

# Khalid Abu Ismail & Shaza G. Al Jondi\*

## *Poverty and Decent Work in the Arab Region: Where Do We Stand?*<sup>1</sup>

### **I. Introduction**

Freedom from extreme poverty and hunger is a key human right. It forms an important component of the synergistic set of factors that influence overall human poverty and assumes a critical role in cementing social cohesion and harmony, thus accelerating nation building, and strengthening political stability. Furthermore, decent work (DW), a concept introduced by the International Labour Organization in 1999 and defined as *opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity* is also essential for a fair globalization and reduction of poverty<sup>2</sup>. In acknowledgement of these facts, the first Millennium Development Goal (MDG) aims to halve extreme poverty, achieve full employment and decent work, including women and young people and reduce hunger.

Progress made by the Arab region with regards to the first MDG requires close consideration. According to the Third Arab Report on the MDGs 2010, Arab countries are on track with respect to halving the proportion of people living below \$ 1.25 a day, i.e the poorest of the poor. Moreover, using this threshold, poverty is remarkably less widespread in the Arab region (less than 5 per cent in 2005-2009) compared to other developing regions. However, when this global target of \$ 1.25 a day is replaced by higher poverty base lines (\$2.00 or \$2.75) or by the national poverty line, which is a more appropriate measure of poverty in the region, poverty rates increase by a considerably higher margin in the Arab region, compared to any other developing region; and many

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\* Khalid Abu Ismail, Poverty and Macroeconomics Policy Adviser at the UNDP Regional Center in Cairo and Shaza G. Al Jondi, UN Reform Analyst at the ILO Regional Office for Arab States.

<sup>1</sup> This Background Paper provides an updated overview of the progress made by the Arab region with regards to the first Millennium Development Goal (MDG1). It was prepared based on Chapter 1 of the Third Arab Report on the Millennium Development Goal 2010 and two of the background papers for the UNDP Second Arab Development Challenges Report 2011, namely: *Towards more Sensible Poverty Measurement*, Khalid Abu-Ismaïl, Racha Ramadan, and Gihan Ahmed and *Employment, Vulnerability, Social Protection and the Crisis of Arab Economic Reforms*, Khalid Abu-Ismaïl, Gihan Ahmed, Jennifer Olmsted and Mohamed Moheiddin. It will be jointly presented at the Doha Forum on Poverty Reduction and Decent Work, 25-26 November 2011 by Khalid Abu Ismail and Shaza G. Al Jondi. This Paper should not be reported as representing the views of the ILO and UNDP. The views expressed in this Paper are those of the author(s) and do not necessarily represent those of the ILO and UNDP or ILO and UNDP policy. Background papers prepared for this event are made available to participants to elicit comments and to further debate.

<sup>2</sup> Achieving full, productive and decent employment, particularly for women and youth was adopted as an additional target under MDG 1 during the UN MDG+5 World Summit in 2005.

Arab countries appear to be off-track. This suggests that poverty – as measured by the international poverty lines – is very shallow in the Arab region, i.e. a significantly higher share of the population is clustered not far above the \$1.25 line, making it more vulnerable to economic shocks and other crises. Moreover, the region lags behind in the target of halving hunger.

Likewise, the region is lagging behind all other regions with regards to the indicators of target 1b, namely achieving full, productive and decent employment, particularly for women and youth. Despite the impressive growth rate in employment of 3.3%, and the consequent upward shift of employment to population ratio from 44.2% to 46% between 1991 and 2009, the Arab region is still characterized by the lowest employment-to-population ratio in the world. While women have benefited more from the rise in employment, the gender gap in employment-to-population ratio in the Arab region is still the widest among developing countries.

Given the low employment-to-population ratios, it is not surprising that unemployment is a major development challenge in most Arab countries. Indeed, the Arab region continues to have the highest unemployment rates in the world (9.8% in 2006-2009 versus 6.2% for developing regions), which is slightly lower than during the 1990s (12%). Progress on this front has only been remarkable in the Maghreb countries since it is the only sub-region which has managed to significantly reduce unemployment.

Arab Youth (15-24) comprising the largest demographic category (20% of the population) are disproportionately affected by unemployment. Indeed, youth unemployment based on estimates derived from ILO and UN data reached 24% in 2005-2008 (more than double the world average of 11.9%) making up more than 50 per cent of the total Arab unemployed.

Creation of employment is clearly necessary but not sufficient to achieve target 1b. This target encompasses the holistic concept of decent work and its four inseparable and mutually supportive objectives, including creating employment, extending social protection, respecting standards and rights at work, and promoting social dialogue. Arab countries have experienced a systemic expansion of informal employment, which by itself is a powerful sign of increased vulnerability and exclusion from decent work. If one takes into account the declining quality of jobs on offer, it is clear that the region has not managed to win the struggle for decent jobs. Arab women in particular bear a significant share of the brunt of vulnerable employment. The share of women in non-agricultural employment is extremely low. At less than 20 percent, it is lowest amongst developing regions.

This paper will focus on the progress made by the Arab region with regards to MDG 1. Following the sequence in the AMDGR, It will start by presenting the achievement of the region as a whole on each of the targets and corresponding indicators. In doing so, it will highlight sub-regional disparities and compare between the performance of the various

sub-regions and countries depending on data availability. It will end by key conclusions that form the basis of policy recommendations<sup>3</sup>. Given the context of the Forum for which this paper is being prepared, special focus will be made on employment and decent work both in the diagnosis and the conclusions and recommendations.

#### **Box 1 Targets and Indicators of MDG 1**

MDG 1 Goal Eradicate extreme poverty and hunger
<b>Target 1a: Reduce by half the proportion of people living on less than a dollar a day</b> 1.1 Proportion of population below \$1 (PPP) per day 1.2 Poverty gap ratio 1.3 Share of poorest quintile in national consumption
<b>Target 1b: Achieve full and productive employment and decent work for all, including women and young people</b> 1.4 Growth rate of GDP per person employed 1.5 Employment-to-population ratio 1.6 Proportion of employed people living below \$1 (PPP) per day 1.7 Proportion of own-account and contributing family workers in total employment
<b>Reduce by half the proportion of people who suffer from hunger</b> 1.8 Prevalence of underweight children under-five years of age 1.9 Proportion of population below minimum level of dietary energy consumption

## **II. Overview of progress of the Arab region on MDG1**

**Target 1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day**

### ***Indicator 1.1: Proportion of population below \$1 (PPP) per day***

The region as a whole and all sub-regions are on track with respect to halving the proportion of people below \$1.25-a-day<sup>4</sup>. It should be noted at the outset that an accurate and up to date assessment of expenditure-based poverty for the Arab region is very difficult to attain, due to the paucity of data and other constraints. However, and despite data limitations, there is sufficient evidence to suggest that poverty has declined (when using the \$1.25 per day measure).

Progress has been achieved in all sub-regions: most notably In the Mashreq, which is close to achieving Target 1A (Figure 1.1A). It is the Arab LDCs, however, that recorded

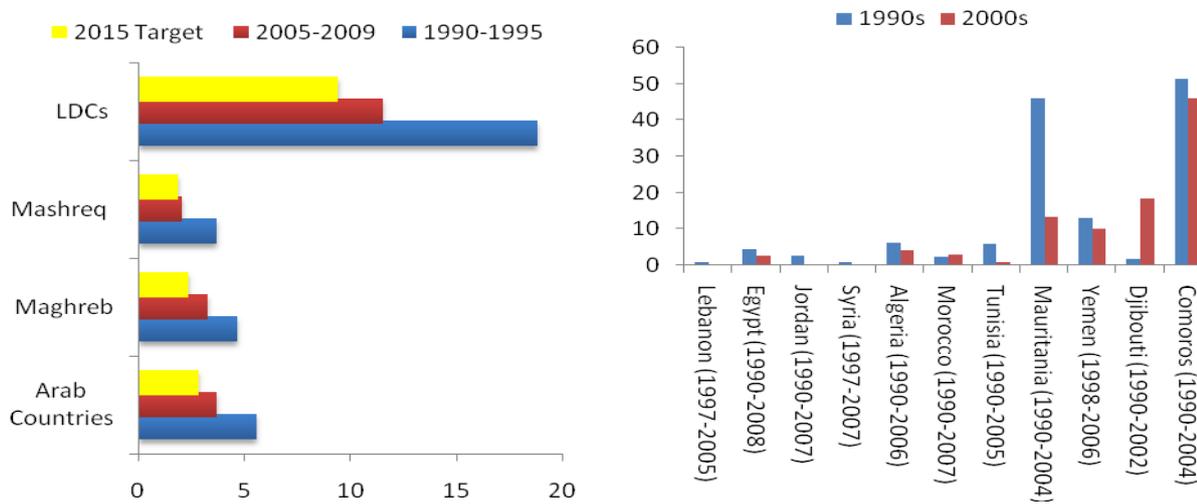
<sup>3</sup> For a detailed set of recommendations on the way forward to accelerate progress on MDG1, please refer to Chapter 1 of the Third Arab MDG Report and the two background papers referred to on page 1 of this paper.

<sup>4</sup> Prior to the latest ICP for 2005, the main international poverty line was \$1.08 a day at 1993 PPP. The new ICP price data for 2005 indicate that the cost-of-living is higher in developing countries than was thought. There are also a great many more household surveys available for measuring living standards. Accordingly, the international benchmark for extreme poverty was adjusted to 1.25 dollars per day.

the most remarkable reductions. These can be mainly attributed to poverty reduction efforts in Yemen and Mauritania up to 2006 (Figure 1.1B). Figure 1.1A also reports the poverty rate for the Arab region based on the \$1.25 poverty line, which was just below 4% before the crisis. This is very low compared to other developing regions. This is corroborated by Figure 1.2 where the region ranks, along with the Transition Economies of Eastern Europe and Central Asia (EE&CIS), as the lowest in the world.

The Arab region has had some success in reducing the proportion of the poorest of the poor. However, this is dependent on the poverty measure<sup>5</sup>. When using a higher poverty base line, the region's poverty rate dramatically increases from 4 percent to 17 percent. This indicates that poverty – as measured by the international poverty lines – is very shallow in the Arab region, i.e a significantly higher share of the population is clustered not far above the \$1.25 line, making it more vulnerable to economic shocks and other crises. Thus, poverty trends are not homogenous across different poverty lines, as the remarkable progress in poverty reduction observed based on the \$1.25 line is not observed with the \$2.00 and \$ 2.75. This implies that the Arab region has been successful in reducing the proportion of the poorest of the poor only. However, one has to interpret these results with caution particularly in light of the impact of the rise in food prices since 2006 on LDCs, which is expected to have engulfed the bulk of the poverty reduction gained since 1990.

**Figure 1-1: Proportion of people living on less than \$1.25 a day for Arab Countries and sub-regions (A) and by country (B), percentage, 1990-1995 and 2005-2009**



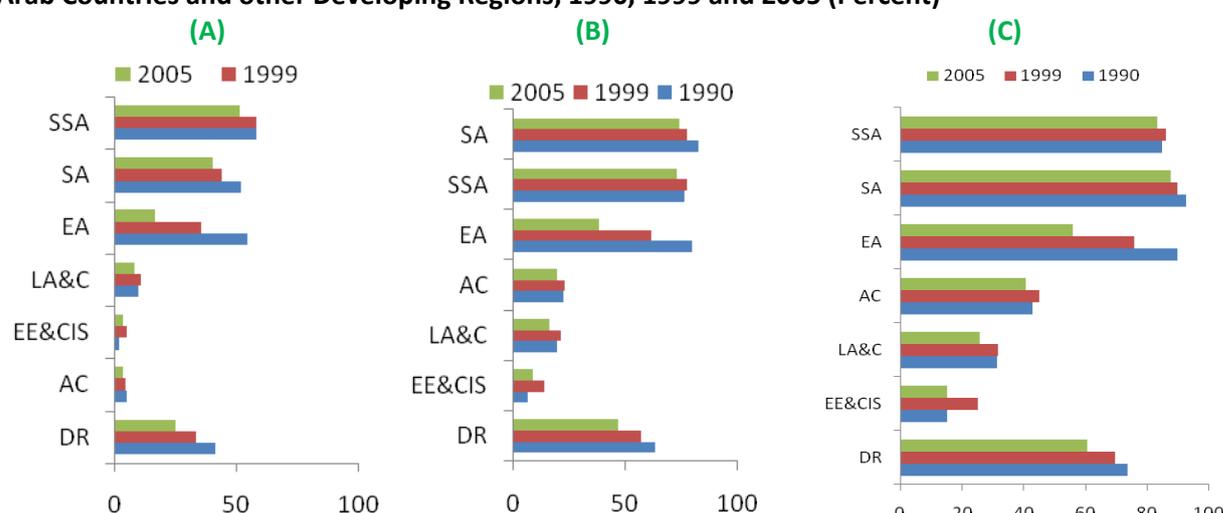
Source: World Bank POVCAL datasets (in 2005 PPP) and

UNDP estimates derived from HIES unit record data.

<sup>5</sup> For a more detailed description of how the Arab region compares to other regions when different poverty lines are used, see **two background papers for the UNDP Second Arab Development Challenges Report, namely: *Towards more Sensible Poverty Measurement*, Khalid Abu-Ismaïl, Racha Ramadan, and Gihan Ahmed**

Notes: Countries included are Egypt (1990 and 2009), Lebanon (1995 and 2005), Syria (1997 and 2007) and Jordan (1990-2005) for Mashreq; Algeria (1995 and 2005), Tunisia (1995 and 2005) and Morocco (1995 and 2005) for Maghreb; and Yemen (1998 and 2006), Comoros (1995 and 2005), Djibouti (1995 and 2005) and Mauritania (1995 and 2005) for LDCs.

**Figure 1-2: Proportion of people living on less than \$1.25 (A), \$2.00 (B) and \$2.75 (C) a day in Arab Countries and other Developing Regions, 1990, 1999 and 2005 (Percent)**



Source: UNDP calculations based on World Bank POVCAL datasets (in 2005 PPP).

The international poverty base lines reported above are of limited use in capturing the reality of extreme poverty in Arab countries. A more relevant measure, relates to locally informed measures of what is a poor income<sup>6</sup> is the proportion of the population under the national *lower poverty line*.<sup>7</sup> Table 1.1, based on most recent poverty assessment reports, reflects this poverty rate and its trend in twelve Arab countries (comprising almost two-thirds of the Arab population).

**Table 1.1: Poverty rates based on national lower poverty lines (1990–1999 and 2000–2009)**

Country	Survey year	Poverty incidence <sup>1</sup>	Number of poor in 1995 (millions)	Survey year	Poverty incidence	Number of poor in 2005 (millions)	Annual change in poverty rate	Annual change in real per capita income <sup>2</sup>
Lebanon	1997 <sup>3</sup>	10.0%	0.4	2005	8.0%	0.3	-2.8%	-0.2%
Egypt	1990	24.1%	15.3	2009	21.6%	16.6	-0.6%	2.3%
Jordan	1990	15.0%	0.6	2006	13.0%	0.7	-0.8%	4.3%
Syria	1997	14.3%	2.1	2007	12.3%	2.3	-1.5%	1.2%
Palestine	1998	20.3%	0.6	2007	34.5%	1.2	4.1%	-2.3%

<sup>6</sup> The observed pattern is that locally-defined lines for poverty-level income rise with per capita GDP.

<sup>7</sup> The lower poverty line is defined as the value of the basket of goods and services which is equal to the cost of the food bundle that can afford the minimum energy intake per day, plus a minimum allowance for non-food expenditure which is equal to the average spending on such items by households whose total expenditure is no more than the value of the minimum food requirements.

Mashreq		21.4%	18.9		19.4%	21.2	-0.7%	1.9%
Algeria	1994	14.1%	4.1	2006 <sup>4</sup>	5.6%	1.8	-7.4%	1.0%
Morocco	1990	13.1%	3.5	2007	9.0%	2.7	-2.2%	1.5%
Tunisia	1990	7.0%	0.7	2005	3.8%	0.4	-4.0%	3.8%
Maghreb		12.7%	8.3		6.8%	4.9	-4.8%	1.6%
Mauritania	1996	50.0%	1.1	2004	46.7%	1.4	-0.8%	0.1%
Yemen	1998	40.0%	6.2	2006	34.8%	7.3	-1.7%	1.9%
Djibouti	1996	34.5%	0.2	2002	42.2%	0.3	3.4%	5.8%
Comoros	1995	47.0%	0.2	2004	37.0%	0.2	-2.6%	1.8%
LDCs		41.2%	7.7		36.4%	9.3	-1.5%	1.8%
Arab Region		20.3%	34.9		17.1%	35.4	-2.2%	1.8%

Source: UNDP estimates based on data compiled from, UNSD, UNDP and LAS (2009), World Bank online database; World Bank and UNDP poverty assessment reports, and National Statistical Offices.

Notes:

<sup>1</sup>For all countries, the cost of basic needs approach to the estimation of food poverty lines is used, where the food baskets reflects the consumption pattern of the poor. The estimation of the non-food component by Engel curves gave rise to lower and upper poverty lines. However, it was not possible to verify whether the poverty studies for Algeria and Morocco in 2006 and 2007, respectively, had applied poverty estimation methodologies that are consistent with those used in other countries.

<sup>2</sup>Average annual growth in real per capita household consumption calculated over the period between surveys based on \$US constant 1990 prices.

<sup>3</sup>UNDP estimate based on 1997 income survey.

A distinctly different picture emerges based on this definition of extreme poverty. The results (based on Household Income and Expenditure Surveys (HIES) undertaken during the period from 2000–2009) show the weighted average rate of poverty for the countries in the sample was 18.2%, which is slightly lower than that for the 1990s (20.3%). As in the case with the \$2.00 lines there has been little change in poverty; the average annual reduction in the poverty rate for the region over the period from 1990s to 2000s was only 2.2%. Poverty in the Arab LDCs is nearly twice the average for the region (at 36.4 in the 2000s). It is noteworthy also that the rate of poverty in the Mashreq sub-region in the mid 2000s is 19.4%, which is more than double that in the Maghreb (6.8%).

Given the relatively slow pace of poverty reduction, it would be reasonable to expect that real per capita growth in household consumption expenditure has also been quite low. However, data from national accounts reveal that this is not the case: as the annual per capita growth rate for the region was 1.8%. This is quite impressive given the high population growth rates. However, there is a wide variety in sub-regional experiences. In the Mashreq regions, poverty declined at a slow pace of 0.7% annually despite achieving the highest average annual growth in per capita consumption (1.9%). The Arab LDCs were more successful as poverty declined at an average annual rate of 1.5% despite the slightly lower growth in per capita consumption (1.8%). On the other hand, the Maghreb countries managed to achieve a significantly higher rate poverty reduction (of 4.8%) with

a slower annual consumption growth rate of 1.6.<sup>8</sup> This suggests that the poverty reduction is significantly more responsive to growth in the Maghreb countries than in the Mashreq countries.

Notwithstanding the success of the Maghreb countries, the general picture (as measured by the national lower poverty line) suggests that extreme poverty is still both visible and persistent, affecting nearly one person in five. Moreover, with the exception of those countries where post-2006 HIES data exists, these results do not capture the impact of the food, fuel and financial (FFF) crises. The picture worsens dramatically when evaluating the scale of overall poverty defined as the share of population beneath the national upper poverty line (approximately \$2.75 PPP for MICs and \$2.4 PPP for the LDCs).<sup>9</sup> Using this definition, the overall poverty rate for the region reaches approximately 39% and the rates for the Mashreq, Maghreb and the LDCs are 38.4%, 27.3% and 59.2%, respectively (UNDP, 2009).

At the sub-national level, poverty in Arab regions is heavily concentrated in rural areas. In 2005, the rural population of the Arab countries represented about 41% of its total population, or some 130 million people. As noted by the AHDR (2009), the majority of this rural population (94%) is distributed among the lower-middle income groups. One would therefore expect to find significantly higher rates of poverty in rural areas. Indeed, this hypothesis is confirmed by the data in Table 1.2, which reports the most recent poverty headcount and poverty gap indices for rural and urban areas (using the national lower poverty line for seven Arab countries). The rural-urban divide is highest in Tunisia, followed by Morocco, Egypt and Yemen where the ratio of rural to urban poverty is 4.9, 3.0, 2.9 and 1.9, respectively. Moreover, the poverty gap ratio, which measures the average distance separating the poor from the poverty line, is evidently higher in rural areas of all Arab countries in the sample where this data is available.

In Yemen (and more recently in Sudan) the considerable increase in oil revenues since the 1990s has provided a window of opportunity to reduce sub-national disparities and thus, pave the way to break out of the vicious cycle of poverty and instability. However, benefits from this opportunity are accruing disproportionately between rural and urban areas. According to data in Table 1.2, urban areas were the primary beneficiaries of the oil-led growth during the period from 1998–2007 in Yemen. This resulted in the widening of the rural and urban poverty gap from 1.3 to 1.9. Thus, an existing rural-urban divide has been exacerbated by oil-led growth.

The trend is also reflected in the middle-income countries of the Mashreq. In Syria, where oil discoveries fuelled economic growth during the 1990s and into the 2000s, rural-urban

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<sup>8</sup> It should be noted that the difference between growth rates of private consumption derived from national accounts and those derived from the household surveys can be quite substantial in some cases.

<sup>9</sup> The upper poverty line is defined as the value of the basket of goods and services actually consumed by households whose food and energy intake is equal to the minimum requirement per person per day.

disparities widened (though by a lesser margin than in Yemen). In fact, using the yardstick of the upper poverty line, rural areas in Syria were slightly poorer in 2007 than they were in 1997. In Egypt, where the rural-urban divide is highest in the Mashreq, the ratio of rural to urban poverty and the rural poverty rate increased significantly over the period of 2000–2009. This suggests that recent economic reforms have had an adverse impact on rural populations. Importantly, this not the case for all Mashreq countries as both rural and urban poverty reduction in Jordan have been quite substantial over the period from 1997–2002.

**Table 1.2: Poverty rates and poverty gap ratio (%) using the lower national poverty line for Selected Arab countries, Rural and Urban, 2000–2009**

	Urban		Rural		National		Ratio of rural to urban headcount Index
	Headcount Index (%)	Poverty gap (%)	Headcount Index (%)	Poverty gap (%)	Headcount Index (%)	Poverty gap (%)	
Egypt (2000)	9.2	1.7	22.1	3.9	16.7	3.0	2.4
Egypt (2009)	10.1		28.9		21.6		2.9
Jordan (1997)	19.7	4.8	27.0	7.2	21.3	5.3	1.4
Jordan (2002)	12.9	2.9	18.7	4.7	14.2	3.3	1.4
Syria (1997)	12.6	2.3	16.0	3.5	14.3	2.9	1.3
Syria (2007)	9.9	1.5	15.1	2.6	12.3	2.0	1.5
Palestine (1998)	17.3	4.8	18.3	4.6	20.3	5.5	1.0
Palestine (2007)	33.1	8.8	30.3	8.7	34.5	9.8	0.9
Yemen (1998)	32.3	8.7	42.5	13.1	40.1	12.1	1.3
Yemen (2006)	20.7	4.5	40.1	10.6	34.8	8.9	1.9
Algeria (1995)	9.0		19.0		14.1		2.1
Algeria (2006)	3.4		9.6		5.6		2.8
Tunisia (1990)	3.3	0.7	14.8	3.2	7.9	1.7	4.5
Tunisia (2000)	1.7		8.3		4.1		4.9
Morocco (1990)	7.6	1.5	18.0	3.8	13.1	2.7	2.4
Morocco (2007)	4.8		14.5		9.0		3.0

*Source:* UNDP estimates based on data compiled from World Bank and UNDP poverty assessment reports.

*Notes:* Results are reported based on the national lower poverty lines.

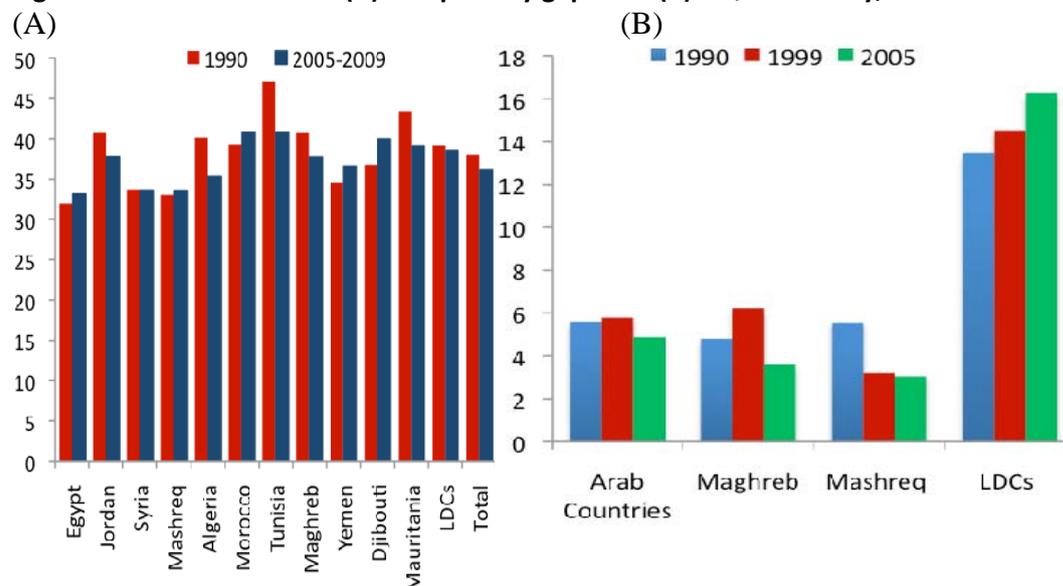
Since the 1990s, the trends in Maghreb present a varying picture. Although all Maghreb countries have witnessed significant reductions in rural poverty, urban poverty has fallen at faster rate in Morocco and Tunisia, subsequently raising the ratio of rural to urban poverty within these countries. Algeria, on the other hand, experienced the exact opposite

trend during the 1990s. Therefore, although significant rural poverty reductions in the Maghreb countries have taken place, recent development experiences have in most cases widened the rural–urban poverty divide, producing a mixed bag of results.

**Indicators 1.2 and 1.3: Poverty gap ratio and the share of poorest quintile in national consumption**

Both economic growth (changes in real per capita consumption expenditure) and changes in the inequality of the distribution of consumption expenditure have an effect on poverty trends. Thus, any change in poverty over time has a growth component and a distribution component: if a country experiences both economic growth and a decline in inequality, it can be assured of reduced poverty. Otherwise, the impact on poverty will depend on the relative strength of growth compared with inequality indicators.

**Figure 1.3: Gini coefficients (A) and poverty gap ratio (B) at \$2.00-a-day, 1990 and 2005–2009**



Source: UNDP estimates based on data compiled from World Bank, POVCAL; UNDP and LAS (2008); and World Bank and UNDP poverty assessment reports.

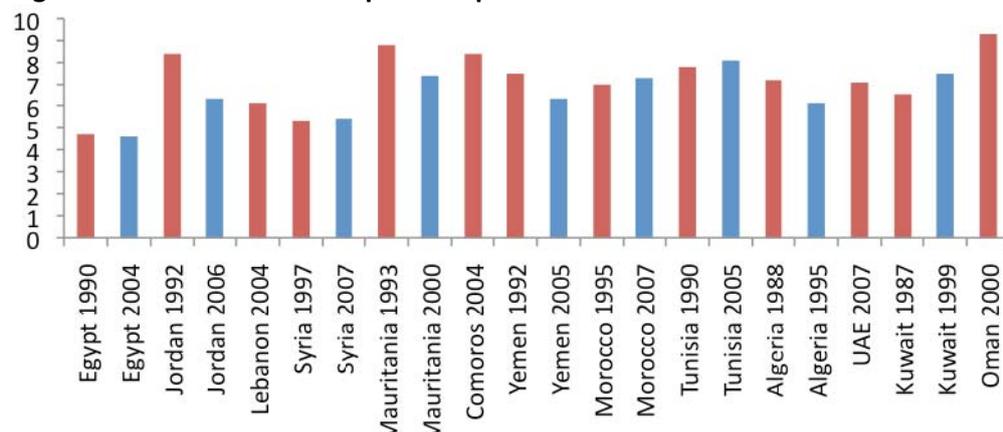
Notes: Gini coefficients are weighted by GDP shares.

With minor changes in poverty and growth witnessed for the Arab region, it is therefore expected that inequality did not change significantly. This is broadly confirmed by the trends based on the most recent available expenditure inequality data. As Figure 1.3A above reveals, only a slight change in the distribution of expenditure was detected for the majority of the nine Arab countries over the period from 1990 to 2005–2009. The GDP-weighted Gini coefficient for the region declined from 38.3 to 36.1. This suggests the region has an overall medium level of inequality compared with other countries (the global average is approximately 36).

The magnitude of the task of poverty eradication is determined not only by the number of poor people worldwide, but also by the poverty gap (i.e. how far below the poverty line do they fall). As in the case of the Gini, against a poverty line of \$2.00-a-day, the poverty

gap fell very slightly between 1990 and 2005 for the region and in all regions except the LDCs (see Figure 2.3B). Figure 2.4 shows the ratio of the expenditure of the highest to lowest quintiles, for a different set of countries, including three Gulf Cooperation Council (GCC) countries and its change since the early 1990s. The data corroborates the above mentioned conclusion regarding the sluggish movement in inequality, with the notable exception of Jordan, and to a lesser extent, Mauritania.

**Figure 1.4: Ratio of richest to poorest quintile**



*Source:* As reported in Bibi and Nabli (2010), the sources are World Bank estimates except for Lebanon which is from El-Laithy, Abu-Ismaïl and Hemdan (2008), United Arab Emirates which is from Bibi and El-Lagha (2009), Syria which is from Abu-Ismaïl and El-Laithy (2009), Kuwait and Oman which are from Ali (2003).

**Target 1.B: Achieve full and productive employment and decent work for all, including women and young people**

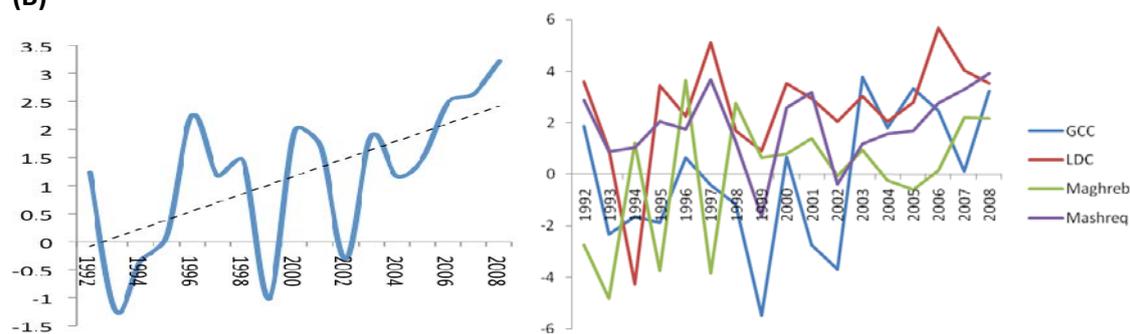
The Arab region lags behind all other regions in indicators of full, productive and decent employment, particularly for women and youth. Gains in female education have not translated into rapid improvement in the female labour market participation and improvement has been modest. Indeed, women in Arab countries continue to experience the poorest labour market outcomes in the world, whether in comparison with Arab men or in comparison with women in other regions.<sup>10</sup> On youth, the evidence on the labour market shows that due to demographic trends, youth share of the labour market is growing. This is a demographic dividend because it results in having a lower dependency ratio within the population. However it also shows that the youth share of total unemployment is growing and that it will require higher growth to even maintain current high unemployment levels.

<sup>10</sup> Thematic brief on **Gender equality in the world of work in Arab countries** prepared by Simel Esim, Senior Gender Specialist.

### ***Indicator 1.4: Growth rate of GDP per person employed***

As argued by UNDP and LAS (2008), high dependence on oil revenues expose the Arab economies to the vagaries of international oil markets, especially those with low manufacturing sector capacities. Consequently, for most of the last three decades, economic growth has been highly erratic (Figure 1.5A and B) where increases in GDP per person employed, are not strongly tied to increases in labour productivity in non-oil sectors, but to the increases in oil revenues and oil sector contribution to GDP.

**Figure 1.5: Growth rate in GDP per person employed, 1992 to 2008, region (A) and sub-regions (B)**



Source: UNDP estimates based on ILO KILM online dataset.

### ***Indicator 1.5: Employment-to-population ratio***

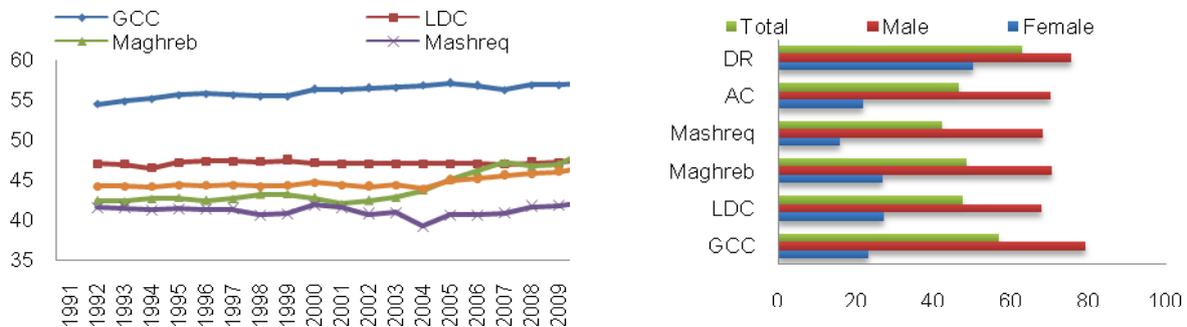
The most important indicator of full and productive employment is the employment to population ratio, which is defined as the proportion of a country's working-age population that is employed. A high ratio means that a large proportion of a country's population is employed, while a low ratio means that a large share of the population is not involved directly in market-related activities, because they are either unemployed or (more likely) out of the labour force altogether (the indicator typically falls between 50% to 75%).

The Arab region experienced an upward shift in the employment-to-population ratio from 44.2% to 46% between 1991 and 2009. This is mainly due to an impressive average annual employment growth rate of 3.3%, led by the growth rate of employment in GCCs at 3.9%. Yet, this ratio still stands as the lowest in the world. Women have benefited more from the rise in employment with an average annual growth of 4.4% compared to 3% for men. This has somewhat reduced the gender gap in the Arab employment-to-population ratio. Yet the gap is still the widest among developing countries and far more Arab women continue to be out of the labour market than men.

According to ILO data, in 2008, five of the ten lowest employment-to-population ratios were found in the Arab region, namely in Iraq, Jordan, Tunisia, Yemen and the Occupied

Palestinian Territories. The gap between male and female employment is also highest in these countries<sup>i</sup>. For Arab sub-regions, this ratio is highest for GCC countries at 56% and the lowest in the Mashreq at 42%.<sup>ii</sup> Figure 1.6 confirms these significant gender disparities that accompany low employment to population ratios.

**Figure 1.6: Employment to population ratio, 1991-2009 (A) and by gender (B)**



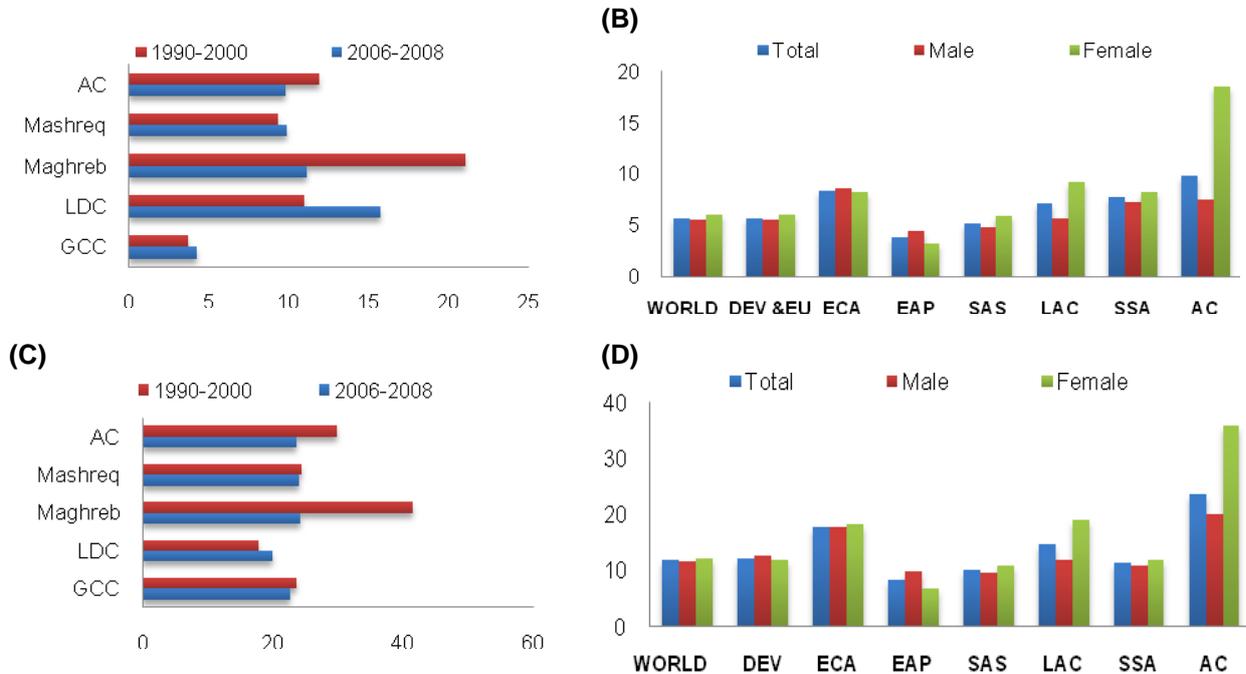
Employment growth for young people has also been quite impressive in Arab countries, which recorded the second largest growth rate (following Sub-Saharan Africa) among developing regions. Yet, as their population growth was significantly above the growth in employment, job creation was not sufficient, particularly for youth as the overall youth employment-to-population ratio for the Arab region fell from 28.6 to 27.8 in the period from 1991-2009. Again, this is the lowest among developing regions (which had an average of 45% in 2009). Furthermore, the gender gap in employment is equally striking for the youth. In 2009, out of every 100 young women, only 14 were employed, compared to 41 out of every 100 young men.

Arab youth are not only more numerous, they are also more educated, and marry at a later age than before. This implies an increase in the productive capacity of the population. Over the last few decades, school enrolment rates have risen markedly throughout the region for both young men and women. The numbers, however, have not been translated into higher rates of employment and wages. Some have argued this is mainly due to the low quality of education and the mismatch between educational outcomes and market demand. As argued in the UNDP Second Arab Development Challenges Report, we believe the dynamics of oil led growth which skewed growth away from productive employment is the principal culprit.

Given the low employment to population ratios it is not surprising that unemployment is a major development challenge in most Arab countries. Indeed, according to the ILO, the Arab region continues to have the highest unemployment rates in the world (9.8% in 2006-2009 versus 6.2% for developing regions), which is slightly lower than during the 1990s (12%). At the sub-regional level, the Maghreb region witnessed the highest decline (from an average unemployment rate 21% to 11%) which is mainly attributed to the decline in unemployment in Algeria alone. In contrast, LDCs and GCCs experienced an increase in their unemployment rates (from 11% to 16% and 3.7% to 4.3%, respectively).

The unemployment rate in Mashreq countries, however, increased slightly (9.3% and 9.8% in 1990 and 2008, respectively). Hence, it would be fair to conclude that decline in the overall unemployment in the region was largely due to progress achieved in Algeria, which had an exceptionally high unemployment rate in 1990<sup>iii</sup>.

**Figure 1.7: Overall unemployment rates (A-B) and youth unemployment Rates (C-D) for Arab countries and sub-regions, 1990-2008**

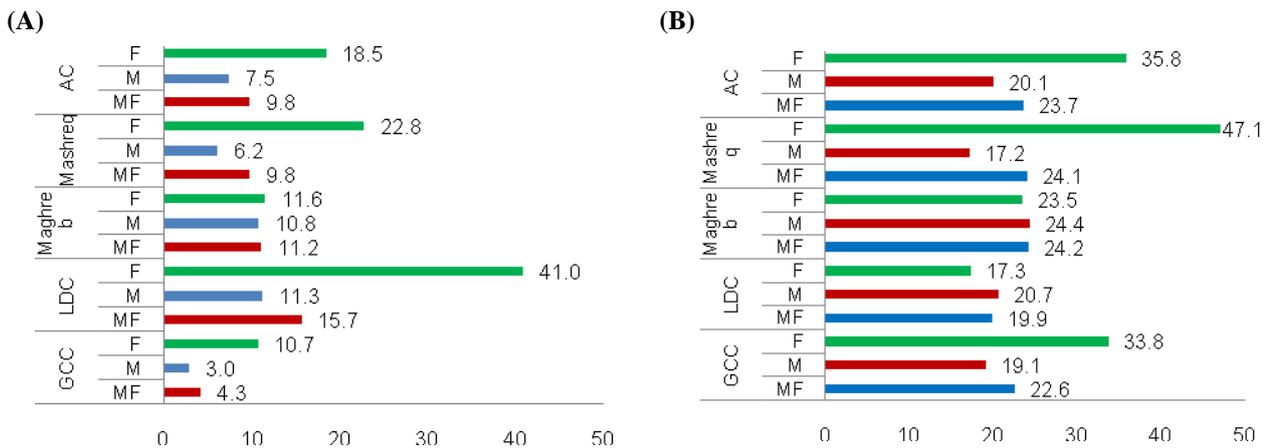


Source: *ibid.*

As expected, unemployment is noticeably concentrated among the youth in the Arab region (15-24 age groups) where youth unemployment based on estimates derived from ILO and UN data reached 24% in 2005-2008 (more than double the world average of 11.9%) making up more than 50 per cent of the total Arab unemployed. One of the main reasons for high youth unemployment rate, is the transition from school to work, particularly among the higher educated.

As in the case of labour participation, Arab unemployment is gender biased. Figure 1.8 shows unemployment rates for Arab women are the highest when compared to world regions and the gap between male and female remains high (though it has recently narrowed). Arab women unemployment rate accounted for almost double that for Arab men (18.5% and 7.5 respectively). The problem is particularly acute amongst younger women who are joining the labour force in ever larger numbers due to the spread of higher education and rise in the age of marriage. The average unemployment rate for young Arab women is estimated at 36% according to most recent surveys (2004-2009) compared to 20% for men.

**Figure 1.8: Total (A) and youth unemployment rates (B) for Arab sub- regions by gender, 2000-2009**

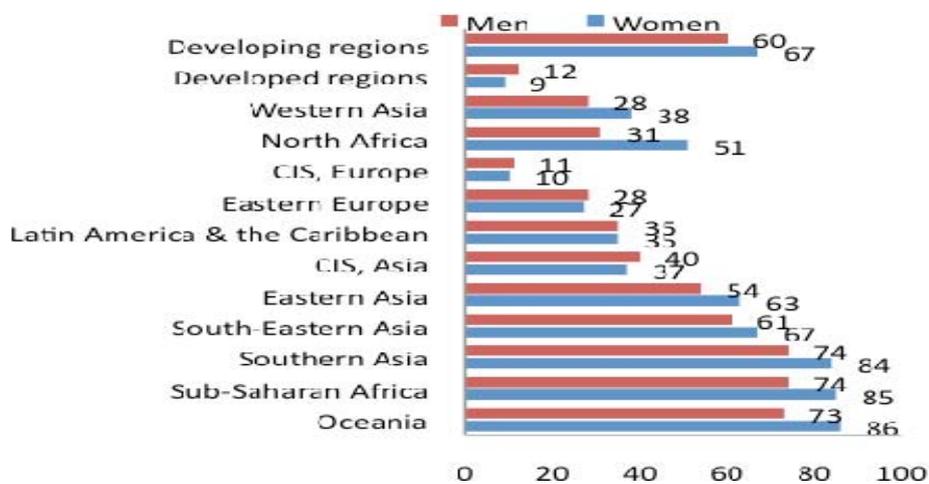


Source: KILMnet

Notes: Authors estimates for Jordan and Saudi Arabia based on ILO datasets.

The major challenge facing the poor is not simply the lack of employment opportunities, but also the lack of decent jobs. For instance, Egyptians with permanent jobs are less represented among the poor compared to non-poor (by 10 percentage points). Casual workers are more likely to be represented in the poor groups, especially in urban areas. The risk of poverty for a person engaged in irregular work is almost double the rate in the population as a whole, and of regularly employed individuals. Furthermore, as most Arab countries have put a freeze on public sector employment, the ‘informal economy’ has become a “dumping ground” for the ‘surplus’ urban workforce; hence representing the greater proportion of the employed in the region and a significant portion of the private sector employment. It is composed of micro-businesses and small businesses, as well as casual and precarious wage employment, with low and insecure wages and incomes, and serious deficits in conditions of work and access to social protection.

**Figure 1.9: Proportion of vulnerable employment in total employment for Arab countries and developing regions, 2008 (projected)**



Source: The Millennium Development Goals Report 2009, based on ILO Global Employment Trends for A. UNDP estimates based on ALO on line datasets for B.

*Notes:* The ILO uses as the basis for projections the revised economic outlook published by the International Monetary Fund in order to assess the gender impact of the economic crisis.

Gender disparity is also obvious in the share of vulnerability of employment (measured as the share of own-account and contributing family workers in total employment). Figure 1.9 based on ILO projections, shows that the disparity between men and women in terms of engagement in vulnerable employment, is highest in Arab countries (North Africa and Western Asia) compared to any other developing region.

***Indicator 1.6: Proportion of employed people living below \$1 (PPP) per day***

Table 1.4: Proportion of all individuals and employed individuals living below \$1.25-a-day for selected Arab countries

	Proportion of all individuals	Proportion of employed individuals
Lebanon		
2005	0	0
Egypt		
1995	13.4	11.2
2009	3.15	2.7
Syria		
1997	7.9	6.4
2007	0.3	0.2
Yemen		
1998	17.0	15.3
2006	13.6	10.9

*Source:* UNDP calculations based on HIESs provided by Statistical agencies.

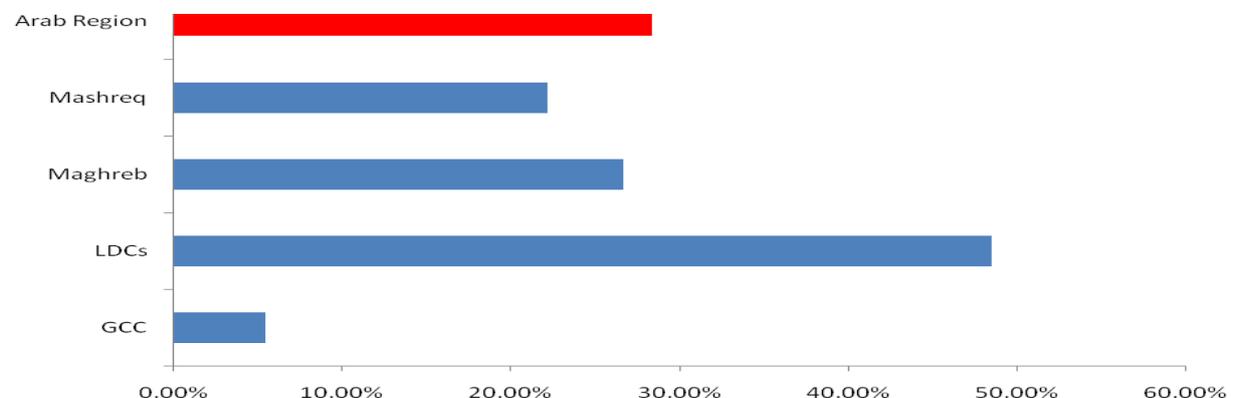
The proportion of working people living in extreme poverty is one of the main indicators for measuring progress in Goal 1. These are people who are employed, but who do not earn enough to lift themselves and their families above the \$1-a-day poverty line. Given that the extremely poor cannot afford to be unemployed, the unemployment rate amongst the extremely poor is expected to be quite low and thus the proportion of working poor will roughly mirror the poverty rates reported in Figure 1.1B which represent its upper bound.

Given data limitations, Table 1.4 provides estimates for the working poor for four Arab countries based on HIES data. The data yields two main conclusions. First, the vast majority of the working poor are indeed employed, thus corroborating the stylized fact that the poor cannot afford to be unemployed. Second and more importantly a notable reduction occurred in the proportion of individuals working in extreme poverty. On the other hand, if national poverty rates are taken as the benchmark for extreme poverty, the reduction is expected to be far less remarkable as per the trend in Table 1.2.

**Indicator 1.7: Proportion of own-account and contributing family workers in total employment**

Figure 1.10 plots the actual data in 2005 for the proportion of own account and contributing family workers in total employment at the sub-regional level. As expected, the disparity between the LDCs and other sub-regions is quite prominent; while the proportion of the GCC countries is smaller compared to the regional average. Considering that the categories of own-account workers and contributing family workers are thought to be particularly vulnerable, the LDCs are the most vulnerable among the Arab countries.

**Figure 1.10: Proportion of own account and contributing family workers in total employment for Arab countries, 2005 (%)**



Source: UNDP estimates based on ALO on line datasets for B.

**Target 1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger**

There has been insufficient progress to meet the hunger target and serious concerns over the impact of the food crisis on food deprivation, particularly in the LDCs.

**Indicator 1.8 and 1.9: Prevalence of underweight children under five years of age and proportion of population below minimum level of dietary energy consumption**

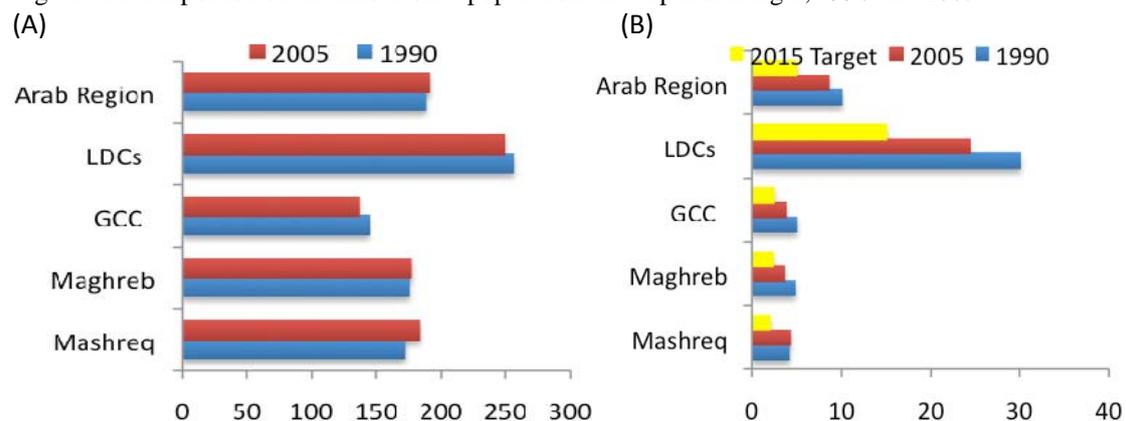
Arab countries scored significant reductions in proportion of population facing hunger since the 1970s. Judged from the baseline of 1990 however, the region is off-track with respect to the target of halving food deprivation by 2015. As in the case of income poverty, the Arab LDCs continue to suffer quite disproportionately. In these countries, under-nourished persons amounted to 25% of the total population in 2005. On the positive side, this is 19% lower than in 1990 (mainly due to the reduction in Sudan), but it

is still insufficient to meet the MDG target. However, there are major variations within the LDCs. Food deprivation was reduced in Sudan, Djibouti and Mauritania, while it increased in Yemen and Comoros. In other sub-regions, undernourishment remained constant in the Mashreq and decreased only marginally in the Maghreb and the GCC countries.

As a result, Figure 1.11A shows the weighted average for the region has decreased only slightly over the period from 1990 to 2005 (from 10.1% to 8.7%, respectively). Furthermore, the region and all sub-regions did not witness any reduction in the depth of hunger, which measures how far the food-deprived population lies below the minimum dietary intake (Figure 1.11B).

Trends in child nutrition have also recorded scant progress over the decade from 1997 to 2007. This is clearly revealed by the human poverty index (HPI) reviewed in the earlier section. It is also interesting to note that the percentage of underweight children for the GCC countries is nearly twice that which prevails in the Mashreq and Maghreb, an observation which begs further investigation and clarification since it may be attributed to poor nutritional habits rather than to food deprivation per se.

Figure 1.11: Proportion of undernourished population and depth of hunger, 1990 and 2005



Source: UNDP estimates based on FAO online database.

Notes: Undernourished Individuals are those whose food intake is chronically insufficient to meet their minimum energy requirements. The depth of hunger is measured as the difference between the minimum dietary energy and the average dietary energy intake of the undernourished population.

The indicators of undernourishment and child nutrition for the Arab region given above, place it at a relatively advantageous position when compared to developing regions (approximately one half of the average for the former according to the 2009 MDG report). However, there are serious concerns regarding the impact that may have resulted on hunger since 2005, and particularly in many Arab LDCs, as a result of a combination of factors including rising food prices, droughts and conflict. For example, in Somalia an additional 2.6 million people in 2008 require emergency food relief. In Yemen, according to a recent report by UNDP and the LAS, rising food prices are expected to have pushed a significant proportion of the population under the food poverty line. In Sudan, a recent report by the FAO and WFP estimated that about 1.2 million residents in the South alone

will be vulnerable to food insecurity with a corresponding total food requirement of 76,000 tons (FAO and WFP, 2008). In Palestine and particularly in Gaza, the issue of food security is magnified by the daily struggles for survival under military occupation. Relying on these post-crisis food security monitoring reports and poverty projections for Yemen, the UNDP and the LAS report estimated that approximately 5.8 million individuals (mainly in Yemen) were in dire need of food relief in 2008.

### **III. Conclusions**

A number of conclusions can be drawn from preceding sections. First, with regards to the first target, the Arab region still maintains relatively low levels of poverty and medium levels of income inequality. Yet, despite the progress achieved in halving poverty rates as measured by the international \$1.25-a-day line, the region is off-track when progress is gauged by the more appropriate measure of extreme poverty, namely the lower national poverty line. Furthermore, the LDCs lag significantly behind on poverty. Indeed given that approximately the majority of the population of the Arab LDCs can be considered to be poor, these countries are often caught in a vicious circle of fast population growth, increasing environmental degradation, and natural resource depletion, increasing poverty and encouraging the destabilization of the social and political order.

With regards to target 1b, it must be noted that the Arab region over the past two decades has recorded the highest growth rate of employment among developing regions. The region managed to reduce the overall unemployment rate from a level of 12% in 1990 to 9.8% by 2009 and increase employment-to-population ratio from 44.2% to 46% between 1991 and 2009. Despite this impressive record, job creation was still insufficient and the Arab region still holds the highest unemployment rate and the lowest employment-to-population ratio among developing regions. The decline in unemployment, moreover, can largely be attributed to the substantial decline registered in one country, namely, Algeria. In fact, unemployment rates increased in LDCs (from 11% to 16%) and in the MICs of the Mashreq (from 9.3% to 9.8%). Furthermore, youth unemployment stood at 24% in 2009, more than double the global average of 11.9%, while the share of Arab youth among unemployed population was over 50% for most Arab countries.

The decline in unemployment is also somewhat deceptive in that it mainly reflects increasing willingness to accept any job or simply abandon the futile job search. A systematic expansion of informal employment in Arab countries is also a powerful sign of increased vulnerability and exclusion from decent work. If one takes into account the declining quality of jobs on offer, it is clear that the region has not managed to win the struggle for decent jobs.

Arab women bear a significant share of the brunt of unemployment and of vulnerable employment in particular. The share of women in non-agricultural employment is extremely low. At less than 20 percent, it is lowest amongst developing regions. Even Tunisia, where it is highest, still lags behind the average for developing regions. What is

more concerning is that this share has remained relatively constant since the 1990s. This implies that out of every 100 Arab women, less than 20 work in the non-agricultural sector and from those, according to the ILO, less than 10 percent have a decent job. That means that only two out of every 100 Arab women have a decent job.

This low decent employment generation capacity of the region is sometimes attributed to the low quality of education and the mismatch between educational outcomes and market demand. This is not the case for the majority of Arab countries where the dynamics of oil led growth skewed growth away from productive employment. Indeed, the limited labour demand for educated workers and skills can be inferred from many different symptoms in the labour market. First, educated workers get a relatively low wage premium when employed and the Arab region has one of the highest skilled emigration rates in the world suggesting they have skills that are in demand elsewhere, often in more technologically advanced countries (e.g. OECD economies or better jobs in the GCC economies). Second, contrary to what one would expect if firms faced skills shortages (a common complaint of employers against the low quality and irrelevance of the education system) the percentage of firms providing training is the lowest in the Arab region.

A related observation is that unemployment in the Arab region is present in both low income and high-income households. This is not an unexpected finding as it correlates to the high unemployment rates of more educated workers who come predominantly from better off families. It further substantiates the contention that the economy does not generate decent jobs acceptable to most workers, be they youth or adults.

Finally, with regards to target 1c, the region as a whole is also unlikely to achieve the key target indicator for halving hunger, as there is a serious risk of reversal in trends in the aftermath of the food crisis, particularly in the Arab LDCs.

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<sup>i</sup>The remaining five countries are Armenia, Yugoslav Republic of Macedonia, Guadeloupe, Puerto Rica, and South Africa.

<sup>ii</sup> It should be noted that this ratio is high in GCCs due in large part to the fact that the majority of population are male labour migrants in the productive age. Hence, this figure does not reflect the employment to population ratios for GCC citizens which is expected to be lower.

<sup>iii</sup> Nevertheless, the unemployment rate in practically all Arab countries declined till the onset of the global financial crisis 2008 See Tzannatos 2008. The Policy Environment for Job Creation in the Arab Economies. World Bank, Middle East and North Region and Mohammed Bin Rashid Al Maktoum Foundation.

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