



Arab Watch on Economic  
and Social Rights

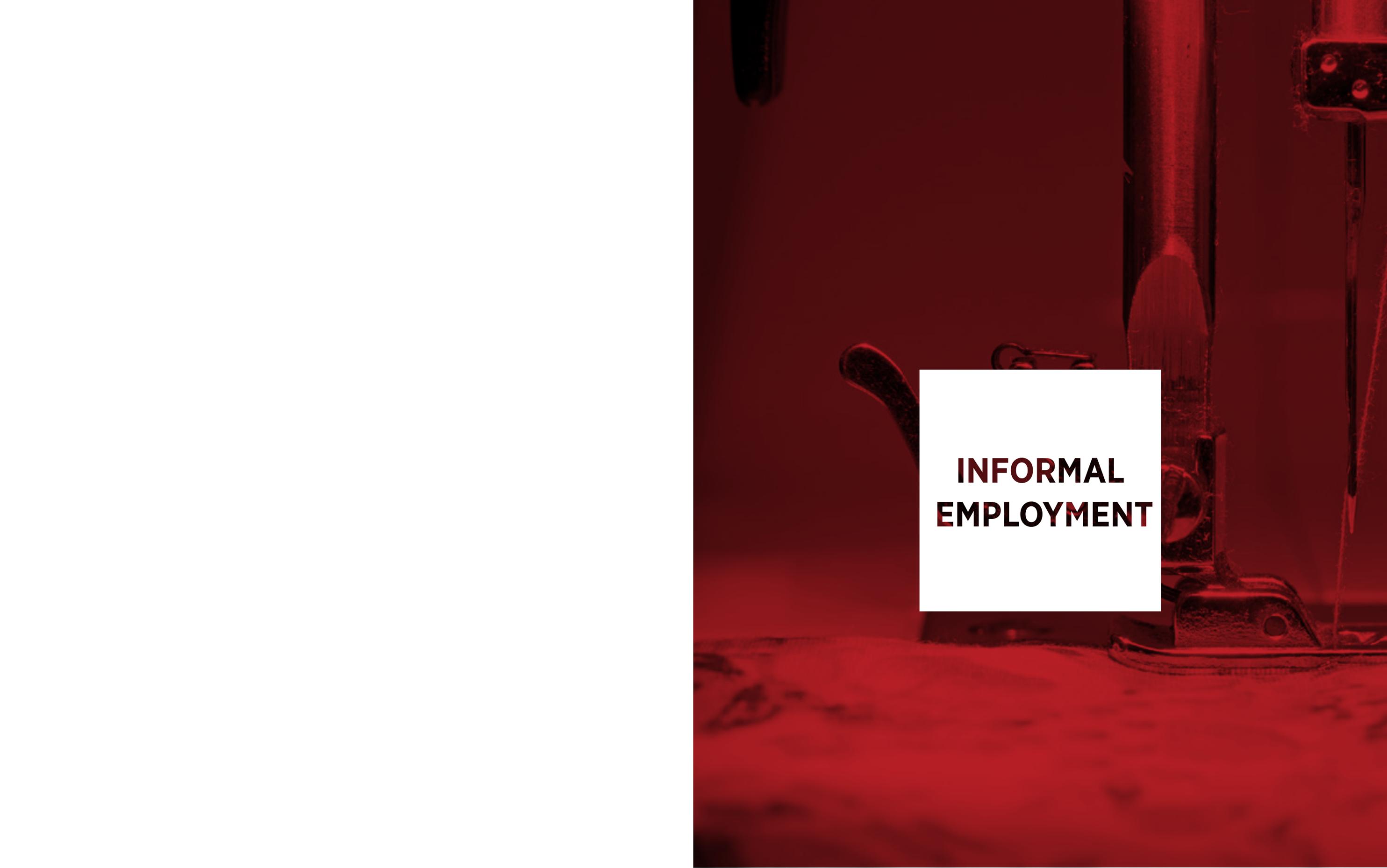
# INFORMAL EMPLOYMENT

2016



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Arab NGO Network for Development  
شبكة المنظمات العربية غير الحكومية للتنمية



**INFORMAL  
EMPLOYMENT**



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ANND works in 12 Arab countries with 9 national networks (with an extended membership of 250 CSOs from different backgrounds) and 23 NGO members.

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## Introduction

01

**Ziad Abdel Samad**  
ANND Executive Director

Since the eruption of the Arab Spring, Arab countries have been facing major challenges that can almost be described as existential challenges. On the one hand, the past decades have shown us that states ruled by dictatorships without any sort of accountability have failed to provide basic needs and protect the individual and collective rights of their citizens, and on the other, transition from dictatorship towards democracy has not been easy and even more complicated than expected. Arab revolutions have erupted in protest against dictatorships that have excessively silenced and suppressed their peoples and violently annihilated political diversity. However, social and economic demands were by far the most prominent demands as economic, social, geographic, gender, ethnic, and religious inequalities widened. Perhaps, increasing poverty, unemployment, and marginalization were the factors that led to the eruption of anger and revolutions throughout the Arab region.

Moreover, countries going through the experience of peaceful transition towards democracy, namely Tunisia, but also countries where no Arab spring erupted, also affected by it like Morocco, Jordan, Lebanon, and some Gulf states, have all faced the challenge of maintaining political stability, threatened by the lack of social justice and dormant popular anger, occasionally expressed by groups of people demanding to obtain their economic and social rights. The lack of some of the major rights, like the right to work, social protection, fair taxation, distribution policies, and many other rights, is considered one of the main factors affecting stability. Even before the eruption of the Arab Spring, economic and social policies were considered a challenge to be highlighted and addressed, as successive UN reports covering the Arab region since 2002, followed later by international financial institutions reports, namely the World Bank, had highlighted the importance of addressing these issues as they threaten political stability and do not protect tyrants from people's anger in the event that this anger erupts at the surface. Civil society has contributed to this dialogue. ANND had issued several reports about the relationship between democracy and social justice, and the connection between fulfilling development goals, public liberties, and democracy. Civil society organization keep on emphasizing the importance of this balanced relationship between creating a state and its institutions on the one hand, and achieving social justice and development on the other. The UN Millennium Declaration and the sustainable development action plan subsequently approved by the UN in 2015, both confirm this relationship, particularly in Goal 16 of the Sustainable Development Goals. The causal relationship between social justice and democracy on the one hand, and building a state on the other, is the main concern of organizations working on achieving development and prosperity. However, the approaches proposed to address economic and social imbalances are very different from one another. Some consider that structural reforms implemented in the past decades, in accordance with the vision adopted by the Washington Consensus, with programs of international financial institutions, were the right ones to make. Thus, their implementation should follow the same course it was set to take after introducing minor amendments to improve them based on past experiences. Those consider the lack of democracy and accountability as the main reason behind the crisis that led to the Arab Spring. Others consider that structural adjustment policies had contributed to the dismantling of public institutions, had set market economy and its mechanisms free, and had created a group of people

benefiting from the international economic, financial, and commercial ties that led to the emergence of the crony economy. As a result, corruption and tax evasion spread everywhere around the world, aggravating the situation even more. People subscribing to this point of view consider that the problem lies in the adopted structure and leads to all these morbid social phenomena; therefore, it widens the gap between different social classes. Both sides agree that it is important to adopt a different development model; however, they disagree on the elements constituting this model. Those of the first stance tend to propose more liberalism and liberation as they believe that the state is a failed state and that the market economy mechanisms, with some control, can achieve growth rates that can address the social issues such as poverty and unemployment, while those opting for the second stance reiterate that the state should play an essential role in the development process, especially that they clearly differentiate between development in all its forms as a human right based on freedom and right to self-determination, and growth as one of the factor supporting development among many others. ANND subscribes to the second position, which considers that the shifts occurring in the Arab region should be based on a new social contract addressing the issue of the state, its nature, and its relationships with its components, thus promoting human rights, secularism, and separation of powers. The economic and social aspects also have a share in this contract, thus promoting citizenship in its three dimensions: civil, political and social. Since the eruption of the Arab Spring, ANND's publications have criticized all statements still considering that achieving higher growth rates should solve all development issues. ANND seeks to build, with its members and partners, an alternative vision addressing the basic components of the desired development model. Therefore, it launched two research projects, one on tax justice and the other on social protection systems, and before that it issued a report on labor policy in relation with education, in addition to research on a variety of Public Private Partnerships (PPP) experiences and on international business ties, focusing on investment policies and service agreements and how they could be transformed into effective tools to achieve development and not just growth as per the prevailing classical theories. All of these research projects tackle the main components of the desired development model, which relies on addressing the structural defect and sets the foundations of social justice.

### The Arab Watch Report on Economic and Social Rights – Informal Labor

Informal labor is considered as one of the main causes of instability faced not only by countries of the region, but also by the whole world. According to the International Labor Organization (ILO), Informal Labor constitutes between half and three quarters of the non-agricultural workforce in developing countries. "Perhaps the widening share of informal labor in Arab countries in non-agricultural sectors is mainly the result of policies of 'Openness', neo-liberal globalization, youth boom, rural migration in great numbers as a result of neglecting rural areas in general and the agriculture sector in particular, in addition to large waves of incoming migration." Based on all of the aforementioned, ANND worked in the last two years on writing a report on informal labor as part of the Arab Watch on Economic and Social Rights. It approaches

informal labor from a human rights and social justice perspective. The report tackles three different dimensions: First, monitoring the situation of these almost inexistent rights; second, the efforts to be made to obtain these rights; third, the state's essential role in providing these rights.

Based on the national reports, the regional report prepared by senior researcher Dr. Samir Aita, indicates the following:

"The essence of the informal labor issue lies in the issue of civil and economic rights; healthcare, health insurance and medicine rights; the right to pension when laborers exceed an age limit after which they cannot continue to work; the right to a decent life through cash income or profit from simple trade; the right to decent housing, clean drinking water, sewage system, social services and infrastructure, in addition to the right to education and training in accordance with economic and technological advancement. All of these rights are guaranteed by the International Covenant on Economic and Social Rights (ICESCR) which complements the Universal Declaration of Human Rights (UDHR). The majority of constitutions of Arab countries guarantee those rights. However, only a diminishing number of workers obtain them."

The conclusions made by the report seem to disagree with the stereotype of informal labor according to the main researcher as "the higher rates of informal labor were found in countries with less strict laws and bureaucracy, and vice versa. These conclusions show that informal labor is not the result of strict laws and bureaucracy."

The report also concludes that informal labor is not a choice, since "informal labor in the Arab countries is mostly paid work, except in rare cases which refutes the idea that informal labor is a choice. Many young people do not have the choice but to take any work to secure their living, no matter how temporary or unstable."

The report also challenges governmental policies by stating that it is necessary that these policies benefit from young labor force entering the market before it gets older, in order to promote "the establishment of a balanced social redistribution system through insurances. The revenues of this system would be used to cover informal labor affecting youth in particular and protect using expenses older segments of society known to be prone to sickness or to stopping to work."

The report was prepared by a research team formed of ANND members and partners in the region and abroad. This team worked for two consecutive years on preparing national reports, and research and background papers on the reality of informal labor, in addition to a comparative study of the different components of the Arab region, and also comparing the Arab region with other parts of the world. The report also tackled neoliberal policies and informal labor in the Arab region.

I would like to thank this team and its coordinator, Dr. Samir Aita, President of the Arab Economists Forum for all the hard work, perseverance and devotion it put into making the completion of this report. I would also like to thank ANND member organizations who contributed by supporting researchers and holding seminars to discuss national reports with civil society, public institutions, and private sector representatives. I would also like to thank Dr. Ghada Abdel Tawwab, from Ford Foundation, for her contribution with ideas and suggestions and her follow-up. Special thanks to all those who contributed in financing this project: Ford Foundation, Diakonia, the Swedish International Development Cooperation, the Norwegian People's Aid, and IM Sweden.

## PAST AND FUTURE OF INFORMAL WORKERS

02

**Roberto Bissio**

Coordinator, Social Watch International Secretariat

The informal economy comprises half to three-quarters of all non-agricultural employment in developing countries, according to the International Labor Organization (ILO<sup>1</sup>). In the Global South, workers employed with a formal contract and benefitting from social protection are a minority.

Following the Second World War, when decolonization and development became important issues for the international community, informality was seen by analysts of different political inclinations as “backward” and synonymous with “underdevelopment.” It was a result of the persistence of self-sustained agriculture and/or plantation economies associated with slavery and post-slavery forms of workers’ exploitation. Modernity would come with urbanization and industrialization. Under a paternalistic (and frequently authoritarian) state, national bourgeoisie and formal, frequently unionized workers had a common interest in “development.” Progress required capital and technology and bringing them from abroad would accelerate the path towards catching up with advanced countries. The first wave of Asian “miracle countries” (like Taiwan and South Korea) largely followed that path, which started with agrarian reform meant to eradicate rural poverty and generate local demand. Performance requirements were imposed on foreign investors to be allowed in, such as the obligation to associate with local entrepreneurs, reinvest profits, transfer technologies, and buy and hire locally.

At the end of the Cold War (usually dated to 1989 with the fall of the Berlin Wall), the “Washington Consensus,” promoted by the US and the Washington-based World Bank and International Monetary Fund, attributed all of the development benefits to foreign direct investment. To attract more of it, countries were asked to stop imposing conditions on foreign investors and offer more profitability than their neighbors, starting a “race to the bottom” to reduce taxes and cut regulations.

Without offering any evidence that less “red tape” actually resulted in more investment, the World Bank ranked countries on the easiness of “Doing Business” in them<sup>2</sup>. The original Doing Business index included an indicator on how easy it is to fire workers as part of what makes a country “attractive.” As a result of that trend, trade unions became explicitly illegal in many of the “export processing zones” or “free trade zones” that mushroomed everywhere.

Instead of raising the environmental and social standards over those of local small business and informal family firms, this incorporation from below into the global value chains had the opposite effect.

On 24 April 2013 the Savar building collapsed in the Rana Plaza of Dhaka, the capital of Bangladesh. Over one thousand people died, mainly women who worked in garment factories that produced for global brands like Benetton, Bonmarch, the Children’s Place, El Corte Inglés, Joe Fresh, Monsoon Accessorize, Mango, Matalan, Primark, and Walmart.

The Savar building lacked proper authorization to host industries in a structure designated as commercial and had four more floors than the original building permit. When cracks were detected the building was evacuated, but managers requested workers to return to work and more than three thousand were inside when the building collapsed.

The notion that multinational corporations were helping improve working conditions in developing countries collapsed along with the Savar building. In Rana Plaza, only nine of the 29 brands that sourced products from the collapsed factories attended meetings to discuss compensation to the victims. The logic for not accepting responsibility is that they were buying products from local Bangladeshi firms. The workers were therefore not their employees and their safety not their responsibility. It has been argued that those same firms have tight quality control processes over the products they buy and that their pressure to complete orders on time was behind the managers’ requirement for workers to return. Short production deadlines are required to maximize profits in a so-called “fast fashion” industry due to the quick changes of designs. Yet, the minority of global brands that actually contributed to a fund for the victims did so out of compassion or an interest in protecting their brands from public outrage, not out of any obligation to remedy a damage of which they were at least co-responsible.

High levels of informality in non-agricultural sectors are often seen as associated with low institutional quality. The state cannot provide basic social services and tolerates an informal urban economy which creates jobs (even if low quality). Informal jobs reduce the social tensions of unemployment, but without paying taxes or contributing to social security, which postpones problems to a later time, when the informal workers of today won’t be able to work and will lack proper health care or any pension. On the other hand, informality contributes through bribes to compensate the low incomes of public officials and local police and in doing so generates forces of silent resistance to changes in the status quo.

The negative impact of informality has abundantly been demonstrated as exceeding any short term advantage, but any strategy to combat informality requires the strengthening of the capacities of the State. Instead, development thinking and funding conditionalities over the last three decades have been directed towards creating an “enabling environment” for business, in particular foreign direct investment. While the foreign direct investors generate a few formal good quality jobs among those nominally working for the corporation itself, the laxity of state regulations and the effect of the “race to the bottom” on taxes and regulations soon result in corporations resorting to informal work themselves in their production chains, instead of generating a “modern” formalized labor market in the countries where they operate.

As noted by Leila Adim, “undertakings operating in more than a country rarely employ informal workers and plan other strategies for saving labor costs. In most of the cases, multinational corporations that aim at capitalizing on the incomppliance with tax payments and other legal duties in order to minimize labor costs and increase their profits in the “formal” global market, subcontract other firms which employ informal workers for producing/extracting the goods or providing the services that they require. Such an outsourcing does not exclude the unfair competition that the corporation provokes by subcontracting firms that employ informal labor force.”<sup>3</sup> The garment industry is an example of the recourse to informal work in sweatshops or by home workers, but not the only one. As a result, instead of improving working conditions, the impact of foreign direct investment ends up doing the opposite.

On the second anniversary of the Rana Plaza catastrophe, Sam Maher, the “Labour Behind the Label” campaign’s director of policy for workers’ safety, wrote in The Guardian that “the assumptions underlying the belief that Bangladesh is just at an earlier stage of development (leaving aside the strongly colonial and racist undertones of the suggestion that Bangladesh is not as civilized as Europe) are wrong. Bangladesh is not a reminder of our past but a vision of our future.

“When our governments promote neoliberal, free market capitalism as the only game in town, they are aiming for a reorganization of society exactly like that being delivered in Bangladesh. This envisages an almost non-existent state whose role is largely limited to providing the security forces required to subdue a dissatisfied population. It also anticipates a total lack of any “barriers” to the rapid accumulation of profit – no taxes, no trade unions, no “red tape” of regulation.”<sup>4</sup>

There is an ongoing academic and political debate in many countries, rich and poor, between those that argue, on the one side, that the rich should be taxed less, so that they have more money to invest and create jobs and that more jobs will be created if there is no minimum salary, no social security (or the existing one is reduced to a minimum) and workers negotiate with their employers individually instead of through unionization. The argument that this is not what workers want is dismissed as a defensive tactic of union bureaucracies or as a “kick the ladder” strategy by those who already have a formal job, but would not reflect the long term interest of a majority of unemployed or informal workers. The existence in some countries of “voluntary informality” with some highly qualified individuals opting out of formal jobs to earn more as informal entrepreneurs is an additional argument.

In fact the definition of “informal” is so wide that those cases do exist, but are a minority even among high income and high medium income countries. For the majority of developing countries, the reality is closer to that found in Côte d’Ivoire, where a study estimated that about twice as many urban workers want to work in formal employment than actually do, and that about three times as many urban workers are in the lower tier of informal employment than want to be.<sup>5</sup>

Further, the trickle down effects of cutting taxes to the rich are nowhere to be found. A recent study published by the IMF finds “an inverse relationship between the income share accruing to the rich (top 20 percent) and economic growth. If the income share of the top 20 percent increases by 1 percentage point, GDP growth is actually 0.08 percentage point lower in the following five years, suggesting that the benefits do not trickle down. Instead, a similar increase in the income share of the bottom 20 percent (the poor) is associated with 0.38 percentage point higher growth. This positive relationship between disposable income shares and higher growth continues to hold for the second and third quintiles (the middle class).”<sup>6</sup> In other words, the poor spend any extra dollar they receive and thus stimulate the economy, while the rich might save that extra dollar in offshore banks, without any domestic benefit and subtracting it from the national economy.

With the new wave of digital technologies, policy debates in many countries focus on the destruction of traditional jobs,

associated with a formalized long term contract between worker and employer and its substitution for a multiplicity of micro-contracts. Instead of taxi drivers we have Uber drivers who work whenever they want, as much as they want, without paying any fees to enter the market, which undermines the traditional, formalized taxi business. Hotels suffer competition from individuals renting free rooms in their homes via Airbnb.

Mark Graham, a researcher at the University of Oxford, has studied “online labor markets (that allow) to outsource work directly to any corner of the planet. Millions of new jobs are thus available for workers in some of the poorest parts of the planet. But the fact that we now have millions of people around the world all competing for the same jobs threatens to undermine a range of working standards.”<sup>7</sup>

Hundreds of thousands, if not millions, of workers in developing countries are turning to online work marketplaces do to tasks such as virtual assistance, translations, transcriptions, computer programming, graphic design, writing, and other such intellectual and digital forms of work. Since workers then try to outbid each other for contacts by offering a lower price or better service, “practices like paying minimum wages and living wages become less meaningful – when tasks can be commoditized and outsourced. The very existence of a broad base of people willing to work for subsistence-level wages can exert a gravitational downwards pull on any work towards them in a supply chain.”

While populists around the world blame the downward trends on migrants and/or cheap imported products, the actual threat comes from high speed data communications that no wall can stop, combined with the commodification of work and the deregulation of corporations. Paradoxically those same technologies can be a tool for the formalization of workers and the improvement of their social protection benefits. In Uruguay the employer of a domestic worker can register her over the Internet in ten minutes and get my mail in a week an invoice of the social security contributions to be paid at any supermarket. The worker is immediately entitled to health care, insured against accidents, and accumulates retirement benefits. Around the world, most domestic workers are women and a majority of them are informal migrants who lack any recognition of their rights. The combination of easy procedures and strong penalties for informal employers led to the formalization of around %60 of domestic workers and a reduction of informality of the work force from %35 in 2006 to %23 in 2016, the lowest in Latin America. In India, between 2010 and 2016 one billion identity cards were issued (in a total population of 1.25 billion). Indonesia started its national ID program in 2012 and is expected to cover this year the total of its 250 million inhabitants. ID cards are essential to protect the human right to an identity, without which no citizenship is possible. They also make it easier for work to be formalized and social services and welfare benefits to be provided. There is also potential for misuse by a controlling state and threats to privacy associated with large databases containing personal information and biometric data.

In Kenya the process of getting an ID card is still complicated but the number every Kenyan has is that of her or his mobile phone. Mobile penetration reached %89 in 2016 and keeps growing, with phones widely used for commercial transactions instead of cash.

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2. [www.globalpolicy.org/global-taxes/52703-doing-business-report-strongly-flawed.html](http://www.globalpolicy.org/global-taxes/52703-doing-business-report-strongly-flawed.html)

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4. [www.theguardian.com/global-development/2015/apr/23/rana-plaza-bangladesh-factory-tragedy-little-changed](http://www.theguardian.com/global-development/2015/apr/23/rana-plaza-bangladesh-factory-tragedy-little-changed)

5. Günther, Isabel; Launov, Andrey. 2006. Competitive and segmented informal labor markets. IZA Discussion Paper No. 2349. Bonn, Institute for the Study of Labor (IZA).

6. INTERNATIONAL MONETARY FUND, “Causes and Consequences of Income Inequality: A Global Perspective”, prepared by Era Dabla-Norris, Kalpana Kochhar, Frantisek Ricka, Nujin Suphaphiphat, and Evridiki Tsounta, June 2015

7. GRAHAM, Mark and Alex Wood, “Why the digital gig economy needs co-ops and unions” OpenDemocracyUK, 15 September 2016

When 9 out of 10 inhabitants of a country are registered in electronic databases, be that in the hands of the identification authorities or of the phone companies, the process of formalizing work or ensuring access to social protection is technically feasible and only depends on political will to make it effective.

In Third World cities like Lima, long before Uber, car owners were used to fixing a plastic sign that read “taxi” on the windshield to then take rides when in need of extra income. In those circumstances the existence of a digital platform that registers all drivers enables the authorities to both levy taxes from them as well as to guarantee the recognition of their rights as workers.

To be recognized as workers is frequently the first demand of people in the informal sector. “The lack of a recognized employer presented the Self-Employed Women’s Association (SEWA) in India (nearly a million members in 2006) with difficulties in gaining formal recognition as a union, both nationally and internationally. Yet SEWA was recognized as a union by the Indian Government in 1972 and joined the International Confederation of Trade Unions (ICFTU) in 2006. SEWA has served as the model for SEWA Turkey, SEWA Yemen and the Self-Employed Women’s Union (SEWU) in South Africa and it SEWA also played a role in the adoption of the ILO’s Home Work Convention in 1996 <sup>8</sup>.

Around the world, street vendors, domestic workers, rural workers and sex workers are organizing into unions, defending their rights, and in some cases participating in union confederations and collective bargaining.

The different digital platforms that aggregate and link demand and offer of work define those offering small services, from bicycle deliveries to one page translations, as “entrepreneurs” who buy and sell a commodity, internalizing visions of individuality, competition and predatory behavior, such as outsourcing the work they sell to some other worker down the line willing to accept an even lower price.

The economist Branco Milanovic, famous for his studies on inequality, explains the distinction very graphically:

“You can be, of course, a very rich worker, as [a world famous] violinist [or a] brain surgeon are, while a poor widow may depend only on the income from the meager savings left by her deceased husband. But violinist will still make his income through labor and the widow through ownership. It is not the amount of income that makes you a worker, but the need for continuous application of your labor. This is the fundamental difference between labor and all forms of capital.<sup>9</sup> This is the cleavage, so obvious to anyone, that has been at the source of the classical distinction between labor and capital.”

Informal sector workers that make an income from their effort are thus substantially different from rentiers that derive an income from money in tax heavens, even when both may be evading taxes. And for workers to assert their rights, the only proven successful strategy is to organize.

In the UK, the “Digital Democracy Manifesto” of Labour leader Jeremy Corbyn envisages “the cooperative ownership of digital platforms for distributing labor and selling services”<sup>10</sup> and promises “new laws guaranteeing a secure employment contract and the inalienable right of trade union membership

to everyone who earns most or some of their livelihood from digital platforms.”

Mark Graham observes that “in a world of precarious short-term contracts, with workers all over the world competing against each other, it is impossible to emulate traditional strategies that made trade unions effective.” Nevertheless, “the basic fact remains that everything around us - the apps, the data, the algorithms, the content - is ultimately produced by workers.” The same tools that allow them to work together across continents can be helpful to organize and “also digitally assemble on Facebook groups, sub-Reddits, and other digital points of assembly to chat, complain, share opportunities, and exchange knowledge.”<sup>11</sup>

This conclusion cannot be a surprise in the Arab region, where those same tools played a role in the “Arab Spring.” From “digital democracy” to “people power” in streets and squares, these struggles share a common sense of dignity and fairness. Solidarity among workers is an old aspiration and has now become a condition of success.

## ARAB WATCH REPORT ON ECONOMIC AND SOCIAL RIGHTS

03

**Samir Aita**  
President, Cercle des Economistes Arabes

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## INTRODUCTION

The decision of the Arab NGO Network for Development (ANNND) to make the «Watch report on economic and social rights in the Arab countries» centered on informal labor was a major challenge. However, it was a challenge that had to be faced after the events of the «Arab Spring». Tarek el-Tayeb Mohamed Bouazizi, who ignited it, was not unemployed. He was a -27year-old informal worker in a peripheral area of the Tunisian state. He neither benefited from any form of development that guaranteed his human dignity, nor was he a waged agricultural worker like his father. He worked for his own account, i.e. an employer from the so-called private sector, which important role and that of youth in economic growth are highlighted. His desperation and committing suicide by burning himself was a result of suppression precisely because he was «informal» and should be subject to the laws in force, leading to the confiscation of his means of subsistence. It is thus clear that addressing this challenge is at the heart of addressing development issues in the Arab countries.

It has also been clear from the outset that meeting the challenge will encounter difficulties at different levels. There is first a knowledge and conceptual problem. What is meant by unstructured or informal labor? How is it expressed? What does it exactly include in the labor force? All these questions are asked in the absence of unstructured employment as a conceptual, statistical, political and fundamental struggle issue in the Arab countries, although this type of labor represents a large part of the total employment and continues to increase. Official statistics do not comply with International Labour Organisation (ILO) standards to monitor it, neither in surveys on labor force nor in those on family income. The efforts of social and economic researchers rarely address the characteristics and diversity of its types, as well as the subservience and power it creates. Most of trade union struggles are not based on securing dignity and the basic rights of those involved, but are more focused on formal workers, especially in the government sector, because they are easier organized in trade unions. Moreover, Arab governments do not consider it as the main subject of their policies, because it is an embarrassing subject which illustrates the gap between the role of the state set forth in regulations on labor, the social protection of citizens and redistribution, and the existing reality. It also points out to the inability of Arab governments for decades to launch a sustainable development that provides for living and prosperity. Therefore, in social struggles and in some government policies, there is often only a generic title, not a specific content, adapted from ILO literature on «decent work». In the face of every attempt to study it deeply, this informal employment which is an essential part of the «labor market» division in the postmodern and globalization era, especially in developing countries, is confused with smuggling, evasion of law and «informal» crime, which increases the perceived inferiority of this employment. Civil and economic rights are the core of the issue of informal labor, i.e. the right to health insurance, medical services and medicines, the right to pension when workers will be unable to work, the right to an income that provides a decent life, whether it is a wage or a profit on a simple trade, the right to housing, clean drinking water, sanitation, social services and infrastructure, and the right to education and rehabilitation to suit economic and technical developments. All these rights are guaranteed in the International Covenant on Economic, Social and Cultural Rights which is inherent and complementary to the International Bill of Human Rights, and are guaranteed by the Constitutions of the majority of Arab countries. However, only few workers enjoy these rights.

Securing these rights for all citizens through workers is the

primary role of the State in redistribution and social justice. The other main role is the organization of social relations, especially labor relations, between employers and employees, regardless of the nature of these relations and their changes with technological developments. This includes ensuring the freedom of association, including the right to strike, in addition to the right to collective bargaining in which the State has no role other than mediation, whereas the role of the legislature is to enact legislations protecting the rights, and that of the judiciary is to enforce the International Law, Constitutions and laws. Of course, these two roles cannot be truly activated without the State advancing economic and social development and protecting countries against the effects of internal and global crises. This challenge has become more acute since the beginning of the Arab Spring which turned in some Arab countries into civil wars with catastrophic consequences for the country itself and its neighbors, including the consequences on informal labor. The watch report addresses the issue of informal labor primarily in terms of rights, creating another challenge in monitoring the status of these rights that are absent in general, the prospects of struggles for their attainment, and the State's key role in securing them.

## EXECUTIVE SUMMARY

The present report highlights the factors that have led to the expansion of informal labor in Arab countries outside the agricultural labor. It puts the reasons in the context of «openness» and neo-liberal and income-based policies, which began in the 1970s, coinciding with many phenomena, the most important of which was a «youth wave» that resulted from «baby boom» generations reaching the working age, large waves of emigration to many Arab countries, labor migration or asylum migration. Therefore, the growth rates of the urban labor force were very high, despite the fact that overall population growth rates have declined significantly. In many countries, a «youth tsunami» requires conscious voluntary policies to create «decent» jobs, originally linked to labor rights, but also to development, especially to the urbanization of «random» suburbs and cities, and peripheral areas of the country where informal labor has spread. First, the report monitors some of the overall data according to United Nations organizations. The population of Arab countries exceeded 380 million in 2015, and demographic growth rates have declined significantly in recent years. However, the population of Gulf countries has doubled, thanks to migrant labor; hence, GCC population represents now %14 of the total population of the Arab countries against %6 in 1950. Also, all Arab countries were not aware of their «youth wave» during the same period. Lebanon reached the peak of the youth wave in 1975 during its civil war, while countries such as Yemen, Syria and Jordan are currently witnessing it. Residents of many countries have also completed their urban relocation in the cities (Gulf States, Lebanon), while rural exodus to the city accelerates in other countries (Tunisia, Algeria, Syria, Yemen and Mauritania) and is accelerating in Egypt and Sudan. In all these latter cases, the urban population is growing at a much higher rate than the demographic growth rate.

In spite of the general weakness of women's participation to the economy, the Arab labor force is increasing annually by 3 million, down from a peak of 4 million in 2010 due to current crises. Most of this increase is not due to higher economic participation. The largest increase is seen in Gulf countries, whose labor force now accounts for %19 of the Arab labor force, compared to only %12 in 1990. Of course, most of this increase is composed of migrant labor. In contrast, some countries are experiencing a decline in economic participation, especially for women, as a result of rural exodus to cities. Here,

attention must be given to the impact of migrant refugees on reducing the participation rate, especially women, and the impact of migrant labor, as in Gulf countries, on increasing this measure. The report did not rely heavily on unemployment data, but on comparing the number of new annual arrivals to the labor force (3 million Arabs) with the number and quality of created jobs.

Data provided by the International Labor Organization (ILO) showed that the proportion of self-employment out of the total employment is low (less than %15) in the Gulf countries, as well as in Jordan and Egypt, while it rises in Sudan and Mauritania to about %40. The general trend seems to be towards a decline in this percentage, especially as agricultural labor is declining in many countries. However, the trend has risen again in Syria and Yemen; both countries plunged into civil war. On the other hand, Morocco, Egypt and Iraq are witnessing significant proportions (35 to %50) of contributing family labor. In all cases, many Arab countries are experiencing high rates of poverty among workers (e.g. %75 in Yemen and %44 in Egypt). The report therefore relies on the absence of social coverage, particularly health insurance, as a standard for categorizing labor as informal. In addition, international data on this coverage remain fragmented and non-periodic, requiring special effort in this report. Attention is also drawn to child labor, with UNICEF monitoring significant rates in many Arab countries (between %2 and %7 in most of these countries, %15 in Mauritania, %23 in Yemen and %25 in Sudan for population between 5 and 14 years).

Based on national and regional reports, the report examines informal working conditions in 13 Arab countries, showing their individual characteristics as well as their differences, which seemed huge among countries of the same region (Gulf countries, Maghreb, Nile Valley, and the Levant). The Bahrain case study thus shed the lights on the characteristics of labor and employment in Gulf countries. These countries host about one million newcomers to the labor force annually; most of them are migrant workers. Therefore, it is the size of the labor (and the labor force) that adapts mainly to the labor market, not the other way around, since %87 of the total labor force in Bahrain for example is migrant workers, whose employment is terminated when jobs are no more available. However, %37 of Bahraini workers are also informal, mostly self-employed or employers, with informal Bahraini waged workers, even in the public sector, such as kindergarten female workers whose status is documented in the Bahrain report. Also, %73 of migrant workers remain informal and are paid workers in the formal sector or at home. Therefore, the total percentage of informal labor to the total labor force in Bahrain is %65, the majority of which is waged. Since Bahraini women work mainly in the government sector, the chances of informality are better than the total for Bahraini females (%29) and worse than the total for the migrant women (%84). Although Bahrain is making efforts to comply with international labor standards, and to cover migrant workers with insurance, more than %60 of migrants arrived less than one year ago and are not granted health insurance. In general, concepts of participation to the labor force, especially for women, unemployment and informal labor, have a special meaning in Gulf countries, while the rights are common human and labor rights to all.

For their part, all Arab Maghreb countries have seen the «youth boom» and Mauritania continues to witness it. Urbanization has been completed only in Morocco and Mauritania, which are still seeing accelerated rural exodus to the cities. The waves of labor migration to Europe (except for Libya), which reached %0.5 of the population annually, played a key role in the past to absorb the newcomers into the labor force, but these migrations have almost ceased, except from Morocco. Thus, Maghreb countries receive annually about 500 thousand newcomers to the labor force, most of them are in

Algeria (%48 of the total Maghreb). The Libyan war will weigh heavily on the working conditions in Tunisia, more than the repercussions of the 2010 revolution itself.

Employment characteristics vary widely among the studied Maghreb countries. Algeria has a government employment rate of more than %40 of the total labor force (including women). Tunisia has a structured employment rate in the formal sector of around %50, especially for women, while Morocco has high proportions of family contributing workers and Mauritania has high rates of unskilled employers (especially women). With significant variations in the quality of employment, the proportion of informal workers and uninsured workers is %35 in Tunisia, %39 in Algeria, %80 in Morocco and %86 in Mauritania. However, the proportion of informal workers in Algeria rises to %66 if civil servants are excluded (and to %85 for females). It is worth noting that part of the waged workers in the government and the public sector are non-permanent and informal. In Algeria, informal workers are almost equally divided between paid labor and self-employment, as in Tunisia. In Morocco, prevalence is for waged informal labor and contributing family labor which affects women in particular. On the contrary, self-employment and entrepreneurship constitute the majority of informal labor (and labor in general) in Mauritania.

Overall, the situation of women remains more vulnerable. The percentage of informal female workers is %49 in Algeria, %83 in Morocco and %87 in Mauritania. Only in Tunisia, informal female workers are less by %20 than male informal workers, thanks to its social security system, which covers even agricultural workers; so if civil servants are excluded, the percentage of informality only drops to %28) %42 for women). The countries of the Nile Valley (like Morocco, but with higher percentages) are still predominantly rural, and their «youth wave» lasted for decades. These countries receive some 900,000 newcomers to the labor force each year. The percentage of informal labor in Egypt was estimated at %59 of the total employment, mostly waged work, especially the vulnerable and non-permanent waged labor. This is despite the fact that %30 of employment is in the public sector, although part of it is informal. The proportion of informal labor in Sudan is %77, with the predominance of self-employment and contributing family labor. It should be noted that in the case of Egypt, the proportion of informal female workers drops to %38, although there is a remarkable proportion (%18) of informal family labor; women exit the labor force with more informality. In Sudan, the proportion of informal female workers (%79) is slightly higher than that of men. In all cases, it seems that informality will be higher in both countries, in Egypt due to the post-revolution economic developments, and in Sudan as a result of the civil war and the heavy migration from Southern Sudan. The situation will be even worse with the accelerated pace of rural exodus to cities.

For their part, Levant countries are living in a state of extreme cruelty due to the invasion of Iraq, the wars in Syria and Yemen, and the massive internal and external migratory waves. This was at a time when most of these countries knew the peak of the «youth boom» and the accelerated rural exodus to cities, and thus the number of newcomers to the labor force is about 800 thousand per year.

In Iraq, the proportion of informal workers is %52 of the total labor (%48 for women), the majority of whom are waged workers in the informal sector. With the expansion of employment in the public sector after the war to more than %50) %41 for women), the proportion of informal labor outside the civil service rises to %96) %88 for women). In Jordan, the proportion of informal Jordanians is %50, the majority of whom are waged workers in the formal sector. With the majority of informal migrant workers, Palestinians and Syrians, most of whom are waged workers, the share of informal labor rises to %27) %57 for women). Outside the

civil service (%30 overall and %52 for women), the share of informal labor rises to %55) %81 for women).

The overall informality rate in Palestine (%60 in total) is not different from that in Jordan. However, the difference between the West Bank (%66) and the Gaza Strip (%43) is particularly significant, with government employment at %37 in the Gaza Strip and only %16 in the West Bank. The percentage of women's informality is similar to that of men, although the share of women in government labor is greater (%30) than that of men (%21), but women suffer more from unpaid family labor, especially in the West Bank.

The most complicated situation is in Lebanon, where the share of Palestinian migrants is %6 of the total employment, Syrian refugees are at %18 and other migrants (mainly domestic workers) are at %13. The overall informality is %73, with more than %90 for emigrants and %59 for Lebanese. The share of Lebanese women in terms of informality (%44) is lower than that of men (%63), because they are concentrated in the formal sector, whether governmental or private. The situation in Lebanon stands out as a striking phenomenon for an average income country, with a high rate of self-employment, affecting %36 of Lebanese male workers. Poverty and child labor rates remain significant. Informal labor was monitored in Syria and Yemen prior to their civil wars. In Syria, the proportion of informal workers reached %66 of the total (%39 for women), almost evenly distributed between self-employment and waged labor in the informal sector. With %27 for those working in the public sector (%56 for women), the percentage of informality outside the public sector reaches %94) %89 for women), while the number of newcomers to the labor force was nearly 300,000. The ongoing conflict has resulted in the loss of half of the jobs between 2011 and 2015. In Yemen, the proportion of informal labor reached %81 in 2014-2013, also distributed between self-employment and waged labor, with a significant share of contributing family workers. Informality among women is greater (%83), with a significant proportion for contributing family labor and self-employment. Yemen is also witnessing new arrivals to the labor force between 250,000 and 280,000 per year.

The report also documents various cases of informal labor. In the case of self-employment, the situation of street vendors in several countries (symbolizing the Bouazizi case) highlights complex labor relations, some of which are linked to local administrations (workplace). Small-scale workshops, often used by many to earn a living, are also highlighted, as are some migrants without a residence permit. Some traditional industries highlight the situation of self-employed family labor, including industries that represent an immaterial heritage and activities reflecting a lot of innovation. Cases of waged informal labor were also highlighted in the government sector in Lebanon, Egypt, Bahrain, and other cases in Mauritania in the formal private sector. Issues of domestic female workers (as well as male domestic workers), waged family labor and child labor issues were also highlighted. The report documented the fight of trade unions and civil society organizations to defend the rights of these cases.

The report concludes that the percentages of informal labor in Arab countries under study are higher than those mentioned in the literature. This contradicts one of the stereotypes about informal labor, i.e. that it results from strict laws and bureaucracy. The highest levels of informality are seen in countries that are less strict in their laws and bureaucracy, and vice versa. Moreover, informality has expanded in all the studied Arab countries, while in the past two decades, these countries have seen «economic openness», easing of bureaucracy, engagement in globalization and «structural reform» policies led by the International Monetary Fund (IMF). Waged labor dominates informal labor in Arab countries, except in rare cases. This also contradicts the idea that

informal labor is essentially an option. Many young people have no choice but to engage in any type of labor that provides for living, even if it is vulnerable or temporary.

Employers also benefit from this overcrowding in the urban labor market to evade formality. Thus, all reference studies monitor the higher ratios of informal labor among young people. The option theory is also meaningless in countries where migrants, as imported labor, as in Gulf countries, or as refugees, as in Lebanon and Jordan, constitute the core part of informal labor. Waged labor also prevails in the case of females, which sheds a special light on the cultural perspective of women's low participation to the labor force. Will women refrain from such participation for cultural reasons or because their waged labor is unprotected? And because the labor market is full of male workers and is characterized by vulnerable and temporary labor?

Thus, «formality» consists mostly of including the waged labor in social security services, as well as in the collection of their revenues. Regarding government policies, the report asks: what prevents the establishment of a balanced system of social redistribution through insurance, which revenues include the informal labor that affects young people in particular and protects their expenses, especially older groups suffering from higher rates of illness or cases of stopping work? Why the opportunity of the «youth wave» today is not leveraged before the community «ages», as in some developed countries, and thus making more difficult the possibility of achieving the financial balance for such a system? Tunisia is a pioneer in this case; the strong trade union federation which strived to expand the horizontal coverage of social security has played a major role.

As for self-employment, the report distinguishes between anti-poverty policies and those stimulating economic activities and entrepreneurship. It asks why these and those are focused on microfinance, as poverty cannot be managed through these loans alone, while subsidies on basic commodities are lifted and indirect taxes are imposed. Incentives» policies go much further, not only through the provision of non-material services, such as legal assistance and technical expertise, including market research and support, and access to incubators, training and qualification, and even partial formality, but also through issues related to urbanization and territory development. The workplace is a fundamental issue in self-employment labor relations. The problems of street vendors depend on the organization of urban space as a public right. Private investment promotion is associated with territory development policies and economic policies that address crises resulting from «economic openness», technical jumps and large economic and social gaps between urban centers and peripheries, including slums.

The report concludes with a set of recommendations for Arab civil society organizations for development in terms of data and surveys on informal labor, social and health insurance, government policies to combat poverty and stimulate entrepreneurship, and struggles for social and economic rights.

## 1. INFORMAL LABOR: IS IT INEVITABLE?

Arab societies did not witness the industrial revolution that Europe witnessed in the nineteenth century, which had laid down the working relations between the «owners» of this labor or the «employers» who own the means of production, and the workers who only had to sell their «labor force» for a wage. Then, labor struggles came to gain these workers' rights to association, strike, health, pensions, and so on.

Arab societies have known this type of labor relations since ancient times, especially in the commercial field which was historically rooted in cities and in rural areas through forced

labor, without clear rights for workers. Then the independence period emerged in the middle of the 20th century. There was a great rush to create State institutions and to engage in the industrial economy, often through government investment, as well as to regulate agricultural relations (agrarian reform). This went hand in hand with a widespread dissemination of education and public services throughout the country, even in peripheral areas. In line with all this, legal frameworks have evolved to regulate labor relations and to grant workers, especially in the government service or productive sector, benefits and rights, especially that ILO, which had emerged after the First World War, had set up rules, conventions and recommendations to be observed by States and introduced in their own laws.

However, none of the Arab countries could create an industrial development revolution, until the era of globalization and information and communications technology. In the 1970s, the policies of opening up trade increased. The Arab countries reduced the role of the government in investing in the productive sector, privatized many government enterprises, even those that provide public services, and committed themselves to the so-called «structural reform» recommended by the International Monetary Fund, i.e. decreasing investment and current budgets. Contrary to the slogans behind openness, the domestic and foreign private sector did not make investments that offset the contraction of government investment. Arab economies have turned into rentier economies, especially around natural resources and real estate.

These policies were accompanied by policies that researchers call the policies of «the oil era»,<sup>1</sup> or the «neoliberal»<sup>2</sup> and «rentier»<sup>3</sup> era with two phenomena. The first phenomenon was demographic; the population growth witnessed by Arab countries in the previous period with the great improvement in reproductive health led to a «youth wave». In other words, the proportion of young people in university-age and in the labor force has become a significant proportion of the total population. The same happened in Europe when a baby boom took place after World War II in the 1960s and led to May 1968 in France and «Prague Spring» in Czechoslovakia. GCC countries have not really experienced this «youth wave» as much as they have seen the recruitment of migrant workers on demand; most of them stay for only a short time. However, they are gradually becoming the majority of the population. The second phenomenon was socio-economic, with the acceleration of rural exodus to cities in most Arab countries. Small farm holdings were no longer able to secure the livelihood of the second or third generation of their descendants. The agricultural sector as a whole has entered the world of the market, agricultural industries and modern technologies, with great neglect of the development of rural and peripheral areas, unlike the period of independence. The youth wave has become a «youth tsunami,» with urban population growth rates well above overall demographic growth rates.

This urban «youth tsunami» was not met by a suitable size of «decent» employment opportunities, neither in the public sector nor in the private sector, in accordance with the legal frameworks established since independence. The majority of young people, and many older people, engaged in waged or own account employment outside the frameworks of formal labor relations. This is precisely the urban «unstructured employment», also called «informal», which represents now an absolute majority of the labor force in the Arab countries, especially if we exclude civil service and agricultural labor

<sup>1</sup> In relation to the increase of oil prices after the 1973 war, and the significant increase of Arab countries' oil resources

<sup>2</sup> In relation to theories considering that markets (goods, funds, and labor) self-evaluate and control themselves with neither rules or incentives, nor a regulatory role for the State.

<sup>3</sup> That is the economy based primarily on the exploitation of natural resources instead of the real added value resulting from labor, investment and creativity; see, for example, George Corm: Taking Arab countries out of the rentier economy? (إخراج الدول العربية من الاقتصاد الريعي؟),

(the latter is also a traditional and informal labor). This will be tackled in details in the following chapters.

The so-called «labor market» has been divided into two parts, sometimes separated by an abyss: formal and informal employment. The main reason for the gap between the annual employment requirements of the «youth tsunami» and the number of «decent» annual available employment opportunities, including access to social and economic rights, is minimal. But this is not the only reason. Modern technologies reduce the need for labor, especially the unskilled ones, and have destructive effects on «decent» jobs often absent from the literature of modernization, development and innovation.

On the other hand, informal workers are concentrated in an urban setting that has also grown rapidly and informally, in slums that surpassed the potential of states and local authorities in terms of urban and regional regulation. Therefore, «informal employment» cannot be addressed without a regional and urban organization that also deals with «unstructured urbanization»,<sup>4</sup> i.e. random urbanization, and gaps that have expanded significantly between peripheries and urban centers.

It is remarkable that the uprisings of the «Arab Spring» are largely due to the outbreak of structural instability. Peruvian economist Hernando de Soto pointed out that «what is happening in the Middle East is the revolution of the informal, those who have become outside the codified system and want to work in a system of codification that supports and can integrate them. However, this system has not yet been designed».<sup>5</sup> De Soto had a role in making some Arab policies on informal labor before the «Arab Spring», and major economic research centers in the Arab countries, as well as the International Monetary Fund and the World Bank, did not all expect this explosion. The situation even got worse after it. Is informal labor in Arab countries inevitable?

## 2. ARAB INFORMAL LABOR AS WATCHED BY THE UNITED NATIONS

The United Nations has raised the issue of informal labor, particularly through ILO, and has been included in Sustainable Development Goals.<sup>6</sup> The eighth objective is to «promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all». The tenth objective is to «reduce income inequality within and among countries». The United Nations organizations rely on statistical data, provided by most countries, to measure the trend towards Sustainable Development Goals. In this chapter, we will review informal labor in the Arab countries.

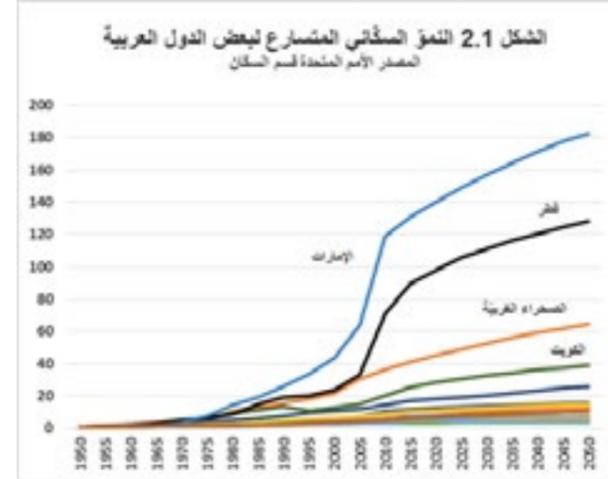
Le Monde Diplomatique, Arab version, April 2010, [http://www.georgescorm.com/personal/download.php?file=al\\_kabass.pdf](http://www.georgescorm.com/personal/download.php?file=al_kabass.pdf)

<sup>4</sup> Roy & Alsayyad 2004.

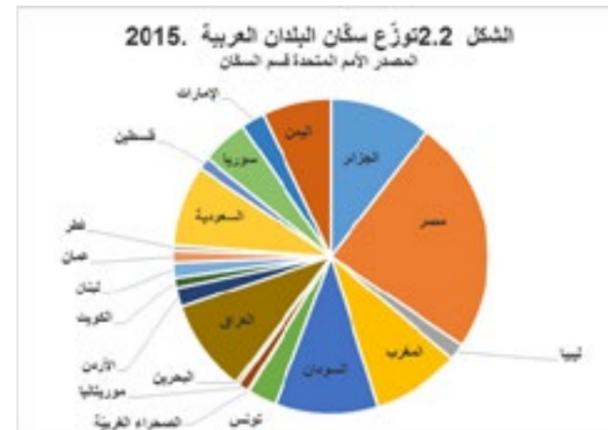
<sup>5</sup> Stan Alcorn: Hernando de Soto on the Middle East's "informal" revolution; Marketplace, June 20, 2011, <http://www.marketplace.org/topics/business/economy-40/heraldo-de-so-to-middle-east-informal-revolution>

<sup>6</sup> <http://www.un.org/sustainabledevelopment/ar/sustainable-development-goals/>

### 0.1. Population and demographic growth



In 1950, the total population of the Arab countries was 70 million<sup>7</sup> (i.e. %2.8 of the world population). It reached 380 million in %2.5) 2015), and the United Nations expects this number to exceed 630 million in %6.5) <sup>8</sup>2050 of the world's population), almost the entire population of the European continent<sup>9</sup>.



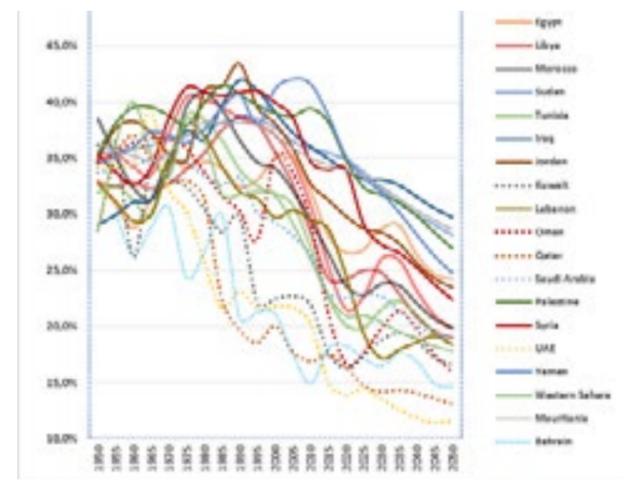
Between 1950 and 2015, the population of some Arab countries grew considerably, but this growth was accelerating exponentially in the Gulf countries (Figure 1.1). The UAE population has doubled 130 times, Qatar 89 times, Kuwait 25 times, Bahrain 12 times and Saudi Arabia and Oman 10 times. Thus, the distribution of population among the Arab countries changed (Figure 2.2). Most of this population increase resulted from emigration from other Arab countries, but even more so after the 1970s from non-Arab countries, especially Asian ones.

It is worth noting that the concept of «population» includes not only residing nationals but all residents. The migrations of citizens abroad, as well as the waves of immigration to the concerned country are taken into account, whether it is a migration of refugees or for work. Thus, demographic and social comparisons cannot be conducted in the same way between Gulf States and Levant, Nile Valley and Maghreb countries. Only Jordan witnessed a demographic acceleration similar to that of Gulf countries with the influx of large numbers of Palestinian refugees (17 times between 1950 and 2015) who represent now a major part of the population. The present report will therefore make a distinction in the

7. The Arab countries for which statistics were collected are: Algeria, Egypt, Morocco, Mauritania, Sudan, Tunisia, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, KSA, Palestine, Syria, UAE, and Yemen.  
8. <https://esa.un.org/unpd/wpp/DataQuery/>  
9. Aita 2015.  
10. Aita 2015.

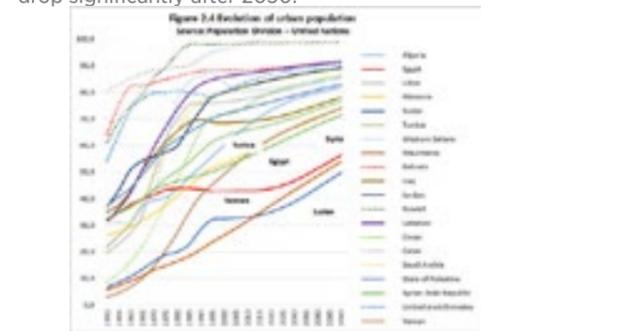
analysis between The Levant, Nile Valley and Maghreb countries on one hand and Gulf States on the other hand.  
**2.2 Youth wave**  
Demographic growth resulted in baby boom jumps that later turned into «youth waves». But the Arab countries did not know this «youth wave»<sup>10</sup> in the same circumstances and periods.

**Figure 2.3 Youth evolution (24-15) out of the active population (64-15) in Arab countries**  
Source: Population Division – United Nations



Gulf States witnessed it early in the 1950s and its effects disappeared in recent decades, with the exception of Oman which witnessed a second wave at the beginning of the third millennium. Morocco, Algeria and Tunisia experienced the peak of this wave in the late 1970s, when the proportion of youth aged 24-15 years out of the working age population (64-15 years) reached more than %40. Sudan and Libya saw the peak only in the early 1990s with levels reaching %39. Between them, the peak of Egypt in the early 1980s was only %35 (figure 2.3).

The wave of youth in Levant countries<sup>11</sup> is more acute and late: Palestine 1985) %42), Iraq 1990) %42), Jordan 1990) %43), and Syria 1995-1975) %41; the longest period). Only Lebanon peaked earlier (1975 at the beginning of its civil war) with a slightly weaker peak of %38. Yemen has reached a peak of %42 in the period 2010-2005. This means that since 1990, Arab countries have seen an increase in the number of young people (24-15 years) exceeding one million per year (140,000 for Gulf States and 890,000 for Levant and Maghreb countries). If rehabilitated and integrated into the labor force, they would have been an asset for these countries, knowing that this percentage will drop significantly after 2030.



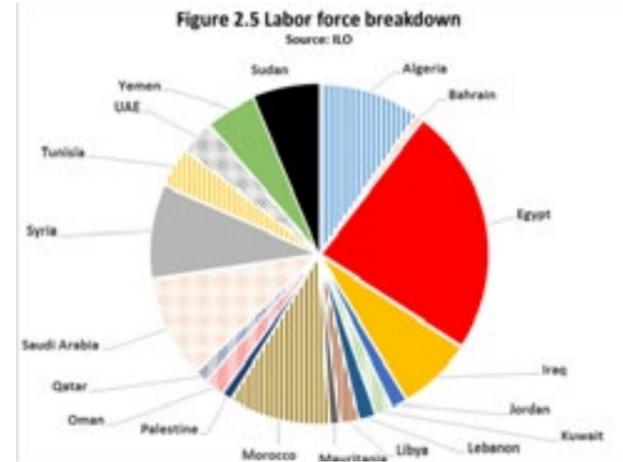
**2.3 Rural exodus to cities and urban population growth**  
Gulf States had the fastest growing population in cities (figure 2.4). Only Oman, the country with the largest agricultural

11. This expression will be used in the report to refer to non-GCC Levant countries.

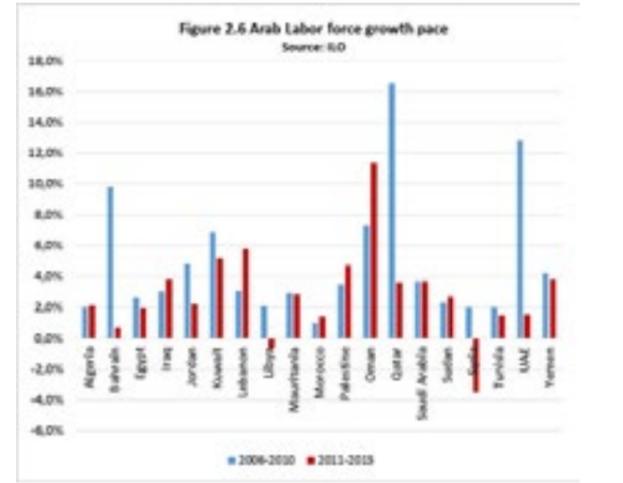
sector among them, is currently witnessing rural exodus to cities. In the Maghreb<sup>12</sup>, Libya and Western Sahara witnessed developments similar to the Gulf, while other countries are now experiencing accelerated rural exodus to the cities as a result of social and economic changes. Lebanon and Jordan were unique among Levant countries in terms of early population concentration in cities. The first ended its transformations during its civil war, and the second saw the concentration of Palestinian refugees in camps that turned into urban cities. Iraq has stopped its development with the wars it has known since the 1980s, while rural exodus to cities continued to accelerate in Syria and Yemen. In contrast, Egypt and Sudan are expected to see again an accelerated migration in the coming decades.

Thus, most of the Arab cities experienced between 2005 and 2015 high population growth, in many cases surpassing overall population growth rates.

**2.4 Labor force evolution**  
According to ILO data and its future estimates<sup>13</sup>, the labor force<sup>14</sup> in the Arab countries in 2015 reached 127 million (figure 2.5) and is expected to reach 141 million in 2020. The total annual increase reached 3.9 million in 2010, but dropped to 2.9 million in 2015 and this rate is expected to remain the

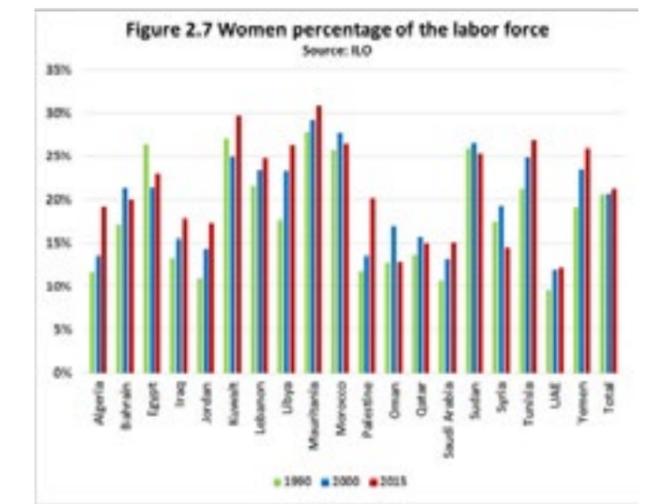


same in the next decade. The largest increase is witnessed in Gulf countries, the same as for the population. Their labor force represented %12 of the total Arab labor force in 1990, but reached %17 in 2010 and %19 in 2015. The Maghrebs share of the total labor force declined from %29 to %24 between 1990 and 2015 (figure 2.6). Therefore, Arab countries witnessed an average annual



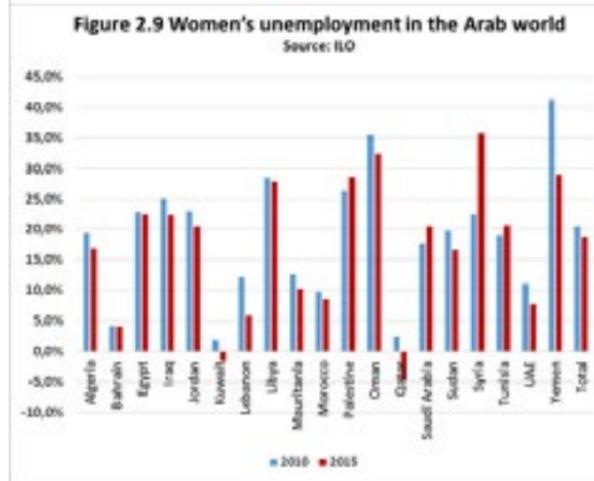
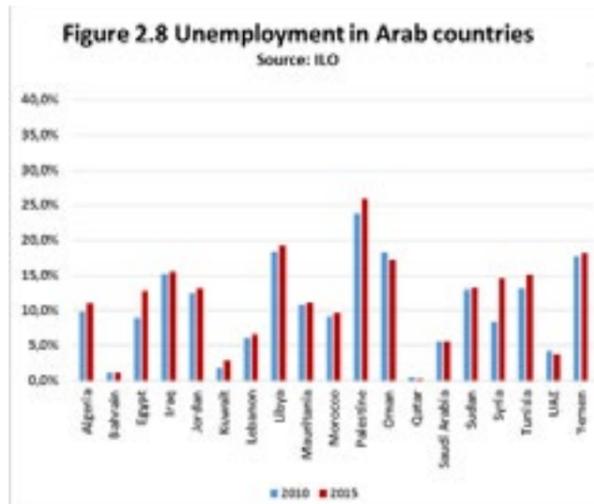
12. Maghreb countries include Algeria, Morocco, Western Sahara, Tunisia, Mauritania, & Libya.  
13. The recent estimations are for 2015 and 2016, go to <http://www.ilo.org/ilostat/>  
14. ILO does not include seasonal and circular labor migration, for example, for Syrian workers in Lebanon prior to the crisis, in the labor force calculations of the sending and receiving country.

increase in the labor force of 3.4 million between 2006 and 2010 (figure 6), including %22 for women. But this annual average increase fell to 2.9 million between 2011 and 2015, including %24 for women, especially that Syria and Libya have lost a significant part of their labor force, and the increase rate has diminished in countries like Bahrain, Egypt, Jordan and Tunisia, which can clearly be linked to the ramifications of the «Arab Spring». Even Gulf countries, which account for one-third of the overall growth of the Arab labor force, have been relatively slow to grow their labor force, from %16.5 in -2006 2010 to %3.6 in 2015-2011 for Qatar, and from %12.8 to %1.5 for the UAE, and from %9.8 to %0.8 for Bahrain... While the share of women in the labor force has improved



in many Arab countries, many countries are seeing a drop (such as Egypt, Sudan, Syria and Oman), with the overall share of women in the Arab labor force almost constant for more than two decades (figure 2.7). It should be noted that the development of the labor force follows many variables. Rural exodus to cities, if accelerated, may reduce the overall labor force of a country, as a part of the agricultural labor force moves to cities and remains away from economic participation. This phenomenon affects women significantly. Internal conflicts, embargos and wars can take out large parts of the population from the labor force, both due to reduced opportunities of economic participation or displacement and emigration. It is worth noting that in the latter case, emigrants would come out of the population of the country of origin and appear within the population of the host country. On the other hand, it should be noted that the high rate of participation of women in the labor force in some Arab countries results from the employment of migrant women. The majority of non-refugee migrant women is in the working age and is effectively working. Thus, despite the slowdown in the growth of the labor force in recent years as a result of the repercussions of the «Arab Spring», Arab countries today need to create about 3 million jobs annually to keep unemployment at existing levels, including nearly one million jobs in the Gulf and 500 thousand in Maghreb countries.

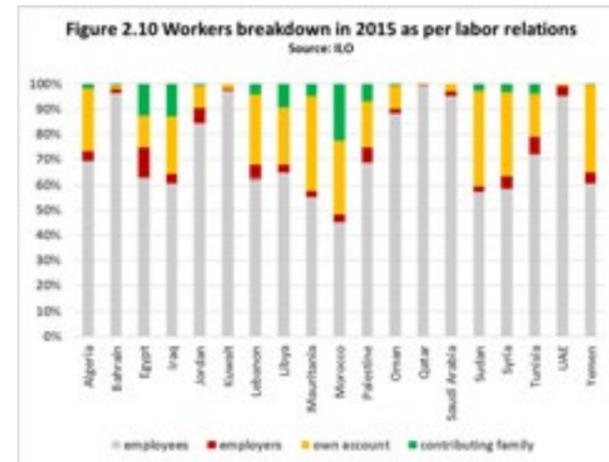
**2.5 Workers and unemployment in Arab countries**  
The number of workers in Arab countries in 2010 reached 101 million, then 112 million in 2015 (including %19 of women). In other words, the overall unemployment rate increased from %10.1 to %11.7 between these two years (figure 2.8), while it declined for women from %20.5 to %18.8 although they already had high unemployment rates (figure 2.9).



opportunities, i.e. 700,000 less new arrivals. In the Gulf, job opportunities were almost equivalent to those of expatriates, with the exception of Saudi Arabia and Oman. It is worth mentioning that the majority of expatriates in the Gulf are workers who are recruited from abroad. Other Arab countries are experiencing a gap between the numbers of newcomers and created jobs.

**2.6 Informal labor and own account employment**

ILO does not provide accurate statistics and expectations for informal labor in Arab countries, especially since most of these countries do not conduct surveys and do not publish data in this regard<sup>18</sup>. However, ILO documents the distribution of workers by labor relations<sup>19</sup> between waged workers, employers, own account, cooperative workers, and contributing family workers (figure 2.10). Thus, the measurement of the size of own account workers can give an initial idea of informal labor (in developing countries, it is about half of the informal labor, and the second half is for the



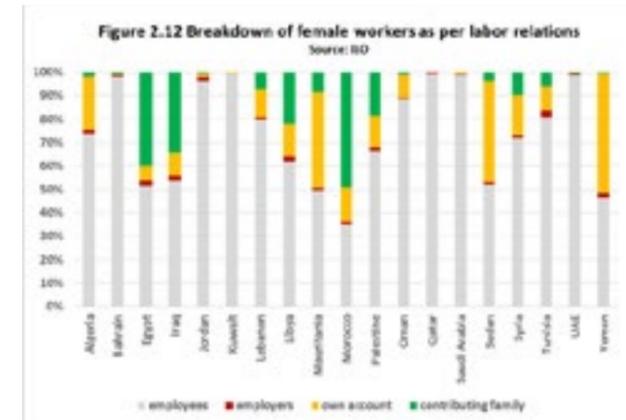
informal waged labor). ILO data account for only a small percentage of own account employment in Gulf states, the highest was in Oman at about %11 in 1990, decreasing to %9 in 2015 (figure 2.11), followed by Saudi Arabia with %3 in 2015. In the Maghreb, about a quarter of workers work for their own account. Only Mauritania had a high rate of %43 in 1990 that went down to %38 in 2015. Own account workers are also about a quarter of those employed in most Levant and Nile Valley countries. But Sudan and Yemen are characterized by high rates that decline gradually, while Egypt and Jordan are characterized by low rates close

to those of Gulf States. In general, there is a decline in own account employment (especially with the declining share of agricultural labor), with the exception of countries such as Syria, Yemen and Libya, which are going through a war, as well as Morocco and Egypt – relatively.

In addition, data show a large size of contributing family workers in Morocco, equal to that of those who work for their own account. The same applies to Egypt and Iraq, but to a lesser degree.

Own account women are more numerous than men in most Arab countries (figure 2.12), especially in Egypt. Women are also characterized by a large proportion of family contributing workers (unwaged in general); this is noticeable in Egypt, Iraq, Morocco and Libya, and outperforms that of women working for their own account.

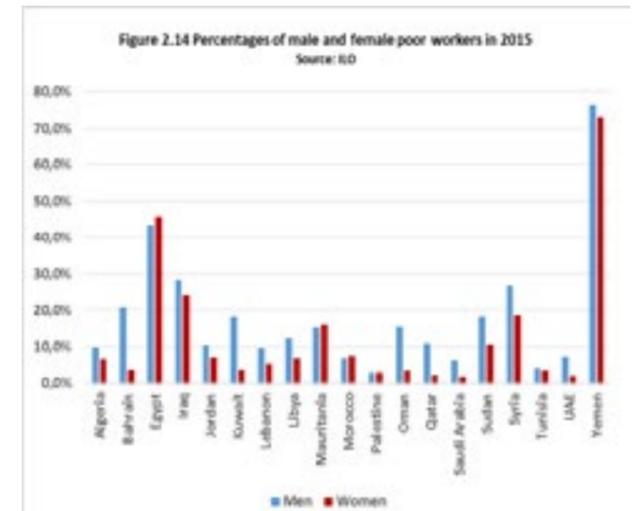
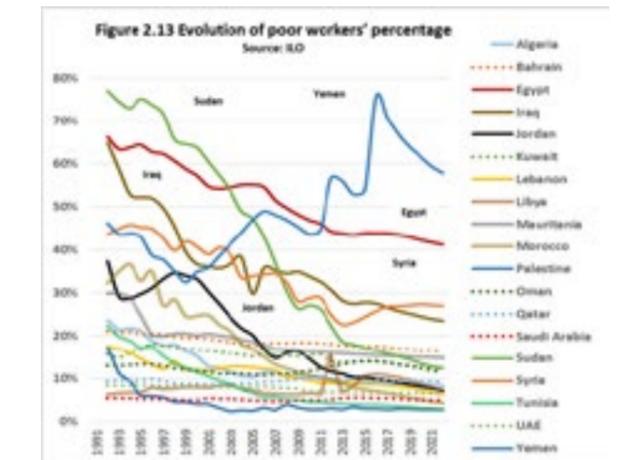
Based on these partial data which include agricultural labor and employment in the government sector, a preliminary reading shows two parts of informal labor (i.e. own account and contributing family labor) that represent in non-GCC Arab countries between one quarter and half of male workers, and often half of female workers. The question remains about whether waged workers in general, and migrant workers in Gulf States, should be classified as formal or informal in terms



of obtaining their rights.

**2.7 Labor and poverty**

ILO classifies poverty data at work for most Arab countries into two categories: extreme poverty (less than \$ 1.9 per day in purchasing power parity) and average poverty (between \$ 1.9 and \$ 3.1 per day in purchasing power parity) knowing that the figure is linked to the worker's income and not the family



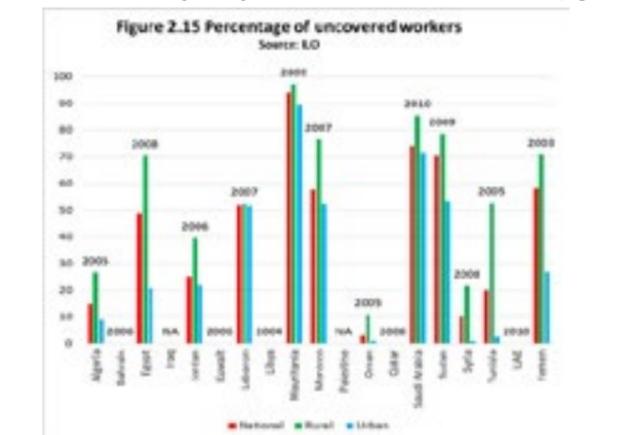
he supports, and which can be large. According to this data (figures 2.13 and 2.14), the total proportion of both categories does not exceed %20 in GCC countries, with the highest percentage in Bahrain, where the proportion of poor workers reached %18 in 2015, but is declining now. In Kuwait and Oman, the proportion remains %14. Since 1990, the percentage of poor workers in Maghreb countries declined by less than %20 or even %10 in 2015, from %32 in Morocco, %30 in Mauritania, %24 in Algeria and %22 in Tunisia.

The situation of workers in the Levant is getting worse. In Egypt, for example, the proportion of poor workers was %66 in 1990 but dropped to only %44 in 2015. Also in Sudan, which has lived a long civil war, the proportion of poor workers decreased from %77 in 1990 to %16 in 2015 (contrary to the perceived reality of informal workers who represent the majority of workers). Iraq had almost the same suffering, due to embargo and war. Yemen has witnessed a relative improvement until 1997, but then the situation worsened considerably before the war, and especially during it, and the proportion of poor workers reached %76 in 2015. Data for that year show that only %24 of workers in Syria are poor. Overall, working women are poorer than men, except for Egypt and Mauritania.

Of course, the informality of labor and the lack of access to rights are linked to poverty, and data about poverty at work indicate that the size of informal labor in all Arab countries is much larger than that of own account employment alone.

**2.8 Informal labor and health coverage**

ILO also observes data on the social health coverage gap, that is, the proportion of people without access to health insurance or free healthcare in hospitals (without gender detail). These data are partial and official data were documented for countries for only one year<sup>20</sup> - the most recent in 2010 (figure



20. The documentation year per country is shown in the figure.

15. In Kuwait and Qatar, the estimation of women employment is higher than the estimation of women labor force.

16. Samir Aita: Is unemployment significant in our societies (هل البطالة لها معنى في مجتمعاتنا), Le Monde Diplomatique, Arab version, February 2010, in Samir Aita, 2017, الشاغرة واجب.

17. Unemployed are statistically defined by ILO as people who did not work even for one hour during the week that preceded the survey.

18. The Economic Research Forum (<http://erf.org/eg/oamdi/>) launched an initiative for the open partial data including comprehensive labor force surveys files, in addition to income and expenses surveys and other surveys. However, making these data available to the public is unclear, and not all surveys are managed periodically and according to international standards.

19. ICSE-93

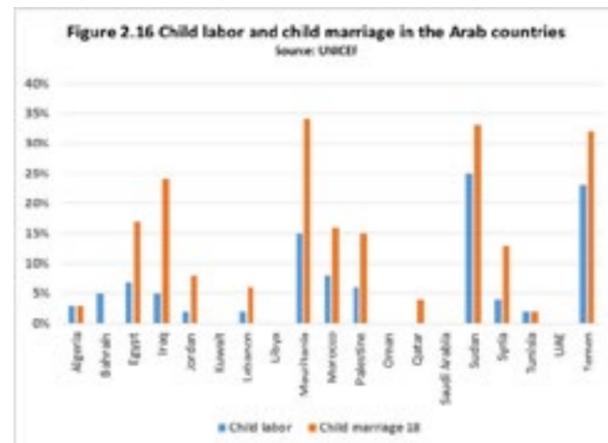
2.15).

In Gulf countries, healthcare covers the whole population; however, it is unclear how foreign migrant workers and their families benefit from this coverage. Only Saudi Arabia has documented that %74 of the population (%71.5 of the urban population) is not covered by health insurance. This figure far exceeds the proportion of migrant residents in the country and indicates a large size of informal labor, because workers in the public and private sectors are covered by health insurance. In the Maghreb, Mauritania and Morocco are characterized by high rates of no coverage, reaching more than %50 of the urban population. In Algeria and Tunisia, such proportions are low, particularly for rural areas (and therefore agricultural workers), while before the revolution and the war, Libya enjoyed full health coverage.

In Levant and Nile Valley countries, Sudan, Yemen and Lebanon<sup>21</sup> are characterized by a lack of health coverage for more than half of their population. Egypt and Syria are far more underserved in rural areas, although the two countries have a widespread free health system since the 1960s. In the remaining part of the report, the lack of health coverage index will be adopted as a basic criterion to measure the size of informal labor in Arab countries.

### 2.9 Child labor

UNICEF considers that child labor is between 5 and 15 years. Thus, the highest percentages (average 2015-2009) among Arab countries are in Sudan (%25) followed by Yemen (%23) and Mauritania (%15). The percentage of child labor in other countries ranges between %2 and %7 (the highest in Egypt), except for most of Gulf countries and Libya, where these statistics assume that the rate of child labor is zero. UNICEF also links child labor to the child marriage (percentage of women married at the age of 18), with marriage rates that rise to between %32 and %34 in Mauritania, Sudan and Yemen, but still above %10 in Iraq, Egypt, Morocco, Palestine and Syria



(pre-conflict).

## 3. THE REALITY OF INFORMAL LABOR IN ARAB COUNTRIES (ACCORDING TO WATCH REPORTS AND OTHER REPORTS)

The watch report relies on studies and reports developed by experts and civil society activists on informal labor conditions in a number of Arab countries: Bahrain from GCC; Algeria, Mauritania, Morocco and Tunisia from the Maghreb; Egypt and Sudan in the Nile Valley; and Iraq, Syria, Lebanon, Palestine, Jordan and Yemen from the Levant. A common methodology<sup>22</sup> has been used for these national reports. The preparation of

the watch report also included regional reports on some key themes covering all countries. This general regional report was complemented by other data drawn from the most recent published results of labor force surveys.

### 3.1 Informal labor in GCC, Bahrain example

Bahrain's report highlights the many peculiarities of Gulf countries in comparison with other Arab countries. The population growth is very high as a result of migration (some of which are naturalized). Non-Bahrainis<sup>23</sup> have even become the majority of the population since %90 .2008 of the migrant population is economically active, with a gender imbalance because the majority of those expatriates are male workers, knowing that their percentage reached %62 in 2015. Therefore, Bahrain does not experience the youth tsunami that many Arab countries are witnessing because most of the workers are over 25 years of age. The number of non-Bahraini males aged 39-25 is five times that of Bahraini males of the same age.

Another GCC peculiarity in Bahrain is that the labor force participation rate is high compared with the average of Arab countries, not only for men because most of the expatriates are employed, but also for women. The phenomenon of encouraging the employment of nationals, especially in government jobs (more than half of Bahraini female workers are in the public service<sup>24</sup>, compared with about one-third of men) is reflected in high participation rates, and most migrant female workers (though fewer than men) came to the country for work. Thus, the percentage of economic participation of female nationals was %35 in 2015<sup>25</sup>, while %50 of female foreign residents in Bahrain are active in comparison with %89 for male residents (%100 of those in the working age). This gives the concept of «population» participation in the labor force a special meaning in all Gulf States<sup>26</sup>.

The annual number of Bahrainis who join the labor force is only a few thousand (about 8,000 recently, roughly the same rate as the number of working-age nationals)<sup>27</sup>, while an annual increase of 59,000 workers per year was seen between 2006 and 2010 (instead of 130,000 between 2001 and 2010<sup>28</sup>, then only 6 thousand between 2011 and 2015 (for women 1,000 and 400 respectively). This shows a decline in migrant labor. In contrast, almost the same numbers of jobs created each year were noticed in both periods. Thus, the size of the labor force adapts to the labor market in Bahrain, as in the other Gulf countries, and not the other way around, since %87 of the total employment is non-Bahraini whose residencies are cancelled when no more job opportunities are available for them. This phenomenon includes all economic activities, agriculture and fishing (%94 of migrant workers), industry and mining (%81), construction (%79), and trade and services. Only the government sector is unique in the fact that migrant workers account for only %15 of the total workers (%3 for women), which is already a sector where employment is not growing. Here, too, the concept of unemployment takes a special meaning, despite the existence of an unemployment compensation system applicable only to Bahraini nationals. Gulf countries are also characterized by the lack of accurate and periodic surveys and studies on the labor force and family income, and if they exist, informal labor is not monitored in line with international standards. Bahrain's report illustrates this, pointing out that only two surveys have been conducted in Bahrain within 10 years, in 2004 and 2014, despite major changes (the 2008 economic crisis and the repercussions

23. It is worth noting that those of Arab origins account for 1% to 2% of the total foreign workers.

24. In the last ten years, Bahraini women got the double of job opportunities that Bahraini men got. See Bahrain report: Hassan el Ali 2017: Informal labor in Bahrain.

25. Especially that Bahrain committed to CEDAW through a royal decree since 2002.

26. 2010 statistics indicate that economic participation reached 48% for Bahrainis (63% for males and 32% for females), and 88% for migrants (98% for males and 58% for females), which makes the participation at 72% (87% for males and 44% for females), refer to <http://www.data.gov.bh/>

27. ILO data that are compliant with the numbers of Bahrainis who are newly registered in the social security according to Hassan el Ali 2017

28. Hassan el Ali 2017.

of the popular uprisings in 2011 and 2012). In these surveys, only the categories of own account employment and low-numbered family work, as reported to the ILO, are classified as informal.

Thus, Bahrain's report showed 3,000 Bahrainis who work for their own account, as well as 20 thousand workers who are unclassified as waged workers or employers, according to 2010 census. The latter and their increasing numbers are attributed to the phenomenon of business spread through modern means of communication and information, and so authorities created virtual business records (i.e. via the internet) to register them. However, those who work for their own account and those who are virtual are not obliged to register for health and social security. Furthermore, employers and self-employed (13,000 in 2010, and 37,000 in 2015) are not required to register in the social security, despite a recent decision taken by the Council of Ministers<sup>29</sup> encouraging Bahrainis to do so optionally.

The report also detected waged Bahraini workers in the government sector, considered informal because their contracts are temporary and renewed every six months to evade their registration in the social security. The majority of those who are concerned with this case are women working in nurseries and kindergartens. However, the report did not detect informal waged Bahraini workers in the private sector, but detected productive Bahraini families working informally. Thus, all these informal groups made up between %29<sup>30</sup> and %37<sup>31</sup> of Bahraini workers in 2015.

On the other hand, Bahrain's report documented the phenomenon of «bulk»<sup>32</sup> employment, which is the problem of migrants whose regular stay and contracts ended, and are waged or work for their own account illegally. Official statistics do not detect this phenomenon, but the CEO of the Labour Market Regulatory Authority had publicly estimated its number in 2014 at 50 thousand (i.e. %10 of the total migrant workers). In addition, Bahrain's report has detected the officially documented domestic labor (waged), which has increased rapidly in recent years to reach 111,000 in %20<sup>33</sup> 2015 of all migrant foreign workers),<sup>33</sup> %60 of whom are women, accounting for %64 of the total female migrant workers). Those domestic workers are not registered in the social security and their basic human rights are sometimes violated, and Bahrain and other Gulf countries have not yet ratified the Convention concerning Decent Work for Domestic Workers<sup>34</sup>. As for the other waged workers, Bahrain's report shows that %64 of them started working less than a year ago<sup>35</sup>, and that %77 of them started working less than three years ago. The social security registration was mandatory for migrant workers but included only accident and health insurance<sup>36</sup>. However, a royal decree suspended in 1977 the effects of the Social Insurance Act of 1976, which included migrant workers with the same duties and benefits as Bahrainis. The new Labor Law of 2012 brought compensation by grating migrant workers multiple rights in trade union organization, strike, collective bargaining, leave, etc., knowing that these rights are the same for Bahrainis themselves. However, an amendment issued in 2015 gave Bahrainis preferential rights in case of dismissal. The «sponsor» system has also been maintained with the freedom of migrant workers to move from one sponsor to another if the migrant worker has spent a full year in Bahrain, the period required for full registration in the social security. Since the Social Security Act is still in effect, the Labor Law stipulates that migrant workers who are not covered by social security are entitled to compensation for dismissal. The report also noted a wage gap between Bahrainis and non-Bahrainis,

29. Decision 39 of 2014, refer to Hassan el Ali 2017.

30. Bahrain Watch report, Hassan el Ali 2017

31. The estimations are based on Hassan el Ali 2017 (23 thousand work for their own account, 30 thousand are employers, around one thousand are contributing family workers, and around 4 thousand are waged workers in the government sector, out of 157 thousand Bahraini workers in 2015)

32. Known as «Free Visa»

where average wages of migrants do not reach half the average wage of Bahrainis, and the situation worsens in small enterprises employing %40 of waged migrant workers. However, Bahrain's report did not classify any part of migrant workers as informal labor, especially since Bahrain's position is different from that of other Gulf States with a greater commitment to respecting international labor laws, although this obligation is not complete in comparison with the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families<sup>37</sup>. However, it is not really possible to consider all migrant workers as formal because they do not enjoy their full rights and because there is discrimination with Bahrainis, especially migrant workers who have been working for less than one year, but only receive the minimum rights only after one year in Bahrain. This report will consider informal waged migrant workers who have been working for less than a year.

Based on all of these data, informal labor for Bahrainis and non-Bahrainis can be distributed as shown in the tables below. Thus, the ratio of informal employment reaches %65 of the total workers or %71 of those working outside the government sector. Two-thirds (%65) of migrant workers are informal, and their majority (%52) are waged workers who have been working for less than one year and are replaced by other workers, and do not enjoy their full economic and social rights, and live in vulnerable conditions. %20 of them are contributing family workers (%16 of the total workers). It is worth noting that the majority of the latter are female workers, accounting for %64 of all migrant workers. As for Bahrainis, only one-third (%37) are informal, and most of them work for their own account or are entrepreneurs or practice liberal professions.

2015	Number of workers	% of total workers	% of total workers	% of total workers
Government sector	21	0.2%	0%	0%
Non-government sector	1	0.0%	0%	0%
Informal labor	6	0.0%	0%	0%
Formal labor	1	0.0%	0%	0%
Total	29	0.0%	0%	0%
Government sector	4	0.0%	0%	0%
Non-government sector	25	0.0%	0%	0%
Informal labor	21	0.0%	0%	0%
Formal labor	4	0.0%	0%	0%
Total	25	0.0%	0%	0%
Government sector	111	0.0%	0%	0%
Non-government sector	44	0.0%	0%	0%
Total	155	0.0%	0%	0%

33. The term migrant labor is used in the text instead of foreign labor because it includes migrants' rights.

34. See Convention 189 concerning Decent Work for Domestic Workers, 01/06/2011, [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---normes/documents/normativeinstrument/wcms\\_c189\\_ar.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---normes/documents/normativeinstrument/wcms_c189_ar.pdf)

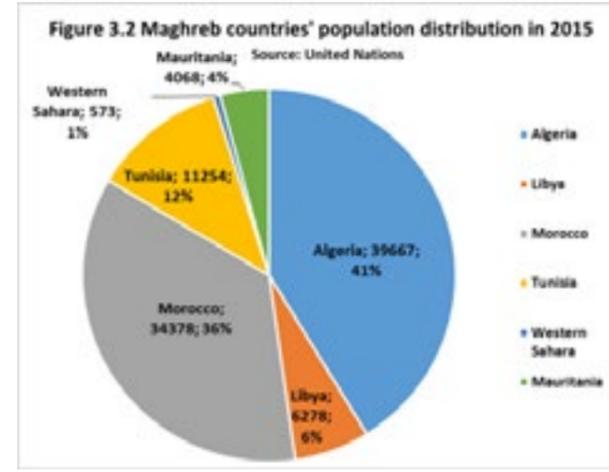
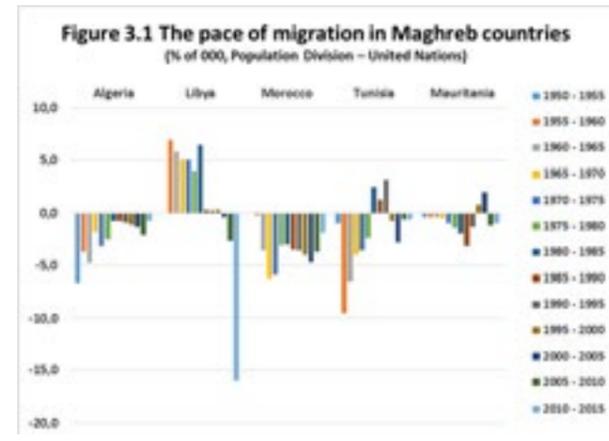
35. This period starts on the date of registration in the social security

36. As of 2016 against a fee paid by the employer

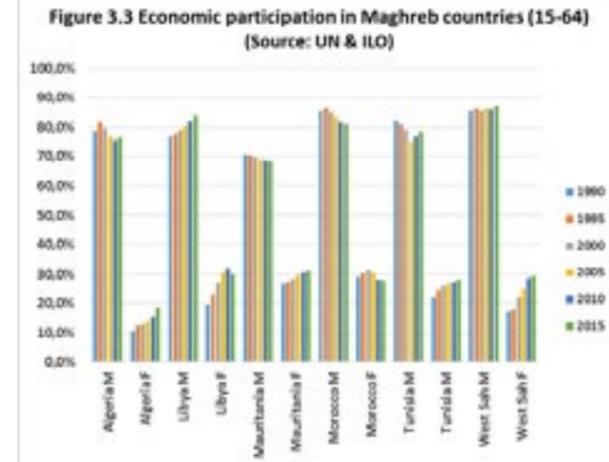
37. See the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families number 158/45 dated 18/12/1990

<http://www.ohchr.org/AR/ProfessionalInterest/Pages/CMW.aspx>

### 3.2 Informal labor in Maghreb countries



The national watch reports included Morocco (including Western Sahara), Algeria, Tunisia<sup>41</sup> and Mauritania, without Libya. The population growth rates were much weaker than those of Gulf countries<sup>42</sup> (recently between %1.1 and %1.4 in Morocco, %1.6 and %1.9 in Algeria, %1.0 and %1.1 in Tunisia, and between %1.5 and %0.04 in Libya), and the highest was in Mauritania (%2.5 to %2.6<sup>43</sup>).



The population growth rate was greatly affected by migration, which was more than %0.5 annually, before it stopped in some Maghreb countries<sup>44</sup> or changed unevenly (Figure 3.1). Otherwise, the demographic pressure would be greater

منذر لعساسي وخالد منه 2016: العمل غير المهيكل، طموح السياسات (الجزائر: وصعوبة الواقع، حالة الجزائر).  
 44. See for example Algeria's report, Monzer Lassassi and Khaled Menna 2016, in the context of analyzing the changes of unemployment rates.

Employment existing in the registration		Type of the employer/owner	
Registered/contracted	Unregistered	Individual	Company
40.3%	59.7%	15.9%	43.8%

For women, informal labor is concentrated in female employers who own %41 of commercial registers and to a lesser degree in own account employment. Informal labor accounts for %29 of Bahraini working females, less than the total for Bahraini males. However, the percentage would be %56 if the government sector is excluded, while %84 of migrant women work informally. Informality is concentrated in domestic labor, and female domestic workers represent %42 of the total number of female migrant workers. Unlike men, their numbers are less in the waged informal labor, where %61 of female workers also have less than one year in Bahrain. Thus, the overall proportion of women's informal labor reaches %65, or %80 excluding the government sector (table 3.3).

Category	Number	Percentage
Total	2517	64.7%

In 1999, Bahrain ratified Convention No. 182 on the Worst Forms of Child Labor. However, it does not publish statistics on child labor and how to combat it. But UNICEF reports that %4.6 of children (14-5 years old) work (%6.3 for males and %3 for females).

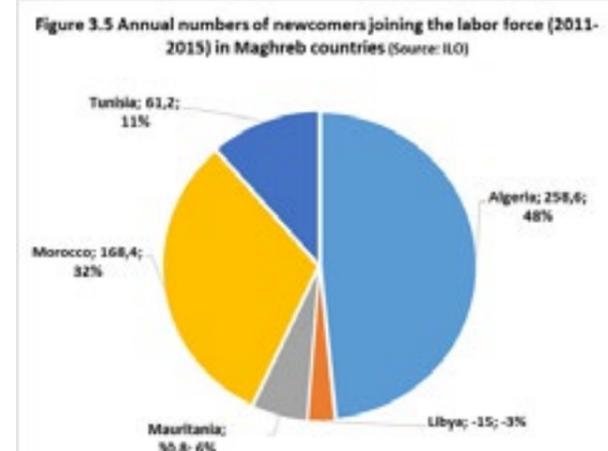
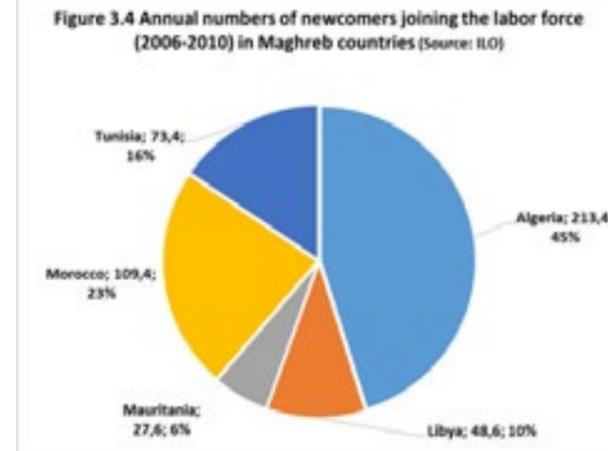
In all cases, the watch report analysis through the example of Bahrain suggests that informal labor in GCC countries is much broader than what is observed in ILO data and has specificities distinguishing it from the rest of the Arab countries, especially for the national population, and particularly migrant workers who are more numerous than nationals and who inflate

economic participation, and whose rights remain problematic.  
 38. Hassan el Ali 2017, the same percentage was taken from the total of informal employers.  
 39. <https://www.dol.gov/sites/default/files/images/ilab/child-labor/Bahrain.pdf>  
 40. [https://www.unicef.org/infobycountry/bahrain\\_statistics.html](https://www.unicef.org/infobycountry/bahrain_statistics.html)  
 41. A complete report on Tunisia has not been produced and was replaced by a series of recent reports produced for other purposes. See Sami Awadi 2016: Which indicators to measure the effectiveness of social dialogue? (أي مؤشرات لقياس فعالية الحوار الاجتماعي؟) And Karim Traboulsi 2016: Tunisian women in the informal economy: reality and possible solutions from a trade union perspective (المرأة العاملة التونسية في الاقتصاد غير المنظم: الواقع والحلول الممكنة) (من منظور نقابي).  
 42. In fact, Western Sahara has experienced significant population growth rates, especially since its internationally unrecognized annexation to Morocco.  
 43. For 2005-2010 and 2010-2015 respectively according to UN data, whereas the national watch report includes demographic growth levels higher than those in Algeria (2.15%); See Monzer Lassassi and Khaled Menna 2016: Informal labor, policies ambitions and the difficulty

for some Maghreb countries, such as Morocco. Extensive migrations post Arab Spring disturbances will also have long-term effects, particularly on Libya and Tunisia. Thus, the smallest population growth in Tunisia in previous decades was in favor of Algeria, whose share of the total population of the Maghreb increased from %35 in 1950 to %40 in 2015, without changing Morocco's share (figure 3.2).

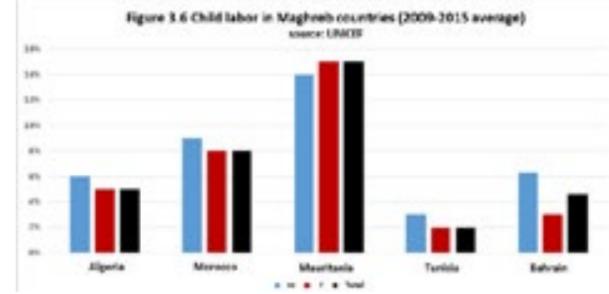
All Maghreb countries have witnessed the phenomenon of «youth boom» which culminated in the 1970s, but have been more time-bound in Algeria and is still going on somewhat in Mauritania. Rural exodus to cities continues in Morocco and Mauritania, and to a lesser extent in Tunisia, unlike Libya and Algeria, where urbanization has exceeded %75 of the total population since the early 1980s.

The participation of men in the labor force in Mauritania remains lower than Maghreb's average. The level of women's participation has improved significantly in the past two decades, but remains weak in Algeria and has recently declined in Morocco and Libya. Therefore, the total annual number of newcomers to the labor force in the Maghreb reached 472 thousand in 2010-2005, rising to 504 thousand in 2015-2010 despite the decline in the size of the labor force in Libya as a result of the war and the diminishing growth in Tunisia after the revolution (figures 3.4 and 3.5).



45. Especially when emigration stopped and women's participation increased, knowing that it was originally relatively weak.  
 46. According to Algeria's report, Monzer Lassassi and Khaled Menna 2016 and official data, whereas ILO make estimations of around 11 million.  
 47. And 42% in 2014; we count in our report on official data. See ONS Algeria 2015. What is remarkable is the difference between these official data and ILO data. See above paragraph 2.8.  
 48. From a legal perspective, the index of non-registration in the social security will be adopted in this report as a baseline index to measure informal labor.  
 49. Or 61% of those who do not work in agriculture and the governmental sector were not socially covered in 2015 against 70% in 2005. According to a study in 2013, this percentage was 63.5% in 2007; see Bellache 2013.  
 50. 25% of total workers, the two third works in urban areas; this percentage complies with Fortuny & Al Husseini 2010.  
 51. It was 95% in 2005.  
 52. Algeria's watch report, Monzer Lassassi and Khaled Menna 2016, indicates an increase

On the other hand, UNICEF detected a high level of child labor in Mauritania (%15 for those who are between 5 and 14 years) and in Morocco (%8). And in Mauritania, this is particularly applicable to women, unlike other countries. Remarkably, child labor is higher in Bahrain than it is in Tunisia, and even for males in Algeria (figure 3.6).



### The case of Algeria

Most of the demand for employment in Maghreb countries is now from Algeria<sup>45</sup>, where the number of workers in 2015 reached 10.6 million,<sup>46</sup> %69 of whom are waged workers (%92 for women), %25 work for their own account, %4 are employers (%8 only for women) and %2 are contributing family workers. This is due to the contraction of agricultural work. The total number of informal workers who are not declared in the social security accounts for %49) %39 in 2005<sup>47</sup>) of all workers (or %33 of those who are not working in agriculture). In other words, informal labor<sup>48</sup> in Algeria accounts for %39 of the total workforce. The official data do not show the distribution of contributions to social security between men and women. However, a report based on 2010 official data showed that %45.8 of female workers are not registered in social security, which represents a significant increase in comparison with %38.1) 2005). The overall informal labor rate in Algeria declined between 2005 and 2015. However, this is mainly due to the decline in agricultural labor and family work and to increased employment in the government sector, all of them significantly, and to a lesser extent to employment support policies. Thus, these informal labor rates if applied to those who do not work in the government sector would be %66 in 2015, compared to %78 in 2005<sup>49</sup>. A significant portion of those working outside agriculture and the government sector work for their own account or are employers or contributing family workers (the so-called «independent workers», who made up about %39<sup>50</sup> of them in 2015). The rest are waged workers. One of the specificities of Algeria is the size of non-permanent waged workers who officially accounted for %39 of the total waged labor in 2015 (i.e. %97 of the total non-governmental waged labor). This likely means that part of the waged work in the government sector (thus structured, and in the case of Algeria, %66 of waged labor)<sup>51</sup> is also non-permanent! The available data do not allow measuring it, especially that they do not document well the informal sector institutions.

However, available data shed some light on the quality of non-permanent employment in the past decade in Algeria, where the number of created jobs increased by %40 over the number of newcomers in 2010-2006 (an increase of only %14 for women), and then was %20 less than the number of newcomers in 2015-2011 according to ILO<sup>52</sup>. General unemployment has declined, but has increased significantly for young people and those with higher qualifications, especially for women. The National Employment Survey also showed that %59 of the active population never worked (%72

in the job opportunities created by the National Employment Agency from 180 thousand in 2010 to 308 thousand in 2014. The difference may be that ILO's statistics are for net job opportunities, i.e. including those who leave their jobs for retirement or for the end of their employment. The job opportunities of the National Employment Agency are only for waged labor. In this context, subsidized labor contracts, in which the government stimulates employment, do not constitute 10% of all the created opportunities.

of women) and %41 of those who had a job were unable to keep it. Thus, the approximate general picture of informal labor in Algeria<sup>53</sup> (as a percentage of total employment, reaching %39 of total workers or %66 of non-government workers) is shown in table 3.1. In comparison with Bahrain, the bigger relative proportion of own account employment within informal labor is remarkable.

Employment according to the working situation										
Members of producer organizations		Waged workers		Contributing family		Employers		Own account		Type of the production unit
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	
?	?	34.8%	1.4%	?	2.4%	?	?	17.5%	?	Formal sector enterprises Informal sector enterprises Family sector

For women, official statistics show that permanent female waged workers are fewer than those employed in the public sector, which also means that part of women's government employment is also informal. Even if this is neglected, the estimation of women's informal labor reached %49 of the total in %85) 2015 excluding the government sector), more than half (%54) is non-permanent waged labor, and more than one third (%39) is own account employment, noting the low official estimates of family labor (%4 in 2015) and contradiction between references<sup>54</sup>. Finally, Algeria's watch report indicates that working children make up less than %0.5 of the total labor force, and that the National Foundation for Health Progress and Research Development has estimated the number of working children between 250 and 300 thousand. UNICEF gives estimations at about 340,000 children (%3 of the labor force), including 166,000 females, or %7 of the labor force! Thus, due to the low participation of women in the labor force, child labor is a real problem of a gender nature. The contribution of the informal sector to GDP is estimated at %42.9 in 2015<sup>55</sup>, while its contribution to non-agricultural GDP in 2012 was estimated at %30.4<sup>56</sup>.

Tunisia	Mauritania	Algeria	Morocco	Distribution of workers
77.8%	27.8%	69.8%	45.0%	Waged workers
18.0%	10.8%	42.1%	8.7%	Civil servants
20.8%	54.6%	25.0%	27.7%	Own account
?	?	4.0%	2.5%	Employers
1.3%	17.6%	2.0%	22.0%	Contributing family
?	?	?	0.5%	Trainees
		0.0%	2.3%	Other cases
15.4%	18.8%	8.3%	38.9%	Agricultural workers

### The case of Morocco<sup>57</sup>

Morocco ranks second in demand for employment in Maghreb countries, with demand increasing annually by %1.2 in the labor force compared to %2.2 in Algeria. Of course, rural exodus to cities and emigration play an important role in this difference. The total number of workers in Morocco exceeded in 2015 that of Algeria (11.1 million, or %49 of the population between 15 and 64 years, compared with %42 for Algeria). Women's participation and the number of female workers is much higher in Morocco than in Algeria (2.9 million are

53. For this table, the estimations of informal workers (not socially covered) were 70% for own account employment, 70% for employers, and 95% for family labor, due to data included in Bellache 2010 and Bellache 2013, which results in 24% for informal waged workers and 61% for those who do not work for the government.  
54. Bellache 2013  
55. Estimations as per the calculations of the mass of cash, see Othmane & Mama 2016; these estimations are similar to those of the World Bank

employed versus 1.9 million, while 1.9 million Moroccan women are in agriculture compared to only 0.9 million Algerian women). Thousands of illegal African workers were also present in Morocco, especially as the government began to settle their situation in 2014, and counted in that year alone 24,000 settlement requests.

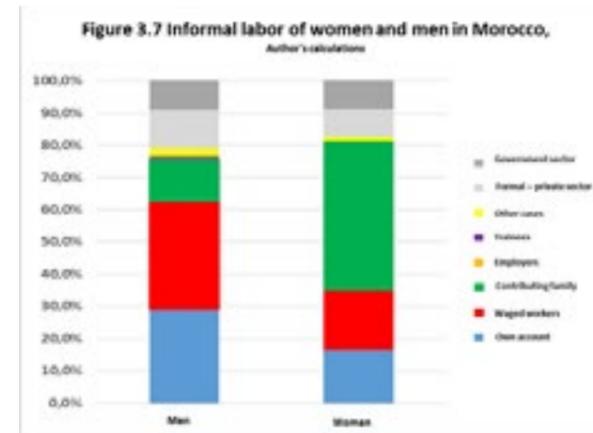
Thus, Morocco's<sup>58</sup> employment characteristics differ significantly from Algeria, both in the much smaller proportion of government employment, and therefore in waged employment, or in the large share of agricultural employment<sup>59</sup>, and the large proportion of contributing family workers<sup>60</sup>. Thus, the characteristics of informal labor vary considerably between the two countries. It is noteworthy that job opportunities created in Morocco have also exceeded the demand in 2010-2006 by %30 and then declined below the demand for employment by %18 in 2015-2011.

Officially, in %80, 2012<sup>61</sup> of workers were without social security in Morocco<sup>62</sup> (or %67 of those not working in agriculture and %86 of those who do not work in the government sector), and %10 of them were poor. %83 of working women are informal (%90 of non-government female workers), %56 in urban areas and %99 in rural areas<sup>63</sup>. %63 of waged workers do not have employment contracts, especially in the private sector (%70). Thus, the approximate general picture of informal labor in Morocco<sup>64</sup> (as a percentage of total employment) is shown in table 3.6.

Employment according to the working situation										
Members of producer organizations		Waged workers		Contributing family		Employers		Own account		Type of the production unit
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	
2.3%	?	7.7%	22.4%	?	?	?	?	?	25.5%	Formal sector enterprises Informal sector enterprises Family sector

Almost two thirds of waged workers (%58) are informal, the majority of whom (%73) are in urban areas, with a significant share of waged labor in agriculture (888 thousand workers). Official statistics also indicate that a proportion of waged workers in the public service are informal<sup>65</sup>. Most of contributing family workers are unwaged and work in rural areas<sup>66</sup>. Own account workers are divided between urban (%44) and rural (%56) areas, and work with few wage earners in more than 1.55 million informal enterprises<sup>67</sup>. The contribution of the informal sector formed by these enterprises to GDP was estimated at %42.9 in 2015 (compared between %14 and %17 in official statistics). Compared with Algeria, Morocco has a much more informal workforce with regard to waged workers, even if it is calculated outside the civil service. It also attests to a larger size of non-self-employed and contributing family workers. The role of contributing family workers is even more important when compared to the distribution of informal labor between women and men<sup>68</sup>. This type of unwaged labor constitutes almost half of the informal, mostly rural, employment of women and is the biggest problem (figure 3.7).

56. Charmes 2012.  
57. It should be noted that Morocco's official data include that of Western Sahara, as opposed to United Nations data which include the Sahara separately.  
58. Data are taken from official data HCP 2014, in addition to Morocco's report, Fawzi Bu Khraiss, 2017  
59. According to Fawzi Bu Khraiss, 2017, the share of agricultural work in Morocco was 4.43% in 2006 and 8.39% in 2011.  
60. In spite of some doubts about the few official numbers of contributing family workers in Algeria  
61. Official data according to MEAS 2014-b; it is worth noting here the huge difference between these official data and what is documented by ILO, see above paragraph 2.8  
62. <http://blog.ojraweb.com/protection-sociale-au-maroc-74-millions-de-personnes-sans-retraite/>  
63. MEAS 2014-b  
64. For this table, estimations were used according to MEAS 2014-b.  
65. MEAS 2014-b  
66. Moroccan surveys do not independently monitor waged domestic labor, i.e. domestic female workers, although the phenomenon is common in Morocco. They may have been integrated into waged employment in the informal sector.  
67. According to official statistics for 2007, see MEAS 2014-a.



For child labor, the watch report for Morocco indicates that the High Commissioner for Planning indicates that %1.5 of children between 14-7 years were working (69 thousand in total) in 2014 compared to %9.7 in 1999, while UNICEF is still documenting this figure at an average of %8 for 2015-2009. But this is an issue tackled and fought for by civil society organizations, some of which indicate that 600 thousand children are still working in Morocco<sup>70</sup> (!).

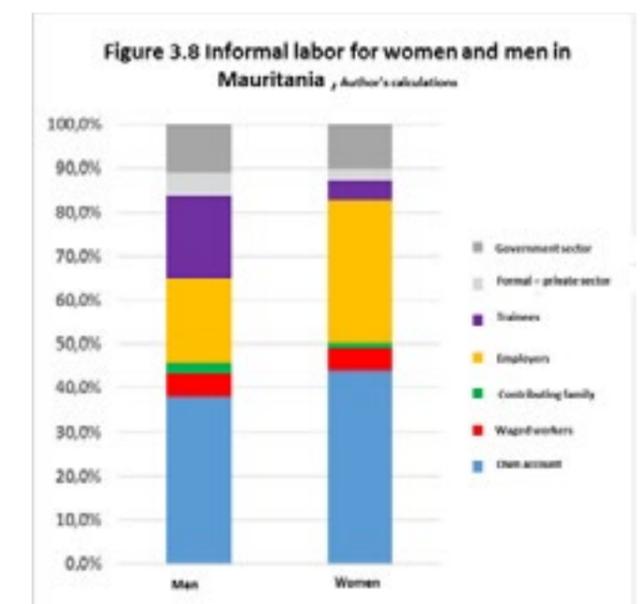
### The case of Mauritania

The annual demand for labor in Mauritania<sup>71</sup> does not represent a large part of total demand in Maghreb countries, but Mauritania has the highest annual growth rate of the labor force %2.9<sup>72</sup> annually in the last decade, including %3.3 for the women's labor force). The proportion of young people to the total population remains high (%34), while migration rates abroad are weak, sometimes even adverse, as Mauritania receives immigrants<sup>73</sup>. Workers in this country make up %44 of the population aged %27) 64-15 for women), only %6 of whom are waged. In contrast to Algeria and Morocco, Mauritania has not experienced a recent period in which job offers have surpassed demand. Most of these offers remained informal and covered only about %90 of the demand. Thus, official statistics estimated Mauritania's informal sector labor force<sup>74</sup> in 2014 at %86.4 of the total<sup>75</sup>, the main engine of the economy, and %43 of the workers are poor, especially the older ones. Young people aged 30-20 constitute %57.5 of informal sector workers, helping to lift them out of poverty and create job opportunities for large numbers of newcomers to the labor force. The civil service constitutes %10.8 of the labor force, and the private sector employs only %4.3. The rest of the employees are in public or mixed companies. Mauritania surveys also consider %35.9 of employment as fragile and unsustainable. Thus, the general overview of the informal labor in Mauritania<sup>76</sup> (as a percentage of total employment) is shown in figure 3.8, i.e. %85 of the total labor force and %95 of non-government workers. This figure rises to %87 for women and %97 for non-government female workers.

Employment according to the working situation										
Members of producer organizations		Waged workers		Contributing family		Employers		Own account		Type of the production unit
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	
?	?	17.3%	1%	?	?	31.1%	?	40.6%	?	Formal sector enterprises Informal sector enterprises Family sector

68. Estimations as per the calculations of the mass of cash, see Othmane & Mama 2016; these estimations are similar to those of the World Bank  
69. Based on HCP 2013  
70. <https://www.youtube.com/watch?v=V3rhH-0aHxo>  
71. Among the specificities of Mauritania is that 52% of the population are women.  
72. According to ILO data  
73. Fah 2010; Poutignat & Streiff-Fénart 2014

What distinguishes Mauritania is the larger share of own account employment, informal employers and the great weakness of the share of contributing family labor (in comparison with Morocco for example). Also striking is the predominance of women's labor over informal employment<sup>77</sup> (%51) of informal labor at the national level and %63 in rural areas, figure 3.8).



With regard to child labor, the watch report for Mauritania documents many cases of child labor and official statistics cover only the employment rate of %2.7 for children between 10 and 17 years (!), while UNICEF gives %15 for children between 5 and 14 years. Other official data<sup>78</sup> indicate that %7.8 of those aged 17-10 are working (%39 female).

### The case of Tunisia

Tunisia has seen strong growth in demand for labor (%1.8 per year in the last decade) that has exceeded the youth wave for decades (youth aged between 15 and 24 represented only %23 of the 64-15 age group in 2015) and its demographic growth is the weakest in the region (%1 annually). But Tunisia has seen a significant influx of expatriates since the events in Libya, turning the migration outcome into a strain on the country<sup>79</sup>. Workers in Tunisia make up to %44 of those aged 64-15 (only %21 for women<sup>80</sup>). However, job offers, which met almost %85 of the needs in 2010-2006, fell to meet only %59 of the needs in 2015-2011<sup>81</sup>, despite a %17 drop in labor demand and the increase in government employment between the two periods. Of course, this is related to the circumstances that Tunisia is going through after the revolution. However, women did not see a real difference between the two periods. Job opportunities remained at half the level of demand, especially as the growth of their labor force was active (%1.9 annually). Tunisia's social security system is the most advanced in Maghreb countries and in the Arab world in general, covering even agricultural workers, whether independent or waged (agricultural labor accounts for %15.7 of the total). The official surveys estimated that the proportion of workers who were not socially covered in Tunisia in 2014 was between %32 and

74. Despite the magnitude of this percentage, official surveys do not make clear whether there is an addition of informal labor in the formal sector, private or public, and data are not broken down by gender. However, it will be assumed that this percentage is for the total informal labor.  
75. ONS Mauritania 2014  
76. For this table, estimations were used according to ONS Mauritania 2014.  
77. ONS Mauritania 2014  
78. ONS Mauritania 2014  
79. However available surveys, including the last one conducted in 2014, do not allow following up migrant labor in Tunisia.  
80. 28.6% in other estimates, compared to 71.4% for men, with 22.2% of unemployment for women versus 11.4% for men, see Karim Trabolsi 2016  
81. ILO data and also CRES 2016

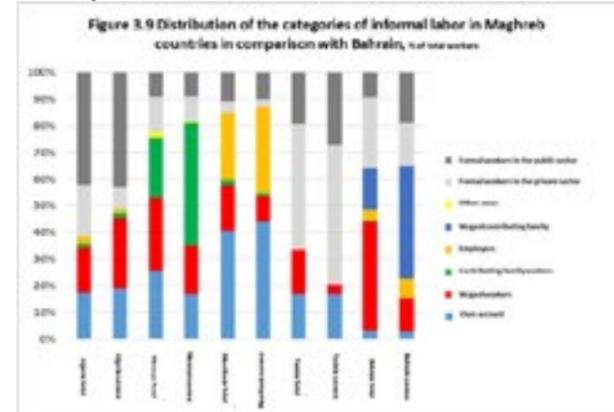
%32.5) %35 for women compared to %35.5 for men<sup>82</sup>, table 3.8), of whom %46 are waged workers. It is worth noting the huge lack of social security in the agricultural sector, reaching %63. Moreover, %60 of men younger than 40 years and %80 of women work in an informal manner<sup>83</sup>. Thus, the proportion of informal workers outside the government and the public sector is %43, and is %37 outside agriculture, government and public sector. The approximate general picture of informal labor in Tunisia<sup>84</sup> (as a percentage of total labor) is as in the following table. However, as in the case of Mauritania, the share of migrants in informal labor and their working conditions are not documented. The size of the informal economy in Tunisia in 2013 was estimated at %38 of GDP<sup>85</sup>, up from %34 before the revolution.

Employment according to the working situation										
Number of employees		Waged workers		Contributing family workers		Employees		Own account		Type of the production unit
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	
?	?	?	7.1%	?	?	?	?	11.1%	?	Formal sector enterprises
			9.3%							Informal sector enterprises
										Family sector

There have been many changes, especially in the period following the Tunisian revolution. The proportion of informal workers increased in the last decade, after being only at %30 in 2004. However, it increased only for men, and declined significantly for women. The surveys also showed a decline in the own account labor for men and an expansion in this regard for women. In contrast, unwaged labor for men increased, but almost disappeared for women<sup>86</sup>. Of course, these changes are the result of large increases in government employment since the revolution, as well as the general economic recession that followed.

### Overview of Maghreb countries

The situation of informal labor varies greatly between Maghreb countries, both in terms of the total size or in the distribution among categories or the characteristics of women's cases. It is clear that these differences come first from the size of agricultural labor and civil service, but also from other factors related to the extent of the institutional spread of social security in the country. What is remarkable if we compare Maghreb countries with Bahrain (figure 3.9) is the important size of own account employment and the low waged family labor<sup>87</sup>. Aside from the case of Tunisia, women are likely to be more informal than men.



82. Karim Trabolsi 2016, based on the data of 2014 survey for the highest estimations and CRES 2016 for the lowest estimations  
 83. CRES 2016  
 84. For this table, estimations were used according to CRES 2016  
 85. Karim Trabolsi 2016  
 86. According to the results of the last survey in 2014; however, significant discrepancies were observed in informal labor data between this survey and the previous one, as well as with social security data. See CRES 2016.

### 3.3 Informal labor in Nile Valley countries

Nile Valley countries were covered by two watch reports on Egypt and Sudan (North). The total population of these two countries was 132 million in 2015. Their population growth rates are close (%2.2 per year), while growth is expected to decline in Egypt and increase in Sudan, precisely because the levels of emigration from the latter will decline from current high levels, %0.4 per year, to normal levels prevailing in Egypt, %0.05. The migrations greatly affected the characteristics of labor in Sudan, especially during the civil war and after the separation from South Sudan.

The characteristics of the «youth boom» differed between the two countries and from other Arab countries. Egypt has witnessed it for several decades (from the 1960s until 2010). In Sudan, it was more acute and for a longer period than in Egypt (24-15 years to 64-15 years, still %36 in 2015). Nile Valley countries (with Yemen alone) are characterized by the fact that the majority of the population is still living in the countryside, %57 in Egypt<sup>88</sup> and %66 in Sudan, although the latter is seeing accelerated rural exodus to cities. Both countries are not experiencing any significant improvement in the participation to the labor force, especially for women (%25 for Egypt and %22 for Sudan). However, the participation of Sudanese men has declined since 1990 (from %82 to %76 in 2015).

The total annual number of newcomers to the labor force in the two countries reached 910 thousand in 2010-2006, and then fell to 861 thousand in the following period. This decline is due to Egypt, while the number of newcomers in Sudan increased by %34.

UNICEF detected the level of child labor (14-5 years) at %7 in Egypt and %25 in Sudan, making the latter the worst among the Arab countries after Somalia.

### The case of Egypt

% of informal workers	% of total workers	ELMPS 2012	
		Formal	Informal
	26%		Civil service
	4%		Public sector
	11%		Waged formal labor in the private sector
25%	15%		Unstructured waged formal labor
25%	17%		Vulnerable waged labor
3%	2%		Contributing family workers outside agriculture
8%	5%		Contributing family workers in agriculture
14%	8%		Own account workers outside agriculture
3%	2%		Own account workers in agriculture
17%	10%		Employees
100%	100%		Total workers
	59%		Total informal workers

The demand for job opportunities in Egypt almost met demand in 2010-2006, and then declined to less than half of the demand in 2015-2011, despite the shrinking demand for more than %20 overall and %50 for women. This is due of course to the repercussions of the Egyptian revolution and the developments that followed. The overall growth of the labor force has remained at the level of population growth over the past decade, at %2.3 per year in total, but has increased to %2.9 per year for women, and so the proportion of workers aged 64-15 years reaches %47 (only %19 for women). Thus, the number of male workers in Egypt in 2012 reached about 24 million, while there were only about 4 million female workers. Estimates of the share of the informal sector of GDP in Egypt are highly variable, and range between %35 and %68<sup>89</sup>. It is also difficult to have a clear idea of the size of informal workers, despite the existence of important research centers

87. With the exception of Morocco, where it is not clear if the waged family labor is included in the contributing family labor (see Morocco's paragraph above)  
 88. Although there is much debate about the meaning of rural housing statistically, for that most of the villages have become large communities.  
 89. Kassem 2014, Schneider, Buehn, Montenegro 2010

in the country. An analysis of labor found that the percentage of such workers was estimated at %59 at least in 2012, in comparison with %53 in 1998, based on the ELMPS surveys conducted in these two years<sup>90</sup> (see table 3.9). However, it is not clear if all formal waged workers (i.e. those who are not in precarious conditions, seasonal or temporary, in the private or public sector) benefit from health or social security or have employment contracts<sup>91</sup>, knowing that a part of waged workers in the government sector are informal<sup>92</sup>. Reports from the National Organization for Social Insurance, the Health Insurance Organization or the Ministry of Social Solidarity do not help clarifying the picture more for employees who benefit from health insurance, other than that health services cover %58 of the population.

Studies<sup>93</sup> have estimated informal labor in the non-agricultural sector at %61 (which accounts for almost %68 of the total employment, i.e. most of the waged formal labor in the private sector is unstructured) indicating that %91 of the youth labor

% of informal female workers	% of total female workers	ELMPS 2012
	49%	Civil service
	3%	Public sector
	7%	Waged formal labor in the private sector
18%	7%	Unstructured waged formal labor
6%	2%	Vulnerable waged labor
8%	3%	Contributing family workers outside agriculture
36%	15%	Contributing family workers in agriculture
20%	8%	Own account workers outside agriculture
4%	2%	Own account workers in agriculture
7%	3%	Employees
	100%	Total workers
100%	41%	Total informal workers

is informal, although most of it is in the formal sector. Other studies<sup>96</sup> have shown that the share of vulnerable waged labor out of total employment doubled between 2006 and 2012 due to the implications of recent developments (from %8 to %17 of total employment), which is most closely related to poverty. %79 of the first jobs for young people are informal opportunities, compared with only %15 for young women, the majority of whom remain unemployed without engaging in informal labor<sup>97</sup>. Thus, waged labor prevails over informal labor in Egypt (because it is the predominant element for male labor), with many pending questions about the classification of labor conditions in the widespread family sector (maids, gatekeepers, etc.) that seems not covered by surveys.

The informal labor rate for women is only %41 of the total female workers (see table 3.10), which is much lower than for men, with %52 of women employed in the government and public sector. A remarkable study<sup>98</sup> analyzed women's informal labor in Egypt, noting that the informal sector does not even provide women with the informal job opportunities provided to men, making work for the family their only refuge. Unemployment officially affects %24.7 of men and %9.1 of women, despite the low participation rate of women. Most private sector enterprises require that applicants be men. There is also a large gap between the wages of men and women, in addition to job opportunities lacking women's social protection (paid maternity leave, etc.). The study also showed a significant difference between the regions in terms

90. Kassem 2014  
 91. 45% of them work in enterprises having less than 4 workers.  
 92. See Egypt's watch report, Reem Abdel Halim & Saud Omar 2017  
 93. It says that 5.8 million are insured, including 3 million who are waged (i.e. only 13% of the total workers) and 5.5 million who should benefit from this insurance.  
 94. <http://www.hio.gov.eg/Ar/covers/Pages/Charts4.aspx>  
 95. Kolster 2016  
 96. Assaad & Craft 2013  
 97. 52% of female workers work for the government and the public sector.  
 98. Salwa Antari and Nafissa Dussouki 2015

Alexandria and the Canal, respectively, compared to %51.4 in Rural Upper Egypt, with an increase in the share of family labor for men since 1998 and a decrease for men. Therefore, Upper Egypt accounts for %63 of the family labor for women, especially in agriculture.

An official survey conducted in cooperation with ILO<sup>99</sup> in 2010 estimated that %4 of Egyptian children between 5 and 11 years were working, as well as %13.3 of those between 12 and 14 years. The majority of this child labor was for males (one-third for unpaid family labor, especially in the agricultural sector and one-third of waged labor). The share of females is less than one-third (%83 is family and agricultural labor). Thus, the overall picture of Egypt's informal labor shown in table 3.11 is dominated by informal labor; informal labor outside agriculture amounts to %50, and to %79 outside agriculture, civil service and the public sector! The situation is very different for women, where contributing family labor is predominant (table 3.12), and women's informal labor outside agriculture amounts to %26, and to %74 outside agriculture, civil service and the public sector.

Employment according to the working situation										
Number of employees		Waged workers		Contributing family workers		Employees		Own account		Type of the production unit
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	
?	?	31.3%	7.8%	10.0%	?	?	?	?	?	Formal sector enterprises
										Informal sector enterprises
										Family sector

Employment according to the working situation										
Number of employees		Waged workers		Contributing family workers		Employees		Own account		Type of the production unit
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	
?	?	5.8%	18.3%	1.1%	?	?	?	?	?	Formal sector enterprises
										Informal sector enterprises
										Family sector

### The case of Sudan

Sudan lived a long civil war between 1983 and 2005 when a peace agreement was signed between the combatants that led to the independence of south Sudan in 2011. The growth rate of the labor force in Sudan (%2.9 per year) exceeds the pace of population growth, as the country is still in the midst of the youth wave with the acceleration of exodus to cities. %41 of the population is between 15 and 64 years (only %19 of women)<sup>100</sup>. Remarkably, employment opportunities for women have doubled between 2011 and 2015 in comparison with the previous period, but the demand for women's labor has also doubled and women's opportunities remained unmet. The last labor force<sup>101</sup> survey conducted in 2011 estimated that %74 of those who did or did not work<sup>102</sup> had no social security, %80 had no social security, and %70 had no protection against work hazards, while workers in the government and public sector account for %20 of the total workforce with %44.6 for agricultural workers. The survey also provided data on the distribution of informal labor in Sudan, with the most severe conditions in South Darfur and the best in Khartoum. Thus, the overall picture of informal labor in Sudan, as seen in figure 3.13, shows an informal labor rate of (%82) %77 outside the government sector).

99. CAPMAS & ILO 2012-a  
 100. (MHRDL 2013).  
 101. MHRDL 2013.  
 102. Their number exceeds that of current workers by 18%. These percentages will be adopted for the informal labor.

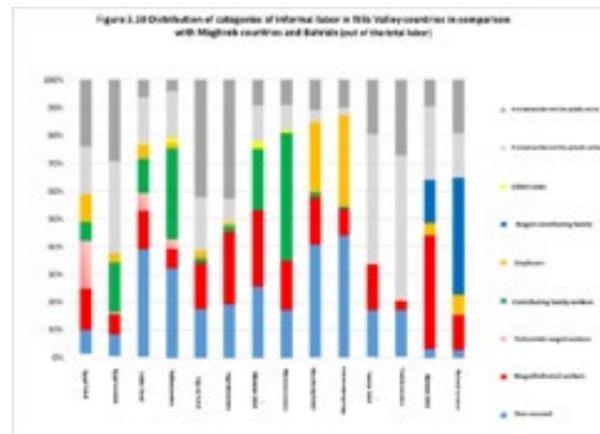
Table 3.10 Percentages of categories of informal labor in Sudan (out of the total labor)

Employment according to the working situation										Type of the production unit
Members of producer enterprises		Waged workers		Contributing family workers		Employees		Own account		
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	
?			28.9%		12.1%		4.9%		39.2%	Formal sector enterprises
										Informal sector enterprises
										Participation

The survey also showed that %30 of workers live below the poverty line<sup>103</sup>, and that %51 of workers work in fragile and unstable situations (%65 of working women). %13.3 of children aged 14-10 are also in the labor force, especially those who belong to the nomadic tribes or live in the peasantry, i.e. 230 thousand children at these ages work (especially males). The 2008 survey<sup>104</sup> showed that children account for %7 of the labor force in Sudan, about 800,000 workers, in rural businesses, often as domestic workers.

### Overview of Nile Valley countries

Informal labor rankings in Sudan are similar to those of Morocco (figure 3.10), with a greater role for own account employment and less for unwaged family labor. Egypt is characterized by a weak share of women's informal labor, but with significant disparities with Tunisia, where women's economic participation rates are high.



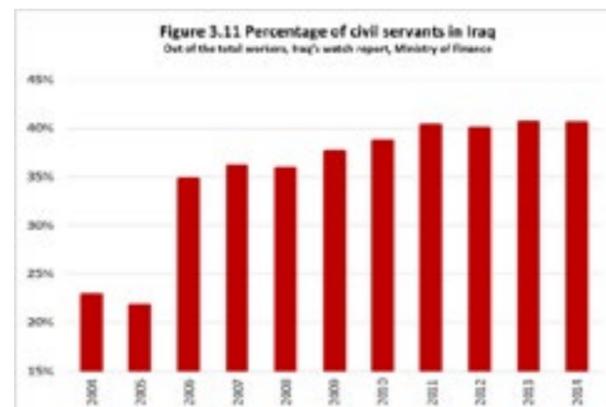
### 3.4 Informal Labor in the Levant

With 69 million people in 2015, Levant countries (Iraq, Jordan, Lebanon, Palestine, Syria and Yemen) account for %18 of the Arab population. All these countries, except for Lebanon, have recently experienced active demographic growth, between %2.5 and %2.8 annually. Then the invasion of Iraq threw hundreds of thousands of immigrants in Syria and Jordan, and displaced a large part of the population in Iraq. This was followed by the volatilities of the Arab Spring and wars which resulted in hundreds of thousands of Syrian refugees in the neighboring countries (about a quarter of the population), emptying most of the Syrian countryside. This came in addition to the devastation caused by these wars and the inability of other countries to absorb the large numbers of refugees. Yemen also experienced a war but most of its effects remained at the internal demographic level. Thus, after the crises of Palestinian displacement, all the inhabitants of Levant countries experienced severe demographic conditions, radically changing the economic activity and the conditions of the labor force. All these countries have seen a «youth wave» with a population of 24-15 years over %30 and up to %40 in Yemen, and here too, apart from Lebanon, which had lived this

wave prior to its civil war in the early 1970s. Rural exodus to urban areas has also accelerated in Levant countries, with the exception of Lebanon and Jordan, where urban population has exceeded %80 of the total since decades, while for example %66 of Yemenis remain rural. In all countries, however, internal migrations accelerated with wars and rural areas were emptied in many areas. Migration from these countries has also accelerated outside the region, not only to work in Gulf States, but also in the form of massive influx of refugees to Europe in particular. Thus, the wave of Syrian emigration to Europe brought attention due its very large size in 2015 and its repercussions, without mentioning the less continuous waves from Iraq, Yemen, Palestine (especially the Gaza Strip) and even from Lebanon.

The analysis of informal labor in Levant countries allows for following up on the effects of war, major fluctuations, and labor-intensive migrations on labor and informal labor, requiring at least some necessary ad hoc studies to explore the most effective ways of reconstruction, especially the reconstruction of the economic activity and the labor force.

### The case of Iraq:



Iraq has known successive bloody wars since the late 1960s. Among Levant countries, its economy is based on oil revenues, which in 2013 accounted for about %46 of GDP and %91 of the government budget. Agriculture has declined significantly in Iraq, with its share of GDP declining from %18 in the 1960s to %5 today, and its workers from %32 to %8 of the total workers (%28 for women). Today, less than %30 of the population lives in rural areas. Iraq also suffered from large internal displacement waves, especially during the civil war in 2006 and 2007, which was later exacerbated by the emergence of ISIS.

The Iraqi private sector, with all its components, contributes only by %25 to GDP, meaning that the other three quarters come from government activities. In fact, after the invasion of Iraq in 2003, many civil servants were laid off, and then government employment reemerged significantly. Today, more than %40 of all workers (and more than %50 of female workers)<sup>105</sup> are employed by the government and the public sector, while the latest household survey found that %53 of Iraqis work in the government (%50.5) and the public sector (%2.9<sup>106</sup>). Remarkably, household surveys showed that only %46 of workers aged 15 and above were covered by the pension and social security system. This means that informal labor in Iraq amounts to almost %55 of the total labor force, and that part of the government and public sector workers remain informal<sup>107</sup>.

105. Iraq' watch report, Hanaa Abdel Jabbar Saleh 2016: the national report on informal labor in Iraq  
 106. 10 years old and more; see household survey in Iraq 2012, especially after the large recruitment campaigns after the invasion  
 107. What is clearly watched by Iraq's watch report  
 108. Iraq' watch report, Hanaa Abdel Jabbar Saleh 2016  
 109. Iraq' watch report, Hanaa Abdel Jabbar Saleh 2016  
 110. Calculations in Iraq' watch report, Hanaa Abdel Jabbar Saleh 2016

Wars have exacerbated poverty, which in 2014 reached<sup>108</sup> %23 of the population, although the country has the world's third largest oil reserves. The contribution of the informal sector was estimated at %19 of GDP and therefore %65 of the private sector's product. Of course, this low contribution of the informal sector is due to the dominance of oil on the domestic product.

It is also remarkable in Iraq that the labor force and household surveys showed a decline in economic participation among young people (24-15 years), especially as the participation of young women has declined by half. This should be linked to the decline in the unemployment rate of young men from %30 in 2008 to %17 in 2014, and the increase of the unemployment rate of young women from %30 to %47<sup>109</sup>, which means frustration for women's labor, mostly because of the repercussions of the security circumstances in the country. This was accompanied by an increase in the share of informal labor for youth groups, %96 for 19-15 years (with an economic participation rate of %18) and %80 for those between 19 and 25 (with an economic participation rate of %42). Informal labor increases in the governorates of Najaf (%70), Nineveh (%67), Karbala (%61) and Muthanna (%60), but remains low in the governorates of Sulaymaniyah (%43) and Erbil (%44). Thus, the general picture of informal labor in Iraq is shown in table 3.14<sup>110</sup> (in 2012 before the spread of ISIS); it amounts to %52 and to %88 out of government sector.

Table 3.14 Percentages of categories of informal labor in Iraq (out of the total labor)

Employment according to the working situation										Type of the production unit
Members of producer enterprises		Waged workers		Contributing family workers		Employees		Own account		
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	
	0.8%		32.4%		2.8%		2.7%		11.5%	Formal sector enterprises
										Informal sector enterprises
										Participation

In this context, formal workers represent %47 of waged workers (%74 of total workers), %70 of own account workers (%18 of total workers), %53 of the employers (%5 of total workers), and all contributing family workers (%4). As for women alone, the overall picture of their informal labor is as shown in figure 3.15<sup>111</sup>, with a total of %48 and %96 outside the government sector.

Table 3.15 Percentages of categories of women's informal labor in Iraq (out of the total labor)

Employment according to the working situation										Type of the production unit
Members of producer enterprises		Waged workers		Contributing family workers		Employees		Own account		
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	
	0.8%		26.7%		12.9%		0.6%		2.4%	Formal sector enterprises
										Informal sector enterprises
										Participation

Surveys<sup>112</sup> show numbers of newcomers that are higher than those observed by ILO for 243) 2010-2006 thousand per year versus 211 thousand) and less for 279) 2015-2011 thousand versus 321 thousand), although this period saw the displacement of Syrians to Iraq, especially from northern Syria, knowing that many of them were engaged in the labor force<sup>113</sup>. But available surveys do not monitor this migrant labor. In the case of women, the estimates of newcomers in the first period (46 thousand per year) converge, with a decrease in female participation for the next period (41 thousand newcomers

111. Iraq' watch report, Hanaa Abdel Jabbar Saleh 2016  
 112. Calculations in Iraq' watch report, Hanaa Abdel Jabbar Saleh 2016  
 113. Particularly to Kurdistan Iraq  
 114. Household survey according to Iraq' watch report, Hanaa Abdel Jabbar Saleh 2016  
 115. See household survey in Iraq 2012

versus 63 thousand expected by the ILO). Estimates of the number of jobs created are also closer among exporters. However, these numbers did not meet the demand for -2006 2011 and remained at its level in the following period. The estimates show that in all cases, %53 of the new jobs created were informal.

The phenomenon of child labor<sup>114</sup> is also prevalent in Iraq, where the percentage of workers is between %0.6 for 8 year-children and %6.9 for 14 year-children. This phenomenon covers males (e.g. %10.5 of those aged 14 years) more than females (%2.8 of those aged 14). The governorates of Babel (%7.1), Kirkuk (%5.5), Maysan (%3.5) and Wasit (%2.6) were the highest for those aged 14-6. Surveys on the overall percentage of child labor between 6 and 14 years show a percentage of %2<sup>115</sup> (compared to %5 monitored by UNICEF), %3 for males and %1 for females, mostly in rural areas.

### The case of Jordan

Table 3.16 Distribution of Jordanian workers according to their working situation in 2014 (% of the total Jordanian workers)

Total	Females	Males	
87.4%	96.8%	85.6%	Waged workers
39.6%	51.5%	37.3%	Including in the public sector
42.5%	42.6%	42.4%	Including in the formal private sector
4.5%	0.6%	5.2%	Including in the informal private sector
0.9%	2.0%	0.6%	Including in other sectors
4.4%	1.3%	4.9%	Employers
8.0%	1.7%	9.2%	Own account
0.1%	0.0%	0.1%	Contributing family workers
0.2%	0.2%	0.2%	Unwaged workers

Jordan has witnessed successive waves of asylum and migration from Palestine as a result of the occupation, from Iraq after its invasion and during its civil war, and from Syria since the outbreak of the events there. All of these migrations formed a significant part of Jordan's population. Non-naturalized Palestinians constituted more than %10 of Jordan's population, and %28 of the population were registered as refugees at UNRWA. Iraqi and Syrian refugees came in similar numbers in 2007 and 2013-2012 respectively.

Therefore, it is difficult to obtain clear information about the informal labor in the country, especially since the results of the labor force surveys and the annual statistical books only included, even before the recent migration waves of Iraqis and Syrians, detailed data about Jordanian workers. These do not make clarifications according to informal labor criteria. Moreover, these data do not clarify the size of the Jordanian informal labor in the formal private sector (table 3.16<sup>116</sup>). Surveys only specify the labor size of migrants in comparison with the total labor force (equal to %12 in 2014), and the share of the main nationalities (%57 for Egyptians and %9 for Syrians, the majority of whom are males). Paradoxically, surveys also show that the number of work permits granted to non-Jordanians exceeded %29 of the total workers in 2014. In 2012, the Ministry of Planning and International Cooperation, in cooperation with the Economic and Social Council and other international organizations, published a panoramic study on informal labor based on the 2010 Labor Force Survey<sup>117</sup>. This study showed that %67.2 of workers in Jordan are not covered by health insurance, which allows to measure the size of the informal labor. The same study indicates that the proportion of informal labor reaches %44 of the total workers! %23 of working males and %15 of working females are informal. In

116. Department of Statistics: Jordan's annual statistical book, 2015  
 117. MPIC 2012.

%73 ,2010 of Jordanian males and %93 of Jordanian females were employed in the formal public and private sectors! The share of the informal sector in the economy was estimated between %20 and %26. Of course, the large discrepancy between these figures (in one report) and the absence of any reference to non-Jordanian workers (Palestinians, Iraqis and Egyptians at the time) do not allow for clarification of the size and classification of informal labor in Jordan. A year ago, a statistician in the Department of Statistics criticized the way in which women's economic participation and their informal labor were being curtailed<sup>118</sup> .

In 2015, ILO conducted a study to analyze the impact of the large numbers of Syrian refugees on the Jordanian labor market<sup>119</sup> . The study indicated that %99 of Syrians and %50 of Jordanians are informal. Unemployment has increased in Jordan from %14.5 in 2011 to %22.1 in 2014, and had already risen since the economic crisis of 2010-2008. The study showed that Syrian migrant workers compete with Jordanians in particular in informal labor, but «the high level of labor informality in the Jordanian economy (%50) can be translated into a widespread non-respect of the minimum wage, thus eliminating the effect of wage difference between Jordanians and migrants». This is true in the construction sector. However, the retail sector, which is a large employer, has not witnessed a decline in the proportion of Jordanian labor, and new job opportunities have been created with the arrival of new Syrian expatriates<sup>120</sup> as a result of investments by Syrian businessmen in Jordan. The study also shows that only %10 of Syrians have work permits, without explaining the size of this employment compared to the Jordanian labor force and non-Syrian migrant workers.

Based on these data, it is possible to draw a rough picture of the fact that informal labor constitutes %50 of the Jordanian total labor force (without taking into consideration the %67.2 who are not covered by health insurance), that %55 of Jordanian workers and non-Syrian migrants (%12) in the private sector are informal, and that Syrian immigrants constitute %20 of the total labor force. Thus, the overall picture of informal labor in Jordan comes as a percentage of the total labor force in the country as in the following table. The total informal labor in Jordan constitutes %57 of the total number of workers (%81 outside the government sector amounting to %30). Of course, this is a rough estimate that does not take into account, for example, refugee contributing family workers.

Employment according to the working situation											
Sector	Waged workers		Self-employed		Employees		Own account workers and employers		Unemployed contributing family workers		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
	Government	0%	23.7%	0%	0%	0%	0%	0%	0%	0%	
Private	12.9%	3.4%	0%	0%	0%	12%	0%	0%	0%	0%	12%
Total	12.9%	23.7%	0%	0%	0%	12%	0%	0%	0%	0%	12%

It is worth noting that all reports confirm that the rate of informal labor for women (%26.7) is much lower than for men, with women's low participation in the labor force (between %12 and %14, the lowest among Arab countries) and their preference for the government sector (%52 of female workers) or the formal private sector. If the government sector is

excluded, the proportion of informal female workers will be %55. In most cases, it has increased slightly with female Syrian refugee workers.

On the other hand, UNICEF only detects %2 of working children between 6 and 14 years of age. Jordan's watch report pointed out that the Department of Statistics had estimated the percentage of working children in 2010 at %33, while the estimates of civil society organizations reached 50 thousand children. Child labor has increased significantly with the Syrian refugee crisis, with reports indicating that %47 of Syrian refugee families depend on the income of children<sup>121</sup> . Other estimates indicate that between 30 and 100 thousand Syrian children joined the labor force<sup>122</sup> . Two recent studies detailed child labor in Jordan, whether Syrian, Palestinian or Jordanian<sup>123</sup> , indicating the importance of the phenomenon.

### The case of Palestine

In spite of occupation, fragmentation and dependency, Palestine (West Bank and Gaza Strip) is characterized by periodic and organized surveys and statistics, most of them according to international standards, so that data published by the Palestinian Authority and by international organizations are often consistent. Thus, it is clear that Palestine is still in the midst of the «youth eruption», with the urbanization of the population almost complete. The population aged 24-15 exceeds %39 of those aged 64-15, while more than %75 of Palestinians live in cities. Unemployment rates in Palestine reach a record of %25.9<sup>124</sup> in general and %36.2 for females. This is despite the fact that women's participation in the labor force remains low, %18.3 in West Bank and %19.7 in Gaza Strip (%72.7 and %70.7, respectively, for males). Women's participation has increased relatively in recent years from %13 in 2002 to %18.8 in 2015. Thus, demand for labor is accelerating, with the number of newcomers increasing from about 33 thousand in 2010-2006 to 53 thousand in -2011<sup>125</sup> 2015 , which means a high growth rate of the labor force (%4.5 per year). The share of women in this growth is remarkable, with the number of new newcomers increasing from about 7 thousand in 2010-2006 to 15 thousand in the next period, i.e., a growth rate of %6.3. The Palestinian economy, which is essentially dependent on external aid and on the Israeli economy, cannot meet this demand. Actually, almost %70 of the jobs needed are created (%50 of the jobs required for women), which explains high unemployment rates. Labor sectors vary widely between West Bank and Gaza Strip. About %16 of workers in West Bank are employed in the government and the public sector, compared to %37 of the workers in Gaza Strip (%22 in total). About %17 of the workers in West Bank are employed in Israel and in the settlements (particularly - %64 - in construction), while workers from Gaza Strip are not allowed to work in these areas. This significant percentage (%12 of the total Palestinian working population) of those working in Israel and the settlements depend on the current conflict and the security situation. The share of those working in agriculture remains small: %9.6 in West Bank, %6.6 in Gaza Strip and %8.9 in Israel and the settlements. Unemployment rates are very different between West Bank and Gaza Strip, %15 and %36, respectively, for males, %27 and %60 respectively for females. All this makes the Palestinian youth, especially those in Gaza Strip, think about immigration, which resulted in the phenomenon of immigration boats to Europe and the accompanying sinking disasters. As for informal labor, the last dedicated survey goes back to 2008<sup>126</sup> . It showed that

121. Save & UNICEF 2015 based on UN data in 2013  
 122. Jordan's report, Ahmad Awad 2016: Evaluating the informal sector in Jordan in terms of job opportunities and economy, based on a position paper entitled "Child labor in Jordan", 2015, Labor Watch, website: <http://www.labor-watch.net/ar/paper/346>  
 123. ILO 2014-a and UNICEF & Save 2014.  
 124. Palestine's watch report, Firas Jaber and Iyad Al Riyahi 2016: Informal labor in the Occupied Palestinian Territories, based on the labor force survey 2015.  
 125. ILO data comply in general with the data included in Palestine's watch report. But the latter points to 100 thousand newcomers in 2014 and 70 thousand in 2015.  
 126. Palestinian Central Bureau of Statistics 2008

الجنس	الرجال	النساء	الذكور	الإناث	المجموع
Waged workers	30%	21%	22%	37%	16%
Public sector	9%	9%	10%	16%	8%
Formal workers in the formal private sector	27%	43%	40%	27%	45%
Informal workers in the formal private sector	13%	10%	9%	5%	10%
Formal	10%	11%	11%	10%	11%
Informal	23%	5%	9%	5%	10%
Unwaged contributing family workers	60%	60%	60%	43%	66%
Informal workers total					

the proportion of informal workers reached %65.8) %59.9 in West Bank and %42.5 in Gaza Strip). The difference between the two regions is due mainly to the size of government employment in Gaza. Informal labor concerns most men in West Bank (%67 working males) and women in Gaza Strip (%55.5 of working women). Notably, the survey showed a decline in informal labor compared to 2004 survey. The survey also shows that the majority of informal workers work in the formal sector and that this phenomenon affects West Bank more than Gaza Strip. However, it is not clear from the results of the survey the role played by labor in Israel and the settlements. No more accurate analysis is allowed, especially since the percentage of informality is equal in Palestine between women and men! herefore, the overall picture of informal labor in Palestine is shown in table 3.19. The rate of informal labor in Palestine reaches %61 and %88 outside the government sector. It is worth noting that West Bank acquires %82 of the total informal labor, while its employees constitute %75 of all workers in Palestine. Women work less informally (%57) because their share of the civil service is greater (%30 versus %22 for males).

Sector	Waged workers		Self-employed		Employees		Own account workers and employers		Unemployed contributing family workers		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
	Government	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Private	12.9%	3.4%	0%	0%	0%	12%	0%	0%	0%	0%	12%
Total	12.9%	23.7%	0%	0%	0%	12%	0%	0%	0%	0%	12%

On the other hand, the official survey estimates that the informal sector contributes to GDP by %9.1<sup>127</sup> (mostly in construction and agriculture), while other estimates range between %57 and %88<sup>128</sup> , and the issue remains subject to analysis and discussion<sup>129</sup> .

It is also remarkable that informal labor surveys do not specifically monitor child labor, while UNICEF reports that %7 of those aged 6 to 14 work. However, the Central Bureau of Statistics indicates that there are 41 thousand children under the age of 15 working according to 2004 survey<sup>130</sup> , constituting %3.1 of the population in the relevant age group and more than %7 of the total Palestinian workers. The majority of those children work within their families without wage. Another study indicated that child labor is particularly seasonal in agriculture in Israel and in settlements<sup>131</sup> . In addition, %25.7 of Palestinians suffer from poverty, with a high prevalence in Gaza Strip due to the siege and repeated aggression (%38 compared to %18.3 for West Bank). The extreme poverty rate is %23) %14.1 in Gaza Strip and %8.8 in West Bank) . These rates take into account the international aid that constitutes a significant part of the income of the Palestinian territories. It was noted that %48.6 of the

127. Palestine's watch report, Firas Jaber and Iyad Al Riyahi 2016  
 128. Sabra, Eltalla & Alfara 2015  
 129. See Bilal Falah 2014: The informal sector in the Occupied Palestinian Territories  
 130. They dropped to 33 thousand in 2007, Mouin Ahmad Rajab and Ahmad Farouk Elfara 2009: The policy if Palestinian labor force between theory and application  
 131. ILO 2014-b.  
 132. Palestinian Central Bureau of Statistics 2016

individuals have incomes below the national poverty line (%59.2 in Gaza Strip and %24.6 in West Bank)<sup>132</sup>. These also result from a systematic Israeli policy against Gaza Strip. Statistics show as well that poverty is rising for those living in the camps (%32.4), which is weaker in rural areas (%21.9 only!). Poverty, of course, increases with the lack of participation in the labor force, unemployment and informal labor.

### The case of Lebanon

Unlike Palestine, Lebanon is characterized by the scarcity of statistics and surveys and their lack of comprehensiveness, not only because of the political and sectarian dimensions of the Lebanese population structure and the sensitivity of the country towards the Palestinian refugees, but also due to the remarkable size of Syrian employment in Lebanon, periodically before the conflict in Syria and in the long term since the great wave of displacement, with remarkable waves of Lebanese immigration. Lebanon has a population of different conditions, all of whom are involved in the labor force: Lebanese, Palestinian refugees (between 260 and 280 thousand in 2012, about %8 of the population<sup>133</sup> increased by 80 thousand in 2013 with Palestinian refugees from Syria, increasing the percentage to over %9, all of them are registered at UNRWA), Syrians, especially after the recent massive displacement during the Syrian conflict (928 thousand in late 880 ,2013 thousand of whom are registered at UNHCR, or about %25 of the population), as well as Iraqis and other migrants and Asian or African workers, particularly female domestic workers as in the Gulf states (at least 250 thousand female domestic workers, according to a recent report)<sup>134</sup> . Lebanon, including its Palestinian population, knew its youth wave in the 1970s and then overpassed it; young people aged between 15 and 24 today account for less than %29 of the population, especially as immigration rates, mostly for young people, ranged between %1 and %2 annually during the civil war. However, this has changed with the return of young Lebanese after the war and then with the waves of Iraqi migration, followed by Syrian migration dominated by young people, especially males<sup>135</sup> ; thus, migration now accounts for two-thirds of the demographic growth in Lebanon<sup>136</sup> . About %90 of the population lives in cities (in the camps that have become cities for Palestinians). Despite the relative progress of the country in comparison with its neighbors, the rate of women's participation in the labor force remains low at about %23. According to ILO<sup>137</sup> data , the number of newcomers to the labor force reached 44 thousand per year in 2010-2006 (nearly a third of them are women). The number of those newcomers increased significantly to approximately 110 thousand annually in 2015-2011 (also one-third of them are women). This brought the average annual increase of the labor force in the two periods to %7) %5 for women). Of course, the Lebanese economy, with its structural and administrative crises, cannot create job opportunities equivalent to this demand for labor, although it creates opportunities for increasing female domestic workers. Labor force participation varies among population groups, %43 for Lebanese (2007 survey), %42 for Palestinian<sup>138</sup>s (2011 survey, slightly lower with those from Syria) and %47 for Syrians<sup>139</sup>2013 survey). This difference is very clear for females, %15, %21 and %19, respectively<sup>140</sup> . Most Syrian females were not working before and had to work because of their living conditions. Unemployment rates vary from %9 for Lebanese<sup>141</sup> and

133. ILO 2012 134. ILO 2016. 135. ILO 2014-c.  
 136. Ajluni & Kawar 2015. 137. <http://www.ilo.org/ilostat/> 138. ILO 2012-a  
 139. ILO 2012-a. 140. ILO 2012 & ILO 2014-c.  
 141. According to Abou Jaoude 2015, noting that the cluster survey before the Syrian refugees' influx gave 6.4%, whereas the World Bank points to 11% in the same period and the reports of the Ministry of Labor to 20% to 25%.  
 142. This unemployment rate is lower than unemployment rates in the Palestinian Territories, in spite of the restrictions imposed in Lebanon on employing Palestinians in many professions.  
 143. 250 thousand female migrant workers and around 30 thousand from other nationalities, see ILO 2014-c and ILO 2016

118. Al-Budirate 2009  
 119. Stave & Hillesund 2015 and Erighi & Griesse 2016  
 120. It is remarkable that the results of this unpublished survey do not correspond to the data provided by ILO which reduces by half the number of newcomers to the labor force in Jordan between 2006-2010 and 2011-2015. The same applies to the created jobs. In all cases, these statistics show that job opportunities since 2005 have not met demand for employment. The labor force in Jordan has grown in the last decade at an average rate of 3.4% per year, the highest rate in Arab countries.

Palestinians<sup>142</sup> to %30 for Syrians<sup>143</sup>. Here, differences also deepen for women, %14, %18 and %68, respectively<sup>144</sup>. Thus, based on the distributed surveys, it can be assumed that the current workers in Lebanon (2.2 million) consist of 1.4 million Lebanese (63 percent of the total), 130 thousand Palestinians (6 percent), 400 thousand Syrians<sup>145</sup> (18 percent) and 280 thousand other foreigners<sup>146</sup> (%13). In other words, migrant workers account for one-third of workers in Lebanon and the number of other migrant workers exceeds that of Palestinians and is less than that of Syrian refugees. It is worth noting that prior to the Syrian conflict, there were estimates of the seasonal or permanent Syrian workers outnumbering their current figures<sup>147</sup>. Data on the percentage of Lebanese covered by health and social insurance are conflicting. It is noted that %66.9 of waged workers are not covered by any health insurance system<sup>148</sup>, or that the subscribers in the Lebanese Social Security Fund make up only about %30 of the labor force. However, recent reports point to %47 of Lebanese who are not covered by any health system, and these figures go back to 2007. More recent figures indicate that the proportion of Lebanese informal workers<sup>149</sup> is %59<sup>150</sup>, Palestinians %95, Syrians %99, and %90 for others. It should be noted that part of the Palestinian and Syrian workers, as well as the bulk of other migrant workers, including female domestic workers, are compulsorily covered by the Lebanese Social Security Fund through their employers or directly, but do not leverage this service. In other words, the proportion of informal workers reaches %73 of total workers in Lebanon and is distributed as in table 3.20. It should be noted that if the government sector is excluded, the proportion of informal workers among the Lebanese reaches %53) %69 for males and %70 for women).

Table 3.20 Distribution of workers in Lebanon according to their nationality, gender, and working situation

Nationality	Gender	Employment according to the working situation			
		Government	Private	Own account	Unemployed
Lebanese	Male	10.1	10.1	10.1	10.1
	Female	10.1	10.1	10.1	10.1
Palestinian	Male	10.1	10.1	10.1	10.1
	Female	10.1	10.1	10.1	10.1
Syrian	Male	10.1	10.1	10.1	10.1
	Female	10.1	10.1	10.1	10.1
Other	Male	10.1	10.1	10.1	10.1
	Female	10.1	10.1	10.1	10.1

This table represents approximately the current situation without being able to track the changes that have occurred since 2011 and their effects. It should be noted that workers in the government sector make up 110 thousand and 86 thousand for the military and security forces. However, only 30 thousand are permanent civil servants registered at the Civil Service Council, while the rest are contractors<sup>153</sup>. The increase in the proportion of Lebanese working for their own account in a middle-income country caught ILO's attention, especially since %88 of those workers prefer to remain on their own account and %66 of waged workers wish to move to the own account employment<sup>154</sup>. What catches the attention as well is ILO's low estimation of the share of own account labor for Syrian refugees<sup>155</sup>, in addition to the inexistence of Palestinian or Syrian contributing family workers. Moreover, Syrians work an average of 60 hours a week, in comparison with 48 hours for Lebanese and 47 hours for Palestinians. Thus, the overall picture of informal labor in Lebanon is based on previous data as shown in table 3.21, with an equivalent share for own account labor and waged informal labor for Lebanese, and the predominance

144. These data were reviewed with the Lebanese researcher Kamal Hamdan who draw the attention to the rising estimations of the economic participation of Syrian refugees in comparison with that of Lebanese. However, the source of these data, i.e. an ILO survey conducted in 2013, covered four Lebanese regions: Akkar, Tripoli, Bekaa, and South. The comparison was made with a survey for Lebanese in 2007 and another one for Palestinians in 2011.  
145. This figure includes the Syrian workers in Lebanon before the conflict in Syria. According to 2012 survey (ILO 2014-c), 20% of Syrian workers used to work in Lebanon before the conflict.

of waged labor among migrant workers. For women, the

Table 3.22 Percentage of categories of women's informal labor in Lebanon (out of the total labor)

Employment according to the working situation	Type of the production unit			
	Government	Private	Own account	Unemployed
Waged workers	10.1	10.1	10.1	10.1
Unemployed	10.1	10.1	10.1	10.1

waged labor of migrant workers is predominant (table 3.22). On the other hand, the World Bank has estimated the share of the informal sector in GDP at more than %36<sup>156</sup>, but it is not clear whether this estimate includes criminal activities (drugs, human trafficking, etc.). The 2009 cluster survey<sup>157</sup> showed that %1.7 of Lebanese children between 5 and 14 worked; UNESCO adopted a similar figure, %2 for 14-6 years. However, Syrian children labor has spread in Lebanon since the wave of displacement and reached %8<sup>158</sup> for workers aged between 10 and 14 years. This estimate is increasing, especially since %60 of children in this age group are not enrolled in schools. In terms of poverty, a recent report<sup>159</sup> indicated that %29 of Lebanon's population lives in poverty and %8 in extreme poverty. This figure is consistent with a report by the Department of Statistics and the World Bank based on the Household Expenditure Survey conducted in 2011 and 2012<sup>160</sup>. Other studies<sup>161</sup>, however, point to a poverty level of %35 for Lebanese and %66 for Palestinian refugees in the same period. In any event, the Syrian refugees' wave has changed this situation, with the average income of refugee workers not exceeding the poverty line<sup>162</sup>. In addition, poverty among Lebanese, especially in the areas where refugees are concentrated, aggravated.

### The case of Syria

The conflict in Syria which broke out six years ago led to catastrophic conditions for the population and to fundamental socio-economic changes. It was clear that the «youth tsunami» & the acceleration of rural exodus, as well as the large gap between the numbers of newcomers to the labor force on the one hand and the number of jobs created on the other, & the spread of informal labor, were all among the major factors<sup>163</sup> that resulted in the uprising early 2011 and turned in mid2012- to a war. In 2010, the population of Syria (including Palestinian and Iraqi refugees) reached 21.8 million, with population growth rates remaining high<sup>164</sup> at %2.9 overall. The proportion of youth aged 24-15 was also high, at %40. Rural exodus has seen major leaps, particularly in 2004-2003, which has seen «counter-agrarian reform»<sup>165</sup> & thus hundreds of thousands have left their villages, in addition to an exceptional drought<sup>166</sup> in 2008-2007. These migrations have led to a significant decline in economic participation rates, with many agricultural workers leaving the labor force<sup>167</sup>. Thus, the rate of total participation in the labor force declined from %52 in 2001 to %42.7 in 2010, and for females from %21 to %12.9<sup>168</sup>. Thus, between 2001 and 2008, Syria lost %43 of the agricultural labor. In comparison to some 300 thousand newcomers to the labor force<sup>169</sup> annually in the urban area, only about 65 thousand jobs were created annually, with only 10 thousand formal jobs. The impact of these transformations has been the harshest on women's labor<sup>170</sup>. However, the effects of these successive shocks (agrarian reform, stopping the Anti-Unemployment Authority, Iraqi refugee waves, drought, the effects of the global crisis) have been mitigated by the fact that about %10 of the Syrian labor force was a circular informal labor in Lebanon (seasonal work, construction, etc.). But these jobs have also been volatile, especially when Syrian forces left Lebanon in 2005. The image of informal labor in Syria prior to the outbreak of the uprising and the conflict is shown in table 3.23<sup>171</sup>, with a total of %65.6 or %89 of private sector workers, knowing that informal labor in the private sector amounts to %52.

Table 3.23 Percentage of categories of informal labor in Syria in 2009 (out of the total labor)

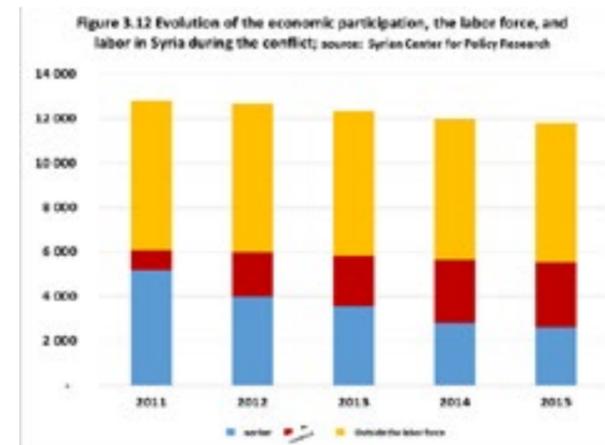
Employment according to the working situation	Type of the production unit			
	Government	Private	Own account	Unemployed
Waged workers	10.1	10.1	10.1	10.1
Unemployed	10.1	10.1	10.1	10.1

The approximate picture of women's informal labor in 2010 is shown in table 3.24, and does not exceed %39 of the total female labor because %56 of working women are in the government and the public sector. Women's informal labor is divided between waged labor, own account, and contributing family labor.

Table 3.24 Percentage of categories of informal labor in Syria in 2010 (out of the total labor)

Employment according to the working situation	Type of the production unit			
	Government	Private	Own account	Unemployed
Waged workers	10.1	10.1	10.1	10.1
Unemployed	10.1	10.1	10.1	10.1

It is interesting to note that the highest percentage of informal labor is in the governorates of Aleppo (especially its countryside), Idlib and Raqqa; all of which have witnessed major social developments during the conflict in Syria<sup>172</sup>.



Only %33 of total workers are covered by social security. However, social security has become insufficient, as the conditions of benefitting from health insurance<sup>173</sup> have been gradually modified and the return on pensions was reduced<sup>174</sup>. Therefore, %33 of workers and their families were reported to be extremely poor (as a minimum), and this severe poverty also affects formal workers, although it is higher for informal ones. Half of the workers are below the poverty line, and %56.5 are informal workers. UNESCO also noted that %4 of children between 6 and 14 years do work. However, child labor has spread significantly

146. It is worth noting that these estimations almost comply with ILO statistical estimations on the total number of workers.  
147. Aita 2016.  
148. Abou Jaoude 2015  
149. According to the definition of the lack of coverage of health and social insurance  
150. The World Bank noted in a recent report that the rate of informality is 56.2%, see World Bank 2014-b. It has been assumed that 20% of own account workers are formal.

with the conflict inside Syria and among Syrian refugees in neighboring countries. The long-lasting conflict in Syria led to waves of migration and refugees abroad, and to the displacement of large numbers of Syrians within the Syrian territories<sup>175</sup>. The war also destroyed many industrial and productive facilities and infrastructure and paralyzed the economic mechanism of Syria widely. This was followed by a decline in the number of Syrians of working age (despite the demographic growth of residents) to %8 by the end of 2015, and the number of workers halved (most of them in informal labor), while the number of unemployed increased by more than three times<sup>176</sup> (figure 3.12). Thus, a large percentage of Syrian workers and families are poor, even very poor, and depend on international aid. Many people from all conflicting parties have engaged in illegal acts linked to the economics of violence. These acts (such as the participation to armed groups, selling stolen goods, oil refining and trade, cross-border smuggling of goods and human beings, drug production and dealing, etc.) acquire a total of %17 of all workers. All of this had disastrous effects on women's and children's labor.

### The case of Yemen

Yemen also lived a popular revolution in 2011 that in 2014 turned into a violent conflict which has not yet ended. Its population is close to the population of Syria (24.6 million in 2010 and approximately 26.8 million in 2015) with a demographic growth rate recently reduced to %2.5 annually. It is also at the peak of its youth eruption, with young people (24-15 years out of 64-15 years) still exceeding %40. However, the proportion of the urban population remains weak compared with Syria (%32 compared with %56 in 2010), although the country is experiencing a phenomenon of rural exodus<sup>177</sup>, where the urban population is growing at a rate of more than %4 annually. Yemen also witnessed a large wave of emigration, especially to Gulf countries, until the mid1970-s, when migration accounted for about %1 of the population annually. However, many Yemeni workers returned home after the Gulf War in 1990. Currently, surveys only detect 103 thousand workers, mostly male, who make up only %2 of the labor force and less than %1 of the population. Participation to the labor force remains weak in Yemen, %36 overall, and only %6 for women (the lowest among countries covered by this study)<sup>178</sup>. However, the share of women in the labor force remains at the level of other Arab countries, with male participation rate also low at %65. Thus, ILO noticed that the number of newcomers to the labor force, which reached more than 250 thousand<sup>179</sup> per year in 2010-2006, has not changed, and has increased slightly since the revolution to some 280 thousand. Young women constitute %27, indicating a trend towards women's increasing participation. A report by the United Nations Development Program (UNDP)<sup>180</sup> states that the number of job opportunities to be created annually to maintain a stable unemployment rate reached in 2004 around 188 thousand, 121 thousand for men and 67 thousand for women, which means more newcomers annually. For its part, a study by the Yemeni Ministry of Planning<sup>181</sup> indicated that the number of newcomers reached 207 thousand in 2009 and that it is expected to reach 379 thousand in 2030! The overall unemployment rate was estimated at %12.3) %13.5 for males and %26.1 for women). However, the comparison between the various Yemeni governorates is striking, and thus the link between the socio-economic situation and the conflict's developments can also be demonstrated in Yemen. The governorates of Al Dalah, Saada, Al Jawf, Al Maharrar

151. According to ILO 2012-a, this is the result for Palestinians of the non-reciprocity in the Palestinian Territories!  
152. In the absence of detailed data, this estimate shows that all workers in the government sector are formal, 100% of employers and 80% of own account workers. Thus, this estimate often reduces the informal labor.  
153. Abou Jaoude 2015  
154. Abou Jaoude 2015  
155. ILO 2014-c.  
156. ILO 2014-c.



their characteristics and differences, precisely because the mechanisms for defending the rights of their workers and the policies to secure these rights and livelihoods can vary greatly.

#### 4.1 Self-employment

Street vendors

Morocco watch report<sup>189</sup> focuses on street vendors, a case that dominated labor relations in the Arab countries after Bouazizi's suicide in Tunisia in 2010. In 2016, Morocco witnessed the suicide of «the seller of Baghreer May Fatiha»<sup>190</sup> (Moroccan pancakes consumed during the month of Ramadan) in the same way of self-burning and for the same reasons, which shook the society and authorities. Moroccans use the term «butterfly» to describe those self-employed workers.

The report shows that there are three dimensions of labor relations for this type of informal labor: the workplace and the means of work (i.e. the chariot that displays the goods), the sold goods and the mechanism for obtaining them. The workplace is particularly important because the possibility of selling the product is directly related to it, where the seller must stand in a place frequented by a large audience (e.g. in a public square or near a bus station, a train station or near a mosque) to increase the possibilities of selling the goods and made more money. Thus, the situation shows that the place-related labor relation is essentially a relation with the governmental or local authorities that regulate the presence in these places which are a «public domain». So this street trade constitutes in a way or another an «illegal exploitation of the public domain»<sup>191</sup>, in which the interests of street vendors conflict with the public interest in ensuring that people, vehicles and urbanization are not obstructed. However, street vendors are more concentrated in popular neighborhoods and slums, which are not originally organized and decent. The interests of street vendors also conflict with the interests of the owners of regular shops who pay wages, municipal fees and government taxes.

Morocco's report also shows that engaging in street sales is not an option but a means of guaranteeing the livelihood of the poorest groups and does not require high qualifications (although some university graduates such as Bouazizi have been involved, especially in peripheral cities away from capitals), particularly a high constant capital (chariot price) or turnover (the price of daily goods). With the regression of activity in agriculture and industry in the Arab countries, basic job opportunities are concentrated in trade and services. Therefore, street vendors acquire a significant part of jobs. They provide cheap goods for popular categories that are not able to buy from official shops and malls.

However, this conflict of interest was rarely tackled<sup>192</sup>, and surveys were rarely conducted to identify its problems and find solutions to ensure the livelihood of vendors as well as the public interest and other interests. In fact, the main policy towards street vendors is both lenient and overlooking and characterized by repression campaigns resulting in the confiscation of the means of work and goods, which is a disaster for workers. The inclusion of this kind of labor in social security is hindered by obstacles in the texts of laws that restrict social security benefits to waged workers only<sup>193</sup>.

Box 4.1

«The problem now is getting seed and tools,» says Hawaa

179. Compare with Syria's figures 180. UNDP 2006. 181. MPIC 2010. 182. ILO Yemen 2015. 183. IFAD 2010. 184.The government sector saw a jump in employment, especially after the unification of Yemen, from 166 thousand for both parts of Yemen before unification to 322 thousand in 1995. It continued to develop until it reached 533 thousand in 2013-2014. Most of this government employment is for graduates of higher education, which represents the biggest opportunity for women to work. This is strongly criticized by the World Bank. See World Bank mission to Yemen, 1996.

Issa, the -50year-old widow and mother of six children. She spends the morning cleaning a piece of land to prepare it for agriculture, and spends her evenings selling tea and coffee. «I collect money so I can buy seeds and I will start farming once I get enough to buy the seeds... It may take a long time. The price of seeds is high compared to the cup of tea that Hawaa sells and its only customer today is the author of this story CICR, Internal exodus facing military conflicts: facing the challenges, May 2010

Surveys of this type of informal labor can also highlight the other dimensions of labor relations. There are situations where the means of work is not owned by the street vendor, or even the sold item. Therefore, the street vendor is an informal worker who receives a wage or a share of sales profits. Sudan's report<sup>194</sup> focuses on another case of self-employment, the case of female tea vendors, who are also street vendors (Box 4.1). Their number in Khartoum alone is 14 thousand<sup>195</sup>. The importance of this situation is underscored by the acceleration of rural exodus to the city, the waves of displacement caused by wars, internal armed conflicts and environmental repercussions (natural drought or agricultural water monopoly<sup>196</sup>). A survey<sup>197</sup> of female tea vendors in Khartoum found that %89 of them were displaced, but not mainly because of conflict or drought (%10 of cases), but for economic (%47) and social reasons (%37). Most of them work for more than 8 hours a day. This is their only career, and almost half of them are unmarried who are responsible for looking after their families. Here, too, the workplace emerges as an essential element of labor relations, with %57 paying municipal fees for their stay in public places. Nevertheless, they are arbitrarily subjected to campaigns by the police and the authorities (they call it «Qasha» in Sudan), including the confiscation of their means of work and the few quantities of tea. The case of female tea vendors caught the eye after the US Department of State chose in 2016 Ms. Awadiya Mohammed Koko as one of the ten most courageous women in the world, a struggling female tea vendor who founded the Cooperative Association for Tea and Food female Vendors and the Multi-Purpose Women's Cooperative Association. Yemen's report<sup>198</sup> also referred to similar cases such as bread, henna, vegetable and maize vendors on the sidewalks, showing that children are heavily engaged in this type of work, such as selling napkins and beads on the roads and in public squares.

Palestine's report<sup>199</sup> drew attention to the situation of «female grape vendors»<sup>200</sup> who are not allowed by the municipal authorities in Ramallah and Al-Bireh to sell their grapes that crosses with them the many Israeli checkpoints, while Palestinian markets are filled with Israeli grapes from 1948 territories.

Iraq's report<sup>201</sup> also focused on the situation of street vendors (the official designation is «mobile units»), who were surveyed<sup>202</sup> in 2015, including all of Iraq's provinces except Anbar, Saladin and Nineveh, which were controlled by ISIS. Thus, 772 markets for these vendors and about 38,000 «mobile units» were observed. The survey showed that the mobile means of work (a chariot, a car or a motorcycle) accounts for only a quarter of the cases, while the simple table («janbar» in Iraqi, accounts for %30), and the «Basta» (a piece of fabric on the ground where the goods are exposed) accounts for %25. Only %11 of vendors have a small semi-fixed selling place («kiosk»). The commodity sold in %44 of cases is food or drink. However,

185. Gov Yemen 2007.

186. Yemen's watch report

187, 188. Chen 2017.

190. <https://youtu.be/kBZ0FKXD5cs>

191,189.2017 فوري بوخريص

192. Salahdine & al. 1991.

193. 2017. نقش الظهير (القانون) 1-72-184 لعام 1972 كما ورد في فوري بوخريص

194. حسن أحمد عبد العاطي وأشرف عثمان محمد الحسن 2016.

195. 2013. وزارة التنمية الاجتماعية، السودان

196. Aita 2016.

197. 2013. وزارة التنمية الاجتماعية السودان

198. علي النصيري 2016

199. فراس جابر وإياد الرباعي 2016

200. فراس جابر وإياد الرباعي 2016

201. هناء عبد الجبار صالح 2016

202. الجهاز المركزي للإحصاء العراق-2015ب.

203. 3.1 الفقرة.

204. <http://www.alwasatnews.com/news/726612.html>

unlike Sudan, the majority of street vendors are males (%95); Maysan governorate has the highest percentage of female street vendors (%22). The survey also shows that about half of the vendors began this work more than ten years ago, drawing attention to the fact that this phenomenon was rare in Iraq before the embargo and the invasion that followed. It also turns out that most street vendors have resorted to this job because they had no other opportunities, although few are illiterate (only %15) or uneducated, and this was not an option but a need to earn a living. These vendors suffer from various difficulties, the most important of which are financial difficulties, competition, lack of demand and exposure to environmental conditions (rain, dust storms, etc.), prosecution by government authorities and lack of subsidies, as well as the unstable security situation.

The survey also showed that not all street vendors are self-employed. Out of the 46,000 in this profession, waged workers accounted for %22, %7 of whom were children. Working hours varied between 7 to 8 hours a day, seven days a week.

For Bahrain, reference was made<sup>203</sup> to the significant number of migrants without legal residence («bulk employment» or «free visa») whose term of residence expired and who are engaged in works such as washing cars and selling goods and services on the streets. Most of them are from India and Bengal (Box 4.2). In this case, the problems of labor relations arise first with visa dealers in their country. The worker borrows money to pay the high price of the visa. Secondly, there is a problem with the «guarantor», the owner of the register based on which workers are brought for a typical two-year period, and who shares the price of the visa with the migrant worker, and receives «royalties» for each extension, although the law prohibits this practice. Third, there is a problem with traders who provide them with the goods they sell on the roads. And last but not least, the problem is with government authorities, allowing traders and «sponsors» to exploit the loopholes of law or leniency, while the conditions of these workers are not settled even if they stay for a long time in Bahrain. The problems of these workers transcend the issues of labor relations, as their living conditions are often inhumane<sup>204</sup>. Thus, Bahrain's report recorded 50 cases of suicide among migrant workers in 2012 compared to 22 cases in 2011.

Box 4.2

A young Pakistani man, Assem Ziah, did not expect to be one day sitting on the street and referred to as bulk labor. But four months without salary in his company put him in an unexpected situation. Ziah had an official paper stating that he was asking the company he worked with for his unpaid salary. He therefore stopped working for it and is currently without legal work to provide for his needs and those of his family in Pakistan. So his only way to find work was this way which was imposed on him and that he did not choose. He could only describe his situation by saying the following: “We are poor people who want to work for a good salary. We don't want to be on the streets every day waiting for customers who may or may not come.” This indicates the limited number of customers. “Every day, there are 150 workers. But 70 got a job and the rest return home. In Bahrain, there are no jobs”, he clarified.

196. Aita 2016.

197. 2013. وزارة التنمية الاجتماعية السودان

198. علي النصيري 2016

199. فراس جابر وإياد الرباعي 2016

200. فراس جابر وإياد الرباعي 2016

201. هناء عبد الجبار صالح 2016

202. الجهاز المركزي للإحصاء العراق-2015ب.

203. 3.1 الفقرة.

204. <http://www.alwasatnews.com/news/726612.html>

Bahrain watch report, Hassan Al Ali, 2017.

#### Family self-employment

Iraq's report sheds light on another aspect of self-employment, which is family self-employment. The difference with the previous situation is that the workplace is not part of the labor relation, because it is home. The report presents the results of a 2012 survey<sup>205</sup> on households as a production unit, covering all rural and urban governorates, except for Kurdistan Region. Thus, 10,402 workers employed within 5,535 households were surveyed, and the percentage of household workers was highest in rural areas and in Qadisiyah and Karbala governorates. The number of family waged workers did not exceed %1, while housewives looking after this sector accounted for %36 of the total. The most important activities of these families are dairy manufacturing (agricultural sector), followed by sewing clothes and gowns.

But the survey did not include an analysis of the main labor relation for this type of informal labor, which lies in access to raw materials, especially in marketing. The questionnaire only shows that workers complain about competition, low prices and flooding markets with imported products.

Syria's report<sup>206</sup> highlights another aspect through the analysis of the «Al-Aghbany» industry, a traditional embroidery of a special type using silk threads and perforations, with aesthetic drawings. This industry is part of the immaterial Syrian heritage. Here too the workplace is most likely home and means of production is a regular sewing machine. The basic working relation is with «Al-Aghbani» merchant who looks after marketing. Self-employed female workers work by piece or by the embroidered fabric meter most of the time. The trader is the one who supplies with fabric and embroidery threads and controls the production process (accept or reject the product, for example), so that the commodity is sold in the market at a price that is 7 times higher than the value of embroidery, while labor is the main part of the production cost. Six thousand women working in this profession in Damascus countryside were detected, with 64 registered merchants in the Chamber of Commerce.

The profession has been severely affected by the war, and production has dropped for many reasons (the availability of raw materials, market shrinking due to the decline in tourism and the participation in foreign exhibitions, security instability, etc.). However, cooperatives and associations have emerged in spite of the sustainable conflict and started employing part of former female workers and marketing their products directly in foreign markets, developing sometimes product forms. Jordan's<sup>207</sup> report also referred to two cases of family self-employment. The first is the case of “Maha”, a Jordanian who graduated with a political science degree and did not find work. From her home, she launched the activity of selling clothes, perfumes and cosmetics. It refers to how to use the “Women's Fund” loans to help create such businesses and meet the needs. Her involvement in this work was not optional in contrast to the second case of the other Jordanian «Haifa», who began to produce and sell children clothes, and is now making a good income she could not get from a waged labor. She uses modern social media for marketing. But she cannot move to a (formal) shop because real estate costs are high and her family does not want to help her. She also fears that men will not accept this work in case she wants to get married. Remarkably, the report draws attention to other cases of women who cannot start working from their homes ...

205. الجهاز المركزي للإحصاء، العراق 2012: مسح الصناعات البيئية.

206. ربيع نصر وركي محشي 2016.

207. أحمد عوض 2016.

208. ربيع فخرى 2017.

209. ربيع فخرى 2017.

because they are refugees.

Lebanon's report also draws attention to the situation of Palestinian women in the camps and who work from their homes in selling clothes and embroidery and in simple services such as hairdressing and cosmetology.

## 4.2 Waged informal labor

Informal labor in the informal sector

Lebanon's<sup>209</sup> report is unique in detailing waged informal labor in the public sector. It indicates that the civil and military administration and educational institutions absorb about %10 of the Lebanese workers (131,000), in addition to 27 thousand contracted teachers and 7 thousand vulnerable informal workers (daily workers, porters, etc.). The report shows that if military and security services are excluded (%72 of permanent labor), the proportion of informal workers, i.e. those deprived of social protection, reaches %47 in the educational sector and %44 in the civil service. It is true that employment of most of these informal workers begun on a temporary basis, but has become a sustainable reality since several decades with the freeze on government employment. Some of these, especially in service utilities, are employed indirectly through subcontractors who recruit them informally. Thus, the report mentioned water establishments in the various Lebanese regions where %50 of the workers are informal; Electricité du Liban (EDL) where most of the labor is informal and on demand, whether for repairs or billing; Ogero Communications, the Régie Libanaise Des Tabacs et Tombacs, Rafik Hariri University Hospital, and the Ministry of Finance. Most of those who work for these bodies are waged informal labor, with government services largely based on informal workers.

This creates a real problem in labor relations, where the interests of government permanent workers contradict those of informal workers. This results in confusion and bias in trade union struggles, for example in demanding a wage adjustment equivalent to inflation, because permanent workers constitute the majority of union members.

Lebanon's report also refers to wage earners who are migrant workers, especially Palestinians and Syrians. They work mainly in construction, in farms and factories, as well as gatekeepers to buildings in Beirut and major cities. Most of them were working regularly before the conflict in Syria, but are living today with their families in Lebanon. These are not entitled to work officially but to reside temporarily without work. If they claim anything, their residence may be canceled and they might be deported to the border. This reflects a vulnerable business relationship subject to the wishes of the employer. Egypt's<sup>210</sup> report also details two cases of waged labor in the formal sector. In the case of municipal bakery workers, workers' wages are determined by the Ministry of Supply and Internal Trade in an informal customary manner. The cost is calculated and subtracted from the price of bread determined by the State. The profit is distributed to the baker, «the kneader», «the kharat» (the cutter) «the salhaji» (the one who separates bread), «the tuwalji» (the one who distributes the bread) and the difference in calculating the costs between one bakery and another. The workers of municipal bakeries are not entitled to social insurance because employment contracts are collective and not individual, and the names of those who are covered are manipulated, and are not paid for official holidays and leaves, including sick leaves. But their relations are supposed to be regulated by Law 12 of 2003 («Unified Labor Law») and Law 79 of 1975 on social insurance for civil servants, as well as decision 175 of 1981 regulating such insurance.

Remarkably, it is the employment office of the Manpower Directorate that «sponsors and operates» bakery workers. This office, the general governmental federation, and the Ministry of Supply and Internal Trade count on a committee that determines in the districts who can work in the bakeries. They also issue the health insurance card. In this case, the problem of labor relations is related to the wage description and the right to wage, holidays and benefits, including the right to social insurance and independent collective bargaining. Workers in the second case which is detailed in Egypt's report, are miners and quarries' workers who are subject to the Unified Labor Law<sup>211</sup> and to a law of their own, No. 27 of 1981. There is no social security for these workers, especially since the employment of workers is often through subcontractors («custody» in Egyptian). It highlights the many problems in the labor relations in this case, starting with the issues of transportation to the workplace, working hours and its many risks. These include social security and employment contract with the main employer (public and private sectors), including subjecting them to the «hard labor law» (Decision No. 270 of 2007).

Bahrain's<sup>212</sup> report indicates that 2,500 to 3,000 Bahraini female teachers and sitters work in kindergartens as per contracts that are renewed annually. They are not allowed to claim annual leave and social security. The head of the Kindergarten Syndicate points out that, contrary to the law, kindergartens' workers are denied their official leaves. Workers are also forced to pay their share and the employer's share of the social security without benefiting from its services. This inequity includes many female workers and part-time workers.

## Waged formal labor in the informal sector

Regarding the amendment of the conditions organizing the relation of the employer and domestic workers, the Minister of Labor Jamil Humaidan said: «We have an international problem in this regard; we are under great pressure from countries exporting domestic workers. Those countries negotiate internationally and set a minimum wage that may outweigh the citizen's ability. They want to give domestic workers the same privileges as ordinary labor». And regarding the increasing costs of domestic labor, Humaidan said: «The costs increased in the Gulf, and we conducted a study on the reasons for the high cost, which turned out to be from the exporting countries. After research with the exporting countries, it turned out that the reason are the intermediaries entering the deal and raising the cost. We are working on adopting the governmental offices of the Gulf Cooperation Council in the countries exporting labor, «pointing out that the Asian labor supply offices do not abide by the laws. Regarding the demands of the deputies to make the contract of domestic workers three-fold, including the worker, the employer and the office or quadruple by adding the embassy, Humaidan responded: «Introducing embassies in the contracting is prohibited internationally, and we ask them not to interfere in the relation between the worker and the employer. A phenomenon has emerged with Filipino domestic workers. Many escape cases were seen. Workers fled the houses of their sponsors taking refuge in their embassy, which calls the sponsor and ask him either to buy a return ticket or to sign papers to waive his sponsorship to another sponsor. The embassy has established a large housing facility attached to the embassy. The Deputy Consul at the Filipino Embassy in Bahrain, Ricky Argon, explains how the embassy deals with these complaints in the first place. If a female domestic worker is registered and has a legal residence, the sponsor is dealt with. If the latter refuses to deal with us, we resort to the office that has recruited the worker. In many cases, if there is ill-treatment, there are other legal procedures that are carried out through the police station and the public prosecutor's

office (Al-Wassat Newspaper, issue 4688). To this day, there is no clear government position on the practices of the Filipino Embassy in Bahrain, despite recurrent complaints from citizens about these practices.

Bahrain watch report, Hassan Al Ali, 2017  
Mauritania's<sup>213</sup> report says that a car repairing workshops in the municipality of Luxor in Nouakchott includes an employer, six paid workers and two trainees who are not paid for their professional experience and expertise. The enterprise is informal and informal waged workers do not receive any social security. While the report points out the pressure on wages and working conditions that come from the large number of migrant foreign workers, it also mentions the case of a migrant worker from Mali who works in conditions similar to those of Mauritians but with less than half the wage.

The report also discusses the situation of Mauritanian female migrant workers who went to work in Saudi Arabia and stayed there for two years, and the problems they faced, such as not being paid salaries and other forms of harassment, including heavy working hours. The report also refers to the situation of a worker in a butchery (meat shop) who receives a fixed wage and another one for the services he provides to clients, knowing that he works for 11 hours a day.

## Informal labor in the family sector

The phenomenon of domestic workers, whose majority are working, is widely spread in the Arab countries. Bahrain's<sup>214</sup> report mentioned that Bahrain's Labor Market Regulatory Authority (LMRA) reported 1,108 escape cases of migrant domestic female workers between the first and ninth months of 2015 (Box 4.3). This phenomenon is the result of the conditions often experienced by domestic workers, but is also related to human trafficking and exploiting women in nightclubs and prostitution. Here, too, the complexities of labor relations between the worker, the employer, the migrant workers and the sponsor, the governments of the employment country and the country of origin of the migrant are highlighted.

Jordan's<sup>215</sup> report also describes the case of «Hanan,» a Syrian refugee whose husband died in the war and is now supporting as single domestic worker her daughter who is obliged to accompany her.

## 4.3 Working children

Jordan's<sup>215</sup> report refers to the case of «Muhannad», 13, who helps carrying customers' goods at the vegetable market in downtown Amman. Muhannad is the breadwinner for his family, including his four younger brothers, after his father became disabled due to an injury. Despite his hard work, he prefers it more than his previous job where he was subjected to physical and sexual assault. «The market is full of children; the child must be strong and have an interest when he goes to work, otherwise something will happen,» he says. Another case is that of a child of the same age, but with special needs, as he moves in a wheelchair. He works as seller of «Mulukhiyah and spinach» or desserts according to the season, because the wage earned by his father, who works as a guard in a company, is not enough to cover the family's living. In Mauritania, children are also attracted to jobs such as guard work, transporting goods by donkey carts, selling dried dates, napkins, textiles and toys, as well as fish cleaning, especially in the central fish market, construction and selling mobile phones. In the countryside, they are grazing, hunting and selling cattle and coal for food or clothing.

In Sudan, it was pointed out that<sup>217</sup> male children were

employed in shoe polishing, car wash, and small craft workshops; whereas female children work as domestic workers and cleaners, all in difficult and sometimes inhuman conditions. The homelessness phenomenon has overstepped the parents because of drought and civil wars.

# 5. POLICIES REGARDING INFORMAL LABOR AND STRUGGLES FOR THEIR RIGHTS

## 5.1 Informal labor in the Arab countries and relevant theoretical debate

The previous chapters have shown that informal labor is the main reality in the nature of labor in the Arab countries, especially labor outside government departments and the public sector. The various types of this informal labor have also been shown, particularly between waged labor and self-employment, and between nationals and other residents, whether migrant workers, immigrants or refugees. Hence, government policies and social struggles to achieve the rights of its employees cannot be included in a single mechanism, but rather in many mechanisms depending on the multiple types of this informal labor and the working relationships that govern it.

It is useful first to present the results of informal labor data and explain its types within the discussion of schools of thought that revolve around it. The large proportion of informal labor and the scarcity of formal workers in the formal private sector refutes the saying of the dualist school about a non-related duality in the labor market, particularly that there is no real growth in the Arab countries in «modern» industries and facilities<sup>218</sup>. Self-employment is not only a safety valve; it is also the working reality of a large proportion of workers, which is almost equal to the wage-earning part, excluding civil service and agricultural labor. However, the recommendations of this school remain right in the need to protect workers on the social level and secure infrastructure for them. Labor conditions in Arab countries are more applicable to the structuralist school which considers that the expansion of informality is related to the development of the structure of global capitalism and its production relationship. In fact, the informal labor outside the agricultural sector was more widespread in the Arab countries in the post1970-s when all Arab economies entered into globalization and «economic openness» broadly. However, rent seeking dominates Arab economies, whether from natural resources (oil, gas, phosphate, etc.), or the location (Suez Canal); and productive capitalism is not local but global. It was noted that the proportion of private investments in GDP did not increase with privatization policies the same as the decline in the proportion of public investment<sup>219</sup>. But here, too, the school's recommendations remain right to hold governments accountable for tackling this informal imbalance and regulating labor relations. But it also requires the organization of other labor relations, i.e. for companies and employers, through an «industrial policy» to expand the domestically produced value-added base.

The legalist school blames bureaucracy, the complex laws and regulations, and the complicity of governments with commercial interests for curbing the ambitions of employers and entrepreneurs. It is true that bureaucracy is too heavy

213. محمد أحمد المصوبوي 2017.

214. حسن العالبي 2017.

215. أحمد عوض 2016.

216. أحمد عوض 2016.

217. حسن أحمد عبد العاطي وأشرف عثمان محمد الحسن 2016.

218. سمير العيطة: منهجية تقرير الرائد، 2015.

219. Achcar 2013.

210. ريم عبد الطليم وسعود عمر 2017.

211. القانون 12 لعام 2003.

212. حسن العالبي 2017.

and slow in triggering change in some Arab countries such as Egypt and Algeria, but this does not apply to other countries such as Bahrain or Lebanon. Indeed, labor laws in all Arab countries need to be developed, as well as legislations on entrepreneurship. But does this change the conditions of productive investments and working conditions substantially, especially in countries that are densely populated and suffer from multiple social problems (such as accelerated rural exodus to the city)? An analysis of similar Arab situations in terms of the prevalence of informal labor, with a large variation in legislation, shows that the problem is deeper. This school recommends facilitating the registration of productive units and the development of property laws to transfer the assets of these units to capital assets. But the question is about the value of these assets, especially the unstructured, if the majority of economic activities lie in trade and services. And also what precedes what? Providing services to citizens, including social security, or collecting taxes, fees and social deductions for the public budget?

Finally, the data of the Arab countries contradict the basic premise of the voluntarist school, which believes that most of the informal activity is optional to avoid taxes and fees, and balance costs and benefits. This is precisely because the majority of informal workers have no other choice, especially young people and women, with the large gap between the numbers of newcomers to the labor force and the number of opportunities created, including informal ones. Thus, policies cannot be put in place or struggles on informal labor cannot be developed solely based on market orientation and enterprises formality or informality. The waged formal labor in formal enterprises, even governmental ones, is a significant part of the overall employment in many Arab countries. The optimal approach is to start by the issues of social and economic rights for each type of informal labor, especially social and health insurance, and to formulate policies and present all relevant struggles simultaneously. Thus, the issue lies not only in the formality of the enterprises themselves, but in seeing workers granted their rights regardless of the type of their informal labor, whether they are nationals or foreign workers, brought from abroad or refugees.

## 5.2 Governmental policies relevant to informal labor

Governmental policies towards informal labor are twofold, and the second is often neglected. The first part concerns the frameworks and legislations, i.e. constitutions, laws and decisions, as well as direct or indirect incentive policies, such as granting loans to expand business. The second part concerns labor market institutions in an integrated sense. These institutions are not restricted to employment offices, but include all institutions concerned with control in the workplace (the same as the control of the pharmaceutical or food industry) and the application of legislations. These also include institutions that study the projects of self-employed or small and medium enterprises, granting loans to business expansion, or oversight of these institutions to carry out the required purpose. In addition, there are the institutions which resolve labor disputes through public or arbitration courts. Of course, frameworks and legislations cannot improve the reality if there are no executive institutions based on the implementation of legislations and the introduction of incentive policies and if there are no institutions to resolve disputes. With regard to these governmental policies, the most striking thing in most Arab countries is that informal labor is not a central issue for governments to develop policies in their two aspects, despite the existence of specialized labor ministries. The first proof is the absence of specialized surveys

to show its types, developments and characteristics, except for rare cases and due to pressure by international organizations. The overview of the role of ministries of labor is limited to securing job opportunities and neglecting their supervisory role in securing and maintaining workers' rights.

### Social and health insurance

Arab governments' policies often tackle the activation of employment and social welfare, but some of them have strategic visions with the ILO for «decent work»<sup>220</sup>. However, there is seldom talk of the horizontal expansion of social and health insurance, which covers civil servants in all countries since the independence. The ILO Convention No. 102 of 1952 concerning minimum social protection, which includes health, medicine, sickness compensation, maternity care, work accidents, disability, old age and pensions, the death of a family member and unemployment, is seldom spoken of. Only Tunisia has historically evolved on this level<sup>221</sup>. From the system of securing civil servants inherited from the colonial era, the early 1960s saw the creation of social security funds for private sector workers (formal)<sup>222</sup>. In 1970, laws were amended to include some semi-permanent waged workers in the agricultural sector. In 1974, the social protection of civil servants was extended to non-permanent workers in the public sector. In 1981, the social protection of agricultural workers was expanded to include seasonal and temporary workers (the criterion is working 45 days for the same employer, with the introduction of an old-age insurance system). In 1982, an insurance system for waged workers was created, and was improved in 2002 to take into account the vulnerability of farmers and small fishermen, domestic workers or artisans who work on a piece basis. All these systems are redistribution systems between social and age groups, as well as aid and subsidization systems for basic materials aimed at combating poverty. These systems became effective only through institutions that control the implementation. In Tunisia, the cost of redistribution systems is estimated at %8 of GDP, and aid and subsidization systems are estimated at another %10.

Rare are the other Arab countries that embarked on a legislative and institutional process to expand the coverage of social security redistribution systems beyond civil servants. And even the real value of pensions for the civil service eroded due to not linking these pensions to inflation. Most Arab governments are focusing their efforts on aid and subsidization systems or on employment promotion programs. There has been little real analysis of the income and expenditure on the expansion of social security systems, while there are real pressures, especially from the World Bank and IMF, to reduce government subsidies (basic foodstuffs and oil derivatives) and to increase taxes and indirect charges (VAT), in light of the low direct tax revenues and the low taxes on property and wealth. There are risks of succumbing to this pressure, not only in terms of inequity but also in increasing the share of informal labor and diminishing revenues, leading to social explosions and internal wars.

Beyond the questions about the imperatives of whether or not formalizing informal labor, a fundamental question is rarely asked. Since most of Arab countries are characterized by their youth, i.e. the proportion of the young population is high within the working-age population, what prevents the establishment of a balanced social redistribution system which revenues include the informal labor that affects young people in particular and which expenses protect especially the older groups suffering more from sickness or from stopping work? Why not taking advantage of the opportunity of the «youth wave» today before the community «ages», as in some developed countries, and then the possibility of achieving the

financial balance for such a system becomes more difficult? Notably, current policies and discussions with IMF, the World Bank and ILO, do not address this issue, and are confined to analyzing tax systems, revenues and expenditures, without a comprehensive view of the totality of «social contributions». No one finds it difficult to impose a sales tax or a value added tax as «indirect social deductions» covering all with only the public budget as equivalent, rather than the broader contribution of social security as a «social deduction» for which specific and tangible services are available.

### Incentive policies towards informal labor

Other policies include the fight against poverty as well as the stimulation and activation of small and medium-sized enterprises (SMEs), particularly through micro-credit. These policies are divided between revitalizing the creation of new enterprises and the activation of existing institutions. Some researchers<sup>223</sup> note the inherent dilemma of policies towards informal labor. Expanding the coverage of social security may frustrate young small entrepreneurs to expand their activities and employ permanent workers, and on the contrary, may push them to keep their facilities small, and to more evasion and informality. On the other hand, one way to support SMEs is to support these enterprises especially in reducing the labor cost. Morocco has experienced microfinance since the 1990s (through «Moukawalati» program for example), currently providing about %50 of all microcredit in the Middle East and North Africa. These loans are supervised by local associations supported by the government as well as by international organizations. It includes hundreds of thousands of self-employed (%66 women), especially in rural and marginal areas. In fact, these policies replace government subsidies for basic materials that prevail in many other countries and are not adopted by Morocco.

There is no detailed assessment of the results of this type of policies. However, the current large share of informal labor in Morocco (%78 of the total employment, %82 for females and more than %80 outside the civil service) and of poverty does not indicate that this policy is not as effective as it is expected to be. Morocco's comparison with other countries (pre-crisis Syria, Jordan, Egypt, etc.) has some positive results, especially for the poorest, particularly in the cases of drought disasters or accelerated rural exodus to the city. However, it is confronted by institutional problems (controlling distribution organizations, including by the Central Bank, the lack of correlation between loan distribution associations and labor market institutions, the lack of confidence in the State to provide social services and replacing it sometimes with institutions restricted to some classes, etc.) and also by social problems (inability to pay the loans, inability to expand the business, etc.). In all cases, these policies remain among emergency measures to combat poverty rather than to stimulate the economy and regulate the labor market. The other type of policy stimulates entrepreneurship, especially for young people. These policies, as well as micro-credit policies, address self-employed and employers. Therefore, these policies are often confused with those of microcredit. However, the policies of stimulating entrepreneurship are already in the process of being partially structured against non-physical services such as providing legal aid and technical expertise, including market research and support, access to incubators, training and qualification. The issue of structuring these policies is a fundamental one. Turkey for example has granted incentives under the form of exemptions from social deductions (taxes, duties, and insurance deductions) for a certain period (five years in the case of Turkey) so that enterprises can reach a natural formality with their establishment in the economic market. Moreover, (as in the case of Turkey) the manipulations of

225. Roy & Alsayyad 2004.

some entrepreneurs and the closure of their enterprises after five years are resolved by allowing them to start new enterprises to continue to benefit from the incentives. There are experiences in some Arab countries relevant to this type of policies, but their results are very limited (a few thousand beneficiaries instead of tens or even hundreds of thousands of them in micro-credit policies). This requires action by experienced and effective labor market institutions, either directly from the State or through civil institutions.

In fact, in these policies, a fundamental issue in labor relations is absent, i.e. the place. It is not possible to deal the same way with a person who has a permanent enterprise in the public place, a person who works from home, and street vendors. The issue of the location of the enterprise (workplace) is in turn linked to urbanization and territory development. A permanent enterprise requires providing economic activities in the urban space, leasing premises and controlling the quality of the sold goods or services (for example, controlling food hygiene). It is therefore a partially formal enterprise without social and economic rights. This only applies if the entire urban area is composed of informal<sup>225</sup> «slums». The issue is the same in the case of working from home, but there is a problem in the mixing of things between home's sanctity and the economic activity. In the case of street vendors, the partial structuring lies in the management of public space, especially by municipalities. Thus, the Bouazizi incident does not represent a structural problem in the sense of officially registering the enterprise and not including the seller in social security, as it highlighted the problem of public space management, and beyond that, urbanization and territory development, and the gap between the major urban centers and peripheral areas and slums.

It is natural for street vendors to move into busy squares or in high traffic places to expand their customer base. The fundamental contradiction here is within the government policies: should street vendors leave the places to keep passers-by comfortable, or should self-employment be encouraged to earn a living? The main responsibility for resolving this contradiction lies with the governmental and municipal administration in urbanization, by providing «suitable places for sale» facilitating the movement of population on the one hand and the ease of movement of passers-by on the other. It is also possible to ask who is responsible for placing a large shopping center near crowded areas so that, with very few workers and with better productivity, all young vendors are removed from the market. Who is responsible when major companies like Uber come and eliminate the work of the taxi owners? Is it left to the market to control itself or are alternative jobs and livelihood an essential concern for municipal and governmental departments?

This is for normal business activities. But the issue is even broader for territory development. Who is responsible for the quality of economic activities that can be developed in the peripheries, where informal labor is often the largest? Who is making policies that take advantage of the characteristics of these areas, including the rehabilitation of a distinctive craftsmanship, and linking them to infrastructure and transport in the central regions?

It is clear that the policies of stimulating entrepreneurship require far beyond typical «incubators» and even Active Labor Market Policies, which mainly include economic policies that compensate for the fact that private investment is low in the face of declining government investment since independence and address crises resulting from «economic openness» and technical jumps and large economic and social gaps between urban centers and parties, including slums.

The greatest risk is that in the absence of these integrated

226. Charmes 2010.

220. ILO 2012-b, ILO 2010, Ajluni & Kawar 2015, etc.

221. CRES 2016.

222. 14/12/1960 في 60-33و 60-30 القوانين

223. Charmes 2010.

224. 2017 فوزي بوخريص

policies, the social unrest that has exploded with the Arab Spring will continue without stability. How can it be possible to recover stability if the 3 million newcomers to the labor force in the Arab countries remain without «decent» work and without rights and representation of their interests in slums alleys and places? No, Arab economies were on the right track in 2010<sup>226</sup> and things have aggravated since then due to the economic recession and wars.

### 5.3 Social struggles for the rights of informal workers

In contrast to government policies, or their absence in most cases, the situation of informal workers cannot improve without collective bargaining and its mechanisms. It is true that the individual reaction, as in the case of suicide, can draw public attention to the issues of informal workers. However, it is soon possible to relieve this individual «event» among other events that the media exaggerate every day. Thus, rights cannot be achieved without a mobilization of informal workers and campaigning for collective bargaining with employers and governments.

One of the major problems in the Arab countries is that the unions inherited from previous eras are mostly composed of formal workers, most of whom work in the public sector. However, the interests of those formal workers contradict with other informal people, restricting their issues to wage levels versus inflation and benefits preservation. It is true that the rise in the official wage limit or the stabilization of benefits raises the level of wages for all and creates pressure to improve the conditions of informal labor; however, the fundamental problems in the division of the labor market between the formal and informal labor remain and can deepen.

On the other hand, most national unions are not independent of the government and its bodies, which undermines their ability to defend the workers' causes, especially those who are not properly qualified, and to place their interests and rights as their priority.

### 5.4 Highlights of some Arab countries Bahrain

In Bahrain, as in the rest of the GCC, the issue of the division of the labor market between citizens and foreign workers has emerged as a major issue a long time ago. Hence, issues such as Bahrainization, Saudization, Kuwaitization, and so on emerged. The strategic studies<sup>227</sup> requested by the government have concluded that division and disparity are due to the cheap foreign labor and the lack of necessary skills among Bahrainis. The solution lies in economic reform and the expansion of productive economic activities, on the one hand, and the reform of education, including vocational rehabilitation, on the other hand, and on the reform of the labor market on the third, especially by significantly increasing the cost of foreign workers administratively. Based on the third pillar, the Labor Market Regulatory Authority<sup>228</sup> was established in 2006. Part of the revenues of this body, especially on foreign labor, is allocated to an employment fund known as Tamkeen. However, negotiations between the government and the private sector have led to a drastic reduction<sup>229</sup> in foreign labor fees, eroding the main objective of the labor market reform. Bahrain has seen a rapid growth in foreign labor rather than vice versa<sup>230</sup>. While these fees were sufficient to ensure the full structuring of foreign workers, that is, to grant them a full right to their social security, the Arab Spring and its repercussions in Bahrain have led to the

beginning of a review of this change in policy objectives and the beginning of a stage where collective bargaining plays an important role<sup>231</sup>. The Supreme Council for Women, which was founded in 2001, also played a role in activating the economic empowerment of women, especially in entrepreneurship and in civil service (the police for instance). Bahrain also acceded to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), and started in 2014 amending its laws accordingly. In 2010, Bahrain launched an interim program for decent work in cooperation with ILO. However, it was suspended after the 2011 uprising and the involvement of the General Federation of Bahrain Trade Unions in support of social demands. Furthermore, specialized surveys on labor force are still scarce, which may mean intentional blindness. On the other hand, it is not clear whether the Ministry of Labor or the Labor Market Regulatory Authority has sufficient staff to conduct inspections in the workplace to make sure that standards are applied. In addition, it is not clear who is the one to complain to, individually or collectively, in the event of violation of rights and whether the powers are executive or judicial, or is it independent, and binding on all parties? So why do foreign female workers resort to their embassies in the event of infringement of rights<sup>232</sup> while the issue of rights is local?

Nevertheless, Bahrain remains the best among Gulf countries in its efforts to respect human rights, economic and social rights and international standards, as well as the inclusion of foreign workers in insurance even if this is conditional. In 2004-2003, the “Committee of Informal Economy” was established, a unique initiative in the Arab countries, which included the Ministry of Labor, the Supreme Council for Vocational Training, Bahrain Chamber of Commerce and Industry, the General Federation of Bahrain Trade Unions and other institutions such as Bahrain Development Bank and Bahrain Business Incubator Center. However, the work of this Committee stopped and it was not replaced by a permanent committee. However, its temporary presence highlighted the importance of informal labor issues for the public opinion, especially during a special public symposium organized in 2005. In terms of trade union struggles, it should be pointed out that the trade unions of Bahrain remained secret and unlicensed from 1970s<sup>233</sup> until 2002. The General Federation of Bahrain Trade Unions was established in 2004 under the project which transformed Bahrain from emirate to kingdom. There are no data on trade union membership, especially for their coverage of foreign workers. It is interesting to note, however, that the problems of the division of the labor market between citizens and foreigners (especially from the Indian subcontinent) date back to the period before independence. Contradiction between the two categories resulted from strikes by Bahraini industry workers (oil, aluminum and airlines). The General Federation has fought several struggles in support of foreign workers, most of whom are informal, i.e. struggles over official terms to replace the term of foreign workers with migrant workers and the term of domestic workers with domestic employment. There are also the struggles to include domestic labor within the Labor Law in 2005, including their right to trade union organization; the struggles in 2009 to implement Article 25 of the Labor Market Regulatory Authority Law, which provides for the free shift of migrant workers from one sponsor to another; struggles between 2012 and 2016 for the rights of workers on board ships left by their bankrupt owners in the territorial waters of Bahrain; struggles to support the rights of domestic workers and Convention 189 adopted by the International Labor Conference; and struggles for the 50,000 informal «Free Visa» workers. Trade union struggles

233. أنشأ اتحاد العمل البحرينيّ العام 1954 ولكنه تمّ حلّه رسميّاً منذ الاستقلال.

234. حسن العالي 2017.

235. راجع الفقرة 3.1. واللائحة أنّ الحجج المقّدمة للتمييز تتعلّق بعدم رغبة المهاجرين في الإقامة الطويلة وتعلّم اللغة العرّبية. مع تعييب السجّال عن سياسة مقصودة باستبعاد العاملين من بلدان عربيّة أخرى

also included the rights of female non-Bahraini workers, such as those working in kindergartens. However, even within trade unions, debate still exists over the definition of non-Bahraini labor<sup>234</sup>. Is it migrant labor or temporary migrant labor? Of course, the rights of these workers vary according to the definition. Also, there is no clear struggle over the informality of self-employment and entrepreneurship that concerns Bahraini males and females more than the informality of waged labor<sup>235</sup>. It is not clear whether these male or female workers are organized in trade unions to defend their rights.

### Morocco

Morocco has a large population with limited natural resources; it is a major source of migrant labor, and also a labor hosting country, albeit less. Among the Arab countries, it established a ministry concerned nominally with informality, i.e. the Ministry of Industry, Trade, Investment and Digital Economy, with a delegated Minister for micro-entrepreneurship and the integration of the informal sector. In addition, there is another ministry for the traditional industry, the social and solidarity economy and the Ministry of Employment and Social Affairs. It is clear from this distribution of powers that the focus is on the integration of informal enterprises into the economy. Indeed, the policies of the Moroccan government since 1998 have focused on SMEs, particularly through Microstart loans with the United Nations Development Program (UNDP)<sup>236</sup>. Microfinance and related civil associations expanded. Morocco now provides more than %50 of the total micro-credit across the MENA region with about 820,000 customers to expand to more than 3 million. However, this expansion has created many cases of excessive indebtedness and default<sup>237</sup>, especially since the majority (%66) of the debtors are women. In addition, support programs have been launched for entrepreneurship initiatives, especially for young people, as well as for Moukawalati initiative. However, achievements after years of work show limited impact (3,400 beneficiaries only). There are also many similar programs and others to modernize trade, outside the nearby trade in neighborhoods. Despite some successes in entrepreneurship, which have attracted media attention, this focus on small employers and self-employed workers has been a major aspect of informal labor in Morocco. The majority of informal workers are waged workers in the formal sector or family contributing workers. The problem remains the issue of granting social insurance to all informal workers who account for %80 of all workers, %67 of non-agricultural workers, and %58 of waged workers. This lack of social protection affects women working more than men<sup>238</sup>, so that microcredit programs appear to be in the fight against poverty and extreme poverty more than in the context of securing economic and social rights.

Most of the informal workers remained away from Moroccan unions, despite the long history of these unions in the country. Informal sector enterprises (self-employed and informal employers) have long remained out of professional or union organization. Recently, however, some informal trade unions have been established, such as the “National Coordination Body of Street Vendors and Pavement Traders”<sup>239</sup>, and the association of “Southern Women” in Agadir, which supports the organization of female workers in the informal sectors of Souss-Massa-Draa. Struggles achieved some success, for example to secure negotiations between street vendors, local authorities and shopkeepers to provide spaces for street vendors to be concentrated in overcrowded centers and squares. Even these struggles led to the introduction

236. <http://www.cm6-microfinance.ma/>.

237. فوزي بوزخري 2017.

238. راجع الفقرة 3.2 أعلاه.

239. <https://www.facebook.com/tansssikia/>

240. فوزي بوزخري 2017.

241. راجع الفقرة 3.3 أعلاه.

of a «national program for the economy of proximity» that organizes street vendors into categories and creates markets close to them. However, this proposal and the studies that were set up for it did not result into a policy adopted by the State. The King of Morocco personally rejected the strategy by considering it «unconvincing» and that «the National Coordination Body of Street Vendors and Pavement Traders»<sup>240</sup> was not established. In any case, the policies in place, such as the trade union struggles, remain without the challenge of %80 of Moroccan workers in informal situations, especially as the main challenge is social security, which is essentially a policy of distribution among the age groups of the population, and does not theoretically constitute a real problem in a country with a majority of young population.

### Egypt

The Egyptian experience is similar to Morocco's one in focusing government policies on microcredit to cope with the expansion of informal labor while engaging in globalization. However, another aspect of the policy has been towards waged informal labor which accounts for the vast majority of informal labor<sup>241</sup>. In 2003, the Ministry of Manpower and Migration issued a «Regulation for the employment of informal labor,» in particular seasonal agricultural workers, seafarers, miners, quarries and construction workers, followed by a «Financial and administrative rule of informal labor employment and care units»<sup>242</sup> in various governorates and regions, which was amended in 2011 and then in 2014. The main objective of this procedure is to create a social and health care system for workers in vulnerable or temporary conditions, with funding for care and the administrative body directly concerned with wages. But the results of this policy are unclear, especially with the problems and struggles of one of the main target types of labor: quarries' workers<sup>243</sup>. The same applies to other policies, such as subcontracting where article 16 of the Labor Code No. 12 of 2003 prohibits subcontracting. However, the reality remained strongly contrary to the text of the law. In terms of struggles, independent trade unions remain restricted in Egypt. It is not allowed to contract collectively with employers. This is restricted to the Egyptian Trade Union Federation. Remarkably, some government resolutions explicitly state that unions must be committed without being the result of a negotiated agreement. Despite all this, Egyptian secondary and independent trade unions, as well as some of the civil associations, have had many struggles to defend the rights of informal workers, both for waged workers<sup>244</sup> and self-employed workers<sup>245</sup>.

### Other cases

In Algeria, informal labor does not seem to be the focus of government policies and trade union struggles, specifically due to public sector inflation, and the overall low proportion of informal labor (%39 of total workers). Policies are focused on expanding government employment and financial support to enterprises recruiting young people and to young entrepreneurial initiatives. However, the rate of informal labor, excluding the civil service, is as high as in other Arab countries (%66), which raises questions about the sustainability of current policies.

In the case of Mauritania, there are no distinct policies towards

242. <http://site.eastlaws.com/GeneralSearch/Home/ArticlesDetails?MasterID=354935>

243. راجع الفقرة 4.2 أعلاه.

244. راجع جالتي عمّال المقالع والمحاجر وعمّال المخازير والأفران في الفقرة 4.2 أعلاه.

245. راجع حالة جمعيّة البعّي الأطفعة في محافظة المنيا في تقرير الرّاصد عن مصر، ريم عبد الحليم وسعود عمر 2017.

246. وزارة الشؤون الاقتصاديّة والتنمية، موريتانيا 2013.

247. قانون التأمينات الاجتماعيّة رقم 26 لعام 1991 والقرار المعدّل العام 2003، راجع علي النصيري 2016.

248. و 2016. [http://www.ilo.org/beirut/media-centre/news/WCMS\\_364150/lang-ar/index.htm](http://www.ilo.org/beirut/media-centre/news/WCMS_364150/lang-ar/index.htm).

227. دراسة شركة ماكينزي لولّي عهد البحرين بحسب حسن العالي 2017.

228. <http://lmra.bh/portal/ar/home/index>.

229. De Bel-Air 2015.

230. Hertog 2014.

231. Louer 2015.

232. راجع الفقرة 4.3 أعلاه.

informal labor away from the country's primary effort to combat poverty<sup>246</sup> and to create opportunities for young people to earn a living. Every labor outside the government is rarely formal. Thus, the rights of informal workers are presented only in terms of basic human rights, including first equality, not only between women and men, but also social groups of population categories, with class differences between them: Mauritians versus African migrants, the policies of "Mauritizing" job opportunities, and the «Haratin» (Muslim slaves) compared to «white» and «blue» and so on. The situation is not so different in Sudan and Yemen where the priority of government policies is to fight poverty and create jobs for young people. So health insurance can only come through health services that the government and civil associations are trying to secure on a large scale. This is despite the fact that the social security law provides for the contribution of employers and workers, even by one worker<sup>247</sup>. For its part, Jordan recently launched, in April 2015, a «National Framework for the Informal Sector» in cooperation with ILO, «which includes an integrated methodology to formalize the informal sector»<sup>248</sup>. This was the result of a consultation between the Ministry of Labor, the Jordan Chamber of Industry, the General Federation of Jordanian Trade Unions, the Department of Statistics, the Ministry of Planning and International Cooperation and the Social Security Corporation.

Moreover, the Iraqi Ministry of Labor has prepared a new draft of the labor law so that the social security includes «self-employed and informal workers»<sup>249</sup>, pending its endorsement by the Parliament. A strategic roadmap for social protection 2019-2015, including the inclusion of the «informal sector in social security», has been developed, and unions and civil society organizations have participated in the workshops and efforts that have led to these public policies. In Iraq, like Jordan, there are micro-credit programs and other programs to support young entrepreneurs.

Even this minimal policy effort towards informal labor does not exist in Lebanon which is experiencing a sustained political crisis. Sectarian bodies replace the State to provide minimal social protection, often under the guise of civil organizations. UNRWA plays this role for Palestinian refugees, UNHCR and other UN organizations for Syrians. This policy effort is also absent in Palestine. Even the new law amending social security regulations adopted in March 2016 ended the possibility of including informal workers, unless the worker and the employer pay their contribution together<sup>250</sup>. This is in spite of the efforts made by civil organizations and some trade unions, and in spite of a national campaign and extensive community debate. However, this trade union and community effort has led to some partial improvements in the law. The "Palestinian Fund for Employment and Dignity", which was aimed at stopping Palestinian labor in Israeli settlements, was also aborted. The fund appeared in 2003 and suddenly disappeared. Finally, it is necessary to mention the case of the «Anti-Unemployment Authority» established in 2004 in Syria with a capital exceeding one billion US dollars and that quickly expanded in micro-loans after the crisis of large rural exodus to cities in 2004-2003. It was abruptly suspended in 2006 and replaced by the "Syrian Secretariat for Development"<sup>251</sup> run by the wife of the President.

## 6. CONCLUSIONS AND RECOMMENDATIONS

249. ههنا عبد الجبار صالح 2016.

250. 2016. فارس جابر وإياد الرياحي.

251. [http://ngosyria.org/Institute/The\\_Syria\\_Trust\\_for\\_Development\\_%D8%A7%D9%84%D8%A3%D9%85%D8%A7%D9%86%D8%A9\\_%D8%A7%D9%B4%D8%B3%D9%88%D8%B1%D9%8A%D8%A9\\_%D9%84%D9%B4%D8%AA%D9%86%D9%85%D9%8A%D8%A9](http://ngosyria.org/Institute/The_Syria_Trust_for_Development_%D8%A7%D9%84%D8%A3%D9%85%D8%A7%D9%86%D8%A9_%D8%A7%D9%B4%D8%B3%D9%88%D8%B1%D9%8A%D8%A9_%D9%84%D9%B4%D8%AA%D9%86%D9%85%D9%8A%D8%A9)

## Conclusions

This regional report, as well as other national and regional social and economic rights watch reports, highlights some of the problems of informal labor in Arab countries. It confirms that the availability of accurate information on informal labor remains a daunting task in Arab countries, due to the scarcity of periodic surveys of the labor force and not adhering to ILO standards. It is true that these surveys need experience and institutions that work systematically to collect them, but the results of many other surveys on GDP, financial flows, and so forth are periodically issued. This raises questions about the reasons for this weakness in labor force surveys.

The report also highlights that the proportion of informal labor versus total employment is higher than those indicated in other sources, if social and health coverage is taken as a key criterion. In most Arab countries, it ranges between %50 and %85. The main reason for this difference is the estimation of the formality of migrant workers in the Gulf, the size of migrant workers that remain largely informal in some countries such as Lebanon and Jordan, the formality of civil servants in many countries such as Algeria, Iraq, and many other details that are not clearly reflected in labor force surveys. This is in addition to the fact that the unrest that followed the «Arab Spring» and wars have exacerbated informality in recent years and has not been monitored by the surveys so far. Of course, the importance of the (largely informal) agricultural labor affects the differences between countries in terms of informal employment, but the proportion of informal labor remains large in all, even in urban labor. Public service has a greater impact. The proportion of informal labor outside agriculture and public sector in most Arab countries exceeds %70, making informal labor the basic reality of urban labor in the private sector.

The situation is different for females whose economic participation is below the levels of other regions of the world. The proportion of informal labor out of the total female labor is often lower than that of men. This is because women are more involved in civil service and in the public sector, precisely in order to obtain social and economic rights that they do not receive in other types of work. Thus, the effect of the phenomenon of civil service on females is very large. The share of informal labor increases if civil service is excluded (and sometimes multiplied) by a lot more than agricultural work.

These findings contradict one of the stereotypes of informal labor, i.e. that it results from the rigor of laws and bureaucracy. The highest levels of informality occur in the States where a less level of laws and bureaucracy is applied, and vice versa. Informality has expanded in all the studied Arab countries, while in the past two decades, they have witnessed «economic openness», an alleviation of bureaucracy, and an engagement in globalization and in IMF's «structural reform» policies. With the exception of cases such as Sudan and Mauritania, waged labor, including in temporary or vulnerable working conditions, prevails over the other forms of informal labor in Arab countries. This also negates the idea that informal labor is essentially an option. With the lack of formal job opportunities compared to the number of newcomers, as a result of the «youth tsunami», many young people have no choice but to engage in any kind of work that provides for living, even if it is vulnerable or temporary. Employers also benefit from this overcrowding on the urban labor market to evade formality. Thus, all reference studies monitor the higher ratios of waged informal labor among young people. The option theory is also meaningless in countries where migrants, as imported labor, as in the Gulf countries or as refugees, as in Lebanon and Jordan, constitute the core part of informal

employment.

Waged labor also prevails in the case of females, especially if domestic workers and family contributing workers (who follow an employer but do not earn real wages) are included in the paid employment perspective. This sheds special light not only on the issue of informal labor as an option, but also on the cultural perspective of women's low participation to the labor force. Will women refrain from such participation for cultural reasons or because their waged labor is unprotected? And because the labor market is full of male workers and is characterized by vulnerable and temporary labor? These findings also shed light on the need or not for formalizing the informal labor. The issue is mostly not an issue of entrepreneurship and enterprises formalization, but is about securing the rights of waged workers, and framing labor relations between the worker and the employer through labor force institutions. Of course, waged labor (including vulnerable or unwaged labor) is the work of those who are less qualified, and it is possible to propose policies concerning educational and vocational training and rehabilitation, so that these workers may become entrepreneurs or self-employed. However, the magnitude of the phenomenon requires also struggles and policies to «formalize» these workers at least to ensure their rights to social security, especially that those who are concerned often consist of domestic labor and private formal labor, including the government, and from subcontracting labor to a formal private sector. In some cases, insurance funds receive revenues from workers but do not provide them with social services (see the cases of Bahrain and Lebanon). Thus, the issue of this type of informal labor, i.e. waged labor, lies in the comprehensiveness of social security services, as in the collection of its revenues. There is a pioneering Tunisian experience in this area. A strong trade union federation which is striving to expand the coverage of social insurance horizontally plays a great role. The other major category of informal labor in Arab countries consists of self-employed and employers, who make up a significant proportion in Mauritania, Sudan, Yemen and Morocco. Female informal labor is less than male labor, with the exception of Mauritania. The issue here is actually that of economic enterprises and revitalization and development of their productivity, in addition to the inclusion of social rights and security for the owners of these enterprises and their employees. This type of employment can be optional, as evidenced by the high incomes of some of its employees compared with the income of waged informal workers. However, this type of labor involves many poor street vendors who earn their living from this activity to a minimum, such as the Bouazizi case in Tunisia. Labor relations also take a special dimension through the role of the workplace, and raise policy issues broader than those used to combat poverty through microcredit loans or to encourage entrepreneurship and incubators in particular. The concept of «formality» takes in this case the dimensions of territory development and urbanization, both in urban and rural areas, to bridge the gap in development between urban centers and rural peripheries, to create opportunities for economic activities in these areas, with agriculture heading towards greater productivity, accelerating rural exodus to the cities, or to address the problems of «slums» in which these migrants are located, and to secure their entire infrastructure and social services. It also takes an additional dimension with the effects of technological jumps and economic crises that cannot be borne by the most vulnerable.

In these circumstances witnessing a great expansion of informal labor in the Arab countries, some struggles by trade unions and the civil society to defend the rights of informal workers are emerging as courageous and necessary initiatives to create a negotiating climate to avoid the successive

explosions that began with the "Arab Spring".

## Recommendations

These recommendations focus on issues related to Arab civil society organizations, their struggles, campaigns and dialogues with their governments and international organizations.

## Struggles

- Civil society organizations and Arab unions should intensify their awareness campaigns, both internally and externally, on the fact that informal labor is the reality of labor relations prevailing in Arab countries, so that governments and international organizations consider the rights of these male and female workers in their priorities and policies. This awareness includes shedding light on living in slums and on the development gap between urban centers and peripheral areas.
- Awareness must also be intensified based on the fact that economic and social rights are human rights that are binding on all States and include the entire population, both citizens and migrants, migrant workers and refugee migrants. These awareness campaigns include highlighting the situation of informal workers, especially the most vulnerable, and defending their causes. This includes a focus on the concepts of public rights, public services and public space.
- Arab civil society organizations should encourage the establishment of independent trade unions to represent the interests of the informal labor groups, encourage the involvement of their workers, encourage cooperation and exchange of experiences between these unions in all regions, and represent them in independent federations to engage in dialogues with other unions and in negotiations with municipal and regional and governmental authorities. This includes promoting the trade union organization of migrant workers, whether those who came to work or refugees.
- Arab civil society organizations should encourage the creation of women's associations and trade unions to stimulate the economic participation of women and defend their human rights and those relevant to employment. This includes associations and trade unions that represent domestic workers, female citizens or migrant women, as well as those who defend the rights of unwaged contributing female workers.
- Arab civil society organizations and unions should prioritize the inclusion of informal workers, self-employed, and contributing family workers in social security. These include health and medical care, sickness compensation, maternity care, work accidents, disability, old age and pensions, the death of a family member and unemployment.
- In its dialogue with governments and international financial organizations, Arab civil society organizations and unions must place all social deductions at the same negotiating table, in order to tackle subsidization policies, indirect taxes, and social security at the same time.
- Arab civil society organizations and trade unions should adopt policies to combat poverty and stimulate entrepreneurship within a comprehensive development perspective, including development and urbanization of cities and territory development to bridge the gap between centers and peripheries and diversify local economies, so that this comprehensive development perspective becomes the subject of dialogue and negotiation with local, regional and governmental authorities.
- Arab civil society organizations and unions must adopt a position that considers the workplace an essential part of labor relations and that it enters in collective bargaining, both for street vendors and for work from home and within the family.
- Arab civil society organizations and unions should engage in dialogues with chambers of commerce and industry at the

local and national trade unions level to negotiate the rights of waged informal workers and synergies to address business issues of self-employment and entrepreneurship.

- Arab civil society organizations and unions should create international cooperation with organizations active in other countries to defend informal workers, exchange experiences, expertise, struggles and advocacy campaigns.
- Arab civil society organizations and unions should press governments to create institutions for the labor market or to modify existing institutions to be key partners, such as employers. These institutions include employment offices and all the institutions concerned with control in the workplace and the implementation of legislations, and the institutions resolving labor disputes through judicial or public courts.

#### Surveys on informal labor

- Arab governments should be pressured to conduct and disseminate periodic surveys on the labor force, including citizens and migrants, with details on informal labor according to ILO standards.
- To stimulate this, Arab unions and civil society organizations can undertake these surveys themselves, covering all parts of the country or particular regions to highlight the problems of informal labor.
- Arab civil society organizations can also create synergies between them to share experiences on these surveys and the ways of conducting them.
- These surveys should focus on problematic issues such as the vulnerability of waged labor, the workplace for self-employed and employers, the business environment and work in slums, the gaps between different regions, and the rights of migrant workers, including social security.

#### Social and health insurance

- The Tunisian experience should be leveraged in terms of the horizontal expansion of health and social coverage to workers by launching an in-depth study about this experience and its institutions and comparing it with other Arab experiences and with countries similar in the nature of their labor market to Arab countries.
- Socio-economic studies should be conducted in each Arab country on the subject of horizontal expansion of health and social coverage and the balance of its budgets under the «youth wave». Cooperation between Arab civil society organizations for development can be established to exchange experiences on this subject.
- In campaigns and dialogues with governments and international organizations, the concept of «social deductions» should be taken into consideration rather than taxes alone, as recommended by the Organization for Economic Cooperation and Development (OECD), so that social security will integrate its revenues and expenditures within the overall vision and social negotiation which should not be restricted to subsidization policies and indirect taxes.

Policies to combat poverty and stimulate business

- The Moroccan experience in the field of microcredit should be leveraged to launch a comprehensive study on the assessment of its effects and results on informal labor, and compare them with practices in other Arab countries and countries similar in the nature of their labor market to Arab countries.

- A comprehensive assessment of policies to stimulate business revitalization and entrepreneurship in Arab countries should be conducted, indicating what they offer by region in each country, beyond microcredit or investment funds, and highlighting the relation between these policies and the policies of territory development and urbanization.
- Adequate studies should be conducted on living and working conditions in slums surrounding urban centers and in rural areas, to highlight the situation of the population, including their informal labor, and to indicate the effects of the lack of urbanization and territory development on the increase in informal labor.

## THE INFORMAL ECONOMY IN ARAB NATIONS: A COMPARATIVE PERSPECTIVE

04

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## INTRODUCTION

Across the Global South, most workers earn their livelihoods in the informal economy and most low-income households are sustained by informal livelihoods. Those working in the informal economy, and especially women, face many challenges, including low and fluctuating incomes, difficult working conditions, legal and physical risks, and often low social standing. Yet the informal workforce is not adequately covered by legal and social protections. This is partly because informal workers have not been recognized as workers eligible to be covered by labor standards and social protection. Nor have their activities been seen as legitimate economic activities requiring supportive policies and services. Rather, the informal economy and those who work in it tend to be stigmatized by policy makers and the general public. As a result, most informal workers face an unfavorable, if not hostile and punitive, policy and regulatory environment. However, there is growing policy interest in supporting the informal economy as a key pathway to reducing poverty, inequality and economic injustice as well as unemployment.

Arguably, supporting the informal economy also represents a key pathway to promoting peace and reconstruction in conflict or war-torn areas, such as the MENA region. To provide a comparative perspective on informal employment outside the MENA region, and on alternative policy responses to informality, this paper draws on the data analysis, research findings and grounded experience of the global research-action-policy network Women in Informal Employment: Globalizing and Organizing (WIEGO). For informal employment inside Arab countries, and the MENA region, this paper draws on the country studies commissioned by the Arab NGO Network for Development (ANND) for its Arab Watch report and other recent studies on informal employment in the region.

### The Informal Economy

Since its “discovery” in Africa in the early 1970s, with Keith Hart’s seminal study in Accra, Ghana, and the ILO’s World Employment Mission to Kenya, the informal economy has been hotly debated. These debates tend to focus more on what causes the informal economy and the problems and challenges associated with it, rather than on its potential and contributions. This paper seeks to correct this imbalance while also providing a comparative regional perspective.

The academic and policy debates on the informal economy can be usefully grouped into four schools of thought (Chen 2012). The Dualist school, first promoted by the International Labour Organization (ILO), sees the informal sector as comprising marginal activities—distinct from and not related to the formal sector—that provide income for the poor and a safety net in times of crisis. The Structuralist school, a critique from the left (Moser 1978; Portes, et al 1989), views the informal economy as subordinated economic units and workers that serve to reduce input and labor costs and, thereby, increase the competitiveness of large capitalist firms. The Legalist school, championed by Peruvian economist Hernando de Soto (1989), sees the informal sector as comprised of “plucky” micro-entrepreneurs who choose to operate informally in order to avoid the costs, time and effort of formal registration, and who need property rights to convert their assets into legally recognized assets. The Voluntarist school, a variant on the legalist school popular among neo-classical economists, holds that the informal economy is comprised of (mainly) self-employed entrepreneurs who volunteer to work informally, not due to

cumbersome regulations, but as a strategic choice (Maloney 2004).

At present, there is renewed interest in the informal economy worldwide. In part, this is because the informal economy has grown in many countries and also emerged in new guises and in unexpected places. In part, this stems from the fact that informal employment often expands during economic crises, such as the recent Great Recession (Horn 2011, 2009). There is also growing attention to the role of the informal economy during conflicts, wars and reconstruction: a fledgling field of inquiry which is greatly enriched by the country studies in the Arab Watch project and report.

### Arab Nations

Until fairly recently, labor markets in the MENA region were characterized by a large public sector, a small, weak private sector, and, depending on the country, a sizable agricultural sector and a sizable informal sector outside agriculture (Assaad 2014). But in the run-up to the Arab Spring, which began in 2010, both youth unemployment and informal employment were on the rise. With the current conflict and terrorism in the region, rural to urban and cross-border migration has increased, leading, in all likelihood, to even greater unemployment and informal employment. The Arab Watch Report, of which this paper is a part, represents an important effort to take stock of labor markets in general and informal employment in particular in the MENA region. This paper provides a comparative overview to the country studies on informal employment in the region.

### The ANND Arab Watch Project and Report

ANND is a regional network, working in 13 Arab countries, with nine national networks (with then an extended network of more than 250 civil society organizations, CSOs) and with 23 NGO members. It aims at strengthening the role of civil society, enhancing the values of democracy, respect of human rights and sustainable development in the region. ANND advocates for more sound and effective socio-economic reforms in the region, which integrate the concepts of sustainable development, gender justice and the rights-based approach.

Every two years, ANND produces an Arab Watch Report on Economic and Social Rights addressing key issues for development. The first report (2012) focused on the “Rights for Education and Work.”<sup>1</sup> The second report (2014) concerned “Social Protection in the Arab World: the Crisis of the State exposed.”<sup>2</sup> The current report (to be issued early 2017) is on “informal employment.” It aims at creating awareness on this central issue in the socio-economic and development paradigms of the Arab countries, and at recommending public policies and related advocacy from a rights-based perspective.

### This Paper

The paper begins with a review of official statistical definitions of the informal economy, and the related concepts of informal sector and informal employment, and a summary of recent national statistics on the size and composition of the informal workforce and the contribution of the informal sector in developing regions, demonstrating that informal employment is often the norm and that the informal sector generates a sizable share of gross domestic product. Section II examines the working arrangements and conditions of the informal workforce by status in employment and place of work. Section III presents two broad policy responses to the informal

1. <http://www.annd.org/data/item/pdf/17.pdf>

2. <http://www.annd.org/data/item/cd/aw2014/#english>

economy – one that views and treats it negatively, the other that is more positive towards it – and then interrogates what formalization means under these two broad approaches. Each of these first three sections ends with a sub-section on Arab nations from a comparative perspective. Section IV presents promising examples of the more inclusive approach to informal employment from other regions of the world. I conclude with reflections on how recognizing and supporting the informal workforce might provide a key pathway to peace and post-conflict reconstruction in Arab nations.

## I. THE INFORMAL ECONOMY

As noted in the introduction, a good deal of recent thought and effort has gone into rethinking informality to take into account its multiple forms and manifestations in today’s globalized economy. Some observers have focused on understanding the composition of the informal economy and what drives its different components, as well as the linkages of the informal economy with the formal economy, formal regulations, and economic development. Statisticians and informed users of data have focused on statistical definitions and measures in order to improve official labor force and other economic data on informality. What follows summarizes recent developments in the official statistical definition and measurement of informal employment and the analysis of national data on informal employment as they become available<sup>3</sup>.

Official Statistical Definitions: Informal Sector, Informal Employment & Informal Economy

In 1993, the International Conference of Labour Statisticians, convened every five years by the International Labour Organization, adopted an international statistical definition of the «informal sector» to refer to employment and production that takes place in unincorporated small and/or unregistered enterprises. Beginning in 1997, the International Labour Office (ILO), the International Expert Group on Informal Sector Statistics (called the Delhi Group), and the global network Women in Informal Employment: Globalizing and Organizing (WIEGO) began working together to broaden the concept and definition to incorporate certain types of informal employment that had not been included in the earlier concept and definition of “informal sector.” They sought to include the whole of work-related informality, as it is manifested in industrialized, transition and developing economies and the real world dynamics in labor markets today, particularly the employment arrangements of the working poor. The expanded definition of “informal employment” focuses on the nature of employment in addition to the characteristics of enterprises, and includes all types of informal employment both inside and outside informal enterprises. This expanded definition was endorsed by the International Labour Conference (ILC) in 2002 and the International Conference of Labour Statisticians (ICLS) in 2003 and is being increasingly used in the collection and tabulation of data by national statistical services<sup>4</sup>. This expanded definition extends the focus from enterprises that are not legally incorporated or registered to include employment relationships that are not legally regulated or socially protected. It also serves to focus attention on informal workers: i.e., those who are informally employed.<sup>5</sup> Today, informal employment is widely recognized

3. The related but distinct terms and concepts “informal sector”, “informal employment” and “informal economy” are defined in the next section.

4. By the late 2000s many countries were using the official international definition of informal employment. To date, 59 countries have responded to the ILO’s request for data and are featured the ILO website. Only 47 had responded when the second edition of the ILO-WIEGO publication Women and Men in the Informal Economy: A Statistical Picture (ILO-WIEGO 2013) was published in 2013 and were used to generate the regional estimates published in WIEGO

to include a range of self-employed persons, who mainly work in unincorporated small or unregistered enterprises, as well as a range of wage workers who are employed without employer contributions to social protection by formal firms, informal firms, households, or employment agencies. In this paper, the term “informal workers” is used in a broad, inclusive sense to include informal wage workers as well as the informal self-employed.

To sum up, there are three related official statistical terms and definitions which should be used precisely and not interchangeably as is often the case: the informal sector refers to the production and employment that takes place in unincorporated small or unregistered enterprises (1993 ICLS); informal employment refers to employment without legal and social protection – both inside and outside informal sector (2003 ICLS); and the informal economy refers to all units, activities, and workers so defined and the output from them. Together, informal units, activities and workers form the broad base of the workforce and economy, both nationally and globally<sup>6</sup>.

### Size and Significance of Informal Employment: National Statistics & Regional Estimates

What follows is a summary of recently available data on the size and composition of the informal economy in developing countries<sup>7</sup>. The national data were compiled by the International Labour Organization using a tabulation plan developed with the WIEGO network. The regional estimates were prepared by James Heintz for the WIEGO network.

Informal employment represents more than half of non-agricultural employment in most developing regions. However, the regional estimates hide significant diversity within regions: see Table 1.

Informal Employment as a Percentage of Non-Agricultural Employment 2004-2010	
South Asia: 82%	Range: 67% in Sri Lanka to 84% in India
Sub-Saharan Africa: 66%	Range: 33% in South Africa to 92% in Zimbabwe to 92% in Mali
East and Southeast Asia: 65%	Range: 42% in Thailand to 73% in Indonesia
Latin America: 51%	Range: 40% in Uruguay to 79% in Bolivia
Middle East and North Africa: 45% <sup>a</sup>	Range: 31% in Turkey <sup>a</sup> to 57% in West Bank & Gaza
Source: Vanek et al., 2014.	

Women and Men in Informal Employment - In three out of five developing regions (South Asia, sub-Saharan Africa, Latin America and the Caribbean) plus urban China, informal employment is a greater source of non-agricultural employment for women than for men: see Table 2. In East and Southeast Asia (excluding China) the percentage is roughly the same. Only in the Middle East and North Africa (MENA) is informal employment a greater source of employment for men than for women. This is largely due to the twin facts that those women who are economically active tend to work in agriculture in rural areas or in the public sector in urban

Working Paper # 2 (Vanek et al. 2014) featured in this publication. Of these 47 countries, those represented from the Middle East and North Africa were: Algeria, Egypt, Iran, Iraq, Jordan, Lebanon, Libya, Morocco, Syrian Arab Republic, Tunisia, Turkey, West Bank and Gaza Strip.

5. The related but distinct terms and concepts “informal sector”, “informal employment” and “informal economy” are defined in the next section.

6. Of course, there are non-statistical definitions of these related phenomena, used by researchers and other observers of the informal economy. Other definitions include: enterprises that evade taxes, jobs that violate labor standards or laws; and the production and trade of illicit goods and services. But these definitions are not easily or often used in the collection of official labor force or economic statistics.

7. This is a summary of the main findings in WIEGO Working Paper No. 2, Vanek et al. 2014 Statistics on the Informal Economy: Definitions, Regional Estimates and Challenges.

areas. Across all regions, because there are more men in employment than women, men generally comprise a greater share of informal non-agricultural employment than women.

**Table 2**  
**Informal Employment as Percentage of Non-Agricultural Employment by Sex 2004-2010**

South Asia	83% women, 82% men
Sub-Saharan Africa	74% women, 61% men
Latin America and the Caribbean	54% women, 49% men
Urban China	36% women, 30% men
East and Southeast Asia (excluding China)	64% women, 65% men
Middle East and North Africa	35% women, 47% men

Informal employment is a greater source of employment for women workers than for men workers, outside of agriculture, in three out of five developing regions: South Asia, Sub-Saharan Africa, Latin America and the Caribbean. In East and South East Asia (excluding China) the percentage is roughly the same; only in the Middle East and North Africa is informal employment a greater source of non-agricultural employment for men than for women. However, because more men than women are in the workforce in most countries, men comprise a larger share of informal employment than women in all regions (Vanek et al. 2014<sup>10</sup>).

It is important to note the basis for the regional estimates in these tables, including for the MENA region. The regional estimates reported in Tables 7-1 are based on the actual direct estimates from national surveys combined with the informed predicted estimates for those countries which lacked direct estimates. Weighted averages were then calculated for each region using non-agricultural employment as the basis for weighting the individual countries which lacked direct estimates. When these regional estimates were prepared in 2013, direct estimates were available for only three countries in the MENA region: Egypt, the West Bank and Gaza (State of Palestine) and Turkey. Only the State of Palestine had data for both informal employment and employment in the informal sector. For Egypt and Turkey only data on informal employment were available. The discussion below on Arab nations presents recent estimates by the World Bank using non-contribution to pensions as the defining criterion for informal employment.

**Composition of Informal Employment: National Statistics & Regional Estimates**

Informal employment is a large and heterogeneous category. Many different types of employment belong under the broad umbrella “informal”. This includes employment in informal enterprises as well as outside informal enterprises—in formal enterprises or for households. It also includes the self-employed and the wage employed and, within these broad categories, various sub-categories according to status in employment. It also includes a range of different occupations including: artisans, day laborers in agriculture or construction, domestic workers, home-based workers, fisher folk, forest gatherers, livestock rearers, mine workers, smallholder farmers, street vendors, transport workers, tradespersons, and waste pickers. Most of these are age-old occupations in which large numbers of workers around the world are still employed, often informally.

**Informal Employment Inside and Outside the Informal Sector** - Employment inside the informal sector is comprised of all employment in informal enterprises,

10. In labor force statistics, “status in employment” delineates two key aspects of the labor arrangements: the allocation of authority over the work process and the outcome of the work done; and the allocation of economic risks involved. The International Classification of Statuses in Employment includes five main statuses: employer, employee, own-account worker, unpaid contributing family worker, and member of producer cooperative.

including employers, employees, own-account workers, contributing family workers, and members of producer cooperatives. Most of this employment is informal but there is a chance that some employees in informal enterprises are contracted formally. Informal employment outside the informal sector includes a) employees in formal enterprises (incl. public enterprises, the public sector, private firms, and non-profit institutions) not covered by social protection; b) employees in households (e.g. domestic workers) without social protection; and c) contributing family workers in formal enterprises.

In all regions, with the exception of urban China, informal employment in the informal sector is a larger component of non-agricultural employment than informal employment outside the informal sector.

**Table 3**  
**Informal Employment Inside and Outside the Informal Sector as a Percentage of Non-Agricultural Employment, 2004-2010**

	Employment Inside the Informal Sector	Informal Employment Outside the Informal Sector
Southern Asia	69%	15%
East and Southeast Asia	57%	14%
Sub-Saharan Africa	53%	14%
Latin America and Caribbean	34%	16%
Urban China	22%	13%

Source: Vanek et al. 2014: 8; 10.  
Note: Due to the possible existence of some formal wage employment in the informal sector, estimates of total informal employment in Table 1 may be slightly lower than the sum of the two columns in this table.

**Women and Men in Informal Employment Inside and Outside the Informal Sector**

Informal employment inside the informal sector often accounts for a larger share of men’s non-agricultural employment than women’s, with the exception of sub-Saharan Africa, where 59 per cent of employed women are in the informal sector in contrast to 49 per cent of men, and in urban China, where 23 per cent of women workers are in the informal sector in contrast to 21 per cent of men workers. Informal employment outside the informal sector is generally larger for women than for men, again with the notable exception of sub-Saharan Africa. Women tend to be disproportionately employed as paid domestic workers in the households of others and contributing family workers in family units.

Wage and Self-Employment – Also critical to the employment agenda is the high prevalence of self-employed workers, especially in developing regions. In all five developing regions plus urban China, a higher percentage of informal workers (outside agriculture) are self-employed than wage employed: see Table 4. If data on informal employment in agriculture were more widely available, self-employment would be even more dominant in the regional estimates. Self-employment is particularly dominant in sub-Saharan Africa. In sum, the present-day reality is that most work is now informal, and that most informal workers are self-employed. Indeed, in today’s global economy, half of all workers around the world are self-employed (UN 2015).

**Table 4**  
**Informal Wage Employment and Informal Self-Employment as a Percentage of Non-Agricultural Informal Employment, 2004-2010**

Latin America and the Caribbean	44% wage employment, 52% self-employment
South Asia	47% wage employment, 53% self-employment
East and Southeast Asia (excluding China)	49% wage employment, 51% self-employment
Urban China	47% wage employment, 57% self-employment
Sub-Saharan Africa	33% wage employment, 67% self-employment

Source: Vanek et al. 2014

Self-employment is comprised of employers, own-account workers, and contributing family workers<sup>11</sup>. Across the regions own-account workers are the largest category of non-agricultural informal employment, comprising from 53 per cent of informal employment in Sub-Saharan Africa to 33 per cent in East and Southeast Asia (excluding China). The second largest category is contributing family workers who comprise from 5 in Central Asia to 12 per cent in South Asia. Very few informal workers are employers, only 2 per cent in Sub-Saharan Africa and South Asia to 9 per cent in East and Southeast Asia (excluding China), but as high as 16 per cent in urban China (Vanek, et al 2014).

Women and Men in Wage and Self-Employment - The majority of women in informal employment are self-employed in all regions with data, except in urban China: see Table 5. In those two regions, men have substantially higher rates of self-employment than women. In South Asia, East and Southeast Asia, and Sub-Saharan African, women have substantially higher rates of self-employment than men. But in Latin America, roughly equal shares of women and men working in informal employment are in wage and self-employment.

**Table 5**  
**Informal Self-Employment as a Percentage of Non-Agricultural Informal Employment by Sex, 2004-2010**

Sub-Saharan Africa	74% women, 58% men
East and Southeast Asia (excluding China)	61% women, 44% men
South Asia	58% women, 51% men
Latin America and the Caribbean	51% women, 52% men
Urban China	48% women, 53% men

Self-Employment - Self-employment is comprised of employers, employees, own-account workers, and contributing family workers. Across the regions own-account workers are the largest category, comprising from 53 per cent of informal employment (outside agriculture) in Sub-Saharan Africa to 33 per cent in East and Southeast Asia (excluding China).

The second largest category is contributing family workers who comprise as much as 12 per cent of informal employment (outside agriculture) in South Asia.

Few workers are employers, only 2 per cent of informal employment (outside agriculture) in Sub-Saharan Africa, Eastern Europe and South Asia to 9 per cent in East and Southeast Asia (excluding China), but as high as 16 per cent in urban China.

Women and Men in Self-Employment - own-account self-employment is a significant source of employment for women and men everywhere: see Table 6. In Sub-Saharan Africa and East and Southeast Asia (excluding China), the percentages of women engaged in own-account employment are higher than those for men, especially in Sub-Saharan Africa where 60 per cent of women engaged in informal employment (outside agriculture) are own-account workers.

**Table 6**  
**Informal Own-Account Workers as Per Cent of Non-Agricultural Informal Employment by Sex 2004-2010**

Sub-Saharan Africa	60% women, 47% men
Latin America and the Caribbean	41% women, 43% men
East and Southeast Asia (excluding China)	38% women, 31% men
South Asia	32% women, 41% men
Urban China	27% women, 32% men

11. A fourth category of self-employment, members of producer cooperatives, is not regularly measured or reported on by most countries.

12. Note this is contribution from informal enterprises (the informal sector) and does not include contribution from informal employment outside informal enterprises (i.e., for formal firms or households).

13. This figure was calculated using only data from Bahrain (for 2007) and Qatar (for 2008). Data is unavailable for the rest of the GCC countries (Gatti et al. 2014).

**Table 7**  
**Contributing Family Workers as Per Cent of Non-Agricultural Informal Employment by Sex 2004-2010**

South Asia	26% women, men 9%
Sub-Saharan Africa	15% women, 8%
men East and Southeast Asia (excluding China)	15% women, 5%
men Latin America and the Caribbean	9% women, 4% men
Urban China	8% women, 2% men

In many regions of the world, contributing family work continues to be significant, especially for women: see Table 7.

**Contributions of the Informal Sector: National Statistics**

Although earnings among informal workers are low on average, cumulatively their activities contribute substantially to gross domestic product (GDP) (see Table 8<sup>12</sup>), meaning these activities are a central, not marginal, part of the economy in many countries.

**Table 8**  
**Contribution of Informal Sector to Non-Agricultural Gross Value Added (GVA) in Selected Developing Economies**

Sub-Saharan Africa	Latin America	
Benin (2000)	62%	Colombia (2006)
Burkina Faso (2000)	36%	Guatemala (2006)
Cameroon (2003)	46%	Honduras (2006)
Niger (2009)	32%	Venezuela (2006)
Senegal (2000)	49%	Middle East and North Africa
Togo (2000)	56%	Algeria (2003)
Asia		Egypt (2008)
India (2008)	46%	Iran (2007)
		Tunisia (2004)
		Palestine (2007)

Sources: Table 2.4 from ILO and WIEGO 2013 based on data from United Nations Department of Economic and Social Affairs, Statistics Division, National Accounts Statistics, Vol. 2004\_2, Main aggregates and detailed tables: 2003–2002, p. 1332 and p. 1302 for data on the household institutional sector. For the countries of the West African Economic and Monetary Union, data were drawn from national accounts.

**Arab Nations: A Comparative Perspective**

Historically, it was assumed that the informal economy would shrink with industrial development and economic growth (Lewis 1954). Recent trends have challenged this assumption. In today’s global and unstable world, there is growing recognition that the size and composition of the informal economy is determined by the nature, not just the level, of economic growth, wider trends in trade and technology, and institutional and political forces. Consider the MENA region. Until fairly recently, labor markets in the region were characterized by a large public sector, a small weak private sector, and, depending on the country, a sizable agricultural sector and/or informal sector outside agriculture (Assaad, 2014). The over-saturated public sector was the result of a social compact – a political bargain – between the state and specific population groups (Assaad 2014). This social compact was made possible by the spike in oil prices in the 1970s, which benefitted countries across the region to varying degrees – oil-exporting countries experienced revenue windfalls, while labor-exporting countries benefitted from a surge in remittances (Assaad et al. 1997). During this time, most countries in the region adopted expansionist policies and significantly increased the offer of public employment, particularly to politically strategic groups (Assaad 2014).

However, the sharp drop in oil prices in the 1980s and 1990s put pressure on the ability of governments to provide public employment and to sustain large numbers of migrant workers. During this time, most countries in the region began to

implement structural adjustment measures, cutting state spending and rolling out privatization measures for industry, trade and agriculture (albeit to different degrees in different countries). The slow return of migrant workers to their home countries sped up drastically after the Gulf War in the early 1990's. Subsequently, in the early 2000's, the "youth bulge" generation began to come of age, and demand for employment far exceeded what governments in the region were able to offer (Aita 2015 ,2011).

The net result was high levels of unemployment and increasing levels of informal employment. With expectations shaped by the previous social compact that had benefitted an earlier generation, young, educated entrants to the labor force began to "queue" for public sector employment (Assaad 2014). When governments were unable to deliver, a large share of this group was forced into informal employment, while others remained either unemployed or disengaged from the labor force entirely. The global food crisis of 2003, followed by the global recession in 9-2008, left the unemployed and informally employed worse off than before. In several countries, including Algeria, Egypt, Morocco and Tunisia, policies put in place to mitigate the effects of the crisis – such as minimum wage increases and subsidies – largely benefitted formal sector workers and excluded informal workers and the poor (Subrahmanyam and Castel 2014). As a result, inequalities deepened during the crisis and labor market segmentation became even more rigid: in 2008 and 2009 an informal worker in Egypt had only a five per cent possibility of transitioning to a formal public sector job (Gatti et al. 2014). In this context, large numbers of unemployed, educated youth became disillusioned by their declining prospects for employment and their limited opportunities to voice demands for reforms. This group, together with workers in the informal economy, faced extremely limited mobility and shared a sense of exclusion from all of the benefits (comfortable wages, social protections) experienced by those employed in the formal, largely public sector. In 2010, a street vendor in Tunisia set himself on fire to protest harsh treatment by the police. Emblematic of the worsening conditions and deepening frustrations, Mohammed Boazizi's self-sacrifice sparked a series of protests and demonstrations that commenced and spread across Arab countries and the MENA region in what became known as the Arab Spring. The regional estimates presented above were based on direct estimates of informal employment in three countries in the MENA region (Egypt, Turkey, West Bank & Gaza Strip) and weighted averages for the others using the 19913 and 2003 ICLS definitions of informal sector and informal employment. The World Bank (Gatti et al. 2014) has generated estimates of informal employment in the region using non-contribution to pensions as the defining feature. In the MENA region, excluding the Gulf Cooperation Council countries, informal employment so defined represents 65 per cent of total employment, which is significantly higher than the regional average of 45 per cent reported in Table 1. But it should be noted that the World Bank regional averages of informal employment in other developing regions are also higher than those in Table 1: as the regional averages reported in Table 1 were based on the 2003 ICLS definition of informal employment as "non-contribution to social protection" (including health insurance, not only pensions): see Table 10. Also, the figures in Table 1 do not include agricultural workers, while the World Bank estimates encompass the share of the entire labor force (agricultural and non-agricultural) not

14. Although Yemen is not geographically part of the Levant region, we have included it here as it has a recent history of conflict, like many of the other countries in the Levant region.

contributing to social security.

**Table 9  
Informal Employment and Self-Employment by Region:  
World Bank Estimates**

Region	Informal-employment (% of total labor force not contributing to a pension scheme)	Self-employment (as % of total employment)
MENA	-	32.4%
non-GCC countries	65%	36.5%
GCC countries <sup>14</sup>	-	3.8%
Developed countries	9.3%	13.4%
Europe and Central Asia	33.2%	22.7%
Latin America and the Caribbean	33.6%	33.1%
East Asia and Pacific	75.0%	56.3%
Sub-Saharan Africa	93.2%	80.8%
South Asia	-	71.1%

Source: Gatti et al., 2014 (figures covered are for the latest years in 2006-2007 for pension scheme, 2006-2013 for self-employment)

Sources: Gatti et al. 2014 (figures covered are for the latest years in 2010-2000 using non-contribution to a pension scheme as definition of informal employment); WIEGO (figures covered are for the latest years 2010-2004 using 2003 ICLS definition of informal employment)

**Regional Averages of Informal Employment in Developing Countries:  
WIEGO and World Bank**

Region	World Bank Estimates	WIEGO Estimates
MENA: non-GCC countries	65%	45%
Latin America and the Caribbean	33.6%	31%
East Asia and Pacific	75.0%	65%
Sub-Saharan Africa	93.2%	66% (-80, excluding South Africa)
South Asia	not available	62%

A closer look within the region suggests variations in this overall stylized picture by sub-regions. For example, Ragui Assaad (2014) suggests that in North Africa (in particular Algeria, Egypt, Tunisia and Morocco), the historic social compact or political bargain was largely with the educated middle class; in the Levant region (in particular, Iraq, Jordan and Syria) with members of key sects, tribes or ethnic groups; and in the oil rich Gulf countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates) with native-born citizens.

These sub-regions have responded and recovered to the economic and political shocks of recent decades in varying degrees and ways. The GCC countries have largely sustained the historic social compact of public employment and associated benefits for native-born citizens, with migrant workers almost exclusively working for private firms, at very low wages and with limited or no protections. Both war and terrorism have devastated several countries in the Levant region and at least one country in North Africa, Libya, while terrorism has cast a shadow over other countries in North Africa and in some Gulf countries. In the region as a whole, the Arab Spring wrought enormous economic costs due to withdrawal of foreign investment, decline of local investment and tourism, disruption of production and other factors driven by conflict and war (Subrahmanyam and Castel 2014). While some governments, including Egypt's and Tunisia's, have managed to expand public employment in the process of recovery, unemployment and informal employment in the region remains high (Subrahmanyam and Castel 2014).

Within the MENA region, according to the World Bank estimates, there is a noticeable difference in the prevalence of informal employment in North African countries (%53.5) and in Levant countries (%73.4). By contrast, the prevalence of self-employment, a proxy for employment in the informal sector, is higher in North African countries (%44.1) than in countries in the Levant region (%34.4). This suggests that informal employment outside informal enterprises, for formal firms or households, is quite high in the Levant countries Source: Gatti et al., 2014 (figures covered are from 2007-2000

for pension scheme, 2007-1999 for self-employment) Source: Gatti et al., 2014 (figures covered are from -2000 2007 for pension scheme, 2007-1999 for self-employment)

**Table 11  
Informal Employment and Self-Employment in North Africa**

Country	Informal-employment (% of labor force not contributing to social security)	Self-employment (as % of total employment)
Libya	31.5%	-
Egypt	44.9%	37.8%
Tunisia	51.4%	34.2%
Algeria	63.3%	67.3%
Morocco	76.2%	37.3%
Sub-Regional Average	53.5%	44.1%

**Table 12  
Informal Employment and Self-Employment in the Levant Region (and Yemen)**

Country	Informal employment (% of labor force not contributing to social security)	Self-employment (as % of total employment)
Jordan	61.6%	-
Iraq	64.4%	-
Lebanon	65.5%	15.6%
Syrian Arab Republic	73.2%	33.9%
West Bank and Gaza	86.0%	35.6%
Yemen, Rep.	99.6%	32.4%
Sub-Regional Average	73.4%	34.4%

Source: Gatti et al., 2014 (figures covered are from 2006-2007 for pension scheme, 1999-2007 for self-employment)

## II. THE INFORMAL WORKFORCE

«Informal employment» is a large and heterogeneous category. For purposes of analysis and policymaking it is useful to sub-divide informal employment by branch of industry, status in employment and place of work, as each variable is associated with specific challenges and opportunities.

Branch of Industry - In urban areas of many countries of the developing world, the informal workforce is predominant in construction and related trades, domestic work, home-based production, market trade and street vending, transport (including head loaders, barrow operators and vehicle drivers), and waste collection and recycling. In rural areas, the informal workforce is predominant in agricultural day labor, artisan production, fishery and forestry, processing of agricultural and food products, and small hold farming.

Status in Employment - Status in employment is used to delineate two key aspects of labor or employment contractual arrangements: the allocation of authority over the work process and the outcome of the work done; and the allocation of economic risks involved (ILO 2003a). The International Classification of Statuses in Employment includes five main statuses: employer, employee, own-account worker, contributing family worker, and member of producer cooperative. It is important to, first, sub-divide informal employment into self-employment and wage employment, and then, within these broad categories, into more homogeneous sub-categories according to status in employment, as follows.

Informal self-employment including:

- employers: those who hire others own-account workers: those who do not hire others (single-person operators or heads of family firms/farms)
- contributing family workers: family members who work without pay in family firms or farms
- members of informal producer cooperatives (where these exist)

Informal wage employment: employees hired without social protection contributions by formal firms, informal enterprises, employment agencies or as paid domestic workers by

households. Certain types of wage work are more likely than others to be informal. These include:

- employees of informal enterprises
- casual or day laborers
- temporary or part-time workers
- paid domestic workers
- contract workers
- unregistered or undeclared workers
- industrial outworkers (also called homeworkers)<sup>15</sup>

It should be noted that employees of formal enterprises, both public and private, are also increasingly likely to be hired informally: under processes that are referred to as either de-formalization, informalization or flexibilization. See Box 1 for the conceptual framework for distinguishing different statuses of informal employment developed by Ralf Hussmanns for the



ILO. As defined by the Fifteenth International Conference of Labour Statisticians in 1993. \*\*Households producing goods for their own final use and households employing domestic workers.

Dark green cells refer to jobs that by definition do not exist in the type of production unit in question. Light green cells refer to jobs which exist in the type of production unit in question but which are not relevant to our concerns as they represent formal jobs. The unshaded cells are the focus of our concern – they refer to types of jobs that represent the different segments of the informal economy.

Workers within each of these status categories can be more or less dependent or independent, depending on the specific contractual arrangement under which they work. Self-employment spans a range from fully-dependent arrangements in which the owner operator controls the process and outcomes of work and absorbs the risks involved, to semi-dependent arrangements in which the operator does not control the entire process or outcome of her work but may absorb all of the risks involved. Some self-employed persons are dependent on one or two clients or on a dominant counterpart, such as the merchant from whom they buy raw materials (if they are producers) or merchandise to sell (if they are traders). Ostensibly self-employed street vendors may be selling goods on a commission for a merchant; ostensibly self-employed farmers may actually be landless sharecroppers or contract farmers; and wage employment spans a range from fully-dependent employees to fairly dependent casual laborers.

Industrial outworkers who work from their homes are neither self-employed nor wage-employed, and therefore do not fit into the classification above<sup>16</sup>. They work under sub-contracts for a piece rate without secure contracts or any

15. In the International Classification of Status in Employment, there is another status of self-employment – paid or contributing members of cooperatives - which few countries collect data on.  
16. An international expert group convened by the ILO has proposed that a new additional status in employment – namely, "dependent contractor" – be added to the International Classification of Status in Employment which current includes employer, employee, own-account worker, contributing family worker and member of producer cooperative.

real bargaining power. The smallness and insecurity of their income is exacerbated by the fact that they have to pay for most of the non-wage costs of production, such as workplace, equipment, and utilities. They have little control over the volume or timing of work orders, the quality of raw material supplied to them, or when they are paid. Many of these sub-contracted workers produce goods for brand-name firms in foreign countries. In today's global economy, there is a huge imbalance – in terms of power, profit, and life-style – between the woman who stitches garments, shoes, or footballs from her home in Pakistan for a brand-name retailer in Europe or North America and the chief executive officer (CEO) of that brand-name corporation.

In the causal debates on what drives informality, a distinction is often drawn between informal workers who chose to exit from formal employment or avoid formal regulations and those who are excluded from formal employment opportunities or face barriers to complying with formal regulations. Most observers who argue that informal employment is voluntarily chosen assume that workers are better off working informally. In terms of income, this is not true for the majority of informal workers. Available data suggest that the only group of informal workers who are not poor, on average, are those who have paid employees (Chen et al. 2005). And yet employers represent less than 5 per cent of informal workers in most countries, and less than ten percent in all countries where data are available (ILO-WIEGO 2013). Still, other observers point out that some informal firms and workers are subordinated to or exploited by formal firms while others are pursuing hereditary occupations or are conditioned by cultural norms to work informally. For instance, many women are conditioned by gender norms not to work outside the home.

### Place of Work

The conventional view of the place of work has been of a factory, shop, or office, as well as formal service outlets such as hospitals and schools. But this notion of the workplace has always excluded the work places of millions of people, more so in developing than developed countries, who are informally employed. Some informal workers, notably those who work for formal firms, are located in conventional workplaces such as registered factories, shops or office spaces. But most informal workers are located in non-conventional workplaces, including: private homes, open spaces, and unregistered shops and workshops.

Private Homes - Many informal workers are engaged in private homes, either their own home (in the case of home-based workers) or the home of their employer (notably, in the case of domestic workers). Significant numbers of people work from their own homes, blurring the distinction between 'place of residence' and 'place of work'. Such home-based workers include own-account operators, unpaid contributing family members, and industrial outworkers<sup>17</sup>. Among the benefits of working in one's own home, one which is often mentioned by women is the ability to simultaneously do paid work and watch children, care for the elderly, or undertake other domestic tasks. This multi-tasking, which may be seen as a 'benefit' in terms of enabling women to fulfill multiple expectations, also imposes concrete costs in terms of interruptions to work affecting productivity -- and hence lowering income. When a home-based worker has to stop her market work in order to look after a child or cook a meal, her productivity drops.

17. This discussion is focused on people who work in their own homes. People who work in the private homes of others include the (mostly female) paid domestic workers and nurse assistants, (mostly male) security guards, as well as the better-paid professionals such as bookkeepers who work for home-based consultants.

Some women also feel that their home is a physically safe place to work. However, home-based work may also increase a woman's vulnerability, as she is less visible and less likely to be legally recognized as a worker. This may decrease her capacity to claim any social protection measures for which, as a worker, she might be eligible. She has little access to avenues for upgrading her skills. She is harder to reach by trade unions or other organizations that are organizing workers and, therefore, not likely to benefit from the solidarity and bargaining power that comes with being organized. Also, those who work at home are less likely than those who work in a workplace outside the home to develop a personal identity and social ties outside the family.

Those who work at home face several business-related disadvantages. Some of the self-employed who work at home are engaged in survival activities or traditional artisan production for local customers. But others try to compete in more distant markets, but with limited market knowledge and access. The size, condition, and infrastructure of their homes also affect what kind of work they do and how productive they are, including: the amount of space that can be used for work and for storage, the overall condition and cleanliness of the home, and whether or not the home has electricity and water supply. In Ahmedabad City, India, poor women who would like to undertake piece-rate garment work at home but who live in dilapidated shelters on the streets report that no one is willing to give them this work because of the status of their house. Where would they store the raw material and finished products? Won't they get damaged? In spite of having the sewing skills needed to undertake garment work, they have had to resort to work as casual day laborers or as waste pickers (Unni and Rani 2002).

Public Places - Streets, sidewalks, and traffic intersections are the place of work for many fixed-site and mobile traders, who provide goods and services to consumers at all times of day. Other commonly used public places are parks, fairgrounds and municipal markets. The same public spot may be used for different purposes at different times of day: in the mornings and afternoons it might be used to trade consumer goods such as cosmetics, while in the evenings it converts to a sidewalk café run as a small family enterprise.

The benefits of working from public spaces are evidenced by the demand and competition for them. In the competitive jostle for sites close to transport and commuter nodes, city authorities have different options for action, ranging from outright prohibition of street trade, to regulated and negotiated use of sites, to relocation to alternative sites. Which policy option is chosen has different costs for informal traders (and their customers). Harassment, confiscation of merchandise, imposition of fines, physical assault, and evictions – all these costs affect the bottom line for traders. Given these costs of operating informally, many street vendors are willing to pay license fees or other operating fees provided that the procedures are simplified, the fees are not too high, and the benefits of doing so are ensured. Most critically, street vendors would like city governments to recognize and protect the «natural markets» - where they have worked for decades, if not centuries - as these are areas where there is a guaranteed flow of pedestrian customers.

Other Open Spaces - Other significant places of work are agricultural lands, including pastures and forests (e.g. for farmers, agricultural laborers, subsistence producers), and fishing areas, including ponds, rivers, and oceans (e.g. for fishing communities and shippers). There are often both class and gender dimensions to the access to and control over

these places, and a gendered division of labor in the work itself. Construction sites are the temporary place of work for construction workers, as well as for suppliers and transporters of materials, and these sites may attract other informal providers of goods and services – such as street food vendors – while the site is being developed.

In many countries, there is a marked gender pattern to the place of work. This is because women have primary responsibility for household duties, including child care, which often prevents them from working outside their homes or neighborhoods. This is also because traditional social norms, in some societies, actually prohibit women from going out of their homes to work. In India, for example, this is true not only for Muslim women but also for upper-caste Hindu women.

Consider the case of Ahmedabad City in Gujarat State, India. In 2000, a survey looked into the place of work of all male and female workers, both formal and informal: see Table 8. Nearly 60 per cent of the male workforce, but less than 25 per cent of the female workforce, worked in factories, offices, or shops. Significantly more men (%23) than women (%5) worked on the streets; and somewhat more men (%5) than women (%3) worked at construction sites. Nearly 70 per cent of the female workforce, but less than 10 per cent of the male workforce,

**Table 13**  
Distribution of Total Workforce by Gender and Place of Work, Ahmedabad City, India (2000)

Place of Work	Percent of Total Workforce	
Within Homes	9	70
Own Home	8	52
Employer's Home	1	18
On Streets	23	5
At Construction Sites	5	3
At Factories/Offices/Shops	58	22
Own	8	3*
Employer's	50	19
At Other Locations	6	0.9
Total	100	100

worked within homes (their own or that of others). Source: SEWA-GIDR Survey [Unni, 2000, Table 4.7] \*All women who work in "own shop" are unpaid family helpers. It is important to highlight that gender segmentation within the informal workforce by branch of industry, status in employment, and place of work tends to disadvantage women informal workers, relative to men informal workers, making it particularly difficult for women informal workers to organize:

**Box 2**  
Gender Segmentation within the Informal Workforce: Developing Regions

There is gender segmentation within informal employment by status in employment, branch of economic activity and place of work. In terms of branches of economic activity, very few women work in informal construction and transportation activities, the one modest exception being female construction workers in South Asia. These two sectors are clearly male-dominated. Manufacturing accounts for an equal or greater share of women's informal employment than men's in all regions, except for Sub-Saharan Africa. A similar pattern holds for trading activities, with the exceptions in this case of the Middle East and North Africa and South Asia. Services other than trade and transportation (e.g. domestic work) account for a larger share of women's employment than men's across all regions (Vasek et al. 2014).

In terms of status in employment, women in informal employment are more likely to be self-employed than are men. The self-employed can be further disaggregated into employees, own-account operators, and unpaid contributing family workers.<sup>18</sup> Women informal workers are also

Although the regional estimates do not include analysis by place of work, other recent statistical analyses indicate that women are over-represented in two forms of employment that take place in private homes: home-based work (in the home of the worker) and domestic work (in the home of the employer) (Chen and Ravencindas 2014; Ravencindas et al. 2013). Recent statistical analyses also indicate that women are less likely than men to be engaged in workshops or factories outside the home, but are engaged alongside men in public spaces, including to varying degrees in construction, street trade and waste picking depending on the country (Chen and Ravencindas 2014; ILO and WIEGO 2013).

see Box 2.

### Arab Nations:

A Comparative Perspective

For most Arab countries, recent data on informal employment in general are not readily available, much less data on informal employment by branch of industry, status in employment or place of work. But the Arab Watch project has commissioned analyses of available data from different sources to address these gaps. To generate a statistical picture of informal employment in Yemen, Samir Aita compared the International Labor Organization (ILO) database with published data from the 14-2013 labor force survey in Yemen. In summarizing what he found, Aita used the ILO framework for classifying different statuses in informal employment developed by Ralf Hussmanns (Box 1 above). Aita's analysis of data from the 14-2013 labor force data in Yemen shows the following:

**Box 3**  
Informal Employment in Yemen by Status in Employment

**Informal Employment Outside the Informal Sector**  
Informal employees in the formal sector – 8% of male workers, 10% of women workers, 8% of all workers.  
**Informal Employment Inside the Informal Sector**  
Employees in informal enterprises – 5.6% of all employed (6.9% of total employees in 2013-2014 up from 4.5% in 2004)  
Informal employees in informal enterprises – 25.1% of all employees/own-account workers in informal enterprises – 31% of all employed (up from 25% in 2004). Almost all of them are men; majority (80%) are in rural areas, only 20% in urban areas. Contributing family workers in informal enterprises – 11.4% of all employed (up from 10% in 2004).  
**Formal Employment Inside the Informal Sector**  
Formal employees in informal enterprises – 0.05% of all employed

What these estimates indicate is that informal employment in informal enterprises (i.e., the informal sector) represents nearly 80 per cent of total employment in Yemen. And informal employment in formal firms represents another 8 per cent of total employment. In sum, nearly 90 per cent of all employment in Yemen is informal.

To generate a statistical picture of informal employment in Syria, Samir Aita analyzed the 2007 labor force survey in that country. The Syrian labor force survey distinguishes employment by four statuses in employment (employer, employee, own-account worker, contributing family worker) and by seven types of units (as in Table 14) (Aita 2009).

The 2007 labor force data suggest that, before the Arab Spring and the current war, informal employment represented over half (%52) of non-agricultural employment in Syria and over three-quarters (%79) of employment outside both the state and agriculture. Indeed, over two-thirds (%64) of private formal sector employment (outside agriculture) was informal: that is, was not registered for social insurance. There are no data available on the impact of, first, the influx of refugees from Iraq to Syria and, now, the bombings and outflow of refugees from Syria to neighboring countries on labor markets in the country since 2007 (Aita 2009).

**Table 14**  
Percentage Distribution of Total Employment in Syria: By Status in Employment and Type of Unit 2007

Status/Sector	Employer	Own-account	Employee	Contributing Family	Total
Government			26.9%		26.9%
Private formal	0.3%	0.5%	1.2%	0.1%	2.1%
Private informal	3.5%	28.3%	26.8%	3.7%	62.4%
Others			0.2%		0.2%
Total	4.2%	28.8%	63.2%	3.8%	100.0%

## III. POLICY RESPONSES TO INFORMALITY

Policy Debates

The fact that some observers have not kept pace with or reject recent rethinking regarding the informal economy serves to generate more heat than light in key debates on the nature of the informal economy and its relationship to the state and the

market. To begin with, there is the debate about what causes informality. Some observers still believe that informality is caused by excessive regulation by the state, which creates incentives for economic activity to operate outside the purview of regulations – to operate informally. Yet, as Kanbur argues, “even if the presence of regulation could explain the level of informality, for it to explain increases in informality the regulatory burden would have had to have increased. But, in fact, it is well appreciated that in the last two decades of liberalization, the regulatory burden has if anything decreased. The regulation based explanation of increasing informality is thus weak at best.” (Kanbur 7 :2014) In fact, deregulation explains increasing informality of particular kinds: notably, de-formalization of once-formal jobs and industrial outwork. Deregulation of labor markets has created an environment in which formal firms, seeking to reduce labor costs, are increasingly hiring some workers as core standard workers and others as peripheral workers under informal arrangements. The second main causal explanation of increasing informality is fundamental trends in technology and trade, which have reduced the employment intensity of growth in the formal sector (Kanbur 2014). This phenomenon of “jobless growth” means that the formal economy is less and less able to provide employment for a growing labor force. In the developing world, where few countries provide unemployment insurance or benefits, those who cannot find or lose jobs cannot afford to remain unemployed and seek jobs or opportunities in the informal economy. According to Kanbur, the technology-trade explanation seems to be a more plausible explanation for trends in informality. If we accept this explanation, he notes, “we are also forced to accept that informality is here to stay” since “the forces shaping technology and trade are unlikely to reverse in the next two decades” (Kanbur 8 :2014) “Far from receding as a result of development, the very nature of current development means that it will increase. A recent OECD report asked the question in its title: “Is Informal Normal?” The answer it gave was a definite “yes.” (Kanbur 2014:8).

Taxing the informal economy is still a priority for many governments and international financial institutions who also flag the difficulties of doing so (Kanbur and Keen 2014). But recent research suggests several inherent contradictions in this approach. First, many informal workers are wage or sub-contracted workers who are not liable to pay payroll or corporate taxes and often earn too little to fall above the threshold for income tax. Second, many informal self-employed pay taxes of various kinds: operating fees, license fees, market rents. An analysis in 2014 of revenue and expenditures in the Accra Metropolitan Assembly (AMA) in Accra, Ghana found that workers in the informal economy pay several different types of payments to the AMA: street vendors who carry or display their goods on tables pay a daily toll; traders who have stalls and shops in built markets pay an annual license fee and a monthly rent (Adamtey 2014; Budlender 2015). In some markets, informal traders must also pay for a business operating permit. Traders with stalls and stores also pay tax to the Internal Revenue Service (Ibid.). The analysis found that the budgeted and, more so, actual expenditures of the AMA were low for the categories of expenses most directly related to informal trade, notably the construction and maintenance of markets.

Many traders end up paying private operators for refuse removal and security as the municipality does not provide these services (Ibid.). Third, many informal operators pay value added tax (VAT) on the goods or supplies they purchase to support their livelihood activities but often cannot charge VAT on the goods they sell or claim VAT rebates, as formal businesses can. In sum, some segments of the informal

economy may pay taxes of different kinds and some segments may fall beneath the tax threshold for certain kinds of taxes. It is important, therefore, to disaggregate the informal economy when considering tax policy, regulations and other policies (Kanbur and Keen 2014).

Ravi Kanbur writes about some of the tensions that arise when, as he puts it, “the irresistible force of increasing informality meets the immovable object of current analytical and administrative mindsets,” i.e., when real-life trends challenge entrenched mindsets (Kanbur 8 :2014). To illustrate “the disconnect between the economic lives of policy makers and those for whom they make policy,” Kanbur raises the thorny question of street vending and urban space:

“Loitering and vagrancy laws are often used by the police, at the behest of local residents, to clear away street vendors from public spaces. Street vendors are seen as dirtying clean spaces and obstructing living spaces in various urban neighborhoods. But street vending is the major form of livelihood for many in the informal economy. Thus we see the almost daily drama of groups of informal traders being moved on from one place, only to congregate in another and perhaps eventually cycling back to the same place when the attention of the police is elsewhere. In the process an entire class of economic activity is criminalized.

The daily drama is turned into a mega crisis when nations and cities host major international events, like the Commonwealth Games in Delhi, the World Cup in South Africa, or the World Cup and the Olympics in Brazil. “Beautification” programs in preparation for an event that lasts a few weeks lead to the displacement of thousands of informal sector workers from their normal place of trading and work. A different but conceptually similar crisis occurs when the work of garbage pickers is displaced by formalized mechanisms with contracts given to big companies. The policy mindset is such as to always view this move favorably, as being towards modernity and formality” (Kanbur 10-9 :2014).

#### The Formalization Debate

The most common substantive policy response is to ‘formalize’ the informal sector. But what does this mean? To some observers, it means shifting people out of informal self-employment

/employment into formal wage jobs. But not enough jobs are being created for the unemployed, much less those employed in the informal sector. To many observers, formalization means registering and taxing informal enterprises. But there are inherent contradictions in this approach: this is because many of those who run informal enterprises, either employers or own-account workers, already pay some kind of operating fees, license fees, market rents; pay value- added taxes on the goods and supplies that they purchase; or simply earn too little to be above the threshold for income tax (Adamtey 2014; Budlender 2015; Kanbur and Keen 2015). In return for paying operating fees, license fees and market rents, market traders and street vendors would like basic infrastructure services at their built or natural (open-air) markets. In return for paying VAT on what they purchase, informal producers and traders would like to be able to charge VAT on what they sell but this requires being registered for VAT, which may not be easy for informal firms.

What, then, should formalization mean? The answer depends on what problem associated with informality one is trying to solve, or what benefits of formality one is trying to extend to the informal workforce.

The International Labour Organization convened a two-year

standard-setting discussion on the ‘Transitioning from the Informal to the Formal Economy’ at its annual International Labour Conference in 2014 and 2015. In preparing for that discussion, the WIEGO network convened three regional workshops, involving 55 organizations of informal workers from 24 countries, to develop a common platform on formalization from the perspective of informal workers. Aspects covered include the right to organization and voice, legal standing and identity, economic rights and social protection, basic infrastructure and transport services. While the framework of the Recommendation does not distinguish between informal employment in the informal and formal sectors or in households, the relevant clauses speak for themselves.

The standard that was adopted at the 2015 International Labour Conference, Recommendation 204 (Transition from the Informal to the Formal Economy Recommendation, 2015), includes some key provisions for those informally employed, both self-employed and wage employed. Recommendation 204 notably includes the recognition that:

- Most informal workers are from poor households trying to earn a living against great odds and, therefore, need protection and promotion in return for regulation and taxation
- Most informal economic units/enterprises are single person or family operations run by operators (‘own-account workers’) who do not hire others as employees.
- Informal livelihoods should not be destroyed in the process of formalization.
- The principle of freedom of association and the right to collective bargaining applies to all workers in the informal economy, self-employed and wage employed.
- Regulated use of public space is essential to the livelihoods of informal self-employed in the informal sector, especially in cities.
- Regulated access to natural resources is essential to the livelihoods of informal self- employed in rural areas.

To this end, Recommendation 204 calls for governments to create an enabling environment for informal employees and enterprise operators to exercise their right to organize and to bargain collectively (with employer organizations or government respectively) and to participate in social dialogue in the transition to the formal economy. Governments are also encouraged to consult representative organizations of informal workers and employers concerning the design, implementation and monitoring of policies and programs of relevance to the informal economy, including its formalization.

Clearly, this is a new approach to formalization of the informal sector, one that recognizes and supports informal self-employed in the informal sector, rather than simply trying to register their enterprises and tax them; and one that recognizes and supports informal wage employed in both the informal and the formal sectors and in households. As such, it goes beyond the recommendations of Hernando de Soto, who focuses on easing registration and increasing property rights of informal entrepreneurs. Adopting this new approach to formalization will require a change in entrenched mindsets of many government officials and policy makers about the informal sector.

#### WIEGO Policy Approach

The WIEGO network has played a key role in articulating and promoting this new approach to formalization and in challenging the common assumptions about the informal workforce and the state. The first such assumption is that employment consists mostly of formal wage employment. The reality is that informal employment is the norm in developing countries, including in Arab nations. A related assumption is

that employment takes place in privately owned commercial spaces. Across the developing world, non-standard workplaces - households, fields, pastures, forests and waterways - are major sites of production, while public space and markets are the major site of exchange. Yet governments, policy makers, and planners do not recognize non- standard workplaces or slums and squatter settlements as hubs of production, nor do they recognize street vendors and market traders for their contribution to exchange and trade. The third assumption is that informal workers operate outside the reach of the state because they seek to avoid regulation and taxation. The reality is more complex: informal workers are often inside the punitive arm, but outside the protective arm, of the state; and many pay taxes and operating fees of various kinds.

WIEGO has also been at the forefront of promoting an alternative policy approach to the informal economy. One that addresses the common policy needs and demands of all informal workers, distinguishes between the policy needs and demands of the informal self-employed and informal wage workers, and, then, focuses on the policy needs and demands of specific groups of informal workers (distinguished by branch of industry, status in employment and/or place of work). This new policy approach calls for creating incentives for informal operators to register their business and for employers, in both formal and informal firms, to hire workers formally. And it calls for providing legal and social protections to informal operators and to informal wage workers, for creating an enabling environment and support services for both groups, and for promoting participatory rule-setting and policy-making processes in which organizations of informal workers are represented. For a Platform of Demands which includes the common as well as sector-specific demands of informal workers convened by WIEGO in three regional workshops: see Appendix II.

#### IV. ECONOMIC JUSTICE FOR INFORMAL WORKERS

There is scope for a more inclusive approach to formalization, one that reduces the injustices faced by informal workers and increases the benefits of formalization. Organizations of informal workers have been advocating against injustices and for benefits at both the local and global levels for decades (Chen, Bonner and Carre 2015). These efforts have led to recent victories at the local level, as detailed below. These efforts have also led to recent victories at the global level: ILO Convention 189 on Decent Work for Domestic Workers (adopted in 2011); key provisions in ILO Recommendation 204 (adopted in 2015) that mandate that the gradual transition from the informal to the formal economy should protect informal livelihoods and grant regulated access to public space and natural resources to informal workers for livelihood purposes; and the inclusion of informal livelihoods on the New Urban Agenda adopted at Habitat III in 2016.

To implement these victories at the local level, organizations of informal workers are engaged in two broad types of efforts. First, many organizations are engaged in efforts to “reduce the negatives.” For instance, while conventional approaches to enterprise growth emphasize the productivity and size of enterprises, informal worker organizations are engaged in efforts to make visible the risks and costs associated with working in public space, such as policy uncertainty, harassment and evictions by local authorities, and occupational health and safety risks in order to create a more

stable and predictable work environment. This is a critical area for policy reform given that informal workers lack basic legal and social protections unless they make efforts to claim them.

Second, organizations of informal workers are also engaged in efforts to “increase the positives,” These tend to focus on establishing their legal identity as workers and pushing for regulatory reforms that recognize, validate and support their work. These efforts take place at local and global levels. Locally, street vendors and waste pickers have engaged in legal struggles to establish their right to work, for example as with street traders in South Africa and India (Roever and Skinner 2016) and waste pickers in Belo Horizonte, Bogota and Pune (Dias 2011; Chikarmane 2012; Parra 2015). Globally, domestic workers and home-based workers have advocated successfully for new ILO conventions (Mather 2013; HomeNet South Asia 2016). Most recently, leaders of organizations of home-based workers, street vendors and waste pickers from around the world successfully engaged in the Habitat III process pushing for the inclusion of urban livelihoods in the New Urban Agenda (WIEGO, 2016).

A key area of positive intervention is access to infrastructure and basic services for informal workers at their workplaces, whether in public space or in their homes. Informal workers, through WIEGO research and consultations, have identified infrastructure deficits as a key driver of working conditions for urban informal workers (Chen 2014; Roever 2014; Dias and Samson 2016), and many MBO partners have used the research findings to advocate for improved access. Challenges related to infrastructure also include high costs and poor quality. These challenges are highlighted in advocacy efforts that link informal livelihoods and informal settlements, such as the joint response to the Habitat III Zero Draft presented by the Grassroots Partner Constituency of the General Assembly of Partners of the World Urban Campaign.<sup>17</sup>

Third, as a key enabling condition, organizations of informal workers are making efforts to institutionalize their voices in rule setting and policymaking forums. Though collective bargaining is traditionally understood as the domain of formal sector trade unions, collective bargaining by informal worker organizations, with both the state and market actors, is quite common and increasing in both scale and impact (Budlender 2013; Eaton, Sherman and Chen forthcoming). HomeNet Thailand has facilitated collective negotiations with municipal authorities by home-based workers (relocated from central Bangkok to the periphery of the city) for additional bus routes and a pedestrian over-bridge at a dangerous traffic junction. StreetNet International has taken a particular interest in working with its affiliates to establish statutory bargaining forums between street traders and local governments (Horn 2015). Organizations of waste pickers in Brazil, Colombia and India have negotiated contracts and infrastructure (e.g. sheds and equipment) from local government (Chen et al 2013).

Despite the challenges of organizing informal workers and strengthening the organizations and networks of informal workers, several of the organizations and networks have led successful legal or policy campaigns in support of their membership either locally, nationally or globally. What follows is a brief summary of several of them: domestic workers globally, home-based workers in Thailand, street vendors in India, street vendors and barrow operations in Durban, South Africa, and waste pickers in Bogotá, Colombia.<sup>18</sup>

17. The WIEGO Network and Slum/Shack Dwellers International are the co-chairs of the Grassroots Partner Constituency.

18. These summaries of the cases are adapted from Chen et al 2013, with the exception of the write-up on Home-Based Workers in Thailand which draws on reports by HomeNet Thailand and WIEGO.

## Domestic Workers Globally

Despite obstacles, domestic workers have a long history of organization and advocacy to be recognized as workers and covered by the labor laws of their respective countries. In 2006, domestic worker organizations began to organize internationally with the support of international trade unions and NGOs, including WIEGO. Their main demands were to be recognized as workers with the rights to workers' rights and benefits. In 2008, after the International Labour Organization (ILO) decided to place Decent Work for Domestic Workers on the agenda of the International Labour Conferences in 2010 and 2011, they began a campaign for an ILO Convention. The campaign was led by the newly formed International Domestic Workers' Network (IDWN) with its organizational base in the International Union of Food, Agriculture, Hotel, Restaurant, Catering and Allied Workers Associations (IUF) and with support from WIEGO. The campaign involved extensive coordination and engagement at the country level to mobilize workers and engage with Ministries of Labor, trade unions and employers' associations. The process had immediate benefits in some countries and led to the adoption, with an overwhelming majority vote at the 2011 ILC, of two standards: Domestic Workers Convention, 2011 and Domestic Workers Recommendation, 2011.

The main achievement of the Convention is that domestic workers are unconditionally defined as workers with the same protections under national labor laws and social protection schemes as other workers. Some articles in the Convention provide special protection for live-in, migrant, or other specific groups of domestic workers. The Recommendation provides a comprehensive framework and set of guidelines for governments seeking to implement legislation in line with the Convention. The Convention and Recommendation will not directly or immediately change the situation of domestic workers, but they provide a normative framework and legislative springboard for organizations to work further with governments and other partners. The process of achieving the ILO Convention was itself a catalyst for global organizing and for gaining representative voice at the global level. It contributed to building the capacity of organizations and individual leaders, especially women; enhanced the status of domestic workers associations with formal trade unions; and created the preconditions for recognition and enforcement of rights in countries. Whilst the campaign for ratification is a long term process, legislative changes are taking place as a result of the adoption of the Convention.

### Home-Based Workers in Thailand

HomeNet Thailand has helped achieve several successes for informal workers on the national policy front, some in alliance with other civil society organizations. The first such success was the universal health coverage scheme for informal workers and other groups not covered by formal health insurance. Thailand stands out for its decade-long inclusion of civil society organizations in an alliance for health reform, with HomeNet Thailand one of the partners, who contributed to the campaign for what became known, initially, as the 30 Baht Scheme (Namsomboon and Kusakabe 2011; Alfes and Lund 2012). When the 30 Baht Scheme was replaced by the free Universal Coverage Scheme, the alliance of civil society networks, including HomeNet Thailand, were again involved in the design of the scheme, in the legislation, and thereafter in facilitating, monitoring and evaluating implementation.

HomeNet Thailand also successfully campaigned, with support from WIEGO, for the Homeworkers Protection Act, which entitles Thai homeworkers (i.e., sub-contracted home-based

workers) to minimum wage, occupational health and safety protection and other fundamental labour rights. To understand obstacles to implementing these protections, under a WIEGO project on law and informality, HomeNet Thailand examined instances where homeworkers had attempted to access their rights and implement the tripartite committee set up under the Act.

HomeNet Thailand also made a concerted effort to inform homeworker leaders and homeworkers about their rights under the Act through workshops with lawyers and government officials, posters, newsletters and other documents. In 2014, as a direct outcome of these struggles, three home-based workers supported by HomeNet Thailand were included in the tripartite committee.

Also under the WIEGO law project, HomeNet Thailand organized local and national-level consultations with domestic workers to update them on the ILO Convention on Domestic Work (C189) and to mobilize action to protect migrant domestic workers in Thailand, especially Bangkok. During the course of the project, the Thai Domestic Workers Network was formed, which helped pressure the government to pass the Ministerial Regulation for Domestic Workers in 2012.

### Street Vendors in India

Since 1998, when it was founded, the National Association of Street Vendors of India (NASVI) has dealt, on a daily-basis, with the challenges to street vendors associated with urbanization, urban renewal, and economic reforms. One of its first steps was to conduct a survey of street vending in seven cities of India in 2002. The report of this survey served to highlight the increasing harassment of street vendors by local authorities and the growing exclusion of street vendors in city plans (Bhowmik 2002). The report generated a good deal of discussion and was presented at a national workshop organized by the Ministry of Urban Development in 2000. At that workshop, the Minister for Urban Development announced that a National Task Force on Street Vendors would be set up to frame a national policy with and for street vendors.

The national policy for street vendors, developed by the National Task Force, including NASVI and other street vendor organizations, was adopted by the national government in January 2004. The policy recommended that state and local governments register street vendors, issue identification cards to street vendors, and amend legislation and practice to reduce the vulnerabilities of street vendors. The main plank of the policy was to establish Vending Committees at the town and ward levels with representatives from street vendor organizations to identify designated zones for vending and hawking. However, the national policy was never implemented widely, in large part because local governments are controlled by state governments and few state governments followed the national policy when formulating their own state policies.

In response to this lack of implementation, the national government declared the need for a new national policy for street vendors while NASVI and SEWA demanded a national law for street vendors. In late 2011, thanks to the campaign and advocacy efforts of NASVI, SEWA and other organizations, the two ministries changed their position and decided to support a national law for street vendors. The draft law was formulated by the Ministry of Housing and Urban Poverty Alleviation in consultation with NASVI, SEWA and other organizations of street vendors and was approved by the Parliament of India in February 2014 and went into effect later that year.

Street Vendors and Barrow Operators in Durban, South Africa

For many years, Warwick Junction, a precinct in the inner city of Durban that houses, on a busy day, up to 8,000 street and market traders, was looked to as best practice of street vendor management and support: characterized by high levels of consultation with the street vendors and resulting in a high level of self-regulation and a sense of ownership of the area by the street vendors. But in February 2009, to the surprise of many, the Durban/eThekweni Municipality announced its plans to grant a fifty year lease of public land to a private developer to build a shopping mall in Warwick Junction: at the site of the Early Morning Market (EMM), a fresh produce market in the center of the Junction that was to celebrate its centenary in 2010. These plans entailed a redesign of the whole district ensuring that the foot traffic, estimated at ,460 000 commuters a day, would be directed past the mall rather than the informal traders so as to threaten the viability of all street vendors and market traders in the Junction.

There was a groundswell of opposition to the proposal, and a major civil society campaign to oppose the planned mall emerged, involving organizations of street vendors, academics, urban practitioners, and a local NGO called Asiye eTafuleni which has supported the street vendors of Warwick Junction for many years. Central to this campaign was a pair of legal cases pursued by a public interest, non-profit law firm—the Legal Resources Centre (LRC). One case challenged the process by which the City awarded the lease and contract to the private real estate developer: thus drawing on administrative law. The other case challenged building a mall where a historic market building stands: thus drawing on historic conservation principles. By April 2011, the City Council finally rescinded its 2009 decision to lease the market land for the mall development, noting that ‘there was little prospect of the legal challenges relating to the current proposal being resolved.’ This was a major victory for the street vendors and barrow operators of Warwick Junction. The legal case did not mandate the change in position by the City Council. But the legal cases, in combination with civil society activism and protests, helped leverage the change in the City Council’s position.

### Waste Pickers in Colombia

For decades, if not centuries, recicladores (waste pickers) in Colombia’s capital, Bogotá, have earned a living by recycling metal, cardboard, paper, plastic, and glass and selling the recycled material through intermediaries. Today, there are an estimated 12,000 recicladores in Bogotá. But recent privatization of public waste collection threatened the livelihoods of the recicladores. Previous municipal administrations in Bogotá granted exclusive contracts to private companies for the collection, transport, and disposal of waste and recyclables. In response, the Asociación de Recicladores de Bogotá (ARB), an umbrella association of cooperatives representing over 2,500 waste pickers in Bogotá, began a legal campaign to allow the recicladores to continue to collect and recycle waste.

The recicladores achieved a landmark victory in 2003 when the Constitutional Court ruled that the municipal government’s tendering process for sanitation services had violated the basic rights of the waste-picking community. In making its case, ARB and its pro-bono lawyers appealed to the Constitution’s provision of the right to equality, arguing that waste pickers should be allowed preferential treatment and judicial affirmative action in the tendering and bidding process for government waste management contracts.

Subsequent cases have appealed to constitutional provisions, including the right to survival as an expression of the right to life (article 11 of the Constitution), which was used to argue

the right to pursue waste picking as a livelihood, and the right to pursue business and trade (article 333), which was used to argue that cooperatives of waste pickers—and not only corporations—can compete in waste recycling markets. The most recent ruling, in December 2011, halted a scheme to award US\$1.7 billion worth of contracts over ten years to private companies for the collection and removal of waste in the Bogotá City. The court mandated that the cooperatives of waste pickers had a right to compete for the city tenders and gave the ARB until March 2012, 31 to present the municipality with a concrete proposal for solid waste management inclusive of the waste picking community. The current Mayor of Bogotá honored this mandate by de-privatizing waste collection, setting up a public authority to manage solid waste management and allowing ARB and other organizations of recicladores to bid for contracts. With the help of WIEGO and other allies, the ARB prepared a proposal, elements of which were adopted into the official proposal made by the district agency in charge of the city's public service.

In March 2013, waste pickers in Bogotá began to be paid by the city for their waste collection services. And, in June 2014, the national government mandated that the Bogotá model be replicated in cities and towns across the country. However, vested interests in the private sector who want to regain control over the waste collection and recycling sector have mounted a political campaign to remove the current Mayor of Bogotá who rescinded some of the private contracts to set up a public waste management authority and brokered the contract with the recicladores. They argue that the public management of waste collection and the involvement of the recicladores undermine «free competition» and are, therefore, illegal.

As these case studies illustrate, informal worker organizations are increasingly finding a place at the table: with national and local governments and are also finding their voice in international negotiating forums, especially at the annual International Labour Conference. But, as they also illustrate, IW organizations often need to resort to litigation, in addition to policy advocacy, and need support from allies to protect the interests of their members.

#### V. KEY PATHWAY TO PEACE & RECONSTRUCTION

On December 2010, 17, Tarek el-Tayeb Mohamed Bouazizi, a Tunisian street vendor, set himself on fire to protest the confiscation of his wares by a municipal official and her aides as part of an on-going campaign of harassment and humiliation inflicted on him and other street vendors. This act of self-sacrifice by Mohamed Bouazizi is widely recognized to have catalyzed wider protests against injustice which spread across the MENA region in what became known as the Arab Spring.

As is so often the case, local authorities had chosen to harass Mohamed Bouazizi, rather than listen to his demands. This iconic example, emblematic of the discontent of the informal employed as well as the unemployed, suggests a key pathway to reducing further protests and violence: namely, to reduce the economic injustices faced by the majority of workers in developing countries. If the powerless are allowed to advocate on their own behalf, and if the powerful listen to their demands, the outcome could be peaceful negotiations, rather than protests, violence and conflict.

This pathway is not only desirable but also feasible – as illustrated by what has happened in Tunisia since the Arab Spring. As part of the Arab Spring uprisings, the Tunisian General Labor Union; the Tunisian Confederation of Industry, Trade and Handicrafts; the Tunisian Human Rights League; and the Tunisian Order of Lawyers created a common front by

collaborating with lawyers, traders, and industry – all parts of the economy, informal and formal, poor and rich – to move towards peace and democracy. The method of protesting and negotiating by this coalition of organizations was peaceful dialogues and public demonstration. It addressed everyday economic and political issues, including the right to decent work and honest labor. It was not only a symbolic protest fueled by social media but went far further and deeper, bringing elections and democracy to Tunisia. In recognition of their contribution to peace and democracy in Tunisia, the Norwegian Nobel Committee awarded the Nobel Peace Prize to this Quartet of organizations, emphasizing that the prize was “awarded to this quartet, not to the four individual organizations as such.”

The Tunisian revolution brought a new regime to power in 2011, promising, among other things, social and economic justice. One plank of the Quartet's campaign, spearheaded by the Tunisian Central Trade Union (Union Général Tunisienne du Travail or UGTT), was to restore formal employment to low-wage government workers whose jobs had been privatized and subcontracted during previous regimes. Through these subcontracting arrangements, the work of large numbers of government workers had been de-formalized, thereby undermining their working conditions, pay rates and benefits. The campaign to reinstate the de-formalized public sector workers was successful because UGTT had been campaigning on this issue for many years and, as a core member of the Quartet, helped to bring about the regime change that led to the reinstatement of the workers (Eaton, Schurman, Chen 2017; ).

In conclusion, our sincere hope is that this paper will help promote a more inclusive approach to the informal economy in the MENA region. If labor markets in the region remain rigid and segmented, with a formal workforce that receives social protections and economic benefits that are denied to the unemployed and the informally employed, frustrations could again erupt in social unrest. It is critical for governments in the region to not only pursue employment-led growth, but also to reverse the previous “social contract” that created a sense of social and economic exclusion among the working poor in the informal economy. This could include measures to increase and expand social protections, adopt inclusive approaches to city and economic planning, and create platforms for informal workers to exercise voice and influence over the policy-making and rule-setting processes that affect their lives.

For Arab nations, as well as other countries, we would like to propose a three-plank agenda to promote economic justice for informal workers. The first plank is to reduce the stigmatization and penalization of the working poor in the informal economy. Admittedly, some informal workers operate illegally or deal in criminal goods and services. But the vast majority of the informal workforce are working poor persons trying to earn an honest living under harsh conditions. The second plank is to increase benefits – legal and social protection as well as promotive measures – for informal workers. The third, and most important, plank is to invite informal workers to the policy table. Our firm belief is that expanding economic justice to informal workers in Arab countries will contribute to equitable reconstruction and enduring peace in the region.

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## Appendix I

Percentage Distribution of Total Employment in Syria: By Status in Employment and Type of Unit

Status in Employment	Employer	Own-account	Employee	Family contributor	Other	Not clear	Total
Government	M		25.0%				25.0%
	F		50.0%				50.0%
	Total		37.5%				37.5%
Private Formal	M	0.1%	10.1%	14.1%	1.0%	0.7%	26.1%
	F	1.1%	4.0%	8.0%	1.0%	0.7%	14.9%
	Total	1.2%	14.2%	22.1%	2.0%	1.4%	41.0%
Private Informal	M	0.1%	18.4%	10.1%	2.0%	0.7%	31.3%
	F	0.0%	0.7%	0.0%	0.0%	0.7%	1.4%
	Total	0.1%	19.1%	10.1%	2.0%	1.4%	32.7%
Common private-public	M	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	F	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cooperatives	M	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	F	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Family	M	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	F	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Civil Society	M	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	F	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Not Available	M		0.0%	0.0%		0.0%	0.0%
	F		0.0%	0.0%		0.0%	0.0%
	Total		0.0%	0.0%		0.0%	0.0%
Total	M	0.2%	21.2%	37.2%	2.0%	0.7%	61.3%
	F	2.2%	10.2%	38.2%	10.0%	2.7%	63.3%
	Total	2.4%	31.4%	75.4%	12.0%	3.4%	124.6%

Status in Employment	Employer	Own-account	Employee	Family contributor	Other	Not clear	Total
Government	M		1 070 100				1 070 100
	F		2 140 200				2 140 200
	Total		3 210 300				3 210 300
Private Formal	M	220 000	1 070 000	1 490 000	200 000	1 400 000	4 380 000
	F	2 200 000	2 140 000	4 280 000	2 000 000	1 400 000	12 220 000
	Total	2 420 000	3 210 000	5 770 000	2 200 000	2 800 000	16 610 000
Private Informal	M	120 000	1 070 000	1 490 000	200 000	1 400 000	4 280 000
	F	1 100 000	2 140 000	2 850 000	300 000	1 400 000	7 790 000
	Total	1 220 000	3 210 000	4 340 000	500 000	2 800 000	12 070 000
Common private-public	M						
	F						
	Total						
Cooperatives	M						
	F						
	Total						
Family	M						
	F						
	Total						
Civil Society	M						
	F						
	Total						
Not Available	M						
	F						
	Total						
Total	M	240 000	3 210 000	5 770 000	2 200 000	2 800 000	14 240 000
	F	2 420 000	6 350 000	10 620 000	4 200 000	4 200 000	27 810 000
	Total	2 660 000	9 560 000	16 390 000	6 400 000	7 000 000	42 050 000

## Appendix II

WIEGO Network Platform  
Transitioning from the Informal to the Formal Economy in the interests of workers in the informal economy

### WIEGO NETWORK PLATFORM

Transitioning from the informal to the formal economy in the interests of workers in the informal economy

Workers in the informal economy include both wage workers and own-account workers. Most own-account workers are as insecure and vulnerable as wage workers and move from one situation to the other. Because they lack protection, rights, and representation, these workers often remain trapped in poverty.<sup>1</sup>

A majority of workers worldwide work in the informal economy, and most new jobs are informal jobs. It is assumed that informal work is unlikely to completely disappear, and that many informal economic activities will remain informal or semi-formal in the foreseeable future. There is no single, easy, one-step way to formalize informal employment. Rather, it should be understood as a gradual, ongoing process of incrementally incorporating informal workers and economic units into the formal economy through strengthening them and extending their rights, protection and benefits. The WIEGO Network supports the definition of informal employment, adopted by the International Conference of Labour Statisticians (ICLS), 2003 (details in Annex).

## What Do Informal Workers Need?

The working poor in the informal economy have a common core set of needs and demands, as well as those specific to their employment status, occupation and place of work. For all informal workers, formalization must offer benefits and protections – not simply impose the costs of becoming formal. It must restore the universal rights from which workers in the informal economy have been marginalized by the neo-liberal model of governance over the past 40 years, and reintegrate them into legal and regulatory frameworks.

1 Clause 4 of the ILO Resolution on Decent Work & the Informal Economy, 2002, <http://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/pr25-res.pdf>

## COMMON CORE NEEDS AND DEMANDS

Organizing/ Labour Rights

Workers in the informal economy must be able to effectively exercise their rights to organize and bargain collectively, as well as their other fundamental rights at work.

## Voice and Bargaining Power

The working poor in the informal economy need individual voices and bargaining power founded in an awareness of their rights. They must also have a collective and representative voice that allows them to negotiate on a continuing basis with the dominant players in the sectors or value chains in which they operate. A collective voice comes through being organized in democratic membership-based organizations. A representative voice comes through having representatives of these organizations participate in relevant policymaking, rule-setting, collective bargaining, or negotiating processes – including by means of direct representation in tripartite forums. Ideally, the representation of membership-based organizations in the relevant processes should be ongoing and statutory.

## Legal Identity & Standing

The working poor want to be recognized as workers, or as economic agents, with a clear legal standing in all relevant policy-regulatory-legal domains. They do not want to be relegated, as the poor or vulnerable, to the social policy domain alone; they want to be recognized as legitimate contributing economic agents by policymakers who frame both macro-economic and sector-specific economic policies. This necessitates extending the scope of labour laws to categories of workers traditionally excluded (e.g. domestic workers, home-based workers, agricultural workers) and/or amending laws so they cover the full range of relationships under which work is performed.

## Economic Rights

The working poor in the informal economy need and demand a wide range of labour, commercial, and land-use rights in order to: improve their employment arrangements and secure their livelihoods; make their economic activities more productive; and use their representative voice to achieve appropriate changes to the wider institutional environment that affects their work and livelihoods.<sup>2</sup>

Social Rights, including Social Protection

Social protection coverage must be extended to all workers in the informal economy through social assistance and/or social insurance mechanisms, as part of universal social security. ILO member states should commit to this by adopting clearly elaborated Social Protection Floors. This includes rights to housing, education,

health, food security, water, sanitation and social protection against the core contingencies of illness, disability, old age, and death, and against work-related risks. Maternity and child care should be addressed as a priority due to the over-representation of women in the informal economy.

## DIFFERENT CATEGORIES: DIFFERENT MEANINGS AND IMPLICATIONS

Formalization has different meanings and implications for different categories of informal workers. The diversity of actors in the informal economy should be recognized. The informal economy includes economic units, self-employed workers (a majority of whom are own-account workers striving for survival, with a small minority being entrepreneurs) and wage workers who work informally in either informal or formal enterprises but whose rights as workers are denied. Informality also occurs along global supply chains, where sub-contracted workers are deprived of decent working conditions.

For the self-employed, formalization should not mean just obtaining a license, registering their accounts, and paying taxes – these represent, to them, the costs of entry into the formal economy. In return for paying these costs, they should receive the benefits of operating formally, including: enforceable commercial contracts; legal rights to a secure place of work and means of production; access to markets; preferential prices for social enterprises and worker-controlled cooperatives; membership in trade associations or other associations of their choice; protection against creditors; and social protection.

For informal wage workers, including those who work informally in precarious jobs in formal enterprises, formalization means obtaining a formal wage job – or formalizing their current job – with a secure contract, worker benefits, membership in a formal trade union, and employer contributions toward their social protection. It is important to highlight that formalizing wage work requires a focus on employers, as they are more likely than employees to avoid compliance with labour regulations. In this context, it should be noted that many informal wage workers work for formal firms and households, not just for informal enterprises.



1. 1 Clause 4 of the ILO Resolution on Decent Work & the Informal Economy, 2002, <http://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/pr-25res.pdf>

2. 2 It should be noted that labour rights are premised on the notion of an employer-employee relationship. But many of the working poor are self-employed. For them, traditional labour rights are not always relevant. Instead, the basic right to pursue a livelihood, as well as commercial rights, are of greater relevance and importance.

## ORGANIZING AND LABOUR RIGHTS

### Formalization of Labour Rights

Initially, all trade unions were formed by informal workers, since the entire economy was informal at the time trade unions were first organized. Trade unions were, and still are, self-help organizations of workers who, through collective action, seek to regulate their wages and working conditions so as to eliminate the worst forms of exploitation, i.e., to formalize an informal situation.<sup>3</sup>

For workers in the informal economy to exercise their full labour rights, legal recognition and practical integration of their right to be represented by worker-controlled organizations of their own choice is essential. They must be able to regulate their working conditions through collective bargaining processes that involve democratically elected representatives of these worker organizations (not representatives of other trade unions on their behalf).

Workers in the popular or social solidarity economy need to enjoy the right to work in cooperatives while being legally recognized as workers.

Governments need to start giving effect to formalization processes by de-criminalizing all subsistence economic activities that are not inherently criminal in nature.

Youth Entry into Labour Market

Policies are needed to ensure youth can become fully integrated in labour markets with protection against becoming another vulnerable sector of the labour force.

Defense of Decent Jobs

To avoid counterproductive effects, governments should do away with SEZ (Special Economic Zones) exemptions or other measures that create further informalization.

## VOICE AND BARGAINING POWER

### Formalization of Representation:

#### Nothing For Us Without Us!

Negotiation as Opposed to Consultation  
Consultation allows people's voices to be heard, but does not carry any obligation to reach agreement – it may not even link with what is implemented afterward. Consultation can lack continuity – it can be a once-off exercise – and does not necessarily empower those consulted or alter power relations. The party initiating a consultation controls the process, the outcome, and all future actions based on the issues raised. Negotiation, on the other hand, takes place on a level playing field on which all parties engage with a view to reaching mutually acceptable agreements. In negotiations, vulnerable constituencies use their collective strength to exert a sufficient level of choice and control, affecting a suitable outcome.

The most direct form of negotiations is bilateral negotiations between two parties. However, sometime it is appropriate for a number of parties with a common agenda to negotiate jointly with an authority. For example, multiple actors (e.g. municipality, suppliers, and enforcement agencies) typically exert control over the lives and work of street vendors. Thus it often makes sense to enter into multilateral

3. 3 Gallin, D. 2012. Informal Economy Workers and the International Trade Union Movement: An Overview. Geneva: Global Labour Institute

negotiations in a joint collective bargaining forum where multiple layers of controls can be simultaneously addressed. Furthermore, street vendors are often represented by many associations in the same area.

The municipality may not want to negotiate with each of them separately (which can lead to inconsistency, confusion and even conflict). In such a circumstance, multilateral negotiations between the authority and many different representative organizations are often the best way to achieve effective results.

#### Creating New Bargaining Forums

Existing bargaining forums are designed to address workers with formal employment relationships. They do not lend themselves to addressing the issues faced by vulnerable constituencies of workers in the informal economy. New, appropriate bargaining forums must be created and enshrined in law, and there must be sufficient budgetary provision for them to function effectively. This requires designing the rules of participation, establishing criteria for determining the issues for negotiation, and envisaging how such new forums will engage with the wider policymaking and regulatory frameworks so that these become a meaningful part of participatory decision-making.

#### Direct Representation in Tripartite Forums

Systems of representation of workers in the informal economy by formal economy representatives in tripartite forums need to be replaced by the direct representation of workers in the informal economy themselves. This will improve the legitimacy of such forums in changing labour markets and in a changing world of work. A model for consideration has emerged in South Africa. The National Economic, Development & Labour Council (NEDLAC) Tripartite Plus model has a Community Constituency in addition to the three traditional partners: government, employers and trade unions. In contrast, at the International Labour Conference (ILC), the tripartite structure has been retained – and in recent years, organizations of workers in the informal economy have found space for direct representation in the Workers' Group, and used this space while strengthening the alliance between workers in the formal and informal economies.<sup>7</sup>

## LEGAL IDENTITY AND STANDING

### Formalization in Labour Market Policy and Legislation

#### Legal Protection

There is a growing commitment in development policy circles to extending legal protection to workers in the informal economy. In its final report, entitled *Making the Law Work for Everyone*, the United Nations Commission on Legal Empowerment for the Poor prioritized three areas of legal rights and empowerment: property rights, labour rights, and business rights.<sup>4</sup>

Most informal workers are not protected under existing labour regulations (which are premised on an explicit employer-employee relationship) and most informal enterprises are not covered under existing commercial or business laws (which are premised on a formal commercial contract). Further, many informal economic activities are governed by local government regulations. Activities of the urban informal workforce are governed in large part by urban planners and local governments, which

4. Commission on Legal Empowerment for the Poor (CLEP). 2008. *Making the Law Work for Everyone*. New York: UN DP.

5 For example, where an intermediary and the end firm are held jointly responsible for ensuring compliance with employment laws and regulations, the worker can make a claim against either of the parties. It becomes the responsibility of the parties to sort out their respective liability and payment.

set rules and determine norms and practices about who can do what, and where. Often the rules are framed or interpreted in ways that discourage or ban informal activities without providing any acceptable alternatives, thus destroying the livelihoods of informal workers.

#### Legal Recognition

Governments need to recognize all workers in the informal economy, including own-account workers, as workers – and not as entrepreneurs or a parallel sector of undefined economic operators on the margins of the labour market. Governments need to recognize that such workers have come to form a majority of the global labour market.

#### Appropriate Legal Frameworks

Extending legal protection to informal workers will require rethinking and reforming existing legal regimes in most countries. The working poor in the informal economy need new or expanded legal frameworks to protect their rights and entitlements as workers, including the right to work (e.g. to vend in public spaces), labour rights, commercial rights, and land-use rights. Labour legislation needs to be revised to include the right of own-account workers to have their representative organizations registered as trade unions with the right to negotiate with relevant authorities and to access simple statutory dispute procedures. In addition, laws need to be effectively applied in cases of disguised employment relationships, or where joint and several liability<sup>5</sup> applies in triangular employment relationships.

## ECONOMIC RIGHTS

### Formalization in the Economy

Workers in the informal economy, including own-account workers, play an important role in local and national economies by helping to reduce unemployment and improve both the GDP and social stability.

The following factors should be embraced to recognize this contribution:

#### Favorable Policy Environment

The economic policy environment needs to be supportive of informal operators, especially the working poor, rather than being blind to them or biased against them. This requires addressing biases in existing economic and sector policies, as well as designing and implementing targeted policies. It also requires ensuring that macro policies do not create the conditions for increasing informalization, and that government procurement creates demand for the goods and services produced by informal enterprises and workers.

#### Improved Terms of Trade

To compete effectively in markets, the working poor need not only resources and skills but also the ability to negotiate favorable prices and wages for the goods and services they sell, relative to the cost of inputs and their cost of living.

#### Social Solidarity Economy

A new economic sector is emerging governed by principles and values of social responsibility, entrepreneurship and solidarity, and this is vital to the development of democracy and economic citizenship<sup>6</sup>.

6 StreetNet resolution on the Social Solidarity Economy adopted at the Third StreetNet International Congress in Cotonou, Benin, in August 2010.

7 There is currently no agreement on the appropriate role of government, the degree of government responsibility and public expenditure, and the mix of private versus public insurance and provision.

A strong Social Solidarity Economy consistent with the objectives of social inclusion and decent work should be built by promoting enabling policies and laws and through the provision of resources and support programs including financial support, information and advice, training, research and innovation. Cooperatives, mutual societies, associations and other organizations should be encouraged and practically supported in the development of a popular economy workers' alliance.

## SOCIAL RIGHTS INCLUDING SOCIAL PROTECTION

### Extension of Social Protection

Social protection is high on the development policy agenda in the aftermath of the global economic crisis, which undermined livelihoods in the informal economy. In June 2012, the ILC adopted Recommendation 202 on Social Protection Floors that would cover people at all stages of the life cycle and be comprised of a combination of cash transfers and access to affordable social services, especially health care.

There is a need to:

- prioritize extension of social protection coverage to excluded groups of workers and their families
- adapt both social and private insurance to incorporate informal workers by providing fiscal and other incentives for their affiliation
- coordinate diverse forms of protection and ensure universal pensions and health coverage.<sup>7</sup>

#### Protection Against Risk and Uncertainty

The working poor need protection against the risks and uncertainties associated with their work, as well as against the common core contingencies of illness, disability, property loss, and death.

#### Specific Protection for Women

Women working in the informal economy need maternity leave so that they do not have to work immediately following delivery. The issue of child care is also a priority, given the overrepresentation of women in the informal economy. Measures are needed for the prevention of abuse of women, who form the majority of workers in many sectors of the informal economy.

#### Occupational Health & Safety at the Workplace

According to the ILO, a "workplace refers to any place in which workers perform their activity".<sup>8</sup>

In the process of formalization, the obligation to provide healthy and safe workplaces needs to extend to all workplaces, including the public space where many workers in the informal economy conduct their economic activities. Protection against work-related risks (theft, fire, floods, and drought) must also be a factor.

What Formalization Should NOT Mean

- costly registration and tax requirements without the rights, benefits or protections that should accompany formalization

- taxation or registration of informal enterprises without benefits, including:

- a flat taxation system where own-account workers pay the same taxes as big businesses

- an obligation to register with different departments in

cumbersome procedures

- unilateral decisions made by authorities, especially to impose:  
 - unrealistic educational requirements for informal workers  
 - unrealistic legal requirements for informal workers  
 - preconditions that are difficult to meet  
 - costly requirements that are unaffordable for most informal workers

- formalization which criminalizes/persecutes those who cannot achieve prescribed levels

- discrimination against women, foreign nationals, people with disabilities, etc.

- fiscal and taxation schemes which privatize public goods

- registration as individual entrepreneurs, which denies access to collective workers' rights

- formalization in which those with more resources have the same responsibilities as those who remain with no resources

- formalization which creates a "closed shop" system with a new elite "in-group" collaborating with authorities to keep out "outsiders" trying to claim/defend their rights

- generation of new exclusions, problems and costs

- preferential recognition of yellow unions in the informal economy

- abuse of child labour

- promotion of pseudo-cooperatives

- handling charges for migrant workers, leading to legalized racial discrimination

## SECTOR-SPECIFIC DEMANDS FOR FORMALIZATION

As there are different sectors in the informal economy, the workers in the different sectors of the informal economy have some very sector-specific proposals about the kind of formalization they would like to see. Workers from four of these sectors have provided extensive input about what they would like to propose.

Each of these four groups demand, first, recognition as workers who make a valuable contribution to the economy and society as part of the economically active population; second, the right not to be subjected to punitive regulations, policies, or practices; and third, the right to enjoy specific promotional and protective measures, including protection against exploitation by intermediaries.

#### Domestic Workers Demand:

- freedom from harassment or abuse by recruiters or employers
- freedom from exploitation by agencies and intermediaries
- implementation of the Domestic Workers' Convention and accompanying Recommendations as a minimum set of conditions in every country
- the right to a living wage and working conditions such as time off and leave, overtime pay, sick leave, health insurance, and pensions
- the right to have workplaces controlled and subject to

- inspection
- decent living conditions where live-in arrangements are part of the employment contract
- access to education, recreation and leisure time
- no child labour (albeit disguised as family labour)
- migrant workers' contracts concluded before leaving home countries
- full and equal rights for migrant domestic workers

### Home-Based Workers Demand:

- (and the demands differ, in part, for self-employed or sub-contracted workers)
- freedom from forced relocations and zoning restrictions (all)
- social protection, including maternity grants (all)
- child care facilities to enable workers to work undisturbed (all)
- protection from being subjected to poor quality raw materials, arbitrary cancellation of work orders, arbitrary rejection of goods, or delayed payments (sub-contracted)
- the right to basic infrastructure services – water, electricity, sanitation – at their homes, which are their workplaces (all)
- access to markets for their goods and services (self-employed)
- the right to fair prices in markets (self-employed), and fair piece-rates (sub-contracted)
- the right to secure, transparent contracts – work orders (sub-contracted) and commercial transactions (self-employed)
- occupational health & safety training, business skills training (self-employed)
- no double taxation (self-employed)
- land/space/venues for working collectively (self-employed)

### Street Vendors Demand:

- freedom from harassment, confiscation of goods, evictions, arbitrary warrants and convictions, arbitrary relocations, unofficial payments and/or bribes
- freedom from fear of authorities and mafia elements
- freedom from exploitation by intermediaries who take high fees
- the right to have natural markets of street vendors recognized and built into urban zoning and land allocation plans
- the right to vend in public spaces under fair and reasonable conditions (which balance competing rights of different users of public spaces) and to maintain natural markets
- the right to fair and transparent allocation of permits and licenses
- the right to appropriate sites near customer traffic
- if relocated, provision of suitable alternative sites near customer traffic
- the right to better services and infrastructure at their vending sites, including shelter, water, sanitation, and storage facilities
- provision of infrastructure, including special infrastructure for vendors with disabilities
- provision of protection centers to keep children out of child labour
- education on trading bylaws and local government systems
- access to user-friendly service-providers
- simplified taxation systems
- simplified regulations for informal cross-border traders

### Waste Pickers Demand:

- freedom from harassment, bribes, and evictions by city authorities
- the right to access recyclable waste without restrictions
- access to markets
- provision of infrastructure
- recognition for their economic contribution and

- environmental service to communities
- the right to access recreational community facilities
- provision of protection centers to keep children out of child labour
- freedom from fear of authorities and mafia elements
- freedom from exploitation by intermediaries who take high fees
- the right to fair and transparent price-setting in the recycling chain
- inclusion in modern waste management systems, and access to equipment and infrastructure for collecting, sorting and storage
- the right of their organizations to bid for solid waste management contracts
- cooperatives and Social Solidarity Economy system
- recognition of their labour as service providers and right to be paid for their service
- the right to ensure solid waste collection is not private but managed by mixed systems between governments and waste pickers' associations (cooperatives, associations, unions)
- an end to the use of incineration and harmful landfill disposals technologies
- promotion of segregation, recycling and composting as ways to secure workers' income

In addition to the above-mentioned four sectors, other sectors of workers in the informal economy who need to be considered in the Recommendation include fisher-people, agricultural sector workers including those in family agriculture, artisan craftspeople, temporary workers, construction sector workers, workers in cooperatives and worker- controlled enterprises, informal transport sector operators, traffic-light workers, etc.

All informal workers – whether wage workers or self-employed workers – in all sectors must have access to basic organizing and labour rights, voice and bargaining power, legal identity and standing, economic rights and social rights, including social protection. Furthermore, it is imperative that informal workers across sectors and in all global regions have input into what formalization, in fair terms, will require.

#### Annex 1: Definition of Informal Employment<sup>9</sup>

Informal employment is all employment without social protection (i.e., has no employer contributions) and is comprised of:

- Self-employment in informal enterprises: self-employed persons unincorporated and unregistered or small enterprises, including:
  - employers
  - own-account operators
  - unpaid contributing family workers
  - members of informal producer cooperatives

- Wage employment in informal jobs: wage workers without social protection through their work who are employed by formal or informal firms (and their contractors), by households, or by no fixed employer, including:
  - employees of informal enterprises without social protection
  - employees of formal enterprises without social protection
  - domestic workers without social protection
  - casual or day laborers
  - industrial outworkers (also called homeworkers)

## CONTRIBUTORS TO THE PLATFORM

Representatives from many informal worker organizations and supporters have contributed to the development of this Platform, through participation in three regional workshops

and/or in the WIEGO Network Working Group on Transitioning from the Informal to the Formal Economy.

AFRICA • Ghana Trades Union Congress • Ghana • Informal Hawkers and Vendors Association of Ghana (I HVAG) (StreetNet) • Ghana • Syndicat national des travailleurs domestiques (SYNTRAD) (IDWF) • Guinea • Kenya National Alliance of Street Vendors and Informal Traders (KENASVIT) (StreetNet) • Kenya • Confédération Nationale des Travailleurs du Sénégal (CNTS) (StreetNet) • Senegal • Syndicat Autonome des Travailleurs de l'hôtellerie, de la Restauration et des branches connexes (SATHR) (IDWF) • Senegal • Congress of South African Trade Unions (COSATU) • South Africa • South African Domestic Service and Allied Workers Union (SADSAWU) (IDWF) • South Africa • South African Informal Traders Alliance (SAITA) • South Africa • South African Self-Employed Women's Association (SASEWA) • South Africa • South African Transport and Allied Workers Union (SATAWU) • South Africa • South African Waste Pickers Association (SAWPA) • South Africa • Syndicat des Vendeurs de Matériaux de Construction du Togo (SYVEMACOT) (FAINATRASIT, Togo) (StreetNet) • Togo • Zimbabwe Chamber of Informal Economy Associations (ZCIEA) (StreetNet) • Zimbabwe • IndustriALL Global Union, Sub-Saharan Regional Office • Region • International Labour Organization (ILO): Pretoria • Region

ASIA • Labour in Informal Economy (LI E) (StreetNet) • Bangladesh • Independent Democracy of Informal Economy Association (I DEA) (StreetNet) (I DWF) • Cambodia • Federation of Asian Domestic Workers Unions (I DWF) • China (Hong Kong) • Chintan Environmental Research and Action Group • India • Kagad Kach Patra Kashtakari Panchayat (KKPKP) Trade Union of Waste Pickers • India • National Domestic Workers Movement (NDWM) • India • National Association of Street Vendors of India (NASVI) (StreetNet) • India • Self Employed Women's Association (SEWA) (StreetNet) (IDWF) • India • Stree Mukti Sanghatana, Mumbai (SMS) • India • Jala PRT • Indonesia • General Federation of Nepalese Trade Unions (GEFONT) • Nepal • Foundation for Labour and Employment Promotion (FLEP) • Thailand • HomeNet Thailand (HNSEA) • Thailand • State Enterprise Workers' Relation Confederation (SERC) • Thailand • Thai Labour Solidarity Committee (TLSC) • Thailand • HomeNet Southeast Asia (HNSEA) • Region • International Labour Organization (ILO), Bangkok • Region

LATIN AMERICA • Asociación Sindical Vendedores Libres (CTEP) • Argentina • La Confederación de Trabajadores de la Economía Popular (CTEP) • Argentina • Cooperativa de Artesanos El Adoquín (CTEP) • Argentina • Cooperativa Los Pibes (CTEP) • Argentina • Federación de Cartoneros • Argentina • Lola Mora • Argentina • Movimiento Nacional Campesino Indígena (MNCI) (CTEP) • Argentina • Movimiento de Trabajadores Excluidos, Chacarita (MTE) (CTEP) • Argentina • Movimiento Evita (CTEP) • Argentina • Trabajadores Independientes de «La Salada» (CTEP) • Argentina • Unión Personal Auxiliar de Casas Particulares (UPACP) (IDWF) • Argentina • Movimiento Nacional dos Catadores de Materiais Recicláveis (MNCR) (RedLacre) • Brazil • Movimiento Sin Tierra (MST) • Brazil • Movimiento Nacional de Recicladores de Chile (MNRCH) (RedLacre) • Chile • Asociación de Recicladores de Bogotá (ARB) (RedLacre) • Colombia • Asociación Nacional de Recicladores (ANR) (RedLacre) • Colombia • Sindicato Nacional de Trabajadoras del Servicio Doméstico (SINTRASEDOM) (IDWF) • Colombia • Red Nacional de Recicladores de Ecuador (RENAREC) (RedLacre) • Ecuador • Federación Nacional de Trabajadores y Vendedores Independientes de Guatemala (FENTRAVIG) (StreetNet) • Guatemala •

Confederación de Trabajadores por Cuenta Propia (CTCP) (StreetNet) • Nicaragua • Federación Departamental de Vendedores Ambulantes de Lima y Callao (FEDEVAL) (StreetNet) • Peru • Red Nacional de Trabajadoras y Trabajadores Auto-empleados • Peru • Asociación de Feriantes de Ferias Especiales (AFFE) (StreetNet) • Uruguay • Unión de Clasificadores de Residuos Sólidos Urbanos Sólidos (UCRUS) (RedLacre) • Uruguay • La Confederación Latinoamericana de Trabajadoras del Hogar (CONLACTRAHO) • Region

#### INTERNATIONAL

International Domestic Workers Federation (I DWF) International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association (I UF) StreetNet International Women in Informal Employment: Globalizing and Organizing (WIEGO)

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# INFORMAL WORK IN ARAB COUNTRIES

05

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## INTRODUCTION

Informal work is no marginal problem in a world heading towards organization. It is a characteristic of a globalized economy and a modern division of labor. Discussing informal work in the Arab World during the Arab Spring upheavals has special resonance. Peruvian economist Hernando De Soto has said that developments in the Middle East have been a result of a revolution led by informal workers and precarious youths. Those are people who have been pushed outside the legitimized system and want to work in one that supports them and allows for their mainstreaming. However, this system is yet to be engineered<sup>1</sup>. De Soto played a role in shaping Egypt's policies on informal work before the country's revolution broke out.

The surge in interest towards informal work following the Arab Spring echoes the introduction to the 1919 International Labor Organization (ILO)'s "constitution," which states that permanent world peace cannot be achieved except if founded on social justice<sup>2</sup>. The body underscored that "an improvement of those (work) conditions is urgently required," because "conditions of labor exist involving such injustice, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperiled."

## DEFINITION, PRINCIPLES, LEGAL FRAMEWORKS AND DEVELOPMENT TRACKS OF THE INFORMAL SECTOR

### On Definitions

Terms related to the informal sector<sup>3</sup>, informal labor and employment, and the informal economy are subject to major confusions that must first be reviewed and clarified. These confusions stem from a political economy standpoint. The terms appeared in the mid-1960-s to replace the term "traditional sector," which is not regulated by labor relations governed by contracts and laws protective of laborers' rights. Analyses showed that forms of labor in this sector were not likely to get regulated in a capitalist economy; actually, they acquired their own growth, becoming mostly non-agricultural jobs in developing countries (half to three quarters). Their size grew at a larger rate, even in developed countries<sup>4</sup>. This development is naturally tied to the progress of the economy's nature and its shift from intensive production in large companies to flexible production units and employment patterns. Then came the 1980s and 1990s with their economic crises (the crises of Asian Tigers, Latin American countries, the aftermath of the Berlin Wall's fall) to highlight that employment in the informal sector tends to increase during crises and has become a characteristic of the globalized economy.

In the beginning, the term "informal sector" appeared to monitor the sector's contribution – which was obvious in many countries - in the economy and in national accounts (for example, the account of gross domestic product). The difference between the informal sector and the concept of economic activity - as in agriculture or industry - was clarified. Hence, this definition was created according to productive units with similar targets and characteristics, as

1. Stan Alcorn: Hernando De Soto on the Middle East's "informal" revolution; Marketplace, June 20, 2011, <http://www.marketplace.org/topics/business/economy-40/hernando-de-soto-middle-east-informal-revolution>

2. [www.ilo.org/public/french/bureau/leg/download/constitution.pdf](http://www.ilo.org/public/french/bureau/leg/download/constitution.pdf)

3. This study uses the term "informal" instead of "unorganized" because the latter carries pejorative insinuations.

4. Women and Men in the Informal Economy: A statistical picture; ILO report 2002.

5. Resolution concerning statistics of employment in the informal sector, endorsed by the Fifteenth International Conference of Labor Statisticians; January 1993.

if differentiating between private and public sectors. The 15th International Conference of Labor Statisticians (ICLS) upheld in 1993 a tentative statistical definition<sup>5</sup> for the informal sector<sup>6</sup>, which was introduced later to the System of National Accounts (SNA, 1993). This definition included all non-agricultural small production units, which are not formally registered and are owned by individuals or households (especially freelancers), producing tradable commodities or services, and including one or more individuals. Somehow, this definition restricted the informal sector to divorce itself from the households sector<sup>7</sup> in the system of national accounts. However, this statistical definition included very different things, both economically and socially: From activities redressing need (to work and subsistence) to those eschewing taxes and laws (especially labor laws) and even those linked to criminal activities and corruption. Also, measuring employment in the informal sector is far from monitoring all sorts of informal work, which have been growing even in the formal sector and developed countries.

Furthermore, the 15th International Conference of Labor Statisticians suggested a definition<sup>8</sup> for informal work or employment from ILO's viewpoint; the definition was discussed and endorsed during the 2002 International Labor Conference (ILC)<sup>9</sup>, becoming part of the referential SNA in 2003<sup>10</sup>. This definition included all forms of informal employment in formal, informal and household sectors. It was developed around the job/work itself, not the working individual, since the latter can theoretically take on many jobs, both formal and informal. Hence, informal work included the sorts shown in Figure 1. Later on, however, the ILO introduced the term informal economy to indicate this definition of informal work. This caused confusion among non-specialists. Work relations and rights ceased to be the focus of concern, giving way to informal work's contribution to the economy and addressing needs. This occurred despite informal employment relying on labor surveys in the informal sector in national accounts of productive units. Regarding awareness of the expansion of the informal economy and the fact that it accounts for most jobs, especially in developing countries, the ILO asked in 1991: "Should the unstructured sector be preferred because it provides work and income, or should we, on the contrary, work on enforcing existing regulations and social welfare to this sector while risking reducing its abilities to provide economic activities to a growing population?" The ILO's focus gradually shifted from monitoring the implementation of international conventions and attempting their expansion to include informal work (this did not happen before 1999) to seeking "decent work" and the right to work for all, including the informal sector, by encouraging micro-firms. Applying an ethical and moral description of work instead of a rights-based one increased confusion.

Kind of Production Unit	Employment according to work condition									
	Self-employed		Employees		Contributing household members		Wage earners		Producer/Cooperative members	
	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal
Formal Sector (A)										
Informal Sector (B)										
Household Sector (C)										

Figure 1: A Conceptual Framework of Informal Work

(A) According to the 15th ICLS in 1993.

(B) Households producing commodities for their own private consumption and households hiring domestic workers. Black filling indicates that according to the definition, the employment sort is not included in the involved production firm.

6. Ralf Hussmanns: Defining and measuring informal employment; ILO, 2002.

7. However, it is a part that should produce services or services that are tradable in the market, not only privately usable by the household.

8. The decent work and the informal economy; report VI, ILO, International Labor Conference, 90th session, 2002.

9. Guidelines concerning a statistical definition of informal employment, The Seventeenth International Conference of Labor Statisticians (ICLS), 2002.

10. In the 17th International Conference of Labor Statisticians (17th ICLS).

11. Ralf Hussmanns; ILO, 2002, op. cit.

Grey filling indicates that according to the definition, the employment sort is included in the involved production firm  
White fillings are the center of attention because they indicate all sorts of informal work.

Cells 1 and 5: Contributing household workers: No work contracts, social security or legal protection linked to this sort of employment (contributing household workers who have work contracts, salaries, social security, etc. are considered formal workers).

Cells 2 and 6: Workers in informal work.

Cells 3 and 4: Workers on their own and employers who own informal firms. The nature of their informal work stems from the characteristics of their firms.

Cell 7: Formal workers in informal firms (this may happen when an unregistered firm is considered informal just for being small).

Cell 8: Members of producers' cooperatives: The nature of their informal work stems directly from the characteristics of their cooperatives.

Cell 9: Producers of commodities for private consumption within households if considered workers according to the international definition.

Cell 10: Paid domestic workers hired by households in informal jobs.

### Civil Society Organizations

The most important civil society organization (CSO) involved in this matter was created in 1997; it is called Women in Informal Employment: Globalizing and Organizing (WIEGO) and was conceived by development activists and researchers who shared concerns that workers in the informal sector, especially women, were not being understood and their contribution not appreciated or supported by neither political circles nor the international development community. This organization played a key role with the ILO and groups of experts (especially the Delhi Group) in clarifying the concepts of informal work and its universality. Hence, ever since its creation, it participated in joint research efforts leading to the endorsement of the concept of informal work in 2002 in a joint report.

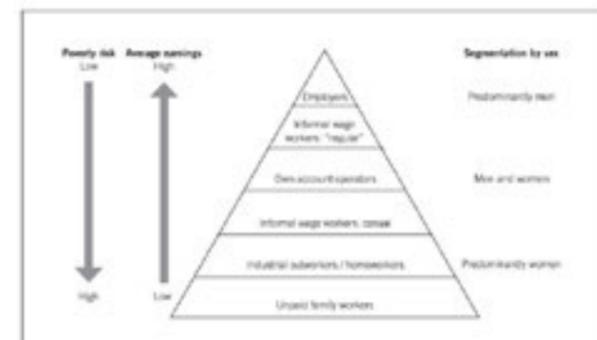
The most important finding of this effort was its highlighting of the need to divide informal work to self-employment and paid work for the purpose of facilitating analyses and policymaking. It included:

- Self-employment: Employers in informal firms (4 in Figure 1), self-employed workers in informal firms (3 in Figure 1), contributing household workers (in formal and informal firms) (1 and 5 in Figure 1), and members of informal cooperatives (8 in Figure 1).
- Informal Paid Work: Workers in informal firms (6 in Figure 1), discontinuous or day workers, temporary workers or part-timers, paid domestic workers (10 in Figure 1), contracted workers, unregistered or undeclared workers, and home workers and subcontractors.

This organization contributed to the endorsed model (Figure 1) on informal employment, which stemmed from the international classification of work positions (employer, dependent employee, self-employed, unpaid household worker, and member of productive cooperatives). However, it added two other categories: day or discontinuous workers, and home workers as subcontractors. These work positions were monitored according to economic risks (risking losing work or income) and authority (over the firm or workers). Field investigations showed ties between informality and

poverty and gender - see Figure 2.

Figure -2 WIEGO Model for Informal Work: Income hierarchy



and poverty risks according to work position and gender Labor Unions

The labor movement developed with the quick growth of industrialized societies (in other words, modern economy) in the 18th century, primarily because said growth brought in women, children, farming workers and immigrants to the labor force (urbanization). Contrary to trade associations (guilds), which preceded unions in medieval ages, the labor movement pooled contributions by those many unqualified or poorly qualified workers and organized their struggle for better work conditions and access to rights. These contributions allowed for health insurance and increased livelihoods during upheavals. The movement's history is that of a struggle for the right to collective negotiation on work rights at the level of firms or even nations.

The Universal Declaration of Human Rights established the right to association (Article 23, Paragraph 4: "Everyone has the right to form and to join trade unions for the protection of his interests"), which was recognized by most national constitutions; unions came into being worldwide, including in developing countries. However, the activities of most of these unions have come to be restricted to defending formal work in larger firms, whether in the public or private sectors. The unions did not do much to regulate workers in informal sectors and defend their rights, despite these workers being the least protected by social security.

The ILO's Bureau for Workers' Activities drew attention to this matter, especially during preparations for the first seminar on relations between unions and informal work. It underscored the fact that current unions were still unclear in their involvement with informal workers, refuting the argument that they were not important for such unions and highlighting the history of unions. The discussion of the matter noted that there existed "a conflict of interests between the formal and informal sectors; the formal sector has privileges and security that informal work threatened." This encourages deterioration in relations between capital (formal by default through its market) and work (mostly informal and suffering conflicting interests), unless unions are formed to regulate collective negotiations about informal work, independently or through existing unions.

In fact, many such unions that regulate informal work and defend its interests were established, and they played a major role in WIEGO which had then been active in defining informal work and defending its rights. Remarkably, such unions did not come into being in Arab countries.

### International Standards about Informal Work

Growing awareness about the size of informal work and its ongoing expansion started a major controversy in organizations tasked with developing international standards that were led, evidently, by the ILO, a member of the United Nations. These standards dealt with ways to specify the nature and measurement of this sector and the points that should be agreed on to provide workers in this sector a form of security. Hence, the ILO's director general presented in 1999 a report in which he introduced the concept of "decent work" to deal with the challenges of informal work under globalization and the intrinsic changes it introduced to relations among governments (whose role was decreasing and which were pressured by neoliberalism to exit productive sectors and shrink their own bureaucracies), employers (who called for "flexible" work) and workers. The report set the organization's goals, saying: "the primary goal of the ILO today is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity." It highlighted four pillars for what later became an Agenda of Decent Work upheld by the ILO: The promotion of employment, social security, 3) social dialogue, and, rights at work. In 2009, following the world economic crisis, the director general stressed that the crisis was the climax of unfair globalization and increasing income inequalities under policies that curbed the state's role and failed to respect work decency and the importance of social justice; he added that any economic revival needed policies promoting decent work.

Since their endorsement by the 86th International Labor Conference in 1998 as part of the Declaration on Fundamental Principles and Rights at Work, the four pillars of the ILO's contribution to decent work have been linked to historical references and standards. Encouraging employment brings back to mind the right to full employment, which is guaranteed by most constitutions, including some in the Arab world. The second pillar recalls the right to social security and healthy work conditions. The third pillar underscores the right to forming and joining unions and the right to collective negotiations (including the right to strike). The fourth pillar deals with the so-called Core Labor Standards of the ILO; i.e., ending child labor, forced labor, discrimination and inequality at work, while encouraging the freedom of gatherings.

Many conventions regulate these basic work standards including: Convention 1948) 87) on Freedom of Association and Protection of the Right to Organize, Convention 98 1949)) on Freedom of Association and Collective Bargaining, Convention 1930) 29) on Forced Labor, Convention 1957) 105) on the Prohibition of Forced Labor, Convention 1973) 138) on the Minimum Age of Work, Convention 1999) 182) on the Worst Forms of Child Labor, Convention 1951) 100) on Equal Remuneration, and Convention 1958) 111) on the Reduction of Discrimination in Employment. The ILO considers enforcement of these conventions by signatory states a basic standard in informal and indecent work.

Figure 3 shows these basic standards and the moment when Arab states endorsed them. It should be noted that Gulf States, except Kuwait, have not endorsed the two conventions on unions and collective negotiations. Many states have not signed Convention 100 on equal remuneration. As for

respecting these standards, some Arab states endorsed these conventions since promulgation or independence but failed to endorse them fully. In fact, the Declaration on Fundamental Principles and Rights at Work stipulates that all ILO member states "even if they have not ratified the conventions in question, have an obligation arising from the very fact of membership in the organization to respect, to promote and to realize, in good faith and in accordance with the constitution, the principles concerning the fundamental rights which are the subject of those conventions."

The importance of basic principles and rights in efforts towards decent work were underscored in the ILO Declaration on Social Justice for a Fair Globalization, which was endorsed in the 97th International Labor Conference in 2008. The declaration relied on ILO's 1998 Declaration and Philadelphia Declaration (1944), which stated that "poverty anywhere constitutes a danger to prosperity everywhere" and that "all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity." Hence, the declaration obliged the ILO and member states "to place full and productive employment and decent work at the center of economic and social policies." It said the four strategic objectives of the Agenda of Decent Work "are inseparable, interrelated and mutually supportive." Recently, the ILO published a guide for policies in this regard, which relied on the Global Jobs Pact endorsed by the 98th International Labor Conference in 2009.

Country	ILO Convention	Universal Declaration		Freedom of Association		Forced Labor		Minimum Age of Work		Equal Remuneration	
		1948	1948	87	98	29	105	138	182	100	111
Algeria	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Bahrain	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Comoros	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Djibouti	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Egypt	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Iran	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Jordan	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Kuwait	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Lebanon	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Libya	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Morocco	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Mauritania	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Oman	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Qatar	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Saudi Arabia	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Tunisia	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948
Yemen	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948	1948

Figure -3 Basic UN and ILO Standardized Regulations for Informal Employment and Endorsements by Arab States

### INFORMAL EMPLOYMENT, HUMAN RIGHTS AND CIVIL SOCIETY

Growing awareness that informal employment is not a scourge, but a feature of the globalized neoliberal economy and its modern production relations that transcends the traditional role of unions, pushed some researchers and labor rights activists to go beyond existing proposals at the ILO, in order for the problematic to be understood more universally within basic human rights in general and economic and social human rights in particular. This approach culminated with the UN General Assembly's endorsement in 2008 of the optional protocol annexed to the International Covenant on Economic, Social and Cultural Rights (ICESCR), which established the first international system outside the ILO for complaints against violations of economic and social rights, including the right to decent work.

12. www.wiego.org  
13. Note that this organization does not include any researchers or unions of informal workers in the Arab world.  
14. Organized since 1997 under the sponsorship of the United Nations Statistics Division. See <http://unstats.un.org/unsd/methods/citygroup/delhi.htm>.  
15. The organization continues to prefer the term informal work to the term informal economy.

16. Women and men in the Informal Sector: A statistical picture; ILO & WIEGO, 2nd edition, 2013.  
17. Trade unions in the informal sector: finding their bearings. Nine country papers. ILO, Labor education, 1999/3, no 116.  
18. C. S. Venkata Ratnam, India; in Trade unions in the informal sector: finding their bearings, 1999, op. cit.

19. www.wiego.org/wiego/wiego-institutional-members  
20. www.ilo.org/public/english/standards/relm/ilc/ilc87/rep-1.htm  
21. Arguing that decent work here means various ways with which people contribute to the economy and society.  
22. Tackling the global jobs crisis: Recovery through decent work policies; report of the Director General, ILO, 98th session of the International Labor Conference, 2009.  
23. www.ilo.org/wcmsp5/groups/public/---ed\_norm/---declaration/documents/publication/wcms\_095898.pdf

24. This is the subject of Convention 122 of 1964, which was endorsed by some Arab countries - Algeria, Comoros, Djibouti, Iraq, Jordan, Lebanon, Libya, Morocco and Mauritania.  
25. Jordan's constitution, for example, says in Article 23 that "Work is the right of every citizen, and the State shall provide opportunities for work to all citizens by directing the national economy and raising its standards." See Samir Aita: Employment and Work Rights in Mediterranean Arab States vis-à-vis the Euro-Med Partnership, a comparative study, 2008. See also:

Hence, the ICESCR, endorsed by the UN General Assembly in 1966, was endorsed worldwide. It came into effect in 1976 as complementary to the Universal Declaration of Human Rights, which was endorsed in 1948. The Committee on Economic, Social and Cultural Rights (CESCR), which is linked to the UN High Commission for Human Rights (UNHCHR) and the Economic and Social Council (ECOSOC), follows up the implementation of the covenant. In its actions, it builds on ILO expertise and a follow-up of its conventions' endorsements. Furthermore, the covenant is closely linked to the International Covenant on Civil and Political Rights (ICCPR).

Figure 3 shows Arab states that signed or endorsed the ICESCR and the ICCPR. Here, too, Gulf States, except Kuwait, stand out for not endorsing these international standards.

ICESCR includes and surpasses the four pillars of the ILO's Agenda of Decent Work (Figure 4) because it establishes a legal reference wider than the eight conventions on "basic labor standards." For example, it includes the right to a fair salary, secure work conditions and reasonable working hours. Contrary to the ILO's several conventions with varying endorsement levels and dealing with many specific groups, the covenant is an integral international document endorsed by 160 countries. This obliges signatory states to commitments, even if they have not endorsed involved ILO conventions, towards all sorts of clauses related to informal work no matter what. Hence, the covenant's human rights perspective and the ILO's social justice approach share central concerns for poverty, inequality and human dignity. However, the human rights perspective is holistic, universal (all human beings have equal rights at any time), inalienable (nobody has the right to drop his/her rights or the rights of others), interrelated (one right cannot be seen independent of the others), interlinked (rights are related as well as individual and collective rights), and indivisible (the value of each right is enhanced through other rights, and commitment to one right cannot hinder commitment to another). These rights as a whole are foundations of human dignity.

The authors of this understanding of labor rights as human rights proposed methodologies based on: a) defining decent work as a whole (through Article 6 and Comment 18 of the involved commission ; an example is the link between the rights of a working mother and the rights of the child); b) recognizing interdependence of all human rights and their indivisibility in the context of regulating informal work (for example, regulating the work of women at home to take it to workshops could hamper other rights); and c) using methods and mechanisms to combat human rights violations, such as endorsing human rights monitoring indicators, analyses of budgets, and assessing the impact of projects and policies. All this seeks to promote awareness of the right to decent work and educating workers, CSOs and governments about these rights. It also provides a framework for collecting data and producing policies and recommendations. In fact, this human rights-based approach to informal work and decent work supplies the great engagement of different CSOs, especially those defending human rights, women's rights and the environment, rather than traditional labor unions, when it comes to combating violations of economic and social rights in general and labor rights in particular. For example, CSOs engaged in WIEGO belong to this category of CSOs more than to traditional labor unions.

Article	Human Rights	Aspects Related to Work and Employment
6	The Right to Work	The right to choose work freely The right to make a living through a freely-chosen job The right to technical and vocational habilitation and training programs The right to full and productive employment
7	The Right to Just and Accurate Working Conditions	The right to a fair wage The right to equal remuneration for work of equal value The right of workers to being guaranteed conditions of work not inferior to those required by law The right to decent living for themselves and their families The right to safe and healthy working conditions The right to equal opportunity for promotion to be promoted in their employment to an appropriate higher level, subject to no considerations other than those of competence and experience The right to rest, leisure The right to reasonable limitation of working hours The right to periodic holiday with pay, as well as remuneration for public holidays
8	Union Rights	The right to form trade unions and join the trade union of their choice The right of workers to form national and international organizations The right of trade unions to function freely The right to strike
9	The Right to Social Security	The right of everyone to social security
10	Family Rights	The right of everyone to social insurance (unemployment and retirement) The right to the widest possible protection and assistance of the family, particularly while it is responsible for the care and education of dependent children The right to special protection for mothers during a reasonable period before and after childbirth The right of working mothers to paid leave in order with adequate social security benefits The right of children and young people to be protected from economic and social exploitation
11	The Right to Enough Living Standards	The right to an adequate standard of living for himself and his family, including adequate food, clothing and housing The right to the continuous improvement of living conditions
12	The Right to Health	The right to all aspects of industrial hygiene The right to prevention, treatment and control of occupational diseases
13 and 14	The Right to Education	The right to technical and vocational secondary education The right of teaching staff to have to their material conditions continuously improved

Figure -4 Labor Rights Stipulated in the ICESCR

### Informal Employment, Millennium Development Goals and Sustainable Development Goals

The Millennium Development Goals (MDGs), issued by the UN Millennium Summit in 2000, were endorsed by 192 states. The endorsed eight goals included targets that should be achieved in 2015 and indicators to measure progress. Goal 1, "eradicate extreme poverty and hunger," included target 1b, which reads: "achieve full and productive employment and decent work for all, including women and young people." The target should be monitored through four indicators: growth rate of gross domestic product (GDP) per person employed, employment-to-population ratio, proportion of employed people living below 1\$ (purchasing power parity - PPP) per day, and proportion of own-account and contributing family workers in total employment. Of course, these goals led to policies and commitments.

Such indicators, in general, and this target in particular, are not the only ones concerned with decent work. The last UN report on progress in MDGs noted that labor forces grow at higher rates than jobs (indicator 2) and that this was especially true for young people and women. However, the percentage of workers living in dire poverty decreased considerably (indicator 3), but almost half of the world's workers still work in fragile conditions (indicator 4). Regarding Arab countries (West Asia and North Africa), the UN noted a major shortage in decent work and deterioration in progress towards this target. The UN General Assembly endorsed in the fall of 2015 the Sustainable Development Goals (SDGs). Clearly, developing the SDGs was more global and relied more on an approach rooted in human, economic and social rights than previous approaches. A central goal (No. 8) was suggested: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all." Its approach relied on ILO's Global Jobs Pact.

#### -2 Tables on Formal and Informal Work

ed numbers of working children who are less than 15 despite Syria's endorsement of the conventions. See: Samir AITA (coordinator): Syria country profile: The Road Ahead for Syria; Economic Research Forum, Institute de la Méditerranée, FEMISE, 2006; especially the discussions on Chapter V: Labor and Human Resource Development.  
27. www.un.org/ar/events/youthday/pdf/fund\_princ\_rights\_declaration.pdf  
28. www.ilo.org/wcmsp5/groups/public/---dgreports/---cabinet/documents/genericdocument/wcms\_182776.pdf

### Tables on Informal Sector and Economy

Ever since the term informal or unstructured was introduced for the first time in 1970; debates and arguments arose and have yet to reach a conclusion until now. The problem is not only related to the definition but is also and mainly about its economic and social role, or rather the stances that should be taken and the policies that should be applied vis-à-vis informality. All these debates focus on the aforementioned key question posed by the ILO's director general in 1991 about whether this sector is an economic opportunity for poor communities to make incomes or if it has usurped from workers' economic and social rights, and which must be restored.

The debates focused on four schools of thought, which were monitored by a key WIEGO report:

- The Dualist School of Thought was launched by researchers with the ILO's 1972 Kenya Mission, in turn an initiative for launching the definition and research about it. It was called as such because it highlighted the labor market as being dually split between formality and informality, with the two sectors enjoying minor linkages, and informality being excluded from the modern economy. It refers this to two disruptions: A disruption between population growth (and migration from rural to urban areas) and the growth of jobs in modern industries; and a disruption between labor force skills and jobs in the modern economy. This school of thought does not underscore relations between informal productive units and governmental laws and measures. It sees informal work as a positive way to provide the impoverished with opportunities and a social security network stemming from self-employment. It also calls for supporting informal activity to contain population growth all the while providing infrastructure and social services to the families of workers.
- The structuralist school of thought, which appeared in 1989 and underscores that the growth of informality is linked to the structural development of globalized capitalism and its production relations. Formal companies strive to decrease the costs of wages and increase their own competitiveness; hence, they actively work on getting rid of structured labor's negotiation power and eschewing rules, laws, government taxes and social commitments. All this takes place in a globalized environment governed by subcontracting and flexible and specialized forms of production and work. Hence, the informal sector is directly subordinated by formal economy in an unbalanced division of economic activities and work. It concerns paid work and self-employment. Therefore, governments must treat this imbalance and regulate economic activities and employment.
- The legalist school of thought redirects attention to the margins of the formal economic system, arguing that the system of rules, laws and taxes is rigid and costly vis-à-vis enterprising businessmen. Hence, this school of thought accuses governments of colluding with business interests by imposing too bureaucratic rules. Therefore, governments must facilitate the registration of informal production units and develop ownership rights in order for these units to become fully capitalist.
- For its part, the voluntarist school of thought underscores the fact that the informal economy is linked to law and tax aversion. It blames those in charge of informal activities, not governments. It argues that the matter is a result of a decision by entrepreneurs and their balancing between benefits and costs. This school of thought asks governments to force informal production units to register formally. This would

29. Informal Economy and Decent Work: A Guide on Policy Resources Supporting Transitions to Formality, Arabic Edition, ILO, Beirut Office, 2014.  
30. Recovering from the crisis: A Global Jobs Pact; ILO, June 16, 2009.  
31. Gillian McNaughton & Dian F. Frey: Decent work for all: A holistic human rights approach; American University International Law Review, Vol. 26, Issue 2, 2011.  
32. www.ohchr.org/AR/ProfessionalInterest/Pages/OPCESCR.aspx  
33. www.un.org/ar/events/motherlanguage/pdf/ccpr.pdf

enhance tax revenues and break dishonest competition with the formal sector.

### Market Approaches and Rights Approaches

This debate remains far from clear frameworks and theories that would produce clear development policies. Even the concept of "unstructured" or "informal" has been subject to criticism. In fact, this debate can be framed within two main approaches: a market-based approach and a rights-based approach. The best expression of the market-based approach came from Hernando De Soto and the World Bank, while WIEGO's expression of the rights-based approach remains the best of its kind.

The market-based approach focuses on analyzing the effects of informality on the economy, relying on a definition of informality which includes productive firms that evade rules and taxes. It centers on the costs of informality on the economy and the investment sphere more than on social and political costs. Hence, this approach tends to mix up the informal sector and informal employment, ignoring informal employment in the formal sector and underestimating the structural link between the formal and informal sectors. It also influenced statistics where an early definition of informal employment included only the self-employed. In terms of policies, this approach is concerned with proposing reforms for firms, companies and related legal frameworks instead suggesting reforms for labor laws.

On the other hand, the rights-based approach focuses on defining the informal economy according to the status of workers and the absence of a minimum wage, sustainability safeguards, health insurance or privileges. Workers' statuses include very different sorts of employment - wage workers, employers or self-employed - in both the formal and informal sectors. This approach pays more attention to the structural ties linking the formal and informal sectors than to their competition. When it comes to policies, it also focuses on basic social issues, calling for the provision of basic rights irrespective of employment conditions. It also urges for urban planning since it believes informality is related to accelerations in migration from rural to urban areas and the construction of slums, and to changes in the state's functions and the meaning of formality.

## -3 THE ECONOMIC ASPECTS OF INFORMAL ECONOMY

### Reasons

To explain informality, the market-based approach privileges the free "exit" option by the economic player (the firm) scenario over the forced "exclusion" resulting from the absence of formal employment one. Many analyses by the World Bank arose, explaining how workers in the formal sector voluntarily and mindfully choose to become self-employed or wage-earners in the informal sector. This approach also considers taxes, strict labor laws and badly-planned and phrased laws as key reasons for high informal registration fees, a luxury that the impoverished cannot afford. Hence, it blames the state for informal

The Arab Strategy for Developing Labor Forces and Employment, Arab Labor Organization, 2003. This strategy's foundations highlighted "commitment to full employment's realistic concept as an invariable goal leading to equality in income, combating poverty, achieving decent livelihood and proving oneself in achievements." The fourth goal of the strategy was "serious and ongoing efforts to reach full employment." Goal 14 called for "caring for employment in the informal sector."  
26. Child labor in Syria is an example; labor force statistics have up until recently includ-

34. www.un.org/ar/documents/udhr  
35. www.ohchr.org/ar/hrbodies/cescr/pages/cescrindex.aspx  
36. www.un.org/ar/ecosoc  
37. www1.umn.edu/humanrts/Arab/b003.html  
38. For example, 34 states only endorsed convention 158 of 1982 on end-of-service rules.  
39. McNaughton & Frey, op. cit.  
40. www.daccess-dds-ny.un.org/doc/UNDOC/GEN/G06/403/11/PDF/G0640311.pdf?OpenElement

employment, and describes individuals/firms as players who chose strategies to secure income vis-a-vis this situation. The social conflict in the background is, thus, between the state and citizens, while informal work is a result of bad management.

Yet, this interpretation faces many criticisms. Is looking for another, informal job a choice for a government or formal sector employee whose wage is not enough? Or is it a way to secure decent living? Also, it supposes that the state is operating in a vacuum, when in fact, it isn't; it is subject to major phenomena, such as economic changes that lead to migration from rural to urban areas, or to structural reforms imposed by international financial institutions, which shrink formal labor opportunities.

## Repercussions

While De Soto describes informal firms as "heroic entrepreneurship" and "a creative response to the state's failure to secure basic needs to poor masses," the literature of the market-based approach sees these firms as prisoners of informality that are unable to push economic growth because of their weak productivity. Informal firms also harm the formal sector because they create unfair competitive conditions; they also weaken the state by preventing it from getting enough taxes and fees from the sector. Hence, these firms hamper their country's engagement in the global economy. Informality's loophole lies within its "distrusted property rights, corruption, unpredictable policies and limited access to loans, financing and public services." The approach suggests a magic formula to attain informality: documenting property rights and engaging in the market.

A critique to this vision argues that relations between formal and informal firms are not always competitive; the two sectors being tied by production, distribution and consumption chains. Also, informal employment in formal firms gives the latter many advantages, used extensively by multinational corporations. Another argument put forward is that privatizing the public sector and shrinking government employment, brought into being by "structural reforms" imposed by the International Monetary Fund (IMF), decreased the share of formal employment. It can also be argued that the state's weakness encourages the expansion of the informal sector and informal labor. The state weakens for many reasons, including global competition under globalization. In more elaborate words, informality is not a state of exception created by a paradox in the state's mechanisms; informality is also a "market" with rules.

## Policies

The market-based approach also believes that government laws and measures are the main incentives for informality because they make the cost of firms too high. Formality allows for optimum benefits from capital and labor to enhance economic growth. Hence, policy recommendations tend to call for "simplifying" laws and measures, decreasing taxes for firms and making employment and lay-offs "flexible." Direct policies proposed by this approach suggest a clarification of property rights, making micro-finance available and, generally, formalizing informal firms without focusing on the conditions of workers.

The logic of these policies and recommendations is not that

of international financial institutions; most non-governmental organizations (NGOs) practically engaged in non-profit micro-finance to "soften" neoliberal capitalism. Still, these recommendations face much criticism. The sustainability of informal firms is not guaranteed after their formalization. Formalization and moving capital and labor to the formal sector, especially when the availability of jobs is already low can mean forceful closure. This is comparable to tough government policies regarding street vendors. In addition, if foundations of formalization are absent, the implicit social contract governing informal employment may break. Major political upheavals may break out and may prove uncontrollable because social brackets in the informal sector are "incontrollable," contrary to their counterparts in the formal sector. In fact, there is an intrinsic contradiction between shrinking the rights of workers in the formal sector and encouraging informal workers to formalize. Also, market liberalization policies in favor of economic growth neglect the fact that such policies lead to new forms of exploitation.

## -4 THE SOCIAL ASPECTS OF INFORMAL ECONOMY

### Reasons

The rights-based approach blames the growth of informal work on "exclusion." Current globalized economic growth channels create fewer opportunities for formal work because growth is either weak to begin with or relying more on capital than on labor, or because the public sector has shrunk under "structural reforms" imposed by the IMF. Global competition pressures companies to reposition their production in countries with cheaper and less protected labor, through informal firms or temporary employment. Major corporations also focus on their core businesses and organize as "hollow organizations." For their part, states are not able financially anymore to provide social security because they are estimated to have lost almost one third of their tax revenues under economic liberalization.

Hence, contrary to the market-based approach, the rights-based approach blames globalization, economic liberalization and their effects on the regulation of a labor market that has become global. Consequently, informality is not a relic of bygone times; it is "a byproduct of advanced production patterns." Evidence to this is already present in informal urban growth patterns, which are linked to globalization, migration from rural to urban areas and labor surpluses. The concept of "informality" appeared in the context of analyzing these conditions. It is not only tied to the impoverished; informality targets large social sectors in developing countries, including middle classes and government employees.

### Repercussions

The rights-based approach highlights the negative aspects of this situation but also admits to it having positive ones. It provides livelihood opportunities for people with informal jobs under globalization and weak states. Since informal work is structural, most advocates of this approach focus their attention on the fact that informal workers make less incomes and lack economic and social security. Poverty worsens when an individual "switches from employer to self-employed,

informal worker, seasonal wage-earner or industrial worker from home." Moreover, in the informal economy, women suffer worse conditions than men. Hence, the key problem lies in how informal workers don't get the same rights as their formal counterparts: Guarantees against work fragility, especially during economic and political crises, social security, clearer government policies and development policies regarding informal work, should create channels for informal workers to negotiate and raise grievances to employers and the government, combating negative cultural stereotypes about informal work in society, etc. The rights-based approach tackles aspects other than work conditions; the problem also lies in the haphazard growth of cities and suburbs under massive migration from rural to urban areas in the 21st century.

### Policies

Advocates of the rights-based approach do not propose formalization as a priority; they see it as an unrealistic goal in light of neoliberal globalization trends. They do not even see in formalization policies evidence that poverty decreased or social conditions improved. Most governmental bureaucracies are incapable of comprehensive formalization in light of the large size of informal employment. Most economies are incapable of providing enough formal jobs. Hence, no magic formula is at hand; conditions should be tackled realistically and the social bracket operating outside formality should be relied on to "decrease costs and increase advantages for informal work."

To this approach, formalizing firms (i.e., their formal registration and payment of taxes) is important as much as the conditions of informal workers and the advantages they can acquire: ownership of production means, trade contracts and their enforcement, incentives to enhance competitiveness, membership in unions, and access to social security and insurance.

Hence, WIEGO recommendations are multileveled: Develop informal firms and enhance their access to services and loans, include informal workers in effective labor laws or replace social security granted to formal workers with systems similar to those enjoyed by informal workers, etc.

However, the main focus is on informal workers developing a sociopolitical and civil voice to defend their rights to negotiation and influence decisions. This stems from knowledge that informal workers are in any event integrated in the economy but absented from politics and society. One way to do so is through the establishment of cooperatives with equally economic, social and political roles. Some experiences in India and other countries proved such cooperatives to be effective (e.g., for waste collectors) in improving the conditions of their members. Alliances can also be built with other CSOs, including unions that are more open to this in light of ILO encouragement. Recently, unions have been losing members due to major changes in the labor market. Enhancing their activities to the informal sector can be mutually beneficial, especially since organizations specialized in informal workers lack financial abilities and political weight. Finally, researchers, intellectuals and politicians should study more the conditions of informal workers and highlight their causes.

economy: Concepts and policies; Oxford university press, 2006.

52. Antti Vainio: Market-based and rights-based approaches to the informal economy. A comparative analysis of the policy implications; Nordiska Afrikainstitutet 2012.

53. World Bank: World development report 2005: A better investment climate for everyone; Washington D.C. and Oxford University Press, 2004.

54. The 15th ICLS in 1993.

55. Ananya Roy: Urban informality. Toward an epistemology of Planning; Journal of the American planning association; spring 2005, Vol. 71, no.2.

56. A. M. Oviedo, M. R. Thomas & K. Karakurum-Ozdemir: Economic informality - Causes, costs and policies. A literature survey; World Bank, Working paper no 167, Washington D. C., 2009.

57. M. Mwamadzingo & D. Saleshando (eds.): Trade Unions and poverty alleviation in Africa;

## -5 INFORMAL WORK IN ARAB COUNTRIES

Informal employment has not grabbed enough attention in Arab countries. Meetings of the Arab Summit for Economic and Social Development overlooked this subject, instead tackling it indirectly through the concepts of labor, unemployment and studies of slums. Also, in its conferences, strategies and recommendations, the Arab Labor Organization (ALO) saw in informality nothing more than "parasitic revenues" that must be curtailed, while productivity and labor market flexibility should be enhanced, self-employment programs introduced to increase jobs and small and micro industries encouraged. However, ALO participation in ILO activities and conferences developed its awareness of informal employment issues. Recent guidelines and recommendations specifically increased ALO's interest in these matters.

This disinterest, even a confusion of concepts, is seen in most Arab CSOs. Some even call for "international restraints to curtail the spread of slums and non-urban pockets in major Arab cities."

On the other hand, the UN Economic and Social Commission for Western Asia (ESCWA) showed more interest in the subject. It noted that "the informal sector remains large in some member countries" because the formal sector is incapable of creating enough jobs. It also noted that "labor legislation is extremely rigid on paper... but highly flexible in practice due to poor enforcement and the prevalence of informal employment." It got involved by developing a regional database on decent work, but its efforts remained humble.

### International Research about Informal Work

Major Arab research institutions have not paid attention to informal economy and employment up until recently, following the Arab Spring. Hence, the Economic Research Forum (ERF), which covers Arab countries, Turkey and Iran, and is the best financed research institution in the region, held a workshop in 2014 on informal economics with a special focus on Egypt. However, most research at the workshop espoused a market-based approach. Some said informal employment in Egypt is a consequence not of poverty but of personal choice, adding that the problem lies in bureaucracy and red tape, while the solution should stem from liberalizing frameworks and laws, improving the investment environment and pushing small firms to formalization. Others argued that due to their flexibility, informal labor markets helped liberalize markets, urging policies not to speed up formality in order to keep economic liberalization costs low.

Accordingly, most neoliberal research of such nature is in line with the market-based approach and relies on the work of De Soto, whose work and advices to governments relied on Egyptian cases. Said research did not take into much consideration other recent research in social science and urban planning, which attributed informal employment to its main reason: accelerating migration from rural to urban areas. Hence, Ahmed M. Soliman noted in 2003 that "more than 20 million Egyptians live now in homes lacking minimum health and safety standards." (%52.7 of all homes in Greater Cairo). He also said that formality and its lack thereof in economy and urban expansion are related; the growth of slums has sped

Geneva; ILO Bureau of Workers' Activities, 2003.

58. Hernando De Soto: The Mystery of Capital; Basic Books, 2003.

59. Hernando De Soto: The other path. The economic answer to terrorism; Basic Books, 2002.

60. World Bank 2004, World development report 2005, Op. cit.

61. Ananya Roy: Urban informality, 2005, op. cit.

62. ho

63. The suicide of Mohamed Bouazizi in Tunisia, which triggered the Arab Spring, was the result of such policies.

41. Human Rights and Poverty Reduction, A Conceptual Framework; OHCHR, 2004; <http://www.ohchr.org/Documents/Publications/PovertyReductionen.pdf>

42. [www.un.org/arabic/millenniumgoals/](http://www.un.org/arabic/millenniumgoals/)

43. Report of the Millennium Development Goals in 2015, the United Nations; <http://unstats.un.org/unsd/mdg/Resources/Static/Products/Progress2015/Arabic2015.pdf>

44. [unstats.un.org/unsd/mdg/Resources/Static/Products/Progress2015/Progress\\_A.pdf](http://unstats.un.org/unsd/mdg/Resources/Static/Products/Progress2015/Progress_A.pdf)

45. [www.un.org/ga/search/view\\_doc.asp?symbol=A/68/970&Lang=A](http://www.un.org/ga/search/view_doc.asp?symbol=A/68/970&Lang=A)

46. Martha Alther Chen: Informal economy: Definitions, theories and policies; WIEGO working paper no1, August 2012.

47. A leading name in this school of thought is the anthropologist Keith Hart.

48. Leading scholars include Caroline Moser, Alejandro Portes and Manuel Castells.

49. A key voice of this school of thought is Hernando De Soto.

50. With William Maloney.

51. B. Gula-Khasnabis, R. Kanbur & E. Ostrom (eds.): Linking the formal and the informal

up since economic openness was launched in the early 1970s (the government backed real estate projects to increase their profitability and facilitate their privatization). The foundations of this problem lie in political economy and the approaches of elites, especially in terms of their exploitation of real estate revenues, turning agricultural areas into urban areas. In 1989, former Egyptian Prime Minister Atef Sedky described slums as a “cancer,” although a noticeable portion of middle classes had moved into them. Active policies to structure housing were implemented only after terrorism spread in Egypt in the early 1990s. Soliman noted that the construction of large mosques amidst slums and their exploitation by Islamic movements curbed any policies that could undermine the excessive growth of slums.

Spanish unions and the Euro-Med Trade Union Forum launched a project to study “employment and labor laws” in eight Arab Mediterranean states. The study focused on informal employment and tied it to migration inside and among these states. The study showed that the most concerned countries witnessed a youth boom, over 20 years after the baby boom, while economic growth only created a small number of formal jobs vis-à-vis a large number of newcomers to the labor market. The youth boom turned into a “youth tsunami” because it came alongside increasing migration from rural to urban areas under the pressure of structural changes in the agricultural sector. For this reason in particular, the informal work phenomenon is related to the haphazard growth of small and medium cities and the suburbs of large cities. In Syria, newcomers to the labor market in the early Third Millennium (2008-2000) averaged at 300,000 annually. The annual increase reached almost %6+ (the number was, in fact, 350,000 if Palestinian refugees were counted in, not to mention Iraqi refugees during the middle of the same period. On average, only 36,000 new jobs were created annually: an increase of 65,000 jobs for men and a decrease of 29,000 for women). Hence, many agricultural jobs were lost during the same period, especially for women. These jobs were not made up for well enough by the rate of job creation in urban areas (?). Therefore, %80 of urban employment outside the governmental sector became informal.

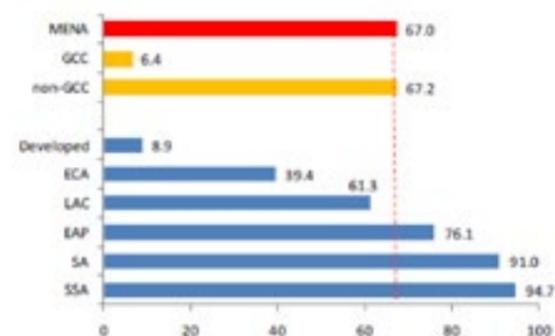
This report highlighted that non-Gulf Arab states witnessed sudden, large-scale immigration waves (refugees from Palestine, Iraq, Libya and then Syria, not to mention the waves of Egyptian immigrant labor), which sped up the rate of informality.

### The World Bank’s Report on Informal Economy and Work in Arab Countries

All these developments pushed the World Bank to prepare a large report on informal economy and work in the Middle East and North Africa, which was published in 2014 in the context of Arab Spring-related repercussions. The report said the region had both the lowest employment rates and the highest unemployment rates in the world. It added that one third of GDP produced in each country comes on average from the informal sector, while %65 of workers assume informal jobs. It attributed this to the 2008 world economic crisis, which lowered the share of employment by the governmental sector, demographic growth, but also the fact that economic growth could not cope with the waves of newcomers to the labor market. However, the report does not link the increase in informality to migration from the agricultural sector.

64. Ray Bromley: Power, property and poverty: Why De Soto’s “Mystery of Capital” cannot be solved; in Ananya Roy & Nezar Alsayyad (eds.): Urban informality: Transnational perspectives from the Middle East, Latin America and South Asia; Lexington books, 2003.  
 65. M. Carr & M. A. Chen: Globalization and the informal economy: How global trade and investment impact on the working poor; Working paper on the informal economy, ILO 2002.  
 66. N. Klein: No Logo: Taking aim at the brand bullies; Knopf, Toronto, 2000.  
 67. P. Fernandez-Kelly: Out of the Shadows: Political Action and the Informal Economy in Latin

In its most important findings and comparisons, the report relies on measuring informality with an indicator it called “the share of labor force without contributions to social security.” (Figures 5 and 6):



Figures 5 and 6: The Share of Labor Force without Contributions to Social Security  
 GCC: Gulf States; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; EAP: East Asia and the Pacific; SA: South America; SSA: Sub-Saharan Africa.

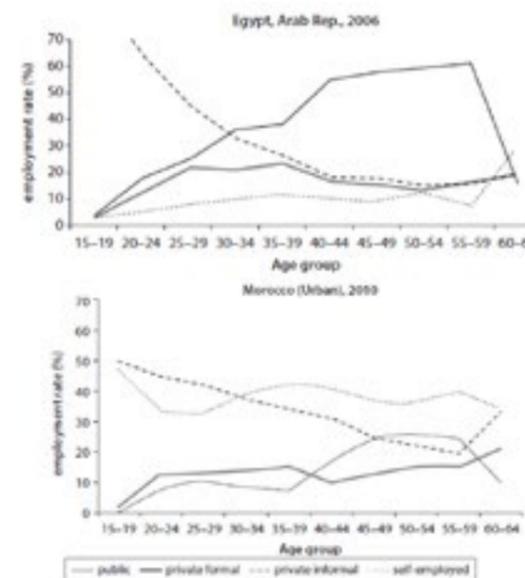


It notes that informal employment does not have the same characteristics in Gulf States and other Arab states. It notes differences among states with intensive human resources according to the importance of natural resources. However, it does not say that informal labor, and most of the labor force in Gulf States, involves Arabs or foreigners, who are non-citizens, and that the issue of formality is tied to the right to reside in Gulf States, while workers do not gain stable rights and even face blatant violations. In the other Arab countries, informal employment involves citizens; there are some special cases, such as Lebanon, where Palestinian refugees and Syrian seasonal workers (before the current war broke out in Syria) occupy much of informal employment. The same applies to Syria and Jordan, where Iraqi refugees poured in to escape the sectarian war at home, and to Syria’s neighbors, where Syrian refugees poured in following the beginning of the civil war.

Some statistics in the report show the more detailed characteristics of informal work in some Arab countries. For example, in Egypt, informal employment involves young people in the informal sector more than self-employment, because the employment of young people in the public sector decreased. Self-employment is more important in countries such as Morocco where a sizable public sector never existed (Figures 7 and 8). The report also highlights the fact that informal work involves large sectors in some countries, including middle and rich classes and people with good

America; Penn State University Press, 2006.  
 68. W. A. Lewis: Economic development with unlimited supply of labor; Manchester School 22, no 2, pp 39-91, May 1954. L. G. Reynolds: Economic development with surplus labor: Some complications; Oxford Economic Papers 21, no 1, March 1969.  
 69. Ananya Roy & Nezar Alsayyad (eds.): Urban informality, 2003, op. cit.  
 70. M. R. Chen: Rethinking the informal economy; Seminar paper, WIEGO, vol. 531, 2003.

education. On the other hand, employment’s ties to gender are complicated. According to the report, Arab countries have the lowest contribution of women to labor forces (the reasons are not discussed), and the rate of women’s informal employment is weak because most working women choose the public/governmental sector instead of safeguard their rights.



Figures 7 and -8 Employment by Sector in Egypt and Morocco

Regarding firms, the report says that the Middle East and North Africa have the highest rate of firms operating informally in the world and for a longer time compared to other regions. (Figure 9) This is attributed to traditional reasons highlighted by the market-based approach without discussing the pressures exerted by the quick growth of the labor force in urban areas and the consequences of structural reform.

The report asks if informal employment is a choice or exclusion; it leans towards exclusion without rendering it explicit it. However, it clarifies that there is a problem in labor markets, which remain fragmented to this day. Towards the end, the report produces policy recommendations on five levels:

1. Developing Reforms to Enhance Competition: Including, from within the market-based approach, facilitating the registration of informal companies through liberalization policies and the easing of rules and laws.
2. Re-regulating Incentives in the Public Sector: Decreasing the rights of workers (especially women), also as part of the market-based approach and liberalization policies. Despite the report’s confirmation (see Figures 7 and 8) that the governmental sector stopped hiring young people, it says the proposed decrease of incentives involves older people who “receive generous social security” but does not elaborate on the nature of the so-called generosity.

71. Ananya Roy: Urban informality, 2005, op. cit.  
 72. M. Chen: The business environment and the informal economy: creating conditions for poverty reduction; draft paper for Committee of donor agencies for Small Enterprise Development Conference on Reforming Business Environment, Cairo, 2005; quoted in Vainio, 2012, op. cit.  
 73. P. Chikarmane & L. Narayan: Organizing the Unorganized: A case study of the Kagad Kach Patra Kashtakari Panchayat; WIEGO, 2005. M. Medina: Waste Picker Cooperatives in Developing Countries; paper prepared for WIEGO/Cornell/SEWA Conference on membership based organizations of the poor, Ahmedabad, 2005.  
 74. The Arab Network for Environment and Development (RAED) proposed to the summit a project to deal with slums and their conditions and prospects. <http://arabecconomicsummit.org/Projects/aProjectListing.aspx?3FID%3D5>

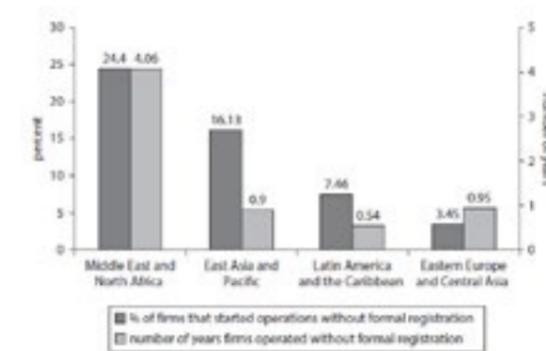


Figure -9 Unregistered firms according to Region  
 As a percentage of companies that start without registration and as a number of years of operation without registration

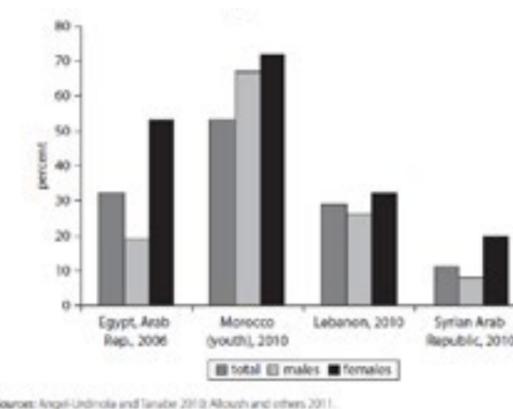


Figure -10 Estimating the Relative Reward upon Formalizing Workers in Egypt, Morocco, Lebanon and Syria

3. Shifting to Labor Laws Supportive of Labor Mobility and of Workers in Transitional Periods (towards formal work): Examples are laws on workers’ lay-offs (without noting that in many Arab countries, formal workers are forced to sign a prior resignation, while this arbitrary measure cannot be fended off in courts or through unions). Another example is the minimum wage, whose abolishment is recommended. The report does not discuss the level of the minimum wage vis-à-vis the development of the cost of living or the extent of enforcement of the minimum wage. Regarding all aspects of this liberalization, the report calls for social dialogue among the government, employers and unions but does not discuss the conditions of unions in most Arab countries and the extent of their involvement in informal work issues.

4. Increasing the Productivity of Informal Workers through Training and Habilitation

5. Reforming Social Security Systems and Creating New Mechanisms to Expand Coverage: The report proposes for this rights-related recommendation, systems of savings instead of social redistribution, which is necessary since

75. The Arab Strategy for Developing Labor Forces and Employment, Arab Labor Conference, March 2003.  
 76. A report on the outcomes of the 104th International Labor Conference, ALO, June 2015. <http://www.alolabor.org/>  
 77. A recommendation to switch from informal to formal economy and a decision on efforts to facilitate this switch, the 104th International Labor Conference, June 2015. <http://www.alolabor.org/>

most Arab countries will be made up primarily of youths in a few decades. The report attributes non-enrollment in social security to “myopia” in choice and a lack of knowledge of available options without it estimating the costs and benefits.

Hence, the report is a key contribution to the documentation of informal employment and sector in Arab countries. However, it avoids Gulf States and ignores in the other Arab states key systematic and rights issues related to the causes of the accelerating growth of informal employment.

#### WIEGO's Estimates of Informal Employment

The ILO and WIEGO created statistical cooperation in the beginning of the Third Millennium to measure the size of informal work as part of efforts to establish typical foundations for this measurement. This cooperation continued after the foundations were established. In 2014, the first accurate international statistical report was produced. The report came out with stunning findings about the 2010-2004 period, during which informal employment included more than half of non-agricultural jobs in developing countries : %82 in South Asia, especially %84 in India; %66 in sub-Saharan Africa, especially %82 in Mali; %65 in East and Southeast Asia, especially %73 in Indonesia; %51 in Latin America, especially %75 in Bolivia; and only %10 in Eastern Europe and Central Asia, with %16 in Moldova. In the Middle East and North Africa, informal employment was estimated at %45, especially %57 in the West Bank and Gaza. (Figure 11)

	Employment/population ratio			Agricultural employment as a % of total employment			Informal employment as a % of non-agricultural employment		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Latin America and the Caribbean	48	71	61	13	22	18	54	69	61
Sub-Saharan Africa	51	74	63	30	50	57	74	82	80
Middle East and North Africa	22	67	45	37	22	26	35	47	45
Eastern Europe and Central Asia	49	61	56	18	18	17	7	13	10
South Asia	34	78	57	72	67	54	80	82	82
East and Southeast Asia (excluding China)	52	78	65	40	42	41	64	65	65
China*	67	76	71	—	—	—	26	30	28

\* Estimates for urban China based on six cities: Fuzhou, Guangzhou, Shanghai, Shenyang, Wuhan, and Xi'an

Figure -11 Participation in the Labor Market, Agricultural Work and Informal Non-Agricultural Work 2010-2004

The apparently low percentage of informal work in the Middle East and North Africa is tied to low economic participation (the labor force as a percentage of the population); it is especially low for women - the lowest in the world, at only %22. This means men and especially women are far from involvement in any sort of employment outside the governmental sector. The percentage of workers in the public/governmental sector is large in these countries, compared to other world regions. Analyzing the development of informal work is impossible without tying it to the development of employment in the public sector. The WIEGO report also notes that the percentage of agricultural workers decreased, reflecting accelerating migration from rural to urban areas.

The report highlighted that in most developing countries, informal work in the informal sector is higher than in the

78. Recommendations of the Seventh International Conference on Development and Environment in the Arab World, March 25, 2014; <http://diae.net/14530>.  
79. ESCWA; its operations include Arab states in North Africa.  
80. Economic Policy in the ESCWA region and its impact on employment; ESCWA report E/ESCWA/SDD/2012/12.  
81. [erfblog.org/2014/09/01/the-economics-of-informality-in-the-mena-region/](http://erfblog.org/2014/09/01/the-economics-of-informality-in-the-mena-region/)  
82. Hanan Nazier & Racha Ramadan: Informality and poverty A Causality dilemma with appli-

formal one. Informal work there involves men more than women. The opportunities of women in informal work in the formal sector are generally higher. Informal employment is split equally between self-employment and wage work. However, women's opportunities in self-employment are larger. Generally, informal work is a larger source of work for women than for men in most regions (except the Middle East and North Africa).

In addition to the aforementioned findings, the report highlights major loopholes in labor force statistics, especially in the Middle East and North Africa, where many partial indicators of informal employment were not monitored. The report recommended:

- Institutionalizing the collection, tabulation, dissemination and use of data on informal employment and the informal sector.
- Improving statistical concepts and methods.
- Making data available, encouraging data analysis and disseminating analyzed data.

Efforts made by WIEGO and the ILO in this report on Arab countries are important but remain humble. The reason is weak involvement by Arab CSOs and researchers in the activities of WIEGO and similar organizations and research institutions dealing with the rights-based approach and refuting the arguments and recommendations of the market-based approach. This is especially important because the second approach ended in the region with the beginning of the Arab Spring, whose repercussions will remain felt for decades.

#### A Return to SDGs

When the SDGs were endorsed in the fall of 2015, the concept of “nexus” arose in the search for a means to analyze facts and work on achieving interrelated long-term goals. The “water-energy-food security” nexus arose and became a central part of the work of CSOs, research centers and other organizations, including the UN General Assembly.

However, the conditions of Arab countries and the major growth of informal work in the region, together with the complexity of solutions in light of political, social and economic chaos during the Arab Spring, make it necessary to propose a new nexus to frame analyses and policies. It should be an “employment-decentralization-regional and urban planning” nexus. Such a framing of research would link informality in employment to urban growth and necessary infrastructure and would find ways for policies allowing, on the local level, to overcome the size of informality's problematic as seen in Arab countries.

#### -6 Primary Conclusions and Recommendations

To conclude, informal employment has become a key characteristic of the development of Arab societies, economies and political atmosphere in recent decades. This characteristic and its reasons and solutions were ignored until the suicide of Bouazizi in Tunisia - the man was a symbol for informal workers -, which ignited the Arab Spring. The dilemma of informality has become bigger and wider today in light of the deteriorating economic and development indicators in many Arab countries after the Arab Spring and the major weakening of the state as an institution. Hence, the living conditions

tion to Egypt. ERF paper draft 2014  
83. Hala Abou-Ali & Reham Rizk: MSEs informality and productivity: Evidence from Egypt; ERF paper draft 2014.  
84. Abeer ElShennawy & Dirk Willenbockel: Trade liberalization and the costs and benefits of informality. An in temporal general equilibrium model for Egypt; ERF paper draft 2014.  
85. Ahmed M. Soliman: Tilting at sphinxes: Locating urban informality in Egyptian cities; in Ananya Roy & Nezar Alsayyad (eds.): Urban informality, 2003, op. cit.

of workers in particular and people in general deteriorated largely. In fact, many admit that the repercussions of the Arab Spring will not come to an end unless millions of young Arabs in the streets find their way to decent jobs. Some of them carry weapons and adhere to pre-state or extremist ideologies and informal economies.

Hence, CSOs must prioritize the issue of informal employment and make it the subject of organized statistics, research and struggle efforts contributing to a new stabilization of Arab societies according to concepts of dignity, rights and freedoms. Such efforts must focus on the following subjects:

- Institutionalizing, collecting, organizing and publishing data and research on informal employment and economy in Arab countries and their characteristics.
- Working with unions and CSOs to give informal workers a strong social and political voice in defending their rights.
- Working on the establishment of cooperatives for informal workers and institutionalizing this framework within civil organizations and local administrations.
- Creating a special research group in Arab countries that is linked to CSOs and specialized in analyzing the data and conditions of informal work. It should have effective contributions in cooperation with WIEGO.

#### RESEARCH SHOULD INCLUDE:

- o Studying economic ties between the formal and informal sectors and clarifying how informal workers are being exploited in each country in the context of globalization.
- o Analyzing the economic, social and political costs of unemployment informality and creating social and political awareness of the hindrances cause by informality to human development.
- o Studying the ties between the development of informal employment and the large waves of immigration to Arab countries.
- o Studying the needs of informal employment and how infrastructure and social security can be provided for it.
- o Studying labor market institutions and means for their development in order to create a true framework for the labor market and develop means for switching into formality.
- o Studying relations between informal employment and informal urbanization in the context of accelerating migration from rural to urban areas, and proposing policies linking urban and regional development to the protection of the rights and working conditions of informal people. Studying ties between slums and the development of extremist movements, especially those tied to political Islam.

86. These are Morocco, Algeria, Egypt, Tunisia, Jordan, Palestine, Lebanon and Syria. Samir Aita (coordinator of the comparative study): Employment and Work Rights in Mediterranean Arab States vis-à-vis the Euro-Med Partnership, 2008. [http://www.pazysolidaridad.ccoo.es/comunes/recursos/99891/doc220526\\_Empleo\\_y\\_Derecho\\_del\\_Trabajo\\_en\\_los\\_paises\\_arabes\\_mediterraneos\\_y\\_el\\_partenariado\\_Euromediterraneo\\_Arabe.pdf](http://www.pazysolidaridad.ccoo.es/comunes/recursos/99891/doc220526_Empleo_y_Derecho_del_Trabajo_en_los_paises_arabes_mediterraneos_y_el_partenariado_Euromediterraneo_Arabe.pdf) Also: Samir AITA: Les travailleurs arabes hors-la-loi, éd. L'Harmattan, 2011.  
87. Samir Aita: Labor market policies and institutions with focus on inclusion, equal opportunity and the informal economy; Syrian Country Study; Study for the ILO, 2009. It is noteworthy that the ILO refrained from publishing this report.  
88. Roberta Gatti, Diego F. Angel-Urdonina, Joana Silva & Andras Bodor: Striving for Better Jobs: The challenge of informality in the Middle East and North Africa; World Bank Group, 2014.  
89. <http://blog.imra.bh>  
90. Promising little, delivering less: Qatar and migrant labor abuse ahead of the 2022 football world cup; Amnesty international, May 2015.  
91. It can reach 8% annually, which is hard to accommodate; see: Samir Aita: Labor market policies (Syria), 2009, op. cit.

92. Some studies say that save for the protection of basic rights, such as the right to maternity leave in the public sector, the benefits of social security decrease with the privatization of the healthcare sector and inflation. See: Samir Aita: Labor market policies (Syria), 2009, op. cit.  
93. John Vanek, Martha Alter Chen, François Carré, James Heintz & Ralf Hussmanns: Statistics on the informal economy: definitions, regional estimates & challenges; WIEGO Working paper no 2, April 2014.  
94. Women and men in the Informal Sector: A statistical picture; ILO & WIEGO, 2nd edition, 2013.  
95. The statistics included Algeria, Egypt, Iran, Iraq, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia, Turkey and the West Bank and Gaza.  
96. Alessandro Flammini, Manas Puri, Lucie Pluschke, Olivier Dubois: Walking the Walking the Nexus Talk: Assessing the Water-Energy-Food Nexus in the Context of the Sustainable Energy for All Initiative; FAO, 2014. Hoff, H.: Understanding the Nexus. Background Paper for the Bonn 2011 Conference: The Water, Energy and Food Security Nexus. Stockholm Environment Institute, Stockholm, 2011.  
97. Post-Arab Spring: Sustainable development via a nexus approach, ID4D, Ideas for development, to appear, autumn 2015.

# NEOLIBERAL POLICIES AND INFORMAL LABOR IN THE ARAB REGION

06

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## INTRODUCTION:

According to the definition of the International Labor Organization (ILO), informal economy encompasses all workers' economic activities, in addition to the economic units that are not covered by official requirements and measures and regulatory requirements, either because this category of workers is active in sectors that are not covered by laws, or because laws that are supposed to protect them are not applied. This definition means that the informal economy encompasses at the same time the informal sector and informal positions in formal or structured companies (1). Given the importance of the legal approach of this topic, we consider that "the informal or unstructured labor" is more appropriate because it focuses on "jobs and workers", and focuses on the lack of workers' rights. Furthermore, focusing on the jobs results in avoiding the complexities related to the enterprise-based concept, and allows controlling the progress of decent work (2). The gender approach as well as gender equality require taking into consideration unwaged care workers (cooking, children care, housekeeping, hosting visitors, organizing weddings and condolences, etc.). It is worth noting that the informal economy is not anymore limited to the agricultural sector or Southern countries, but is more widespread in developed capitalist countries, and in many sectors like electronics, textile, apparel, construction, tourism, and domestic services (3). In the MENA region, %28 of the Gross Domestic Product (GDP) of a standard country comes from informal labor, which accounts for %65 of the country's active population (4).

In addition, informal labor represents 45 to 55 percent of the labor outside the agricultural sector in Mediterranean Arab countries (5).

There are multiple reasons for the spread of informal labor in the Arab region, including demographic factors (particularly the significant increase in the percentage of active population who entered the region during the demographic transitional period), exodus to cities, incompliance between education results and labor market requirements, growing poverty, social exclusion, and administrative obstacles, in addition to social and cultural obstacles preventing women from accessing the labor market. However, the economic policies adopted in the region since the 1980s have played a key role in the growing phenomenon of informal labor. Economic policies mean macroeconomic policies (financial policy, monetary policy, and fighting inflation), trade, investment, and financing policies, in addition to the policies of privatization and reforming State-owned enterprises (6). The neoliberal analysis is based on the restricted State's development model that prevailed in the 1960s and 1970s, and which led, according to those who adopt this analysis, to the external debt crisis in many developing countries - to focus on the need to adopt alternative economic policies based on the efficiency of free markets in terms of the optimal allocation of resources, the importance of valuating the role of the private sector and individual ownership, in addition to the need for preserving macroeconomic balances. Enforcing these policies would accelerate growth, improve productivity and competitiveness, and encourage exportation to create new jobs and reduce unemployment (7).

The present paper aims at rejecting these assumptions by studying the effect of neoliberal policies on informal labor in the Arab region, showing its contribution to the chronic spread of informal economy. In order to prepare this paper, we counted on the available literature and studies, knowing that a key part was reserved to research about the phenomenon of informal labor in the Arab world. We will expose in the first part the content of these policies as implemented in many Arab countries, highlighting the role played by international institutions and its relation to the growing phenomenon of

informal labor. The second and third parts will analyze the impact of the policy of liberalizing external trade, and then macroeconomic policies, on informal labor in the Arab world.

-1 Part one: The content of neoliberal policies in the Arab world and the influence of international institutions  
1.1 Content of neoliberal policies in the Arab world  
Internal and external factors have converged and made many Arab countries adopt neoliberal policies with a view to see their economies overcome the crisis in the 1970s and 1980s. In fact, the restricted performance of the State's capitalist system, focusing on import substitution industries - in different degrees - by Arab countries (with the exception of GCC countries) (8), and the absence of people's participation are all factors that aggravated the economic and social situation in these countries. It should be emphasized here that the profound transformations at the global level (abandoning the Bretton Woods system, freeing capital from censorship, etc.), and economic tensions (Major shocks in the oil market, the high interest rate at the global level, the economic recession in rich capitalist countries, etc.) have worsened the sufferings of relevant Arab countries. These factors, in addition to internal factors, have aggravated external debt and the deterioration of macro-economic balances. To overcome this situation, relevant Arab countries resorted to international financial institutions - the International Monetary Fund and the World Bank - to obtain financial support and "technical consultation." Therefore, many Arab countries (Egypt, Morocco, Tunisia, and Jordan for instance) applied the so-called "Washington Consensus" based on three pillars: liberating the economy, privatization, and financial austerity. The key objective of this new economic trend was to integrate these economies in the globalized capitalist system, fulfill the expansion needs of major monopolies and multinationals, and achieve more capitalist accumulation and global dominance. Policies adopted through stabilization and structural adjustment programs focused on restoring macroeconomic balances (public finance and balance of payments), and the progressive liberalization of economic, commercial, and financial sectors, privatization, and lifting administrative and regulatory restrictions on private sector initiatives. Restoring macroeconomic balances requires implementing strict austerity policies such as reducing public spending, wages pressure, and stopping the subsidization of basic materials. As for liberating regional economies, Arab countries have particularly adopted more liberal commercial policies (reducing customs duties, alleviating non-customs obstacles, partial liberalization of the services sector) after joining GATT Agreement and the World Trade Organization (WTO), and signing a number of regional commercial agreements (9). Privatization was used as a main element in the policies of economic "reform" and restructuring, and as a key tool to shift to the so-called market economy and redistribute the roles between public and private sectors in the Arab world. Many Arab countries have also extended the participation of the private sector to the infrastructure sector through BOT, particularly in electricity projects and in building independent power generation stations. Privatization projects tried to take into consideration the social aspect; people working in the privatized corporations (Morocco and Jordan) were retained, or some privatization revenues were used to pay early retirement pensions and subsidies for laid-off workers (Egypt and Tunisia) (10).

As for settings and configuration, changes focused particularly on the "business environment," i.e. the governmental measures regulating business activities (companies' registration, issuing construction licenses, cross-border trade measures, tax payment, economic activity liquidation, labor market flexibility, etc.). It is worth noting in terms of labor flexibility closely

related to the phenomenon of informal labor as we will explain later, that the different non-oil Arab countries have changed their labor laws to make business relations flexible due to the pressure made by international financial institutions and the local private sector, whereas these relations were always flexible in terms of oil ownerships (11).

### 1.2 The role of international institutions with the outbreak of the phenomenon of informal labor

In the midst of discussions about the effects of globalization on labor in the first decade of this century, ILO, the World Bank, and IMF played a key role in guiding the discussions and setting the policies. If ILO had a major influence on promoting the phenomenon of the informal sector and informal economy since the 1970s, and defending the need for respecting international labor standards, the two other institutions influenced the progress of the labor market and informal labor through the neoliberal policies imposed on debtor states, especially through their focus on labor flexibility as a main tool to encourage the private sector to invest and therefore create new jobs.

ILO focused on the negative aspects of the informal economy which can “can trap individuals and enterprises in a spiral of low productivity and poverty... From the perspective of unprotected workers, the negative aspects of work in the informal economy far outweigh its positive aspects. They are not recognized, registered, regulated or protected under labor and social protection legislation, and are not therefore able to enjoy, exercise or defend their fundamental rights.” (12) However, launching the discussion in 2002 on decent work and informal economy was a shift in the way ILO approached the phenomenon: the term “informal sector” was replaced by a new term which is “informal economy”. Therefore, ILO considered that “as long as it persists, the informal economy will remain the most serious obstacle to the goal of decent work for all”, and confirmed the “importance of a comprehensive approach across the Decent Work Agenda to address its negative aspects through protection and incorporation into the mainstream economy, while preserving its job creation and income-generating potential” (13). In addition, ILO has set a number of policies to r informal economy: quality employment generation and growth strategies; the regulatory environment; social dialogue, organization and representation; promoting equality and addressing discrimination; measures to support entrepreneurship, skills and finance; the extension of social protection; and local development strategies” (14).

On the other hand, the two financial institutions added labor market flexibility to the package of structural “reforms” aiming to liberalize goods, capitals, and labor markets. Legislations and laws on the minimum wage, social protection, and the regulation of employment and layoffs are all factors reducing the companies’ competitiveness and impeding their owners’ adaptation with market fluctuations. Companies restructuring requirements and labor shift to promising exportation sectors as per the vision of these international financial institutions, and thus businessmen are not encouraged to create new positions. This “narrowing” of capital freedom to deal with labor led more to the informal sector to avoid administrative complexities and restrictions on the level of the labor market. Therefore, the growing phenomenon of informal labor according to international financial institutions is the result of State’s interference to regulate the labor market; thus, labor market flexibility should be reinforced by removing all obstacles in order to increase private investments, improve competitiveness to create more positions, and reduce the spread of informal labor. Particular emphasis is placed on the fact that labor flexibility reduces labor costs and facilitates recruitment and lay-offs. It also lifts restrictions on term employment contracts, and gives companies’ owners

more freedom to specify working hours. In fact, this results inevitably in more vulnerable situations for workers and helps in spreading informal labor. This approach is clearly biased in favor of investors and capitalists to the detriment of workers’ rights which are no more than a cost that must be pressed to win the competitive bet in «free» and open markets around the world. Moreover, some research papers on this topic have revealed a positive relation between labor market flexibility and informal labor (15).

It is worth noting that ILO has cooperated with international financial institutions, particularly the World Bank, in order to integrate international labor standards in the programs of the aforementioned institutions, and according to the conditions of obtaining loans from Southern countries. For instance, the International Labor Office and the World Bank proposed incentives to the units working in the informal sector (simplifying administrative procedures and laws, improving public services, etc.) to shift to the formal economy, because this positively impacts economic growth. They also proposed to create social safety nets and limited contributions to guarantee the social protection of informal workers (16). However, this field experience shows that international financial institutions, in dealing with debtor countries, focus on labor flexibility according to a number of conditions to obtain the required loans (17).

Labor market flexibility is also a key factor to measure the ease of doing business and is essential for the World Bank and IMF to liberalize private sector capacities, particularly in terms of recruiting and laying off workers due to “excessive employment, lay-off cost, and working hours.” The employment index for instance evaluates positively the countries allowing the adoption of fixed-term employment contracts – i.e. temporary. It is known that such contracts are widely used in Southern countries to avoid registering the relevant workers in social security and thus depriving them of other social services (18).

### -2 Part two: The impact of external trade policies and investment on informal labor

Neoliberal globalization means in general reducing the obstacles impeding external trade and liberalizing capitals, in addition to technology spread and workers migration. It is also reflected in the internationalization of production by creating global value chains (or global production networks) (for the formalization of these chains, please refer to figures 1 and 2 in the annex) that leverage the reduced transportation and communications fees and the liberalization of commercial exchange to nationalize parts of these chains in the different countries to benefit from competitiveness (cheap labor, proximity to the markets in developed countries or emerging regional markets, developed technological structures, etc.). The result is subcontracting on the global level in seeking to reduce the production cost in the framework of competition between capitalist monopolies – the main guide of globalization – which contributes to more vulnerable labor and growing informal labor inside and outside the official or formal sector (19).

Neoliberal globalization in the 1990s led to the phenomenon of informal labor in many sectors and countries. Globalization helps in opening new markets and generating new jobs, but many of these jobs are fragile, and the new outlets are not accessible to small and marginalized producers. In the Arab region, external trade liberalization started by implementing structural adaptation programs in the first phase, and then by signing free trade agreements by Arab countries, particularly Mediterranean ones, with their regional (especially the European Union) and international neighborhood (United States).

What we are interested in is first to examine how trade and investment liberalization policies influence informal labor. The liberalization of trade and investment affects informal

labor in various degrees, according to its quality. Therefore, owners of small informal companies can leverage the demand on some commodities exported from Southern countries to the USA, Europe, and Japan (like Shea butter or shrimps). On the other hand, many small enterprises are going bankrupt due to competition from imported commodities. As for those who work for their own account, their inability to receive loans, training, technology, and information about the markets prevents them from leveraging the opportunities resulting from external openness. However, this type of informal labor is endangered by the competition from imported commodities. Informal waged workers remain the category that is most exposed to the negative implications of trade and investment liberalization. Thanks to free movement on the global level to accommodate labor, capital is unable to make pressure to get the lowest employment costs according to more vulnerable and unstable conditions. The pressure made by the private sector to achieve labor market flexibility under the cover of the need to improve the business environment in order to promote competitiveness and productivity contributes to this new situation. The situation of informal workers is also affected by the quality of the sector they work in (transformational industry such as exporting cloths or non-traditional agricultural export activities) (20).

In the Arab region, betting on directing economic activities towards exportation did not bring its expected results yet. The exportation of labor intensive and cheap labor industrial products was impeded by tough competition from more productive and lower cost countries – particularly Asian exporting countries. Shifting to exportation was also doomed to failure, knowing that most of Southern countries counted on dominating the markets of developed capitalist markets, which complicated the success of this strategy. For example, the apparel industry in Tunisia and Morocco lost a part of its share from the global market (21).

On the other hand, competition from external markets was tough to the extent that it led to employment of increasing numbers of women as they tend to protest less, and thus it is easier to control them to maximize the value excess, and it is also possible to make them accept low wages without social protection or decent working conditions. The relative increase of exportations went hand in hand with vulnerable working conditions, particularly on the level of labor intensive value chains, such as textiles, apparel, and export agriculture. Therefore, the aforementioned Bernhardt research (22) revealed that the apparel sector has lost many jobs between 2000 and 2012, and real wages have not improved much. In Tunisia, the real value of wages decreased, whereas employment in this sector slightly increased. These changes affected labor vulnerability and contributed to increasing informal labor. In Morocco, trade unions complain about the exploitation of women working in the textile and apparel sector. Women represent %41 of the total labor in transformative industries and %70 of the labor in the textile and apparel sector. The majority of women in the sector are illiterate and do not belong to any trade union. They also suffer from vulnerable working conditions and are concentrated in unqualified jobs. The involvement of these female workers in the labor market is necessary to improve the income of their families because the wages of head of families are not enough (23). In Tunisia, the involvement of industrialists in global value chains in the context of association agreements with the European Union has contributed to the growth of labor intensive sectors that employ unqualified female labor and are limited to assembly activities. These sectors have seen a significant increase in the percentage of temporary workers (those who work according to a fixed-term contract or without contract), especially after reviewing the Labor Law of 1996, in addition to low wages and insignificant social protection. Thus, the percentage of workers with temporary contracts in the

textiles sector amounted to %68 according to the International Labor Office (24). The situation deteriorated after the Arab Spring when most of apparel companies started counting on temporary workers to be able to meet the requirements and pressure of the European fashion sector. This resulted in higher marginalization and vulnerability of temporary workers, with an increasing unemployment and cost of living.

As for eastern Arab countries, the study of «qualified industrial zones» shows that implications on the informal labor in Jordan are different from those in Egypt. Qualified industrial zones agreements enabled Jordan and Egypt to attract important foreign investments, particularly from South-East Asia for Jordan, to benefit from the significant customs exemptions in textiles and apparel sectors, and circumvent the American quota system imposed on this industry. Agreements also resulted in a significant increase of industrial exportations to the American market, especially for Jordan (for instance, Jordanian exportations increased by 1.25 billion USD in less than ten years). Moreover, tens of thousands of Asian workers were brought in, and women represented %66.5 of them in 2004 and %50 in 25) 2010).

There are many reasons for this option according to investors, including their belief that female labor «is more suitable for the nature of work and more committed». Wages of foreign labor «must be left to the market according to the rule of supply and demand», whereas businessmen consider that the «applicable minimum wage policy suits local labor only» (26). These words unveil one aspect of the exploitation and discrimination faced by the labor force in Jordan. In fact, reports of trade unions and governmental organizations unveiled the scale of blatant violations against foreign labor in the qualified industrial zones, such as «seizing passports, not renewing work permits for some workers, delaying and even not paying the salaries, working for long hours and counting overtime in a way that is less than what is due, in addition to being exposed to humiliation and abuse which sometimes take the form of physical or sexual abuse» (27). Furthermore, most of the companies operating in these zones do not grant social protection to their workers who do not sign any contract (28).

It is worth noting that vulnerability and informality are originally due to the pressure made by American companies – controlling the value chain of the textiles and apparel sector – on its importers in Jordan in order to quickly meet market needs and fluctuations with the lowest costs, in addition to gender-based abuse.

The situation is different in Egypt where laws do not allow more than %10 of foreign labor, although there are cases of foreign labor in an informal framework and outside the scope of the rules in force (29).

Male and female workers are also able to resist overexploitation in Jordan for many reasons including low wages in comparison with wages in other sectors – making workers seek new job opportunities – considering the wages of married women as a complimentary income for the family, in addition to traditions and customs preventing single women from relocating to qualified industrial zones for work. Moreover, the daily long distances from and to workplaces make working for extra hours more difficult. (30).

### Frame 1: Qualified industrial zones agreements

Qualified industrial zones agreements provide for preferential treatment such as exporting a number of commodities from Egypt and Jordan without customs to the American market. In March 1996, an American senator proposed to amend the free trade agreement between USA and Israel to allow the entry of commodities produced in Gaza Strip and West Bank or in the qualified industrial zones between Israel and Jordan and

Israel and Egypt. Jordan signed the qualified industrial zones agreement with Israel under American patronage in 1997, whereas Egypt signed this agreement in 2004. According to these agreements and their rules, commodities approved by the USA must be produced in pre-defined geographic locations inside Egypt and Jordan pending USA's consent. In addition, factories benefiting from this agreement must be registered in a given unit at the ministries of trade in Egypt and Jordan to guarantee the application of specific conditions. The key condition is using a given Israeli component to legally abide by the free trade agreement between Israel and the USA, in order to secure access without customs to the American territories...

The main goal of these agreements under the American perspective was to encourage the peace process in the Middle East. As for Egypt and Jordan, their economic and commercial goal was to keep the market share in the USA, particularly for textile products and ready-made cloths, in addition to achieving regional integration between Egypt, Jordan, and Israel.

Reference: Ahmed Farouk Ghanim, *The commercial policy in the Arab countries*, 2012, p. 92 (quotes) أحمد فاروق غنيم، *السياسة التجارية في الدول العربية*

The spread of informal labor in the Arab region through global production networks included the agricultural sector. Due to the lack of information in this field, we will only highlight the Moroccan experience. In fact, export agriculture evolved significantly through agricultural agreements with the European Union which allowed the preferential access of Moroccan products to European markets. Moroccan exports are organized within global production networks dominated by Europe. According to studies conducted by civil society organizations (CSOs) working in Morocco about the impact of the red fruits sector – for agricultural and industrial purposes – on the informal agricultural labor (villages) and the informal industrial labor (canning factories), the value chain or production network of strawberry is for example composed of many circles, starting with the agricultural village, then the factory, before exportation to Europe, and so exported commodities reach the distribution networks of the European consumer through importers. (Red fruits are produced in villages that are often owned by large Moroccan farmers, whereas subsidiaries of multinationals have a strong presence on the canning level). Field studies conducted under the supervision of Oxfam showed that the majority of workers in the «Moroccan circle» of the production network are women, knowing that 60 percent of the agricultural labor in Morocco is composed of women whose work is seasonal. Agricultural labor is generally vulnerable because Labor Law requirements are not respected (minimum wage, number of working hours, social protection, leaves, etc.), and the economic and social rights of workers are violated blatantly. In the red fruits sector for example, the observed violations were the unavailability of social security cards, not applying the minimum wage, and not fully declaring the working hours. Moreover, women are exposed to all forms of violence and psycho-social pressure like harassment, sexual exploitation and degrading treatment such as insults and degradation inside workplaces or on the way to work (31).

Our analysis focused so far on the impact of the involvement of some Arab economies in value chains and scientific production networks on informal labor. In fact, the impact of liberalizing trade on informal labor is also reflected by the repercussions on the sectors focused on the local market, particularly import substitution industries. This issue is

complex and not settled on the theoretical and empirical levels (32); thus, we focused more on this topic that did not get enough attention from researchers in the Arab region. We only have some pieces of research about Morocco and Egypt. The first study is relatively old and is about the impact of «reforming external trade» on production factors, i.e. the capital and labor (33). Researchers conclude that this impact is relatively restricted in terms of employment, for that most of the companies have reduced their high profits and improved their productivity to face the fierce external competition resulting from reduced customs duties and non-customs barriers in spite of laying off workers, with the exception of textiles, apparel, and beverages sectors where workers were laid off. However, the numbers of temporary workers increased significantly, which means more labor vulnerability and a growing formal labor with no employment contracts or social protection. The second study is new and covers the industrial sector in Egypt (34). By adopting a political economy approach, researchers noticed that informal labor is increasingly widespread as a result of liberalizing external trade. A third study (35) shows that the gender gap in terms of wages is growing due to trade liberalization, given the weak negotiation capacity of women compared to men, and because they are unqualified and lack experience. On the other hand, commercial openness negatively affected women's labor in the Egyptian industrial sector. The bottom line is that companies compensated their decreasing profits due to the fierce competition from imported products by making pressure on the «weakest ring», i.e. female workers. To face this deterioration in the labor market, we can say that a part of the laid-off female workers shifted to the informal economy to feed themselves and their families.

Part three: The impact of macro-economic and privatization policies and reforming State-owned enterprises to cope with informal labor

The spread of informal labor in Southern countries in the last decades coincided with the implementation of stabilization and structural adjustment policies in Southern countries as of the 1980s (36).

What interests us in this part is identifying the mechanisms through which macro-economic policies (particularly financial policy) and the policies of privatizing and reforming State-owned enterprises in the Arab World affect informal labor. The austerity financial policy of Arab countries had adverse effects on growth, employment and poverty. For instance, public spending in non-oil and labor intensive Arab countries (Egypt, Jordan, Lebanon, Tunisia, and Morocco) dropped from %50 of the GDP in the early 1980s to %30 of the GDP in the early 1990s. Public investment also dropped significantly in most of Arab countries from %15-14 to %7-6 during the same period (37). Reducing public spending by reducing public expenses (freezing wages, freezing or reducing public employment, and freezing or reducing the subsidization of basic materials) and investment expenses resulted in a decline in public employment (public employment decreased in -1990 2010-2005 from %58 to %30 in Algeria, from %32 to %27 in Egypt, from %26 to %11 in Morocco, and from %32 to %22 in Tunisia (38). This drop was not compensated by the private sector in the MENA region where the percentage of private investment to GDP slightly improved from %13.82 in 1990-1971 to %15.33 in 2010-2001. This means that this sector is unable to meet the needs of new and numerous comers to the labor market, and so they shifted to the informal economy. On the other hand, reduced public spending resulted in reduced gross local demand, and thus formal labor dropped. Moreover, the decline in public spending has had a negative impact on the State's capabilities in terms of enforcing laws and regulatory procedures, facilitating the growth of informal labor. The size

of the informal sector is evolving contrary to the size and capacity of the State's regulatory capacities (for instance, the low budget allocations to ministries of labor and social affairs in the Arab countries mean that low funds are allocated to the management and control of employment conditions and compliance with applicable laws) (39).

The importance of the financial policy lies in its positive impact on growth, poverty and inequality. A recent study about evaluating the pattern of public spending policies in Jordan (40) showed that government transfers raise the net income, and the impact of the disposable income reduces poverty significantly (%46.8 in %44.4 ,2006 in 2008, and %46.2 in 2010). When adding transfers to the net income, the effect on the disposable income takes the form of reduced inequality (Gini coefficient) by %10 in %11.4 ,2006 in 2008, and %10.7 in 2010. The peak of the capital expenditure multiplier is estimated at 5.8.

These austerity policies largely affected the growth rate, capital accumulation, and the ability of Arab economies to provide productive jobs that preserve human dignity. Therefore, the average per capita income growth rate has declined significantly in many Arab countries, namely in 8 out of 18 countries, including Oman, Egypt, Tunisia, Syria, Morocco, Jordan, and Algeria, or remained stable at low levels in Iraq, Qatar, and Yemen (41).

This weak economic performance continued over the past decades and until 2013, when the annual per capita growth rate fell to 1.1 percent (42).

Due to low or slightly high growth rates at the beginning of the third millennium, unemployment continued to rise in almost all Arab countries, with most Arab countries experiencing unemployment rates above 10 percent (43). The Arab region also has the highest levels of unemployment globally, as shown in Figures 3 and 4, especially among young people and women (44).

It should be noted that increasing the growth rate does not always indicate the creation of many productive job opportunities and decent work conditions; the latter depend on the level of growth rate, its quality and integration aspect. From this perspective, the Arab region did not provide decent jobs (i.e. jobs that meet the aspirations of jobseekers and middle class expectations) despite reasonable growth rates (5 percent annually) during the first decade of the 21st century. Most of these positions have been developed by low-value-added service sectors using unskilled labor such as construction, trade, transport and other services, while the industry rate remains low, stable or declining, as in the case of Tunisia, Morocco, Jordan, and Egypt (45).

On the other hand, as a result of the neoliberal policies applied in a number of Arab countries, informal labor is characterized by an upward trend in Algeria, Egypt and Morocco. This is especially evident in the case of Egypt, where the proportion of new jobs in the informal sector has increased from 1 out of 5 in 1970 to 6 out of 10 in 46) 1998). A close relationship is noted between the growth of the informal sector in Egypt and the decline in employment. The proportion of active workers in the informal sector increased from 60.8 percent in 1998 to 67.3 percent in 2006, while this percentage for the public sector declined from 46.8 percent to 39.1 percent during the same period (47).

In general, the Schneider informality Index increased annually by 0.69 in 2007-2000 in the MENA region.

This is the third highest percentage in the world after Latin America, Europe and Central Asia. The annual increase for own-account labor in 2011-2000 was %2.1 in the MENA region, the fourth highest in the world (see Figure 5).

3.2 The impact of privatization policies and restructuring State-owned enterprises on informal labor  
Privatization and restructuring of State-owned enterprises are

presented as tools for economic reform by getting rid of what is described as inefficiency, rampant bureaucracy, squandering and corruption in State-owned sectors. However, the social cost of this policy may be heavy, as it might result in higher unemployment, and higher numbers of people joining the informal economy under its different forms. The neoliberal hypothesis on the ability of privatization to create new jobs does not take into account the income-based behavior of the private sector and its excessive sensitivity to risk, which makes it prefer unproductive financial and real estate investment. This hypothesis overlooks the possibility of «growth without jobs». Due to the absence of sufficient studies and data on the social impact of privatization in the Arab region, we will merely describe some examples of the negative impact of this policy on employment in Arab countries. In Egypt, the government tried to limit the repercussions of privatization and restructure public companies by using part of the revenues of privatization to establish an early retirement fund that was created to enable workers who are laid off from privatized or restructured enterprises to obtain early retirement pensions under specific conditions and requirements. A total of 610,000 workers and employees were estimated to have been laid off from public sector companies following this process between 199 and 2002, either due to reaching the legal age of retirement or early retirement. Due to the hardships of life and the low level of income of those who were obliged to choose early retirement, those who freely opted for early retirement used what they received in current financing. This prevented the early retirement from being transferred to small projects, the result being that the majority of them were unemployed and candidates for informal labor, in the hope of maintaining a minimum of decent living (48).

According to other estimates (495,600 ,(49 workers were laid off from businesses since the beginning of the privatization program until mid2006-, either for normal reasons or early retirement which is the only recourse for many civil servants, especially with «many new owners of companies deliberately incurring losses to avoid paying incentives and profits to employees.» In the same context, the impact of privatization on employment in Sudan was negative, as it led to an average decline of %44 following a study of employment in 13 privatized enterprises, while an increase was only seen in two enterprises with an average of %17. The number of people affected by the privatization and rehabilitation of State-owned enterprises in Sudan was estimated at 61,820 workers until 50) 2004). In the case of Jordan, the effects of privatization varied on civil servants from one company to another and from one sector to another. Employees who were integrated in the cadre benefited significantly in terms of salaries, benefits and training. However, 20.4 percent of the labor in the restructured sectors was laid off. The number of workers who received pensions after their layoff represented 9 percent of the total number of employees when the privatization program started. However, 10.4 of the laid-off labor force included workers who did not meet the requirements of retirement, but were laid off for financial incentives and were unable to find alternative jobs, knowing that the financial compensation neither makes up for the pension nor for the moral suffering of those who wish to continue to work (51).

#### Conclusion

The present paper focuses on the relationship between neoliberal globalization and its manifestations through the adoption by Arab countries of economic policies inspired by the economic thinking of neo-liberalism on the one hand and the evolution of informal labor on the other. International financial institutions have played an influential role in encouraging the adoption these policies in the region, especially as they have put pressure on debtor countries to

adopt a labor market flexibility policy, which has contributed to the deterioration of working conditions and the growing vulnerability of labor and informal labor. In this paper, we have focused on the contribution of trade and investment liberalization and macroeconomic policies, in addition to the privatization of the public sector and the restructuring of State-owned enterprises, to the outbreak of informal labor, both in the informal sector and in the formal economy. We have counted on the analysis of specific cases of Arab economies for which studies and research papers are available, or have provided relevant data and statistics. The impact of trade and investment liberalization can be detected by at least two channels: the first channel goes through gloom chains and global production networks that are subjected to multinationals. Arab countries are considered among the weakest rings, i.e. low value added and unskilled labor-intensive activities. The study of textiles, apparel and red fruit products, as well as qualified industrial zones showed how global capital pressure to reduce costs, adapt with market fluctuations, and ensure quick and timely supply for the market, in addition to gender-based discrimination have led to growing damages of exploitation, vulnerability and informal labor, especially for women's employment. On the other hand, if the impact of external competition on domestic enterprises is complex and not determined on the theoretical and empirical levels, this effect was negative in Egypt's case. Trade and investment liberalization contributed to the growth of informal labor, with worse effects on women's employment. At the macroeconomic level, austerity financial policies implemented in the framework of stabilization and structural adjustment programs have been negative for employment, particularly informal labor. The decline in public spending prevented jobseekers from joining the public service, especially young people and learners, at a time when the private sector compensated the State to push the economy forward. The decline in public investment also adversely affected growth and employment. In these circumstances, the unemployment rate has risen and the unemployed have been forced to find a foothold in the informal sector. The decline in the State's economic role has also slowed the pace of growth and contributed to the spread of unemployment, especially among young people, forcing many unemployed to resort to informal labor in the hope of earning a living that preserves their dignity. Last but not least, privatizations resulted in laying off large numbers of workers in Egypt, Sudan and Jordan, with worse consequences for women who used to work in better conditions in the public sector in Egypt, with at least part of them being part of the informal labor, as a way to compensate, even partially, their involuntary exit from the public sector.

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Source of fig. 1 and 2: Carr M and Chen M.A., 2001. Globalization and the informal economy: How global trade and investment impact on the working poor, WIEGO.  
 Figure 1. Fashion-Oriented Chain

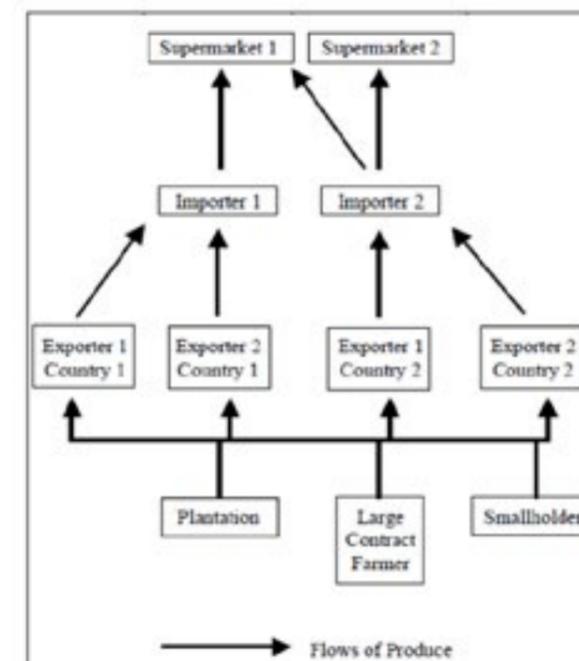


Figure 2. Flows of Produce in African FV Chain

Figure 3. Unemployment rate (%) across regions, -1992 2013

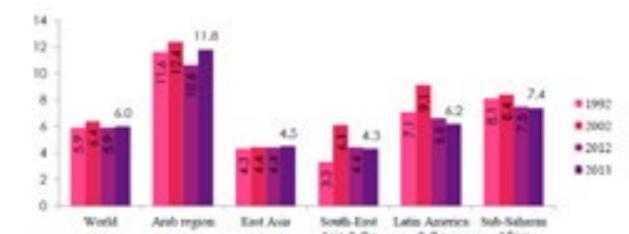
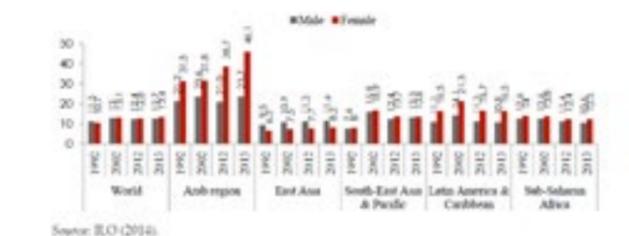


Figure 4. Youth female and male unemployment rate (%) across regions, 2013-1992



Source: Sarangi N, 2015. Economic growth, Employment and Poverty in Developing Economies: A focus on Arab region.

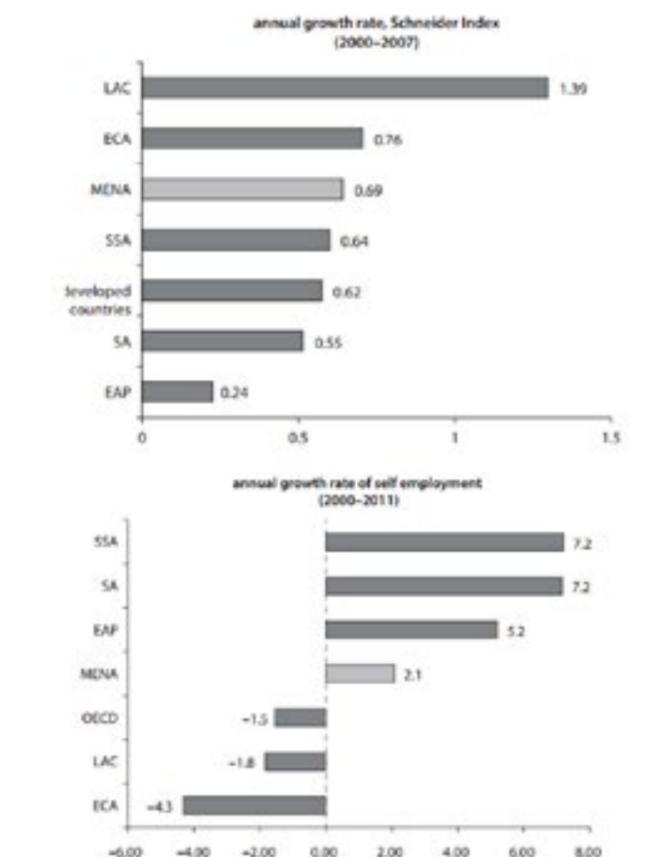


Figure 5. Annual Growth rates of Informality

Source: World Bank, 2014. Striving for jobs.

# GENDER DIMENSIONS OF INFORMAL LABOR

07

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Literature on women's economic empowerment confirm the importance of labor as one of the main pillars of women's economic independence and participation in public life, a way to promote their social status and allow them to take part in decision making, whether on the political level, in businesses, or within families. However, labor is not in any case sufficient for economic empowerment, if its quality is low and does not result in a considerable level of women's economic empowerment. The informal sector is considered one of the important economic sectors in developing countries which absorb a large part of the labor in general, and women's labor in particular, whether it is waged or own-account labor. No matter what the pattern is, it is a vulnerable sector in general, and is the main refuge of all categories unable to find job opportunities in the public sector. Therefore, social protection is a factor that can compensate such a situation, by being included under the umbrella of social security, health insurance, and other services provided to women such as maternity leave, nurseries, etc. Moreover, women's social protection in the informal sector is becoming more important due to their various roles, whether at home by looking after their families, or outside home, i.e. at work, which would expose them to more risks and aggravate their vulnerability. As a matter of fact, working in the informal sector lacks many conditions required to promote women's social empowerment. This labor is by definition outside the scope of any legal protection, whether it pertains to the Labor Law, minimum wage, or social security laws. It is also outside the scope of trade union protection. The situation gets even worse if a part of this labor takes place inside the family and is not paid. In this case, it is no more a matter of social protection, social security, and trade union protection, but also has to do with lacking the prerequisites of ensuring the minimum economic independence for women, which is supposed to be achieved through work in the market.

The present document is a regional report that aims at defining the gender dimensions of informal labor in the 13 Arab countries covered by the report on informal labor, i.e. Algeria, Morocco, Tunisia, Mauritania, Egypt, Sudan, Iraq, Jordan, Syria, Lebanon, Palestine, Yemen, and Bahrain. Therefore, the report on the gender dimensions of informal labor will mainly focus on extracting a set of attributes and specificities that are common between all Arab countries in terms of labor and gender, and on highlighting the differences among them. It will also expose the basic problems faced by women in the informal sector, along with their reasons, taking into consideration governmental policies' trends towards women's social protection in this sector if applicable, in addition to the roles played by the civil society in this regard according to national reports. It is worth noting that this report, being a regional one, counts mainly on national reports received from relevant Arab countries. However, the key problem is that data included in many national reports did not cover the gender dimensions of informal labor to a satisfying degree. The writer had then to count on other complementing sources. Furthermore, data included in the reports are different in terms of their baseline; thus, it would be hard to compare them.

The report is composed of three parts: the first part is a review of some literature on women's affairs and informal labor in general. After reviewing the relevant literature and studies, many common aspects and attributes emerged, meaning that the relation between women and the labor market, whether formal or informal, is an international issue, and that the status of women in the labor market is the lowest in general, with

a lot of differences due to the different degrees of economic and social development and other variables. The second part of the report tries to read the indications about women's participation to the informal labor market in the countries under study. This part also tackles the determinants of such participation. The third part focuses on social protection policies that are available to protect women in the informal sector on one hand, and the roles played by civil society organizations (CSOs) to protect women in this sector on the other. Finally, the report gives some recommendations to help rectify the situation of women in the informal sector in a way or another.

## ONE: WOMEN AND INFORMAL LABOR – READING THE LITERATURE: PROBLEMS WITHOUT SOLUTIONS

Studying the situation of women in the labor market, especially in informal labor, cannot be separated from the problems of this sector in general, and particularly other issues related to gender dimensions. It is possible to detect some of these problems in the relevant literature such as:

- The prevalence of contradictory economic trends regarding the informal labor market with those who consider that it is good to expand it to reflect market flexibility, encourage investment, and increase job opportunities. According to those people, the informal labor market is better and more efficient than the formal labor market which can result in disturbances in the labor distribution, wasted resources, and a lack of encouragement in recruitment. According to a report issued by the World Bank in 2009 entitled «Doing Business 2009,» governments were facing the challenge of reconciling the protection of workers' rights with the flexibility of the labor market. In fact, this flexibility became one of the main pillars of investment encouragement, in addition to other pillars like expediting the measures of starting work, the project of cross-border taxes and trade, credit, closing measures, etc. The report also noted that the insistence of developing countries to strictly organize the labor market in order to protect workers' rights pushed workers and employers to the informal sector. Furthermore, this strict formality of the labor market led to negative results such as a weakened capacity to create jobs, and less investment in research and development, which would reduce productivity. Others have an opposite view; they think that the absence of any social protection from this type of labor has many negative effects, such as aggravating social inequality, and harming poor and marginalized workers. As a matter of fact, there is a clear difference among economists between the benefits of labor market formality and its required degree, and the extent to which this would affect negatively or positively the business environment. Discussing labor market flexibility depends undoubtedly on the strive of international financial institutions to impose one economic system in the framework of the so-called neo-liberal model, for that removing all obstacles impeding investors is essential and necessary, even if it hurts the other production parties like workers, limits their organization and collective negotiation capacities, or restricts the State's ability to play one of its main roles, i.e. an organizational one. Surprisingly, this trend is prevailing at a time when the United Nations has launched the post-SDGs 15 goals, proposing an inclusive development model based on mainly redefining the State's role, whether regarding organizational, social, or distribution roles, and, in

1. The World Bank, Doing Business 2009, [www.worldbank.org](http://www.worldbank.org), pp 31-32  
 2. Wahba, Jackline, The Impact of Labor Market Reforms on Informality in Egypt, Population Council, 2009, pp 5-7  
 3. Floro, Maria & Meurs, Mieke, Global Trends in Women's Access to Decent Work, Occasional Papers, No. 43, May 2009, Geneva, Friedrich Ebert Stiftung and ILO, pp 9-10  
 4. Ibid

5. Chant, Sylvia & Pedwell, Carolyn, Women, Gender and the Informal Economy, An Assessment of ILO Research and Suggested Ways Forward, Geneva, ILO, 2008, pp 1-3  
 6. Ibid  
 7. Angel-Urdinola, Diego & Tanabe, Kimie, Micro-determinants of Informal Employment in the Middle East and North Africa Region, Social, protection and labor, The World Bank, 2012, p.4

other cases, its economic one. The adoption of the market economy by the State and the abandoning of a large part of its economic assets reduced its capacity to play its social role, particularly in terms of social protection.

- Differences were not limited to economists of various schools; there were differences with sociologists too. Sociological theories about women's labor differ from the view of the main school of economic thought in terms of it confirming women's double task: conventional labor and domestic labor. They are primarily responsible for their homes in addition to their work on the market, which leads to longer working hours and less rest. However, the main school of economic thought is not interested in this issue because it ignores this double task and focuses on other governing standards like individual entrepreneurship, economic competition, etc. Therefore, the current of feminist economy emerged in the last years. It considers that the economy includes economic activities inside and outside the market, as well as waged and unwaged labor. Economy for this current has a function different from the one defined by classic economy, i.e. provisioning of human life .
- Problems are not limited to theories tackled by economists, but are also reflected on the ground. The quick expansion of trade, the flow of capitals, and the restructuring of economies resulted in substantial changes in the labor market; jobs migrated from developed to developing countries and from the formal to the informal sector. These changes have actually created job opportunities, especially for women, but have at the same time caused gaps and imbalances leading to an increase in the marginalization of working women in many parts of the world. In fact, differences between women and men in the labor market are not a simple issue but rather a complex one with many variables: education, family structure, class, and other factors .
- Globalization and neo-liberalism led to more informal labor for women. Women's participation in the labor market in general, and the informal sector in particular, became larger. However, they continued to suffer from marginalization and discrimination; labor markets across different geographic locations are divided based on their type and women are concentrated in lower quality and less paid jobs, and thus can be considered the weakest ring in the informal sector. Moreover, they are concentrated in the invisible fields of the informal economy, especially domestic labor and helping families in their work for the market. Poor women in the informal sector face serious health problems, due to the insecure working environment, care responsibilities, or violence against them. There is also a complex relation between informality and power relations relevant to gender and poverty, which necessitates deeper analyses .
- Studying the situation of women in the labor market in general and informal labor in particular, must not take place independently from their social, geographic, and demographic contexts. It is hard to distinguish between gender, social class, ethnicity, and religion on one hand, and the geographic location on the other. For instance, discrimination against women in Latin America depends on many factors related to gender such as the origin (Indigenous or Afro-descendants). Many interacting variables affect women; thus, women are neither a homogenous group, nor is it easy to separate their issues from their social contexts in the broad sense .
- There can be no arbitrary separation between the formal and informal labor markets, both are two sides of the same coin. Many problems faced by the formal labor market are resolved through the informal labor market. Moreover, many of the

problems faced by the informal labor market result from the distortions of the formal labor market which often includes many informal labor patterns and forms under the pretext of increasing labor market flexibility, seen as encouraging investment.

## TWO: READING THE INDICATORS AND DETERMINANTS RELEVANT TO WOMEN'S PARTICIPATION IN THE LABOR MARKET IN THE COUNTRIES UNDER STUDY

1. Comparative overview of the general aspects of informal labor
  - Some studies estimated that informal labor in non-GCC Arab countries amounts to %67.2 of the total labor force. However, it only produces %35 of the Gross Domestic Product (GDP) because it has no access to loans, credit, services, utilities, and technology. Productivity is low; wages are also lower than in the formal sector . Furthermore, the possibility of mobility and migration from the informal to the formal sector decreases, as well as the satisfaction of these categories .
  - There are differences between the countries under study in terms of informal labor: Egypt %58.3, Lebanon %56.2, Iraq %66.9, Syria %71, Yemen %91.4, Morocco %81.9, and Jordan %44.2 . These percentages largely comply with country reports. For example, according to Jordan's report, %44 of the total labor force in the country is informal, and the informal economy accounts for %20 to %25 of the GDP, as per 2010 figures. As for Lebanon's report, it says that more than half of the workers in the country (%56) are informal, with a clear difference between rural workers, who represent more than two-thirds of the labor force in rural regions, and urban workers, who represent %48 of the labor force in the cities. This is directly due to the high concentration of civil servants in the cities on one hand, and to the weak structures of rural economies which still depend on primitive agricultural techniques on the other. However, it is worth noting that, even in cases in which the agricultural sector was modernized, such as in Morocco, informal labor was not turned into a formal one; it still belonged to the informal sector, and the only change was shifting from working for families to working for large investors in the agricultural sector. Informal labor in Algeria accounts for %37.2 of the total labor force. In Egypt, informal labor represents %46 of the labor force, in Iraq %53.7, and in Mauritania %75.3. Hence, the percentage of the informal labor to the labor force is high in general, indicating the importance of this sector in Arab economies, and the inability of Arab economies to create decent job opportunities as a result of many factors to be mentioned later on and which express an exclusive development pattern.
  - Countries under study have in common a number of factors which contributed to the expansion of the informal labor base in the last four decades, on top of which is the adoption of structural reform programs based on the idea of reducing the State's social role, and opening up the free market. The most important mechanisms in this regard consisted of freezing or reducing governmental employment. In Lebanon, freezing governmental employment since the mid1990-s resulted in an increase of informal labor to fill the gaps left by the public sector. In Algeria, the implementation of structural reforms resulted in freezing governmental employment and an increase in informal labor since the mid-

1980s. As for Egypt, one of the main characteristics of the labor market since the end of 1990s was increasing formal labor, decreasing employment in the public sector, and the inability of the private sector to generate job opportunities. Although unemployment rates dropped from %11.2 in -2004 2005 to %8.7 in 2008-2007, this expanding employment was basically possible thanks to informal labor in the private non-agricultural sector, which absorbed around %40 of the labor in 2012. The size of informal labor went even bigger with the drop of those who work in the public sector, from %34 in 1998 to %27.1 in 2012, and the fixed percentage of those who work formally in the private sector, at around 13 to %13.5 during the same period. The increase of informal labor in Iraq was a form of adaptation with an economy that is unable to create income generating jobs for all those who are able to work. Moreover, the Iraqi economy counted on crude oil revenues, a sector that was heavily capitalized and employed less than %2 of the labor force, and the decline in other economic activities generating job opportunities, whether industrial or agricultural, due to insecurity, allow informal labor to become widespread. In Morocco, the crisis began in the 1980s when structural policies were implemented, and as a result of the decreasing role of the State and the decline in living standards, successive governments started to bet on the expansion of informal economic activities as a solution for the crisis and a way to create job opportunities. Therefore, the expanding informal labor depended on the decline in public sector employment and the limited opportunities available in the formal public sector.

- Adopting an exclusive instead of an inclusive development pattern in the Arab countries under study resulted in higher economic growth percentages in many of them, without seeing higher protected and decent job opportunities. For instance, and in spite of the structural changes in the Syrian economy that led to an economic growth of %4.5 in the first decade of the current millennium, this growth was not translated into inclusive development and has excluded large social categories from the labor market. In fact, the situation in Egypt during the first decade of the current millennium was not different from the one in Syria; the country saw high growth levels without providing decent and protected job opportunities. Therefore, the expansion of informal labor depended on large radical economic transformations since the beginning of 1980s in the Arab region, i.e. a fast growth of the labor force, more urbanization, reduced public sector, and frozen employment, in addition to many institutional constraints that impeded new private projects due to bureaucracy. For example, the strict formality of the labor market in Morocco pushed a large part of the economic activity to the informal sector. This fact was tackled many times by the World Bank, particularly when it came to evaluating the situation of the different countries in terms of managing investment. Thus, many other factors leading to the spread of the informal sector, such as weak public investments, and the biased and failed capitalist development model imposed in the region since the mid1970-s, were ignored. Informal labor is also increasing in countries with large agricultural sectors; agricultural labor represents a large part of the labor force, for that it was and remains an informal sector. Among the most prominent Arab countries in this regard are Morocco and Yemen. On the contrary, informal labor decreases whenever the governmental sector expands and its employment capacity increases. It ultimately provides better working circumstances and conditions, particularly in terms of protection against risks.

## 2. Women and Informal labor: Situations and problems

- Country reports show a low participation of women in the labor market in general; it is %23 in Lebanon, %19 in Palestine, %15.4 in Iraq, %12.9 in Syria, %12.4 in Jordan, %18.3 in Algeria, %41 in Bahrain, %23 in Egypt, and %25 in Morocco. Women's labor is mainly concentrated in the public sector. These numbers comply with some studies and reports which showed that women's participation to the labor force amounts to %26 against %78 for men in the Middle East and North Africa (MENA). It is worth noting that MENA has one of the lowest percentages of women's participation in the economy, and is a region containing a large number of the countries under study in this report .
- Women's unemployment rates in the countries under study are generally high. The quality of women's available labor is also of lower quality than men's labor in terms of education, training, and capacities, in addition to the limitations of traditional patriarchal cultures. However, high unemployment rates among women in the countries under study do not contribute to increasing their percentage in the informal sector; men still control the informal sector in general. The low percentages of women in comparison with men in this sector is due to many reasons, such as unemployment, and working inside and outside home without any wage, knowing that are no calculated numbers. In Jordan, men's informal labor amounted to %23 in comparison to %15 for women's informal labor in 2010. It is worth noting that educated women in Jordan are completely prepared to enter the labor market, but are facing discrimination, low wages, unequal job opportunities, and violations, particularly in the informal sector. In Algeria, after the implementation of economic structuring policies in the mid1980-s, the phenomena of part-time women workers and domestic workers without any official control expanded. In Egypt, the percentage of unwaged women in the informal sector amounts to %25 against %7.4 for men, but their percentage in the paid labor is lower than that of men (%62 for men against %46.4 for women). In Morocco, the percentage of women to men in the informal sector is 1 to 10. In Palestine, women are mainly concentrated in service sectors in general, and in agriculture in particular, and women suffer from discrimination compared to men.
- Due to the inappropriate working conditions, working in the informal sector is for women a burden they wish to get rid of, as per Palestine's report and the study conducted on women working in the investment sector in Egypt . In the present study conducted on women working in free industrial zones – an official sector – it turned out that the majority of women's labor is informal, with no social protection in general, whether related to social insurance and health insurance, or to women's rights like maternity leaves, breastfeeding hours, etc. Women said in their interviews that they dream about the day when they will get rid of the working burden that is wasting their humanity .
- In Jordan, women's participation to the informal sector is mainly concentrated in activities such as health, social services (like medical services acquiring %17 of total women working in the informal sector), agriculture, forests, fishing, and education. In the countries with a large agricultural sector, the percentage of working women is high, and the most dangerous thing is that it is often unwaged labor. When the public and governmental sector is larger, the percentage of women's informal labor is lower, especially for those who

8. Gatti, Roberta et al., Striving for Better Jobs, the Challenges of Informality in the Middle East and North Africa, World Bank Group, 2014, p 11

9. Angel-Urdinola & Tanabe, op.cit., p 10

10. Mcloughlin, Claire, Women's Economic Role in the Middle East and North Africa MENA, GSDRC, 2013 [www.oecd.org/mena/investment/conclusion](http://www.oecd.org/mena/investment/conclusion)

11. عدلي، هويدا، نساء في سوق العمل (2) العاملات في قطاع الاستثمار، القاهرة، مؤسسة المرأة الجديدة 2012.

12. Previous reference

13. Mcloughlin, Claire, op.cit

14. O'Neil, Tam et al., Women on Move, Migration, Gender, Equality and the 2030 Agenda for Sustainable Development, July 2016, Odi.org

are more educated. The governmental sector has one of the highest employment rates for women, especially for educated and urban women. In fact, freezing governmental employment had negative effects more cruel towards women than men.

- Overlapping gaps is one of the problems that mostly aggravate the situation of women in general, and their situation in the labor market in particular. The gap between women's and men's unemployment is one of the biggest gaps in comparison to the rest of the world. Women also suffer from the worst conditions in terms of their rights to inheritance, participation in projects, ownership of lands, and receiving funding and credit. %31 of women in the MENA region are poor, and the gap between men and women in this region amounts to %35, which is higher than the worldwide gap amounting to %23. Moreover, the gap is not limited to income; there are other overlapping gaps such as geographic gaps between rural and urban regions, and socio-economic gaps between educated and illiterate women. In Lebanon, geographic and regional gaps are close to quality gaps; the poorest and the most deprived geographic regions see lower economic activity for women, and the lowest economic participation percentages for women are seen in the poorest regions (Akkar and Hermeil). In the same context, in Sudan, the quality gap intersects with the geographic or regional gap. There are also huge geographic gaps between Khartoum and the remaining regions, and between rural and urban regions, in addition to quality gaps.

- The increasing percentages of women in the informal sector are related to the women's social status determinants (widows – divorced – providers). In Algeria, women's involvement in the labor market is related to widowhood or disengagement of any form. The same applies to Egypt, where the main refuge of women who support their families is joining the informal labor market.

- The Arab region in the last five years saw a refugee crisis. In fact, the informal sector is the one that absorbs women refugees the most, and this is clear in hosting countries like Lebanon and Egypt. Migrant and refugee women are exposed to many exploitation-related risks, including human trafficking. Unskilled women also work in less formal and clear sectors in comparison to migrant men. A large number of women are in domestic work.

- In Lebanon, there are large numbers of refugee labor, whether Syrian or Palestinian. The vast majority of Syrian refugees, if not all of them, who are economically active are naturally considered as informal laborers and have no social rights or guarantees. According to the World Bank, the labor force in Lebanon increased by one-third in the last five years due to the influx of refugees from the conflict zones in Syria, according to country reports. Estimations indicate that there are 220 thousand migrant foreign female workers, 500 thousand Syrian workers, and around 53 thousand Palestinian workers. All those workers are involved in informal working relations, even though the status of domestic workers is different because the Labor Law does not recognize them as workers but allows issuing work permits for them. According to the Law, foreigners do not benefit from the services offered by the medical and maternity section at the Social Security and have the right to benefit only from medical care services in the case of work accidents and end of service indemnities.

- Problems are not limited to female refugees, workers who migrate normally and without being subjected to expulsive political circumstances suffer from many violations. Domestic workers in Jordan are the victim of many violations and violence such as the seizing of their passports, delayed

payment of salaries and sexual and physical assaults. Domestic workers in Bahrain suffer from the worst forms of violations, which resulted in many cases of escape. As for Sudan, civil war and conflict led to mass exodus to safer places, and thus the numbers of women in the informal labor increased. Country reports included many details about the types of violations against migrant working women.

- Women's informal labor is often related to poverty; the number of poor women working in this sector is high. This relation is very clear in the case of Lebanon, where informality is mainly concentrated among poor workers, with %82.5 of informal labor being represented by the poorest category. In Sudan, %46.6 of the population lives below the poverty line, and %56 of poor women are informal laborers working in the food and beverages industry.

- The spread of informal labor is related to specific educational levels, particularly those of intermediate education who are mostly women, and younger categories. Egypt is considered a model on this level; intermediate commercial or technical education is widespread in the rural regions, particularly among women. Due to the low quality of education, which does not provide any competencies to graduates, women of intermediate education in Egypt join the informal labor market. The situation is not very different in Lebanon, where informal laborers are less educated and younger. %69 of the 24-15 age category work in the informal sector. Young people in Algeria and Iraq are also concentrated in the informal sector. As a matter of fact, the problem gets more complex with the annual influx of newcomers to the labor market. Moreover, the percentage of informal laborers is higher among illiterates. By contrast, whenever the age and educational level are higher, the involvement of women in the informal labor market is lower.

- As for the formal sector and informal labor, due to freezing governmental employment for so many years, and the need for employment in the public sector, the only possible means was to fill the vacancies with informal labor, i.e. employment with no guarantees and/or short and temporary contracts. For example, informal labor in the public sector exists in Lebanon. %47 of those who work in the education sector and %44 working in civil agencies are informal. The Egyptian government adopted the same mechanism for many years before the Revolution of January 2011, %25, but was then obliged to absorb a large part of this labor force as full-time civil servants due to protests and demonstrations. On another level, a large part of the official private sector used informal and temporary labor, particularly in times of work pressure. Three: Women's Informal Labor Between State Policies and Civil Society Interventions

International organizations focused in recent years on the issue of social protection and informal labor as one of the key incentives which made many governments reconsider their attitudes and policies on the matter. It was also encouraging to see civil society interested in these issues, even if civil society, and particularly NGOs concerned with women's issues and social marginalization, showed more interest than governments by adopting right-based development perspectives. The way governments approach issues pertaining to the informal sector and the situation of women in this sector can either comply or not with the way civil society approaches such issues. Convergence or divergence depends on the approach of each side, i.e. if it is an organizational approach aiming to achieve social control only, a right-based approach aiming to protect the informal labor, a gender-sensitive approach, or a general one.

## 1. Governmental policies

Arab countries differ in the approaches they adopt in terms of informal labor. Some countries only focus on the legal side, i.e. the legal texts organizing informal labor, whereas other countries go further, by choosing to adopt policies and measures to organize this sector. Some countries, on the contrary, do not care at all about this issue, and only consider that this sector is normal and necessary to absorb labor. Even in terms of approaches' content, the question remains the following: are Arab governments interested in this issue under the perspective of formality and social control, or under a rights perspective, which aims to ensure a comprehensive umbrella for the social protection of this sector?

A number of cases in which legal measures were adopted by amending the laws to cover the informal sector were detected. In Iraq, for example (Iraq's report), the Ministry of Labor and Social Affairs (Department of Retirement and Social Security for Workers) prepared the draft law of retirement and social security for workers to replace the current law (Law of Retirement and Social Security for Workers number 39 of 1971), which focused on workers having social protection only. This draft was submitted to Parliament for endorsement. The law has accurately defined the categories in details to include all those who work in the informal sector: those who work in family projects, those who work in agriculture and grazing, seasonal and temporary workers, vendors, street photographers, merchants, local guards, cleaners, book and newspapers distributors in kiosks, local fishermen, porters, shoe polishers, and car cleaners stationed outside garages. The main goal was to extend the social protection umbrella of those who work in the formal sector to the categories working outside it.

As for the other measures adopted by the Ministry of Labor and Social Affairs related to informal labor, the Ministry elaborated a roadmap in cooperation with the World Bank (known as the Strategic roadmap of social protection in Iraq 2019-2015). The vision of this roadmap was to achieve a comprehensive social protection system through social safety nets, social security, and labor market policies. The goals of this roadmap were:

-1 An active social protection agency which organizes the programs of social safety nets according to scientific targeting systems based on clear standards which contributes to covering poor and vulnerable individuals and families, and allows them to coordinate their work with stakeholders in governmental and non-governmental institutions in Iraq.

-2 A single social security system for all citizens working in the public, private, and informal sectors, which guarantees equity, financial sustainability, sufficiency, and good governance, and ensures the effectiveness and efficiency of work performance.

-3 Efficient, flexible, and comprehensive labor market policies, programs, and mechanisms contributing to an investment in human capital and activating the participation of the private sector.

In spite of the comprehensive vision of the Iraqi government, key questions arise: was this vision implemented on the ground? What is the expected economic cost to implement this ambitious vision?

In Egypt, article 26 of the unified Labor Law No. 12 of 2003 was reserved for informal labor. The relevant ministry develops the policy and follows up on informal labor, particularly seasonal agricultural workers, sea, mine, quarries, and construction workers. The competent minister issues, in consultation with the competent ministers and the Egypt

Trade Union Federation, the appropriate measures to determine the rules regulating the employment of these categories: professional safety and health conditions, relocation, accommodation, and financial and administrative rules organizing said employment.

The Egyptian government has extended some forms of social security to informal laborers, such as health insurance and wages. A pension is also granted to all those who are above 65 years through a minor contribution, i.e. ten EGP, in addition to insurance for some informal labor categories, as per the proposal of the National Social Insurance Authority (NSIA). The Minister of Social Insurance issued decision No. 74 of 1988 about insurance for construction, quarries, and salt workers. Then, the Minister of Finance issued decision No. 554 of 2007; its seventh chapter was reserved to insurance for workers who receive temporary and changing wages to cover those who work in the aforementioned three sectors, in addition to construction workers and workers in land transportation. However, most of the informal sector works outside the umbrella of social protection provided by the State for many reasons, on top of which is that the packages of this system are very limited and do not encourage expanding the basis to include more people in it. As for small and medium enterprises, the government ultimately tries to register them, knowing that this objective is not enough for its owners and does not give them incentives to consider registering their enterprises.

In Bahrain, the Labour Market Regulatory Authority (LMRA) includes domestic labor in the labor force of Bahrain, which is entirely composed of foreigners (women represent %60). Despite registration, they are not granted any social protection. And due to cases of escape, the new Labor Law No. 36 of 2012 tried to grant some rights to this type of labor. However, these attempts were never implemented; there still are no specific working hours, and human trafficking cases are increasing in tragic circumstances.

In Jordan, some voices are calling to reform social protection systems to guarantee workers' rights based on a rights approach. The system of social protection does not comply with the standards of social protection stipulated in the ILO recommendation No. 202 of 2012. Legislations do not cover all citizens and vulnerable categories in the society, and the current system is unable to ensure social protection to workers in the informal sector in terms of the minimum wage and countering discrimination in wages between women and men. As a result of these claims, a new national framework was launched in 2015 to formalize the informal sector under the title of a national framework for the informal sector in Jordan. It was supported by the Ministry of Labor, the General Federation of Jordanian Trade Unions (GFJTU), Jordan Chamber of Commerce, and the Social Security Corporation. The aim was to formalize the informal sector and guarantee the conditions of decent work. Furthermore, the Social Security Corporation cooperates closely with many NGOs in order to grant social security to domestic, according to Jordan's report.

Without going into the details of the 13 reports, the following conclusions can be taken from the way governments deal with the informal labor in general, and the situation of women in this sector in particular. However, before tackling this point, it is worth noting a key constraint, which is to the difficulty in designing governmental policies that deal with the informal sector in the absence of accurate statistics about its composition, and the situation of women in it both qualitatively and quantitatively. Therefore, talking about

any policies without accurate statistics makes these policies unrealistic and inapplicable.

a. It is impossible to say that all countries under study have similar interests when dealing with the issue of informal labor; there are differences between the countries. Some have formal rules organizing informal labor, but these rules are not really applied. Others ignore this issue as a whole and consider it a good economic phenomenon absorbing an important part of unemployment. In any case, the whole approach, if applicable, is limited to some legal texts.

b. Governments' vision regarding informal labor is different from that of NGOs. The first party focuses on the idea of formalization and social control, whereas the second party focuses on the rights and protective approach.

c. The main focus of the present paper, i.e. the situation of women in the informal sector, does not exist at all in governments' agendas. Governmental approaches regarding the informal sector are not sensitive to gender issues.

d. Despite the expansion of the informal sector due to the exclusive development pattern, this issue was never tackled under an approach focused on the idea of changing said pattern. Therefore, the main reasons of the spread and expansion of this phenomenon is not being tackled.

e. A number of governments showed interest in some alternatives reducing the negative effects resulting from adopting market policies such as encouraging small and micro enterprises. Women were the most targeted category in this regard. However, this mechanism clearly remains unsuccessful in absorbing large numbers of women who work for their own account for many reasons, some of which are due to the fears of some women of not being able to pay back in case they are granted loans. The most important factor remains the lack of a comprehensive vision to deal with this issue. Guarantying the success of small and micro enterprises in employing women depends on value chains, in order to guarantee their sustainability and resolve the many problems related to marketing and other problems.

## 2. Civil society, informal labor, and women

First of all, it is worth noting that civil society is composed of many organizations such as CSOs, NGOs, trade unions, cooperatives, etc. It is thus normal that every organization approaches the issue differently, due to the difference in references. Secondly, the relation of the State with civil society in the Arab world is confused and dominated by mutual doubt more than interdependence and the capacity to build partnerships for many reasons that won't be tackled here. However, all these affect the approaches of dealing with informal labor on one hand and impede building real partnerships on the other.

CSOs have different experiences in dealing with informal labor and the situation of women in this sector. Egypt's report included some cases of organizing different categories of informal labor, the first of which was that of street food vendors. The attempt aimed at organizing this relation between relevant governmental parties and those who work in this sector, by developing workers' organization and negotiation competences. The experience of Street Food Vendors Association in El Minya governorate can be considered an important example to organize workers in this sector for almost two decades under a humanitarian and developmental approach at the same time. This association, established in 1986 thanks to cooperation between government officials and food street vendors, was able to protect the rights of food vendors, and deal with the issues of

crowded streets and food safety. According to an agreement between the association and local officials, it became possible for health officials to accompany and train vendors on how to handle food and adopt personal hygiene habits. Municipal authorities stopped chasing vendors as long as they abode by the agreed-upon rules. New carts were designed and permanent kiosks were reserved for some regions, taking into consideration touristic needs and local commerce. This experience resulted from field research led by Planning, Analysis and Administration Consultants (SPAAC) in Cairo about the importance of street vendors in achieving food safety for low income people in many cities inside Egypt, including the El Minya governorate. Research revealed that this sector includes categories of citizens who represent a large part of the society in need for formality, care, and development. It is also considered an open economic activity allowing the entry and exit of labor force without restrictions, and the easy entry of women who look after their families. The results of this research were submitted to El Minya officials who understood the issue and started to cooperate with vendors to establish the Street Food Vendors Association, which started with 28 members and was then joined by hundreds of others. The association's success was not limited to organizing the relation between the authorities and vendors and guarantying the safety of food sold by those vendors; it plays a role in developing vendors by granting loans and ensuring food production requirements, and also organizes social receptions, manages a fellowship fund, and works on providing medical care to vendors and their families. These services improved the quality of the food sold. What is more important is that the association supported the profession's legitimacy and promoted respect for vendors. This experience is now applied in the remaining Egyptian governorates so that food and beverages vendors join civil associations who will be the link between this sector and governmental authorities. The second case is that of Fair Trade Egypt which focused on training the informal owners of manual workshops to improve and market their production in order to guarantee them a fair profit. The World Trade Organization (WTO) granted COSBE in Egypt the Fair Trade Certificate in 2008. COSBE is currently providing handicrafts training and marketing the production of 34 Egyptian workshops.

The third case is the organization of fishermen in El Minya by Better Life Association (BLA). In the beginning, the BLA established fishermen associations in four project regions to defend their rights. BLA continuously works on building the capacities of fishermen board members, obtaining the appropriate licenses and fishing equipment, and raising their awareness regarding wrong fishing practices. Therefore, CSOs are basically concerned with informal labor and tackle development under a right perspective. Egyptian trade unions are completely absent, whether those belonging to Egypt Trade Union Federation or even independent unions. The main focus of any union is usually the formal sector and formal labor.

The situation of unions in Lebanon and Palestine is no different than that of Egypt. In Lebanon, the Trade Union Coordination Committee has the most efficient union entity for five years. However, and despite its activity, it dissociates itself from the requirements of informal labor. Moreover, Lebanon adopts a policy to absorb and transform trade unions into political tools to support the government. The Ministry of Labor must also approve the licensing of any trade union. In Palestine, the Unions Federation focuses on civil servants.

Without going into the details of country reports, the key

characteristics of approaching informal labor and its gender dimensions by civil society are the following:

a. Although there are many initiatives led by civil society, the problem of these key interventions is that they are partial, limited, and led essentially by NGOs, but without the involvement of the most important player, i.e. trade unions. The latter are suffering from governmental pressure and are dominated by the State in most of the countries. They are also mainly focused on the formal sector.

b. Due to the pressure made by Arab countries on NGOs, these organizations could not transform their initiatives and interventions into a quantitatively wide current which proposes alternatives able to positively engage with the policies adopted by Arab countries regarding informal labor and amend these policies in a way to serve the interests of informal labor in general, and women working in this sector in particular.

c. The approach adopted by civil society regarding informal labor is basically based on a rights approach, which is why it always seeks to formalize this sector to be able to defend its rights. It is also more sensitive to women and their problems in this sector. In fact, some CSOs tackled the issue of unwaged women in Egypt. The biggest effort made by these organizations has focused on presenting research papers and studies more than on-field work due to the constraints imposed by the State.

## CONCLUSION

The main conclusions of the study are the following:

1. The expansion of informal labor in the countries under study is the result of an exclusive and biased development pattern. Women are the category suffering the most in the informal sector due to many social and cultural circumstances, and because they are bearing a double burden. Even those who are considered as formal laborers and work in the formal sector suffer from low wages, mistreatment, violations, and discrimination in wages and employment conditions.
2. Domestic female workers are the category that is suffering the most from violations in the informal sector. The situation is even worse for refugee and migrant labor in Lebanon and Bahrain. The impact of political circumstances such as war and civil strife is more severe on women.
3. The gender gap intersects with all the other gaps reflecting other aspects of discrimination, whether based on religion, sect, geography, or class, etc. When women are classified in more than one gap, their situation is worse. The class and geographic location are among the main variables in the Arab region. Less educated and poorer women are the ones mostly found working in the informal sector, leading them to accept worse working conditions. As for the geographic location, its impact is also complex. In Egypt, Sudan, Lebanon, and other Arab countries, there are development gaps between regions, rural and urban regions, and the south and north. Rural regions are poorer and have lower human development rates in general. Some regions are poorer than others, like for instance Upper Egypt governorates, Akkar and Hermel in Lebanon, and Darfur in Sudan. Therefore, poor and illiterate women who live in the rural parts of the less developed regions become the most vulnerable category in the informal labor market.
4. Despite the lack of social protection for women in the informal sector, the most vulnerable categories are women working in agriculture, particularly migrant workers, and domestic workers who work in the most severe conditions in terms of working hours and low wages.

5. There is a real tergiversation in reforming labor laws dealing with informal labor in general. Texts are developed without being respected, and in many cases, laws are implemented due to aggravating economic crises, achieving a minimum level of stability, or due to international pressure. But in all cases, governments do not want to tackle the issue seriously due to its high cost. In fact, covering this huge sector of informal labor socially incurs very high costs. Consequently, the proposed solutions are always partial and tend to target one or more categories with no comprehensive vision for every sector.

6. Not all reform initiatives are women sensitive. Each sector is tackled as being homogeneous without discrepancies, and without acknowledging that there are vulnerable categories that are more exposed to risks, i.e. poor women in this sector.

7. Although micro-financing was originally targeting women, particularly poor women, there were no flexible programs to target and train women on work, sustainability, and management. In light of this low status of women, the decision regarding micro-financing remained in the hands of fathers, husbands, or sons. Moreover, women do not usually apply for loans and prefer borrowing from friends and neighbors, for religious reasons and fear from legal accountability if they were unable to manage their loans in the right way.

8. One of the key strategies to make informal labor tolerable and income generating consists in developing the competencies of those who work in the sector. Competencies development is more important for women because they are less educated and more vulnerable. Such development improves productivity and income. The key challenge is how to attract women from their homes to receive training and overcome cultural obstacles. Therefore, training should not be limited to work competencies, but must also include negotiation skills and rights awareness.

9. Market access is an urgent issue for the informal sector. It is more important for women due to constraints imposed on their mobility, either because of family burdens or due to cultural constraints and financial difficulties. Thus, it is important to support and rollout the experience of fair trade centers.

10. Civil society almost makes no effort related to formality as a change enabler, knowing that this is the only way to obtain full rights. Women abstain from joining trade unions due to lack of time and having to face a double burden, or because trade union officials are not interested in promoting women's membership.

Finally, women's informal labor can be approached by NGOs under a rights perspective by focusing on formality, competencies development, rights awareness, and contributing to fair trade conditions, in addition to other fields which reduce the sufferings of women in the informal sector in the near term and empower them in the long run. The key issue, i.e. changing the conditions and circumstances leading to the expansion of this sector and marginalizing women in it, remains an inherently political one, and thus requires reconsidering development patterns adopted by governments on one hand, and an engagement by the civil society with these governmental policies to change or amend them by proposing alternatives on the other.

# INFORMAL LABOR IN THE ARAB COUNTRIES THROUGH INTERNATIONAL STATISTICAL INDICATORS AND DATA

08

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## INTRODUCTION

Based on the International Labor Organization measurement methodology concerning informal labor and the guide issued for this purpose in 2012, we tried in this report to collect available data about informal labor in Arab countries, counting in particular on relevant international databases, publications, and academic and field studies. These sources consist particularly of the database and publications of the ILO, the UN organization concerned with labor issues and relevant social rights, and of WIEGO, given its effective contribution to developing the approaches of measuring formal labor and its reports on the specific conditions of women in the labor market, in spite of its inability to collect additional data on the geographic regions that concerns us.

We also counted on the main studies published by the Organization of Economic Development and Cooperation (OECD), especially the studies conducted by Jack Charmes, focused particularly on African and Middle Eastern countries, or the studies conducted by Friedrich Schneider, which resulted in an index estimating the contribution of the shadow economy to the Growth Domestic Product (GDP). As for demographic, economic and financial data, the World Bank databases, whether general or specialized ones, were the main source of the provided data.

We have devoted chapter one of the report to the indicators mentioned in the ILO database concerning the labor market in terms of informal labor, according to the direct method based on a relevant questionnaire, and to the indicators mentioned in WIEGO's reports based on the same methodology. However, the fact that Arab countries did not provide statistical data according to the specified approach is considered the first weakness, making the data received from these two sources on the Arab world almost completely lacking, except for Palestine and some partial data about Egypt.

Therefore, chapter two was devoted to the indicators based on approximate indirect estimates (proxy), particularly the approaches adopted when facing a lack of social protection, independent labor, or a lack in declaring an enterprise or production, as signs pertaining to the size of informal labor and its evolution in the region in the absence of direct measurements.

Chapter three is about indicators estimating the contribution of the informal sector to the GDP, either through national accounts or the empirical methodology based on economic statistics and mathematical models to estimate the hidden changes through a number of remarkable variables.

In chapter four, we tried to look for correlations between the different approaches, before tackling in chapter five informal labor indicators related to demographic aspects, the labor market, and a number of economic, financial, and institutional factors that might have a direct or indirect impact on the existence, size, and evolution of formal labor.

Given the particular situation of migrants and refugees who are among marginalized categories that are usually more exposed to employment in the secret labor market or the informal sector, we mentioned the indicators related to this category of workers, with a focus on domestic workers, according to the new data published by ILO in its report issued in December 2015 concerning the estimates of migrant workers worldwide.

We listed in the annexes the detailed ILO standard methodologies through the guide published for this purpose, in addition to WIEGO's methodologies.

## INDICATORS BASED ON DIRECT METHODS AND ILO MEASUREMENT GUIDE

Based on the International Labor Organization measurement methodology concerning informal labor and the guide issued for this purpose in 2012, we tried in this report to collect available data about informal labor in Arab countries, counting in particular on relevant international databases, publications, and academic and field studies. These sources consist particularly of the database and publications of the ILO, the UN organization concerned with labor issues and relevant social rights, and of WIEGO, given its effective contribution to developing the approaches of measuring formal labor and its reports on the specific conditions of women in the labor market, in spite of its inability to collect additional data on the geographic regions that concerns us.

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We listed in the annexes the detailed ILO standard

1. « ILO Global estimates on migrant workers » ILO - Geneva 2015.

methodologies through the guide published for this purpose, in addition to WIEGO's methodologies.

ILO has developed a guide entitled «Statistical manual on the informal sector and informal employment» in order to help the countries measure informality.

This guide showed the different phases of developing the statistical concepts and definitions relevant to the different components of formality, measurement, estimation methods, and methodologies as per the instructions of international conferences of labor statisticians.<sup>2</sup>

The organization has created a sub-database in the framework of the database of key indicators of the labor market (KILM 08) which includes data about informal labor in 65 countries<sup>3</sup>. However, this database only includes the specific data of two Arab countries: Palestine and Egypt<sup>4</sup>.

### -1 Indicators included in the ILO database concerning informal labor

The only data concerning Arab countries in this database are included in the table below:

Table 1: Informal labor and labor in the informal sector in the Arab countries for which data are available in the ILO database:

Country	Years	Gender	People working in informal non-agricultural labor		People working in the informal non-agricultural sector		People working in informal non-agricultural labor outside the informal sector	
			Number (000)	Percentage	Number (000)	Percentage	Number (000)	Percentage
Palestine	2008	Males	333	59,9	125	22,7	208	37
		Females	42	42	14	54,0	28	28
	<b>Total</b>	<b>375</b>	<b>57,2</b>	<b>140</b>	<b>21,3</b>	<b>234</b>	<b>35,7</b>	
	2011	Males	324	53,9	142	22,7	183	29,4
		Females	46	40,4	14	52,9	31	27,8
	<b>Total</b>	<b>370</b>	<b>50,1</b>	<b>156</b>	<b>21,2</b>	<b>215</b>	<b>29,1</b>	
	2012	Males	342	52,9	154	23,9	188	29,1
		Females	45	39,7	15	51,9	30	26,6
	<b>Total</b>	<b>387</b>	<b>50,9</b>	<b>169</b>	<b>22,3</b>	<b>218</b>	<b>28,8</b>	
	2013	Males	362	53,5	161	23,9	201	29,9
		Females	49	42,2	15	52,6	35	30,3
	<b>Total</b>	<b>410</b>	<b>55,9</b>	<b>176</b>	<b>22,2</b>	<b>234</b>	<b>30,0</b>	
Egypt	2013	Males	7575					
		Females	572					
<b>Total</b>	<b>8149</b>							

Source: ILO database – Key Indicators of the Labor Market – table 8

According to the definitions included in the aforementioned database relevant to Palestine, informal labor in the first column includes the following:

- Renters, own-account workers, members of production cooperatives, and family members contributing to the informal sector;
- Producers for their own consumption;
- Workers without social coverage.

The informal sector includes the unregistered economic enterprises.

The database indicates that these statistics, in Palestine's case, are the result of studies in the labor.

Although this data indicates an important drop in informal labor in Palestine between 2010 and 2011, from %57.2 to %50.1, percentages increased again in 2012 and 2013 to reach %51.9. Females reached %42.2 in 2013 in comparison with %42 in 2010. These changes are mainly due to the important changes in the numbers and percentages of informal labor outside the informal sector, particularly between 2010 and 2011, and 2012 and 2013.

It is worth noting in this context that all other Arab countries did not provide statistical data according to the

new standards, and were not keen on keeping abreast of developments in terms of labor and enterprises statistics.

### -2 WIEGO data

WIEGO, in addition to a number of international experts in informal labor known as Delhi group, contributed to the aforementioned guide issued by ILO. WIEGO issued a number of reports on informal labor. However, these reports did not include additional data concerning the Arab region, except for Palestine and partially for Egypt. This is due to the fact that these countries counted on ILO database. Even on the level of MENA as a whole, the organization was unable to make estimates, and thus with data available for only two Arab countries, it was unable to come up with credible percentages and estimates for the region. The statistics published by the organization in 2014, in its report entitled «Women and men in informal economy: a statistical image»<sup>5</sup> covering 47 countries, are based on two sources: the answers to the questionnaire sent by ILO to the countries to collect their data, and ILO database concerning informal labor, particularly the tables about national research, including research on households in a number of countries where data are available<sup>6</sup>. WIEGO estimates that informal labor in the MENA region makes up %45 of agricultural labor, in comparison to %82 in South Asia, %66 in Sub-Saharan Africa, %65 in East and Southeast Asia (without China), and %51 in Latin America and the Caribbean. The percentage of formal labor in the MENA region amounts to %35 for women and %47 for men. The organization notes that these total estimates hide a huge difference between countries, given their individual specificities. The main data taken from WIEGO's publications on informal labor in Palestine and Egypt are shown in the following tables:

Source: Statistics on informal economy – WIEGO – 2014

Table 2: Percentage and components of the informal non-agricultural labor in Palestine - 2010

Rural areas	Urban areas	Men	Women	Total	Components
62,3	57,8	59,9	42,6	57,2	Informal labor workers
27,0	25,3	22,7	14,0	21,3	Informal sector workers
0,0	0,0	0,0	0,0	0,0	Informal labor workers in the informal sector
35,3	36,7	37,2	28,0	35,8	Informal labor workers outside the informal sector

This table, circulated as an example of data that could have been received if data collection were possible for the whole Arab region, shows that the percentage of informal labor in Palestine in 2010 reached %62.3 in rural regions, and %57 in urban regions. However, the percentage of informal labor outside the informal sector seems higher in urban areas, with %36.7, in comparison to %35.2 in rural areas. This can be due to informal labor in the formal sector, which is usually concentrated in cities. This can also be due to higher labor for families in urban regions.

This data shows that there are no formal workers in the informal sector in Palestine. It is also impossible to confirm that this is due to the lack of statistics or almost a complete absence of such category in the Palestinian economy.

Table 3: Percentage of informal labor to the non-agricultural labor by gender and activity

Activity sectors	Percentage of informal labor to the non-agricultural labor by gender and activity					
	Palestine			Egypt		
	Total	Females	Males	Total	Females	Males
Industry	77,6	90	76	49	48,5	49
Construction	96,9	—	96,9	92,1	39,6	92,4
Trade	72	80	71,4	84,4	84,9	84,3
Transportation	48,9	50	51,2	77,2	9,9	78,9
Services other than trade and transportation	20	28,2	16,9	59,8	11,6	23
All non-agricultural activities	52,8	40	54,5	51,2	23,1	56,3

5. «Statistics on the informal economy: definitions, regional estimates & challenges» Vanek, Chen, Carré, Heintz, Haussmans – WIEGO Working paper n°2 – April 2014.  
6. Annex 3 includes the methodology adopted by WIEGO.

Source: Statistics on informal economy – WIEGO – 2014  
The previous table shows that the percentage of informal labor in different non-agricultural sectors amounts to %52.3 out of the total non-agricultural labor in Palestine and %51.2 in Egypt. This percentage increases to %54.5 for men in Palestine and %56.3 in Egypt. As for women, it drops to %40 in Palestine and only to %23.1 in Egypt.

As for sectoral breakdown, the table shows that the percentage of informality is very high in the construction sector, whether in Egypt or in Palestine. The percentage of informal labor reaches %96.9 of the total labor in Palestine, and %92.1 in Egypt.

The other services sector (except for trade and transportation) sees the lowest percentages of informality, which do not exceed %20 of the total labor in both countries.

Table 4: Breakdown of formal and informal non-agricultural labor by gender and activity

Activity sectors	Total			Women			Men		
	Total	Formal	Informal	Total	Formal	Informal	Total	Formal	Informal
Palestine – 2010									
Industry	13,0	6,3	19,2	16,0	5,7	22,5	13,5	7,1	18,8
Construction	14,8	1,0	37,4	—	—	—	17,4	1,2	19,8
Trade	21,8	12,8	36,0	16,0	13,1	20,9	23,9	15,8	35,4
Transportation	6,9	7,0	6,4	3,6	1,7	2,5	3,7	6,9	7,9
Services other than trade and transportation	41,4	72,8	16,9	74,0	19,1	16,0	17,2	16,0	13,4
All non-agricultural activities	100	100	100	100	100	100	100	100	100
Egypt – 2009									
Industry	18	18,8	17,2	8,5	1,7	17,8	18,7	21	17,1
Construction	19,2	2,4	27,3	0,4	0,0	0,0	17,8	1,1	29,2
Trade	25,8	4,9	25,2	11,8	2,2	10,6	18,0	1,7	16,8
Transportation	9,3	4,9	14,0	1,4	1,8	0,7	10,7	6,2	16,8
Services other than trade and transportation	42,3	49,5	16,3	78,1	49,8	19,1	31,8	43,9	14,6
All non-agricultural activities	100	100	100	100	100	100	100	100	100

Source: Statistics on informal economy – WIEGO – 2014

The present table differs from the previous one in that the latter included the percentages of informality in each sector, whereas this one includes the breakdown of workers by non-agricultural sectors and their weight in terms of workers percentages to the total number of workers, the total formal labor, or the total informal labor, and takes into consideration the breakdown by gender.

The table shows that the other services sector (except for trade and transportation) attracts %43.4 of total workers in Palestine, but accounts for %72.8 of formal employees. This is a normal phenomenon since this sector largely includes management and organized enterprises. This percentage rises to %93.3 for women.

As for the construction sector, whereas it attracts %14.8 of the total labor in Palestine, it only attracts %1 of formal labor in comparison with %27.4 of informal labor. This means that this sector is highly informal and vulnerable.

The same table shows almost the same for Egypt. The construction sector accounts for %27.3 of informal labor, and only attracts %15.2 of total workers. On the other hand, the other services sector (except for trade and transportation) attracts %69.5 of the total formal labor (men) and around %90 of the total formal labor (women). This also shows that women are almost completely absent from informal labor in transportation (%0.7).

The following table shows that women represent around one-fifth of the total labor in Egypt and less in Palestine (%16.9). This percentage goes up to 30 percent of the agricultural labor in both countries. Palestinian women account for %38.8 of independent agricultural labor, whereas they only account for %4.5 of formal agricultural independent labor.

Table 5: Percentage of women at work by types in Palestine and Egypt

Categories	Palestine 2010	Egypt 2009
Total labor	18,9	18,9
Agricultural labor	29,5	30,4
Waged agricultural labor	0	
Rented formal agricultural labor	—	
Rented informal agricultural labor	0	
Independent agricultural labor	18,8	
Non-agricultural labor	15,2	15,3
Waged non-agricultural labor	16,4	
Rented formal non-agricultural labor	29,6	
Rented informal non-agricultural labor	10,3	
Independent non-agricultural labor	18,6	
Independent formal non-agricultural labor	4,5	
Independent informal non-agricultural labor	13,8	

Source: Statistics on informal economy – WIEGO – 2014

## INDICATORS BASED ON APPROXIMATE INDIRECT ESTIMATES (PROXY)

Indicators and data relevant to informal labor are estimated through many methods that developed over time. In the 1970s and 1980s, the general population censuses, conducted every ten years (or even more for some African countries), were considered the only sources of data regarding the informal sector. As of the 1990s, surveys concerned with active population and employment were conducted on a yearly basis, and sometimes a quarterly one, in a number of emerging countries.

Labor in the informal sector was measured indirectly through the method of residues, i.e. deducting the registered labor from the total labor in every sector to obtain the formal labor. This method is still valid in countries where no surveys of the labor force are available.

Whereas data about labor in the informal sector are available, data about informal labor are only available in a limited number of countries, and are almost absent in Arab countries, which shows again that these countries are unable to produce and provide general statistical data, and do not respect the ILO as a reference organization which measures labor through special surveys and research. Therefore, using approximate methods (Proxy) to estimate informal labor remains necessary to follow up on its evolution. These approximate estimation methods are the following:

- Lack of social protection approach;
- Independent labor approach;
- Approach of estimating the contribution of the informal sector to GDP through:
  - National accounts
  - Economic statistical models of hidden variables (Schneider Index)

### -1 OECD and Jack Charmes data

As for the Arab region, statistics about informal labor, published by Jack Charmes in his study entitled «Informality 40 years of debates» and his former study, which was the basis of a report entitled «Is Informal normal?» for J. P. Jütting & J. R. de Laiglesia, published by OECD, were only limited to North Africa countries and some Middle Eastern, non-GCC Arab countries.

2. Annex 2 of this report shows the most important elements of the standard methodology and definitions included in this guide.  
3. Key Indicators of the Labor Market – ILO  
4. Refer to the definition of the informal labor in this database in the annexes.

Table 6: Evolution of the shadow economy percentage<sup>7</sup> out of the total non-agricultural labor

Countries	Percentage of informal labor to the total non-agricultural labor					
	1975-1980	1980-1984	1985-1989	1990-1994	1995-1999	2000-2005
Algeria	21.8		25.0		42.7	43.3
Egypt	18.7		37.3		55.2	45.9
Tunisia	38.4	35.0	39.3		47.1	35.0
Morocco		56.9			44.8	37.1
Mauritania		69.4	80.0			
Lebanon						53.8
Syria				41.7	42.9	30.7
Palestine						43.6
Yemen					57.1	53.1
North Africa	39.6		34.1		47.5	53.0
Sub-Saharan Africa		67.3	72.5	76.0	81.9	63.3
Latin America				52.5	54.2	55.9
South and South East Asia			53.9	65.2	69.9	69.7
South Asia						43.2
Emerging countries						20.7

Source: «Is Informal normal?» – J. P. Jütting & J. R. de Laiglesia – OECD – Statistics by Charmes (2002) and Shang (2007), and Informality 40 years of debates» for Jack Charmes Statistics show that:  
 - The percentage of informal labor has continuously increased in North Africa countries since the mid1970-s, and went from %39.6 in 1979-1975 to %53 in 2010-2005;  
 - In 2010-2005, the percentage of informal labor reached %78.5 in Morocco and %51.2 in Egypt;  
 - As for non-African Arab countries, the latest available data are for 2004-2000 and show that Lebanon achieved the highest percentage, %51.8, followed by Yemen with %51.1.

Table 7: Components of informal non-agricultural labor in the informal economy<sup>7</sup>

Countries	Percentage of labor in the informal sector to the informal economy	Percentage of informal labor outside the informal sector	Percentage of women in the informal economy	Percentage of independent labor in the informal economy	Percentage of industry labor in the informal economy
MENA	58.7	41.3	36.4	39.9	41.4
Sub-Saharan Africa	66.4	33.6	33.1	36.9	34.2
Asia	79.4	20.6	35.9	33.3	41.7
Latin America	64.6	35.4	46.5	32.1	26.8
Emerging countries	56.5	43.5	39.2	32.7	38.8

Source: «Informality 40 years of debates» – Jack Charmes  
 Table 7 shows that the percentage of labor in the informal sector to the informal economy amounts to %58.7 in MENA countries, a percentage lower than those in the countries of Latin America and the Caribbean, Asia, and particularly countries of Sub-Saharan Africa, where it reaches %80.4. The high percentage of informal labor outside the informal sector in the MENA countries might be due to the fact that some enterprises in the formal sector employ people without respecting labor regulations and rules, in addition to the prevalence of family businesses. These data show that the percentage of informal labors outside the informal sector in MENA countries is %41.3. As for the Percentage of women in the informal economy, it only accounts for %16.4, whereas it reaches %51.1 in Sub-Saharan Africa and %46.5 in Latin America and the Caribbean. As for independent labor in the informal economy, it represents %39.9 in the MENA region, in comparison with %64.9 in Sub-Saharan Africa and %53.3 in Asian countries. The table also shows that industry labor in the informal sector reaches %41.4 in the MENA region, but only %24.2 in Sub-Saharan Africa and %26.8 in Latin America and the Caribbean. The following table (8) shows the breakdown of informal labor according to the status, highlighting the important percentage of independent workers out of the total informal labor in the countries included in the table, particularly Yemen and

Morocco, where these percentages were %88.6 and %67.8

Framework 1: Independent labor  
 Independent labor = Renters + own-account workers + members of production cooperatives + family members contributing to the informal sector

Table 8: Percentage of informal labor depending on the situation at work

Countries	Percentage of informal labor depending on the situation at work			
	Percentage of waged workers to the informal labor		Percentage of independent workers to the informal labor	
	1990s	2000	1990s	2000
Algeria	35.4		66.9	
Egypt	30.3	44.1	49.7	35.1
Tunisia	46.8		31.6	
Morocco	18.7	52.2	41.9	67.8
Mauritania	22.2		72.8	
Lebanon		59.2		64.8
Syria	36.5		45.5	
Yemen	18.8	31.6	89.2	88.6

respectively in 2000. The same applies to Mauritania in the 1990s (%72.8).

Source: «Is Informal normal?» – J. P. Jütting & J. R. de Laiglesia – OECD

This table also shows the important evolution of waged employees who were part of informal labor between the 1990s and 2000 in Morocco and Egypt.

**- Breakdown by gender:**

Data taken from the same source show that women's participation share in informal labor is between %60 in Lebanon and %20.2 in Syria. It is worth noting that the

Table 9: Percentage of informal labor by gender

Countries	1990 - 1999		2000 - 2007		Other date	
	Males	Females	Males	Females	Males	Females
Algeria	43.1	40.6			43.1	40.6
Egypt	56.9	46.5	47.2	38.6	47.2	38.6
Tunisia	53.2	39.2			53.2	39.2
Morocco	44.0	46.8			44.0	46.8
Lebanon			44.4	60.0	44.4	60.0
Syria			42.8	34.6	42.8	34.6
Palestine			46.8	20.2	46.8	20.2
Yemen	52.2	39.7	52.8	29.3	52.8	29.3

percentage of women's informal labor looks usually lower than men's informal labor in most Arab countries included in the table, except for Morocco and Lebanon.

Source: «Is Informal normal?» – J. P. Jütting & J. R. de Laiglesia – OECD

In spite of the importance of informality among working women in Lebanon and Morocco, the following table shows the difference in the nature of women's informal labor between the two countries; independent labor constitutes %88.6 of informal labor in Morocco, whereas waged females only represent %11.4 of women's informal labor. As for Lebanon, waged females represent %74.9 of women's informal labor.

Table 10: Percentage of women informal labor depending on the situation at work

Countries	year	Percentage of informal labor in the non-agricultural sector	Percentage of independent labor out of the informal labor	Percentage of waged labor out of the informal labor	Percentage of women out of the total informal labor
Algeria	1997		80.9	59.1	16.8
Egypt	2005	38.6	46.7	53.9	34.0
Tunisia	1995	46.8	56.6	49.4	18.5
Morocco	1995	40.6	88.6	11.4	29.6
Syria	1994	54.3	54.6	43.4	18.6
Lebanon	2004	40.0	25.1	74.9	
Palestine	2004	20.2	63.4	36.6	

Source: «Is Informal normal?» – J. P. Jütting & J. R. de Laiglesia

- OECD

The table also shows that women represent %29.6 of the total informal labor in Morocco, %18.5 in Tunisia, and %16.8 in Algeria.

**- Regarding income:**

In terms of income, this table, which only concerns small renters, shows that the monthly income of this category in Tunisia dropped from 4 times the guaranteed minimum wage in 1997 to 3 times said wage in 2002. In contrast, the income of this category of renters in Morocco increased from 1.7 time of the minimum wage to 4.3 times said wage during the same period.

While the income of small renters exceeds the minimum wage in all countries included in the table, the wage paid to the employees of these enterprises varied in 2002 between 150 percent of the minimum wage in Mauritania, 110 percent of the minimum wage in Tunisia, and 0.2 percent of the minimum wage in Egypt and Lebanon. This shows the vulnerability level of workers in informal enterprises in these countries.

As for the difference between the women and men's income in the informal sector, the study shows that the income of small renters in small enterprises represents 53.3 percent of the income of male small renters in Morocco, in comparison with 82.6 percent in Tunisia in 2002. As for female waged employees, this percentage varies between 65.7 percent of male employees in Morocco and 67.7 percent in Tunisia. These data reflect women's vulnerability in the informal sector and the fact that they lack basic rights, even if they are the employers.

Table 11: Average monthly income and monthly wage paid by small renters in the informal sector (as a multiplier of the minimum wage)

Countries	Monthly income		Monthly salary	
	1997	2002	1997	2002
Tunisia	4.8	3.0	5.3	3.1
Morocco	1.7	4.3	1.8	1.8
Egypt (2004)		1.8		0.2
Mauritania (2009)		1.8		1.9
Lebanon (2006)		1.8		0.2

**-2 Lack of social protection approach**

This method was built on the fact that informal labor is the labor that does not provide social coverage to workers. It is measured by answering a question related to leveraging social security through labor force surveys, although these surveys only recently included questions about this issue. In the past, statisticians considered that workers registration meant necessarily that they were socially covered. Therefore, the residues method was adopted regularly by deducting registered labor in industrial sectors from the total workers to obtain an approximate estimate of informal labor. Then, the 17th conference of statisticians was held in 2003 and facilitated the collection and use of unified data through labor force surveys and answers related to the included benefits of social coverage. In the following table, and in order to highlight the lack of social protection, we counted on the latest available data in ILO database concerning social protection by choosing "the percentage of contributors to pension schemes for the labor force of 15 years old and above," for that we thought it was the best indicator that might show the extent of appropriate social coverage for working categories<sup>7</sup>. The table shows this weak percentage in most Arab countries for which data are available. It also shows that this percentage is weak in general in developing countries, indicating the importance of informal labor from a social protection perspective in different regions and countries.

7. In the chapter devoted to interconnected approaches, we counted on the percentage of lacking social coverage in pension schemes by considering that it complements the percentage of contributors to pension schemes (i.e. 100 – the percentage of contributors to pension schemes out of the labor force)

Although this method reveals a general informality problematic in a given country, it might have a minor significance regarding the size of this work and its evolution, given the difference of systems and policies adopted by countries in terms of social protection and ensuring different working categories.

Table 12: Percentage of contributors to pension schemes (15 years old and above)

Countries and regions	Total	Males	Females	Year
Regions (weighted average according to the labor force)				
Africa	35.4	—	—	
Sub-Saharan Africa	8.5	—	—	
North Africa	47.8	—	—	
Africa East	37.1	—	—	
Latin America and the Caribbean	36.0	38.5	37.4	
Asia and the Pacific	34.0	—	—	
Central and Eastern Europe	65.7	—	—	
North America	59.5	—	—	
Western Europe	89.2	—	—	
World	41.4	—	—	
Developing economies	29.5	—	—	
Emerging economies	43.8	—	—	
Developed economies	52.9	—	—	
Arab countries				
Algeria	46.5	—	—	2001
Egypt	32.6	—	—	2003
Egypt	53.3	56.9	50.3	2006
Libya	59.6	72.9	50.9	2008
Mauritania	57.2	—	—	2005
Morocco	30.2	—	—	2001
Sudan	4.9	—	—	2008
Tunisia	79.0	—	—	2001
Yemen	35.1	34.1	39.0	2007
Iraq	45.2	—	—	2009
Jordan	51.5	47.4	56.1	2000
Kuwait	58.4	—	—	2000
Lebanon	0.3	—	—	2002
Palestine	32.0	—	—	2000
Qatar	33.7	33.4	35.4	2001
UAE	3.9	—	—	2008
SMA	50.1	56.8	31.5	2000
Syria	28.4	—	—	2008
Yemen	5.3	6.4	1.8	2001

Source: ILO Social Protection Database

Table 13: Estimates of the effective coverage of pension schemes depending on the situation at work and labor patterns (according to the latest available data)

Categories	Middle East & North Africa	Sub-Saharan Africa	Latin America & the Caribbean	Developed countries & the European Union	
Engagement according to the situation at work	Employees	42.8	40.9	64.9	90.8
	Own-account workers	6.4	0.1	18.8	64.1
	Unpaid family members	1.8	0.1	8.9	17.9
Total labor					
Engagement according to the contract nature	Public labor	85.1	69	97.7	88.3
	Seasonal labor	43.7	26	43.2	76.9
	Without contracts	9	12.7	28.2	55.9
Engagement according to full-time or part-time work	Employees	52.9	35	71.2	92.4
	Part-time	39.6	25.3	47.1	69.7
	Total labor	37	32.8	58.3	86.3
Engagement in the public or private sector	Employees	66.7	50.9	89.7	94.3
	Public sector	13.7	18.1	19.5	50.1
	Total labor	66.7	50.9	89.6	94.3
Engagement depending on the size of the enterprise	Public sector	13.6	4.6	43.1	46
	Less than 10 workers	18.8	5.9	18.7	79.4
	10 to 49 workers	62.3	42.3	61.4	95.4
50 workers and above	63.9	51.6	74.6	87.3	

Source: International Labor Organization - Data about the latest available statistics

The following table shows the important differences in social coverage and thus the vulnerability and informality of certain active categories according to their situation at work, the nature of their employment contracts, and the size of enterprises operated all over the world. It is worth noting that the percentage of social coverage

relevant to pension schemes for total workers in the MENA region amounts to %32.3, in comparison with %88.3 in developed countries, %47.5 in Latin America and the Caribbean, and only %9.1 in Sub-Saharan Africa. As for the employees, coverage does not exceed %42.9 in the MENA region, which is considered the lowest percentage in comparison with the countries of Sub-Saharan Africa and Latin America and the Caribbean.

As for own-account workers, it barely reaches %5 in comparison with %64.4 in Europe and the European Union, and %18.8 in Latin America and the Caribbean. Moreover, only %1.8 of contributing family members benefit from social coverage in the MENA region, knowing that this category remains weak in terms of coverage, even in the developed countries, where coverage remains below 18 percent. Vulnerability is also reflected by the weak percentage of social coverage for those who work without a contract in the MENA region which does not exceed %9 in comparison with %43.7 for seasonal workers and %85.1 for civil servants respectively. As for the sectoral breakdown, the difference is clear between those who work in the public and private sectors in the MENA region; the coverage drops from %88.7 for those who work in the public sector to %19.7 for those who work in the private sector, whereas the difference between both sectors in developed countries does not exceed 4 points (%94.5 in comparison with %90.5).

On the other hand, this table shows the differences between the coverage according to the size of the enterprise; the percentage in the MENA region drops from %83.9 in enterprises that employ 50 workers and more, which are usually formal enterprises, to %18.9 in enterprises employing less than 10 workers, which are mostly informal ones. The difference between regions is also clear. In fact, only %3.3 of the enterprises in Sub-Saharan Africa employ less than 10 workers, in comparison with %79.4 in developed countries, and %19.2 in Latin America and the Caribbean. This clearly shows the importance of informality in small enterprises and in the private sector in developing countries, including Arab countries.

**-3 Independent labor approach:**

This method supposes that the informal labor can be estimated approximatively in terms of independent labor percentage which complements the waged labor percentage out of total workers. The independent labor is composed of:

- Own-account workers
- Renters (who recruit workers in their enterprises on an extension basis)
- Contributing family members
- Members of production cooperatives

Independent labor represents only an approximate indicator of the informal labor, given the fact that it includes the complete category of renters, although some of them are formal, such as own-account workers who benefit from social coverage systems and respect the different administrative legislations and measures. However, their weight in the labor force and in the number of workers in developing countries remains weak, and thus their impact on estimates is low.

We have included in the following table data about the percentages of independent labor out of total workers since 1970s published in a study issued by OECD<sup>8</sup>, to highlight evolution in this field, showing particularly that:

- The percentage of independent labor on the international level increased from 22.5 percent in the 1970s to 31.3 percent in the 1990s, and then dropped to 24.7 percent in mid-

2000. As for North Africa countries, they have witnessed a continuous increase, reaching 35.1 percent in 2000. - This percentage depends in the Arab countries on the latest data available in ILO database and varies between 61 percent in Comoros and 2.6 percent in Qatar. The table shows the differences between high income GCC countries characterized by a weak percentage of independent labor and other Arab countries. - Women's labor percentage is considered high in Egypt, Morocco, and Oman, where these percentages amount to 49.8 ,63.7, and 46.6 percent of female non-agricultural labor (knowing that these data are available on this level for 6 Arab countries only). - The percentage of women out of the total independent labor outside agriculture and its related sectors remains in all Arab countries included in the table below the international average (%4.5). It seems that this depends on the participation of women in the work force in the Arab world in general. This percentage varies between %15.5 in Qatar and %25.9 in Tunisia.

**INDICATORS ESTIMATING THE CONTRIBUTION OF THE INFORMAL SECTOR TO THE GROSS DOMESTIC (GDP)**

Table 34: The evolution of the percentage of independent labor from non-agricultural labor

Countries	Independent labor percentage out of the non-agricultural labor					Independent labor percentage out of the female non-agricultural labor				Percentage of women out of the total independent non-agricultural labor			
	1970s	1980s	1990s	2000	Latest data*	1970s	1980s	1990s	2000	1970s	1980s	1990s	2000
Algeria	15.5	19.0	24.5	31.7	31.7	2.6	5.2	25.0	1.4	1.4	14.7		
Bahrain	17.7	10.1	5.0	5.0	4.8	2.2	1.1	1.6	2.4	1.7			
Comoros	36.2	61.0	61.0	61.0	59.8	76.6							
Djibouti													
Egypt	21.4	28.6	24.1	42.5	42.5	8.3	3.6	15.1	69.7	3.8	3.1	50.4	18.4
Iraq	17.8	14.5			14.5	24.7	10.8			11.0	8.1		
Jordan	19.5		24.2		24.2	4.0		6.1		2.0		3.4	
Kuwait	11.8	6.4			6.4	0.5	0.5			0.5	1.5		
Lebanon			34.0	35.3	35.3			15.5	14.3			30.0	24.3
Libya	16.5				16.5	7.9				2.4			
Mauritania													
Morocco	15.5	36.1	45.1	49.7	44.1	37.3	49.8	26.5	25.7	24.1			
Oman		4.2	30.0	30.0		2.4	66.5			7.4	17.9		
Qatar	1.9		2.6	2.6	0.1	4.0		0.6			15.5		
USA													
Somalia													
Sudan	33.3	40.7		40.7	40.1	22.3	11.3			12.5			
Syria	31.0	25.5	31.3		31.3	22.2	15.2	12.1	5.0	4.9	4.2		
Tunisia	23.2	20.9	29.7	17.0	28.8	46.0	40.0	40.9	9.9	49.0	42.6	31.4	25.9
UAE	9.6	8.2			8.2	7.1	1.7			2.6	2.1		
Palestine													
Yemen			41.2		41.2			16.7				3.3	
North Africa	18.2	23.8	28.5	31.1		10.1	23.8	29.6	41.1	13.2	18.6	20.8	22.8
Africa	22.5	26.8	31.3	24.7		23.7	26.0	32.2	24.0	25.4	28.7	34.8	40.5

Source: "Is informality something normal?" - J. P. Gauteg & I. R. de Leclazia - OECD - 2009  
 \*ILO data as per the latest available statistics

11. According to Jack Charnes, this method is appropriate to approximatively estimate the contribution of the shadow economy to GDP. Their comparison with the national accounts approach based on the current GDP remains difficult given the fact that national accounts include a part of the shadow economy.  
 12. If for instance the measurement for a given country was 1.07 degree with a margin of error between 0.73 and 1.42, it means that the indicator might be between those two edges. To compare between two specific dates, both margins should not coincide to indicate a negative or positive development.

**1. National accounts approach:**

The national accounts system devoted<sup>9</sup> a complete chapter to the informal aspect of the economy (chapter 25). The informal sector is defined as "a sub-sector of enterprises taking the form of companies in the enterprises sector and family business." Although it is possible to measure relatively easily its contribution to GDP, this is not easy for the category of informal labor outside the informal sector, broken down on all institutional sectors of the national accounts system composed of:

1. Informal workers in the formal sector;
2. Domestic workers;
3. Producers of consumption goods for their own families (in the first and second sectors)

Table 35 : The contribution of the informal sector to the Growth Domestic Product and the added value

Countries	Contribution of the informal sector (including the agricultural sector) to GDP	Contribution of the informal non-agricultural sector to the total added value	Contribution of the informal non-agricultural sector to GDP
North Africa	35.8	27.1	23.9
Algeria (2000)	37.9	30.4	27.1
Egypt (2008)	27.8	14.9	14.7
Tunisia (2004)	41.8	34.1	29.8
Africa Sub-Saharan Africa	63.6	50.2	31.3
Latin America	29.2	25.2	24
Emerging countries	19.5	13.9	10.7

Source: Informality 40 years of debates - J. Charnes

The previous table, which only includes brief data about the Arab region, shows that the contribution of the informal sector, including the agricultural sector, amounts to 35.8 percent of GDP for North Africa, including Egypt, Tunisia, and Algeria. The percentage varies between 41.8 percent in Tunisia in 2004 and 27.8 percent in Egypt in 2008. For comparison purposes, this percentage reached 63.6 percent of the GDP for Sub-Saharan Africa, but did not exceed 29.2 percent in Latin America and the Caribbean.

On the production level, the table shows that average contribution of the informal non-agricultural sector to the total added value in North Africa countries amounts to 27.1 percent, in comparison with 50.2 percent in the countries of Sub-Saharan Africa and 25.2 percent in Latin America and the Caribbean. This contribution amounts to 34.1 percent of the total added value in Tunisia and 30.4 percent in Algeria, and only 16.9 percent in Egypt.

The contribution of the informal non-agricultural sector to GDP amounted to 23.9 percent in North Africa countries covered by the study. It varied between 29.8 percent in Tunisia, 14.7 percent in Egypt, and 27.1 percent in Algeria. As for Sub-Saharan Africa countries, their contribution reached 31.3 percent, in comparison with 24 percent in Latin America and the Caribbean, and 10.7 percent in emerging countries.

**2. Estimates according to the empirical methodology: Measuring the shadow economy: Schneider Index**

In regards to the Schneider Index<sup>10</sup>, the shadow economy is composed of all goods directed to the goods market and the legal services that are hidden from public authorities in order not to:

- Pay the taxes and other benefits;
- Pay social security contributions;
- Implement labor legislations such as the minimum wage, the

labor period, social coverage standards, ...  
 - Comply with certain administrative obligations.  
 This excludes illegal products, i.e. activities complying with normal crimes such as theft, drug trafficking, etc. The whole informal shadow economy, including the families producing goods and services, is also excluded.  
 The empirical methodology adopted by Schneider is based on the indirect measurement method, which is itself based on the theory of non-observable variables, which consider that there are many reasons to explain the existence and growth of the shadow economy, and that these can be estimated through considerable variables with available indicators<sup>11</sup>.  
 As for developing countries, the six following reasons were used:

- a. Weight of direct taxes (as percentage of GDP);
- b. Size of the public sector (public consumption percentage of GDP);
- c. Tax freedom (percentage of tax revenues to GDP);
- d. Administrative organizations density;
- e. Freedom of initiative;
- f. The status of the economy through the indicators of employment rates, GDP per capita, participation to the labor force, and the cash earnings outside banks.

The following table shows the evolution of the Shadow economy in Arab countries as per the Schneider Index:

Table 36: The Shadow economy in the Arab countries between 1999 and 2007

Country	Years									International ranking out of 162 countries	
	1999	2000	2001	2002	2003	2004	2005	2006	2007		
Bahrain	18.8	18.8	18.8	17.8	17.8	17.8				17.8	29
KSA	18.7	18.8	18.7	18.7	18.8	17.7	17.8	17.8	18.8	18.7	28
Oman	15.1	18.9	18.5	18.5	18.4	18.3	18	17.5		18.4	28
Jordan	18.8	18.8	18.2	18.2	18.7	18.3	18	17.5	17.2	18.2	29
Qatar		18	18.8	18	18.8	17.8	18			18.8	30
Syria	18.8	18.8	18.0	18.1	18.8	18.5	18	18.7	18.8	18.1	34
Egypt	15.1	15.1	15.1	15.1	15.1	16.8	16.1	17.0		16.1	35
UAE	18.8	18.8	17	17.4	18.8	18.4	18.8	18.1		18.1	47

- « The Shadow economy » - Friedrich Shneider & Colin C. Williams - IEA - The institute of Economic Affairs - 2013.  
 - According to Jack Charnes, this method is appropriate to approximatively estimate the contribution of the shadow economy to GDP. Their comparison with the national accounts approach based on the current GDP remains difficult given the fact that national accounts include a part of the shadow economy.

Yemen	37.7	37.4	37.8	37.0	37	37	36.8	36.8	36.8	37.1	52
Algeria	34.2	34.1	33.8	33.3	33.3	33.7	33.1	33	31.2	34.3	76
Lebanon	34.1	34.1	34.7	34.5	34.1	32.4	32.4	32.8	32	34.1	79
Uganda	34.7	35.1	34.8	34.8	34.8	34.9	35.1	35	34.8	34.7	84
India	34.1									34.1	
Egypt	33.5	33.1	33.2	33.7	33.4	33	34.8	34.1	33.2	34.0	89
Morocco	33.5	33.4	33.7	33.5	33	34.2	34.9	35.1	33.3	34.9	90
Mauritania	33.3	33.1	33	33.8	33.8	33.1	34.4	33.7		33.1	
Tunisia	33.7	33.8	33.8	33.8	33.8	34.9	36.7	35.8	33.8	33.2	97
Comoros	33.0	33.4	33	32.7	31.4	33	33	34.4	33.4	34.1	102
Average	34.1	33.75	33.3	33.35	33.75	33.35	33.1	33.35	33.8	33.8	
Arab countries average	37.8	38.8	37.8	37.7	37.8	36.9	37.2	37.3	38.8	37.8	
World average	34	33.7	33.6	33.6	33.3	32.9	33.0	33.0	33.0	33.1	

Source: Study by Schneider, Bohan and Montenegro "The Shadow economy in the world" estimates for 162 countries between 1999 and 2007 - World Bank - 2012

The following conclusions can be taken from the study on Shadow economy for the 2007-1999 period:

1. The shadow economy represents an important part of the world economy; the unweighted average of 162 countries is %33.1, and this world average decreases to %17.2 of the GDP, if GDP per capita per country is taken into consideration. As for Arab countries, the sector's (unweighted) average size

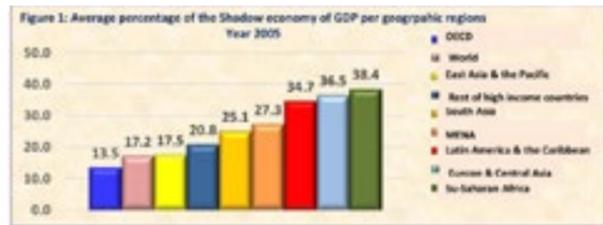
8. "Is informality something normal?" - Gauteg and Do Leclazia - OECD - 2009  
 9. Refer to the fourth amendment of the 1993 national accounts system, and the fifth amendment of the 2008 national accounts system  
 10. « The Shadow economy » - Friedrich Shneider & Colin C. Williams - IEA - The institute of Economic Affairs - 2013.

amounts to %27.6. The study also reveals that the international average has decreased in 2007-1999. As for the average of Arab countries, it was almost stable due to the increase in 2007.

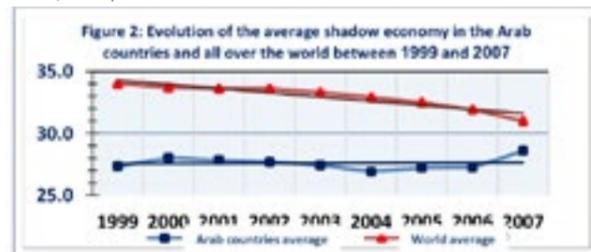
2. There are many different and interconnected reasons and factors determining the importance of this sector, depending on the specificities of countries and regions. However, these reveal in particular the governmental actions and measures, especially in the field of taxes, arrangements, and procedures.

3. In spite of the differences between countries in terms of the informal economy, there was a clear homogeneity on the level of major regional blocs: Sub-Saharan Africa countries have the highest informality percentages, whereas the lowest percentages are seen in OECD countries.

The following figure shows the percentages of the shadow economy in the MENA region. Although higher than the world average as well as that of developed and East Asia and Pacific countries, these percentages remain below the percentages of the countries of Latin America and the Caribbean, Europe, Central Asia, and Sub-Saharan Africa.



It is worth noting in this regard that we must be a bit cautious in explaining the relatively low percentages of the contribution of the shadow economy to the GDP, and the extent to which this shows decreasing informality percentages in oil countries, particularly in GCC countries, and to a lesser extent, in Algeria and Libya, given the important contribution of oil revenues to the GDP of said countries. Moreover, the indicators of these low percentages of informality must be deeply examined. This can be explained by the weak productivity of informal activities, the weak value of products exchange, and thus the weak income of workers and the lack of basic rights at work. As for the following figure, it shows that the average percentage of the shadow economy in the Arab countries went down between 2000 and 2004, and then increased between 2004 and 2007. On the other hand, the world average dropped almost continuously between 1999 and 2007, except in 2002.



## CORRELATION BETWEEN MEASUREMENTS

This chapter looks into the correlation between different approximate estimates. The following table shows the outcomes of comparing the results of the three approaches to estimate informal labor in different countries all over the

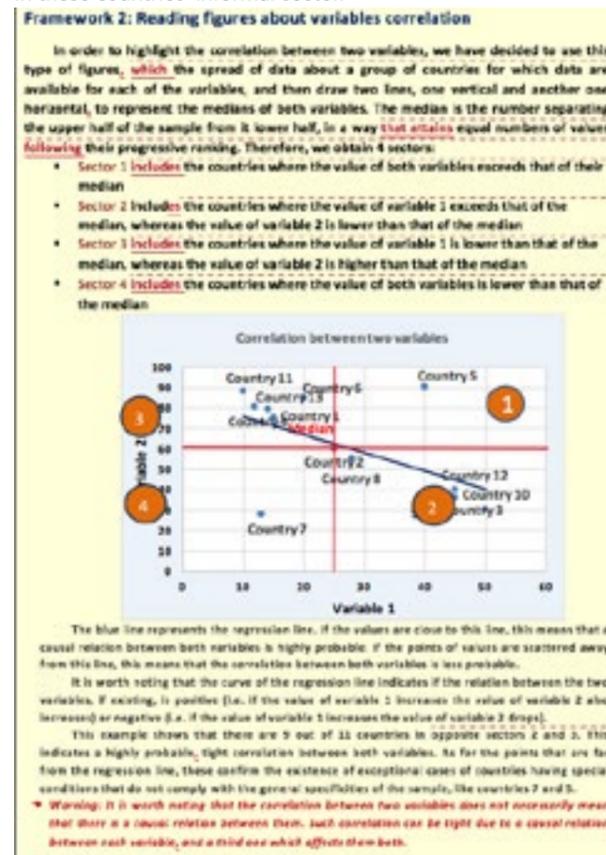
world. This was also covered by a study conducted by the World Bank on informal labor in MENA Countries.

Table E7: Percentage of own-account workers, workers who do not contribute to social security systems, and unauthorized production per region

Region	Percentage of own-account workers	Percentage of workers who do not contribute to social security systems (%)	Unauthorized production to GDP
<b>Middle East and North Africa</b>	<b>32.4</b>	<b>-</b>	<b>27.7</b>
Including GCC <sup>a</sup>	3.8	-	20.1
Remaining regional countries <sup>b</sup>	34.3	63	34.2
<b>Developed countries</b>	<b>13.4</b>	<b>9.3</b>	<b>16.4</b>
<b>Europe and Central Asia</b>	<b>23.7</b>	<b>19.2</b>	<b>18.9</b>
<b>Latin America and the Caribbean</b>	<b>33.1</b>	<b>33.6</b>	<b>43.9</b>
<b>Asia and the Pacific</b>	<b>14.3</b>	<b>7.1</b>	<b>12.8</b>
<b>South America</b>	<b>71.7</b>	<b>-</b>	<b>87</b>
<b>Africa Sub-Saharan Africa</b>	<b>60.8</b>	<b>19.2</b>	<b>42.2</b>

Source: "The fight for better jobs in MENA countries" – World Bank, 2014

As for MENA countries, the table shows compliance between informality through self-employment percentages and that of the shadow economy in regional countries out of the GCC, whereas the percentage of contributors to social security systems amounts to around two-thirds of the labor force in the same group of countries. As for Sub-Saharan Africa, the lack of social coverage and independent labor approaches show very high levels of informality, whereas this percentage decreases to almost the half in terms of the shadow economy. This can be explained by the severe weakness of productivity in these countries' informal sector.



The following table shows informality percentages in some Arab countries included in the aforementioned study, as per the three approximate estimates.

Table 18: Percentage of unauthorized production to Growth Domestic Product and the percentage of workers who do not benefit from social security

Countries	Percentage of unauthorized production (1999-2007)	Percentage of workers who do not benefit from social security (2000-2007)	Percentage of Independent labor
Libya	36,7	31,5	-
Egypt	35,3	44,5	37,8
Tunisia	39,6	52,4	34,2
Jordan	20,3	69,6	-
Algeria	35,7	63,3	67,1
Iraq	-	64,4	-
Lebanon	35,1	65,5	15,6
Syria	19,5	73,2	53,9
Morocco	37,9	76,2	37,3
Palestine	-	86	35,6
Yemen	27,7	89,6	32,4

Source: "The fight for better jobs in MENA countries" – World Bank, 2014

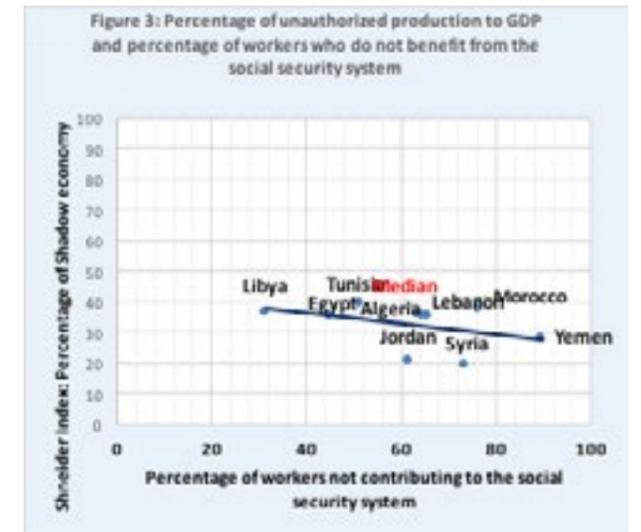
## - Shadow economy and lack of social coverage:

Data included in the aforementioned study show that the percentage of workers who do not benefit from social coverage is very high in Arab countries, indicating a soaring level of informality.

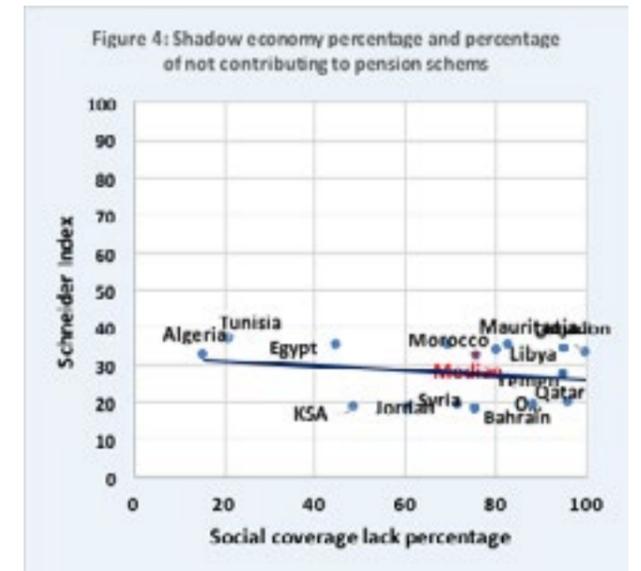
According to the aforementioned study conducted by the World Bank, the following figure shows that, by adopting median lines, there will be 6 countries out of 8 covered by the sample, i.e. 75 percent of the cases, in two opposite sectors out of four, indicating a correlation between both variables. This breakdown shows that:

- Algeria, Egypt, Tunisia, and Libya are in the sector seeing relatively weak social coverage, with relatively high levels of unauthorized production as per Schneider index. This would mean that a part of those who work in the informal sector might benefit from social coverage in these countries.
- On the other hand, Yemen and Syria are in the sector characterized by high levels of lack of social coverage with low levels of shadow economy. This would mean that the level of social coverage lack remains weak and that parts of those who work in the formal sector do not benefit from any social coverage. The weak percentage of shadow economy might also mean that the productivity of informal activities is weak.
- Morocco, on the one hand, and Jordan on the other, represent two exceptional cases. Both percentages are high in Morocco, meaning that formality percentages are high under both analyses approaches. As for Jordan, percentages are lower than the two medians, meaning that informality is relatively weak under both analyses approaches.

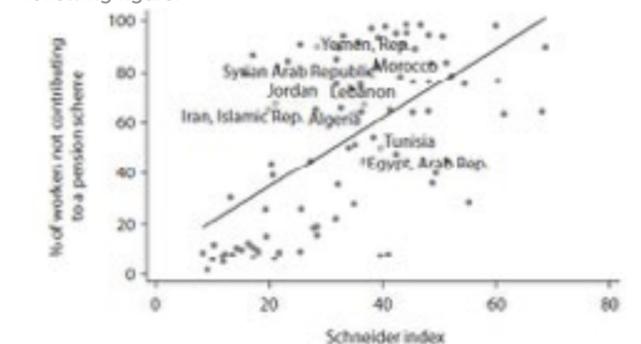
Although there are few sample countries, the breakdown of countries along the regression line show a possible correlation between the two approaches. As a matter of fact, countries are spread relatively close to the line, except for Jordan and Morocco. However, the line curve looks inconformant with the results of the study issued by the World Bank in 2014, entitled «The fight for better jobs in MENA countries,» and which shows a positive relation between the two variables, but only for a sample of around 100 countries.



We tried to examine deeply the nature of the relation between the two variables by counting on the statistics relevant to the indicator of not contributing to pension schemes by the labor force (15 years old and above) included in ILO database concerning social protection. Therefore, the figure will be as follows:



Although the period and data sources adopted to confirm the lack of social protection changed, the curve of the regression line did not change a lot and took a form that shows a slightly negative relation, whereas it is evident that the lack of social protection is related to the importance of informal economy, as shown in the aforementioned study which confirmed a positive relation between the two indicators as per the following figure.



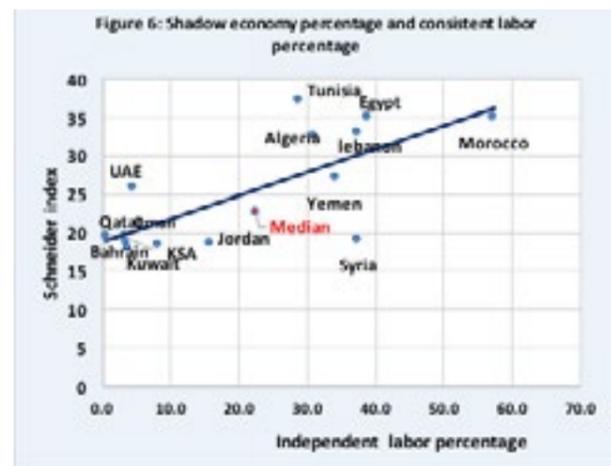
The different results of Arab countries, compared to most of the remaining countries included in the study conducted by the World Bank (where the low percentage of shadow economy does not go hand in hand with a low informality percentage. In contrast, it turns out sometimes that in some countries, the shadow economy is weak but the lack of social coverage is very high, like in most of the GCC countries), might be due to weak social protection systems and the fact that some categories of workers in formal sectors do not benefit from any social protection, even in high income countries. This might be due, as in the case of GCC countries, to the importance of migrant labor, especially in the construction sector, and of domestic workers in the labor markets of these countries. Moreover, the weak percentages of the shadow economy in these countries might be due to the importance of oil revenues in their economies and to the fact that oil activities are mostly performed in the formal sector.

**- Shadow economy and independent labor:**

The following figure shows that the relation between the shadow economy and independent labor looks closer, and that this relation is progressing. This means that when the independent labor percentage increases, the percentage of shadow economy increases as well.

Although the sample includes 14 countries, only 12 are broken down to two opposite sectors, i.e. 85 percent of the countries, which confirms that correlation between the two variables. The figure also indicates that:

- Yemen, Lebanon, Algeria, Egypt, Tunisia, and Morocco have relatively high levels in terms of variables;
- Jordan, KSA, Oman, Kuwait, Bahrain, and Qatar have relatively low levels in terms of variables;
- Syria is a special case; its shadow economy percentage is below the median, but the independent labor percentage is almost equal to that of Lebanon and Yemen;
- UAE is a different case; its shadow economy percentage is higher than the median, but the independent labor percentage looks very weak, just like in other GCC countries.



We can summarize this chapter according to the study conducted by the World Bank in 2014 entitled "The fight for better jobs in MENA countries" which considered that: «a standard MENA country is a country which produces informally one-third of its product and two-thirds of its labor force.»

**INDICATORS RELEVANT TO INFORMAL LABOR**

Many studies conducted by academics or issued by international organizations show a number of elements of different dimensions relevant to informal labor, affecting negatively or positively its size, contribution to the economy, and evolution. For instance, as long as the level of development measured as per GDP per capita is low, the larger informal labor would be. However, weak participation to the labor force might be due to increasing percentages of informality.

Therefore, we tried in this chapter to provide data and indicators which can be in causal relation with the informality phenomenon. These were divided into four main categories, which are:

- Demographic indicators;
- Indicators relevant to the labor force and percentages of participation, employment, and unemployment;
- Economic and financial indicators;
- Indicators relevant to institutional aspects and governance.

**-1 Demographic indicators**

Table 20 highlights the demographic pressure that the region will continue to face, and that will necessarily have important repercussions on many levels, such as labor markets, social protection, social development, and terrain and urban configuration in the coming years, taking particularly into consideration the high level of demographic growth (2.2 percent annually) in comparison with the current worldwide average (1.2 percent annually).

Although the percentage of active population (62.4 percent) is below the current worldwide average (65.5 percent), the very high percentage of youth, who represent one-third of the current population, reflects the high pressure that will aggravate on Arab labor markets in the future, when new generations of young people and children will reach the working age.

While the percentage of rural areas remains high in many Arab countries, especially countries of important demographic weight in the region, like for instance Egypt (56.9 percent), Sudan (66.4 percent), and Yemen (66 percent), this will mean continuous high levels of informality in said countries, given the importance of agricultural labor in rural areas, which is already informal in developing countries. However, most of the indicators relevant to informal labor do not highlight this fact because they exclude agricultural labor from informal labor.

Table 19: Demographic data

Country	Total population	Percentage of population between 0 and 14 years old	Percentage of population between 15 and 64 years old	Percentage of population above 65 years old	Demographic growth	2009	2010	2011 (at the last year)
Algeria	38 054 000	26,2	65,8	8,0	1,9	66,2	65,9	65,9
Bahrain	1 851 400	25,2	70,4	4,4	0,9	33,9	33,9	33,9
Comoros	769 000	40,1	56,7	3,2	2,8	19,2	19,1	19,8
Djibouti	874 174	36,1	59,8	4,1	2,0	23,3	23,1	23,7
Egypt	88 078 000	30,2	65,8	4,0	2,2	27,1	27,1	26,2
Iran	78 412 000	16,1	65,8	18,1	0,9	10,2	10,1	10,2
Jordan	6 827 000	26,8	66,4	6,8	1,0	18,8	17,8	18,8
Kuwait	3 701 000	22,2	70,8	7,0	0,0	1,8	1,7	1,7
Lebanon	4 340 774	26,1	67,8	6,1	1,2	13,8	13,8	13,2
Libya	6 228 000	26,7	65,8	8,5	0,8	20,1	20,0	20,8
Mauritania	3 888 000	40,4	54,0	5,6	2,4	20,4	20,4	20,4
Morocco	33 763 000	27,2	66,8	6,0	1,8	18,8	18,8	18,2
Oman	4 208 000	21,2	70,8	8,0	0,1	17,8	18,8	18,8
Qatar	2 175 000	13,2	65,8	21,0	0,0	1,8	1,8	1,8
KSA	30 000 000	28,8	66,8	4,4	1,0	18,1	17,9	17,2
Saudi Arabia	30 000 000	28,8	66,8	4,4	1,0	18,1	17,9	17,2
Sudan	38 000 000	40,2	55,8	4,0	2,1	17,2	16,8	16,4
Syria	22 000 000	26,8	65,8	8,4	1,7	16,2	16,1	16,8
Tunisia	10 000 000	23,2	66,2	10,6	1,8	16,8	16,1	16,8
UAE	5 000 000	13,8	65,8	19,4	0,8	17,2	16,8	16,7
Yemen	4 208 000	40,2	55,8	4,0	2,1	17,2	16,8	16,4

On the other hand, the demographic movement from rural areas to cities, confirmed by the continuous decrease of population in rural areas, leads necessarily to questions about the ability of cities and the formal sector in urban areas to absorb the demographic excess and the labor originating from rural areas, and the readiness to employ and accommodate it in decent conditions. This shows a potential large evolution of informal labor in cities where weak formal labor markets are unable to face the additional demand on labor resulting from this movement. This also results in random labor and more informality in terms of employment and urbanization, and in a kind of social discrimination in housing, limiting social mixing that used to characterize Arab cities, making them pillars social cohesion and solidarity.

**-2 Indicators about the labor force and employment**

Table 20: Data about the labor force and employment

Country	Labor force	Number of workers		Percentage of workers per sector		
Algeria	12 088 888	10 904 827	90,2	10,8	30,9	58,4
Bahrain	749 775	694 236	92,6	1,1	35,3	62,4
Comoros	294 908	240 459	81,6			
Djibouti	300 091	-	-			
Egypt	28 979 542	25 314 970	87,4	29,7	23,5	47,1
Iran	8 381 525	7 094 140	84,6	23,4	18,2	58,3
Jordan	1 717 180	1 498 405	87,3	2	17,5	80,5
Kuwait	1 898 673	1 840 580	96,9	2,7	20,6	76
Lebanon	1 627 526	1 518 113	93,3	6,3	21	72,6
Libya	2 341 149	1 881 673	80,4			
Mauritania	1 242 430	857 484	68,6			
Morocco	12 255 617	11 199 264	90,9	39,2	21,6	39,3
Oman	1 985 254	1 826 678	92,0	5,3	16,9	67,9
Qatar	1 510 928	1 541 983	99,4	1,4	51,9	46,8
KSA	11 750 920	11 087 888	94,4	4,7	24,7	70,7
Somalia	9 048 455	2 851 678	31,6			
Sudan	12 119 685	10 284 742	84,9			
Syria	6 024 928	5 375 452	89,2	14,3	32,7	53
Tunisia	9 978 063	9 431 555	94,6	16,2	33,5	49,6
UAE	6 232 093	5 998 097	96,2	3,8	23,1	73,1
Palestine	3 013 786	777 504	25,8	11,5	26,3	62,2
Yemen	7 348 186	6 064 148	82,6	24,7	18,8	56,2
Arab countries	126 875 097	112 142 882	88,6			

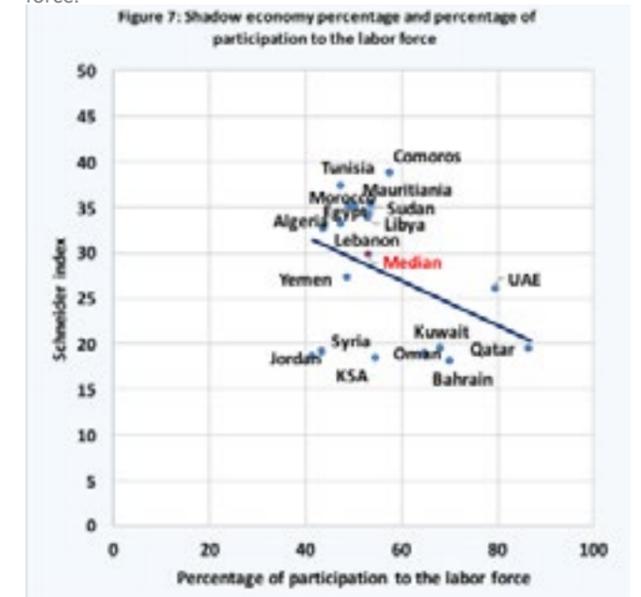
Source: World Bank database from ILO statistics - 2013 statistics or the last available year

Table 21: Percentage of participation by country

Country	Participation		
	Men	Women	Total
Algeria	72,2	15,2	43,9
Bahrain	86,9	39,2	70,2
Comoros	80,1	35,2	57,6
Djibouti	67,7	36,3	52,0
Egypt	74,8	23,7	49,1
Iran	69,8	14,9	42,3
Jordan	66,6	15,6	41,6
Kuwait	83,1	43,6	68,4
Lebanon	70,9	23,3	47,6
Libya	76,4	30,0	53,0
Mauritania	79,1	28,7	53,9
Morocco	75,8	26,5	50,5
Oman	82,6	29,0	65,1
Qatar	95,5	50,8	86,7
KSA	78,3	23,2	54,9
Somalia	75,5	37,2	56,1
Sudan	76,0	31,3	53,5
Syria	72,7	13,5	43,6
Tunisia	70,9	25,1	47,6
UAE	92,0	46,5	79,9
Palestine	66,4	15,4	41,2
Yemen	72,2	25,4	48,8
Arab countries	75,4	23,3	50,4

Source: ILO  
The last year for which data were available was considered

The table shows weak percentages of participation to the labor force in the Arab region, particularly for women. This might be due to the importance of informal labor. The following figure highlights a probable causal relation between the informal labor under the perspective of shadow economy and the percentage of participation to the labor force.



The curve of the regression line highlights the negative relation between the Schneider index, confirming the importance of the contribution of informal labor to GDP,

and the percentage of participation to the labor force. This means that whenever the participation percentage drops, the percentage of informal labor increases. The spread of countries in the figure shows that three quarters of the countries are in two opposite sectors, which means that there might be a strong causal relation between the weak participation percentages, especially for women, and the shadow economy. These countries are broken down as follows:

- Unlike Syria and Jordan and Yemen (up to a certain extent) on one hand, and Comoros and Mauritania (up to a certain extent) on the other, the other countries are broken down into two groups that are close to the regression line:
- A group composed of Tunisia, Morocco, Egypt, Lebanon, Algeria, and Libya and characterized by low participation levels and a high Schneider index.
- A group composed of GCC countries and characterized by relatively high participation percentages and levels that are below the median value for the Schneider index.

The table highlights the importance of unemployment percentages in non-GCC Arab countries in

Table 22: Unemployment percentage and youth unemployment

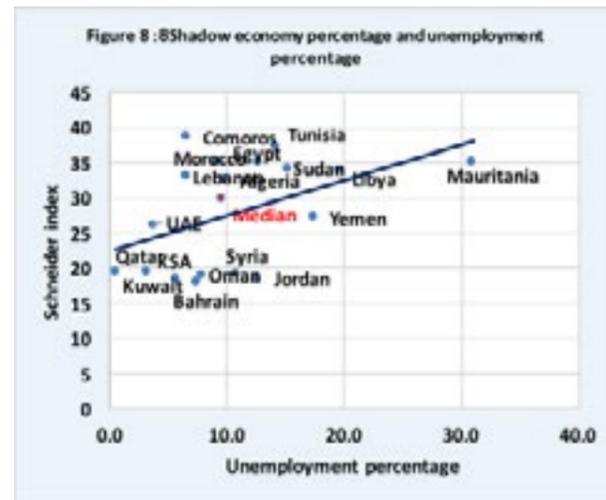
Countries	Year	Unemployment			Youth unemployment		
		Males	Females	Total	Males	Females	Total
Algeria	2013	8,4	16,8	9,8	21,0	38,7	24,0
Bahrain	2013	4,9	17,7	7,4	25,7	33,0	27,5
Comoros	2013	6,4	7,0	6,5	10,3	11,4	10,7
Djibouti	-	-	-	-	-	-	-
Egypt	2013	7,4	29,9	12,7	25,8	71,1	38,9
Iraq	2013	14,3	24,1	18,0	30,0	59,3	34,3
Jordan	2013	10,5	22,1	12,6	28,0	51,9	33,7
Kuwait	2013	3,3	2,4	3,3	22,8	32,7	19,6
Lebanon	2013	11,0	5,1	4,5	18,8	24,9	20,6
Libya	2013	15,3	30,2	19,6	38,5	77,2	57,2
Mauritania	2013	12,1	28,0	11,0	44,5	38,7	42,9
Morocco	2013	9,0	9,8	9,2	19,0	16,9	18,5
Oman	2013	6,7	15,9	7,8	17,9	32,1	20,5
Qatar	2013	0,2	3,4	0,5	0,5	8,7	1,5
KSA	2013	2,9	21,9	9,7	21,1	55,3	28,7
Somalia	2013	6,7	7,4	6,8	10,2	11,9	10,6
Sudan	2013	13,0	20,4	15,2	22,6	27,5	24,5
Syria	2013	7,7	28,4	19,8	23,2	65,9	29,8
Tunisia	2013	13,1	17,2	14,2	12,0	29,3	15,2
UAE	2013	2,8	8,8	3,8	8,1	17,0	9,9
Palestine	2013	23,8	21,3	23,4	34,6	56,4	38,3
Yemen	2013	9,9	38,8	17,4	20,3	51,7	29,8
Arab world	2014	8,5	21,5	11,4	23,3	48,2	29,3

Source: World Bank database taken from ILO

The table highlights the importance of unemployment percentages in non-GCC Arab countries in general. The average unemployment rate in the Arab region as a whole amounted to 11.4% in 2014, in comparison with a worldwide percentage of 8.54%. Youth unemployment (24-15 years old) constitutes a real problematic that endangers regional stability. In fact, unemployment for this particular category is very high, especially in Libya, Mauritania, Egypt, Palestine, Jordan, Iraq, and Tunisia, where it is above 30 percent. Taking into consideration the curve of the regression line, the following figure highlights the positive relation (in an arithmetical sense) between the percentage of informal labor according to the Schneider index and the percentage of unemployment. Whenever unemployment goes up, the shadow economy percentage increases through the Schneider index. This is confirmed by the spread of two-thirds of the sample countries in opposite sectors 1 and 4, with the exception on one hand of Comoros, Lebanon, and Morocco (up to a certain extent), where we see high percentages of shadow economy but an unemployment rate lower than the median, and Yemen, Jordan, and Syria (up to a certain extent) on the other, where we see high levels of unemployment in

spite of the low level of shadow economy. Most of the countries are broken down into two groups as follows:

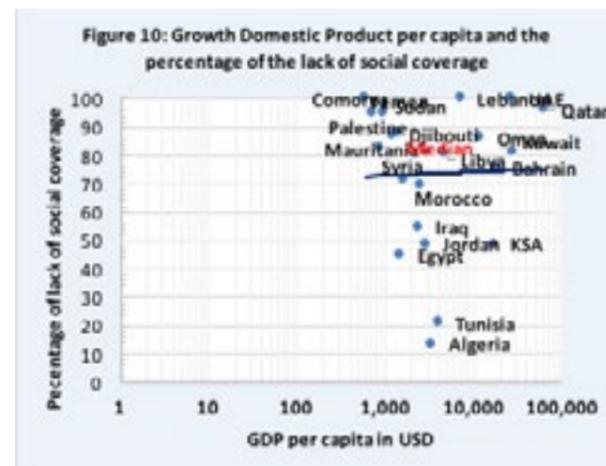
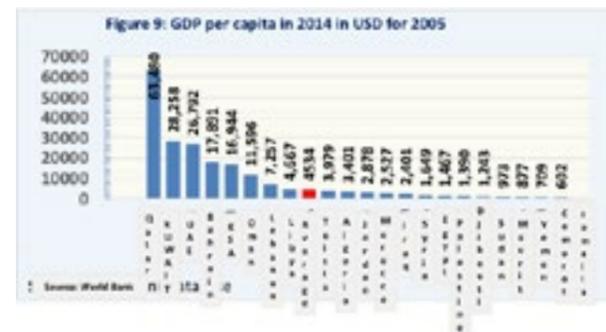
- Mauritania, Libya, Sudan, Tunisia, Algeria, and Egypt, where levels of shadow economy and unemployment are both high;
- All GCC countries, i.e. UAE, Oman, Bahrain, KSA, Kuwait, and Qatar, where levels of unemployment and shadow economy are both low.



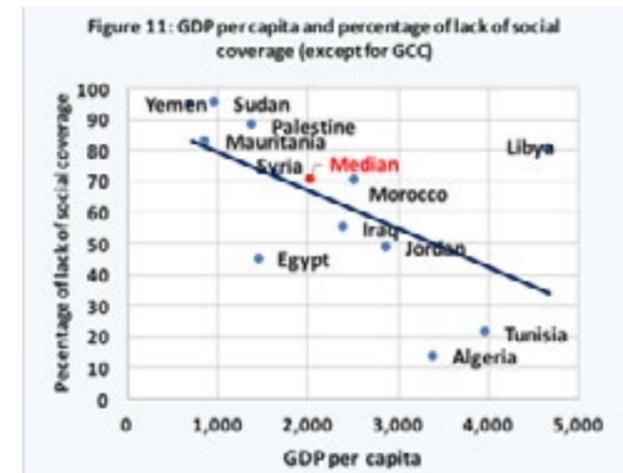
This correlation can be deeply examined based on unemployment percentages for youth, women, or people with disabilities, being the categories which face more employment difficulties, and are thus more exposed to informal labor and a lack of basic rights at work.

## -2 Economic, financial, and institutional indicators

### - Growth Domestic Product and growth stages:

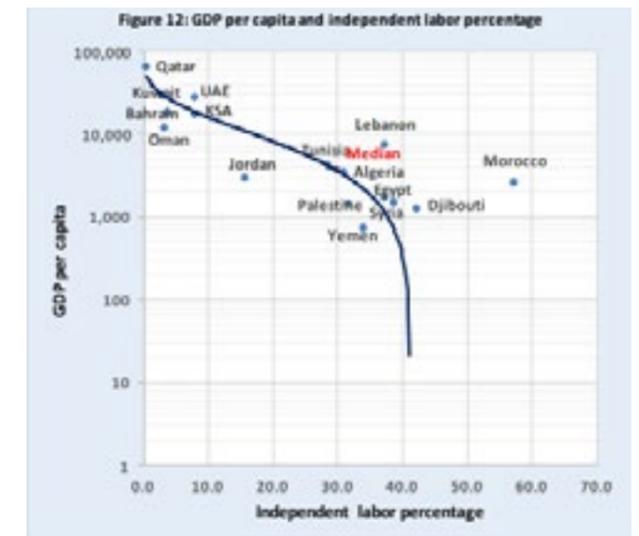


This figure shows that there is a close positive correlation between high income and the percentage of lack of social protection, which means that whenever the income increases, the percentage of lack of social protection also increases. However, when we look deeply into this matter, it seems that it is due to the special situation of GCC oil countries of high income per capita, and which had not developed contribution systems to cover the workers (particularly domestic workers and migrant workers, especially those who work in the construction sector as we already mentioned) in a way to benefit from pension schemes. It is worth also noting the special case of Lebanon where, according to the ILO database, there is no pension system but a system for civil servants. When these countries are excluded from the figure, it becomes clear that the relation between both variables is reciprocal, i.e. the income per capita results in a highly probable decrease in the lack of social coverage as shown in the following figure: The figure shows the following:



The spread of countries shows that four-fifths of the sample are in two opposite sectors, which means that there is an important correlation between both variables;

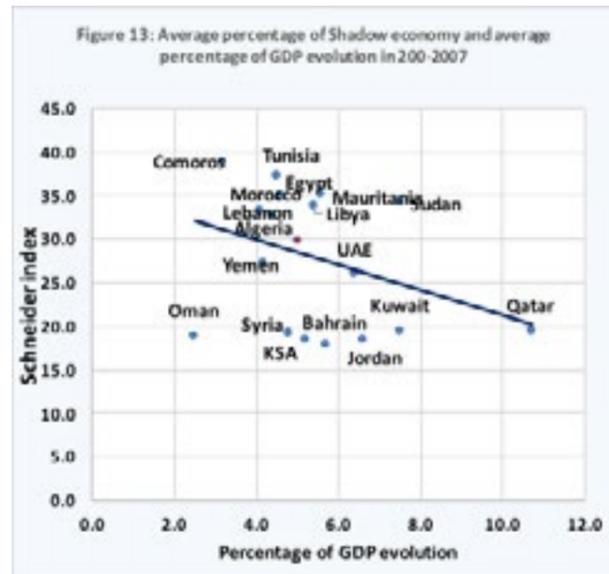
- Yemen, Sudan, Palestine, Mauritania, and Syria have low percentages of GDP per capita in parallel with high percentages of lack of social coverage;
- Morocco, Jordan, Iraq, Algeria, and Tunisia have relatively high percentages of GDP per capita and low percentages of lack of social coverage, particularly Algeria and Tunisia, due to their relative evolution in terms of covering pension systems for active categories;
- As for the different cases, these are seen in Libya where there is a high percentage of lack of social coverage in spite of the high GDP per capita - which can be explained by the importance of migrant labor that is not covered by pension systems - and in Egypt where there is a low percentage of lack of social coverage in spite of the low GDP per capita. This might be due to the importance of recruitment in the public sector, which provides a high percentage of social coverage



As for the correlation between the percentage of independent labor and GDP per capita, the figure above (based on an algorithmic scale for the product) clearly shows that most countries are close to the regression line. Its curve could mean that there might be a reciprocal relation linking the two variables. The percentage of independent labor increases when the GDP level decreases. The figure also shows that there are a number of high income countries in the sector characterized by a high GDP per capita and a low level of independent labor. The same applies to middle and weak income countries that are gathered in the opposite figure indicating a low level of GDP per capita and a high level of independent labor, except for Morocco, where a high percentage of independent labor is seen, although the GDP per capita is not that far from the median level. Unlike similar countries, Lebanon has a high level of independent labor despite the fact that its GDP per capita is considered relatively high. Source: World Bank database

Table 23: Evolution of growth percentage 2000-2014

Countries	Average 2006-2004	Average 2005-2009	Average 2010-2014
Algeria	4,8	2,9	3,3
Bahrain	4,9	6,1	4,0
Comoros	3,9	1,7	2,7
Djibouti	2,4	4,8	4,8
Egypt	3,7	6,0	2,7
Iraq	3,6	5,5	6,5
Jordan	5,6	7,4	2,7
Kuwait	7,8	3,8	2,7
Lebanon	3,5	6,6	3,0
Libya	3,7	5,3	2,0
Mauritania	2,8	6,1	3,4
Morocco	4,7	4,7	3,8
Oman	1,5	5,3	3,5
Qatar	6,8	15,3	9,3
KSA	4,5	5,8	5,2
Somalia	0,0	0,0	0,0
Sudan	6,2	8,0	5,1
Syria	4,3	3,4	0,0
Tunisia	4,2	4,5	2,3
UAE	6,6	3,7	4,5
Palestine	0,1	3,4	3,8
Yemen	4,3	4,0	-1,3
Arab countries	4,7	5,4	4,0
Middle East and North Africa	4,7	5,1	3,6
The whole world	3,0	2,2	2,8
East Asia and the Pacific	3,8	3,9	4,6
Latin America and the Caribbean	2,5	3,4	3,5
Europe and Central Asia	2,6	1,3	1,9
Africa Sub-Saharan Africa	4,9	4,8	4,4
European Union	2,3	0,9	1,0



The figure above shows that around %70 of the countries are in the two opposite sectors 2 and 3, which indicates a correlation between the percentage of GDP evolution and the shadow economy indicator regarding our sample of Arab countries. The curve of the regression line shows that the relation between the two variables seems negative, meaning that whenever the growth percentage increases, the percentage of the shadow economy to the GDP would be probably higher.

The spread of the sample on the sectors shows that:

- Qatar, Kuwait, UAE, Jordan, Bahrain, and KSA have seen an average growth percentage during 2007-2000 in parallel with a shadow economy percentage that is below the median level during the same period.

- Tunisia, Egypt, Morocco, Comoros, Lebanon, and Algeria have seen during the same period a high percentage of shadow economy and an average growth rate below the median level.

- As for Sudan, Mauritania, and Libya, these countries have seen high percentages of shadow economy in spite of growth rates that were above the median level. On the other hand, Yemen, Oman, and Syria (up to a certain extent) have seen low levels of variables.

**- Bank exclusion:**

This indicator was chosen given the importance of having access to financing institutions in order to enable production enterprises of entering the space of formality and registration, and getting out of the shadow economy.

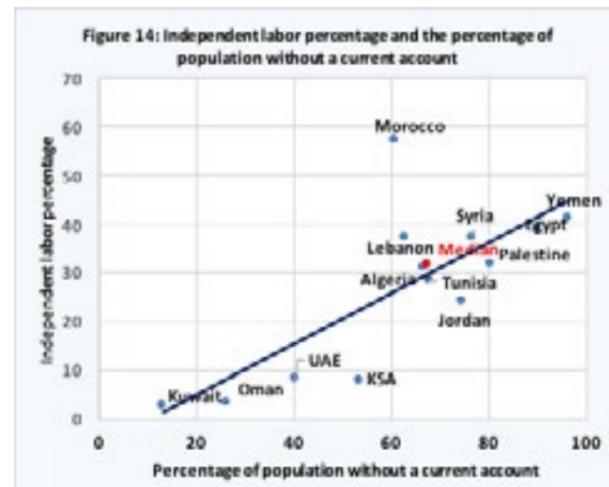
Table 34: Percentage of population related to banks

Countries	Percentage of people having a current account	Percentage of people who made savings in the previous year	Percentage of people who received a loan in the previous year
Kuwait	85.8	40.4	20.8
Oman	78.6	22.6	0.2
UAE	59.7	19.2	10.8
KSA	46.4	17.2	2.1
Morocco	39.3	12.2	4.8
Lebanon	37	17.1	11.3
Algeria	33.3	4.8	1.5
Tunisia	32.2	5	3.2
Jordan	25.5	8.3	4.5
Syria	23.3	5.1	13.3
Palestine	19.4	3.5	4.1
Iraq	18.6	5.4	8
Egypt	6.7	0.7	3.7
Yemen	3.7	1.1	0.9
Middle East and North Africa	38	5	5
Africa Sub-Saharan Africa	24	14	5
South Asia	38	11	9
Latin America and the Caribbean	39	10	8
South Asia and the Pacific	55	28	9
Developed economies	89	45	14

Source: Study on "Small enterprises in Tunisia - Arthur Bois" "About measuring financial exclusion" - International database, 2012

The figure shows that the MENA region has seen the lowest percentages of population who have a current account in financial institutions. The same applies to the population who made savings in banks in the previous year. As for the percentage of population who received loans in the previous year, they do not represent more than %5 in the MENA region and in Sub-Saharan Africa.

There is also a clear difference between GCC countries, which are in a situation similar to that of developed countries (except for KSA in terms of loans), and the rest of Arab countries. The relative importance of the indicator relevant to people who have a bank account in Morocco, Lebanon, Algeria, and Tunisia must also be highlighted. However, the last two countries see very weak borrowing percentages, which highlight the extent of bank exclusion and limit the ability to shift shadow economy and unregistered activities from the informal to the formal sector.



The figure in which we counted on the percentage of population sans current account shows that most of the countries are spread next to each other around the regression line, with a three-fourth rate in the opposite sectors 1 and 4, indicating a strong correlation and a highly probable relation between bank exclusion and the level of independent labor.

- Kuwait, Oman, UAE, KSA, and Algeria (to a lesser degree) see low percentages of independent labor, in parallel with low percentages of bank exclusion.

- Yemen, Egypt, and Syria see high levels of independent labor and of population sans current account.

- Jordan and Tunisia (up to a certain extent) see low percentages in comparison with the median in terms of the independent labor, in spite of the high percentage of bank exclusion. This means that there are other mechanisms to finance businesses.

- As for Morocco and Lebanon (up to a certain extent), they both see high levels of independent labor in spite of the low percentages of population sans current account in financial institutions.

While the figure shows a correlation between the two indicators, the direction alludes to a probable positive relation between both of them, i.e. when the percentage of population sans current account increases; the percentage of independent labor also increases. Therefore, the independent labor is an indicator of informality, and supposes that bank exclusion could be one of the determinants of informal labor. To promote initiatives that lead to a high level of population with a bank account is a must; encouraging the creation of projects and businesses in the formal economy, and supporting renters and own-account workers should also be engaged. However, it turns out that this situation contributes to the regression of independent labor percentages, which means that this type of independent labor is not related to loans and dealing

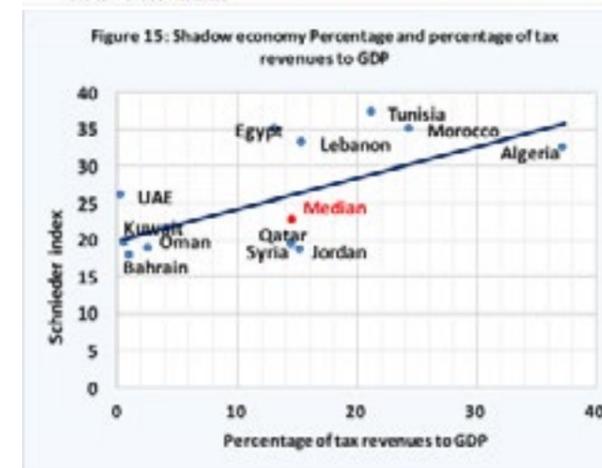
with financial institutions, thus making it a clear indicator of informality.

**- Tax pressure:**

Table 23: Percentage of tax revenues to GDP

Country	GDP per capita in USD in 2005	Population	GDP in USD in 2005*	Percentage of tax revenues to GDP
Algeria	3 431	38 534 334	132 456	37.4
Bahrain	12 891	1 363 930	24 236	1.2
Comoros	402	789 991	464	
Djibouti	1 243	876 174	1 089	
Egypt	1 417	89 529 670	121 453	13.2
Iraq	2 431	34 832 329	83 584	
Jordan	2 878	6 607 000	19 015	15.5
Kuwait	28 258	3 753 121	306 056	0.72
Lebanon	7 257	4 545 774	32 996	15.5
Libya	4 667	6 254 984	29 211	
Mauritania	872	3 961 625	3 481	
Morocco	2 527	33 921 203	85 719	24.5
Oman	13 586	4 230 057	46 125	2.51
Qatar	63 080	2 172 080	137 883	14.6
KSA	16 944	30 886 945	523 342	
Somalia		10 517 569	0	
Sudan	973	39 350 274	38 288	
Syria	1 645	22 157 800	36 538	14.7
Tunisia	3 929	10 956 609	43 755	21.3
UAE	16 792	9 081 136	243 436	0.39
Palestine	1 130	4 294 682	5 870	5.12
Yemen	709	26 183 076	18 564	
Arab region total	45.38	386 272 539	1 746 767	

Source: World Bank database



The figure shows that the percentage of tax revenues to GDP indicating the importance of tax pressure might have a positive relation with the shadow economy percentage. Unlike Egypt and Jordan, the remaining countries of the sample are in the two opposite sectors 1 and 4.

This figure shows homogeneity between GCC countries: Bahrain, Kuwait and Oman are characterized with very weak percentages of tax revenues to GDP, in addition to Qatar and Syria, with higher percentages sans median, in parallel with low percentages of the shadow economy. Moreover, Algeria, Morocco, Tunisia, and Lebanon are gathered in the sector, indicating an increase in the percentages of taxes and shadow economy going hand in hand with a relatively high level of tax revenues in Algeria.

As for Egypt and the UAE on one hand, and Jordan on the other, they represent special cases. Egypt and UAE are characterized by a level of tax revenues that is below the median level, but with a shadow economy indicator above it. As for Jordan, it is considered a unique case, with a weak percentage of shadow economy and a level of tax revenues close to the median level.

The curve of the regression line shows that the relation between the two variables is a positive one, and thus the shadow economy percentage might increase whenever the tax pressure percentage increases.

**1. Indicators relevant to institutional elements - Enterprises registration:**

Table 26: Enterprises and registration in the Arab countries

Countries	Percentage of enterprises that suffer from registration problems and informal enterprises	Percentage of enterprises that are registered upon their launching in the given country	Average number of years that the enterprise spends without registration	Reference year
Algeria	66.3	98.3	0	2007
Djibouti	22.2	98.5	0.1	2013
Egypt	47.9	91.6	0.3	2013
Iraq	49.3	62.4	0.9	2011
Jordan	20.6	94.8	0.3	2013
Lebanon	57.1	89	1.8	2013
Mauritania	78.5	85.7	1	2014
Morocco	47.3	96.9	0.2	2013
Sudan	90.5	97	0.3	2014
Syria	52.5			2009
Tunisia	45.2	96.4	0.1	2013
Palestine	50.8	80.7	1	2013
Yemen	43	68.8	1.1	2013

Source: Enterprises research database- World Bank  
The registration of enterprises along with the relevant measures, costs, and implications, especially when related to respecting social legislations and administrative arrangements, are among the most important determinants of informal labor. The table that counts on surveying the enterprises in the World Bank database shows that the percentage of informal enterprises and enterprises which owners face registration difficulties is between %90.5 in Sudan and %20.6 in Jordan. The percentage of enterprises that start operations without registration varies between %98.5 in Djibouti and %62.5 in Iraq. As for the average time during which the enterprise keeps operating without registration, it reaches 1.8 years in Lebanon.

It is worth noting that informal labor in developing countries is not an option but a life necessity imposed by the difficult circumstances faced by many categories to earn a living and a minimum sufficient income. These categories are unable to respect all social/ tax arrangements and legislations. Therefore, the appropriate mechanisms should be developed for the own-account workers, small renters, and small enterprises to integrate into the formality circle in the framework of motivating administrative arrangements and a just and transparent tax system, which reduces the tax evasions of enterprises that are supposed to be formal. In this context, it is worth reminding that tax evasion is not limited to informal sector enterprises that are, in their majority, objectively unable to respect all current arrangements; it also concerns many formal enterprises that evade from taxes to make more benefits or reinforce their competitive capabilities by illegal means and to the detriment of their legal and ethical commitments towards their employees, the State, or the society. This requires revisiting tax systems, as well as the measures and arrangements of revenues collection and social contributions with more fairness and transparency.

Table 27: Registration of enterprises by regions

Regions	Percentage of enterprises that start operations without registration	Years of operations without registration
Middle East and North Africa	24,4	4,06
Eastern Europe and Central Asia	3,45	0,95
East Asia and the Pacific	16,13	0,9
Latin America and the Caribbean	7,46	0,54

Source: "The fight for better jobs in MENA countries" – World Bank, 2014

The previous table shows that the percentage of enterprises that start operations without registration in the MENA region amounts to %24.4 in comparison with %7.46 in Latin America and the Caribbean, and %16.3 in East Asia and the Pacific. As for the years of non-registered operations of informal enterprises, they exceed 4 years, whereas the average time does not exceed one year in the remaining similar regions.

**- Governance:**

Definition of the international governance indicator, its measurement methodology, and its results analysis: This complex indicator, which started in 1996 with 199 countries, aims at estimating the governance quality through six dimensions:

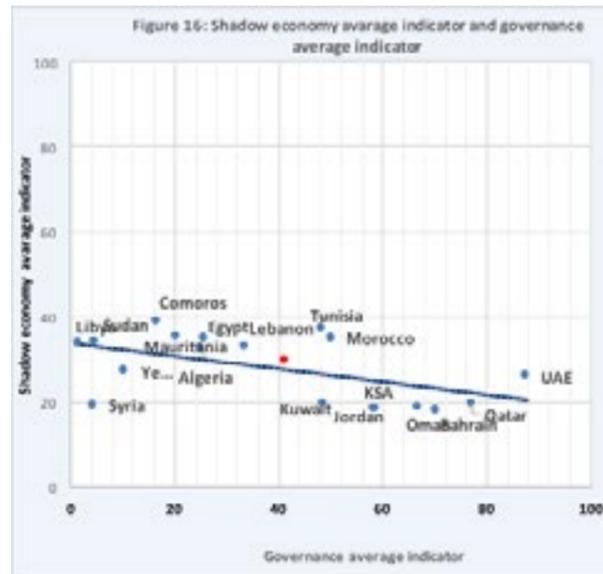
- Participation and accountability;
- Political stability and absence of violence;
- Effectiveness of public authorities;
- Quality of arrangements and organizations;
- State of Law;
- Corruption monitoring

In presenting this indicator, we limited ourselves to 3 out of the 6 measurements, because we consider that informal labor might be related directly and up to a certain extent to these three measurements, which are: the effectiveness of public authorities, the quality of arrangements and organizations, and corruption monitoring. These measurements embody economic governance, whereas the remaining measurements have more political and institutional dimensions. The value of measurement is between 2.5- as a minimum and 2.5+ as a maximum, with a margin of error. This indicator can also be measured by a percentage ranging from 0 to 100 points with a margin of error.

Table 28: Governance indicators

Countries	Effectiveness of public authorities			Quality of organizations			Corruption monitoring		
	2004	2009	2014	2004	2009	2014	2004	2009	2014
Algeria	35,12	35,81	35,45	25,95	15,40	9,42	26,79	30,45	31,73
Bahrain	71,08	69,28	71,88	74,02	73,68	74,84	71,70	65,55	64,42
Comoros	3,43	0,96	1,97	5,98	4,78	11,86	26,18	21,44	16,14
Djibouti	31,22	21,12	16,35	21,47	21,62	30,21	27,27	46,76	37,18
Egypt	48,22	47,63	50,19	33,84	46,81	25,90	35,12	45,12	32,15
Iran	1,95	0,38	1,34	0,43	1,75	3,48	1,46	2,87	1,77
Jordan	61,76	63,25	59,82	64,71	61,04	54,81	66,83	64,59	61,34
Kuwait	61,98	61,72	61,48	64,12	64,46	61,56	63,44	70,81	66,08
Lebanon	67,32	36,75	60,87	50,88	52,61	60,61	76,76	72,89	73,66
Libya	28,10	12,82	3,88	6,86	11,96	0,58	30,18	8,33	1,41
Mauritania	18,18	20,53	11,87	11,86	25,78	21,82	45,17	55,97	38,17
Morocco	51,10	50,24	48,78	45,62	51,67	52,40	45,13	47,85	46,48
Oman	61,22	61,61	61,94	70,19	60,39	71,56	72,10	66,11	62,18
Qatar	71,22	70,92	70,87	71,21	71,87	72,18	70,34	62,49	62,49
KSA	64,88	62,15	62,62	61,81	64,91	63,27	64,34	68,81	69,42
Somalia	0,80	0,90	0,90	0,89	0,90	1,04	0,90	0,90	0,89
Sudan	3,40	1,18	1,45	11,76	8,19	4,78	3,40	3,18	3,45
Syria	31,22	24,43	6,73	22,71	28,18	8,89	26,24	12,82	2,40
Tunisia	50,20	49,81	48,88	51,47	58,13	61,87	61,95	66,46	69,77
UAE	76,18	81,24	80,88	76,47	85,51	82,29	84,88	76,90	84,13
Palestine	45,18	39,23	42,91	21,61	47,93	42,60	43,44	46,68	36,18
Yemen	15,12	12,64	1,21	18,61	22,75	21,45	14,19	15,76	1,97

Source: International governance indicators database – World Bank



The figure shows a probable negative correlation between the governance of the countries included (through a simple average of the three economic indicators presented in the above table) and the shadow economy, where the sample countries are spread by %75 in the opposite sectors 2 and 3. It also supposes a negative curve of the regression line. The countries are broken down as follows:

- The six GCC countries and Jordan see relatively high levels of the economic governance indicator with low percentages of shadow economy contribution to the GDP;
- Lebanon, Egypt, Comoros, Mauritania, Algeria, Sudan, and Libya are within the group of countries seeing a high level of informality and a weak governance indicator;
- Although the governance level of Morocco and Tunisia is intermediate, they both see a high level of informality;
- Yemen and Syria are classified in the sector seeing a relative weakness of the shadow economy in spite of the low governance indicator.

**- Ease of business:**

Table 29: Index and arrangement of ease of business indicator 2013- 2014- 2015

Countries	Income per capita in USD	Ease of business					
		2016 Index	2015 Index	2014 Index	2016 ranking	2015 ranking	2014 ranking
UAE	43 480	75,10	76,81	73,08	31	22	25
Bahrain	28 272	66,81	69,00	68,01	65	53	53
Qatar	90 420	65,97	69,56	69,87	68	50	45
Oman	35 002	65,40	66,39	66,37	70	56	60
Tunisia	4 455	64,88	67,35	67,45	74	60	56
Morocco	3 020	64,53	65,06	64,41	75	71	68
KSA	25 818	63,17	65,99	70,02	82	49	44
Kuwait	43 103	60,17	63,11	63,05	101	86	79
Jordan	5 160	57,84	58,40	58,29	113	117	116
Lebanon	9 880	56,39	60,61	60,60	123	104	102
Palestine	1 735	54,83	53,62	53,00	129	143	139
Egypt	3 280	54,43	59,54	59,17	131	112	113
Comoros	840	48,22	49,56	49,02	154	159	156
Sudan	1 740	46,97	49,35	49,48	159	160	153
Iraq	6 430	46,06	50,36	50,79	161	156	146
Algeria	5 340	45,72	50,69	50,42	163	154	147
Mauritania	1 200	44,74	44,21	44,69	168	176	173
Yemen	1 381	44,54	54,54	54,89	170	137	135
Djibouti	1 692	44,25	50,48	49,35	171	155	154
Syria	1 935	42,56	46,51	46,91	175	175	165
Libya	7 920	31,77	33,35	33,36	188	188	186

Source: Report 13 on the ease of business – 2016 – World Bank

The adopted index, known as “the distance from the limit,” represents an average number ranging from 0 as a minimum value to 100 as a maximum value for the country whose achievements are considered the best in each of the ten fields related to launching the business, its costs, the ease of

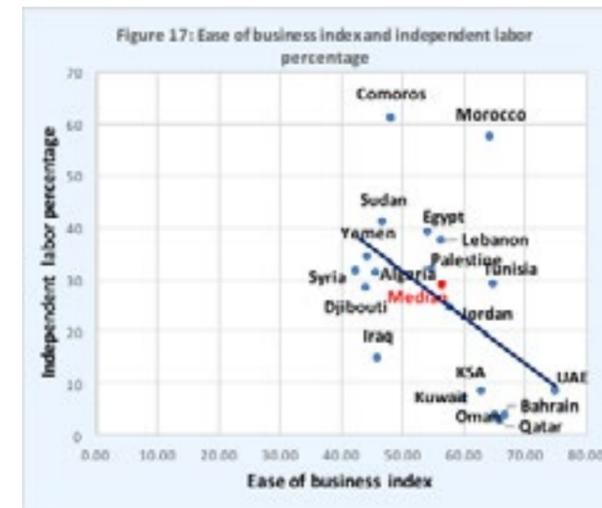
measures, and the necessary arrangements. The red color indicates the regression in ranking or the index value, whereas the green color indicates the improvement in the index value or ranking including 189 countries this year. The table highlights the regression of most Arab countries in terms of index and ranking, particularly in 2014 and 2015.

Table 30: Some indicators on the ease of difficulty of doing business

Countries	Measuring the distance from the limit	Measuring the distance from the limit in some fields						
		Value of the measurement from the limit	Cost of launching business to the income per capita	Estimating the cost of launching business in 2007	Obtaining a loan	Value of the measurement from the limit	Percentage of total time out of benefits	Green-field trade
UAE	75,10	69,88	6,30	2000	40	66,84	15,80	63,84
Bahrain	66,81	77,28	10,40	221	40	66,88	15,20	64,28
Qatar	65,97	83,22	17,20	4011	30	66,44	11,80	58,99
Oman	65,40	74,98	9,50	400	35	65,91	12,00	58,28
Tunisia	64,88	63,54	1,60	116	35	75,59	16,90	54,53
Morocco	64,53	60,26	4,20	271	40	76,81	16,10	53,89
USA	60,17	78,88	18,70	1000	50	69,71	15,80	5
Kuwait	60,17	75,73	15,50	301	40	63,88	13,80	35,91
Jordan	57,84	85,7	27,80	1000	0	60,36	20,50	35,17
Lebanon	56,39	83,88	27,40	2000	40	61,69	20,20	33,87
Palestine	54,83	68,88	14,00	1000	40	60,29	15,20	5
Egypt	54,43	88,24	33,80	270	40	58,87	16,80	38,58
Comoros	48,22	68,83	20,60	300	40	47,87	21,60	5
Sudan	46,97	76	29,00	200	15	48,84	10,70	20,53
Iraq	46,06	70,8	24,70	2000	5	76,93	27,80	5
Algeria	45,72	76,98	31,20	500	10	48,88	22,70	47,87
Mauritania	44,74	68,41	23,60	100	30	17,71	17,30	5
Yemen	44,54	74,22	29,60	100	0	49,73	16,10	5
Djibouti	44,25	80,77	36,50	2000	5	74,36	37,80	38,83
Syria	42,56	79,73	37,10	100	15	47,88	40,70	25,15
Libya	31,77	70,58	38,80	1100	0	54,68	22,90	5

Source: Report 13 on the ease of business – 2016 – World Bank

\* Calculating the researchers by multiplying the cost of launching business by the income per capita as per the data included in the report



This figure indicates a probable negative (or reciprocal) correlation between the ease of business index and the informality indicator in the context of independent labor. It shows that more than four-fifths of Arab countries covered by the sample are in two groups and two opposite sectors: - One is characterized by high levels of informality and low levels of independent labor. It includes Comoros, Sudan, Yemen, Syria, Algeria, and to a lesser extent Palestine, Lebanon, and Egypt, which are close to the median level. - Another one is characterized by a high ease of business index and low levels of independent labor. It includes Qatar, Bahrain, Oman, UAE, KSA, Jordan, and to a lesser extent Tunisia which are close to the median level in terms of independent labor, and see relatively high levels in terms of the ease of business index. As for Morocco, it is characterized by a high percentage of

independent labor in spite of the relative increase of the ease of business index. Djibouti and Iraq are in the sector indicating low levels of ease of business and at the same time low independent labor percentages.

**THE SPECIAL CONDITIONS OF MIGRANTS AND REFUGEES**

Table 31: International labor Organization estimates of migrant workers and domestic workers – 2015

Migrant workers and domestic workers indicators	Migrant workers (ILO)		Domestic workers (ILO)		Total	
	Number	Percentage of world population	Number	Percentage of world population	Number	Percentage of world population
World	206.3	3.9	150.3	2.7	356.6	6.6
Arab countries	11.52	0.21	8.45	0.15	19.97	0.36
Eastern Arab countries	18.4	0.33	17.6	0.31	36.0	0.64
North African Arab countries	0.8	0.01	0.8	0.01	1.6	0.02

Migrant workers and refugees are considered among the categories that are usually exposed to violations of their rights at work. Therefore, their presence in informal sectors and activities is high, particularly for clandestine emigrants or domestic workers.

According to the international report on the estimates of migrants workers in the world, issued by the ILO in December 2015, the number of emigrants who were above 14 years reached 206.3 million in 2013, i.e. %3.9 of the world's population of the same age category. The number of migrant workers amounted to 150.3 million, including 11.5 domestic workers.

The participation of emigrants to the labor force amounts to %72.7 for men and %66.6 for women, in comparison with %63.9 for non-emigrants.

Migrant workers represent %4.4 of the total labor in the world (%4.1 for men and %4.9 for women). As for the total number of domestic workers in the world, it amounts to 67.1 million, including 53.8 million women, i.e. around %80.2.

The report also reveals that the number of refugees who are employed as domestic workers is estimated at 11.52 million, including 8.450 million women (%73.4), i.e. %7.7 of total migrant workers and %17.2 of total domestic workers.

As for the Arab countries included in the report and broken down into two groups, one including 6 Arab countries from North Africa, and another one including 12 Arab Asian countries, the number of emigrants of 15 years old and more amounts to 24.7 million, i.e. %10.3 of the total population of this age category. However, this category does not exceed %1 in North Africa, but reaches %24 in Eastern Arab countries. As for migrant workers, their number amounts to 18.4 million, including 17.6 million in Eastern countries, whereas the six African Arab countries only represent 0.8 million migrant workers.

The participation of migrant workers in the Arab countries reaches %61.8) %74.5 in African Arab countries and %76 in Asian Arab countries).

The percentage of migrant workers amounts to %15.3 of the total labor in the concerned Arab countries, in comparison with %4.4 as world average. However, this percentage does not exceed %1.1 in Arab countries in North Africa, but represents %35.6 of the total labor in Eastern Arab countries. As for domestic workers in the concerned Arab countries, their number is estimated at 8.7 million, including 2.7 million females. 4.9 million Workers are in North Africa countries and 3.8 million in Eastern Arab countries.

As for migrant domestic workers, their estimated number in the Arab world amounts to 3.23 million, including 1.65 million

females, i.e. %28 of the total number of domestic workers in the world and %37.1 of migrant domestic workers. Migrant domestic workers are broken down as follows: 3.160 million in Eastern Arab countries, including 1.650 females, and 0.07 million workers in Arab countries in North Africa. Migrant domestic workers in Eastern Arab countries represent %17.9 of total residing migrant workers and %82.7 of domestic workers. As we already mentioned, the high percentages for this category in the GCC region, which is suffering in general from an important lack of social coverage for the categories working in an economy based on foreign labor, reflect the vulnerability of millions of workers. Therefore, they will probably adhere to the informal economy, which would require a special mechanism to protect them, especially since most Arab countries are not part to international conventions on the protection of these categories or do not apply national legislations ensuring their social and basic rights at work.

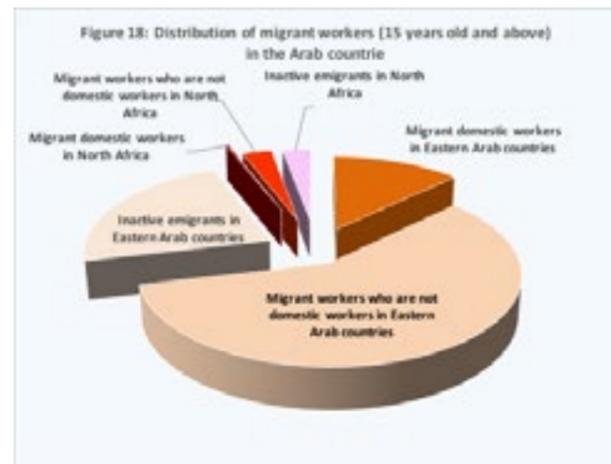


Table 32: The evolution of the number of refugees in the Arab countries

الدولة	Refugees on the soil of the given country			Refugees who flee the given country	
	2010	2011	2015	2010	2011
Algeria	94 244	94 230		6 689	3 642
Bahrain	165	294		87	275
Comoros				368	515
Djibouti	15 208	20 015		566	762
Egypt	95 356	230 046		6 923	12 834
Iraq	54 855	248 298		1 685 579	404 417
Jordan	402 915	641 915	965 400	2 254	1 682
Kuwait	184	635		588	577
Lebanon	8 068	856 546	1 846 230	15 869	3 824
Libya	7 028	25 561		2 106	3 322
Mauritania	28 717	83 787		37 783	54 257
Morocco	792	1 470		2 284	1 828
Oman	78	138		63	25
Qatar	51	133		112	57
S.A.	582	559		667	584
Somalia	1 937	2 425		770 134	1 129 738
Sudan	178 308	159 817		387 288	649 381
Syria	1 025 472	149 292	257690*	18 452	2 468 369
Tunisia	89	739		2 174	1 371
UAE	538	609		424	90
Palestine				93 321	96 644
Yemen	190 052	241 288		2 078	2 428
Sub-Saharan				126 415	116 504
Arab region	2 120 865	2 764 739		3 130 787	4 924 297

Source: UNHCR database  
\*in addition to 650000 Syrian IDPs

This table includes the number of refugees who are being looked after by UNHCR, and highlights the importance of the number of refugees present in a number of Arab countries due to the current situation and events in the neighboring countries. The number of refugees in Arab countries reached 759,764,2 by the end of 2013, i.e. %23.6 of the total number of refugees all over the world. It is worth noting that Lebanon hosted in 2015 more than 1.846 million refugees due to the war in Syria, i.e. around %40 of the population. Jordan hosted in the same year 400,965 refugees, i.e. %14.6 of its population. In 2013, the total number of refugees from Arab countries amounted to 297,4,924 citizens, including around 2.5 million Syrians. This number increased largely in 2015 due to the aggravation of the situation and the huge influx of refugees from this country in the last months. The number of refugees from Somalia exceeds 1.122 million. As for Iraq, it is ranked third, with ,405 000refugees. These data reflect the important number of Arab refugees, whether or not on Arab soil, as well as their vulnerability in hosting countries in terms of living conditions, shelter, and work if available.

## ANALYTICAL SUMMARY AND CONCLUSIONS

The main conclusions that can be taken from the data included in this report are the following:

- The serious weakness of the Arab region in terms of the availability of data and statistics in general, and for informal labor in particular, which would impede all monitoring and foresight attempts and analytical measures to examine imbalances and develop constructive solutions based on an objective and accurate diagnosis. The same applies in this context to governmental institutions, economic agents, or civil society players. Therefore, this would require pushing the countries to commit to produce and publish statistical data according to international standards and to the right to access to information. This would give credibility and effectiveness to the interventions, solutions, and alternatives proposed by all these parties, particularly NGOs and CSOs, and would turn them into efficient proposal and change agents.
- In the absence of direct statistical measurements according to the three common indirect approximate standard methods, i.e. social protection, independent labor percentage (unwaged labor), or contribution to GDP, we can note the importance of informal work in the Arab world, in spite of the differences between the countries that compose it. In terms of social protection, and in spite of the fact that only partial data were available, the importance of informal labor is reflected by the increasing number of active labor not benefitting from any social coverage, which means clearly that important numbers of workers or unemployed do not benefit from any social coverage, which is actually their right, to safeguard their dignity and protect them against the risks of poverty and exclusion. Although percentages differ from one country to another, the average of those who benefit from pension schemes and contribute to the labor force does not exceed %47.4 in North Africa, and %37.1 in Middle Eastern Arab countries, in comparison with %63.8 in emerging countries, and %92.9 in advanced economies. As for independent labor (all types of unwaged labor) considered as an indication of the level of informal labor in developing countries, the percentages of own-account workers in Arab non-oil countries are increasing, with %36.5 in comparison with %33.1 in Latin America and %13.4 in developed countries. As for the contribution to GDP, studies based on national accounts (J. Charne) or on economic statistical models, which adopt a number of variables to estimate the indicators for which no data are available (F. Schneider), have shown that the contribution of the informal sector to GDP in the Arab world – which was possible to be included in the studies – resulted in an increase in informal labor, except for GCC countries. J. Charne estimated it in three North African countries (Tunisia, Algeria, and Egypt) by %23.9 if the agricultural sector is not taken into consideration and by %35.8 if the agricultural sector is taken into consideration. As for the Schneider index, it allows us to conclude that the contribution of the shadow economy in the Arab oil countries is between %17.9 in Bahrain and %25.9 in UAE, whereas it ranges between %19.1 (Syria before the war) and %38.7 (Comoros) in the rest of Arab countries. The average of Arab countries (unweighted by the size of the population) is estimated at %27.6, with a continuous increase since 2004. While the weak contribution of the informal sector to GDP is due to the importance of oil revenues in GCC countries GDP – considered within the contribution of the formal sector – the fact that part of the informal labor works in formal enterprises results in not counting its contribution within the informal sector. The weak productivity of informal activities and the limited incomes and wages weaken the contribution of the informal labor in comparison with the labor benefitting from social coverage or independent labor percentages. This leads

us to think about the problematic of incomes and wages in informal activities and their ability to ensure decent work and living conditions to citizens working in said activities.

- The benchmarking exercise to look for a correlation between the results of standard approaches showed that, according to available data, there is a strong link between the approaches of independent labor and contribution to GDP to the extent of quasi-convergence in the aforementioned study entitled «The fight for better jobs in MENA countries», for Arab countries outside GCC, where the average of own-account workers amounted to %36.5 and the average of unauthorized production out of the total GDP amounted to %36.2. Unlike the outcomes of the World Bank study conducted on the level of 100 countries, which highlighted a positive relation between the lack of social protection and contribution to GDP, commonalities between Arab countries revealed a negative relation between these two approaches, i.e. whenever the contribution of informal labor to GDP increases, the lack of social coverage decreases. This opposite result and approach is due to the great shortcomings of social protection, particularly in the countries that have high revenues and financial resources, which enables them to establish comprehensive and modern social coverage systems that are compliant with international standards. The aforementioned data can be summarized, according to the study entitled «The fight for better jobs in MENA countries» conducted by the World Bank in 2014, as follows: «a standard MENA country is a country which produces informally one-third of its product and two-thirds of its labor force.»
- Because the importance and growth of informal labor in the region is the result of wrong options and policies, this trend must be changed. And in the face of a serious lack in social and economic rights for a large category of citizens, the role of social actors and the civil society becomes very important to reconsider options and development patterns and to make them more comprehensive (adaptive) and equitable between categories and generations.
- The serious lack of social protection for most of the workers in Arab countries requires that governments develop comprehensive protection systems for all based on a rights driven approach, and which respects pertinent international standards, like social protection floors as per the ILO's recommendation 204. Then, it would be possible to cover the different social categories, limit the negative effects of informal labor, ensure the basic rights of these categories, keep their dignity, and protect them against poverty and exclusion. More pressure needs to be made on governments to be keen on implementing labor regulations and the principles of decent work (right to social protection and the basic rights at work) with more determination and effectiveness. Therefore, we must confirm the important role of the State, who has the obligation to protect and enforce rights, in addition to seeking more pressure on governmental parties to play their role in this direction, particularly in light of the clear regression on this level due to the prevalence of neoliberal policies.
- Moreover, it is necessary to reconsider the principle of wage being by itself a basic right at work that must be equitable, and an incentive for internal demand and growth. The current labor relations also need to be developed in the framework of a real and equal social dialogue, in order to bring more work-related rights and reduce informality.
- As for external factors, the focus was on correlations between informal labor and a number of demographic, economic, social, and institutional indicators that have resulted in the following:
- The demographic growth remains relatively high in a number of Arab countries and youth percentages is also high(almost one-third of the population). This reflects the huge pressure

on Arab labor markets, knowing that it will aggravate in the future, which would lead to higher informality coinciding usually with higher unemployment, and knowing that it amounted to an average of %11.4 for Arab countries in 2014. As for the youth, average unemployment reached %23.3) %29.3 for males and %48.3 or females). Such data reflect the positive relation between informal labor and unemployment rates.

- Agricultural labor remains high in many Arab countries. This is originally an informal labor in spite the fact that statistics about informal labor do not highlight it because such statistics only take into consideration non-agricultural labor. Furthermore, Arab countries see continuously regressing percentages of population in rural areas, which results in a demographic pressure on the cities, knowing that the latter are not always capable or ready to face such pressure, neither in terms of terrain configuration or collective services nor on the level of the economic activity, which results in random labor and more informality in terms of employment and urbanization, and in a kind of social discrimination in housing, but also the limiting social mixing which used to characterize Arab cities as pillars of social cohesion and solidarity. However, the report did not tackle in more details this question, which needs deeper examination.

- The benchmarking exercise showed a close correlation between the weak percentage of participation in the labor force and the informal labor percentage, especially that the Arab region sees the lowest rates of participation, particularly for women. The high percentage of informal labor might be one of the underlying causes for not encouraging a number of women to enter the labor market, for that they do not accept to work in enterprises that do not ensure the minimum conditions of decent work. This would explain the weak percentages of informality for women in many Arab countries. However, confirming this statistically requires more scrutinous research.

- On another level, the correlation was clear between GDP per capita and informality as a result of the lack of social coverage (if GCC countries are not taken into consideration) or independent labor percentage. Whenever GDP per capita increases, informality percentages decrease. Under the same perspective, whenever the growth format is high, formality percentage will be low.

- On the institutional level, the benchmarking exercise showed a close correlation between bank exclusion and informality percentage under the perspective of independent labor. Therefore, independent labor highlights the importance of informal labor in developing countries, for that it does not represent an indicator of the importance of entrepreneurship and innovation, as in the case of developed economies.

- The importance of tax pressure as a way to impact shadow economy percentages was also highlighted, thus confirming the positive and evident relation between the two variables, knowing that tax evasion is not limited to informal activities that are usually unable to face and respect social or tax legislations, but also concerns many formal enterprises that violate these legislations and arrangements on purpose.

- In the same direction, the relation between economic governance measurements (i.e. the effectiveness of public authorities, the quality of arrangements and organizations, and corruption monitoring) looked negative. Wherever these measurements improved, informality percentages decreased.

- As for the ease of business, the study confirmed the strong reciprocal relation between the relevant indicators and informality percentages under the perspective of independent labor.

- Therefore, and as an acknowledgement that informal labor in developing countries is not an option but a life necessity imposed by the difficult circumstances faced by many categories to earn a living and a minimum sufficient income, the appropriate mechanisms should be developed for own-account workers, small renters, and small enterprises to integrate into the formality circle in the framework

of motivating administrative arrangements and a just and transparent tax system reducing the tax evasions of enterprises that are supposed to be formal.

- Given the fact that there are many forms of formal labor in formal sectors, multinationals, handling enterprises, and international production chains, this issue must be tackled in more details, away from impressions and generalities, by taking into consideration the new labor trends and patterns made available by modern media and their impact on labor laws enforcement and the wide circle of informality, even for skilled labor and highly qualified and educated people.

- In the last chapter, we tackled data about emigrants and refugees who represent the categories that are the most exposed to labor in informal sectors. The number of emigrants who are fit to work (15 years old and above) in the Arab world reached 24.7 million people in 2013, i.e. %11.9 of the number of emigrants who are fit to work of the same age category in the world, including 23.2 million emigrants in Eastern Arab countries. While migrant domestic workers are considered the most vulnerable categories, their number in the Arab world reached 3.23 million, including 1.65 million females – 1.6 million in Eastern Arab countries. They are exposed to different forms of violations of their rights to work and social protection and all the elements of decent labor and living conditions, especially in the absence of the ratification of the different international conventions on social protection, or ILO Convention No. 189 concerning the protection of domestic workers.

As for refugees in Arab countries, they represent %23.6 of the total number of refugees all over the world, as per UNHCR's estimates. This high percentage highlights the important challenges of this category and the necessity to ensure its basic rights and minimum living and working conditions in host countries, like Lebanon and Jordan, where refugees represent respectively %40 and %14.6 of the population.

- People with disabilities are considered among the categories that are exposed the most to informal labor and to violations of their economic and social rights, given their specificity on one hand, and the impeding surrounding on the other. Although it was impossible to look into this issue in the present report, the situation of this category in the Arab world must be further diagnosed, as well as the extent to which it exercises its rights and proposes legislations and mechanisms leading to better conditions and integration in all fields.

- The social and solidarity economy, along with CSOs, are currently considered among the main sectors that promote development and labor elements. However, these sectors in Arab countries are still suffering from infrastructure and capability weaknesses, which impede their potential as actors in decent and equitable labor (such as cooperatives which are classified in the formal sector in developed countries and in the informal sector in developing countries). Therefore, studying this sector, its horizons, and the situation of its workers deserve more attention and scrutiny.

- Abiding by the international definition of informal labor, and limiting it to legal activities that are not prohibited by law, should not hide the overlap between concepts and phenomena, and in certain cases, the correlation between a part of informal activities, parallel trade, smuggling, organized crime, or even terrorism, especially in the countries of the so-called Arab Spring, given the weakness of the State after uprisings, or its complete absence in some countries due to civil wars. This requires examining deeply this issue along with its implications and risks that would undermine the security of these countries and destabilize their economies.

- Abiding by Sustainable Development Goals 2030 gives an opportunity to the civil society and progressive parties to make more pressure in order to proceed with the desired revision of policies and plans, in the framework of developing programs and action plans ensuring the achievement of these goals according to the participatory approach adopted for this purpose.

## ANNEXES

Annex 1: International Labor Organization recommendation 204 concerning informal labor:

In article 2 of the chapter entitled «Objectives and scope,» the term «informal economy» is defined as follows:

- Refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements; and
- Does not cover illicit activities, in particular the provision of services or the production, sale, possession or use of goods forbidden by law, including the illicit production and trafficking of drugs, the illicit manufacturing of and trafficking in firearms, trafficking in persons, and money laundering, as defined in the relevant international treaties.»

«Economic units in the informal economy» include:

- Units that employ hired labour;
- Units that are owned by individuals working on their own account, either alone or with the help of contributing family workers; and
- Cooperatives and social and solidarity economy units.

Recommendation 204 applies to all workers and economic units – including enterprises, entrepreneurs, and households – in the informal economy, in particular:

- Those in the informal economy who own and operate economic units, including:
  - own-account workers;
  - employers; and
  - members of cooperatives and of social and solidarity economy units;
- Contributing family workers, irrespective of whether they work in economic units in the formal or informal economy;
- Employees holding informal jobs in or for formal enterprises, or in or for economic units in the informal economy, including but not limited to those in subcontracting and in supply chains, or as paid domestic workers employed by households; and
- Workers in unrecognized or unregulated employment relationships.

## Annex 2: International Labor Organization standard methodology

ILO has developed a guide entitled “Statistical manual on the informal sector and informal employment” in order to help countries measure informality. This guide included the different phases needed develop statistical concepts and definitions relevant to the different components of informality, and its measurement, estimation methods, and methodologies as per the instructions of international conferences of labor statisticians. The decisions of the 15th conference of labor statisticians are considered the main international statistical standard in this regard. According to this conference, the informal sector was defined as follows:

“The informal sector can be described in general as the different units that produce goods or services with the intention to create jobs and incomes to the concerned people. These units have a weak level of organization and work in a narrow context especially without separation or with a weak separation between labor and capital as production elements. When labor relations exist, these are particularly based on occasional labor, kinship relations, or personal and social relations instead of contractual agreements including effective guarantees in terms of the form and content.”

This definition was used and adopted by the UN System of National Accounts in 1993 in a bid to estimate the contribution of this sector to national economies.

As a result of the developments in terms of concepts and terms, the 17th conference adopted a wider concept of

informal labor linking the concept of labor in the informal sector based on the nature of the enterprise to a wider concept of informal labor based on the function. The table of conceptual framework adopted by the conference shows the following two dimensions: nature of the production enterprise and nature of the function. On the horizontal level, the quality of the production unit is tackled in terms of its legal nature, organization methods, and a number of its other specificities. Production enterprises are broken down into 3 groups, which are: formal sector enterprises, informal sector enterprises, and families. But on the vertical level, the nature of labor is determined by the functional status and other relevant characteristics turning it into either formal or informal functions. This table, which highlights the correlation between the concept of labor in the informal sector, based on the situation of the enterprise, and the wider concept of informal labor, based on the very nature of labor, includes the different categories that can be considered in the framework of informal labor as per the classification of the 17th conference of labor statisticians in 2003. The conceptual framework of informal labor. According to this conceptual framework, the production units are broken down into 3 main branches: formal sector enterprises, informal sector enterprises, and families.

Type of enterprise	Employment according to the labor situation									
	Own-account workers		Members		Contributing family workers		Waged workers		Members of production cooperatives	
	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal
Formal sector					1	2				
Informal sector	3		4		5	6	7	8		
Family sector	9					10				

1. The category of formal sector enterprises includes the production units established under the form of companies (including sub-companies), non-profit enterprises, enterprises managed by public structures and which do not take the form of companies, private enterprises producing goods and services for sale or exchange, and enterprises that do not belong to the informal sector.

2. As for the informal sector enterprises, these are composed of:

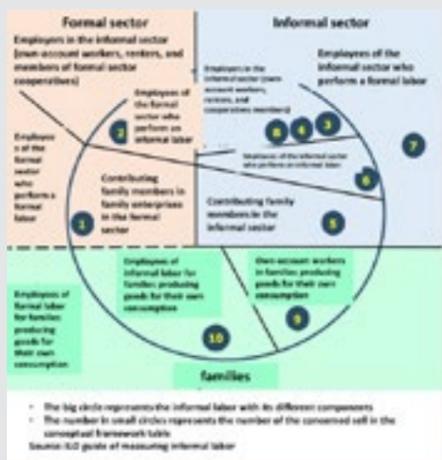
- Informal enterprises of own-account workers; according to national definitions, all these enterprises as well as the non-registered enterprises or enterprises that do not have accounting registers as informal sector ones. No specific level of labor was specified for this category given the fact that all its enterprises are small.
- Informal renters enterprises defined as per the following:
  - The small size of the enterprise in terms of workers,
  - The non-registration of the enterprise according to the same standards applied on own-account workers,
  - The non-registration of workers, i.e. the existence of differences in labor conditions in comparison with the formal sector. These differences can take the form of in-existent employment or training contracts obliging the enterprise to pay taxes or social contributions, or abiding by national social legislations. According to this standard, the enterprise is considered informal if it does not register any of its workers, which this is a useful measure especially in the countries where enterprises must register workers and the enterprises themselves.

- The number of workers in the enterprise on an extension basis or the total number of workers, including seasonal workers, or the total number of workers in a certain period (including the owner, his partners, and contributing family members); as for enterprises with many branches, these are considered informal due to their size, if no branch exceeds the highest allowed number of workers.

3. Families as production units which include the families producing goods for self-consumption only, and the families using waged domestic workers. As for the families that produce unpaid domestic services for their consumption (such as looking after its members or domestic affairs, ...), they are not considered within the informal sector, given the fact that these activities are neither considered as production activities in the framework of national accounts systems, nor as labor. It is worth noting that the production of families which is exclusively focused on the own consumption of families is excluded from the definition of the informal sector. However, if these activities result into a labor, the latter can be considered within the informal labor, like domestic workers if their work meets the requirements of informal labor definition. The categories included in the conceptual framework table represent the following groups:

- Contributing family members: without employment contracts, social security, or legal protection relevant to this type of labor (whereas contributing family members with employment contracts, salary, and social security are considered as formal workers) (Cells 1 and 5 in the table)
  - Informal workers: (Cells 2 and 6 in the table)
  - Own-account workers and employers who own their informal enterprises: the nature of their informal labor depend on the characteristics of their enterprises (Cells 3 and 4)
  - Formal workers in informal enterprises: this might happen when the unregistered enterprise is considered informal due to its small size only (Cell 7)
  - Production cooperatives members: the nature of their informal labor is directly based on the characteristics of the cooperative they belong to (Cell 8)
  - Producers of private consumption goods within families: if they are considered as workers as per the international definition (Cell 9)
  - Waged domestic workers recruited by families in informal labor (Cell 10)
- Therefore:
- Informal labor is represented in cells 10 ,9 ,8 ,6 ,5 ,4 ,3 ,2 ,1
  - Labor in the informal sector is represented in cells ,6 ,5 ,4 ,3 ,8 ,7
  - Informal labor outside the informal sector is represented in cells 10 ,9 ,2 ,1

The following figure included in the ILO guide represents the main components of informal labor according to these concepts.



Type of enterprise	Employment according to the labor situation									
	Own-account workers		Renters		Contributing family workers		Waged workers		Members of production cooperatives	
	informal	formal	informal	formal	informal	formal	informal	formal	informal	formal
Formal sector					1	2				
Informal sector	3		4		5	6	7	8	9	
Family sector	10									

According to this methodology and classification, the ILO created a database in the framework of the database relevant to Key Indicators of the Labor Market (KILM 08) including data about informal labor in 65 countries, including only two Arab countries, Palestine and Egypt. As per this database, informal labor reflects the estimates of people in the informal sector out of the number of workers in the non-agricultural sector, according to the principles adopted by the 15th and 17th conferences of labor statisticians, and by adopting a standard approach which measures at the same time the labor in the informal sector and informal labor outside the informal sector. Labor estimates in the informal sector are based on enterprises as per the principles of the 15th conference, knowing that the principles of both conferences allow differences between countries in defining the informal sector, in a way which requires confirming national definitions when comparisons between countries are conducted.

The standards determining whether or not an enterprise belongs to the informal sector are included in the following table:

Standard	Objective
1- Legal organization: Enterprise that is not considered a legal personality different from that of its owner	Learn about enterprises that are not established as companies
2- Ownership: the enterprise is owned and controlled by one or some family members	Learn about individual enterprises that are not established as companies
3- Accounting type: Lack of a complete set of accounts, including the public budget	Exclude sub-companies from individual enterprises that are not established as companies
4- Product destination: at least a part of it is addressed to the market	Exclude individual enterprises producing goods that are exclusively made for family consumption
5- Type of economic activity:	Exclude the families using waged domestic workers and when necessary enterprises exercising agricultural activities
5-1 Number of people who perform a waged labor / workers recruited on an extension basis without a specific number, and/or	Learn about informal sector enterprises as a branch of individual enterprises that are not established as companies and which address at least a part of its products to the market
5-2 The non-registration of the enterprise, and/or	
5-3 The non-registration of workers	

### Annex 3: Not using the term “Informal economy” as a statistical term

The 17th conference of labor statisticians opposed using the term “labor in the informal sector,” already used by the International Labor Bureau in its report about “Decent work and informal economy” in 2002 as the total labor in the informal sector and the informal labor outside the informal sector (Cells 1 to 10 of the conceptual framework). The 17th conference preferred, for statistical purposes, to provide detailed data about the informal sector and informal

labor. However, it was necessary to keep the definition of the informal sector according to the decision of the 15th conference, so that it were included in the national accounts system, and since an important number of countries collected their data on this basis.

Therefore, we had to choose between using the terms “informal sector” and “informal labor” and not using the term “informal economy.”

### Annex 4: WIEGO approach

The conceptual framework adopted by WIEGO is summarized as follows:

Production units	Informal labor	Formal labor
Informal enterprises	A	B
Other production units	C	D

This shows that:

- Informal sector labor is composed of the total of cells A and B (A+B)
  - Informal labor outside the informal sector is composed of cell C, and includes workers of informal labor in formal enterprises, waged domestic workers recruited by families, and contributing family members working in formal enterprises, knowing that some countries consider own-account workers to produce goods for the own consumption of their families as informal workers outside the informal sector.
  - The total informal labor is composed of cells (A+C), i.e. it does not include formal workers inside informal enterprises.
- The informal labor is defined in this study according to the international definition adopted by the international conference of labor statisticians. Therefore, the content of the following components was defined:
- Own-account workers, and renters in informal enterprises;
  - Members of informal production cooperatives;
  - Own-account workers who produce goods for the own consumption of their families (if considered as workers and if their production contributes to the total consumption of their families);
  - Family members contributing to formal and informal enterprises;
  - Workers in informal functions in formal enterprises (including public enterprises, non-profit enterprises), informal enterprises, and waged domestic workers recruited by families.

Employees performing informal functions are employees who do not benefit from any social coverage, and workers and employees who do not receive any other labor-related benefit, such as paid annual leaves or sick leaves.

Independent labor covers renters, own-account workers, members of production cooperatives if any, and contributing family members.

People who performed two functions during the research period were considered based on their original function.

### Annex 5: Relation between the concepts of informal sector, informal labor, and Shadow economy:

The guide developed by OECD puts informal labor within a more comprehensive framework consisting of the shadow economy; it's related to four concepts that are sometimes mixed up: secret production, illegal production, self-consumption production of families, and hidden production due to a lack in main statistical data.

Illegal production consists of the following:

- o Goods and services whose sale, distribution, or possession is prohibited by law, such as drugs.
- o Production activities that are not usually prohibited by law but become illegal when performed by unauthorized

producers. These remain legal activities as long as they respect relevant conditions or arrangements, but are hidden from public authorities to avoid paying income taxes, VAT, other taxes, or social security contributions, or for the sake of not respecting legal standards such as the minimum wage, working hours, professional health and safety conditions, or administrative arrangements.

Whereas it is clear that it is not easy to distinguish between secret production and illegal production, the provided definition makes this distinction possible:

- Activities are legal and not secret;
- legal activities performed in a secret or hidden way;
- Illegal activities

According to the following table, all types of enterprises (formal sector enterprises, informal sector enterprises, and families) can perform legal and non-confidential activities, legal and secret activities, or illegal activities. It is worth noting that, according to the ILO guide, most of the informal sector activities in developing or emerging countries are neither secret, nor illegal, but constitute survival strategies for their practitioners and family members.

Production units	Production activities		
	Non-confidential	Secret	Illegal
Formal sector enterprises			
Informal sector enterprises (A)			
Families (B)			

(A): without taking into consideration the families recruiting waged domestic workers

(B): Families producing goods for their own consumption and families recruiting waged domestic workers

The ILO guide in this regard shows that most of informal sector activities provide goods and services which production and distribution are considered legal, unlike illegal production. There is a clear difference between the informal sector and family production. The activities of the informal sector do not necessarily aim at avoiding the payment of taxes or social contributions or violating labor regulations and administrative arrangements on purpose. Moreover, some informal sector enterprises choose to continue their operations with no registration or licenses to avoid abiding by all or some arrangements, and to reduce production costs. However, enterprises whose income can bear the burden of arrangements must be distinguished from those that cannot respect these arrangements due to economic lack or irregularity of income. In these enterprises, the current situation either does not comply with the needs, or suffers from an absence of the State, who has no capabilities to implement its arrangements. In some countries at least, an important percentage of informal sector enterprises are registered and pay their taxes, but are unable to abide by all legal and administrative rules and regulations.

Furthermore, important parts of the family production come from formal sector enterprises. The same applies to the production of goods and services that are not included in the accounts, unauthorized financial and real estate transactions, the exaggerated expenses exempted from taxes, recruitment of unauthorized labor, or the lack of declaring the effective workers' salaries and overtime for registered workers. In conclusion, even if the informal sector and secret activities might overlap, it would be necessary to clearly distinguish between the informal sector and secret production.

## Annex 6: Governance indicators objectives included in the report

- Effectiveness of public authorities: It aims at measuring the awareness of public services quality, the administration quality, the effectiveness of civil servants, the extent to which the administration is free to face political pressure and to which governments are credible in implementing their policies. This allows for the testing of the ability of public authorities to provide feasible public services and implement appropriate policies.

- Quality of arrangements and organizations: It includes measurements that might clearly determine the feasibility of policies and reforms. It counts on the extent to which policies can affect market rules, such as the State intervention in the economy and controlling the prices, in addition to the weight of some exaggerated arrangements relevant to the economic activity, particularly what is related to protective measures, tax systems, commercial policies, or the anti-monopoly policy.

- Corruption monitoring: It aims at measuring the feeling of exploiting powers for personal

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enrichment, through different indicators originating from many different sources, in order to assess corruption in the public administration and the political or judicial system, violating practices, and non-transparency in the public space, knowing that every corruption case hides the bad intentions towards the rules that should control the relations between society elements.

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# INFORMAL LABOR AND MIGRATION IN THE ARAB REGION

09

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## INTRODUCTION:

This paper aims to understand the recent impact of immigration on informal employment in the Arab region. Immigration is known to create opportunities for vulnerable employment and informal employment conditions, especially when taking place illegally or when host countries deny immigrants employment rights or decent working conditions (ILO). Hence, in a region where informal employment already accounts, according to some estimates, to more than %50 of non-agricultural employment (Tansel, 2016) and influx of refugees, especially Syrian, reached unprecedented numbers, this issue requires our utmost attention.

Due to time and space constraints, the paper will not be able to cover the exact impact of immigration on informal employment across the whole region. However, it will provide an overall view of the recent trends in immigration in the Arab region and its possible impact on informal labor markets, while focusing on actual impact in Lebanon and Jordan as exemplary case studies. The choice of Lebanon and Jordan was due to the noticeable impact of the Syrian refugee crisis on informal employment.

The paper mainly relies on secondary data and existing reports about immigration and informal employment in the region.

Overall immigration trends and their possible impact on informal employment:

In this section, and in order to facilitate discussing the Arab region, the paper will utilize IOM classifications. The IOM divides the Arab region into four main sub regions: the Gulf Cooperation Council, the Maghreb, the Mashreq and Least Developed countries (ESCWA and IOM, 2015). The Gulf Cooperation Council countries include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The Maghreb countries include Algeria, Libya, Morocco and Tunisia. The Mashreq countries include Egypt, Iraq, Jordan, Lebanon, State of Palestine and the Syrian Arab Republic. The Least Developed countries include The Comoros, Djibouti, Mauritania, Somalia, the Sudan and Yemen.

In total, migrants in the Arab region make up 8.24 per cent of the total population of which 68 percent are male and 32 per cent are females, while in some regions, such as in GCC countries, they make up more than %45 of the population (ESCWA and IOM, 2015). According to the Economic and Social Commission for Western Asia (ESCWA), the number of migrants living in Arab countries has more than doubled between 1990 and 2013. It went from 14.8 million to 30.3 million migrants, 40 % of whom were nationals from Arab countries (ESCWA and IOM, 2015). Furthermore, countries of the GCC and Libya stand out as their main countries of destination (ESCWA and IOM, 2015). While acknowledging the different forms of migration, this paper will focus on refugees and labor migration- whether regular or irregular- and their impact on informal employment.

The Arab region has the largest number of refugees and displaced populations in the world, most of whom are displaced within the region (ESCWA and IOM, 2015). By the end of 2011, more than 422,000 Libyans and 768,000 migrants had fled the conflict in Libya, primarily to Egypt, Tunisia, Chad,

Niger and Algeria (ESCWA and IOM, 2015). As of March 2015, the crisis in Syria had produced 4.8 million Syrian refugees within the region, of which 1.03 million are based in Lebanon, 0.66 million in Jordan, 0.26 million in Iraq and 0.12 million in Egypt (UNHCR, 2016a). Since the creation of the State of Israel in 1948, over two million Palestinians sought refuge in the region (ESCWA and IOM, 2015). Moreover, around 120,000 of Palestinian refugees living in Syria fled the country, including around 31,000 to Lebanon and 16,000 to Jordan (UNRWA, 2016).

Finally, the US-led invasion of Iraq in 2003 unleashed a flood of refugees, reaching an estimated high of 2.5 million, mostly in the Syrian Arab Republic, Jordan and Lebanon, while the conflict that broke out in South Sudan in late 2013 forced more than a million people to flee to neighboring countries such as Uganda, Ethiopia or Kenya, including 263,245 who fled to Sudan by the end of 2016 (ESCWA and IOM, 2015; UNHCR, 2016b).

On the other hand, the Arab region is also one of the main destinations globally for migrant workers (ILO, 2016a). In fact, the proportion of migrant to local workers is amongst the highest in the world (ILO, 2016a). Furthermore, labor migration to Arab countries is very gender-selective, since migrant workers are male (ESCWA and IOM, 2015). For instance, in the GCC countries, working age males (i.e. between the ages of 15 and 64) account for %64 and, in the Maghreb region, %51 of migrants (ESCWA and IOM, 2015). Certain sectors, however, such as domestic service, are female-dominated. For instance, in 2013, it was estimated that more than 296,000 non-Kuwaitis were employed in private households in Kuwait, and more than 900,000 non-Saudis in Saudi Arabia (ESCWA and IOM, 2015).

Having said that, both forced and labor migration do not lead to informal employment or denial of decent work conditions on their own. Nevertheless, research shows that the legal nature of migration, the skill level of workers and the existing labor regulations for non-nationals in host countries play the decisive role in creating this phenomenon.

Starting with the legal nature of migration, research shows that irregular migration<sup>1</sup> often provides opportunity for exploitative working conditions (ESCWA and IOM, 2015). This is especially true for the Arab region, especially when the number of people who leave GCC countries under amnesties since the mid1990-s can provide insight into the extent of irregular migration in the region. For example, a 2007 amnesty in the United Arab Emirates (UAE) led to about 350,000 people regularizing their status or leaving the country (ESCWA and IOM, 2015). Likewise, the most recent amnesty in Saudi Arabia, during the April - November 2013 period, enabled 4.7 million migrants to regularize their status and one million to leave the country (ESCWA and IOM, 2015).

Secondly, the Arab region is a destination for low-skilled workers in weakly governed sectors, such as construction or agriculture, which allows them to become vulnerable to exploitation and human trafficking (ESCWA and IOM, 2015; David and Marouani, 2016). Migrants in those sectors often find that their working and living conditions, or the type of work they are expected to undertake, differ from what they had been led to expect and that they are unable to leave due, for instance, to threats or debt bondage (David and Marouani, 2016). As an indication of this phenomenon, the

proportion of highly skilled migrants is relatively low in all GCC countries (ESCWA and IOM, 2015). Saudi Arabia has the highest proportion of highly skilled migrants, which amounts to only 18.9 per cent of the immigrant population (ESCWA and IOM, 2015). Also, migration to Libya, Jordan and Iraq is characterized by a considerable flow of the less educated, with a quarter of migrants being illiterate (David and Marouani, 2016). Even though refugees in the region usually have varied skill profiles, displaced populations in Arab countries are more likely to have limited skills. For instance, only 13 per cent of Syrian refugees working in Lebanon hold skilled occupations (ESCWA and IOM, 2015).

Finally, the Kafala (or sponsorship) system, which governs non-national employment in the region, has been encouraging informal labor. GCC countries, Jordan and Lebanon manage labor migration through this system, whereby migrants can obtain work permits and visas only if sponsored by a local citizen, a migrant authorized to sponsor other migrants, or a company (the kafeel) (ESCWA and IOM, 2015). This system makes migrant workers dependent on their kafeel (sponsor) in regards to determining their working and living conditions, therefore leaving them open to exploitation and abuse (ESCWA and IOM, 2015).

Moreover, labor regulations often remain under or even unenforced. Some migrant workers, especially those in domestic service, are not protected by labor laws (ESCWA and IOM, 2015) Although some countries attempted reforms such as Bahrain<sup>2</sup>, Jordan<sup>3</sup> or Saudi Arabia<sup>4</sup>, the overall conditions remain weak (ESCWA and IOM, 2015).

Likewise, few Arab states, especially in the Mashreq and GCC, have ratified founding documents of international refugee law, which has often allowed governments to restrict the right to employment for refugees, compelling them to be informally employed (ESCWA and IOM, 2015). Furthermore, in countries where such laws have been ratified, little has been done to enforce or implement them (ESCWA and IOM, 2015).

## CASE STUDIES: LEBANON AND JORDAN

### Jordan:

According to Jordan's latest population census, done in 2015, migrants in the country make up 30.6 per cent of the population, %43 of which are Syrians, %22 Egyptians, another %22 Palestinians, %4 Iraqis, along with a very small percentage of Asian nationalities hailing from Bangladesh, Sri Lanka and the Philippines (Bel-Air, 2016). Yet, access to the Jordanian labor market remains highly restricted for foreign nationals, which in turn furnishes the road for immigrant informal labor. According to some estimates, only 300,000 foreign workers hold regular working permits (Bel-Air, 2016).

To further elaborate, according to Article 12 in the Jordanian labor law, non-Jordanian workers, with no exception to refugees, can only be employed when they have qualifications that cannot be found within the Jordanian labor force, or in sectors where there are not enough Jordanian workers to meet the overall demand (Stave and Hillesund, 2015; IRC, 2016). Moreover all non-Jordanian workers are required to

obtain a one-year renewable work permit from the Ministry of Labor (Stave and Hillesund, 2015). Such a permit limits workers to one employer and a specific occupation; workers cannot switch employer or sponsor unless they choose to release them first (ILO, 2015; IRC 2016).

For example, in Jordan, ever since the beginning of the Syrian refugee crisis in 2011, only about %10 of employed Syrians have obtained formal work permits, while the rest are currently employed in the informal economy and outside the bounds of Jordanian labor law (Stave and Hillesund, 2015). A study has cited the high prices and difficulty associated with permits as main reasons for not applying to them in the first place (Stave and Hillesund, 2015). However, it should be mentioned that during the Syria donors conference, held in February 2016, Jordan pledged to integrate 200,000 Syrian refugees into its labor force within five years, especially in the country's Special Economic Zones (Bel-Air, 2016). In return, the EU, the World Bank and other donors promised Jordan two billion US dollars in aid packages, grants and "cheap" loans, as well as improved access to European trade markets for Jordanian products (Bel-Air, 2016).

According to UNHCR, there are currently about 616,000 Syrian refugees in Jordan, in addition to another 631,870 residing in the country as non-refugee immigrants, according to the Jordanian population census (Stave and Hillesund, 2015; Bel-Air, 2016). The clear majority of registered refugees come from rural areas in Syria and have a considerably low level of education (Stave and Hillesund, 2015; ILO, 2013). In fact, %60 of Syrian refugees above the age of 15 have never completed their primary education, and only about %15 of refugees above the age of 15 have completed secondary education (Stave and Hillesund, 2015; ILO, 2013).

With their education background and denial of working rights, Syrians became more prone to accept low-skilled employment and the poor working conditions it often implies. In fact, they started filling in vacancies with degrading conditions that Jordanians were hesitant or refused to work in. For instance, the share of total Jordanian male workers employed in the construction industry, which are primarily low wage jobs in an expanded informal sector, has decreased from 9 to %7 from March 2011 to March 2014, of which the main decrease is seen in the working age group of 25-15 (Stave and Hillesund, 2015). At the same time, the share of total Syrian refugee workers in the construction industry has increased quite substantially, indicating that Jordanians might have been crowded out of this industry by Syrians to some extent (Stave and Hillesund, 2015).

Moreover, as the Jordanian labor market conditions were conducive to informal employment, with already one out of two workers in the Jordanian host community found in informal employment, the supply of labor made of Syrian refugees contributed to the expansion of informality and the worsening of working conditions in the whole of the labor market (Stave and Hillesund, 2015). As Syrian refugees accepted to work for lower wages and harder working conditions than Jordanians, informalization of the Jordanian labor market increased, making compliance with poor or inexistent labor standards a serious threat to all workers alike (Stave and Hillesund, 2015).

1. Irregular migration: Movement that takes place outside the regulatory norms of the sending, transit and receiving countries. There is no clear or universally accepted definition of irregular migration. From the perspective of destination countries, it is entry, stay or work in a country without the necessary authorization or documents required under immigration regulations. From the perspective of the sending country, the irregularity is for example seen in cases in which a person crosses an international boundary without a valid passport or travel document or does not fulfill the administrative requirements for leaving the country. (IOM, n.d.)

2. July 2012, Bahrain enacted the Labor Law for the Private Sector (Law No. 36), repealing earlier legislation. Article 39 prohibits discriminatory practices, especially in the payment of wages and the termination of contracts, based on sex, ethnicity, language, religion and beliefs. Also, new procedures for settling labor disputes, including the creation of a Labor Case Administration Office, tougher penalties for employers who do not apply the new law, and fines on employers for delays in salary payments, were instated. The law also takes domestic workers into account.

3. In 2012, Jordan introduced regulations to limit the working day of domestic workers to a maximum of eight hours, and stipulating that workers do not need their employers' permission to leave the home outside working hours. However, those procedures have not been properly enforced and domestic workers are still not free to change employers even when their contracts end. Also, since July 2014, proof of health and life insurance for domestic workers is required in Jordan to obtain work permits and since August, employers have been required to open bank accounts for such workers.

4. In 2013, Saudi Arabia rolled out its Wage Protection System (WPS), which requires employers to register details of their employees' wages with the Ministry of Labor and to deposit wages directly into their bank accounts. The initiative was launched to improve the management of claims of nonpayment of wages and to allow monitoring of differences in wages between local and migrant workers. Also, Decision No. 310 of July 2013 on the Household Regulation on Service Workers and Similar Categories stipulated that employers must

A recent study found that Syrian refugee workers work longer hours than Jordanian workers, and are generally paid less (Stave and Hillesund, 2015). Secondly, that being employed on the basis of a written contract is significantly less common among Syrian refugee workers, who are more often employed on the basis of an oral agreement or employed without contract, than among Jordanian workers (Stave and Hillesund, 2015). Thirdly, that a smaller share of Syrian refugee workers, compared to Jordanian workers, report having been informed about work-related hazards and necessary precautions as well as having received necessary protective equipment from their employer. In addition, a larger share of Syrian refugee workers, compared to Jordanian workers, perceive the work they perform as exhausting, stressful, dangerous, or unpleasant (Stave and Hillesund, 2015). Fourthly, that very few Syrian workers are members of a trade union or a professional association, which gives them few avenues to voice their grievances (Stave and Hillesund, 2015). Finally, with low enrollment rates of Syrian children in basic schools, children became more employed in the informal sector (Stave and Hillesund, 2015). Only %65 of Syrian children are enrolled in school, while the enrollment rate for Syrian children starts declining from the age of 11. By the age of 15, less than %40 of Syrian children remain enrolled in school (Stave and Hillesund, 2015). This situation made economic activities carried out by children prevalent among Syrian children (Stave and Hillesund, 2015). In fact, more than %8 of Syrian boys within the age group of 15-9 are economically active, while in the age group 18-15, about %37 of Syrian boys are economically active (Stave and Hillesund, 2015).

## Lebanon:

Lebanon is another exemplary case of how immigrants, and in specific refugees, are more prone to informal employment and in most cases, amplify an already existing phenomenon.

As of March 2015, Lebanon hosted an estimated 1.18 million Syrian refugees, of whom 1.17 million are registered and some 11 thousand are awaiting registration (ILO, 2015). Prior to the Syrian crisis, more than 300,000 Syrians were estimated to have been living in Lebanon. The country currently ranks first in the world in terms of refugees per capita (ILO, 2015). Likewise, Lebanon has a wide Palestinian refugee population that was estimated at more than 280,000 in 2010<sup>5</sup> – about 6.4 per cent of Lebanon's population – of whom an estimated 206,360 were of working age (Ajluni and Kawar, 2015). Both Palestinian and Syrian refugees face a highly constraining right to work, making them particularly vulnerable to informality.

Lebanon is not a signatory of the 1951 Refugee Convention Relating to the Status of Refugees, although the Lebanese government created the Central Committee for Refugee Affairs in 1950 to administer the Palestinian population in Lebanon (ILO, 2015). Furthermore, Presidential Decree No 17561, dated 18 September 1964, controls the capability of foreign nationals to work in Lebanon (Ajluni and Kawar, 2015). Article 2 specifies that non-nationals seeking work must obtain prior approval from the Ministry of Labor before traveling to Lebanon (Ajluni and Kawar, 2015). However, obtaining a work permit is an uncertain, time-consuming process which most employers choose to forgo (Ajluni and Kawar, 2015). In addition, the cost of obtaining this work permit is expensive, as the employer is required to pay, per foreign employee, a one-time USD 1,000 bond as a “registration of sponsorship” to the Central Housing Loan Bank for the duration of a contract (Ajluni and Kawar, 2015). This leaves migrant workers highly dependent on their employers, with potentially negative repercussions for the migrant workers themselves. Moreover, it opens the door for

informal employment.

An interesting fact to mention is that prior to the Syrian crisis, Syrians enjoyed a preferential treatment in Lebanon. They did not need any visa to enter the country, and hence constituted, by far, the greatest proportion of expatriate labor in the country (ILO, 2015). In 1993, a bilateral agreement for Economic and Social Cooperation was signed between Lebanon and Syria, which abolished movement restrictions on persons and granted freedom to stay, work, and practice economic activity for nationals of both countries (ILO, 2015). Registered Syrians could live and work in Lebanon indefinitely, mainly as circular immigrants<sup>6</sup>, in addition to paying %25 of the actual cost of work permits (ILO, 2015). Furthermore, up until early 2015, registered Syrian refugees had the right to work for the first six months following their arrival under the condition of obtaining a work permit (ILO, 2015). Yet, following mounting social unrest<sup>7</sup> and problems with public services provision, the government ended up suspending such rights (Errighi and Griesse, 2016). Residency requirements, a pre-requisite to being granted a work permit, were made increasingly difficult to obtain (IRC, 2016). Furthermore, refugees registered with UNHCR and attempting to renew or regularize their residency permit based on their UNHCR registration certificate (or through a non-employer sponsor) are currently required to sign a pledge not to work (IRC, 2016).

As for Palestinians, they have been and remain subject to restrictions on the types of employment in which they can legally engage in Lebanon. To this day, they are still not allowed to practice certain professions, such as medicine, engineering and law, despite the removal of employment restrictions in a 2010 legislation (Ajluni and Kawar, 2015). Moreover, the effects of past discrimination, which include lower wages and a lack of benefits and social security, remain present (Ajluni and Kawar, 2015).

Thus, the vast bulk of Syrian and Palestinian refugee employment, regardless of the level of education attained, is informal in character. About %92 of Syrians in Lebanon have no work contract and only %23 are paid a monthly salary, while the remainder are paid on an hourly, daily, weekly or seasonal basis (Ajluni and Kawar, 2015). As for Palestinians, where the Lebanese private sector accounts for %85.5 of total Palestinian employment, compared to UNRWA (%4.6) and NGOs (%3.5), less than one-fifth of employed Palestinians have a written contract (Ajluni and Kawar, 2015). Moreover, less than %6 benefit from health insurance; only about %26 receive paid sick leave; %1.6 receive pension benefits and %1.1 receive end of service indemnity (Ajluni and Kawar, 2015). This situation is not only a result of denial of working rights but also of existing demand for low-skilled workers who are vulnerable to informal arrangements. Educational attainment among employed Palestinians is generally lower than that of the Lebanese workforce. Palestinian secondary and tertiary attainment rates are far below those of their Lebanese counterparts (Ajluni and Kawar, 2015). Furthermore, only %13 of Syrian refugees working in Lebanon are found in skilled occupations (ESCWA and IOM, 2015). In Lebanon, data suggests almost total informality in agriculture (%92.4), construction and transport showing very high rates of informality (%80.7 and %71.7 respectively) and commerce registering above average informality (%58.1) (Ajluni and Kawar, 2015). In such an economy, the outcome of increased flows of low-skilled labor from Syria or Palestine has been a ‘downward spiral’ towards increasingly dire working conditions in these low productivity sectors (Ajluni and Kawar, 2015). The addition of hundreds of thousands of largely low-skilled Syrian workers is encouraging employers to further worsen the working conditions due to the increased supply of low-skilled

workers, exacerbating an already fragile situation. According to the World Bank, the share of informal work in the Lebanese labor market will increase by up to 10 percentage points (Ajluni and Kawar, 2015).

Furthermore, child-labor is a re-emerging phenomenon with the large influx of Syrian refugees, most whom are children (%53 are below the age of 18), with %73 of them not attending school making them, in principle, available to supplement their families' earnings through work (Ajluni and Kawar, 2015). A recent survey of 1,500 street children found that the majority were Syrians and were engaging in petty trade (Ajluni and Kawar, 2015).

## CONCLUSION AND RECOMMENDATIONS:

The aforementioned clearly indicate that immigration can create conditions for informal labor, especially in response to geopolitical shocks<sup>8</sup>. However, the cases show that poor migration governance, including restrictive labor regulations for migrants and incomprehensible approaches to informal employment, are also the main reasons for the latter's expansion. Hence, with stronger migration governance and holistic approaches to informal employment, informal employment can be subsided.

Immigration governance reforms should include ratifying international conventions relating to migration, combating irregular immigration, and reforming the Kafala system, which would allow for more labor flexibility within the labor market and development strategies that integrate immigrants into host communities and capitalize on their human and capital assets (ESCWA and IOM, 2015; ILO 2016b).

Granting refugees the right to formal employment may prevent them from entering informal markets and allows the destination or transit country to regulate employment, ensuring that it responds to labor market needs and broader development plans (ILO, 2016b). Host countries will also harness valuable expertise, increase the size of the domestic market for consumption of goods and services, and benefit from tax revenues, which in turn can be used to develop host and displaced communities (ILO, 2016b).

Fears of pressure on host communities' labor markets are more a result of poor management and inability to capitalize on immigrants' existing assets. For instance, access to micro-finance and commercial banking can foster economic self-reliance among refugees, IDPs and other displaced populations (ESCWA and IOM, 2015; ILO 2016b). Having reliable sources of credit can contribute to planning and business expansion, and reduce refugees' vulnerability to risky borrowing practices and insecure financial schemes. Furthermore, vocational training to immigrants that considers labor market needs, existing skills, and demographic and gender particularities can contribute effectively to host countries' economic development (ESCWA and IOM, 2015; ILO 2016b).

On the other hand, the existing conducive environments in host countries to informal employment should be addressed. This requires a more holistic approach towards informal employment, irrespective of immigration. ILO's integrated approach to informal employment can be a good start in the Arab region. Their approach recognizes the macro-economic policies, the existing social factors and the legal structures that push towards informality (ILO, 2012; Daza, 2005). First, to move into formality, Arab states should promote growth

strategies that prioritize quality employment generation and move away from an investment policy that favored low-skill low-wage job creation (ILO, 2012). Both case studies showed how investment in low-skilled labor allowed for further deterioration in all labor force working conditions. Second, improving labor inspection and the overall regulatory environment to enforce international labor standards is a must if informal employment is to be narrowed down (ILO, 2012). Weak regulatory frameworks and institutional inspection capacities should be addressed. Third, recognizing the right of informal employees to organization in order to engage in social dialogue with government and employers will ensure more legitimate labor policies (ILO, 2012). Fourth, combating discrimination across gender, race, caste, disability and age is imperative to an inclusive formal labor market (ILO, 2012). Without a labor market for all, informal markets will inevitably exist. Fifth, accessing finance and skills development to all workers is a guarantee to further integration in formal structures (ILO, 2012). Sixth, social protection should be extended to all workers (ILO, 2012). And finally, decentralization and local development strategies are essential to safeguard the sustainability and inclusivity of formal labor markets (ILO, 2012).

pay domestic workers their monthly salary without delay, and give them one day off a week, at least nine hours of rest per day and proper accommodation.

5. This is a de facto estimate in contradiction to official UNRWA registration data which indicates that the number is 453,840 in 2010. However, per ILO, that count excludes unregistered deaths, and significant emigration of Palestinians from the country, especially in the 1980s and 1990s. (Ajluni and Kawar, 2015)

6. Circular migration is the fluid movement of people between countries, including temporary or long-term movement which may be beneficial to all involved, if occurring voluntarily and linked to the labor needs of countries of origin and destination (IOM, n.d.)

7. Relations between communities in the country, including refugees, were considerably strained in the immediate aftermath of the Aarsal events of August, where militants battled the army for several days. The tensions manifested through the erection of roadblocks, tit-for-tat kidnappings between various groups and attacks on informal settlements, particularly in the Bekaa (UNHCR, 2015)

8. EUI defines geopolitical shock as a sudden and relatively unexpected event or a series of events that has the potential to, and often does, lead to a destabilization of regional and/or international politics and security. (Ruhs and Van Hear, 2014)

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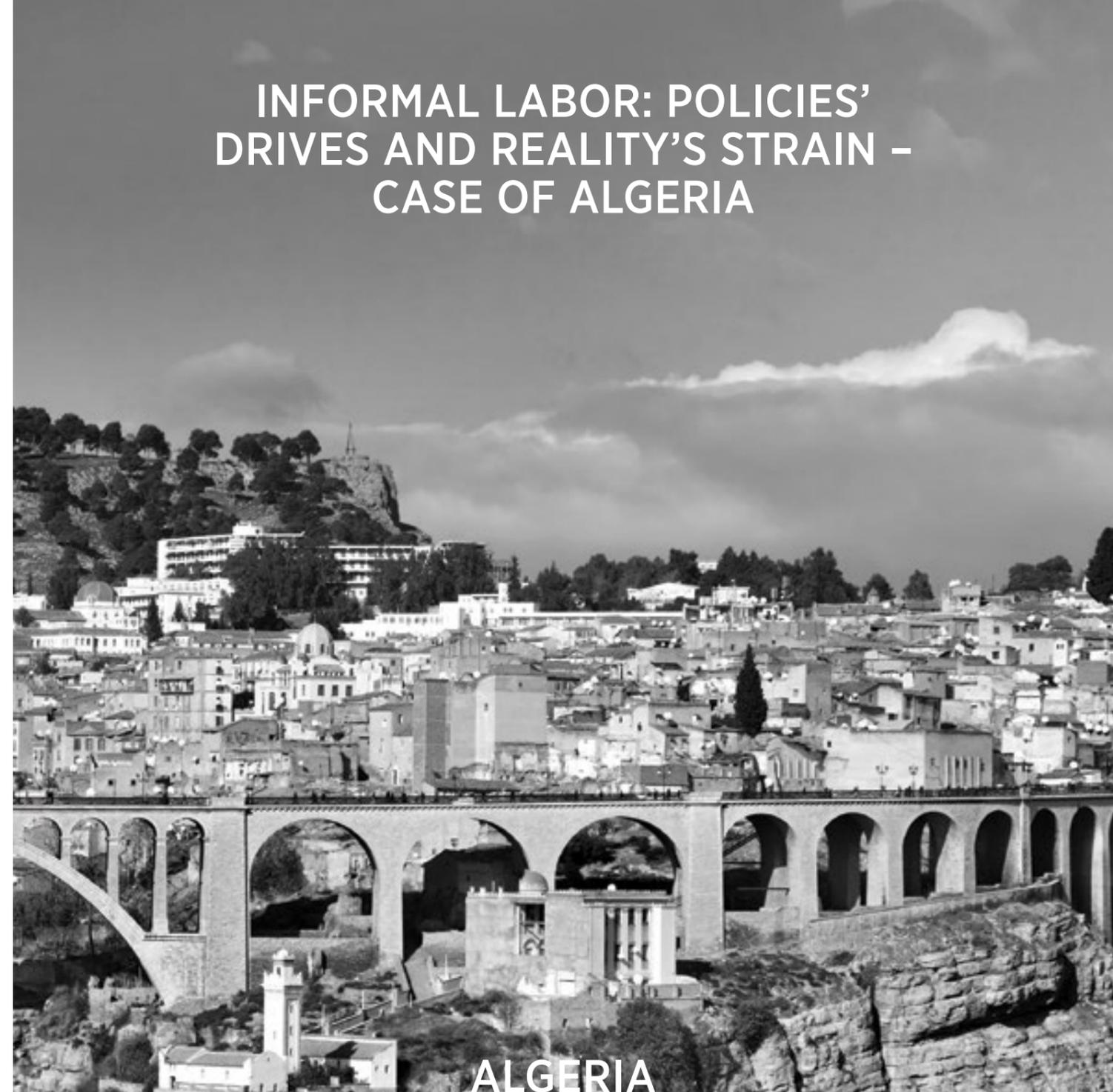
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# INFORMAL LABOR: POLICIES' DRIVES AND REALITY'S STRAIN – CASE OF ALGERIA



ALGERIA

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## EXECUTIVE SUMMARY

Similarly to other Arab countries, Algeria has been suffering from the phenomenon of informal labor, estimated at around 37.7% of the total workforce (with the exception of the agricultural sector). The key characteristic of informal labor in Algeria is its decline since 2011, following a relevant rise between 2003 and 2010. This decline could be the result of the public mechanisms incentivizing the creation of all forms of job opportunities. However, the fall of oil prices in 2014 shocked the Algerian economy, which highly relies on oil exports; this could have directly resulted in another rise of informal labor. In the paper entitled « Informal Labor in Algeria », we will tackle the various aspects of said phenomenon, by reviewing demographic tendencies, informal labor in Algeria and implemented policies to eliminate it.

### 1. Demographic trends

The Algerian population tripled in the last 44 years, rising from 12 million in 1966 to 39 million in 2014. This is due to the rise in birth rates registered since 2002, reaching 25.93 in 2014, as well as the decrease in mortality rates. In fact, the mortality rate decreased fourfold between 1970 and 2014, primarily as a result of the improving health conditions in Algeria. In addition, the population growth rate in Algeria witnessed an important growth in the past 15 years, increasing from 1.48 in 2000 to 2.15 in 2015. This is due to increasing birth rates and decreasing infant mortality rates throughout the aforementioned period. The General Population and Housing Census of 2008 indicated that around 21% of the population in Algeria ranges between 15 and 24 years old. This segment of the population witnessed a full 6 points upsurge in 2008 out of 15.6 in 1966. In absolute value, the number quadrupled over the span of 42 years, increasing from 1.8 million in 1966 to 7.4 million in 2008.

The current population structure in Algeria reveals a drop in the number of young men, an increase of adults and a noticeable rise in the age of a large segment of the population, revealing an aging population. It is projected that this current structure would generate socio-economic repercussions pertinent to the growth of the active population. In parallel, this situation contributes as well to the rise of unemployment rates, resulting from large numbers of young men entering the job market. The increasing number of elderly Algerians raises the problem of financial equilibrium of the pension system, which already suffers from structural disruptions.

### 2. State of the labor market in Algeria

The active population in Algeria increased by around 5 times between 1966 and 2015, and rose from 455 2 in 1966 to 932 11 in 2015. The activity rate in 2015 was estimated at around 41.8%. As for the unemployment rate, it decreased by 21.7 points between 1966 and 2015. In absolute values, the number of the unemployed was slashed by half, falling from 2 000 078 to 1 000 034.

We can distinguish 3 stages of the unemployment rate development in Algeria. In the first stage, namely the pre-crisis stage (1985 - 1966), the unemployment rate was falling. It dropped from 34 to 10 during the same period. This decrease could be attributed to three main factors: 1) intensive employment, sometimes reaching three times the numbers needed, by recently established public institutions; 2) the labor market in Algeria was characterized by men's dominance over women, which explains weak contribution by the latter; 3) cooperation agreements on migration for work, signed between Algeria and a number of countries, especially France, previously run by the National Labor Force Diwan until 1973. As for the second stage, it started around 1986, the year oil prices plunged. It led to a slowing economic activity and about a 30% drop of the public institutions' production, while

others refrained from hiring, contributing to the rise of the unemployment rate. During the third stage, starting in 1997, or the post-crisis stage, the unemployment rate witnessed a tangible drop, reaching 11.2 in 2015.

The number of the employed population reached 594 10 in 2015, i.e. 26.4%, while women represented 18.3% of the total working population, equaling 934 1.

The overall employment rate in Algeria is 37.1%, ranging from 60% for men to only 13.6% for women. It is noteworthy that the youth employment rate is significantly low (30.1% for men and 4.8% for women) compared to adults (69.9% for men and 16.4% for women).

### 3. Informal labor in Algeria

The informal labor sector (with the exception of the agricultural sector) was estimated in 2014 at around 517 3 000 workers, all of whom reported not being registered at the social security system, and representing 37.7% of total labor force in the non-agricultural sector. It is possible to differentiate between two stages characterizing the development of informal labor in Algeria. The first stage spanned from 2003 to 2010 and is characterized by the rise of informal labor. The second stage started in 2011, concurrently with the launch of the third generation of mechanisms incentivizing the creation of job opportunities, thus reducing informal labor palpably compared to the previous stage. If we compare between these two types of labor during the same period, we can conclude that informal labor managed to absorb a share of the people who managed to find a job. This provides us with a critical idea of the type and vulnerability of jobs created throughout this period. Furthermore, the comparison between the development of formal labor and that of informal labor between 2003 and 2014 reveals a concrete rise of the latter with a growth rate of around 86.6%, while formal labor recorded a growth of approximately 71.9% during the same period.

As for the sector-based expansion of informal labor, it doubled in the industrial sector during this period (2013-2003), while it rose by 16 points in the housing and public works sector. In contrast, informal labor decreased in trade (by 12.2 points) and services (by 12.6 points) during the same period. The most damaged sectors by the phenomenon of informal labor are the housing and public works and trade sectors. Moreover, the informal labor's rate in the housing and public works sector rose by around 75.6%, and reached approximately 36.8% in the trade sector, according to the National Office of Statistics (2013). As for the industrial and services sectors, the informal labor rate reached 36.8% and 14.2% respectively. The growth rate of the informal labor was faster than the growth rate of the formal sector, with the exception of trade. For example, the growth rate of informal jobs in the industrial sector reached around 7.6% (compared to 6.7% for formal labor). In the housing and public works' sector, it reached 9% (compared to 8.1% in the formal sector). In the sector of services, the growth rate of informal jobs reached around 6.4% compared to 6.1% in the formal sector. It is worth mentioning that the trade sector represented the exception compared to other sectors, with a growth rate of informal labor lower than 6.6% against 7% for formal labor.

Young adults aged between 15 and 24 years old are chiefly concentrated in the agricultural sector, compared to adults between the ages of 25 and 64. The difference between the two categories was of 6 points in 1997 and rose by one full point in 2010. In 1997, young adults mainly worked in the agricultural sector (20%). By 2010, their number increased to reach more than 34.7% in the category of paid undeclared labor. The representation of young adults shrunk compared to adults in the protected sectors: administrative and economic

public sector. In addition, young adults are underrepresented in the category of declared workers in the private sector, compared to adults. Nonetheless, this situation changed in 2010. A growing number of unprotected categories and undeclared labor was noticed in the private sector. Subsequently, the situation didn't effectively improve between 1997 and 2010.

We have managed to differentiate between three main sources of informal labor in Algeria: school dropouts, vocational training and higher education diploma holders as well as economic reforms, privatization and restructuring of public institutions.

A study conducted by UNICEF in 1999 found that 500 500 minors were working in Algeria, which represented around 5% of children aged between 15 and 18 years old, 60% of whom were working in cities and urban areas. The General Union of Algerian Workers (UGTA) presented greater numbers than those published by public institutions, and revealed the existence of 300 1 workers under 18 years old, including 700 girls. If these numbers look somewhat "frightening," we could also justify that with the assumption that every child dropping out of school will undoubtedly seek a job for him/herself or his/her family.

The number of diploma holders reached around 200 200 in 2001, which raises the problem of their employment, especially with the restructuring of the public industrial sector and the private sector's incapacity to replace the former. This vulnerability is further exacerbated if we add the educational and vocational systems' inability to match vocational and educational diplomas and the needs of the labor market in Algeria. According to the National Economic and Social Council statistics (CNES) (2004), the integration percentage of holders of vocational training diplomas reached around 15%.

Privatization and the shutting down of public institutions contributed to an increase in unemployment. Even the active public institutions implemented internal restructuring programs, which resulted in voluntary layoffs. In 1998, the number of laid off workers reached 637 198, including 215 161 who have benefited from unemployment insurance and 37 422 who chose early retirement. The mechanisms of early retirement, workers lay off and voluntary resignation indicate a certain form of economic exclusion for economic collaborators in the modern sector, or to be more exact, for the protected part of the market. More often, "the excluded" return to take their position in parts of the independent or competitive markets. It has been noticed that laid off workers establish limited responsibility companies to work in marginal activities of their previous institutions. In addition, retired employees carry on working at their previous positions as temporary employees.

It has become clear that informal labor is still on the rise since the early nineties. This was revealed by our analysis, indicating that the phenomenon of informal labor does not arbitrarily impact all generations. New generations are the most affected by the informal labor phenomenon, in spite of their high education level. Subsequently, we are in the middle of this duality, which could lead to an intergenerational conflict, with the ensuing repercussions on the political level and the social environment. This work deserves to be completed by differentiated categories of people based on their qualifications. In fact, we have analyzed medium impacts regardless of people's qualifications. We are thus facing the impact of restructuring given the rise of qualification and education level, especially for women.

The dynamic analysis of informal labor in Algeria allows us

to state that following the plunge registered in the post-independence years, the rate of informal labor started to rise with new generations entering the labor market since the eighties. The arrival of these generations was concomitant with the economic crisis and the deep transformations shaping the Algerian economy. It is baffling that new generations are the most affected by the informal labor phenomenon despite their high education.

### 4. Adopted policies in combatting informal labor

Despite multiple programs focusing on the elimination of poverty and the enhancement of employment, there is no specialized program to eliminate informal labor specifically targeting this category of workers. The employment policy in Algeria depends on two main pillars: improving employment by incentivizing entrepreneurial initiatives and improving employment.

By paving the way for individual initiatives to establish enterprises, the employment improvement initiative is based on the idea that paid labor alone is not the solution to the unemployment problem. Thus, there is a need to reflect on a labor generating mechanism, providing jobs to ambitious young people eager to prove themselves by allowing them to enter the entrepreneurial world. In order to achieve these objectives, public authorities have adopted an institutional mechanism represented by the National Youth Employment Support Agency (ANSEJ), the National Microfinance Management Agency (ANGEM), the National Fund for Support to Youth Employment, and the National Unemployment Insurance Fund. Numerous mechanisms to support this type of labor have been adopted under the umbrella of certain institutions such as the National Employment Agency (ANEM), Employment Directories and the different departments for occupational inclusion. As for the results of these programs, the number of job offers registered by the National Employment Agency rose from 235 job offers in 2010 to 400 job offers in 2014, an upsurge of around 70%. Moreover, the National Employment Agency was able to increase the number of positions offered from 180 in 2010 to 308 in 2014, a growth rate of over 71%. As for the achieved recruitment within the supported labor contracts, they have increased from 17 sponsored employment contracts in 2010 to 47 sponsored contracts in 2014, i.e. a growth rate of over 179%. The existence of schemes to improve employment and eliminate unemployment, ratified by the government in 2008, by virtue of which intra-sectoral coordination committees were formed to prepare, implement and evaluate the national employment policy, allowed the preservation of the job creation dynamic and unemployment reduction, resulting in the decline of unemployment from around 30% in 1999 to 11.2% in September 2015. However, the attention given to these issues did not help employment-seeking youth; they never saw the purpose of entering the informal labor in the hopes of finding an employment that suits their qualifications. Nonetheless, this endeavor is either considered by youths to be a transitional stage or one allowing them to await a formal job opportunity, which many seem unable to grasp.

# INFORMAL LABOR

## BAHRAIN

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### BAHRAIN POPULATION AND LABOR FORCE

The population of Bahrain totaled 1,314,562 Bahrainis according to 2014 statistics, achieving a growth rate of %4.9 compared to 2013. This high growth rate reveals an upsurge in non-Bahrainis, reaching threefold the growth rate of Bahrainis during the same period. In turn, the high growth rate of non-Bahrainis is the result of the rise of the foreign labor force in the last 10 years, composed mostly of men. The percentage of the working-age population (between 15 and 60 years old) scored %74 of a total population of 1.3 million at the end of 2014. Bahrainis represented %39 of the total population, while non-Bahrainis formed %61. As for the economically active population over 15 years old, demographic data of 2010 indicate (since data reports from 2014 do not include relevant figures on the labor force) that the percentage of economically active foreign population reached %60 of the population over the age of 15, compared to %40 for the economically active Bahrainis. At the level of gender distribution, the percentage of economically active women reached %35 of the economically active population against %65 for men. The pronounced growth of the labor force in the last 10 years (2016 - 2006) is noticeable in Bahrain, attaining an overall surge of %56. The increase in foreign labor constituted %89 of the overall upsurge of the labor force throughout this period. In terms of gender distribution, males recorded %73 of the overall labor upsurge, while females recorded around %27. It is not surprising that the majority of generated jobs in the Bahraini economy within the past decade were occupied by foreign labor force, since the majority of economic activities generating these jobs relies on cheap exhaustive labor in the fields of construction, real state, trade, and small and micro-enterprises. Meanwhile, the national labor force qualified to occupy these jobs, and especially medium occupations, is absent. Needless to say that the growth of the foreign labor force did not happen overnight during the last decade, but finds its roots in the oil boom of the mid-seventies, and the ensuing construction drive that necessitated reliance on hundreds of thousands of foreign workers, especially among the Asian labor force. The sector-based labor growth signals slow growth in the public sector labor in the last decade, with an average annual increase rate of %1.8 against a faster growth of labor in the private sector, with an average annual increase rate of %5.7. The slow rise in the public sector reveals the saturation of the sector's labor market, while the labor growth in the private sector is definitely the result of the rise of foreign labor. Bahrainis working in the public sector constituted around %85 of the sector's total labor force in 2015, against %15 of non-Bahraini workers. In the private sector, Bahraini workers constituted %19 of the total workers in 2014 (a %24 drop from 2006), while non-Bahrainis constituted %81. It is worth mentioning that the percentage of women working in the public sector increased from %36 in 2006 to %45 in 2015, while the percentage of working males during the same period shrunk from %64 to %55. In addition, it's visible that the numbers of female and male Bahrainis in the public sector are close, since men represent %53 and women %47. These numbers reflect the positive development in the improvement of women participation in the public sector's labor force, since it is a women's favored sector, due to the working hours, the salary and other benefits. In contrast, males dominate the labor force in the private sector with %88, against only %12 for women. This percentage preserved the same levels throughout the last 10 years without any notable change, due to the nature of the prevailing businesses in the private sector such as entrepreneurship and construction, which require a male labor force. As for Bahrainis, the percentages differ between male and female Bahraini workers in the private sector, with

men accounting for %70 of the labor force, and women %30, contrary to the public sector, in which women constitute an important part of the labor force. However, this percentage overshadows the occurring improvement in the share of Bahraini women entering the private labor market, which increased throughout the last decade from %24 in 2006. In addition to the labor force in the private and public sectors, the domestic sector accounts for an important share of foreign labor, which constitutes around %20 of the total foreign labor force in Bahrain in 2015. While all domestic workers are foreign, women constitute the vast majority of the domestic labor, with a percentage of %60. Between 2008 and 2014, according to the numbers published by the ministry, unemployment (unemployed individuals) in Bahrain ranged between %3.6 and %4.3, recording the highest surge in 2013 with %4.3. This might have been the result of the political tumults in Bahrain that began in 2011, when authorities laid off thousands of workers and employees. Throughout these years, unemployed women represented the highest percentage of the unemployed, with a record of %87 in 2014. In general, the majority of unemployed women have either completed their preparatory or secondary studies, or are actually housewives seeking jobs to benefit from unemployment subsidies, distributed by the state according to standards set by the Ministry of Labor and Social Development.

### CONDITIONS OF THE INFORMAL FOREIGN LABOR IN BAHRAIN

The Bahraini Labor Law of 2012, which covers the private sector, grants certain benefits to non-Bahraini workers, and does not discriminate between Bahraini and foreign workers. These privileges include the right to a signed contract between the employer and the employee, the right to the provision of safety conditions, occupational safety and an environment suitable for work, the right to healthcare, the right to technical training, the right to organize and collective bargaining, in addition to the right to leaves (including leaves specific to women), etc. It is worth mentioning that for the aforementioned benefits, the Bahraini Labor Law did not differentiate between national and foreign labor force in the majority of workers' rights specified by the law, with the exception of employment or facilities reduction of job positions, where priority is given to Bahraini workers at the expense of foreign workers, as stipulated by the Labor Law amendment of 2015. As for social protection coverage, the foreign labor in the private sector does not enjoy all aspects of social protection, since the labor law does not include old age insurance, disability, and death for non-Bahraini workers. The reason for halting the implementation of social security provisions on old-age, disability, and death for non-Bahrainis is the angry reactions and large scale protests of businessmen and company owners against the coverage of foreign workers by the Social Security Law. However, the law stipulates that all institutions, including small and micro-enterprises, ought to register their employees in social security funds for work injuries and provide health insurance. The main reason behind the success in compelling all corporations to register their employees at social security funds against work injuries and healthcare is the fact that the Labor Market Regulatory Authority (LMRA) conditioned the visa issuance and residency upon the employers' completion of social security and healthcare benefits proceedings, through a unified electronic system. It is possible to impose financial fines or cancel all residence visas issued to employers uncommitted to paying the set annual and/or monthly fees. Non-Bahrainis can also work in the public sector or government institutions in Bahrain, by virtue of the Civil Service Law, allowing by contracts the employment of non-Bahrainis as an exception, in case of an unavailability

of Bahraini candidates that meet the necessary job criteria. The majority of foreign labor force works in education, the medical sector, architecture, courts, and some specialized and consultative jobs. As for social protection, the non-Bahraini labor force in the public sector enjoy a number of rights such as healthcare, leaves, and retirement pensions, among others, but do not benefit from a social security system coverage or a membership in the Government Employees Pensions Fund. Moreover, in the sector of domestic labor, there are no model employment contracts for domestic workers. In addition, the majority of rights granted to the domestic labor force as part of the amended Labor Law of 2012 is mostly nominal, and have not changed the reality of domestic workers. It is noticeable that the law did not guarantee equality between domestic labor force and the foreign labor force in many core rights such as healthcare, weekly leaves, working hours, and other types of leaves and overtime pay. The domestic labor force does not benefit from any type of social protection.

## INFORMAL LABOR IN BAHRAIN

Recent labor surveys on Bahrain are unavailable, which constitutes the main challenge impeding the clear methodical study of the informal labor categories. The last labor survey in Bahrain was conducted in 2004 and did not encompass any clarifying data on informal labor categories in Bahrain; however it mentioned independent workers and employers. Nonetheless, even though the current study focuses on informal labor in Bahrain, it is possible to analyze informal labor categories in the conceptual context of informal labor (see paper's annex). The conceptual framework diagnoses the informal labor categories as follows: a) families producing commodities for their own consumption, and families employing domestic workers; b) family-contributing workers who do not benefit from employment contracts, social security, nor legal protection relevant to this type of employment; c) the self-employed and employers owning informal facilities (based on the definition of the 15th International Conference of Labor Statisticians in 1993). The nature of their informal labor stems from their facilities' attributes; d) formal workers in informal facilities (this could happen when the unregistered facility is considered informal because of its small size); e) production cooperative members, whose informal labor nature stems directly from the cooperative characteristics to which they belong; f) paid domestic workers employed by informal households.

## CATEGORIES OF FOREIGN INFORMAL LABOR IN BAHRAIN

In general, it is possible to say that facilities in the private sector employing a foreign labor force are part of the formal sector, since these facilities would have obtained official permits from the Ministry of Trade and Industry, are registered at the Labor Market Regulatory Authority (LMRA- for the purposes of allowing the access and formal employment of foreign labor), and at the social security funds (for the purposes of insurance against work injuries and disability). However, the categorization of the foreign labor force in the private sector based on its formality or informality is still unsettled. The conditions of the foreign labor in the public sector are very similar to those of the private sector with regard to labor rights, insurance, and social benefits, and the fact that it works in a formal sector and could be considered a formal labor force. Nonetheless, the wages of public sector employees are higher than wages in the private sector. This is due to the nature of their occupations, which are usually categorized as specialized professions. The foreign labor in the public sector does not include incoming workers in the security, internal and defense authorities, disposing of their

own pension fund, on which little information is available. It is clear that domestic labor in Bahrain is of an informal nature, since it is not covered by the Labor Law stipulating the basic labor rights, and does not profit from other social insurance benefits. Thus, the sector of domestic labor in itself is not considered a formal labor sector. In addition, the sprawl of informal labor known as "free visa" is clearly visible in Bahrain. It encompasses the foreign labor force categories whose presence is considered informal, regarded by the Labor Market Regulatory Authority (LMRA) (formerly the Ministry of Labor) as a widespread black market, with a market value of 70 billion Dinars, based on the current data. It includes networks of intermediaries and agents inside and outside the kingdom. It is clear that this category of foreign labor force is considered informal.

## NATIONAL INFORMAL LABOR CATEGORIES IN BAHRAIN

According to the most recent statistics on the working-age population's relation to the labor market in 2010, when the survey was conducted, out of a labor force comprised of 703 thousand workers, 23 thousand were in the informal sector. They are not categorized according to their job status, i.e. the self-employed category, the family sector, or the category of employers and paid employees. It is possible to say that they practice professions such as hunting, agriculture, driving taxis, operating a home-based business, or are even business owners or traders on social media. These categories usually work without the obtainment of a commercial register, and are not covered by any form of social protection. It is expected that this number grew in the last few years as a result of rising unemployment, especially among young men aged between 19 and 25. When it comes to labor force distribution based on work conditions, we realize that self-employed Bahrainis represented %1.8 of the total Bahraini labor force in 2010. They usually own formal registers to operate but are not listed in the social funds. The number of employers in 2010 was estimated at 13 thousand, and 30 thousand in 2015, representing %15 of the national labor force. Even though these categories (the self-employed and employers) have commercial registers and are registered at the Labor Market Regulatory Authority (LMRA), they are not insured by the General Authority of Social Insurance, and do not dispose of any type of social protection. Thus, it is possible to consider them part of the informal labor categories, under the category of informal professionals. Informal labor also exists in the formal sector in Bahrain. These cases include the categories of temporary contract workers in government institutions and female workers in kindergartens and nurseries, in addition to part-time workers. This temporary contracts phenomenon is known to not grant the employee labor rights stipulated by the labor law, such as job benefits, working hours, health insurance, and social security. It is considered an evident phenomenon to curtail employees' rights and get rid of them when time is due to renew the contracts. The number of workers on temporary contracts is estimated in the thousands. As such, informal kindergarten teachers and caretakers suffer from their incapacity to claim annual leave and social security, given the content of their annual contract, in addition to the confiscation of kindergarten administrations of teachers' salaries on a periodical basis. As for part-timers, it comes as part of the project prepared by the Ministry to provide jobs for work seekers registered in the ministry's database, of both genders. One of the objectives of the part-time work system is to encourage women and increase their employment chances, which contributes to their economic empowerment and does not contradict with their social role in caring for their family, as the main pillar of society. However, according to the contracts signed by virtue of this system, the working hours, salaries, and other labor rights of female workers vary from one facility

to another, but they are not covered by social insurance.

The category of workers in production family businesses to support and develop them should be added to the aforementioned categories of informal workers, through training, adequate funding and provision of specialized services. In spite of the promulgation of the 2010 law on organizing the practice of home-based production activities, the law does not stipulate the registration of production families in the social insurance system. Thus, it is possible to consider them part of the informal labor category, as is the case of business owners, the self-employed, and craftsmen.

## GOVERNMENT AND CIVIL SOCIETY POSITION ON INFORMAL LABOR

Despite the importance of tackling the informal economy phenomenon and informal labor categories, their focus for the time being is limited to treating informal labor, enhancing the work conditions of foreign labor in general, the domestic labor force more particularly. When it comes to the national labor force, the state drafted laws and legislations by virtue of which it is possible to include all labor categories, including the self-employed, and craftsmen, under the social protection umbrella. In addition, the state has allowed the issuance of commercial registers for the practice of specific occupations in the private home of the commercial register owner. However, all of these initiatives usually take an ad hoc approach, and are not part of an array of economic and social policies tackling this phenomenon at the macroeconomic level.

As for civil society, perhaps the most pronounced position that could be mentioned here is that of trade unions, despite the lack of a clear action plan to deal with the phenomenon. Nonetheless, the General Federation of Workers Trade Unions in Bahrain (GFWTUB) took many important positions that played a major role in improving legislation, such as the new labor law, which grants full rights to the foreign labor force and enhances the conditions of domestic labor, including the conditions and work environment in formal institutions. Nevertheless, all of these efforts and struggles were always hindered by obstacles imposed by the reality and geography of the whole Gulf region, which has long witnessed the growing phenomenon of foreign labor. Foreign labor constitutes today the greatest common challenge for Gulf countries, which makes any unilateral management of this phenomenon, based on the international labor standards without common understanding, problematic in said countries.

## CONCLUSION AND RECOMMENDATIONS

Numerous elements cause informal labor and ensure the continuity and surge of its labor force. Some elements are economic, such as facilities' deliberate layoff of excessive labor force instead of sending them abroad, in addition to the rise of sub-records and illusory records, and the fleeing of workers from their employers because of maltreatment, unpaid salaries, or debts. Other elements are social, such as households obtaining entry visas for the foreign labor force and selling them for an additional income, and most importantly, their links to international human trafficking networks. Hence, any proposition to solve this phenomenon should take into consideration the interlinked elements and focus on solving each and every one of them. It should include the assessment and review of legislations on the issuance of commercial registers and foreign labor visas, in addition to adopting harsher sanctions on facilities indifferent to employment contracts, among other aspects. This growth of the formal and informal labor force and the influx of the national labor force to the informal labor market could be

attributed to the discrepancy and inconsistency in the nature of jobs created in the Bahraini economy, and the qualifications and competencies of job seekers. This divergence is deeply rooted in the currently implemented economic model, founded on cheap, low skilled and exhaustive labor force. If economic and social policies do not improve the quality and raise the level of the jobs and occupations in Bahrain, it should in turn raise many questions regarding the sustainability of the Bahraini economy. This will not happen except through the modification of the current economic growth model, by switching into an economy stimulated by the initiatives of the private sector. These economic and social policies ought to be a part of the economic development strategy putting the labor issue at the heart of its goals, as well as tackling the informal labor (including domestic labor, small and micro enterprises, in addition to diverse unspecified activities), which would reflect on all implemented policies, such as the macroeconomic policy targeting the achievement of growth in the formal labor force and increasing production. Some of the strategy's desired aspects include the financial and monetary policies' promotion of investment in the real economy, in addition to sectorial policies' targeting of intensive informal labor sectors, and sectors capable of creating formal jobs. The same applies for monitoring policies, which ought to minimize the financial and economic burden endured by the production units, so that they do not evade into the informal sector. In addition, these policies should encourage social dialogue, widen the role of workers' trade unions and federations, achieve equality and non-discrimination, and broaden social protection.

## ANNEX

Table (1)

The conceptual framework of informal labor

Type of the production unit	Self-employed		Employers		Contributing household workers		Employees		Members of production cooperatives	
	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal
Formal sector facilities					1		2			
Informal labor facilities (a)	3		4		5		6	7	8	
Family sector (b)	9						10			

a) Based on the definition of the 15th International Conference of Labor Statisticians in 1993

b) Households producing commodities for their own consumption; households employing domestic workers

The black frame indicates that, according to the definition, the mentioned employment does not exist in the concerned production units.

The grey frame indicates that, according to the definition, the mentioned employment exists in the concerned production facility, but it's already formal.

The white frames are the center interest, since they indicate the different types of informal employment:

Cells 5-1: Contributing household workers: no employment contracts, social insurance, or legal protection connected to this type of employment (while the contributing household workers with employment contracts, salary, and social insurance, etc. are considered formal workers.)

Cells 2 and 6: Informal workers

Cells 3 and 4: the self-employed and employers owning their informal facilities. The nature of their informal employment stems from the characteristics of their facilities.

Cell 7: formal workers in informal facilities (this could happen when the unregistered facility is only informal because of its small size). Cell 8: members of production cooperatives: the nature of their informal nature stems directly from the cooperatives characteristics to which they belong.

Cell 9: producers of commodities for private household consumption, if they were considered workers by the international definition. Cell 10: paid domestic workers employed by the informal household.

# INFORMAL LABOR IN THE CASE OF EGYPT

## “A RIGHTS-BASED APPROACH”

EGYPT

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### INTRODUCTION

This chapter in the third Arab Watch Report on Economic and Social Rights aims at addressing informal labor from a civil society perspective, focusing on the rights of workers in this wide segment of Egypt's economy. It also determines if this sector meets decent labor conditions, and analyzes profit and loss calculations of the informal sector from both the workers' and society's perspectives.

Accordingly, the report provides an overview of the informal labor definition which exceeds “contractual agreements,” and suggests that “merger” and “restructuring” are neither sufficient nor required if they are not accompanied by workers' dignity frameworks. The next section tackles the reasons leading to the rise of informal labor in Egypt, in light of the world's position towards state economy (?). These reasons included the shift in productive sectors towards services and construction sectors which rely on informal employment, the challenges that SMEs face in obtaining licenses, when, in fact, they are the main source of job creation in Egypt, and the complexity of social security laws, even though workers do not benefit from them in case of disability, death or old age.

Part 3 of the report showcases the size of informal labor in Egypt, and breaks down some of the assumptions which have been deployed to address it, such as correlations that have been made with the quality and level of education. This part also discusses the root causes of the rise of informal labor in the Egyptian context, its relation to moral economy, and to a larger extent to the workers' costs and benefits calculations, and what they perceive as an immediate profit or loss in light of the economic system. Survey data show that, since the end of the 1990's, the Egyptian labor market was mainly characterized by the expansion of informal labor, alongside a decline in public sector recruitment, and a decreased ability by the private sector to create new jobs. However, the decline in unemployment rate from %11.2 in 2005/2004 to %8.7 in 2008/2007 is attributed to the expansion of informal labor in the private non-agricultural sector, which employed %40 of the labor force in 2012, compared to %30.7 in 1998, according to a study on employment and labor market. This increase in the size of informal employment soared with the decrease in public sector employment from %34 in 1998 to %27.1 in 2012, and the stable formal private sector employment rate at %13.5-13 during the same period. (Data from the Labor and Employment Survey, 2014).

In %71, 2012 of Egyptians were working in the industrial sector, and %6.6 of said employment was located in the trading sector. The trading sector created 1.1 million new jobs, %70 of which were informal, between 2006 and 2012. Nevertheless the construction sector witnessed the largest increase in employment. Its share doubled over 14 years only, from less than one million workers in 1998 to 2.5 million workers in 2012. The larger the share of public companies, institutions, and state monopoly are present in a given sector's service provision, the more formalized employment contracts in said sector become. The manufacturing, logistics, and warehousing sectors employ around %50 of its labor formally, whereas only one out of every 6 workers is formally employed in the construction sector.

According to the World Bank report “Better Jobs for Better Lives,” published in 2013, the fourteen years that separate 1998 from 2012 have seen a massive shift towards informal employment. In fact, all industries witnessed a decline in formal employment between 1998 and 2006, which increased in intensity between 2006 and 2012. Transportation and warehousing sectors recorded a staggering %16.7 decline in formal employment between 1998 and 2012, while declines in the internal trade sector were estimated at %14.5. Limited

inter-sector movement was recorded, proving that the decline had, in fact, been in the nature of employment contracts. This was highlighted in the study conducted by Assad et al in 2014, which confirmed that only one third of the decline in formal employment can be attributed to changes in the structure of the Egyptian industrial sector, and that the transformation of some enterprises did not necessarily lead to the formalization of their employees' contracts.

The report also explains that the increase in informal labor cannot be attributed to the change in the composition of labor market entrants, as informal labor increased irregardless of an increase in educated entrants. An overview of the workers' educational structures developments according to the nature of jobs shows that the percentage of workers under a private informal contract with post-secondary education increased from %11 to %23.5 of total new entrants.

Section four focuses on an in-depth qualitative analysis of the decline in the formal nature of some contracts documented in the local bakeries model, and how the law helped achieve some benefits for mostly informal labor, such as in mines and quarries. Traditional bakery workers' experience indicates that “informal work” has reached this sector, in spite of “fake” contracts, whereas mines and quarry workers' problems are alleviated thanks to workers associations and civil society organizations' support.

Finally section 5 discusses how the state and civil society organizations have learned to deal with informal labor, established limited bureaucratic entities from workers and unionists' perspective. It also focuses on civil society initiatives on rights awareness and association support, without being able to influence the size and nature of the relationships that govern informal labor.

The study concluded that attempts to transform informal labor are still ineffective, particularly with the increase in size of informal enterprises, and the unlikelihood of relying on the current social security regime and wage system to provide a decent living to citizens in case of job loss. The following steps may be taken:

- Issuing a labor card for those of working age which includes the following information about its holder:
  - o Profession – wage – employment status – education level
  - o Insurance status – health care – training – previous experience
- Supporting workers unions that are active on the issue of informal employment, which would allow them to achieve union institutionalization, establish funding opportunities through the engineering of a database, enhance their capacity to communicate with entrepreneurs, and build a favorable environment for making collective labor agreements with companies.
- Providing universal social and medical insurance for all Egyptian citizens
- Activating the provisions of articles 26, 16, and 79 of labor law 12, enacted in the year 2003, and which relate to “the prohibition of employment through intermediaries” and “equal terms for expatriate and local labor of the same specialty where applicable with regard to wage and other aspects,” and which “require that all companies inform the informal labor unit of the Ministry of Labor force in any new employment.”
- Documenting labor relations irrespective of the nature and period of labor
- Establishing a special record to classify companies according to a scale of compliance to decent work conditions, through which companies who demonstrate commitment would be provided priority in government contracting within its mandate, and which would lead to the implementation of rewards and punishments for business owners.

# INFORMAL LABOR



IRAQ

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National Accounts Expert, Iraq

## PART ONE: DEMOGRAPHIC INDICATORS, LABOR FORCE AND ECONOMIC INDICATORS

### -1 Demographic Indicators

#### First – Population and Growth Rates

The population of Iraq reached 36.9 million in 2015 with an urban population of %69.9. Iraq's population growth rate is considered one of the highest in the region, ranging between %2.6 and %2.8. Based on these indicators, this rate reached %2.2 in rural areas and %2.8 in urban areas.

#### Second – Population's age structure

The Iraqi society is composed of a majority of young people. Iraq's population pyramid shows that the age group under 15 years old constitutes %40.5 of the total population, while the age group (15 to 29 years old), which is categorized as the young population according to the Iraqi national population census, constitutes the second category in population numbers, scoring %27.4 of the total population according to the pyramid. The age group 30 to 44 years old, the main engine of the working age population, comes third with %17.8 of the total population. It is noteworthy to mention that the drop in these two categories is due to high mortality rates, and immigration, be it for work, study or because of lack of security in the country.

The age group 45 to 64 years old constitutes %11.2 of the total population, while the age group over 65 constitutes %3.1 of the total population.

#### Third – Working-age Population

The size of the working-age population reached in 2015 is 20.9 million, or %56.6 of the total population, of which %50.1 were males and %49.9 were females.

#### Fourth – Labor Force and participation rates

The size of the work force reached 9 million workers while the participation of men accounts for %84.6 and women %15.4 of the total work force in 2014.

#### Fifth – The rate of economic activity in 2014

Economic activity rate reached %42.7, with men scoring %72.4 and women %13.5. The highest rate of economic activity was scored by the age group 35 to 39 years old, reaching %56.7. Men scored %95.5 and women %19.8. The rate of economic activity in rural areas reached %41.9, with %72.8 for men and %11.2 for women.

#### Sixth – Unemployment rate

In 2014, the unemployment rate reached %8.4 (%10.6 among men and %21.9 among women), and %8.1 in rural areas, with men scoring %7.3 and women %21.9. The rate in urban areas reached %8.9) %11.5 for men and %24.8 for women). The highest unemployment rate was scored by the age group 15 to 19 years old, reaching %24.5, of which %8.9 were men and %29.9 women. The lowest unemployment rate was scored by the age group 60 to 64 years old, scoring %2.9, with %3.4 for men and %6.7 for women.

#### Seventh – Youth unemployment

The young population reached 7.3 million in 2014, constituting %20 of the total population and %35.1 of the working age population. The economic activity rate of the young category reached %37 in 2008, with men scoring %57 and women %14.6. This percentage dropped in 2014 due to the frustration felt by this particular group and the sociopolitical circumstances surrounding Iraq. As such, %30.3 were

unemployed, of which %52.4 were men. Perhaps this decrease was clearer among women( %6.3).

### Eighth – Migration

#### a. Immigration

There are no official statistics on the number of Iraqi immigrants. However, UN reports indicate that the number of immigrants exceeded 2 million Iraqis. Immigration is considered a dangerous phenomenon that threatens Iraq, although it was somehow limited. However, today it constitutes a worrying problem because of the rising numbers of immigrants, immigration's forms and repercussions, and its threat to Iraqi demography.

#### b. Internal migration

The rural population constituted %64 of the total population in 1947. This percentage decreased to %31 in 2009 due to the pronounced differences in the living conditions between rural and urban regions. All economic development plans did not take into consideration rural development. In addition, this form of migration created economic, social and environmental pressures as well as a shortage of services in areas of high population density on one hand, while regions left by migrants suffered from the loss of their human resources on the other.

### -2 Economic Indicators

#### First – The Iraqi economy is characterized by the following:

- Iraq has a rentier economy, since the national accounts indicators of 2013 noted that the crude oil sector contributes to %46 of the Gross Domestic Product (GDP).
- Crude oil revenues contribute to %91.4 of total revenues to the budget.
- Oil exports constitute %99.5 of total exports.
- The economy largely relies on imports.
- The private sector's contribution to economic activity is limited since it only constituted %35 of the GDP in 2013.
- The poverty rate reached %23 in 2014 and increased to %35 in 2016.

#### Second

#### d – Informal Sector

The informal sector's contribution in 2014 reached %19.4 of the GDP.

### -3 Labor Force Informal labor

The number of informal workers reached 188 091 4 million workers (men and women confounded), and constituted %53.7 of the total number of workers. The percentage of informal workers reached %55 of the total number of male workers %47.8 of the total of female workers.

- a. Informal labor based on the environment  
The percentage of informal labor in urban areas reached %51.6 of the total number of workers in urban areas, and %60.4 of the total number of workers in rural areas.
- b. Informal labor based on the activity  
The highest percentage of informal labor was registered in the construction sector, reaching %95.4.
- c. Informal labor based on the profession  
The highest percentage was scored by workers practicing primary occupations, and reached %91.7.
- d. Informal labor based on work conditions and sectors  
The percentage of informal workers reached around %70 %85 of whom work in informal facilities and %15 in the family sector. The percentage of informal employers reached %53, working in the informal sector facilities. As for contributing family workers, %20 of them work at formal sector facilities,

while 80% at informal facilities. The percentage of informal paidworkers was 5.475% of them working in the formal sector, 89% in the informal sector and 6% in the family sector. The number of workers in the cooperative sector reached 750 7.

The number of labor force newcomers, the number of jobs created and informal jobs in 2014  
The number of newcomers to the labor force reached 000 279 workers, 000 238 of whom were men and 000 41 women.  
The number of newly created jobs reached 000 297 with men's share accounting for 000 206 and women's 000 91. The informal job opportunities reached 000 158 of which 000 110 were for men and 000 48 for women.

### Reasons leading to the spread of informal labor

- 1- Iraqi economy's heavy reliance on crude oil, while this sector depends on massive capital and absorbs less than 2% of the labor force.
- 2- Drop of production activities creating job opportunities such as the agricultural and industrial sectors.
- 3- The limited role of the private sector.
- 4- Decreasing investment share from the overall expenses of the State's public budget.
- 5- High growth rates of the labor force and working age population.
- 6- Decreasing enrollment rates and increasing dropout rates.
- 7- Increasing poverty rates.
- 8- Mass displacement of the population, as a result of the security situation.

## PART TWO: THE QUALITATIVE APPROACH OF INFORMAL LABOR

### (Survey of mobile units in Iraq in 2015)

- 1 The purpose of workers activity in the mobile unit:
  - To receive an income.
  - Enjoy independence at work.
- 2 Results showed that unpaid workers constitute 93% of the total number of workers, with males constituting 89.5%.
- 3 The workers average monthly pay reached 328 thousand dinars.
- 4 The highest average revenue was earned by people working in the banking industry, reaching 872 thousand dinars a month, while the lowest average scored 353 thousand dinars a month, earned by mobile photographers.

## PART THREE: GOVERNMENTAL POLICIES REGARDING INFORMAL LABOR

### First – Applicable Labor Laws:

- Pension and Social Security Law Number (29) of 1971.
- Labor Code Number (37) of 2015. Both laws do not cover informal workers.

### Second – Procedures followed by the Ministry of Labor and Social Affairs:

The Ministry of Labor and Social Affairs (The Institute of Workers' Pension and Social Security) prepared a draft law for workers' pension and social security to replace the law currently in force (the Pension and Social Security Law of

1971). This law shall cover all workers, including the self-employed, workers in the informal sector, family members of the employer. However, this draft law is still not approved by the Parliament.

### Third – The soft loans project for small businesses:

- 1- The Ministry of Labor and Social Affairs: the ministry provides several projects to support businesses.
- 2- The Ministry of Planning: the Ministry of Planning in its "National Strategy to Alleviate Poverty" plan dedicated 84 billion dinars of the plan's budget in 2012 to small businesses.
- 3- The Central Bank of Iraq: the Central Bank of Iraq and the Iraqi Private Banks Association launched a one trillion Iraqi dinars loan, which equals less than a billion US dollar to fund small and medium enterprises.

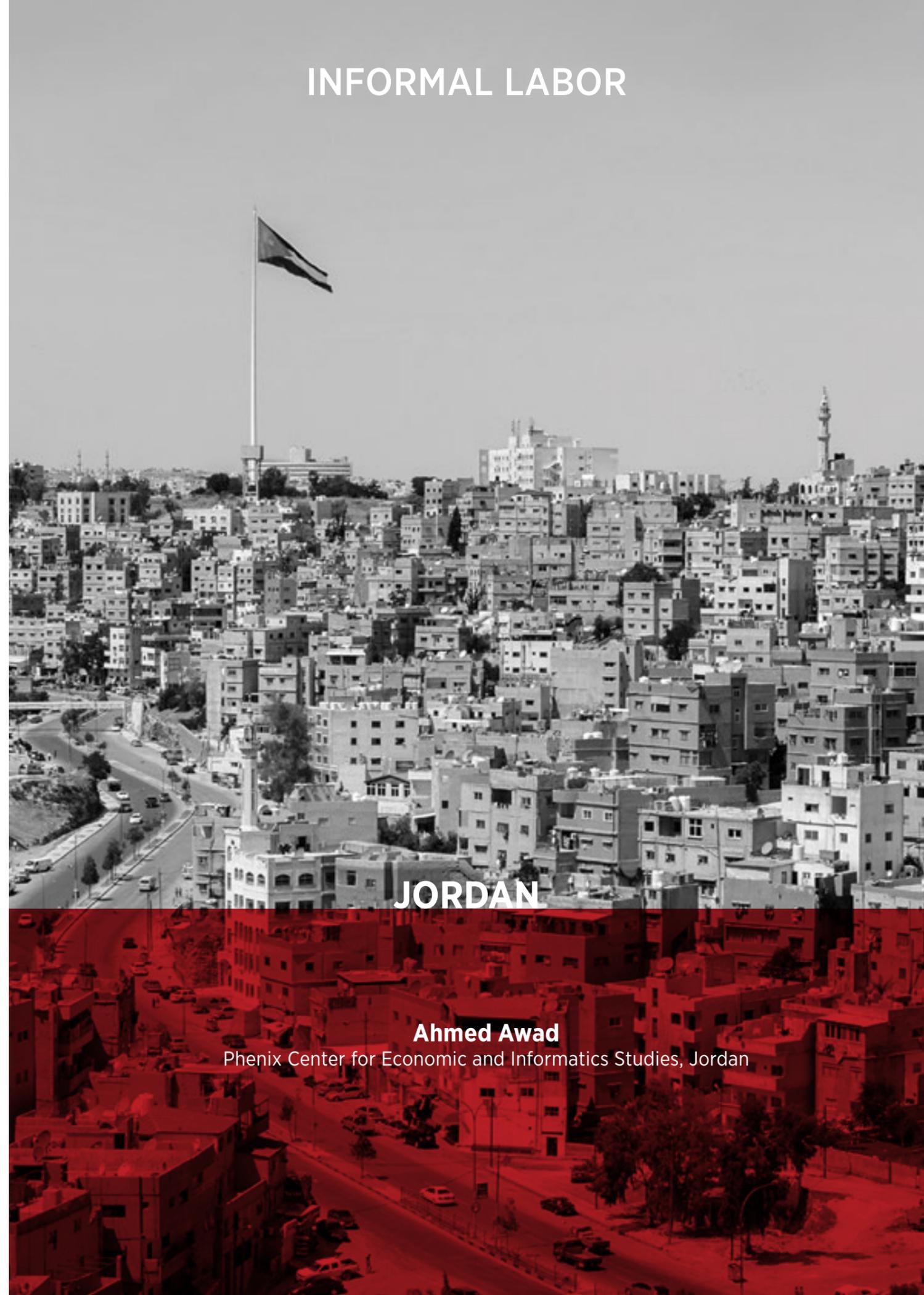
## PART FOUR – THE ROLE OF WORKERS' UNIONS AND CIVIL SOCIETY ORGANIZATIONS IN ADVOCATING INFORMAL WORKERS

The General Federation of Iraq Trade Unions (GFITU) and civil society organizations played an important role in advocating for informal workers' rights by participating in the meetings of the higher committee formed by the Ministry of Labor and Social Affairs, appointed to draft the Pension and Social Security Law. Representatives of the General Federation of Iraq Trade Unions (GFITU) and representatives of civil society organizations confirmed the need to provide social security coverage to informal sector workers. As a result, Article 78 was passed, stipulating that social security provisions shall cover informal workers.

## RECOMMENDATIONS

Many recommendations focused on the economic, statistical, organizational and social aspects in addition to laws and legislations.

# INFORMAL LABOR



JORDAN

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## PHENIX CENTER FOR ECONOMICS AND INFORMATICS STUDIES

The preparation of this report on informal work in Jordan is part of the third Arab watch report on economic and social rights, which is generally aimed at addressing the phenomenon of informal labor, with a focus on the rights of workers in this economy. This comes in the context of identifying the most vulnerable sectors in the Arab economies, including Jordan, where the informal economy has expanded remarkably over the past few decades as an expression of the failure of many different economic policies, which has weakened the ability of national economies to generate adequate and decent jobs in the formal economy. This went hand in hand with a decline in the various indicators of economic, social, civil, political and cultural human rights, as well as deepening the levels of social inequality. The report analyzed the reality and development of informal labor in Jordan and monitored and analyzed various public policies that contributed to the expansion and/or treatment of informal labor. It addressed how trade unions dealt with this labor, as well as a number of recommendations that would promote the economic and social rights of informal workers and enable them to enjoy the known decent work standards. According to the International Labour Organisation, the informal economy refers to “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that – although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs.” As for the informal labor, ILO defines it as «the jobs carried out in formal sector enterprises, informal sector enterprises or households. These comprise: own-account workers and employers employed in their own informal sector enterprises; contributing family workers, irrespective of whether they work in formal or informal sector enterprises; employees holding informal jobs, whether employed by formal sector enterprises, informal sector enterprises or as domestic workers employed by households; members of informal producers' cooperatives; and own-account workers engaged in the production of goods exclusively for own final use by their household.»

## LABOR MARKET INDICATORS AND THEIR DEVELOPMENT

In order to understand the situation of the labor market in Jordan and its development dynamics, it is necessary to take into account the very high population growth rates. The population jumped from 5.6 million in 2014 to 9.8 million in 2016, with an annual growth rate of %5.3, leading to a large number of new entrants into the labor market, especially since the proportion of young people aged between 20 and 39 years is %33.1 of the total population. This high growth is due to the natural population growth rate of %2.2, as well as the migrations and asylum operations that Jordan has suffered from as a result of the crises in the countries of the region, especially the Syrians, whether refugees or non-refugees. According to official estimates, the labor force in Jordan in 2016 was between 2.6-2.4 million workers. Of these, about 1 million are migrant workers, the majority of whom are Egyptians, Syrians and Asians. 350,000 of them have official work permits. The rest work informally and are

distributed to many economic sectors. The same indicators show that the participation rate of women in the labor market is not more than %12.4. The overall economic participation levels in Jordan are very low, reaching %24 in 2017. The revised economic participation rates (total labor force of the total working age population) have declined over the last 10 years from %39.8 in 2007 to %35.6 in 2016, due to the weak capacity of the Jordanian economy to generate new job opportunities, and the decline of women's participation to economic life, which did not exceed %13.4 in 2016. Therefore, the total number of new entrants to the Jordanian labor market per year increased. Education figures in Jordan indicate a growing number of graduates annually, reaching in 2015 about 120 thousand from the different levels of education and various disciplines, against a decline in the number of jobs from 70.1 thousand new jobs in 2007 to 48.1 thousand in 2015. This is mainly due to the decline in the capabilities of the Jordanian economy in recent years, where economic growth rates for the last five years have not exceeded %3.0. These indicators do not reflect the total number of new job opportunities in Jordan, because they are limited to the formal economy only, most of which were for Jordanians with %91 of all new job opportunities, and %26.4 for the newly created job opportunities for women, %44.4 of these in the public sector. As a result, the unemployment rate increased during the past years at a high rate, reaching %15.8 in 2016, while in 2007 it was %13.1. As noted in Table (4), the unemployment rate among women is very high compared with men, reaching %24.8 in 2016 compared with %13.8 for men. The concentration of the business sector in few cities, mainly in Amman, and to a lesser extent in Zarqa and Irbid, prompted young men and women who are seeking jobs to migrate from various regions to these governorates, particularly to Amman in search of work, and to a lesser extent to Zarqa and Irbid. Amman, Zarqa and Irbid governorates accounted for %77 of the total net jobs created.

## EXPANSION FACTORS OF THE INFORMAL LABOR

The failure of economic policies in strengthening economies and generating enough jobs for the new entrants to the Jordanian labor market, as well as the deformation of education policies and their isolation from labor policies and the jobs required by the labor market, with the significant expansion of university education to the detriment of technical and vocational education, and the lack of coordination between education and labor policies, as well as the loose official measures taken to monitor the implementation and respect of different labor standards, and the development of an investment-friendly environment at the expense of working conditions, resulted in the expansion of enterprises that do not apply decent labor standards and fundamental principles at work. The policies depriving most of the workers in Jordan from trade union organization and the right to collective bargaining led to a remarkable decline in the working conditions, which expanded the proportion of informal workers. In addition, the high financial and tax obligations resulting from the registration of enterprises, including small ones, have led many employers not to register their enterprises officially. Moreover, many workers are willing to work in jobs other than their main jobs due to low wage rates and continuously rising costs of living. The changing concept of employment in many sectors cannot be neglected, and many people tend to work freely in many professions such as plumbing, maintenance, electricity, mechanics, painting and other professions like electronic programming. This has resulted in the expansion of the informal economy and labor in Jordan. Although there are no recent statistics to reflect

this expansion, the official indicators issued in 2012 show that the size of the informal economy accounts for %25 of the Growth Domestic Product (GDP). As for the informal labor in the informal or formal economy, the official indicators for 2012 show that it accounts for %44 of the total labor force in Jordan. Although these indicators are high, they do not reflect the realities of the informal economy or the informal labor. Since 2012 and until the date of the present report, in the first semester of 2017, many changes occurred in the Jordanian labor market. The Jordanian economy's ability to grow and create jobs has declined, and the country received approximately 1.3 million Syrians, about half of whom are registered as refugees. According to official estimates issued by the Ministry of Labor, the number of Syrians in the labor market is close to 150,000, most of them are informal workers.

## INFORMAL LABOR CONDITIONS

It is worth noting that, according to the various decent work indicators universally recognized, employment conditions in Jordan are weak for the vast majority of waged workers. This applies to workers in both the formal and the informal economy. However, large groups of informal workers suffer from working conditions weaker than those of other workers in other sectors. A review of the basic standards of decent work reveals the characteristics of informal workers employment, whether employed in the formal or the informal economy. They are deprived of trade union organization and collective bargaining. Only %5 of all workers in Jordan are organized; they are the social group with decent working conditions. In addition, low wage levels are among the most important challenges faced by workers in the Jordanian labor market for various formal and informal workers, especially in the informal labor. This is creating a great pressure on waged workers, especially organized ones, for that the majority work on a daily and seasonal basis. Therefore, there is no employment stability. Those are highly present in the sectors of construction, transport and agriculture. The wage rates in Jordan for males are 472 dinars per month and for females 437 dinars per month. In addition to the clear wage gap between males and females in favor of males, this level of wages is very low, compared to absolute poverty levels in Jordan. The official figures dealing with poverty levels in Jordan indicate that the absolute poverty line is 813.7 dinars per capita per year as per official indicators for 2010. It is known that it has increased over the past six years due to high inflation, and the poverty line of the standard family of five has reached 360 dinars per month. Large segments of the waged workers, especially in the informal sector, receive monthly wages below the minimum wage, especially among female workers in the professions of female nurses, workers in beauty salons and support health professionals. None of the informal workers enjoy any form of social protection and social security. Informal workers also face other violations such as the non-application of labor legislations, regulations and instructions. Large numbers receive monthly wages after the seventh day of the following month (salary entitlement) - not as provided by the Labor Law. They are also deprived from annual, sick and official leaves. In addition, there are many economic sectors where workers work beyond the eight hours specified by the Jordanian Labor Law, without additional work allowances. A wide range of enterprises, especially small and medium ones do not apply occupational safety and health standards, causing annually thousands of occupational accidents and dozens of deaths. It can be said that all child labor is restricted to the informal sector. According to ILO statistics, the number of working children is close to 100,000, almost half of them are Syrian refugees.

## GENERAL POLICIES AND INFORMAL LABOR

There are many legislations and policies that have led to the expansion of the informal economy and labor, foremost of which is the Jordanian Labor Law, as it excludes some categories of workers, such as the employer's family members who work in its projects without pay. It also excludes agricultural workers. Although these provisions were amended in 2010 to include domestic workers, cooks and agricultural workers, this was linked to issuing regulations for this purpose. Until the date of the present report, the regulation for agricultural workers was not issued. These policies have led some 60,000 agricultural workers, mostly women, to work on an informal basis, depriving them of their various labor rights, including social protection. In addition, the Labor Law places severe restrictions on waged workers to form their own unions, which has weakened the ability of informal workers to defend their interests, thereby depriving hundreds of thousands of workers, especially those who are not organized, of their most basic rights. In fact, trade unions contribute effectively to law enforcement and to the detection of violations. The same applies to the Social Security Law which did not establish an appropriate mechanism for the involvement of workers in the social security system, and the only options available to them by law are limited to the so-called «voluntary participation», i.e. the person pays about %15 of his salary as a social security contribution, knowing that this high rate prevents their participation. On the ground, as a result of high levels of unemployment and poverty, successive governments in Jordan have encouraged unemployed people to set up small and micro enterprises by granting them loans directly or through other lending institutions. And here we can notice that practicing any available job is encouraged.

As a result of the large expansion of the informal economy and labor, the government, in collaboration with the ILO, issued a «national framework for the transition to the formal economy in Jordan» in 2014. It was completed by a national team consisting of the Ministry of Labor, the Ministry of Planning and International Cooperation, Jordan Chamber of Industry, the General Federation Jordanian Trade Union, the Social Security Corporation, the Department of Statistics, and King Abdullah II Fund For Development (KAFFD). The objective of this framework was to limit the expansion of the informal economy. The framework emphasized a set of principles which included respect for the rights of individuals, families and groups to engage in special work, and respect for basic labor rights for all workers, including those in the informal economy. The framework also identified a range of areas of intervention for the transition to the formal economy, which were to promote growth and create decent job opportunities, to improve labor market management through trade union organization and social dialogue on working conditions, as well as to expand social protection (social security).

However, since its inception three years ago, the framework has not been systematically and clearly implemented, with the exception of campaigns by the Social Security Corporation to expand the social security base. There have been numerous attempts to establish trade unions over the past five years for some workers in sectors of high informal economic activity, such as construction workers, drivers and agricultural workers. The independent union of construction workers was unable to continue working under security pressure, while the independent union of drivers, founded in 2012, continues to operate until now. All its members are informal. They have carried out many protest movements to defend their interests, the most important being their adherence to social

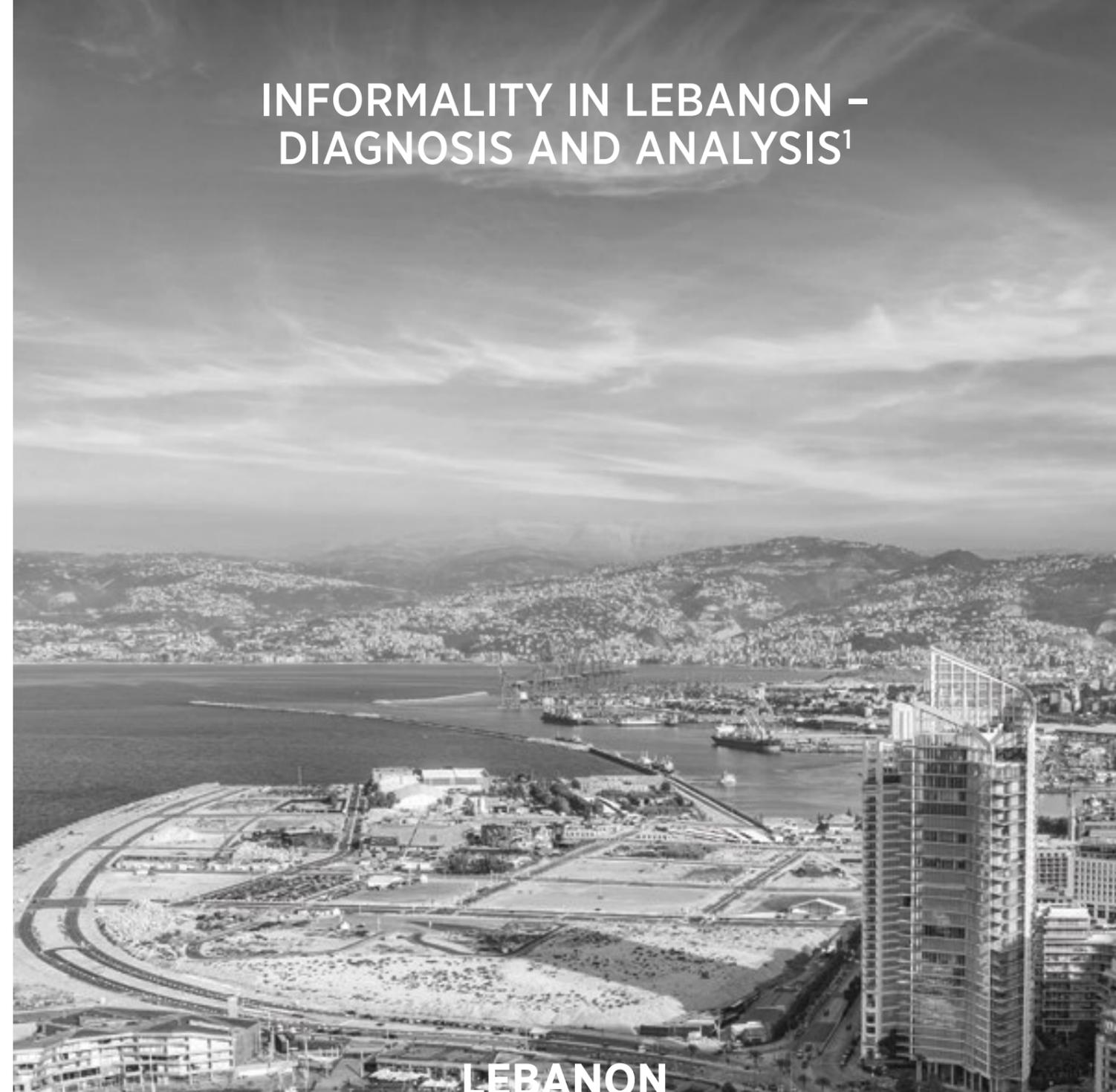
security. The union of male and female agricultural workers was established in 2015, and all its members are male and female informal workers (the vast majority are women). The union has been working since its establishment to pressure the government to issue a special regulation guaranteeing its inclusion in the Labor Law.

## RECOMMENDATIONS

The following is a set of recommendations that I believe would reduce the spread of the informal economy and labor, and mitigate the violations and vulnerability to which informal workers are exposed:

- Implement the national framework developed by the government in collaboration with the International Labor Organization and social partners for the transition to the formal economy in 2014;
- Review the economic model applied in Jordan, based on the human rights perspective and protecting the interests of all parties;
- Stimulate the national economy by encouraging investment in labor-intensive productive sectors to alleviate unemployment and generate adequate and decent job opportunities;
- Stimulate the business environment to encourage the expansion of the formal economy by facilitating the establishment of workers' institutions and reducing tax burdens;
- Review and link educational policies to labor policies and labor market needs;
- Re-enact the provisions of article 3 of the Labor Law so that all waged workers are covered by the Labor Law, and that agricultural and domestic workers are not linked to special regulations;
- Review article 98 of the Labor Law, so that all restrictions limiting the establishment of trade unions for all workers in Jordan are removed;
- Review the mechanisms of involving employees in the Social Security Law, in a way to facilitate their involvement at a lower and affordable cost, with a view to providing social protection;
- Activate Labor Law enforcement processes to ensure that all labor standards are applied to all waged workers in Jordan;
- Activate the enforcement of the Social Security Law to ensure that it applies to all waged workers in Jordan;
- Activate the application of health insurance in the social security system at reasonable costs to employees and employers;
- Review wage policies in order to raise the wages so that employees do not have to work in other jobs.

# INFORMALITY IN LEBANON – DIAGNOSIS AND ANALYSIS<sup>1</sup>



**Rabih Fakhri**  
Independent Researcher, Lebanon

## INTRODUCTION

The report defines informal labor as the labor resulting from «the economic activities of workers and economic units, which are not fully or sufficiently covered – by law or practice – by regulatory arrangements. It neither includes illegal activities, especially service provision, or producing, selling, owning, or using legally prohibited goods, including the illicit production and trafficking of drugs, illicit manufacturing and trafficking of firearms, human trafficking and money-laundering, as defined in the relevant international treaties» (International Labor Organization, Recommendation 204 of 2015).

The report is composed of three parts. In addition to this introduction, we present first a detailed analysis of the political economy of the post-Taif period and its impact on the labor market in Lebanon. The second part presents the features of the labor market, and details the nature and extent of informal relations in the various sectors of the economy, and even in the public sector. It also examines the situation of workers and employees who are not permanent civil servants in the Lebanese public sector. The report ends with concluding remarks, in which we present the role of civil society organizations in approaching informality in Lebanon and pushing towards reducing their impact on labor relations, and thus on people's daily lives.

## Governmental policies

The priorities of the emerging government focused on rebuilding the destroyed infrastructure and achieving economic growth; a series of economic and financial policies that contributed to the so-called economic boom were adopted (Trabolsi, 2016), and financial sectors and revenues were inflated at the expense of the productive base, generating decent and regular jobs. The strategy of borrowing with high interest rates from local banks was an essential tool in this process. The public debt service reached about %90 of total tax revenues in 1994, and about %126 in 1997<sup>2</sup>. In 2012, the public debt service consumed %39 of the total public revenues, whereas the total public debt represented a high percentage of the Gross Domestic Product (GDP), reaching a maximum of %185 in 2006, and dropping to %139 in 2015<sup>3</sup> (Economic Research Unit, Credit Libanais Bank, 2016). The main objective of the borrowing policy was to finance reconstruction and provide the necessary liquidity to support the government's deflationary monetary options, which pursued the policy of stabilizing the exchange rate and controlling inflation, with the resulting consequences on the overall productivity of the economy. As for government investment spending, which contributes significantly to stimulating economy's productivity and the creation of more jobs, it has declined significantly since 2000 and continued its downward trend failing to exceed, since 2005, the threshold of %1.7 of GDP, knowing that much of it was allocated as current expenditure to manage and maintain the infrastructure built in the 1990s (ibid., P. 8).

In the end, the profits of the banking sector had ballooned; banks' combined capital went from \$ 123 million in 1990 to about \$ 3.6 billion in 2003. The sector generated huge profits. For example, these profits increased by about %40 between 2005 and 2006 (Trabolsi 2016, P.58). This governmental financial strategy, supported directly by Banque du Liban, led to the so-called power of negative expulsion of investments directed to productive sectors, and hence job creating investments. The ratio of loans to total deposits in Lebanese

banks (%33) is one of the lowest in the world, while the deposits ratio reached about %327 of GDP (Bank Audi report on the banking sector, 2011). The number of newcomers to the labor market outpaced the economy's ability to absorb them and will maintain an important growth rate estimated by the World Bank's report (2012) at approximately 19,000 young newcomers annually. Figures will reach 23,000 every year if estimations related to increasing women's economic participation levels supported by high levels of education among them are added<sup>4</sup>.

## LEBANESE LABOR MARKET

The data available on the Lebanese labor market is largely unable to reflect the reality of job supply and demand, especially since most data are based on statistics issued by the Central Administration of Statistics in 2009. The challenge here is not only due to said data having lost a part of their evidentiary value due to time factor, but also because the Lebanese labor market has undergone significant structural changes since then. A recent report issued by the World Bank estimates that the proportion of migrants reached %15 of Lebanese by 2010. The same report states that the flow of Syrian refugees to Lebanon inflated the labor force in Lebanon by around %35 within no more than five years (Le Borgne E. & Jacobs T, 2016, P.35-33). Therefore, we are faced today with a composition of the labor market that is completely different from what we can find in different literatures and research methods. Thus, pending the completion of the labor force survey prepared by the Central Administration of Statistics in cooperation with the International Labor Organization, which is expected to be completed in 2017<sup>5</sup>, we can only rely on the available data to be taken into account in analyzing employment patterns established by the political economy that governed and is still governing production relations during the past two decades in Lebanon.

## WORKERS

Workers constitute about %45 of the total population (15 years and above), the majority of whom are men (%77) compared to %23 of women. When comparing the percentages of the unemployed, it turns out that the unemployment rate is the highest among women (about %18, which is double the rate among males) and youth (%34) (Le Borgne E. & Jacobs T, 2016, P. 39 ,36). Figures show a large gender gap in terms of employment between men (%67) and women (%25), and this gap widens to the maximum among young workers (39-24 years)<sup>6</sup>.

## INFORMAL LABOR RELATIONS

Lebanon's informality grew at an annual rate of %0.86 between 2000 and 2007, a period which began with difficult economic conditions leading to Paris III Conference in 2001, which was pivotal in re-injecting a large mass of liquidity into the public finance. This period also witnessed the biggest political shock in Lebanon's post-Taif history, i.e. the assassination of Prime Minister Rafic Hariri and the subsequent political crises, but also the July 2006 war. In comparison with the countries in the region, informality has been growing at a faster pace than Egypt (%0.76) and Syria (%0.58) (Gatti & al, 2014, P. 86), known for the prominent role of the public sector in the total labor supply, and by the large agricultural economy, which is predominantly based on informal labor,

knowing that both countries were relatively stable politically and economically. More than half of the workers in Lebanon (%56) are informal, with a clear disparity between rural workers, with more than two-thirds of informal workers, and a decline in urban workers to about %48 (ibid., P. 86).

In this context, the World Bank report (2015) indicates that formal employees account for no more than %29 of the total labor force in Lebanon, while informal self-employed represent %32 and informal workers %19 (figure below). The same report points out that one-third of all (absolute) workers and two-thirds of self-employed are engaged in low-productivity and cost-effective services (retail sales, vehicle maintenance, transport, and storage). In contrast, the telecommunications, financial brokerage, and insurance sectors absorb no more than %14 of employees and %3 of self-employed. The latter category consists mainly of individuals providing sales and marketing services to insurance and telecommunications companies, most of whom do not enjoy any protection or social benefits, especially as they are registered in the Ministry of Economy and Trade as individual entrepreneurs. Therefore, companies are not liable towards this category of employees who are reclassified as service providers. Hence, work relations in Lebanon are dominated by formality and not by contractual relationships or even the economic sector, which supports the opinion considering that informality is outside the scope of any sector, job, and even specific area.

Informality is largely concentrated among poor workers. For example, %82.5 of the poorest individuals (the poorest %20 of Lebanese) are informal workers, while this percentage does not exceed %35 among the wealthiest group (the richest %20 of Lebanese) (Gatti & al., 2014, P. 11). This gives us a strong indication of the interdependence between informality and poverty in Lebanon. These data confirm that informality is a major cause of inequality among Lebanese workers. There is no doubt that it widens more the income gap between Lebanese workers and migrant workers or refugees, most of whom are engaged in informal labor relations. Like other countries in the region, Lebanon has a negative correlation between levels of education and age on the one hand, and informality on the other, which means that informal workers are less educated and younger than formal workers or even self-employed. Young workers (24-15 years) have the highest rates of informality (%69) compared with other age groups. However, in different age groups, the rate of informality does not fall below %50. It is remarkable that two-thirds of informal workers are under 34 years of age, and one-third of them are under the age of 24. Self-employed workers are also relatively younger than formal workers, with %33 of them under the age of 34 (ibid., P. 95).

The challenge of informality in Lebanon transcends its spread in most sectors, but it is very difficult to shift from informal labor relations to formal labor. This is what a study conducted by the World Bank in 2010 on a group of workers found; it also explored the nature of labor relations they engage in over the months. These data indicate that the probability of shifting from self-employment to formal waged employment is almost non-existent. The same is true for informal workers. About %3 of the formal employees shift to self-employment and %2.2 become informal workers from one month to another. About %94 of formal workers maintain their labor relations. The mobility of informal workers, if any, drives them into more

vulnerable labor relations. All available options are in fact bad. They either maintain their vulnerable informal work or become self-employed, with higher risks, because they will be involved directly in finding jobs, marketing, and employment; or will engage in unknown labor relations (mostly family). Exiting unemployment is very limited due to the lack of job opportunities created by the economy. For example, only %8 of the unemployed can find jobs the following month, but most are absorbed as self-employed (%6) and informal labor (%2). Therefore, we are faced with a labor market characterized by a lack of mobility in labor relations; informal labor (workers or self-employed) absorbs this mobility the most and re-produces excessive vulnerability in labor relations. This conclusion becomes extremely meaningful if we add it to the employment structure in the Lebanese market where formal workers constitute less than one-third of the workers. Thus, the competition between workers for available or productive jobs is mostly downward.

Figure 4: Probability of shift across different labor relations (monthly classification follow-up between December 2007 and December 2010)<sup>8</sup>

	Self-employed	Formal workers	Informal workers	Unemployed	Inactive	Unspecified	Total
Self-employed	95.96	0	0	0	0	0.03	100
Formal workers	3.13	94.96	0.32	0.43	0.11	1.94	100
Informal workers	3.02	0.15	95.69	0.91	0.3	1.85	100
Unemployed	0.17	0	0.06	0.06	0	99.72	100
Inactive	6.19	0.26	2.05	95.54	0	0	100
Unspecified	4.5	0.35	1.04	0.69	93.38	0.23	100
Total	83.7	1.74	4.97	2.15	3.72	3.72	100

Source: Gatti & al., World Bank, 2014, P.20

## INFORMAL COMPANIES

Informal companies are relatively small in size; their business (including their profits) does not exceed \$ 2,455 per month, i.e. not more than 6 times the minimum wage in Lebanon (Le Borgne E. & Jacobs T, 2016, P.45). This is explained by the operational size of these «companies,» which are actually self-employed individuals, and their workload allows them to incur the expenses of another worker who helps them in their work. This conclusion is actually based on the fact that about %56 of these companies employ between 1 and 2 workers, whereas companies employing 3 workers account for %25.37 (ibid, 45). By examining the ownership of these “companies” and the date of their establishment, it turns out that they are historically present in the Lebanese market and constitute a major player in labor supply. Below is the breakdown of these informal companies according to the nationality of their employers. Starting with the Lebanese, more than half of these companies (%57) were established by Lebanese<sup>9</sup> between 1985 and 2010, and still exist until 14/2013, while the percentage of companies established between 2011 and 2014 was about %29 (ibid., P. 47). It is worth noting the great acceleration in establishing these enterprises between 2011 and 2014, which indicates the emergence of informal labor as the most prominent employer in economic crises. The situation is significantly different among Syrian residents; the percentage of informal enterprises established by the Syrians between 2011 and 2014 is about %66 of the total informal enterprises run by Syrians living in Lebanon. This supports our hypothesis that informality has increased dramatically over the last five years in Lebanon, and that informal activities

1. Rabih Fakhri Gemayel – Independent researcher in economic and social development issues (current research priorities: the new patterns of labor relations, economies of operating platforms and electronic applications, political economy of informality, forms of organizing informal workers).

2. Nabil Abdo, Rabih Fakhri, and Farah Kobeissi, "Workers and Trade Unions with no movement" research paper under publication in cooperation with Issam Fares Institute for Public Policy and International Affairs at the American University of Beirut.

3. Dissecting the Lebanese public debt: debt dynamics & reform measures, Credit Libanais, Economic Research Unit, July 2016, P. 11. <https://www.creditlibanais.com.lb/Content/Uploads/LastEconomicAndCapitalResearch/16071112203804.pdf>

4. David Robalino & Haneed Sayed, "Good Jobs Needed - The Role of Macro, Investment, Education, Labor and Social Protection Policies", 2012, p.10-12, World Bank.

5. The field survey stopped for technical reasons and we were unable to obtain a clear timeline for the completion of this important survey. For more information, please refer to the

Central Administration of Statistics.

6. Snapshot of Poverty and Labor Market Outcomes in Lebanon based on Household Budget Survey 2011/2012, WB & CAS, May 2016, version 2, p.3.

7. Gatti & al., "Striving for Better Jobs The Challenge of Informality in the Middle East and North Africa", World Bank, 2014.

8. This table shows the percentages of change in the nature of employment in Lebanon through a monthly follow-up. For example, the classifications in the first column on the right

are the reference classifications of workers (i.e. the nature of their work before starting the study and the possibility of shifting to another classification). For example, we note that 99.9% of the self-employed retained the classification and so on among the different categories of working relationships.

9. Palestinians' breakdown is similar to that of Lebanese, but the percentage of enterprises established in the recent period (2011-2014) by Palestinians exceeded that of Lebanese. This is due to the influx of Palestinian refugees from Syria.

represent the largest employers of refugees in Lebanon. The proportion of informal enterprises owned by Syrians and located near Syrian residential communities increased from 5% in 2010-2004 to 14% in 2014-2011. In this context, it is important to note the fundamental role played by local and international NGOs, which provided great facilities for refugees in terms of training and preparations to establish their own work or access to financial facilities (small loans).

## INFORMALITY OF REFUGEES AND MIGRANT WORKERS

### Syrian refugees

We cannot talk about informality in Lebanon without addressing the labor relations of migrant workers and Palestinian and Syrian refugee workers, knowing that we have excluded the Syrian labor from this analysis due to the lack of clear reliable data. However, it is certain that the vast majority, if not all economically active Syrian refugees, are of course informal and have no social rights or guarantees. As mentioned earlier in this report, the World Bank (2015) estimates that the labor force in Lebanon has increased by about one-third in the last five years due to the influx of refugees from conflict areas in Syria. According to UNHCR, the total number of registered Syrian refugees is about 1 million refugees, composing 235,024 families. This number does not reflect the real figure, since the Lebanese State has stopped registering new refugees since May 2015, including newborns. ILO<sup>10</sup> estimates that the labor force among refugees (15 years and above) is 239,700 (based on registration data in mid2014-), i.e. 14% of the Lebanese labor force. The number of workers among them is estimated at 160,500, i.e. one out of ten workers in Lebanon. The unemployment rate among refugees is about 79,200) 33% people representing about half of the unemployed in Lebanon) and rises to 68% among refugee women. Working refugees are concentrated in the service sector (36%), agriculture (28%), trade (15%), construction (12%), industry (4%), and other unspecified sectors (6%). ILO reports that the vast majority of working refugees are engaged in informal labor relations. The percentage of workers without an employment contract is about 92%, while the proportion of those receiving monthly wages does not exceed 23%. The study also highlighted a significant gap in wages compared with their Lebanese counterparts. The average income of refugees (US \$ 278) was less by 38% than the minimum wage in Lebanon. The gap widens to about 63% among women (Ajlouni S. & Kawar M., 2015, P.37-33). It is worth noting that many households (12% of the surveyed refugee households) are obliged to adopt a negative adaptation strategy which increases child labor. Data show that about 27 out of 37 children covered by an international survey reported working for about 7 days a week<sup>11</sup>

### Palestinian refugees

The proportion of workers to the total refugee population is about 32%; it drops among women to 11%, and reaches 55% among men. These figures reflect a decline compared to employment ratios in 2010, driven mostly by a decline in the employment rate among men, which was about 65%. This decline is mainly due to the large influx of labor that has resulted from Palestinian asylum from Syria in recent years. Current figures indicate that the vast majority of Palestinian refugees working in the country are active in informal labor relations, with some 86% of workers without any employment contracts. Self-employment is the most important source of income. About 48% of the workers are classified as day workers, while the percentage of freelancers is about 30%.

In 2010, the Lebanese State approved an amendment to the legislation relevant to Palestinian refugees' labor. It withdrew the principle of reciprocity and allowed them to register in the social security. However, they only benefit from end of service indemnities and are deprived of health care (UNRWA and American University of Beirut, 2016).

## INFORMALITY IN THE PUBLIC SECTOR AND PUBLIC INSTITUTIONS

The Lebanese public sector, in its civilian, military, and educational bodies, accounts for about 10% of the total Lebanese labor force, i.e. about 130,696 individuals. This figure excludes some 27,000 contracted teachers in the various educational sectors (except for the contracted professors at the Lebanese University) and workers with informal contracts, in the sense that these contracts are not fixed-term ones and do not grant them any social benefits or guarantees for end of service or continuity. They often do not benefit from coverage of work accidents. They are divided into the following categories: contractors, daily workers, workers on demand, and porters. Their number amounts to around 6,880. Military personnel represent about 72% of the total labor force in the three aforementioned bodies, all of whom have formal and protected labor relations with social benefits and compensation of their own. However, the principle of a fixed-term contract with all other benefits has been introduced to compensate the lack that resulted from the abolition of compulsory military service in the past decade. The remaining workers are distributed to the educational system (21%) and the civil apparatus (7%). If we exclude military agencies from our analysis of the employment structure, it turns out that the percentage of permanent workers amounts to 47% in the educational sector and 44% in the civil service<sup>12</sup>.

Figure 5 Labor relations patterns in the public sector



Source 5: Researcher's design based on office research deliverables

Based on the table below, we notice that public institutions in Lebanon are mainly based on informal workers. Lebanese legislation allowed this through the 1959 Personnel Law and by leaving a margin of labor relations outside the framework of legal coverage, without violating the law in force. This is what Zoran Slavnik describes in his analysis of the political economy of informality as «policy drift». This means that the State does not amend the adopted policies or laws to allow more flexibility in labor relations and restrict workers' guarantees, but keeps the old system and tries to manipulate it by overlooking legal gaps on the one hand, and adopting them for purposes other than the original ones on the other. This is particularly the case of gaps in the Personnel Law, which allows public institutions to contract temporarily if funds are available. Then what is temporary becomes a fait accompli through which State institutions use their bargaining

power to impose formal labor conditions on workers and divide these conditions according to conflicting interests. The interests of permanent employees are contrary to those of daily workers; sometimes even the interests among groups of informal workers themselves are contradictory, such as daily workers and collectors who work for Electricité Du Liban (EDL). This results in a «legislative labyrinth» with regard to labor relations in the public sector, and also extends to the private sector. For example, recent labor movements have seen clear inconsistencies between permanent civil servants represented by the Trade Union Coordination Body, on the one hand, and contracted workers and employees on the other. The Trade Union Coordination Body, the most effective trade union framework in the last five years, has distanced itself from the demands of informal workers in the public sector. Even its former president, Mr. Hanna Gharib, considers that the basic demand is to achieve the objective of adjusting wages for permanent teachers and civil servants. Public sector reform and other issues can be then discussed<sup>13</sup>.

Remarks	Wage / Allowance	Employment period	Number	Institution
Informal workers represent around 30% of workers in these institutions. Governmental decrees or competitive examinations for permanent employment were suspended.	NA	Few years for most of the cases and few cases for more than 2 decades	1,800	Water establishments (A) all over Lebanon
They have no coverage even in the hospital where they work and do not benefit from any guarantees.	\$ 2-6 / hour	5 years in most of the cases	650	Rafik Hariri university hospital
EDL does not pay their contributions to Social Security although the latter accepted them.	\$ 15/day	Some of them work since 15 years	1,833	EDL - Workers on demand
	NA	NA	737	EDL - Collectors
Social Security does not grant them medical coverage and the Social Security syndicate does not claim their rights because they are not permanent.	NA	5-15 years	150	Social Security
They are not covered by any social or health protection and ODEMO syndicate refrains from organizing them.	NA	5-10 years	900	ODEMO
The Régie manipulates the law and grants 2-month contracts and then let workers stop working for one month, to go back to work again, and so on.	\$ 22/day	5-18 years	270	Régie Libanaise des Tabacs et Tombacs
They have no social or health protection or guarantees and have no right to paid leaves.	\$ 25/day	Some of them work since 1990	533	Ministry of Finance

Source 3: The State is violating its laws: Thousands of daily workers in public institutions and administrations have no rights, Farah Kobeissi, 2012, Al Manshur newspaper ( الثورة تعرق ) (الوثابة: آلاف العمال يفترون في المؤسسات والإدارات العامة من دون حقوق، فرح كوبيسي، 2012، جريدة المنصور).

10. ILO ROAS Assessment of the Impact of Syrian Refugees in Lebanon and their Employment Profile 2013, Beirut, 2014

11. Child labor report, Because we struggle to survive – Child labor among refugees of the Syrian conflict, 2016, P. 28-29

12. It is worth noting that these figures are taken from the monthly report on salaries and wages issued by the Lebanese Ministry of Finance in 2012. This report was adopted because it was the only report which included data about the numbers and distribution of employees and contractors in the public sector.

13. This announcement came in an interview conducted with Mr. Gharib by a team that was preparing a research paper entitled "Workers and Trade Unions with no movement", for Issam Fares Institute for Public Policy and International Affairs at the American University of Beirut. The researcher was able to consult it being part of the research team. The paper is still being reviewed for publication.

## FINAL REMARKS

Informal labor in Lebanon is an essential component of employment and absorption of the growing labor flow, in light of the limited productivity of the Lebanese economy and the absence of any government strategy in the near term to improve productivity and move towards job-driven growth. The following are some of the key conclusions / recommendations to create an oppositional momentum for the political economy of informality;

- First, efforts must be made to influence decision-makers in relation to labor surveys, which can be restricted to the Central Administration of Statistics, ILO, and the World Bank. Therefore, civil society organizations must work to build their perception on how to study and diagnose labor informality through surveys that may be carried out in the coming period.
- In the absence of any real possibility of change on the level of economic options, the main focus must be to call on the Lebanese government to abide by the standards set out in Recommendation No. 204 of 2015 - ILO.
- Action must focus on adopting a social protection framework, where the State guarantees a minimum of social and health benefits to all, regardless of the nature of their social or economic status. However, this requires supporting and developing the mechanisms adopted by insurance institutions.
- Lebanon has and continues to witness programs and initiatives supported by international donor institutions, often with the participation of local governmental and civil institutions, which call for stimulating entrepreneurship and establishing micro-enterprises. These initiatives are one of the most important drivers of informal labor, particularly among the poor and the most vulnerable groups, such as women and refugees. Self-employed people in poverty pockets or refugee camps / communities, who are responsible for feeding their families and are exposed to the risks of direct labor in the market, are pioneers in these initiatives.
- The structure of the tax system in Lebanon (VAT and other indirect taxes) stimulates informality. Therefore, it is important to adopt taxes that stimulate demand for decent work and redistribution.
- The Ministry of Labor played a key role in licensing what is known in the literature of trade unions by yellow unions, i.e. unions subordinated to the authorities. In this context, trade unions reform is one of the most important options to influence labor relations, since labor formality remains the only option to build the bargaining and moral power of workers and influence working conditions, even informal ones. Therefore, it is very important that Lebanese civil society organizations play a positive role in cooperating with existing labor bodies that have no political and partisan obedience to improve the possibility to reach and organize informal workers into basic frameworks that represent their interests.
- In view of the reality of refugees, and under the governmental policies and procedures which are tightening their economic activity, many economic empowerment initiatives are emerging to improve refugees' access to productive resources. Most of these initiatives contribute to the expansion of the informal economy among refugees. In this context, it is necessary to promote coordination between these various initiatives and to disseminate clear standards that guarantee the protection of migrant workers from exploitation and help improving their situation.

# INFORMAL LABOR

## MAURITANIA

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From the perspective of the civil society, the phenomenon of informal labor in the Islamic Republic of Mauritania is considered its Achilles' heel, its root of despair, and perhaps the reason behind all the evils and upheavals impacting the country's social conditions. In fact, the informal economy represents the economic pillar of the Mauritanian economy, with a percentage of %64, for a population of 368 537 3 Mauritians.

The importance of the informal economy lies in its role as a fundamental and indispensable pillar, reflected in the complete duality of the national economy. This has allowed it to play a pivotal role in creating jobs and employment opportunities for around %46.8 of the active labor force. It contributes to %30 of the Gross Domestic Product (GDP) and %8.42 in employment opportunities and the alleviation of poverty. Nonetheless, tackling the issue of the informal economy in Mauritania is a double-edged sword. This is the first initiative launched by civil society and requires remarkable carefulness, firmness and honesty. This is the first work of its kind in Mauritania that addresses a thorny issue and a vast array of challenges in data gathering and analysis. In addition, it is imperative to focus on a methodology that encompasses workers' rights in this economic sphere and addresses the gender dimension, by monitoring the conditions of women's participation and youth inclusion. This approach is both rights-based and market-based, and takes into consideration the workers' social dimensions much more than the economic dimensions. This methodology baselines the current situation, sheds light on alternatives and benefits from cumulative experiences of non-government organizations and trade unions, and accounts for the role of experts. Informal labor represents one of the new facades of the totalitarian capitalist liberal globalized open economy; an economy trapped in its own bubble through the concepts of profitable labor and personal production seeking profit at any cost. It is an immoral, illegal and inhumane economy.

We have accepted to meet these challenges in the hopes of reaching one of two outcomes. Either we tackle this issue despite imminent dangers, or we refrain from facing these challenges and lose our bet as a civil society. In this summary, we tried as much as possible, and to the same extent, to end this negative attitude towards civil society, by presenting a vision to solve this thorny and timely issue.

This summary presented to the reader is a report that aims at linking informal labor in the Mauritanian economy with its social and environmental space, be it formal or semi-formal, in light of recent changes in Mauritania and the Arab African world. It is also based on the legal and economic transformations that were, and continue to be, imposed on workers' freedom to protest and freedom of expression, or claiming their economic and social rights protected by national and international conventions, and following the UN ratification of the post17 2015- Sustainable Development Goals, 2030 Agenda and the ensuing legal and institutional changes. These rights are also guaranteed in the Euro-Mediterranean partnership agreements signed with the European Union, stipulating the necessity to consult civil society in all matters and the obligation to effectively include civil society in drafting, following-up and implementing public policies. We remain hopeful that governments will enforce and respect this policy.

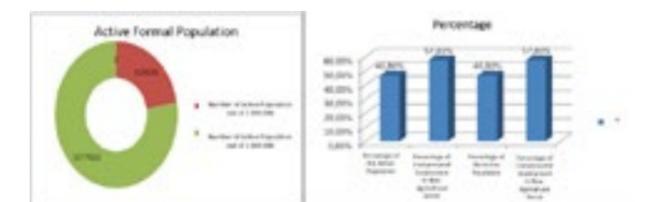
The informal sector in Mauritania has held a vital place in the local social development, and has become a refuge for the unemployed youth who refuse to succumb to laziness and dependence. The majority of workers in the informal employment market are young people with average skills, illiterate or slightly educated women, former slaves and the traditionally marginalized groups that never had or will have access to paid employment opportunities available to others. The informal sector has become a temporary solution for the unemployment problem despite the injustice, abuse, and rights violations to which workers are subject. Thus, due to the exacerbation and recurrence of this problem, the Arab NGO Network for Development (ANND), and under the Arab Watch Report on informal labor, decided to dedicate a section to Mauritania.

The employed population represents %63.40 of the working-age population, against %39 according to the National Baseline Survey on Employment and the Informal Sector in 2012. Unemployment is estimated at %12.85 at the national level, compared with %10.1 in 2012<sup>1</sup>.

The characteristics of informal labor in Mauritania presented in this report were based on 10 adopted categories, most importantly measuring work vulnerability, absence of social protection, deteriorating salaries, discontinued employment contracts, if signed, and dependence on family relations, in addition to the absence and violation of rights such as vacations, decent work and working hours. We concluded that informal labor in Mauritania is characterized by the following:

- Spread of child labor in the informal sector in large cities
- Minor girls labor in the informal sector in large cities
- Spread of a foreign labor force monopolizing certain jobs in the informal sector such as construction and hunting
- Limited demand and small market
- Problems associated with marketing products and accessing soft loans
- Increased interest rates on loans, if available, and lack of equipment, tools and material and limited support to pursue studies and schooling

Sources agree that over %90 of the national economy is informal, even though officials deem it better, given sector problems, which include the absence of social protection and workers' unwillingness to join social security funds or register at chambers of commerce given the time it requires. This is further compounded by the last recommendation of the International Labor Office no 209 of 2015, which endorses the need to organize and diagnoses all aspects of the informal labor, in order to introduce radical solutions to the overall problems. The state launched several initiatives and is now seeking legal and institutional structuring, in addition to the organization and formalization of the informal sector. With the support of the International Labor Office, the state aims at initiating a comprehensive diagnosis of the sector's situation and introducing amendments to the pension law, such as reducing the percentage of contribution to %8 as opposed to <sup>2</sup>.%18



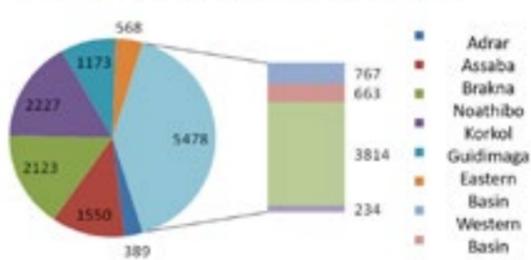
1. Poverty Features in Mauritania 2014, Page 6

2. Interview with Dr Hmoud Itfil, Director General of Employment at the Ministry of Civil Service, dated the 25th of April 2016

Stakeholders are numerous. The state took note of the informal sector's importance, and attempted to frame, support and follow-up on it through many initiatives, institutions, national and international partners such as the International Labor Office, the World Bank, the Islamic Development Bank (IDB), and the National Youth Employment Promotion Agency (ANAPEJ). In this summary, we will present one example on the role of the Deposit and Development Fund (CDD) in improving informal labor, and its role as the development pillar and arm of the Mauritanian government.

The Deposit and Development Fund (CDD), through the establishment of the Employment Promotion Fund, managed to create a competitive environment that could lead to an economic movement and force commercial banks to open their doors to the population, reduce their profit margins and interest rates, and extend beyond traditional bank offers. The country now disposes of an important financial institution that tried to fund, implement and establish social programs targeting vulnerable categories, especially in informal sector activities. Higher authorities are keen to follow up and improve the informal sector. To conclude, the fund succeeded in creating around 500 13 revenue-generating activities and job opportunities in different states.

The number of projects and job opportunities in the framework of the Deposit and Development Bank (CDD)



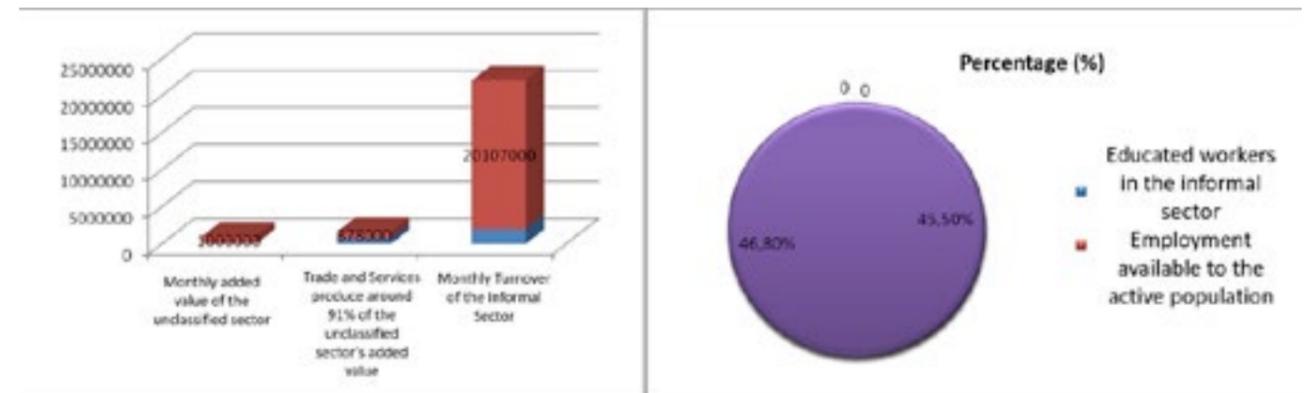
The problem of informal labor is a social dilemma that affects vulnerable categories more than others. The report tackled an axis we deemed fundamental, crucial and well-defined. It is perhaps the cornerstone of all development schemes, designed to trigger a three dimensional profitable and useful development (law, society and usefulness) from a rights, legal and social-based approach. Thus, civil society focused on analyzing the phenomenon by further examining the conditions of immigrants, children and women, as the categories most prone to marginalization and exploitation. When it comes to migration, Mauritania has witnessed an important displacement, increasing the percentage of the urban population from %12 in 1966 to around %95 in 2005. This is a unilateral displacement from rural areas to the city, triggered by a search for a decent life and job opportunities. As for migration, the percentage of immigrants in the country reached around 000 360 immigrants, the majority of whom come from the Sahel and sub-Saharan countries. Mauritania was also affected by ongoing wars in the region, in addition to being a natural path for migrants heading towards Europe. As for Mauritanians' immigration to Gulf countries, Europe, America and African countries, it dropped following the economic crisis in Western countries before reaching Gulf countries. The reasons and causes of immigration vary from one region to another. The majority of immigrants were incentivized by the urge to find a job. It is noteworthy that, in recent years, we have witnessed waves of workers migrating

to Gulf countries, a labor force mainly formed of minor girls and domestic workers that suffered violations of applicable human rights laws and human values. However, trade unions and civil society organizations faced this increasing trend, and raised their concerns and complaints internationally regarding the exploitation of this workforce in the Gulf, until it was reduced and stopped, with few exceptions.

Women and the female economy: the presence of Mauritanian women in the informal economy seems more interesting, since it is correlated with a social, societal and structural issue. Hence research must be comprehensive and continuous on all levels, and should focus on the legal and procedural dimensions, among others. The Mauritanian constitution guarantees all rights for women, and assumes the legal and moral responsibility to increase women's presence and empowerment; it also aims at ensuring women's economic and legal rights in addition to development empowering by eliminating all forms of discrimination, enhancing women's health and educational levels, and allowing them to play a prominent role in society.

We tried, to the extent possible, to measure the scope of women's presence in the informal economy, knowing for certain that it does not reflect the reality, nor reveal the unspoken. The majority of developed, drafted and even implemented government policies regionally or nationally did little to change the condition of women, especially in the informal sector and employment. Women's situation, status and social perception remained unchanged. This patriarchal society perceives women with much apparent courtesy and appreciation, when, in fact, said perception consecrates poverty and economic dependence, followed by legal and social dependence. Despite an apparent growth in numbers, Mauritanian women's path towards economic empowerment, especially in the informal sector, is in fact minimal and specific to urban, educated women originating from an aristocratic social background in most cases. It is necessary to empower women and highlight their role in the national economic cycle in a country where women represent %51 of the population, and dominate the overall informal labor force such as services, food industry, trade and feminist activities.

The informal economy's added value to the national economy: According to available data, the monthly added value of the informal economy varies between 33600 million to one million ouguiya, with large discrepancies among different productive sectors and the size of production units. Services and trade sectors produce around %91 of the added value of the informal sector. These commercial activities include car sales, wholesale, retail, food products manufacturing such as (slaughterhouses, carpentry, bakeries, Couscous manufacturing, bread, biscuits, juices and ice). As for the added value of informal sector production units in places of residence, it reaches around %92 of the overall added value of the informal sector. Most of the urban sector's added value results from commercial activities, with %6.59 of the overall value, while services represent %7.33 of it. In rural areas, trade represents %7.65 and manufacturing %15 of the added value of the informal sector.



Following consultations with the CSOs, trade unions and rights groups, we can present the following recommendations:

- The need to organize, raise awareness and educate workers in the informal sector according to their specialization, and in order to defend their interests.
  - Provide protection, health and social insurance for informal workers.
  - Create specialized funds for soft financing and small loans.
  - Public authorities, especially municipalities, should be an element of stability and growth for this sector through the formation of follow-up, mobilization and awareness instruments and organisms. Municipalities ought to be at the service of this sector to increase its profitability, ensure its development and empowerment to defend its interests.
  - Develop production methods and tools in production units such as dyeing, fabric, mechanics, knitting, carpets, tonnage and textile...
  - Launch an initiative to change the mentality of workers and employers.
  - Prepare and ratify laws organizing the sector, filling the current legal void regarding the informal sector.
  - Defend the legal rights of workers.
  - Combat night work, especially for women.
- Review the status of migrant workers and their working conditions.

The civil society concludes that the labor of women, minors and especially domestic workers, as well as the spread of indecent and unremunerated work, are major challenges impeding development in this sector. Not to mention that workers inability to access education and vocational training remains an issue that threatens social peace and stability, resulting in rampant crime, societal differences and narrow interests, despite the various positive aspects of the strategies adopted in the informal sector, in official institutions or in the national economy.

# INFORMAL LABOR

## MOROCCO

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### THE SPECIFICITY OF INFORMAL ACTIVITIES IN MOROCCO:

According to the last national survey (%36.3 ,(2014-2013 of the non-agricultural jobs were in the informal sector compared to %37.3 in 2007. In fact, this sector contributes by %11.50 to the country's Gross Domestic Product (GDP), against just %11 in 2007. In the absence of official, comprehensive and precise statistics, many individual scientific studies attempted to measure the contribution of the informal sector to the GDP by adopting scientific comparative approaches. They reached the conclusion that this percentage came to %40 in the past few decades, while others considered that it has even reached %43 in 2015.

In light of national studies conducted under the supervision of the Higher Planning Commission, the informal sector in Morocco is characterized by its heterogeneity, similarly to other developing countries:

1. Regarding activities level (traditional industries, services, construction and public works, etc.), trade activities were dominant and recorded in 2014-2013 at around %50.6.
2. Regarding property forms (private, joint or individually operated), the latter category encompasses %75 of the total informal jobs (%74.5).

3. Regarding units' mobility degree (stable/mobile units, headquartered or ambulant units), headquartered units represented %44.1 in 1999 and %40.9 in 2007. As for 2013, more than half of the production units were still ambulant.
4. Regarding activities' actors, this category encompasses the youth, immigrants, women, and children in addition to holders of degrees, employees, and people from all categories.
5. Regarding the importance of the employed labor force, the number of job opportunities reached 922 ,2,375 in 2013, after accounting for 000 ,2,216 in 2007 and compared with ,1,902 000 in 1999. Half of the workers are concentrated in the trade sector, scoring around %47 in 2013. Employees represented %17.2 of the total number of workforce in the sector in 2013.
6. Regarding qualifications differences: %33 of the active population in the sector in 2010 was illiterate, %40.7 held primary degrees, %23 had a secondary education, while only %3 pursued higher studies. It is noteworthy that the active population educational level is on the rise. The employed active population in the informal sector with a primary or secondary education increased from %57.5 in 1999 to %63.7 in 2010. This indicated that those excluded from the educational system tend to work more in the informal activities.

### THE CHARACTERISTICS AND DEVELOPMENT OF THE INFORMAL SECTOR AND EMPLOYMENT

#### The scope of the informal sector:

The informal sector represented %37.3 of non-agricultural jobs in 2007 (against %39 in 1999) and %14.3 of the GDP, and is dominant in the urban center. This sector's data reveal a development of its production units in 1999. From 1.23 million units, the number reached 55 ,1 million in 2007, with the creation of 40,000 units annually.

The informal sector's transactions reached around 279,916 million dirhams in 2007 compared to 166,346 million dirhams

in 1999, an overall increase of approximately %68.3 and an annual average increase of %6.72.

As for the contribution of the informal sector to the Gross Domestic Product (GDP), it reached %11.50 in 2013 while it was at %14.3 in 2007.

### THE SHARE OF INFORMAL LABOR OPPORTUNITIES

The number of jobs in the informal non-agricultural sector reached in 2013 a total of 2,373,922 jobs. The trade sector alone controlled %46.9 of the jobs between 2007 and 2013, with a drop of 1 point, from %37.3 to %36.3.

The volume of employment in the informal sector reached, in the trade sector for instance, 7 jobs out of 10 provided by the informal sector in 2013, against 8 out of 10 jobs for the informal labor in 2007.

These figures represent mainly street vendors, which account for %18.1 of the informal labor offer, followed by "retail in stores" (%16.8) and "personal and home equipment retail" (%8.8).

### THE DISTRIBUTION OF INFORMAL WORKERS

Hired workers represented %17.2 out of the total workers in the informal sector in 2013, recording an increase compared to %15.8) 2017). The percentage of hired workers in the non-agricultural sector is %64.4. In 2013, the percentage of females was %10.3 of the overall workers in the informal sector, against %17.4 of total non-agricultural sector. Women occupy 1 in 5 jobs in the industrial sector, while they're almost absent from the construction sector.

Moreover, the percentage of hired labor in the informal sector remains weak, or rather unclear, since hired and non-hired labor interlope. Informal labor is also characterized by the common practice of committing to multiple activities.

In general, work conditions in informal activities take different forms, according to the branches and individual's position in the professional/work hierarchy: educated, self-employed or business owner, freelancer, caregiver ... etc. In fact, annual official statistics conceal the numbers and percentages of informal labor, and do not abide by publishing standards of the International Labor Organization.

If we exclude self-employment, considered a fundamental component of the informal sector, representing around three quarters (%74.5) of the informal labor total and on the rise since the eighties, national surveys of the Higher Commission for Planning provide limited data on paid labor in the informal sector. As for other types of informal employment (business owner, etc.), no data were provided.

In terms of paid labor in general, a -6point increase has been witnessed in urban areas between 2000 and 2012, reaching %37.7 and %43.7 respectively. Independent labor reached %25 and family assistance %3.3. However, in rural areas, the situation was different. More than %40 of active workers are caregivers. Independent workers represent %33.4 and employees represent only %23.1.

The informal sector does not exist only on the margin of the state and its formal institutions, or of private formal institutions; it exists in their core. Given the lack of accurate data on the distribution and development of informal workers in the formal public and private sectors, it is certain that, due to numerous factors (weak growth, public and foreign investments, Moroccan entrepreneurship inability to compete and modernize, etc.), fragile forms of employment appeared in modern private enterprises, ministries and government

utilities, as well as foreign private ventures established in Morocco. Formal labor characteristics exist in the informal sector, and vice-versa, where an important number of informal production units pay professional taxes, even if it dropped between 1999 and 2007 from %23.3 to %18.6.

### Characteristics of informal labor

The majority of workers and investors in the informal sector belong to the 59-35 age groups and are mostly male. The percentage of women is still low, since 1 out of 10 projects is managed by a woman. It is true that this percentage might reach 1 out of 2 activities in the industrial sector; however, it is nonexistent in the construction and public works sector. Furthermore, the majority of studies and research conducted on the informal sector reveal the educational and vocational weakness of employers and the labor force in informal activities. Based on the Higher Commission for Planning statistics (%33 ,(2010 of active workers hold no educational degree, %40.7 finished primary education, %23 finished secondary education, and only %3 pursued higher studies. This reaffirms that those excluded from the educational system venture more in informal activities. A study recently published by the World Bank on the informal sector in the MENA region highlighted the connection between the informal sector and the low educational and vocational attainment levels. Truth is that this weak educational attainment leaves negative repercussions on the management and development of informal units.

As for the distribution of informal labor and activities based on residence and entities, the majority of informal activities in the non-agricultural sectors are centered in urban areas, with 7 out of 10 informal production units located in cities.

### REASONS BEHIND THE SPREAD OF INFORMAL LABOR

Informal activities are but a result of multiple interlaced factors. They are the result of weak agricultural activity, rural-urban population migration, fast urbanization, the crisis of the formal labor, and the situation of the labor market. It also includes the difficulties facing the state in organizing and controlling the economic activity, the implemented economic policies, the increasing poverty, foreign instabilities, and internal policies adopted to combat them, etc.

### THE REALITY AND PROBLEMS OF INFORMAL WORKERS

Today, there is more awareness on the diversity of the informal economy, its different labor categories, and the several motives leading to its growth and sustainability. Differences among workers, in terms of activities, income (level, regularity and seasonality), work status (employees, employers, independent workers, occasional workers, and domestic workers), sector (trade, agriculture and industry), and facilities' type, size and place of activity (rural or urban), social protection (social security contributions), and work conditions (contract type and duration, leaves...) are also acknowledged. Since it is unfeasible to know the reality of all informal workers, is it possible for instance to focus on the case of peddling (trade):

In 2011, the number of ambulant vendors reached around 276,000, but the real number could be much higher, since this

type of trade became recently widespread and more present in public spaces. The annual growth rate of these activities ranges between 3 and %4. The transactions in such activities are estimated to be around 45 billion dirhams annually. Ambulant vendors cater to the needs of more than 1,338,000 people. Due to these unorganized activities, the state has lost tax returns and semi-tax revenues, estimated by the study supervisors at 478 million dirhams.

Authorities have long struggled to combat the phenomenon of ambulant vendors; they are hoping today to adopt a policy based on the absorption of peddlers in the framework of the Local Economy National Program. The program encompasses a set of measures that include categorizing peddlers, organizing local markets all around the country, and elaborating an internal system. This system will organize the workings hours of the different categories, seek to preserve the public space in which they practice their activity, and mobilize financial and logistic resources to support their activities.

### THE PROBLEMS OF INFORMAL WORKERS

Many field studies focusing on various aspects of the informal sector in numerous Moroccan cities (Quneitra, Sala, Marrakech, Tamara...) revealed that workers in informal activities such as peddling (trade) are more prone to poverty compared to workers in the formal sector. They also face inappropriate and unsafe work conditions, are highly illiterate, with low skills levels, have low training opportunities, and a less stable and unsteady income, which is much lower compared to incomes in the formal sector. They also suffer from longer working hours and an absence of collective bargaining and representation rights. Their employment conditions are often ambiguous or undeclared; they are physically and financially weak since workers in the informal economy are either excluded from social security systems and legislations on safety, health, maternity, and other labor force protection legislations.

Social protection is the most urgent need for workers in the informal sector. Nonetheless, the Moroccan social security system primordially targets hired employees of the formal sector, and hinders the inclusion of informal workers, such as peddlers, in the social protection system. In general, no clear legal text stipulates the coverage of informal workers, such as peddlers, in the implementation of the Royal Decree of 1972 (Royal Decree No 184-72-1 issued on the 27th of July 1972 on the social security system as amended and implemented). Thus, social coverage remains incomplete in Morocco, and only a few of the active population, less than %20, benefit from it. As for employment contracts in business relations, they remain well under the required level at the national level, especially for workers with no diplomas: only %32.7 of jobs are contractual.

Salary differences and discrepancies endure between and within the public and private sectors, and between the industrial, commercial, agricultural, and services sectors, the formal and informal sectors, the different regions, cities, their suburbs and rural areas, even at the level of competencies, professions, and among women and men. These discrepancies are widespread, and raise a dilemma for employment and professional relations in Morocco.

As for unsatisfactory employment conditions, they could be measured according to the share of underemployment, the percentage of temporary or seasonal labor, the practice of a secondary activity, or the desire to change jobs. Underemployment shifted between the first quarter of 2013 and the same period in 2014, rising from %8.6 to %9.5 of the

active working population, with a high prevalence of men. Temporary or seasonal labor represented %6.6 of the active working population at the national level in 2011. As for the practice of a second activity, it could also be regarded as an indicator of dissatisfaction with the main activity. According to the National Employment Survey of 2011 for instance, %2.5 of the active working population declared having a second job (around 262,000 persons). The most concerned by this phenomenon are basically workers without diplomas and adults between the ages of 35 and 59. The same goes for the desire to change jobs; it represents a lack of conviction in the practiced job, since %16.6 of active workers expressed this at the national level.

### PUBLIC POLICIES INFORMAL LABOR

In general, the adopted economic policies in Morocco have marginalized the informal sector for the past decades. In fact, the various official studies regarding this sector, the establishment of a ministry in charge of small entrepreneurship as well as the inclusion of the informal sector, reveal a will for official acknowledgement, usually interpreted as initiatives to improve the sector, even if it's generally unsuitable and does not always target the interfering parties in the sector.

Official authorities initiatives, according to the circumstances, either promoted traditional industries, empowering small or medium enterprises (SMEs), small loans financing, and income generating activities or advanced financial measures targeting unemployed youth with the accessibility of degrees and the creation of SMEs. All of these initiatives only cover few main stakeholders, existing employers, marginalized groups, and the lower classes that work in the informal sector to ensure their survival. All of the adopted initiatives have limited impact and are more oriented towards alleviating poverty.

In fact, the inconsistency in the informal sector requires the adoption of inconsistent strategies and policies that target various aspects, based on the categories and levels of the informal sector: by adopting a taxation formula specific to this type of entrepreneurship and activities; simplifying procedures to include them in the formal sector; working on facilitating access to accounting services by adopting a simplified accounting system; looking into establishing accredited accounting centers in the chambers of commerce, industry and services to help merchants keep their accounts, prepare tax declarations, validate taxes and accounts; simplifying administrative procedures to facilitate investment and avoid obstacles created by administrative procedures that could be one of the reasons behind the venturing of some stakeholders into the informal sector. It is also imperative to support the sector's entry to the formal economy through technical and vocational training, organization, and financial and institutional support, etc... However, this entails a lot of communication and persuasion. We should thus be aware that dealing with this sector ought to start at the local level, and in small circles.

### INTERACTION BETWEEN CIVIL SOCIETY ORGANIZATIONS, TRADE UNIONS AND INFORMAL WORKERS

With regards to organizing and unifying informal workers in Morocco, we notice that, up until the beginning of the third millennium, around %85.6 of units in the informal sector weren't members of an association or professional union. Informal workers tendency to organize in associations and

cooperatives is still weak, for subjective reasons (cultural level, social status, etc.), and objective considerations, basically pertaining to the contradictory position of public authorities, which are expressing growing encouragement, acknowledgement, and support towards the associations, while at the same time seeking to control them. Thus, we notice, every now and then, that local authorities refuse to accept the establishment of associations or renew their leases, including peddlers associations.

In general, peddlers associations and coordination committees play a major role in defending the interests of informal workers, either in terms of participation and advocacy to impose a point of view and the interests of peddlers in all official initiatives and projects aiming at restructuring their activities (building model markets, for instance), or in supporting peddler victims of attacks and violations by local authorities, and defending them by organizing protests and support gatherings.

As for other categories of associations interested in other issues related to informal workers, in general, one can find rights groups in Morocco which are ultimately interested in workers' rights, as an integral part of economic, social and cultural rights, and as the basis and standard to respect other human rights in the society.

In addition to rights associations, other associations are also interested in informal sector workers in the context of their tackling of poverty, exclusion, marginalization, and vulnerability in society.

Concerning informal workers joining trade unions, the majority of them did not take part in union activities. In fact, unions find it difficult to organize workers in the informal sector, since they are hard to reach, and their social needs are generally different from those working in the formal sector. Thus, the previously exerted efforts to organize these workers were fruitless.

Nonetheless, organizing informal workers in unions is not impossible: the union movement was born from the difficulties faced by workers, which are ultimately problems similar to the ones facing informal workers today. In this regard, Morocco is not an exception. Historical unions in Morocco are UMT and CDT. However, in the past few years, the Democratic Confederation of Labor (CDT) started organizing different categories of informal workers, such as foreign domestic workers, sub-Saharan immigrant workers, and informal workers in the agricultural sector, etc...

# INFORMAL LABOR

PALESTINE

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## INTRODUCTION: THE ECONOMY AND INFORMAL LABOR IN OCCUPIED PALESTINE

Definitions of the informal sector are numerous; however, the most common definition is that of the International Labor Organization (ILO), outlining the informal sector as all non-associative family enterprises, which do not dispose of available accounting or tax records, nor qualify as facilities, in addition to unregistering employees in the tax system. Moreover, different insights exist on the nature and circumstances of the phenomenon of informal labor. Some economic experts and researchers believe that the phenomenon of informal sector (economy and labor) is an indicator of the structural deformation of the state's economy, and consider that this phenomenon ought to be tackled and organized. Meanwhile, others perceive the sector as an act of rebellion against state laws, and thus should be controlled and its actors compelled to abide by a set of laws, including by way of imbursement of taxes and fees. In contrast, a third point of view considers this sector to be an attempt at societal adjustment, given the current pressure exerted by the state and its policies, deemed inconsiderate of the poor classes, particularly since developing countries have adopted neoliberal policies, forcing the state to relinquish some of its roles, and abandon the full responsibility of organizing the economy, while handing over the reins of these matters to the private sector. The private sector was granted all the possible privileges as well as the adoption of new business-friendly tax and investment laws. This has led to widening the gap between classes, shrinking the middle class, forcing many to join the ranks of the unemployed and the poor. Thus, these categories attempted to find methods and measures of adaptation, mostly in the informal economy.

The International Labor Organization (ILO) defines the informal sector in the Occupied Palestinian Territories (OPT) as comprising of non-associative family enterprises, and projects that do not fall under the facility or corporation categories, in addition to workers and employees in a facility or an enterprise unregistered in the tax system. The Palestinian Central Bureau of Statistics (PCBS) defines informal labor as all jobs in the informal sector, as well as jobs of an informal nature in other sectors of the economy, in case these specific conditions apply, most important of which are: the self-employed who are the end users of their own products; the self-employed producing commodities for the purpose of trade or barter and working in the informal sector; employers in the informal sector; all workers in family enterprises such as unpaid family members; employees in the informal sector; and employees in informal jobs in public sector institutions.

The study of the informal economy in the case of the Occupied Palestinian Territories, in both the informal sector and labor, gains a pronounced singularity since the country remains under colonization. Proceeding from an analytical approach of the economy of resilience – an economy based on production, the boycott of the occupier's economy to the extent possible, wide geographic distribution of economic facilities, exhaustive employment, and reliance on the agricultural and industrial sectors, as the two main pillar of the economy – it is possible to recognize the informal economy as a tool of economic and social resistance, operating outside the occupation's hegemony and dependency, helping in the establishment of social networks supporting the Palestinian society, by catering to its needs. Therefore, any study of the informal sector in the Palestinian case ought to take into consideration this sensitive and profound specificity, going

beyond the idea of economic fuddles in the Palestinian authority, regardless of their importance.

Nonetheless, it is challenging to study the phenomenon of informal economy independently from the historic context of the development of the Palestinian economy until this moment, and the ensuing social and economic transformations inside the Palestinian society. It is possible to summarize the characteristics of the Palestinian economy as an economy structurally affiliated with the Israeli occupations' economy, meaning that any development in the Palestinian economic structure is completely connected to the Israeli economy, which does not allow it to take an independent decision in choosing its developmental path; %80 of the authorities' revenues come directly from "Israel," to which two thirds of the authority's exports go. In addition, the Palestinian economy is connected to the international market through the gate of the occupation's economy. The current Palestinian economy is characterized by high reliance on tax collection and services, at the expense of the productive sectors. It is also an unequal economy, since the historic geographic rupture between the West Bank and the Gaza Strip led to the emergence of fundamental differences in the local economic growth between the West Bank and the Gaza Strip, and the demolition of the sector's economic characteristics. Most importantly, the state has adopted a neoliberal development model, ranging from legally framed and politically articulated official policies and the major private sector corporations, to the market margins and the imposed new patterns and distortion of productive and enabling sectors that could improve the resilience of regular people. The deepening gap between classes, the tendency towards consumption, and the expansion of the services sector at the expense of other productive sectors are of the associated consequences of this tendency, which almost covers the urban and rural areas alike. Perhaps these traits could summarize the political economy in the Occupied Palestinian Territories. The Palestinian economy suffered from the absence of the nation state structure, which supplanted by an external structure and which hindered the establishment of an institutional and legal framework capable of shaping the Palestinian economy, according to local economic and social circumstances. This unbalanced development in the state's structure and duties caused disfigurements in the labor market, translated in the growth of the informal economy, where the informal labor is its most pronounced feature.

## LABOR MARKET, LABOR FORCE AND UNEMPLOYMENT IN THE OCCUPIED PALESTINIAN TERRITORIES

The population of the West Bank and the Gaza strip (including the Palestinian population in Jerusalem) until mid2015-, reached 4.682.000, with a growth rate of %2.9 recorded during the same year. The working-age population (15 years old and above) reached %60.6, against %39.4 under the working age (under 15 years old). Labor market statistics indicate that the working-age population falls under two categories: the first category, or the population part of the labor force, reached 1.299.000, or around %45.8. The second category, the population outside of the labor force, reached 1.537.000 and recorded %54.2 of the working-age population. The labor force was divided into two categories: the workers, constituting %74.1 of the total labor force, and the unemployed, representing %25.9.

It is noteworthy that the rate of female participation in the labor force is lower than that of males', scoring %18.8 and %71.7 respectively. In fact, the participation rate of women increased from %13 in 2000 to %19 in 2015. However, this percentage still falls short from the anticipated rate, even though it is close to the female participation rates in Arab countries. The services and agricultural sectors employ the greater share of women; women working in the services activities and other subdivisions constituted %62.9 of the total female labor force. Meanwhile, agriculture, hunting, forestry and fishing employed %13.1 of the female labor force, followed by trade, restaurants and hotels with %11.3, and mining and manufacturing with %11, while the participation rate in construction, real estate, transportation, storage, and telecommunication is %1.7.

Unemployment rates in Palestine soared and reached %26 in 2015, with %39.2 of women participating in the labor force against %22.5 for men. These percentages are higher in the case of the young (15 to 24 years old) and reached %40.7. Women had the greater share with %60.8, against %36.4 for males. The percentage of educated unemployed women, who have received over 13 years of education, reached %84.4 against %23.5 for males of the same education level. Data uncover noticeable features of unemployment in the Occupied Palestinian Territories such as the geographic concentration of unemployment, recording its highest rates in the Gaza strip, and among the young categories (15 to 24 years old), as well as the educated age categories. It is noteworthy that women who have received higher education have lesser chances in landing a job opportunity. Given the economic, social and political circumstances, migration is on the rise, especially among the young categories (15 to 29 years old). The motives for migration are essentially the economic situation, pertaining to enhancing life conditions and lack of job opportunities at home.

The economic growth in the Occupied Palestinian Territories is not considered a good indicator to measure the economic growth progress for many reasons. First, growth does not measure the distribution between individuals and societal classes. Second, the magnitude of foreign funding is immense, leading to an illusory growth independent of the production cycle of the national economy. In addition, the countless differences between the West Bank and the Gaza Strip render any positive growth in the West Bank equal to negative growth in the Gaza Strip. Furthermore, the generated growth and labor opportunities do not lead to a palpable increase in the rate of female participation in the labor force, nor a drop in the female unemployment rate.

## THE INFORMAL ECONOMY AND LABOR IN THE OCCUPIED PALESTINIAN TERRITORIES

Basic information on the informal sector and labor in the occupied Palestinian territories stems from the surveys of the Palestinian Central Bureau of Statistics (PCBS). Nonetheless, the latest survey of the informal sector and labor dates back to 2008. Thus, it should be noted that the cited figures on the informal sector and labor date back to 2008.

Several studies disagree on the estimations of the size of the contribution of the informal sector to the Palestinian GDP. While the Palestinian Central Bureau of Statistics (PCBS) put this contribution at %9.1 in 2008, other studies estimated it at %88-57. This difference is the result of the studies' methodologies, especially with regards to defining the informal sector, and the means of measuring its contribution

to the local GDP. The estimations of the Central Bureau of Statistics (PCBS) rely on the magnitude of economic productivity in the informal sector, but ignore the fact that the majority of these facilities market their products in the households' context, thus making them not officially part of market transactions. In addition, they conceal their relevant production data. Hence, researchers estimate the contribution of this informal sector to the GDP at a higher percentage than the Palestinian Central Bureau of Statistics (PCBS). According to the PCBS data, the construction sector constituted %32.6 of the sector's contribution to the GDP, followed by agriculture and fisheries with %20.6, wholesale and retail with %18.5, transportation, storage and telecommunication with %13.2, mining and manufacturing with %9, and the services sector with %6.

The number of enterprises in the informal sector reached 90.607 according to the 2008 survey. These enterprises are distributed as follows: %22.8 in the agricultural activities; %19.6 in the field of industrial and construction activities; %42.8 in internal trade; and %14.8 in trade and transportation. Enterprises in the informal sector confront several difficulties, most important of which are registration related difficulties, registration fees, and the struggle to obtain loans. Moreover, the sources of capital for enterprises in the informal sector are mainly home savings or no-interest personal loans. The majority of facilities and enterprises in the informal sector are not formally registered. The reasons for opting against the registration of the majority of facilities and enterprises in the informal sector are numerous. Some do not see the need for registration, while others believe that registration entails large sums of money.

However, informal labor (in the formal and informal sectors) encompassed %59.9 of the total number of workers in the West Bank and the Gaza Strip, with 632.500 female and male workers, representing %65.8 of the total working population in the West Bank against %42.5 in the Gaza Strip. The number of workers in the informal sector enterprises reached 191.917 workers, distributed as follows: %40.6 in the agricultural activities; %30 in the internal trade activities; %19.8 in the construction and industrial activities; and %9.6 in the transportation and services sectors. In Palestine, the dominance of the informal labor over the formal labor in the formal sector is noticeable. The sector is comprised of around 263.000 informal workers against 253.000 formal workers. The informal labor force is distributed as follows: 212.000 male workers and 50.000 female workers. It is worth mentioning that the informal labor in the formal sector is higher than informal labor in the informal sector; informal labor in the latter totaled 115.300 male/female workers. The survey indicates that the majority of informal workers, estimated at around %54.9, have a low educational level (0 to 9 years of education), with %66.7 for women and %53.5 for men. The geographical distribution and presence at the heart of large economic sectors are of the most prominent traits of informal labor in the West Bank and the Gaza Strip. This labor mostly takes the form of manual labor, which is the most hazardous, while it lacks the standards of health and occupational safety, in addition to offering lower wages. Moreover, male and female workers in the informal sector are denied of many rights, especially receiving the minimum wage, benefiting from health insurance, sick, annual and maternity leaves, pensions, overtime compensations, and employment contracts with clear work conditions.

## WORKERS IN "ISRAEL" AND THE SETTLEMENTS

The number of workers in "Israel" and the settlements reached 114.200 workers in the second quarter of 2016. Holders of permits constituted the greatest share of workers in the internal territories, with 60.400 workers, against 40.600 without work permits, and 13.200 workers holding an Israeli document or a foreign passport. The construction sector shows the highest employment percentage in "Israel" and the settlements, estimated at %63.5 of the total Palestinian workers in "Israel" and the settlements. Workers inside the Green Line are divided into two categories. The first category is formed by formal workers, i.e. holders of entry and work permits inside the Green Line, most of them earning salaries and employment contracts, while the second category of workers do not hold permits, work informally, and do not enjoy social security, healthcare or any type of contracts and protection. Most often, they are laid off without collecting their wages, and are subjected to prosecution, detainment, and fines by the occupation forces.

In comparing the work conditions of workers in the Palestinian territories and inside the Green Line, we conclude that the average daily wage of employees in the second quarter of 2016 reached 98.3 shekels in the West Bank against 61.6 shekels in the Gaza Strip, while workers in "Israel" and the settlements are paid 221.9 shekels during the same period. In addition, the average monthly workdays in the second quarter of 2016 reached 23.1 workdays in the West Bank, 23 days in the Gaza strip, against 20.1 work days in "Israel" and the settlements. This comparison demonstrates that Palestinian workers in the local market are paid less and working longer hours than their peers inside the Green Line. This dissimilarity in the work conditions could be due to the feeble membership in workers' trade unions in the West Bank and Gaza Strip, and distrust in the unions' capacity to defend the individual rights of workers, as the result of the lack of a clear legal framework for the right to organize. The vulnerability of female and male workers in the informal sector is on the rise, since facilities and enterprises are unregistered and avoid enacting the labor code and the minimum wage system.

## WOMEN IN INFORMAL LABOR

The majority of female workers are informal, since the percentage of informal female workers represents %60 of the total number of female workers. By the same token, the formal sector tends to employ more women informally. The number of female workers in the formal sector totaled 50.600 informal female workers, against 48.000 formal female workers. While it's challenging to formulate broad specific characteristics of female workers in the informal labor, studies agree on general specific attributes such as poverty, relatively advanced age, and low educational attainment. All of these characteristics are rooted in the traditional division of labor in the Palestinian society and the fragile participation of women in the labor force; women's productive roles are still restricted to their reproductive roles, making the sustainable participation of women in the labor market a difficult task, especially in light of the low quality care facilities (few kindergartens) in the West Bank and the Gaza Strip. Nonetheless, it is worth mentioning that the issue of low educational attainment is no longer a conclusive attribute directing women into the informal labor. Despite the availability of higher education opportunities for women, the limited openings in the formal labor force educated women to venture into the informal labor.

Even though the informal sector provides greater employment opportunities for women, this kind of labor does not provide the necessary protection in terms of income or rights, not to mention the incompatibility of the work conditions with the

Palestinian labor code. However, violations in the informal labor are met by violations of a different nature in the public sector, which is characterized by reluctance to hire women. This stance is rooted in the desire of employers in the formal sector to avoid the costs that might arise from employing women, like remunerating maternity leaves, or paying new born insurance, among other costs. Thus, educated women prefer working in the public sector for the financial and occupational stability it has to offer, in addition to the provided various insurances such as healthcare, annual and sick leaves and maternity leaves. However, the drop in public employment opportunities pushed a growing numbers of women to work in the informal sector.

## DEVELOPMENT PLANS AND OFFICIAL POLICIES

In conclusion, it is possible to say that there is a semi-absolute absence of official policies targeting the informal sector and labor, aiming at formalizing the economic sector or the labor force. On the contrary, the informal labor in the West Bank and the Gaza Strip lack the basic professional, union and social protection. This ushers the permanency of a large informal economy, and the existence of a greater number of barely paid workers in the informal sector, who do not benefit from the legal, social, and professional protection, as well as healthcare, in their various facilities and enterprises.

In particular, the National Campaign for Social Security, established for the purpose of amending the social security law approved in March 2016, proposed the elaboration of a clear mechanism for the inclusion of informal labor in social security, in which the government contributes to the membership subscriptions to encourage workers to join the Palestinian Social Security Corporation (PSSC), which guarantees dignity and better living conditions. Despite the widespread societal discussion on the social security system, the national team and the Ministry of Labor did not see the necessity of including informal workers in the system, leaving the door to voluntary membership wide open for workers in the informal sector, which is not a productive strategy based on previous experiences of similar systems.

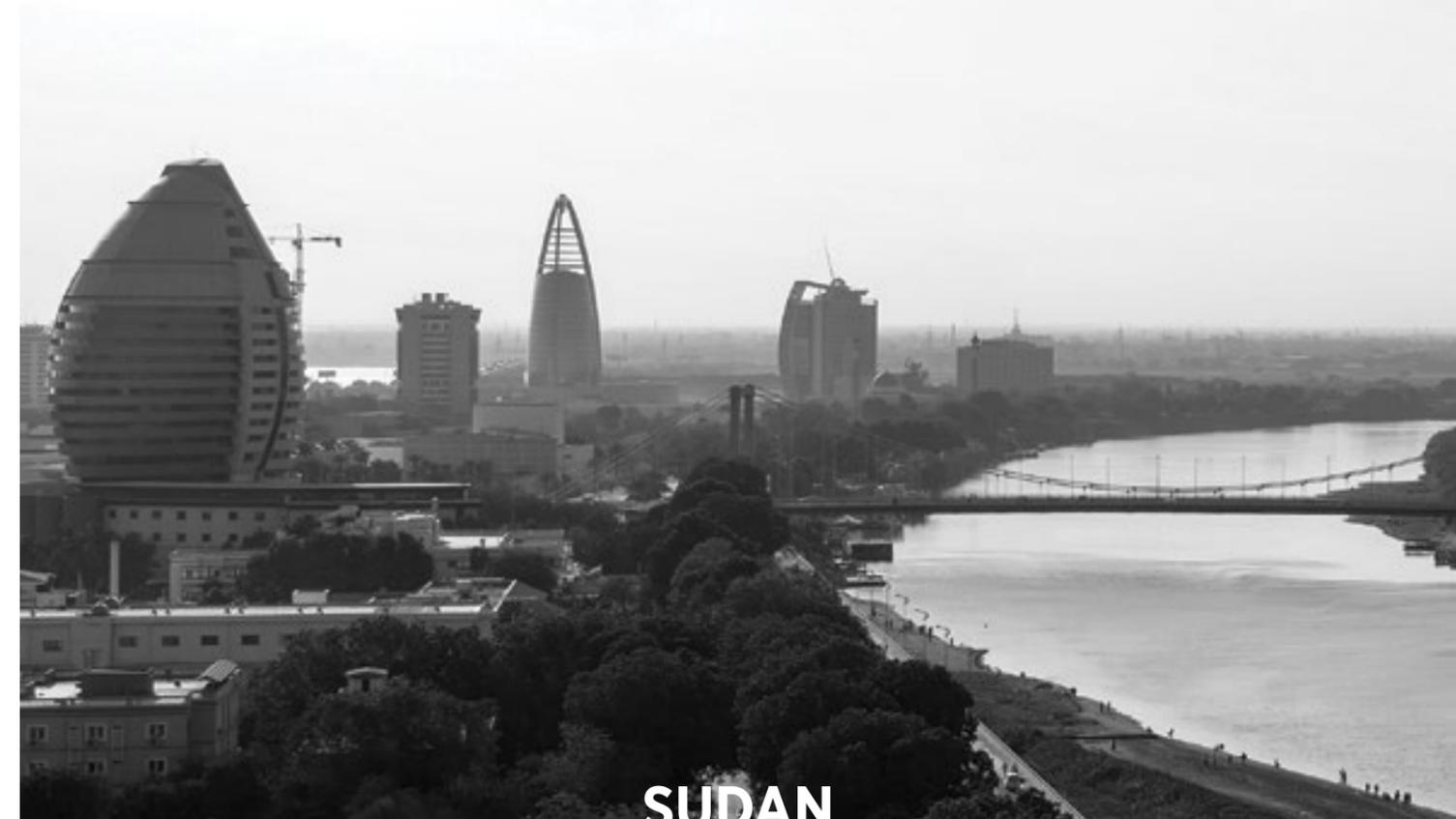
Despite the negative circumstances of workers in the informal sector, the main question in the Palestinian society concerns whether the move from the informal to the formal is desired. Points of view are afflicted on this subject. Some believe that there is no economic benefit to the formalization of facilities in terms of increasing the tax burden, and the incapacity of facilities to access loans, either because of high interest rates, or the impossible terms and conditions imposed by banks, in addition to the Palestinian government's focus in the investment law on the major companies in the services sector. In contrast, there's another point of view pertaining to the social roots of these facilities in the informal sector. Accordingly, since the majority of these facilities work in the legal activities of the economy, they have contributed and preserved the economic and social resilience capacity of the Palestinian society during the major uproars, especially during the first and second Intifadas.

Even though points of view might diverge, everyone agrees on the need to promote the conditions of informal labor in all economic activities, which contributes to attaining economic and social rights, especially the rights of labor and workers.

## RECOMMENDATIONS

- Imposing and implementing the labor code and the minimum wage system by activating the role of the Ministry of Labor and inspectors in factories, companies, and various economic facilities, which would improve the work conditions and privileges of the workers.
- Developing a Palestinian development strategy for the formal and informal sectors, based on a real and scientific analysis, founded on the sectorial analysis and geographic distribution of the informal labor, and elaborating an action plan and a timetable for the gradual formalization of informal labor.
- Amending the social security law to cover all the informal labor force and the self-employed, by developing a system that defines the membership features, and ensures the state's financial contribution to this system in order to encourage workers to join.
- Drafting an advanced trade union law, allowing the creation and establishment of specialized trade unions defending the rights of female and male workers, increasing the scope of the union activity freedom, and noticeably increasing the number of workers and professional unions' members.
- Developing a technical training strategy based on a developmental vision, not only responsive to the market needs, since this approach already proved ineffective in absorbing the newcomers to the labor force, but one coupled instead with the development of the economic sectors, which can absorb large numbers of graduates and professionals.
- Creating a National Corporation for Loans and Small Projects, to prepare a whole cycle of support, encompassing trainings, studies, and loans, technical and vocational follow-ups, based on low-interest lending.
- Orientating the policies of boycotting occupation commodities, developing local and national products to replace the share of the occupation commodities in the Palestinian market. This would massively increase the share of these facilities, especially food manufacturing, and boost employment.
- Insuring protection for local products against imported cheaper products, which affected many facilities, especially the textile and plastic industries, by activating specifications, quality standards, and consumers' protection.
- Providing financial and tax incentives for the informal sector facilities to formalize, alongside awareness campaigns and technical support on the importance of this formalization.
- Increasing and intensifying civil society efforts regarding the informal sector, by working at the policy level, documenting violations, commissioning studies and research, and most importantly, carrying out pressure campaigns that advocate for female and male workers' rights in the informal sector.

## INFORMAL LABOR



**SUDAN**

**Dr. Hassan Ahmad Abdel Ati**  
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“The problem today lies in getting seeds and tools”, according to Hawa Issa, the 50 year old widow and mother of six, who spends her mornings clearing a piece of land, as part of the preparations preceding cultivation, and the evenings selling tea and coffee. “I save all the money I earn to buy seeds and start planting, as soon as I have enough money to buy them... This could take a long time”. Seeds price is high compared to the tea cups Hawa sells, and her only client today is the author of this story”, the International Committee of the Red Cross (ICRC), Internal Displacement in Armed Conflicts: Facing challenges, May 2010

The story of Hawa summarizes the correlation between war, displacement, unemployment, poverty, and the informal labor in the Sudanese context, and explains how the organic connectedness of these elements shaped the condition that transformed informal labor into a backyard, where displaced men and women seek a job. In addition, Hawa and her likes confront tremendous difficulties in urban areas; the absence of land or other agricultural inputs to adapt to contexts where their prior skills and expertise are not useful. Demographic transformations resulting from waves of displacement created economic circumstances that compelled many to venture into the informal sector.

Other elements contributed to increasing sector participation rates, among which: international organizations’ reduction of their public spending, the state’s withdrawal from subsidizing health and education services, in addition to the privatization previously owned public sector institutions. The industrial sector witnessed the closure of numerous facilities that used to absorb large numbers of workers, now unemployed or finding themselves in the informal labor. With a high youth percentage and increasing poverty rates, informal labor became the only chance for those forced by war circumstances and displacement to leave their regions, or those abandoned by the state.

## INFORMAL SECTOR IN AFRICA:

According to the African Development Bank report of March 2012, many African countries recently witnessed important growth, but that did not lead to the creation of decent jobs. Unemployment rates remain high, especially among the youth. Not enough attention has been given to the informal sector and its contribution to the economic transformation and creation of job opportunities, even though it contributes to around %55 of the national Gross Domestic Product (GDP) of Sub-Saharan African countries, and around %80 of the labor force. In general, the sector is associated with high poverty rates as well as economic and social instability. The sector’s development depends on an environment characterized by vulnerability in four main areas: weak contribution in taxes and fees, few or inexistent legislations, challenging access to financing, and weak skills and training. More importantly, the sector remains on the margin of state or donors development agendas, in most of the continent’s countries.

## SUDAN’S DEMOGRAPHIC STRUCTURE:

Based on the 2008 survey, the Sudanese population reached 30.9 million, with a rise of %21 compared to a 1992 survey, and threefold since the independence in 1956, when the overall number reached 10.3 million. Based on an annual growth rate of %2.8, the Central Bureau of Statistics (CBS) estimates that the population will reach 42 million in 2018, the set date for the next survey. Since Sudan’s independence in 1956 and up

until 2008, several demographic transformations occurred in various living conditions. The percentage of urban population soared from %8 in 1956 to %33.2 in 2008, due to rising internal migration rates from rural areas to cities. In contrast, the rural population dropped from %78 to %60 throughout the same period, and nomads’ percentage fell from around %13 to %7.1, during said period.

In the early 80s, population movement accelerated and took the form of widespread displacement waves, especially following the 1984-1983 drought waves, leading to the collapse of the traditional production system in the western and eastern parts of the country, followed by civil wars erupting in south Sudan in the 80s, and spreading to the Nuba mountains and the blue Nile in the 90s, and finally Darfur in 2003. By 2004, the total number of displaced people, according to UN estimates, reached 5.5 million, which is more than %20 of the total population. The majority of immigrants and displaced people settled down in cities’ outskirts, practicing low skills economic activities, in line with their rural lifestyle, contributing to the ruralization of many cities, including Khartoum, which alone attracted around %49 of immigrants and displaced people.

## THE ECONOMIC REALITY:

Between 1999 and 2010, the accumulation of enormous revenues generated and retained by the oil production industry controlled economic growth. The economic activity grew by an annual rate of %6, and the GDP soared from 15 billion dollars in 1999 to 53 billion dollars in 2008, with peak rates in 2007 and a growth rate of %15. Throughout that period, the structure of the Sudanese economy moved from relying chiefly on agricultural exports to a rentier economy, with semi-total dependence on oil exports. As a result of the shock following the secession of south Sudan in 2011, Sudan lost almost %75 of its oil production, around %55 of its financial revenues, and almost two thirds of foreign currency revenues. Following the secession, the gold sector constituted in 2012 more than %40 of the exports’ value. In 2011 as well, the inflation rate reached %20, after the major decline in the 90s (%100 in 1996), and an average rate of less than %10 between 2000 and 2010, while it scored %44 by the end of 2012, because of the high prices of food products and the depreciation of the Sudanese pound.

According to the Sudan National Baseline Household Survey (NBHS) of 2009, around %46.6 of the Sudanese population is under the poverty line, and rates vary significantly between different states. The lowest rate was recorded in Khartoum, and rises to %62.7 in West Darfur. Poverty data reveal that the population categories most prone to poverty are the unemployed, the less educated, and individuals living in rural areas, working in the agricultural sector for their own account.

## EMPLOYMENT AND UNEMPLOYMENT RATES:

Results of the Sudan National Baseline Household Survey (NBHS) of 2009 indicate that the rates of economic activity reached %73, %48 for men and %23 for women. Men’s prevalence was recorded in all age categories, while women’s highest rate (%29) was recorded in the 35 to 44 years old age group, and the lowest (%14) for the over 65 years old category. The youngest category (15 to 24 years old) had the lowest participation rates of both genders (%30). Moreover, women unemployment rates were the highest in all age groups, ranging between %32 for the 15 to 24 years old age

category, and %14 for the age group 45 to 54 years old. As for the labor force distribution, %41 are employees, %34 are self-employed, %11 are in the unremunerated family business, %6 are in the paid family business, and %1 are employers and %8 unspecified. The majority of the labor force is concentrated in the agricultural sector (%36), primary occupations (%22), services and retail (%11), and manual industries (%8). These percentages reveal the agriculture based nature of the economy of the majority of the Sudanese population, and indicate the growth of the informal sector, as seen in the high rates of primary occupations and traditional industries (%30). The 2008 survey estimated unemployment rate at %15.9, double the rate of (%8) 1983), and a considerable increase from the 1993 rate (%11). Estimates of the Labor Force Survey reveal a percentage of %18.8 for the year 2011, during which the numbers of the unemployed reached %13.7) 1,750,000 for males, and %32 for females), %23.1 in urban areas, and %16.6 in rural areas. Major differences exist between unemployment rates of men and women, reaching %74 in urban areas, compared to %36 in rural areas.

## LABOR IN THE INFORMAL SECTOR

The notion of “informal labor” in Sudan was first used in the report of the International Taskforce, issued in 1976 and entitled “Growth, Employment and Equity: A Comprehensive Strategy for the Sudan.” In 1997, the committee on the informal sector, formed by the Minister of Labor, by virtue of Decision No 4 of 1997, provided a definition of the informal sector on the basis of encompassing “Micro production and services units, run by small producers working for their own account, with slight capital, low level techniques, very limited skills, and without access to organized markets, credit institutions, and usually at the margin of social protection and work legislation.”

The size and contributions of the informal labor still lack precise statistical data. Even the Labor Force Survey does not allow the extraction of precise numbers of the workers in the sector. However, some estimations, such as the report of the International Labor Organization (2014), show that around %65 of the labor force in the 25 to 54 years age group are involved in the informal sector, and 1 out of 5 people in the informal labor force is young, thus aged between 15 and 24 years old.

The African Economic Outlook (AEO) Report (2013), published by the Organization for Economic Cooperation and Development (OECD), indicated that around %60 of the labor force in Sudan work in the informal sector. It revealed as well a growing participation rate of women in the informal sector, especially in the framework of subsistence and small unregistered projects, and more particularly in activities pertaining to food and beverages sales. Some reports estimated the percentage of women in the informal labor in the state of Khartoum at %56 of the overall number of working women.

## REASONS FOR THE INFORMAL SECTOR’S GROWTH:

There is a general consensus that informal labor constitutes a fundamental feature of the Sudanese economic scene, witnessing accelerated growth in the urban regions due to numerous elements, most important of which are conflicts, civil wars, drought and desertification, and the ensuing displacement and migration waves from rural to urban areas as a result of uneven development. Some literatures focus on the failing educational system and the wide gap

between education and the labor market, as the direct cause. According to this perspective, the root cause for the spread of informal labor is education policies which outcomes do not match the needs of the (formal) labor market, in addition to unequal development between the various Sudanese states, leading to internal migration from rural to urban areas, without the creation of decent job opportunities. These studies link the expansion of informal labor to the significant impacts of the formal inclusion programs, while poverty and unemployment rates soared, the purchasing power of the local currency plunged, and inflation rates more than doubled. The government’s implementation of the so-called “empowerment” policy also led to laying off more than 300,000 employees and civil service workers (the public sector) for political reasons. Thus, with the rise of unemployment, absence of any form of unemployment insurance, and decreasing job opportunities in the formal sector, many of the unemployed found themselves in the informal sector. Vulnerable categories enter the sector as a mean to generate income, while low income workers in the formal sector enter the informal sector seeking additional revenues to bridge the gap between their income and the cost of basic household needs.

## SOCIAL PROTECTION OF LABOR IN THE INFORMAL SECTOR:

The Labor Force Survey of 2011 in Sudan inquired on the extent of social protection and health insurance coverage in the workplace. %12 of workers stated that they are covered by the National Social Security Fund, while %74 mentioned the unavailability of a health insurance program through the workplace/employer. As for membership in trade unions, only %20 mentioned the existence of a union at their workplace; subsequently, %80 of the labor force in Sudan is excluded from any form of union organization. The most important amendment of the Social Security Law in 2008 stipulated that law provisions should apply to the self-employed and craftsmen. It could have also meant the law’s coverage of the informal labor; however the legislator opted for ruling out categories of this labor force, linking its inclusion to a decision of the Council of Ministers, which is yet to be issued. The National Social Security Fund believes additional obstacles impede the expansion of its coverage to reach informal labor, due to the uncertainty and sometimes the disruption of including these categories which impacts the steadiness of contributions’ payments, and the fact that following up and covering these categories requires considerable resources that might not be available to the fund. In addition, the subsistence economic lifestyle of these categories might make it harder for them to afford the contributions to the system’s membership. The absence or forced absence of informal labor is not only limited to social security coverage or the pension. This category is also absent from the coverage of the National Health Insurance Fund. Moreover, limited growth also constitutes one of the challenges faced by informal labor. Workers are often unable to access work insurance services, especially since their workplace environment, such as the markets, are unequipped with firefighting systems. Any incident threatens the full interruption of these activities, without any compensation from any institution or insurance agency providing insurance against this type of projects’ hazards.

## INITIATIVES TOWARD THE INFORMAL SECTOR:

The “Mobile Training Centers” initiative is one of the government or semi-government initiatives that provide service to the sector. It is used by the “Youth Stability Projects” in the state of Khartoum that trained informal entrepreneurs in the fields of cars maintenance, forges, carpentry, and electrical maintenance. In addition, the workers’ union initiative in the state of Khartoum submitted a bill to organize informal economic activity by agreeing with authorities in the state of Khartoum on many measures that included covering workers in the sector with health insurance and social security. The Initiative of the Sudanese Women’s General Union (SWGU) organized 1,000 women working in tea sales, by creating cards for every worker and enlisting them in the health insurance system. However, we believe that this initiative was unsuccessful because of its implicit assumption of redirecting beneficiaries toward the formal sector. Finally, the experience of providing health insurance coverage to women tea sellers in the city of Al-Fashir, in the state of North Darfur, was partially successful but lasted only one year (2006- 2005). The most important civil society initiative is the Initiative of the SIHA Network (Strategic Initiative for Women in the Horn of Africa - SIHA), the “Invisible Labor” project between 2012 and 2016, targeting displaced women working in the informal sector, and encompassed training workers to organize themselves in cooperative associations to help them advocate for their rights, protect themselves and develop their skills to compete in the market. The initiative of Awadeya Mahmoud, founder and head of the cooperative of tea and food sellers and the Women’s Multi-Purpose Cooperative, allowed for the constitution of a league of defense of women in the informal sector which addressed the challenges they confront.

## WOMEN TEA SELLERS IN KHARTOUM:

A random sample of 185 women tea sellers was chosen from Khartoum, Khartoum Bahri, and Omdurman. The survey primarily targeted information on educational levels, origin, available types of protection, organization (membership of unions), types of support provided by the official institution and civil society organizations, types of harassment by the authorities (the police), among other challenges. Results of the survey revealed that (a) tea selling is the only occupation of around 92% of female workers; (b) 58.3% of the workers earn over 100 Sudanese pounds per day, 28.2% earn an income ranging between 50 and 100 pounds, 11.4% gain between 30 and 50 pounds, and only 11% earn less than 30 pounds per day; (c) 57.3% pay fees to governmental agencies; (d) 62.2% did not receive any support from government institutions or civil society organizations; (e) 71.2% were subjected to police campaigns despite the fact that the majority of them pay the fees to the local authorities; (f) 86.5% are not covered by health insurance; and (g) 92% do not belong to any association or trade union.

## NOTES AND CONCLUSIONS:

The informal sector in Sudan is characterized by diversity because of the environmental and geographic differences, which define lifestyles and types of activities and production, and thus the quality of the workers in the sector. In addition, cultural diversity constitutes a vital element in defining the type of demand and the offer’s quality. Qualitative changes are still ongoing in the sector because of the internal factors (competition, knowledge enhancement, and cultural interaction), and external factors such as variations in natural conditions, macroeconomic changes, and the instability of the

state’s economic policies. The state’s interest in formalizing the sector, as is the case in the majority of states, is based on increasing taxes and collection, rather than development, further alienating sector workers from the formal sector. In addition, formalizing the informal sector might deprive it from its flexibility. All studies on the informal sector concluded that workers are not protected and confront difficulties in accessing services because of long working hours, which prevent them from benefiting from basic services, such as education, health, and care. Given the sector’s type, workers are unable to join any trade union to maintain their rights or bargain with state institutions to protect them during work, or a mutual cooperative body, which usually ensures support when needed.

## CHALLENGES FACING THE SECTOR:

Results of the study on the tea sellers sample reaffirmed five main challenges confronted by the informal sector in Sudan, most importantly (a) unclear scope of the informal sector; (b) absence of creative financing mechanisms, especially following the failure of the micro financing institutions to prove their efficiency; (c) the hesitation of the private sector to support the informal sector; (d) fragile improvement and progress culture due to the ease of entering and exiting the sector, in addition to the lack of need for training or entry competence; (e) weak or inexistent skills and low competence, since weak education and lack of training make workers in this sector more prone to exploitation, especially women and girls. In addition, with the lack of adequate knowledge of the rights, laws and procedures, they are incapable of defending themselves and their work.

## SECTOR’S CONFLICTS:

A set of conflicts revolve around and inside the informal sector, making it difficult to adopt plans or programs to contain it in the formal sector or increase its efficiency for the economy. Among them: the government’s continuous attempts to control and outline the sector by imposing registration and fees through campaigns called Keshat, the internal conflict between competitors inside the sector given the limited available activities and skills, and the incessant influx of participants, especially women, constituting the major share of newcomers. Moreover, a conflict rages between civil society organizations trying to support workers’ rights and improve their skills, and the authorities’ suspicion and distrust of these activities, as acts of incitement and opposition. A permanent conflict also exists between the sector and employers in the formal sector, inciting authorities against workers in the informal sector. More recently, another layer of the conflict surfaced, between traditional workers in the sector and newcomers, mainly educated workers and foreigners newly entering the sector. A considerable number of Egyptians and Syrians entered the sector, the majority of whom work in distributing relatively advanced imported commodities compared to the products of the traditional sector, in addition to the usage of this sector by some employers to establish distribution networks of the formal sector’s commodities, to guarantee their circulation, and evade government taxes and fees. Nonetheless, the sector was influenced by the economy’s consumption pattern and responded to the changes of commodities’ quality and the services it provides that are no longer only traditional or local. That is due in part to the formal economy’s exploitation of the informal economy’s efficiency in distribution and circulation. Even women activities, known in the sector for their traditional products, initiated new practices in some regions such as food delivery, make-up, and hairdressing at homes.

## RECOMMENDATIONS:

- Cater to the needs of workers and economic units in the informal sector from the perspective of decent labor, according to the recommendation of the International Labor Organization Conference (2002) while focusing on complementarity as the basis for all policies and interventions.
- Found programs to support the sector on the basis of non-exclusion (social integration), protection and services provision. Regardless of the reason to formalize the sector, such as increasing the efficiency and contribution of the sector in the national economy, these effective strategies ought to support and develop the sector, and sensitize authorities and the private sector on its capabilities and its workers’ rights, organizing workers in the sector, implementing technical support and training programs, and enhancing the financing opportunities and chances to access information.
- Forge alliances and establish networks of sector workers, linking them with civil society organizations in order to empower and enhance the civic skills of workers in the sector.
- Fund projects that sacralize funding efficiency (adequate amount) instead of subsistence (humanitarian support), to enable workers to break free from the subsistence circle and develop their socioeconomic conditions.
- Benefit from the educated workers who integrated the sector to organize workers, introduce them to their legal rights and connect them with the official institutions, in order to create an internal dynamic, generating change and development.
- Organize the relation between the formal and informal sectors on the basis of mutual benefits, instead of perpetuating aggression and exploitation exercised by some private sector institutions to distribute their products and evade from settling the official taxes and fees.
- Work on granting the informal labor force the enjoyment of social security, decent employment conditions such as determined working hours, minimum wage, occupational safety and health, work injuries insurance, and health insurance services, all considered basic human rights of the workers in the informal sector and which should be one of the state’s most important duties towards its citizens. This duty imposes first the elaboration of legislative frameworks enabling informal workers to establish trade unions, cooperatives and leagues, which should assume the role of the representative or mediator between workers and social security institutions. This duty requires civil society organizations to work as well on organizing and raising workers awareness in the sector, and provide the needed advocacy for the issuance and implementation of pertinent laws.
- Conduct in-depth studies on all the components of the informal sector to identify its real contributions to the national economy and the labor market, and to determine the best options for the sector’s actors and the economy, whether integrating the formal sector, an option championed by financial institutions and state’s policies, or developing the sector to increase its economic efficiency.

# INFORMAL LABOR

SYRIA

Syrian Center for Policy Studies

The armed conflict in Syria has led to a reverse development. The country's human capital was wasted through assassinations, abductions, torture, injuries, malnutrition, and lack of health services, deteriorating education and formation, leading to a loss of formal labor, and increasing involvement in illegal activities, exploitation and acts of violence. Large parts of the infrastructure, as well as public and personal wealth accumulated through time, were destroyed. Rights were infringed, especially the right to live, in addition to the absence of the rule of law and accountability. The remaining wealth was redistributed for the benefit of traders and warlords. The ruling violent institutions, through the development of the economic violence's tools, started exploiting the financial and human abilities and expanding the informal and criminal labor in all sectors, to the extent that it has become very complicated to dismantle them.

## INFORMAL LABOR IN PRE-CRISIS SYRIA

The participation in an economic activity demonstrates the economy's capacity to absorb the available human capacity and transform it into a productive energy, which achieves prosperity and social wellbeing, and promotes equality and individuals' capacity through lifelong education operations leading to the accumulation of expertise. Participation rates in the labor force in Syria plunged in both rural and urban areas, for women and men, from 52% in 2001 to 42.7% in 2010. This demonstrates the exclusion of large categories from participating in the economic life, and the national economy's incapacity to achieve an inclusive growth, generating real job opportunities.

This drop in participation rates was correlated with an increase of informal workers. Data indicate that 65.6% of workers in 2010 were informal, of which 89% were in the private sector; a high percentage which also includes most of the private sector. Informal workers represent around 52% of workers in the formal private sector, 96% of workers in the informal private sector, and around 33% of workers in the common, cooperative and family sector.

Before the crisis, informal labor was concentrated in Aleppo, Idlib, Raqqa, Hasakah, Deir Al-Zor, and Damascus' rural areas, i.e. the provinces suffering more from poverty, with pronounced reliance on the agricultural sector in the rural areas. However, informal labor was present as well in urban areas in Aleppo, Damascus, Damascus Rural Areas, Homs and Latakia, which indicates a constructed structure of informal labor, distributed between the rural areas and centers of major provinces and small cities, reflecting the regional development inequality. The percentages of women working in the informal sector are lower than their male peers, a result of the preference to work in the governmental sector or the sector that guarantees the bare minimum of adequate work conditions, in addition to a compliance with societal norms and traditions. The participation of married women recedes, especially in the informal sector, while men's participation in the informal sector rises after marriage. Data from 2010 indicate that the informal labor force is less educated and that the informal labor absorbs the majority of holders of primary education certificates and less. The percentage of formal labor is high among holders of middle school certificates and university diplomas. The informal labor has larger numbers of younger age categories between 15 and 29 years old and workers over the age of 60, both critical age categories. Accordingly, as they grow older, workers tend to have a formal job.

The informal sector was concentrated in internal trade, restaurants, hotels, construction, real estate, agriculture, and manufacturing, while the formal labor was concentrated in the services and industrial sectors and, to a lesser degree, in storage and telecommunications. The majority of the formal labor was registered in the public sector. As for occupations, the informal labor was clearly dominant in crafts, services, trade, agriculture, operating factories, and primary occupations. It should be noted that the hour pay in the formal sector is higher than in the informal sector and the gap at the level of women's hour pay widens between the formal and informal labor.

Before the crisis, 33% of workers and their families would have suffered from dire poverty in case they relied on the income generated through their primary and secondary jobs. This percentage reaches 37.6% for informal workers and 24.2% for formal workers, which indicates the suffering of the workers and the tremendous gap between wages and the minimum of acceptable living standards, which worsens in the case of informal labor. The percentage of the workers in dire poverty in the public sector reaches 23.2%, while it scores 27.9% for workers in the formal private sector and 38% in the informal private sector.

Prior to the outbreak of the crisis, the government attempted to tackle the challenge of the informal sector and adopted a program under the supervision of Hernando De Soto, a prominent neoliberal in the field of informal sector, who believes that the initiative takers in the private sector and the young categories chose the informal sector because it is the real market that unleashes their creativity and capabilities. In fact, the project on the informal sector focused on the importance of real estate investment and the project of investing in slums as opportunities for economic growth in Syria, however it failed to tackle work conditions that respect human rights and dignity. In addition, a set of decrees, laws and programs pertaining to the reality of the informal sector were issued, but the needed institutional reforms to implement them efficiently and effectively while guaranteeing the unbiased right to decent labor were overlooked.

Civil society associations did not play a noticeable role in combatting the phenomenon of informal labor by pushing public policies and practices in the public and private sectors towards providing decent jobs. Their role was limited to shedding light on phenomena related to informal labor such as child labor. It should be noted that the crisis diverted the interest of the associations, whether already established or new, to providing humanitarian aid to overcome the crisis' impacts; no margin existed for issues pertaining to informal labor. Moreover, due to their structure and full dependence on public authorities, workers' trade unions and professional unions were incapable of setting their own programs independently from governmental tendencies and focused on the public sector, since workers in said sector constitute the major share of their members.

## INFORMAL LABOR IN SYRIA DURING THE CRISIS

The March 2011 social movement burst in Syria first called for basic freedoms, and was an expression of society reaching unacceptable stages of development in its institutional, economic, social, and political aspects, and a sharp contradiction between the established institutions and society's aspirations and will. The oppressing forces embodied in political tyranny, fanaticism, and local and external extremism played a critical role in the conflict's militarization and the use of bloodstained violence and investment in identity politicization and war economies.

The conflict's intensity, in addition to economic stagnation, spared few job opportunities available for individuals, including opportunities created by the public sector in regions under government control, providing workers' families with an income that helps, even if partially, in combatting the crisis' circumstances and preserving the bare minimum to survive. It should be noted that the public sector labor suffered from numerous obstacles, including a drop in productivity, rise of underemployment rates, regression of public works quality, and deterioration of real income due to remarkable increase in prices. In addition, accessing a government job is not an option for many Syrians who are in need of such an opportunity during the crisis.

The agricultural sector contributed to creating an important safety net for households in the midst of sharp deterioration of income and food sources. It has provided real solutions to many households, despite the exorbitant losses that the farming and agricultural sector endured in terms of infrastructure destruction, pillage of properties, tools and crops as well as obstacles hindering access to markets and royalties and the rise of prices of raw materials such as fuel and fertilizers. However, the relatively good rain season preserved a minimum of production, thus proving to be an important source of household consumption. Subsequently, the possibility of a drought season in the upcoming years would lead to the exacerbation of the already standing food security crisis.

In the crisis environment, the only growing "sector" is violence. Oppressive powers directly recruited many to be involved in military activities, or indirectly through the "organization" of illegal activities such as smuggling, monopoly, looting, pillage, arms trade, and human trafficking. The various internal and external oppressive powers imposed heterogeneous and various work conditions and circumstances, but shared common features in terms of the absence of job opportunities, the lack of decent work conditions, the deterioration of real wages and the spread of the informal services sector. Employment rate dropped to 22.2% at the end of 2015, while the unemployment rate soared to 52.6% in 2015. In comparing between the "continuity scenario," i.e. if the crisis had not erupted, and the "crisis scenario," we conclude that the labor market has lost 3.52 million job opportunity by the end of 2015. This means that 13.8 million Syrians, relying on work for their living, and of whom 9.5 million are still in the country, have lost their livelihoods and jobs.

The crisis denied many Syrians of labor since they were incapable of accessing their workplace, be it in the agricultural, industrial or other sectors. Many Syrians fled their regions, while fighting destroyed production and services facilities. The share of workers in the agricultural and industrial sectors out of the total number of workers dropped, against a rise in the trade and services sectors. The increase in the services sector's workers' percentage can be explained by the presence of a large number of people working in the public sector at a time when other activities related to violence and hostilities have risen. Furthermore, the increase in the percentage of workers in the trade sector could be attributed to the lack of jobs in the productive sectors, which explains the transformation in this sector that does not require steady investment and could be relatively safely established in demographic concentrations.

The crisis and its ensuing circumstances reflected negatively on the participation of women in economic activities who were already vulnerable pre-crisis. The deterioration of the situation resulted in exploiting, targeting, and denying women of work despite the growing economic burdens on households, the loss of many heads of households, and the infringements

of the right to productive decent labor, in addition to the imposition of atrocious economic and societal values.

The majority of regions in Syria have suffered from the loss of large numbers of job opportunities during the crisis, with variations between provinces. The most severe loss was in the provinces of Daraa and Aleppo, where most of the available job opportunities became scarce and limited. The relative rise of opportunities' availability in some regions, such as Deir Al-Zor, Latakia and Idlib, can be explained by the spread of jobs linked to the crisis, such as informal oil exploitation, fuel trading, and the spread of trades in smuggled commodities and arms, in addition to the paid involvement in military actions.

The extent of the spread of these activities vary at the national level and according to the regions and provinces. Data indicate that the most widespread of new activities is the trade in fuel. Despite the spread of this form of trade in most of the Syrian provinces, it reached its peak in Idlib and Hasakah. Smuggling and the sale of smuggled commodities is considered to be one of the new, although illegal, activities spreading during the crisis. The spread of this activity was concentrated in the provinces of Hasakah, Idlib, and Daraa and, to a lesser extent, in the rural areas of Damascus, considered a frontier region witnessing an absolute absence of the rule of law in many of its regions. The activity of selling stolen goods was perceivable in the majority of provinces, especially Homs and Latakia. The crisis led to the emergence of numerous new illegal activities in these regions, although some of them were rare and limited to specific regions. However, the crisis contributed to their expansion. These activities include arms trade, artifacts smuggling, looting, prostitution, forced labor, and slavery.

These illegal activities negatively impact society's cohesion and morality, hinder the tendency to find a productive job, and generate a network of interests that benefits from the crisis' continuity and exacerbation. The percentage of individuals involved in illicit activities as a result of the crisis reached 17% of the economically active population in Syria. This is a high percentage reflecting the extent of the spread of economic violence directly connected to and resulting from the crisis. Nonetheless, other activities emerging during the crisis were civil and legal; they constituted an attempt by the society to adapt to the circumstances of the crisis. These activities also reflected individuals and societies' capacity to deal with crises and overcome them. During the crisis, many societal forces and initiatives emerged to support the population and help people overcome the effects of the crisis, insuring for many the technical and educational training necessary to enter productive activities. However, their role remained limited in the midst of the crisis' continuousness and the control of oppressive forces.

The crisis led to numerous changes and a large disfiguration of the labor market in terms of the number of workers and the nature of the economic activity, with a noticeable share of it linked to an economic crisis. The new activities represent the amplification of informal and criminal labor at the expense of the formal labor. In fact, government jobs' incomes fell under the line of dire poverty, even though the government continued to pay the salaries and wages of its personnel. The role of insurance withered as a result of the exorbitant losses in lives and properties, unsuitable work conditions, and regression of public revenues. Thus, formal labor is largely absent in Syria.

The conflict concealed decent labor to a large extent, and many opportunities in the formal sector lost their privileges, including legal privileges, compared to the informal sector; as a consequence, the line separating between the formal and informal sector has faded and become irrelevant. The crisis and

its circumstances resulted in the regression of work value and the consolidation of the income's importance, regardless of the nature or type of labor, leading to the qualitative fragmentation of human capital and building a system of individual interests owning power, based on monopoly, by way of using those surrounding it to promote its authority's sustainability and control.

The mechanism to elaborate an outlook of labor and informal labor depends on the numerous scenarios of the Syrian crisis resolution. However, the content of this vision does not change, since developing decent job opportunities requires a comprehensive development strategy targeting economic wellbeing, social justice, widening the scope of options, capacity building in the framework of real participation in decision and policy making by transparent, effective and inclusive political institutions. Following the catastrophic results of the crisis, this requires reviewing the social contract, developing the official and unofficial institutional structures by expanding participation and public dialogue, enshrining the respect of humans and their rights, all of which cannot be done via totalitarian or extremist institutional structures.

Economic participation is correlated with political participation, and both are based on rights of citizenship and equal opportunities to all. This would require the establishment of institutions encouraging productive and decent labor, providing the adequate environment, expanding participation in policy making, protecting the right to organize and societal dialogue, protecting workers' rights, and developing the system of positive and negative incentives to dismantle the structures of exploitation and marginalization. Institutional structures require a development of the legislative structure in terms of guaranteeing an adequate environment suitable for work and economic participation, in addition to valorizing productive labor, paid or unpaid, and humanitarian protection of all, whether working or not.

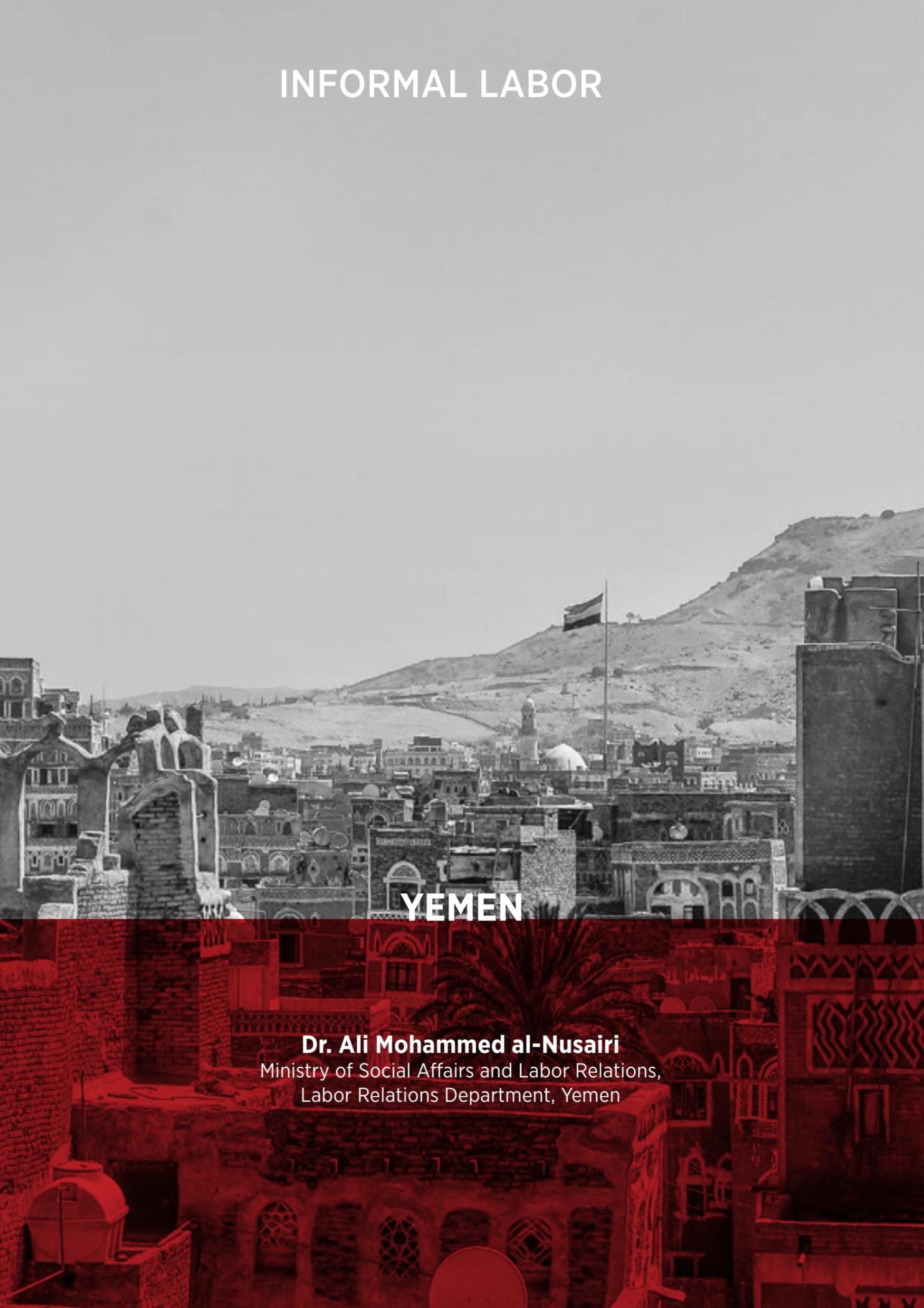
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# INFORMAL LABOR



YEMEN

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The national report on the phenomenon of labor (female and male workers) in the informal sector in the Republic of Yemen will be included in the 3rd Arab Watch Report on economic and social rights, through which the Arab NGOs Network aims to analyze and diagnose the reality and development of informal labor in the Arab region, including Yemen. This report monitors the various national policies governing this informal and unprotected sector, which did not receive the essential attention of these policies and the development programs and projects, despite the prominence of the role it plays, its growth in the last few years and the countless demands calling for structural reforms to develop and improve the sector's performance. Today, this sector practically competes with the public and the private sectors in terms of its capacity to absorb and embrace female and male workers outside the public and private sectors, who were suspended or laid off because of the political and economic crises, and the events ensuing from conflicts and war.

Male and female informal workers and their families are not covered by legal and social protection policies to which they are entitled, as part of the social security programs adopted by the government in its public policies. They are not covered by any qualitative law providing all guarantees, benefits and privileges, since they are not officially registered among the overall labor force, except for the general surveys, statistical surveys or specialized qualitative statistical surveys, or in the demographic statistics that only reveal a fragment of data and statistical indicators. These indicators are not based on gender considerations, which diminishes their effectiveness and value. In fact, these indicators could support the relevant stakeholders in drafting employment policies to serve this category of male and female workers in the informal labor. Informal workers typically practice limited investment activities, or work in small and micro enterprises, in the family business, as employees, or self-employed, all earning a modest income and a symbolic wage. This activity is governed by local market policies correlated with the unstable political, economic, and security conditions. It aggravates in times of war, armed conflicts, and fighting between the different conflicting parties, as is the case today in many Arab countries, including Yemen. Thus, many of these male and female workers face layoffs, total or partial unemployment, and different forms of arbitrariness and exploitation, especially employees, since the relation between the employer and the employee is not covered by any labor code shaping this relation and ensuring their economic and social rights. In fact, women in this regard are more vulnerable to exploitation, embezzlement, violence and discrimination. Women's ordeal becomes more pressuring when facing sexual harassment, abuse or rape perpetrated by the employer. However, the most dangerous issue is when employers in this sector hire children under the working legal age, putting them in the face of all types of violence and exploitation, since no laws were adopted to protect them from doing such jobs. The working-age population in Yemen (15 years old and above) reached around 13,400,000 Yemenis in 2014-2013. The percentage of men scored a little over half of the total population, around %50.8 of a population of 26687000, based on the survey of 2015, with an annual population growth rate of %3.7. The labor force survey of 2014-2013 confirmed that around half of workers are employees and almost %42.2 are either self-employed or contributing family members. The labor force was intensively concentrated in the services sector with %55.6, especially trade with %22.7 and public administration with %12.7. Agriculture contributed to %29.2 of the overall number of workers, compared to %14.5 for the industrial sector. The general unemployment rate reached %13.5, soaring in the case of women with %26.1 compared to %12.3 for men. Youth unemployment rate reached %25.3, twofold the average

unemployment rate on the national level. Given the absence of statistical indicators relevant to this sector, it is difficult to uncover the size of development, measure the annual growth of informal male and female workers, to enable the relevant government institutions to direct the work course, draft public policies, especially the informal labor employment policies, that are usually neglected and undoubtedly marginalized in similar policies. These indicators would also enable developers to draft economic, social and development programs and projects. We can determine the growth of the informal labor by presenting certain facts and indicators contributing to the expansion and growth of the sector, represented by the following:

- The government's inability to provide employment opportunities for male and female job seekers.
  - The Yemeni government's implementation of privatization policies targeting successful economic institutions, turning them to the private sector. An important percentage of the labor force has been laid off, especially female workers, given the absence of organizing laws protecting these male and female workers.
- The researcher tackles 8 case studies in this report, through which he attempts to analyze and diagnose every case, reaching the results and characteristics common to these male and female workers. The researcher concludes that they share the following attributes, characteristics and circumstances:
- They are the less educated and underprivileged.
  - Male and female workers live in poor neighborhoods and regions.
  - These workers lack social and legal protection services and family protection programs for themselves and their family members.
  - Workers in the sector tend to have higher birth rates and higher fertility rate.
  - Dependency rates are high among its members.
  - Education, ration, and health programs are out of reach.
  - Employees in this sector do not benefit from health insurance services in case of work injury.
  - They do not receive social security services.
  - They do not receive free medical services.
  - They do not get a pension after retirement.
  - They do not get sick leaves.
  - Workers are subject to layoffs and arbitrary suspension from work.

The Yemeni government took interest in drafting public policies to support male and female workers in the public and private sectors as part of a package of development programs, plans, and projects, especially at the legal level. The government issued laws organizing this kind of labor, but at the same time did not award workers in the informal sector – a vital and prominent sector – the same level of importance it granted the other two sectors. More dauntingly, this sector did not figure among the government's priorities. For example, the Yemeni government adopted some policies of limited impact on these categories, by establishing the social safety network program, as part of the National Poverty Reduction Strategy (PRSP) policies. The government has set the priority components of this network, comprised of the following:

- Programs and projects funded by foreign donations.
  - Programs and activities of the various government agencies.
- Yemen is generally characterized by its rural and agricultural aspect, with %75 of the population concentrated in rural areas. In addition, the Yemeni society is considered young, since %53 of the total population fall in the age group ranging between 0 and 15 years old, while the age group of over 65 years old constitutes %3.5 of the population, indicating high rates of dependency. This is considered a burden assumed by the labor force that represents %32 of the total population, while

the annual growth rate of the labor force is %4.6, exceeding the population growth rate, hindering policies in the area of employment and the creation of job opportunities. The private sector dominates the agricultural activity and still employs %53 of the labor force. In addition, over %75 of the rural population depends on the agricultural sector and its related activities. The private sector still controls the greater share of trade, hotel and restaurant sectors. The working-age demographic categories as a whole (15 years old and older) are comprised of the main working-age categories (15 to 64 year olds) and the elderly category (65 years old and older). Based on the labor force survey, 2014-2013, the number of working age Yemenis reached 13378000, of which 4850000 were part of the labor force. This figure clearly indicates that the participation rate in the labor force, reaching %36.3, is in great decline according to international and regional standards. The international rate for participation in the labor force according to estimations and projections of the International Labor Organization (ILO) on economically active population reached %64.3, and %50.4 for Arab states in 2013. The rate of women participation in the labor force, as measured by the labor force survey, reached %6.0. This number is dropping compared to the regional average of Arab states, which scored %20.5 in 2013. It is also in decline compared to the estimated rate for Yemen in %25.9) 2013), published as part of the estimations and projections issued by the international Labor Organization. The highest rate of women participation is concentrated in private sectors. The highest percentages in the Household Budget Survey of 1998 reached %93.07. This percentage is lower in the Labor force survey of 1999, scoring %75.0 and reached %63.3 in the 2004 survey. According to the 6th National Report on implementation of CEDAW in 2006, the number of women at the age of economic activity (15 years and older) reached 4441000, constituting around %50 of the total economically active population. Nonetheless, the percentage of women in the labor force scores %17 in the urban areas, especially in the services sector, and in the socially more acceptable fields such as education, pedagogy and health. Child labor represents a taunting issue, since it subjects children to economic exploitation, dangers of physical injuries, and negatively impacts their education. This is different from the term "working children" usually specifying children between 5 and 11 years old, participating in unpaid domestic labor, which does not hinder their education. The term "child labor" signals the conditions forcing small children to work under legal provisions or hazardous labor. Informal labor attracts a large share of child labor, usually children between 6 and 14 years old. According to the results of the National Child Labor Survey of 2010, children between the ages of 5 to 17 years old constitute %34.3 of the Yemeni population, numbering 7.7 million. Of this children category, 1614000 children are workers. The rate of open unemployment, on the rise since the end of the eighties, did not pass the %11.9 benchmark in 2000, while it reached %35 in 2008. The rate of participation in the labor force in Yemen scored %36.3 only. Around %14 of the population in the labor force are unemployed, especially the 15 to 24 years age category.

The labor force survey 2014-2013 indicates that 653000 Yemenis do not work. In contrast, the unemployment rate on the national level reaches %13.5. The unemployment rate of women is twofold that of men (%26.1 against %12.3). At the level of educational attainment, data reveals that the unemployment rate reaches its peak among the receivers of secondary education with %17, and its lowest rate in the ranks of receivers of basic education with %12. As for individuals who have completed post-secondary education, the unemployment rate is mildly higher than the national average, scoring %15 against %13.5. Many Yemenis, incapable

of landing decent work with sufficient income, seek to earn a living through self-employment or as workers in the informal sector. It is possible to broadly describe the informal labor as a sector comprised of units producing commodities or services whose primary objective is to provide labor and income to the concerned individuals. Despite the positive aspects of informal labor, it nonetheless has more damaging negative aspects on the national economy and the rights of workers.

Civil society organizations are considered the main pillar to support the rights and benefits of workers. These are union associations aiming to defend the legitimate rights of workers, with the purpose of promoting these rights, unifying workers stance, and ensuring the homogeneity of their tendencies and ideas. It is a social category-based association of a certain community pattern characterized by a certain manner of thinking and working, to achieve common interests of the members of the worker community. It is possible to say that these organizations and unions do not enjoy the same level of interaction and efficiency in dealing with rights causes and the vital interests of informal workers. These workers' trade unions and associations were unable to achieve the desired interaction with workers in the informal sector, because they did not establish a comprehensive institutional environment, such as ensuring the appropriate capital to manage and guide labor, build the organizational and planning roadmap in their administrations in addition to other elements that could have contributed to encouraging voluntarism in these organizations and unions. This problematic is one of the fundamental obstacles hindering the interaction between these workers' organizations and unions as well as the male and female workers in the informal sector.

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