

# **MAKING LABOUR MARKETS MORE INCLUSIVE FOR WORKERS AND POTENTIALLY VULNERABLE GROUPS**

**Prepared by the ETF**

**Breakout session 3**



## SOCIO ECONOMIC CONTEXT AND INEQUALITIES

As the concept of economic inclusion refers to equality of opportunities, making labour markets more inclusive means that people, regardless of their gender, age, education level, socioeconomic status or geographical location, should be able to access economic and employment opportunities. However, while the global economy has grown from the mid-1970s, income and social inequalities have increased significantly across countries and within countries. The inclusive growth and job creation agenda entails complex mechanisms and has been put high in the national priorities in recent years, with clear linkages to skills development and social inclusion policies. An agreement exists that making growth more inclusive would also make it more sustainable.

Southern Mediterranean (SEMED<sup>1</sup>) countries have experienced uneven growth since 2008, with economic stagnation, low job creation, low quality, difficult access to public services and a shift toward the service sector. This has resulted in high unemployment trends, especially among the youth and the graduates, and high vulnerable employment<sup>2</sup>. The combination of the two, together with the quest for more democratic and transparent systems, has resulted in social unrest and discontent. SEMED countries have therefore made attempts to push forward the “opportunity for all” agenda and to ensure that no one is left behind.

Despite the attempts to make labour markets and societies more inclusive, wide disparities both among and within countries in the SEMED region are still very prominent and cast a shadow on sustained human development. Also due to low literacy rates, countries score quite low in human capital development, have very high gender inequality, and experience increasing inequalities also within their own territories (urban vs. rural). Around a third of the population lives under national poverty lines in Egypt, around a quarter in Lebanon and Palestine and around 15% in Jordan and Tunisia. If Gini co-efficient is taken to measure inequalities, countries such as Israel and Morocco score very high and in some cases show increasing inequality levels in their societies (Egypt). Moreover, persistently weak growth has left per capita incomes nearly stagnant, which further exacerbated the problem of income inequalities.

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<sup>1</sup> The note refers to the following SEMED countries: Morocco, Algeria, Tunisia, Egypt, Lebanon, Jordan, Israel, Palestine. Data for Lybia are not available and not included in the statistics mentioned.

<sup>2</sup> Vulnerable employment refers to the conditions of those workers who do not have stable employment contracts, that have low protection, no social security and do not enjoy rights commonly recognized by labour legislation. Statistically, it is expressed by the own-account workers and contributing family workers as a proportion of the total employed or by the incidence of informal employment.

**TABLE: RANKINGS IN HUMAN DEVELOPMENT INDEX (HDI), GROSS NATIONAL INCOME (GNI) PER CAPITA, AND GENDER INEQUALITY INDEX IN THE ETF PCS, 2017**

Partner Countries	HDI rank (1)	GNI per capita rank (2)	Gender inequality rank (3)	Poverty headcount* (4)	Gini co-efficient (5)
Algeria	85	80	100	5.5	27.6
Egypt	115	100	101	27.8	31.8
Israel	22	35	21	NA	41.4
Jordan	95	111	108	14.4	NA
Lebanon	81	84	85	27.4	31.8
Morocco	123	118	119	8.9	39.5
Palestine	119	140	NA	25.8	33.7
Tunisia	96	103	63	15.2	NA

Source (1), (2), (3): UNDP (2018), Human Development Indices and Indicators: 2018 Statistical Update, [http://www.hdr.undp.org/sites/default/files/2018\\_human\\_development\\_statistical\\_update.pdf](http://www.hdr.undp.org/sites/default/files/2018_human_development_statistical_update.pdf)

The lack of access to affordable high quality public services, finance and technology has further hampered the access to opportunities and prevented growth from benefiting all. In particular, poor broadband access (especially in remote areas), insufficient investments in education, research and development and limited (although growing) integration in global trade have widened dichotomies, excluding de facto some groups and exacerbating their vulnerability. As societies age and new technological evolutions, automation and change become faster, an increased risk exists that new groups of people become excluded from the market, for instance those who have obsolete skills.

## Age and education dynamics

Societies and labour markets in the region are highly segmented, with some groups – youth, women, NEETs, migrants, refugees, informal workers, rural communities - being at extreme high risk of exclusion from any form of active participation in the economy and in public life. The primary challenge for the region is therefore to create more quality jobs but especially to make them available and accessible to all.

With 46.5% under the age of 24 (ETF, KIESE)<sup>3</sup>, the SEMED region is the world's second-youngest after sub-Saharan Africa and millions of young people will enter the labour market in the next years. In this context, in the last decade **youth have been the ones hit the most by unemployment** (negative trends over the last years in Algeria, Morocco and Palestine) **and underemployment**: with unemployment rates ranging from 22.5% in Morocco to 43.8% in Palestine (ETF KIESE), youth have been particularly affected by the prolonged economic crisis, the poor quality of education and the increasing mismatch between their skills and the ones required by the employers. The inverse correlation between education and employment in the region has been (and still is) a striking but constant feature in most countries, where unemployment tends to increase with educational level, especially for women.

<sup>3</sup> Average data in the report are based on latest available data.

School to work transition remains problematic in most countries, with persistently (and growing<sup>4</sup>) high numbers of **young people who are not in employment, education or training (NEETS)**. In 2017, one in three young people in Algeria, Tunisia and Palestine and one in four young people in most of the other countries were classified as NEETs. Young girls are typically over-represented in this groups, with some countries having young girls NEETs rates close to 40%. If chances to enter the labour market are limited for young boys in many countries, they are almost non-existent for young girls. The high incidence of NEETs is often also related to lower educational attainment and early school leaving, lower employability as a result of skills gaps, and difficult socio economic background. An ETF research carried out in 2015 showed that in Egypt, for instance, 67.1% of NEETs are family carers, that incidence of NEETs is higher among young people coming from difficult socio-economic contexts (41.9%), rural areas (41.9%) and either very low (uneducated or illiterate) or high educational level (“U shape” effect).

Vulnerability in the region does not refer only to those who drop out of the market or cannot find a job. Having a job in the region is not a guarantee for escaping poor working conditions or poverty (i.e. the “**working poor**”): in fact, jobs are often precarious, non-protected, with low wages and no training opportunities. One in five are in vulnerable employment<sup>5</sup> in Egypt, Lebanon, Tunisia, while the percentage reaches one in four in Palestine and almost one in two in Morocco (ETF KIESE). **Informality is widespread in all countries** and reaches extremely high picks in Morocco (79,9%, 2010, ILO), Palestine (64.3%, 2014, ILO) and Egypt 63.3% (2013, ILO). Low skilled informal workers are also among those with higher probability of being substituted by automation and digitalisation. Therefore,

## Gender segmentation

Together with youth, women are the great untapped potential of the region. Despite their generally improved level of educational attainment, **women are widely excluded** by the labour market. While female labour participation has increased gradually in the last years in most countries (with the exception of Morocco and Egypt), women are still three times less likely than men to be in the labour force and almost twice as likely to be unemployed<sup>6</sup>. This reduces enormously the possibilities of women to be employed<sup>7</sup>. Moreover, women tend to be over-represented in jobs requiring lower levels of skills and responsibilities, with lower pay (or no pay at all) and mostly in the informal sector.

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<sup>4</sup> With the exception of slight improvements in Israel and Tunisia, ETF KIESE.

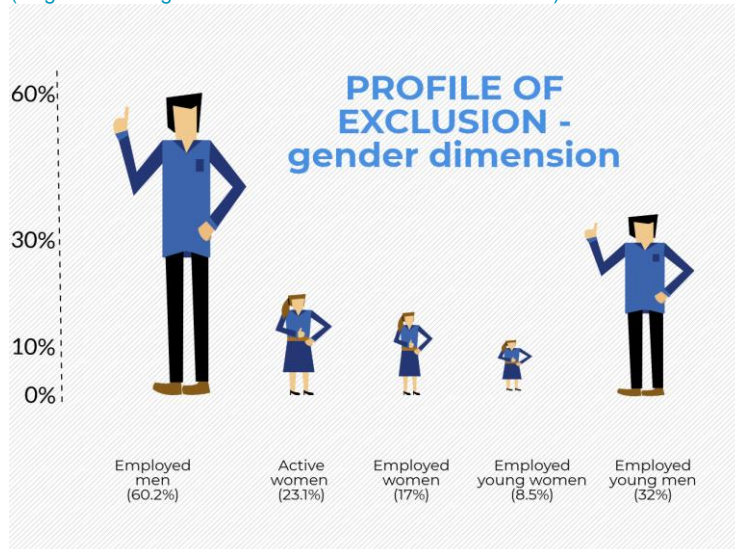
<sup>5</sup> Vulnerable employment is expressed by the own-account worker and contributing family workers as a proportion of the total employed.

<sup>6</sup> These data do not take into account figures for Israel, which figures as an outlier.

<sup>7</sup> despite slightly positive increases over the years in Egypt, for instance, only 17.3% of women are employed (2016, ETF KIESE). Even worst conditions are registered in Algeria (13.5%), Jordan (11.9%) and Palestine (9.9%) (2017, ETF KIESE).

## FIGURE: PROFILE OF EXCLUSION IN THE SEMED REGION – THE GENDER DIMENSION

Source : ETF, based on ETF KIESE, latest available data.  
(Regional average do not take into account data for Israel).



**Inequalities** faced by women in the region are a very serious concern. Legal, institutional, cultural, religious barriers greatly impede female equality, hampering their access to the labour market. In some countries, for instance, access to finance among women is particularly low, which determines (in combination with other factors) the very low probability of find women entrepreneurs or employers. In other cases, some economic sectors are almost closed to women (at least from a concrete point of view), due to different reasons mostly

linked to culture and traditional norms. This is the case, for instance, of the tourism sector in Jordan.

## Territorial disparities

Workers in rural areas experience more precarious employment and higher levels of informality. Poverty rates in rural regions tend to be higher than the national average, which is also linked to more limited access to basic services such as healthcare and education. In Morocco, for instance, out of 14 million people living in rural areas, 3 million (19% of the rural population) lived with less than 3.10 USD a day, with poverty rate in three rural regions being 40% higher than the national average (World Bank 2015). Education performance in rural areas remains also way below the rest of the country, with 60% being illiterate (up to 90% among women) and with high disparities in net enrolment rates in secondary education (for instance, 79% for boys in urban areas and only 26% for girls in rural areas) (IMF, 2018).

## Labour immigrants and refugees

While in the past countries in the region were primarily emigration sending countries, especially in the past decade they became countries of transit or host to millions of immigrants and refugees who, altogether, tend to be poor and disproportionately excluded. Lebanon and Jordan, in particular, are hosting since 2011 a significant number of Syrian refugees, which had significantly impacted on society and public policies and has increased the supply of labour, particularly in the informal sector (also given the legal limitations for their formal work), with a negative impact on wages and unemployment<sup>8</sup>.

In all countries, most foreign workers are employed in construction, agriculture and domestic work (mostly women), and often work informally and with very precarious working conditions. Although legislations on the entry, stay and exist of foreign nationals usually exists, implementation is randomly enforced. Migrant domestic workers, for example, are often excluded from the labour law, and many

<sup>8</sup> Trends are available for Jordan only.

are victims of human trafficking. Refugees, especially Syrians, are even further excluded from the market: their generally low educational attainment, with high illiteracy rates, makes it difficult for these groups to enter the market. When jobs opportunities emerge, they are mostly in low-skilled occupations that provide little income, social protection or job security. Refugees women, on the whole, tend to be almost totally excluded from the labour market (ETF MISMES, 2017).

## ACTIONS UNDERTAKEN

Despite some significant improvements especially in its coverage, education systems in the region still experience serious issues of quality, outreach and relevance. On the other side, social policies are not comprehensive and have both issues of coverage (targeted population) and scope (missing overarching approach to health, education and social protection). They remain in most cases an ad hoc charity instruments (often channelled through food and energy subsidies to all) rather than a set of integrated measures that can eventually support poor people integration into the society.

Acknowledging the importance of promoting an “opportunity for all agenda” for the national socio economic development and stability, countries have launched a number of policies and measures to boost inclusive growth and job creation. On the one side, they have tried to generate more effective social and investment spending, for instance improving the efficiency of social expenditures (especially in education and health), and trying to re-orient their support programmes, phasing out generalised subsidies (i.e. food and energy) to the benefit of better targeted measures<sup>9</sup>. On the other side, they have taken measures to improve the business environment (e.g. new policies to ease the time and cost of starting a business in Egypt, Jordan, Morocco and Tunisia, using e-government technologies, streamlining customs procedures and setting up public private partnership frameworks in Algeria) and to improve workers’ skills and boost labour demand in the private sector. Efforts have been also done to improve the functioning of public employment services, also through the use of technologies for automated job matching (Algeria, with the recent adoption of the Wassit integrated system).

Several steps have been made across countries to support the inclusion of vulnerable groups. In particular, employment programmes have been set up in all countries to support the transition from school to work, to train or retrain young jobseekers, and to provide better career orientation and counselling. Targeted programmes have been financed, both from national budget and international donors, to strengthen job creation and matching at local level (for instance, the EU-funded programme Irada in Tunisia) and to better understand labour market needs through dialogue and joint work with the private sector (Lebanon). Measures have also been taken to support women’s inclusion<sup>10</sup> and integration of migrants and refugees (however, still with limited scope and not systemically). However, much more needs to be done to upstream individual actions and build veritably inclusive systems.

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<sup>9</sup> For instance in Egypt, cash transfers have been extended to 2 million households (estimated 8 million individuals) in 2018, compared to the 160,000 households previously covered (IMF, 2018).

<sup>10</sup> The legislation adopted to ensure political participation of women (Egypt), the funds allocated to improve the availability of public nurseries (Egypt), the introduction of the paid maternity leave (Lebanon), the legislation on equal remuneration for men and women (Algeria, Morocco) are some of the example in the region (IMF, 2018).

## TOWARD AN “OPPORTUNITY FOR ALL” AGENDA

Strategies to strengthen labour market inclusion need to focus on multiple policy areas and to build bridges among them (i.e. integrated actions). Some measures can be implemented relatively quick and have a short term impact, while other more systemic intervention require longer time frame to generate impact. Countries are responsible for adopting approaches that take the two dimensions into account, so that they can deliver **quick wins** responding to immediate people’s needs but also stimulate sustainable **medium to long term reforms**. In depth information on the different vulnerable sub-groups and the causes of their exclusion (i.e. their “risk profile”) is fundamental to adopt targeted and at the same time integrated policy interventions.

**Integrated social inclusion measures:** investing in people’s skills stands out as the best buffer to manage transition to the future and build inclusive societies. Skills development and employability measures are essential to determine better access to quality jobs and greater return of investments. However, they have to go hand in hand with other inclusion measures such as granting greater access to finance and improving the coverage and the quality of education and training and social support schemes. Youth and women are the greatest untapped potential of the region, and represent an enormous opportunity for growth and development in all countries.

**Enhanced inclusion through preventive measures:** prevention is key to avoid an uncontrolled increase in the number of people who drop out of the market and to break the cycle of social exclusion. Prevention measures could include creating early warning systems for detecting pupils disengagement, encouraging and widen the access to second-chance education opportunities, increasing access to career guidance and counselling and designing specific support measures for women, such as rights and incentives for their hiring, care facilities, family-work conciliation measures, safe transportation and awareness raising campaigns for their integration in the market.

**Continuous VET:** VET can create unique opportunities for those who have dropped out of formal schooling as well as adult workers who have often had limited access to training opportunities, thus linking them more specifically to the needs of companies. Non-formal VET providers, such as Community Learning Centres, civil society organizations, social cooperatives and companies could use their strong ties to the local communities and complement the formal VET provision by orienting their services toward the disadvantaged groups and the rural areas. Improving the quality of informal and traditional apprenticeships could also support young people transition to work and also raise companies’ productivity and growth.

**Technology as an instrument for job intermediation and business development:** new technologies ability to reduce transaction costs could increase opportunities for people who face barriers in finding jobs or opportunities to engage in productive activities, and may promote inclusion for women, people in remote areas and other groups at risk of exclusion. They could also help companies grow faster, facilitate the emergence of new occupations and facilitate job search, job intermediation and further learning, therefore also potentially leading to strengthen inclusiveness and social cohesion.

**Targeted skills development for informal workers:** targeted skills development programmes for informal workers would be essential to help their employability and adaptability on the market. However, due to the heterogeneity of informal workers, interventions would need to be designed taking into account the specificities of each target group. Specific training programmes for agricultural



farmers would be important to raise their productivity, to support their more dynamic evolution and to support their formalisation. Informal sector associations could also play a prominent role in this.

**Lifelong learning for all:** investing in people in a life-cycle approach requires to fully rethink coordination mechanisms between the education and employment worlds, so that key competences are developed throughout the whole of education and working life through comprehensive lifelong learning, including non-formal and informal learning experiences. At the same time, workers' support schemes and mobility mechanisms would need to be reorganised, so that public policies can support workers' transitions to new jobs and minimise redundancies. Identification, recognition and validation of skills would become even more important, in order to grant that people's knowledge, skills and competences are taken into account throughout the multiple transitions of their lives.

### Methods of work

**Work in partnership:** governments and institutions are crucial to guiding change and making strategic choices in the countries, but they cannot act alone. Strengthening supportive networks would be essential to design and deliver innovative and inclusive skills and employment policies so that nobody is left behind. Social partners, civil society, regional and local authorities could play an important role in shaping policies as well as business leaders and new actors, such as research organisations, bloggers, and influencers with millions of followers.

**Specific action at local level:** specific actions to target rural communities could strengthen territorial cohesion and access to jobs and public services. This would require wider access to skills development and employment programmes at local level, in line with specific needs of the local communities. Other opportunities could include targeted rural investments, supporting agribusiness with microfinance and counselling, exploring niches of innovation within traditional sectors in the different territories, upgrading small agro firms and linking them further to global value chains.

## ISSUES FOR REFLECTION

- What are the elements of successful inclusion policies for vulnerable groups and how could countries upstream good practices?
- How could countries achieve better cooperation among the worlds of work and education and among different actors, so to provide more comprehensive packages for a better inclusion of vulnerable groups in the labour market?
- What can social partners do to boost inclusion of vulnerable groups in the labour market?