate in 2007 of 30.3% (23.0% for men and 57.7% for women).



267 After 2001, the LFSs excluded the reporting on the <15 for the labour force and for employment; note that the unemployment rate using ILO work force data (10.8%) is close to the official figure of 11.1% (which include the <15 in the labour force and employment).

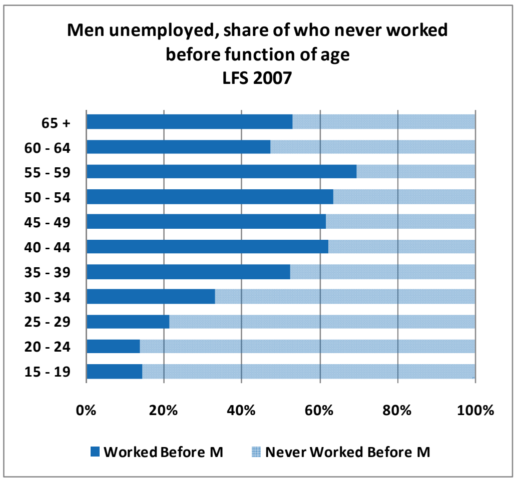
268 As there is no reason for a major decrease in participation as in the accounting of the work forces in the LFSs after this date.

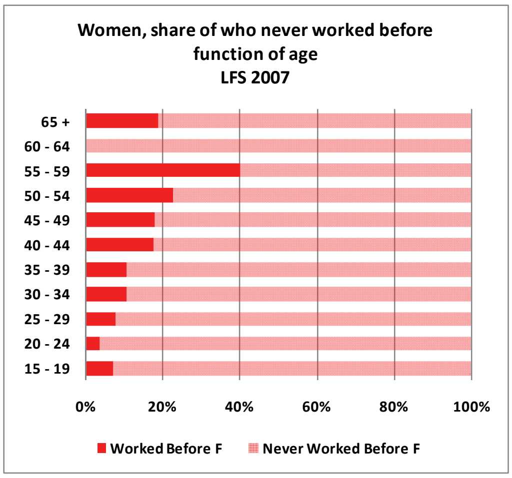
269 A partial survey showed that unemployment amongst Iraqis in Syria reached 52.9% for men and 80.7% for women; 3.4% of young boys (<15) and 2.1% of young girls are active. See Aita and Al Musbeh 2006.

Composition of unemployment
It is difficult to assess the characteristics of unemployment owing to the large variations in labour force size as discussed above. The composition of the labour force certainly changed during the period 2001-2007, taking in a larger share of younger Syrians, with lower shares for agriculture, higher shares in the informal sector, and probably also higher shares for the educated.

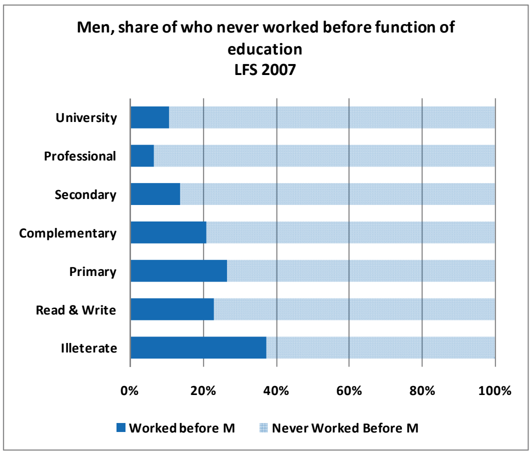
But even with this major difficulty, it is interesting at this stage to look at some of the characteristics found in the 2007 LFS.

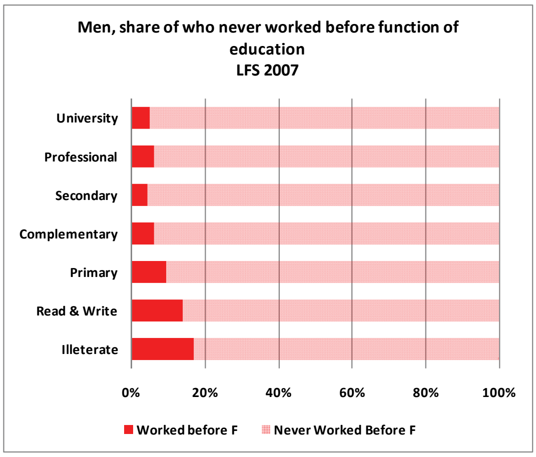
Share of those who have never worked before
The LFS breaks down numbers by age of the unemployed between 'those who have worked before' and those 'who have never worked before'. And it is interesting to note that the second category is dominant for the young and for women. But for all ages, the share of those 'who never worked before' is astonishingly high. One would have expected this share to be much lower than 35 to 40% for men in middle age. Such features imply then that there is endemic high unemployment in Syria.





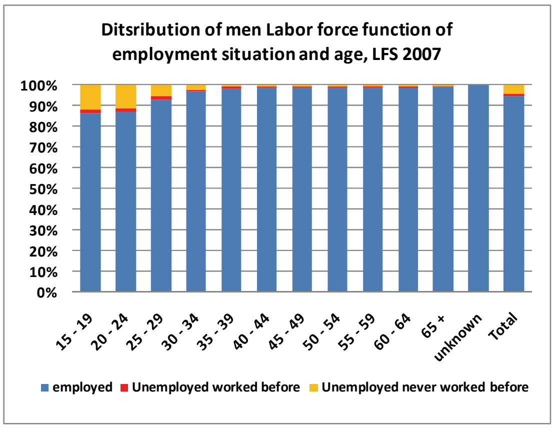
The same observation can be also made when these unemployment categories concern education. The share of those 'who have never worked before' is high for all education categories; and it generally gets higher with education.

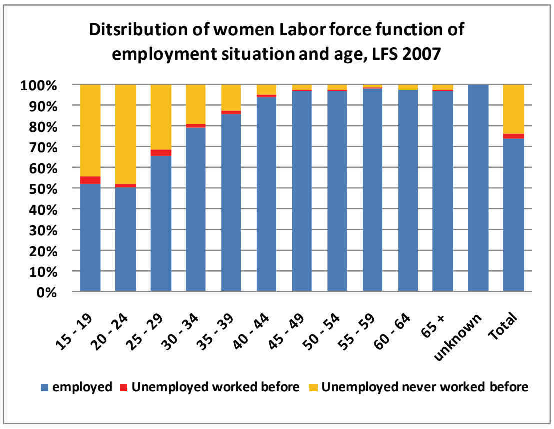


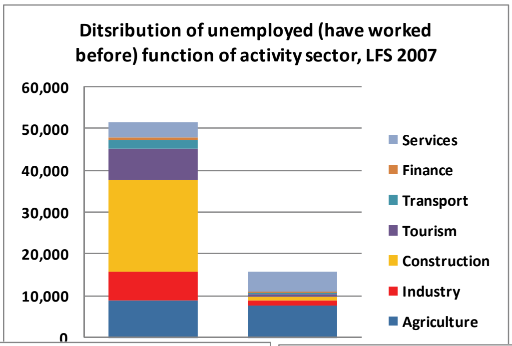


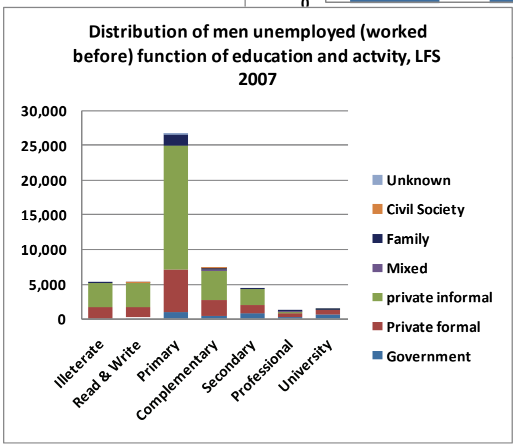
Composition of unemployment
Even if the labour force data of the official LFSs are questionable, it is interesting to report some of the features reported on the unemployed in 2007 LFS qualitatively.

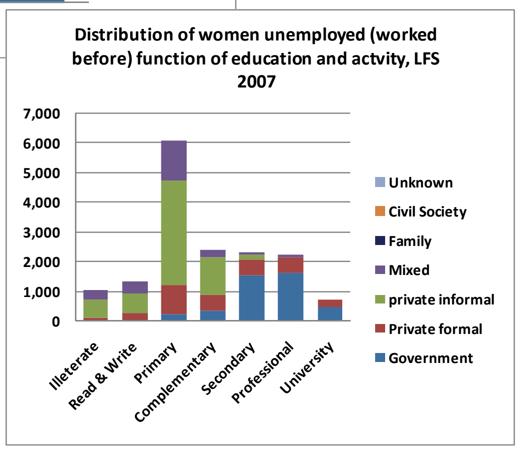
As far as the age and sex distribution of the unemployed are concerned one can observe that the youngest are qualitatively by far the worst hit by unemployment – women more severely than men, and also that (as discussed above) most of the unemployed have never worked before. The 2007 LFS also reports the relevant activities among the unemployed who had worked before. Besides the absolute numbers being astonishingly low, men are mostly hit by unemployment in construction and agriculture, and women by unemployment in agriculture and services.











Finally, the distribution of the unemployed who have worked before is given in the 2007 LFS. Most unemployed males in this category have only primary education, and were working before in the private informal sector. In the case of women, besides the informal sector, what is striking is the number of unemployed women who have worked for the government.

Unemployment benefits
There is no unemployment benefits in Syria.

Correcting the labour data to those of the recent ILO model, unemployment in Syria stood in 2007 at between 22.6% and 30.3% (if non citizens are accounted for). A sudden change in unemployment occurred in 2004 and 2005, due to the return of a large number of Syrian circular migrants from Lebanon, and due too to the arrival of Iraqi refugees in Syria.

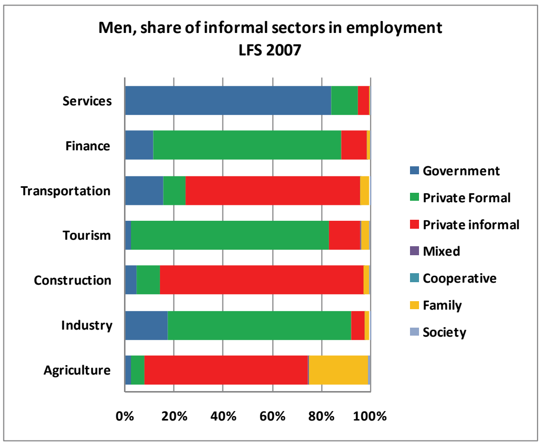
3.2 The Informal Economy

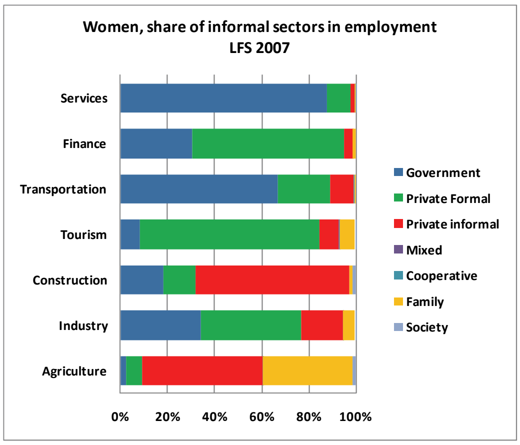
In an earlier report[270], light was shed on the question of the definition of an informal economy and informal employment, and the ideological manipulations behind these definitions. Whereas it used to be a concept applied to describe the traditional (non modern capitalist) sectors of the economy, it moved to designate (*informal employment*) working activities that were not regulated by the State, and then became a "*permanent and subordinated characteristic of new capitalist economies*", even in developed countries, a characteristic which increases in times of crises[271].

The share of the *informal economy* was estimated at around 35% in the Arab Mediterranean countries in the first years of this century. But estimates for Syria varied between 19% and 59%[272], the share rising in periods of economic growth, because of outdated regulations.

In the analyses here above, it was shown that most of the employment created between 2001 and 2007 in Syria was *informal employment*. In 2007, their share reached 41% (42% for men and 28% for women).

Here also, it is interesting to analyze the characteristics of the informal economy as a function of economic activity, as in LFS 2007. The data there shows that informal employment (informal private sector and family) constitutes more than 90% of agriculture employment. Its share is also high in transportation and construction. But, it is believed to have only a low share of other economic activities. However, the low share in services and industry are questionable. The generally lower share for women is also questionable. Excluding agriculture, informal employment is assumed to constitute about 31% of male jobs, and only 5.8% of female jobs.





Besides informal employment, government and private sectors shares in the service sectors seem inconsistent, especially in 2007, after the liberalization of the economy and development in trade and services in the economy.

The size of informal employment (and the informal labour force), even outside agriculture, is expected to be much higher than that reported in the LFS. But this does not lower the estimation of job creation needs. On the contrary, they make them higher, as the notion of the job to be created is that of a *decent formal job*.

270 See Aita and Al Musbeh 2006.

271 See ILO 2002.

272 See also Aita & Al Musbeh 2006.

3.3 Inward and International Migrations in the National Labour Market

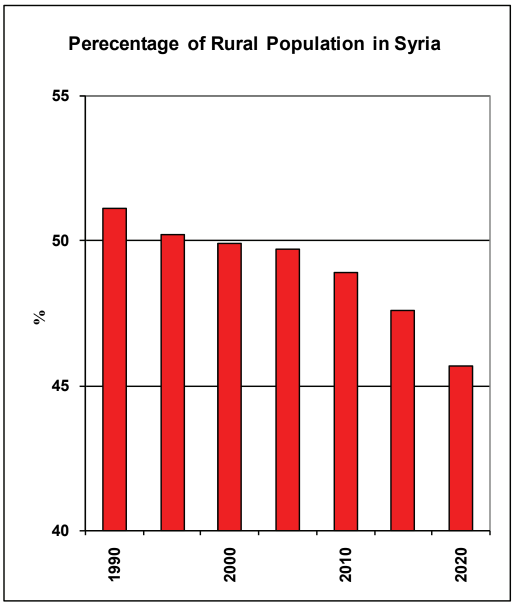
As noted in chapter 1, the question of inward migration is a central and yet difficult issue in the national labour market, which has barely been addressed in either the scientific literature or by civil society or, indeed, by the Syrian authorities.

Regulation of inward migration

Arab nationals do not need visas to enter and stay in Syria. Normally, non-citizens needs a work permit (except Palestinians who, in Syria, contrary to the policy of Lebanon, have the right to work formally) and a special visa. But the size of the informal sector and non-citizens makes this regulation relatively unimportant. Only on some political occasions were work permits required for some Lebanese migrants, in particular during the tensions between the two countries in 2005-2006. Also, the many Iraqis now based in Syria were asked to renew their visas following an agreement with the new Iraqi authorities. But these regulations are not assumed to have a major influence on the labour market or on inward migration.

Syria has also recently brought in Asian and African foreign labour for home assistance. The numbers are likely to be now in the tens of thousands, though there are no reliable statistics. And the government issued a decree in 2006 to regulate the operations of their private employment companies[273], in a new step to liberalize foreign employment.

Public policies are now more open to foreign Asiatic employment than a decade ago. But there is no official data or discourse or declared policies on the issue of Arab workers (Iraqi, Palestinians, etc.), now in large numbers in Syria, mostly working in informal employment (industry, services, etc.).



Internal migrations

In addition, the UNPP has suggested that Syria will experience an acceleration of migration from rural to urban areas in the next years. This is certainly consistent with the job losses in agriculture set out above. These job losses and migrations will have a serious impact on the labour market in urban areas and the labour market for non-agricultural jobs. Normally, it would only be measured in the next general census around 2014; but the Central Bureau of Statistics has recently launched a survey focused specially on this subject. The LFS and population statistics constitute the only interpolations in the last census in 2004.

This demographic transition also suggests that the labour market in agriculture is saturated, and even poses the problem of productivity improvement in this sector.

Most of the jobs needed are urban jobs. This calls into question the macro-economic, social and development policies of the authorities for the development of rural areas and small cities.

273 Prime Minister Decree no 81, 2006.

3.4 Major Challenges

The analyses above pose several challenges for the Syrian labour market:

- job offers in the labour market are far below supply; the current economic policies (sudden liberalization) have had a negative impact on net jobs creation;
- the deregulation of the labour market and the very large size of informal employment (less than 41% of the total); current policies tend towards further liberalization and deregulation, without liberalizing the rights of unions and association, and without the enforcement of labour rights;
- the authorities did not address the impact of recent events (Lebanon, Iraqi refugees) that have had an important impact on labour market supply;
- And, most importantly, children in work seem to be growing, a result of the increase in poverty, with lack of effective active government policies to mitigate it.

Female employment

- Female participation in the work force and effective employment seem to be controversial issues in official data and discourses. It will be important then to assess these issues more carefully in coming labour-force surveys, with more insights on women and work.
- Between 2001 and 2007, women seem to have gained jobs only in the state-owned and family sectors: they are assumed to have lost jobs in both the formal and the informal private sector. It is important then that the authorities establish an active program for fostering female employment in the private sector.
- Unemployment hits young women and especially those with low education and those in rural areas. It is important then that the authorities establish a clear policy for creating jobs, targeting those categories.
- Informal employment is generally precarious; and the situation is worse for women. It is important then that authorities establish an active policy to reduce informal work, impose regulations, after clarifying them, in order to foster and protect female employment.
- Like men, women have no right to form independent unions to defend their working rights and to help them with any problems that they are facing. It is important that the authorities liberalize the right of association, in conformity with the constitution and international conventions.

Youth employment

- Syria is facing its largest growth rates of labour supply as a result of its former ‘baby boom’ and the arrival of Iraqi refugees. The unemployment rates are highest among the youngest, and new government policies have not led to the creation of sufficient jobs. It is important that the authorities establish training and occupational activities for the young, until the wave of labour force supply has passed.
- The main government policy for employment was the creation of the Agency for Combating Unemployment, which later became the General Organization for Employment and Projects Development. Both were focused on micro-credits. The same has been done by different NGOs now active. Not all have been organized to meet the size of the problem: more than 257,000 new comers every year. It is important that the authorities modernize and activate the employment offices, and establish a clear information system in the economic sector, and design employment policies which can meet the size of job creation needs.

Education, training and employment

- Syria's education system has seen a significant percentage of children in primary schools leaving education to seek employment, to help with family subsistence. Instead of reforming public education at the secondary level and at university to adapt it to the labour market, the government allowed the creation of private universities reserved for wealthy families. It is important that the authorities establish a program to reform the education system, a program with more vocational training centers and university specializations, better adapted to the needs of the labour market.
- A significant share of the unemployed in all age categories has never worked before: this is especially true for women. And even if employment is a priority for the young, it is important that the authorities establish a clear active program to address the needs of training and qualification for the unemployed of all ages.

4. Employment Policies and Labour Market Reform

4.1 Institutional setting

There is no formal employment policy in Syria with a clear implementation plan from the Ministry of Labour and Social Affairs. Employment is one of the issues of the 10th five year plan (2006-2010), prepared by the State Planning Commission, and adopted by the government. Its overall execution is the responsibility of the Deputy Prime Minister for Economic Affairs. The General Organization for Employment and Projects Development, formerly the Agency for Combating Unemployment is also in charge of specific implementation tasks.

4.2 National Employment Strategy: formulation and guidelines

The only formulation of national policy for employment is that made in the 10th five year plan. In its chapter 6, 'cross sector issues', four sub-chapters are of interest with respect to employment: 6-1, 'the creation of jobs opportunities and the eradication of poverty'; 6-2, 'the employment policies and the activation of the labour market'; 6-6, 'equilibrated regional development and urban development'; and 6-7, 'the development of the Eastern region'. Chapter 23 is also completely devoted to 'female empowerment'.

After noting that agriculture and industry have lost respectively -0.2% and -2.1% of those employed there in the period 1996-2003 (while they gained +5.3% and 8.9% between 1991 and 1996), and highlighting too the global decrease in productivity, the 10th five year plan sets the following objectives, with the corresponding indicators:

- The dynamization and organization of the labour market with the aim of lowering unemployment, and the adaptation of the work supply to labour market demand in a way consistent with the transition towards the 'social market economy'; the unemployment rate should decrease from 12% in 2005 to 8% in 2010, knowing that this rate will increase to 17% if current policies are continued;
- The reform of labour and social security laws consistent with the 10th five year plan; no quantitative commitments;
- The development of vocational and retraining policies and tools, and the reform of the education system; 100,000 more achieving complementary education yearly and 200,000 more trained or retrained yearly[274];
- An increase in labour productivity and quality through improvement in the expertise and the injection of newly qualified workers; increasing the labour force by an additional 1,500,000

274 These numbers correspond roughly to the yearly increase in population in the education system.

qualified persons[275];

- The promotion of small and very small and medium-size projects, helping to create adapted environments for them; no quantitative commitments;
- The enhancement of the informal economy so it can contribute to development; no quantitative commitments.

Several other issues are mentioned in the text of the plan: the reform of employment offices; the application of laws forbidding children's work; the enlargement and deepening of private sector organization, to increase its capacities of negotiations (with whom? as the right of organization was not mentioned as a target), etc.

And in the female empowerment chapter, one of the quantitative objectives was to increase the female participation ratio from 9.2% in 2004, to 25% in 2020 and on towards 30% in 2025.

At this stage, it is worth noting that MEDA, one of the EU projects in Syria has addressed the labour market: the Institutional & Sector Modernization Facility (ISMF) devoted to government sector institutional reforms. This rare intervention of the EU in Syria has led to a report and a workshop[276], based on a survey.

The survey focused on excess employment in state-owned enterprises and the public administration. The surplus was estimated at 96,600 for state enterprises (28.5% of total employment in the sectors covered by the survey), and at 225,000 in the civil service. A 'macro-economic model' has led to a higher estimation of excess workers at 498,200, including the private sector. With the new entrants, the study concludes that the authorities will have to deal, in 2006-2015, with a total of 3,466,100 excess labour supply (so on average, 346,000 jobs yearly, excluding non citizens). These will have to be covered by the expansion of the economy (with a growth of 9.6%), early retirements and assisted lay-offs, and migration.

For a solution to the present excess in employment in the state-owned sector, the ISMF study concludes '*that the layoff method is the most suitable, if coupled with the following measures*':

a) the adoption of a proper system of unemployment benefits;
b) the case-by-case approach is preferable: each company should be treated separately;
c) political consensus is crucial;
d) managers must not be given full authority to lay off workers, in order to avoid abuses, favouritism, and nepotistic behaviour;
e) training, retraining and re-qualification should accompany the layoffs;
f) urgent policy measures are necessary in stimulating job creation, especially the elimination of bureaucratic barriers in the creation of new activities and businesses.

4.3 Active labour market policies

The active labour employment policies are the responsibility of the General Organization for Employment and Projects Development (GOEPD), formerly the Agency for Combating Unemployment (ACU). But three years after its creation, it was severely criticized by official newspapers[277]. For example, it has only organized two training sessions in Homs governorate, one of the largest, with 30 trainees in each, and it has only sponsored 30 projects.

275 The normal rate of increase of the labour force between 2006 and 2010;

276 See: Constantine Zaman: 2007-1 and 2007-2.

277 See: http://ouruba.alwehda.gov.sy/_View_news2.asp?FileName=81265883200904112244O3

4.4 Assessment of the impact of labour market reforms on labour productivity and relative wages
The absence of labor market reforms and the high excess of labor force supply has had mixed results. On the one hand, it has led to the deterioration of work conditions, an increase in working hours, and a tendency to keep wages below the level of inflation. One might expect that labour productivity would have increased in the formal private sector. On the other hand, the size of the informal sector has increased.

4.5 Alternative strategies and options available for sound management of excess labour supply
One of the defining characteristic of the socio-economic debate in Syria is the absence of alternative proposals to current government policies from political and social forces. In fact, the new policies, named 'towards a social market economy', came after a period of economic stagnation (1997-2003, 'the lost years for Syria' according to an official report of the State Planning Commission), and after decades of state-ruled ('socialist') economy with disappointingresults. The liberalization of imports and the pegging of Syria's currency to the US dollar, despite the country's high inflation, have created some new dynamics in the economy and a feeling that deprivation is coming to an end: cheap cars, mobile phones, etc. Like in the Soviet block in the 1980s,Syrian public opinion wants change.

The new policies were also the result of foreign pressure on the country: the US invasion of Iraq and threats against Syria; the continuance of US sanctions; the crisis with Lebanon and the withdrawal of troops; high tensions after assassinations in Lebanon; the Israeli war against Lebanon in 2006; and others. This has allowed the current policies in without major criticisms.

Finally, the repression of the 'Damascus spring' in 2002-2003 has postponed any serious will for social organization or socio-economic criticisms.

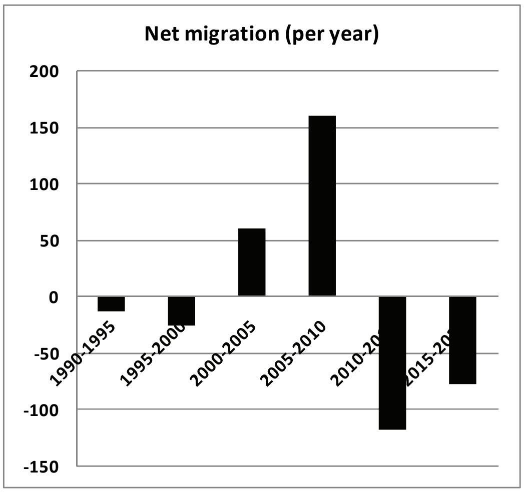
However, since mid 2008, with the easing of international tensions against the country and with the international economic crisis and its impact or potential impact on Syria, critics of government policies are growing.

Several issues concerning policy options are worth mentioning:

- Creating awareness of its labour market situation and of the additional pressures made by inward migration. This awareness should include the government's present efforts for providing basic services (education, health, etc.) and the necessity of improving these services.
- With the size of the unemployment problem in the country, of the number of jobs needed, and the lackluster growth rates quite incapable of insuring employment for all, an active policy needs to be created by the national authorities to enhance labour market institutions: this should include, in particular, major reform of the employment offices, and large-scale programs to create jobs opportunities outside major cities. The experience of the Agency for Combating Unemployment should be studied thoroughly and its perceived failure should not discourage the launching of such reforms programs.
- The efforts to promote foreign and local private investments and to liberalize the economy should be made in conjunction, and as a counterpart, with incentives to regulate the labour market, generalize social protection and reduce informal work. The social security and retirement systems should be reformed in order to generalize it, as a national system. Clear targets should be made to reduce informal work, and to protect social rights: children's work, health system, unemployment compensation and decent retirement.
- And most importantly, the rights of free association and strikes should be given space in order to enable workers to be independent partners in negotiations with employers, as well as with government.

5. The Impact of outward labour migration flows on the Syrian labour market

5.1 Estimation and characteristics of outward migrations



Migration flows
The UNPP estimated outward migration from Syria in the early 1990s at a rate of 0.1%, around 14,000 persons per year. The rate is estimated to have accelerated to around 26,000 for 1995-2000 (0.17%). Then UNPP accounts there are Iraqi refugees coming into Syria over the 2000-2010 period. With a total of 1.5 million Iraqis, this suggests that outward migration during this decade reached an average 64,000 yearly. UNPP expects that the rate will accelerate to reach 119,000 yearly during 2010-2015 (at a rate of 0.51%), reducing afterwards to 78,000 (0.31%).

These levels are not surprising, a°on. In fact, a well documented study[278] has shown three Syrian migration waves:

The first major wave: 1880-1914, mainly to the Americas, for economic reasons; more than one quarter of the then Syrian population emigrated;

The second major wave: 1960-1981, mainly to the Arab oil producing countries, the migration rate reaching an average of 1.08% yearly in 1970-1981, after being around 0.31% in the 1960s. It stopped afterwards because of the implementation of policies in the target countries limiting Arab migrants.

The third major wave: 1990-2004, is different in nature, as it was a circular non-permanent migration mainly to Lebanon and Jordan (non-qualified workers), but also to the Gulf countries (mostly qualified). The size of this migration is controversial: 250,000 to 700,000 workers in Lebanon and even 1 million by some estimates. However, it explains the relatively low (permanent) migration rates observed in the 1990s by UNPP.

Accordingly, a rate of 0.5% yearly migration for Syria had been the average for the last century, lowering to 0.3% in normal periods, and even to 0.1% if there is the possibility of circular migration; but also increasing to 1% in periods of economic difficulty. This places Syria second, after Lebanon, in terms of percentage of migrants to resident population (between 15.7 and 18%), leading to a total migrant population, including descendants, of around 10 million (almost half of the present Syrian population).

The above mentioned study has estimated outward migration rate in the early years of the present century at 0.43% (around 82,000 yearly); slightly higher than the estimates of UNPP. But another estimate could be made by comparing the civil registry and tying resident national population data to the official ‘Statistical Abstracts’. Between 2001 and 2008, the latter had seen a much lower growth rate than the former. The difference leads to an estimate of 128,000 outward migrants per year, a rate of 0.72%.

278 Jamal Barout: Syrian external migration…, 2008.

There is no precise data on the distribution of outward migration and destination. A small survey[279] (in the city of Damascus) shows that: 9.6% of the resident population have emigrated; among whom 15% permanently to the US, 8% long term to the US, 23% permanently to Europe, 21% long term to Europe, 33% long term to the Gulf countries. However, this may not be characteristic of the whole country, as urban (educated) migration destinations are different from rural destinations. Another estimate gives Saudi Arabia as a main destination (of recent migrations, not including circular) with 25.7%, followed by the USA 13.2%[280]. The first European country is Sweden with 2.7%.

There are no precise statistics either on the educational attainments of the outward migration. However, circular migrants typically have low education, while the share of the highly educated in permanent migrations is high. Thus, a UN study estimated the share of university educated Syrian migrants to OECD countries at 35.1% of all migrants until 2000 and those above secondary education at 31.2%[281]. The World Bank indicates that 9.5% of doctors educated in Syria emigrate. But the ‘brain drain’ seems much higher, as Germany counts around 18,000 Syrian doctors and the USA 6,000. Similar numbers could be found in the Gulf countries. The Arab League estimates that 50% of doctors, 23% of engineers and 15% of the scientifically educated in Arab countries emigrates, mostly to OECD countries; and that 54% of the Arab university students abroad do not return to their country[282].

Migration patterns

There is little inward and outward illegal migration in Syria. Until 2005, part of the circular migration with Lebanon was illegal. Also, illegal migration probably occurred from Iraq, especially in the Kurdish area, after the invasion of that country. But, the figures are comparatively low given the large size of inward legal and outward migration.

Besides the major reduction of circular migration with Lebanon after 2005, which, in fact, has slowed down since 2000 because of difficulties in the Lebanese economy, and the return of a part of the permanent migration, there is no major pattern of permanent return of Syrian immigrants to the country. The summer season sees, however, hundreds of thousands Syrian immigrants coming home to spend their vacation in their homeland. It constitutes, as in Lebanon, an important economic revenue for the country. Indeed, the ‘free market’ of the Syrian pound typically over-evaluated by around 10% during the summer. Tourism revenues get mixed up with workers’ remittances and are difficult to separate.

The recent economic crisis could however have an impact in that respect, and there are signs of permanent returns on the part of Syrian immigrants to the Gulf (especially Dubai) at all levels of education. The government recently signed an agreement with its UAE counterpart, to make such returns as smooth as possible.

Syria has experienced in the last years a high rate of outward migration, between 0.51% and 0.72% of its resident citizen population. This rate is not surprising given the high rates of unemployment at home and the lack of sufficient job creation, in addition to inward migration competing in the labour market. Outward migration may be sustainable until the wave of high rates of supply in the labour market slows down in or around 2015 or even later if internal rural-urban migration continues along present lines.

279 Jamal Barout, 2008, op. Cit.

280 See www.migrationdrc.org and Aita and Al Musbeh 2006.

281 See Jean-Christophe Dumont, 2006. The World Bank gives a much lower estimation of the university educated; see Barout, 2008.

282 Note of the Arab League, dated December 2001, quoted by Barout, 2001.

5.2 Impact of migration flows on the national labour market

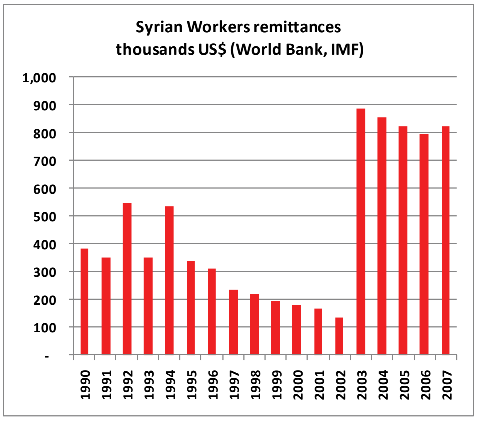
Employment

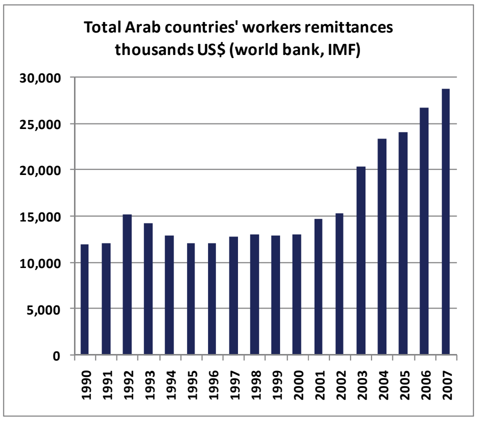
As noted above, Syria currently suffers from a high unemployment rate, a wide informal sector, in addition to an influx of 1.5 million Iraqi refugees. This has coincided with the peak of the coming of age of the children of the 1980s baby boom and their consequent arrival in the job market. The country has also experienced major economic transformations, with a major reduction in the rate of job creation by state-owned enterprises and government, and a still low rate of *decent and formal* employment in the formal private sector.

A gap exists between the yearly increase in the size of the labour market (i.e. 200,000 to 300,000) and the number of jobs created, especially in the formal sector. The agriculture sector, which used to absorb a large share of employees, seems to be saturated, leading to an acceleration of rural to urban migration.

The government advocates the need for a minimum GDP growth rate of 7% to create sufficient jobs for newcomers. However, the estimated 173,000 new jobs *per annum* corresponding to this growth rate, seems well below what is really needed, even without taking Iraqi refugees into account. And the real GDP growth has been around 5% in the last years (IMF article IV estimates). In early 2009, the country also started to feel the effects of the world economic crisis, transmitted through a decrease in exports (in value and in volume, in particularly oil) and the slowdown of immigrant remittances. The forecasts for 2009 point to a slowdown in GPD growth (2.5% for 2009 compared to 6% for 2005-2006)[283].

Emigrant workers' remittances played a significant role in the country's economy, but they are not measured with any precision. The data reported by the Syrian authorities, the World Bank and the IMF, shows a decline in remittances until 2003, which is not consistent with the general trends for Arab workers. A correction of the reported data was made in 2003, but the trends afterwards do not follow the rapidly increasing levels experienced by other Arab workers[284] before the recent crisis. In addition, a significant share of remittances to Arab countries are made by the informal sector and are not measured. An estimate established by a FEMIP study[285] claims that the total Arab workers' remittances in 2007 were at least US$50 billion, instead of the circa US$29 billion reported officially. According to this method, Syria seems to have experienced the highest ratio of informal transfers of remittances among Arab countries: 79%. This means that remittances could be of the order of around US$4 billion yearly. And the Central Bank of Syria has recently reevaluated its estimate of the total remittances in 2007 to US$1.15 billion.





283 World Bank 2009.

284 Aita (coord.) 2008.

285 Femip 2005 and Aita and Al Musbeh 2006.

Migrations and Working Conditions

Wages have recently improved in Syria, when compared with the 1990s, even taking rising inflation into account. However, prices are converging more rapidly than salaries to European levels. This constitutes a major drive to migrate.

But what constitutes an even stronger drive are working conditions. Social protection was always weak in Syria, but it is getting even weaker. Health services were free in the country, provided by major public hospitals. But, the health sector is slowly being privatized, as are health insurance schemes. Even, the major public hospitals have started to charge their services. Retirement pensions have not seen the same levels of increase as salaries. The oldest retirement fund is having difficulties, and there is no major reform in progress for retirement funds, besides new private insurance companies (and more recently a stock market). Also, both employers and employees have lowered the level of wages declared to the Social Security Establishment; but this is done at the expense of future retirement salaries. The free education provided from base to university levels has declined in quality, while, at the same time, students are charged both formal and informal fees. The rights of work are not enforced, and the work contract has no real value as it is signed (in cases of formal employment) in parallel with an undated resignation letter is included. In the meantime, the government advocates the need to drive for higher flexibility in the labour market, and even to liberalize it completely, when it is already flexible, even by international standards.

Hence, as concluded in an earlier study, on Syria, as in other Mediterranean countries '*the continuation of the migration flows towards Europe are mostly due to the attraction exerted on the other side of the Mediterranean sea, by the 'the European Social Model'; even if such a model is presently regressing; and this attraction is much stronger than the real job opportunities'.*

National policies towards migrations

As with inward migration, outward migration is not recognized as a major issue by the Syrian authorities so there are no government regulations or programs despite the 'brain drain' it creates and the relatively high numbers involved. The authorities have recently created a Ministry of Migrants ("*Mughtaribin*"), which aims at (re)-creating links with Syrian migrants abroad and easing their return for visits or permanent residence.

In fact, one of the major issues for Syrian migrants have been that of military service, which is due even for Syrians born abroad, and which is still set at 2.5 years. In the 1990s, a law enabled those emigrating to the Gulf countries or to the Americas to pay a 'compensation' to be freed from this obligation, but those in Europe were not given this possibility. In 2005, the 'compensation' law was reformed[286] and now includes Europe with the price of 'compensation' being lowered to 5,000 US$ in most cases. But this measure aimed mainly at easing tourist visits by Syrian expatriates and their descendants and at bringing in hard currency to the treasury, has had an another important effect: it has transformed some permanent migrants into circular migrants.

With the economic crisis hitting world economies, in particular in the Gulf, several agreements were signed between Syria and Gulf countries, to regulate the laying off of Syrian employees and their return conditions, as well as the conditions for any new emigrants.

5.3 Policy Options

With the present high-supply rates in the labour market and high unemployment, migration pressures will continue strongly for the next decade. The fact that, like Syrian foreign trade, migration destinations are distributed around the world, and do not pose a specific issue for the EU, does not mean that it is not, like the absorption of inward migration, a major issue for the Syrian authorities and for its partnership arrangements with Europe.

286 Presidential Decree no 63 of 2005.

As far as migrations to Arab countries are concerned Syria applies a no visa requirement for Arab citizens so the Syrian authorities should pressure its Arab neighbours to allow the free circulation of citizens (and workers) between Arab countries, in parallel with the freeing of the movement of capital and goods. At least, the acceptance of a significant number of migrants should be the condition for freeing up trade and investments. The Arab Development summit in Kuwait last January was a missed opportunity in that respect.

The same could be said of other free trade agreements, including any partnership with Europe, the acceptance of some Syrian migration should be the condition for freeing trade and investments. On the other hand, the **EU could demand the reform of labour market institutions, and the generalization of social protection, as a condition of EU assistance programs.**

Finally, the EU and other countries, including the USA, should recognize their responsibilities and the burden created on Syria by the unresolved Israeli-Palestinian conflict, and, more recently, by the invasion of Iraq. Solving the migration problems in Syria, as in other Arab Mediterranean countries should be made not in the spirit of the Barcelona conference, but rather through a return to the spirit of the Madrid conference.

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Statistical sources and issues for Syrian Labour and Migration Studies

NATIONAL SOURCES

Central Bureau of Statistics

The CBS is a public organization depending on the Prime Minister's Office. It is the main source for the provision of data and statistics on Syria.

For labor force and migration the following information could be collected regularly:

- **The Statistical Abstracts** (yearly, with around a year delay): a section is devoted to Population and demographic indicators and another to manpower and labour force; other information on the labour force can also be found in the sectorial chapters (agriculture, industry, etc.).
    a. The demographics are mostly extrapolations from general censuses and do not contain data on migration: Syrian outward circular and permanent migration; Palestinian, Iraqi and other non-nationals inward and outward migrations;
    b. The information on labour force and employment are realistic for the state-owned sector; detailed information on the private formal and informal sector, the economy, work conditions and foreign workers are less well documented and assessed.
- **General Censuses** (approximately every 10 years, the last performed in 2004).
    - The General Census gives little information on migrations and their characteristics.
- **Labour Force Surveys** (every year, some years every quarter):
    - The LFSs do not report children's work anymore, that makes it difficult to measure any progress made by Syria in stopping children's work.
- **Household Survey**
- **Other surveys:**
    - The CBS has recently launched a survey to assess internal migration, and the situation in the countryside.

<u>The Ministry of Social Affairs and Labour (MOLSA):</u>

Little direct information is available from the MOLSA for labour data or conditions.

- Systemic information should be published to assess the situation of the social protection instruments (social security, reduction of informal sector, etc.).

<u>The Ministry of Migration</u>

Little direct information is available from this new ministry on labour data or conditions.

- Systemic information should be produced to assess migrations.

<u>The State Planning Commission (SPC)</u>

This organization depends on the Prime Minister's Office. It gathers economic and labour data for planning purposes, but rarely issues independent publications.

- Progress reports should be published to assess achievements and success in respecting targets.

<u>The Syrian Economic Sciences Society</u>

This relatively independent association, gathering most Syria economists, organizes yearly conference and debates on Syria's economic and social challenges, including employment.

INTERNATIONAL SOURCES

UNDP-Syria

This UNDP office has initiated several major surveys and studies looking at Syria's progress towards the millennium goals. Some of these studies were supported by specific surveys, sometimes on a large scale, which contained valuable information. They have also the merit of using local organizations, including many scholars on the ground or from Syria itself.

EU MEDA Projects

Some of the MEDA programs in Syria addressed, if only marginally, questions of employment and migration.

ESCWA

The United Nations Economic and Social Commission for Western Asia is based in Beirut, and conducts studies and seminars concerning several major regional issues in the region. Some such projects have addressed employment.

ILO

The ILO has a regional office in Beirut. It collects data on Syria from the Central Bureau of Statistics, regularly publishes its own assessment on its database. It also has permanent contacts with the Syrian authorities on issues related to the ratification and implementation of ILO conventions.

IMF

The IMF conducts a yearly mission (article IV) assessing the country's economic and financial situation. The reports contain valuable information, in particular on public policy and spending that is not otherwise available from other sources.

World Bank

The World Bank regularly conducts studies on major issues in the Middle East and North African (MENA) countries. These studies are not sustained by specific surveys or data collection. They have the merit of raising some regional problems, even if some of the conclusions and methodologies are debatable.