Productivity and Inclusiveness in the Arab World Private Sector

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بيروت – الجمهورية اللبنانية
Productivity and inclusiveness in the Arab World Private sector
1. The reality that we all know.
Working age population is increasing...

...some countries are aging fast

Source: UN-ESCWA Estimates
More youth-female labour force and employment is required: More jobs in general is required

Source: Total Economy Database
Better education, skills deepening and skills accumulation

Percentage of No Schooling

Source: PAPFAM, MICS, DHS

TIMMS Distribution of 4th Grade 95th Percentile, 2011 Asian countries

Source: World bank Data
Let us not forget Conflict Affected Countries!

- 16 million refugees and 60 million displaces (UNHCR 2017)

- Conflict also reduced human capital by spreading poverty. School drop-outs reached almost 52% (IMF, December 2017)

- Unemployment jumped from 10% in 2010 to more than 50% in 2013.
  - Syria for example, on average, 538,000 jobs per year were destroyed, and 482,000 people are added to the unemployment pool annually (ESCWA Estimates 2018)
Change in Income: Trends in GNI per capita.

GCC countries included; UAE, Saudi Arabia, Oman, Bahrain
Non-GCC countries included: Algeria, Egypt, Jordan, Lebanon, Mauritania, Morocco, Tunisia, Yemen

Source: Calculations based on World Development Indicators
Jobs were created but productivity growth is low or negative and wage shares are low.
Structural Transformation: Sectors shares in GDP (%) in Arab oil-rich and oil-poor countries

Source: World Development Indicators

A. Arab oil-rich

B. Arab oil-poor

Source: Authors’ calculation, based on data from UNSTATS
Structural Transformation: Sectors shares in total employment (%) in Arab oil-rich and oil-poor countries

Source: World Development Indicators
2. Demand Side

*Can the private sector do it?!*
We know wage share is dropping! But Wage shares is lower than other countries in Asia and Latin America.....

Enterprise survey: Wage share, Capital Share and Technology

Those who innovate employ less labour and more capital.

Source: UN-ESCWA Estimates based on ES
Enterprise survey: Employment and Technology

Employment growth whether firms innovate or not

Employment growth R&D and innovation

Source: UN-ESCWA Estimates based on ES
Total Factor productivity needs to increase!

Percentage of firms having a TFP above the country’s income group average

Average TFP in Manufacturing

Increasing Labor Productivity and Dropping TFP

Source: UN-ESCWA Estimates using ES
Identify and invest in sectors that employ the most and high value adding at the same time.

Some sectors perform higher or lower than expected due to time specific event... Upraising in Egypt .. The real estate legacy of 2011-2012 in Lebanon and the political impact on tourism...

Why ?

Source: UN-ESCWA Estimates using ES surveys
Obstacles for private sector development

Figure 3.24 Biggest Obstacle reported by surveyed firms in the Arab States

Source: ESCWA calculations based on ES
The Future of Jobs in the Arab World

1- Social and emotional skills will grow along with technological skills where basic cognitive, manual and skills will decline. (McKinsey 2017)

2- Flexible and quality education will be key in empowering people to benefit from and new technologies (IMF-2019).

3- In some sectors technology and innovations will increase Unemployment (ESCWA).
The Arab world needs to create more than 80 million jobs between 2020 and 2030. Who is more sustainable than the private sector to create jobs.
THE ARAB REGION NEEDS TO CREATE 8 MILLION JOBS PER YEAR PER YEAR TO REACH FULL EMPLOYMENT BY 2030
CURRENTLY IT CREATES AROUND 2.7 MILLION JOBS ANNUALLY

8.0 MILLION JOBS NEEDED
- 2.7 MILLION JOBS CREATED
5.3 MILLION UNEMPLOYED A YEAR
2.7 million jobs created per year in the Arab region

68% of total employment are in the informal sector

1.8 million in the informal sector

0.9 million in the formal sector

5.3 million unemployed per year in the Arab region

Unproductive?

Informal workers?

Distributed unknown and needs more research

Social burden and political instability

ESCWA Analysis, July 2019
ILO: Work for a Brighter Future

This report proposes a human-centred agenda for the future of work through:

1. Increasing investment in people’s capabilities
   a. Lifelong learning for all
   b. Supporting people through transitions
   c. A transformative agenda for gender equality
   d. Strengthening social protection

2. Increasing investment in the institutions of work
   a. Establishing a Universal Labour Guarantee
   b. Expanding time sovereignty
   c. Revitalizing collective representation
   d. Technology for decent work

3. Increasing investment in decent and sustainable work
   a. Transforming economies
   b. A human-centred business and economic model
Regional prospects
Conclusion

1- Enhance TFP through R&D, Innovations and improved skills to cope with the 4th industrial revolution.

2- Increase Inclusiveness ---female and youth.

3- Make use of talents, reduce mismatch and provide adequate trainings.

4- SMEs employs more women, but grew less than other medium and large firms.....Should we rethink incentives to SME’s ?

5- Have the right investment climate and labour force regulations.

6- In conflict affected countries the role of the private sector would be crucial in peace building and economic reconstruction.
Thank you