



المؤتمر العلمي الخامس عشر للجمعية العربية للبحوث الاقتصادية
"التنمية العربية بين التحديات الراهنة وآفاق الثورة الصناعية الرابعة"

Productivity and Inclusiveness in the Arab World Private Sector

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بالتعاون مع



13 – 14 ديسمبر / كانون أول 2019

مقراتحاد الغرف العربية – مبنى عدنان القصار للاقتصاد العربي

بيروت – الجمهورية اللبنانية

Productivity and inclusiveness in the Arab World Private sector

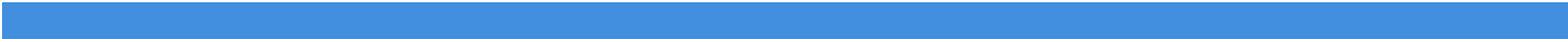
Economic and Social Commission for Western Asia



UNITED NATIONS

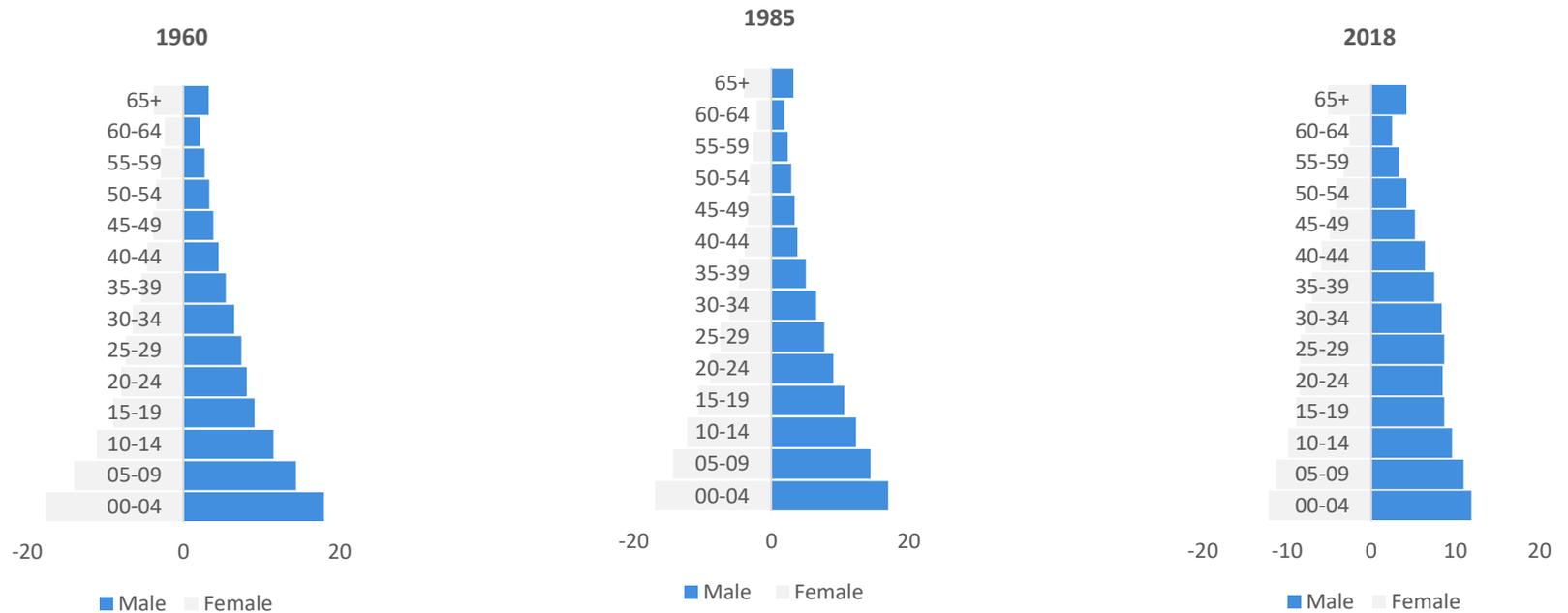
الاسكوا
ESCWA

Khalid Abu Ismail , Salim Araji,
Economic Development and Integration Division



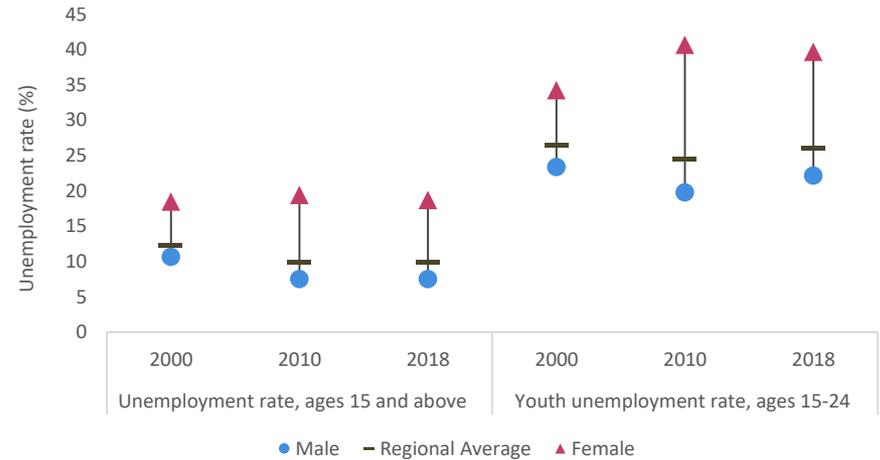
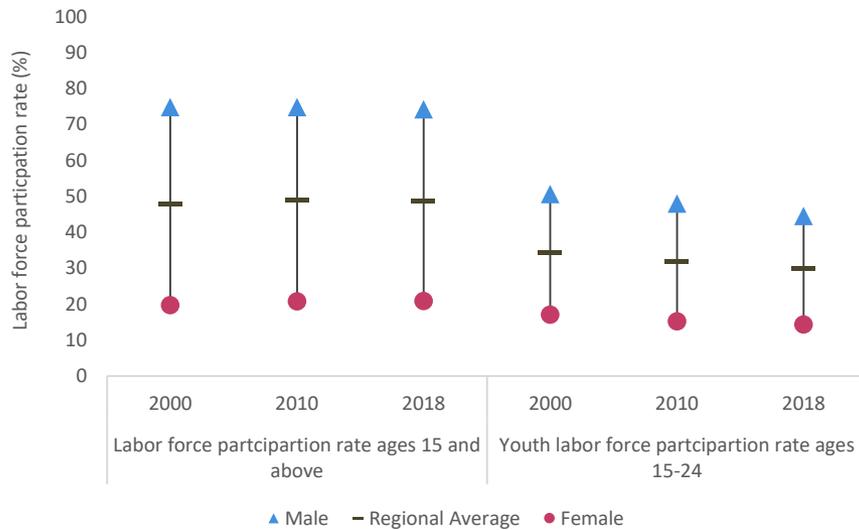
1. The reality that we all know.

Working age population is increasing...



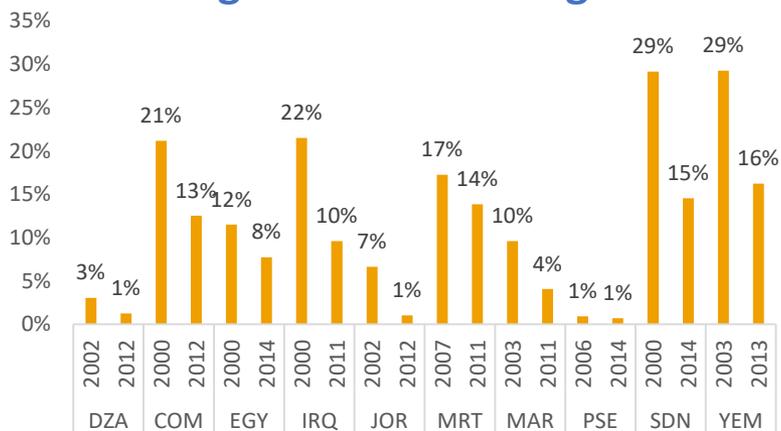
...some countries are aging fast

More youth- female labour force and employment is required: More jobs in general is required

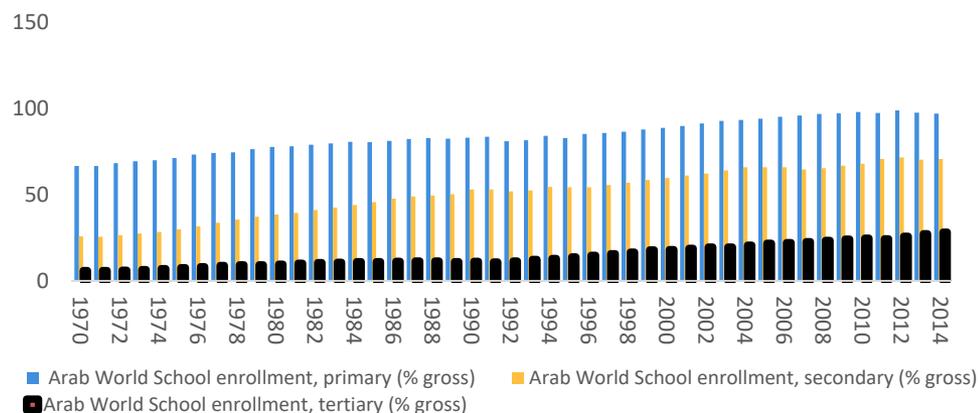


Better education, skills deepening and skills accumulation

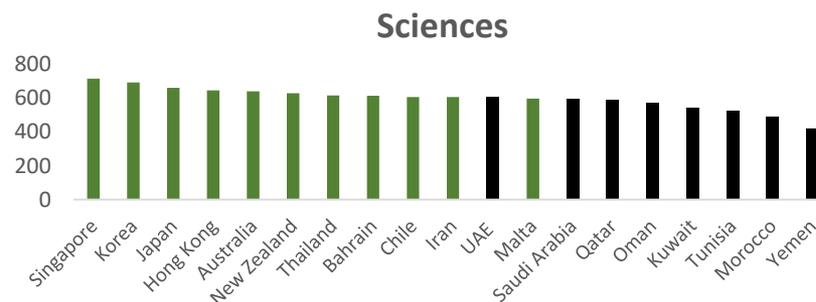
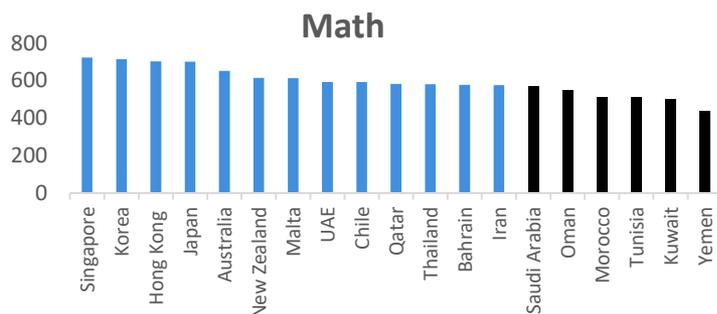
Percentage of No Schooling



Source: PAPFAM, MICS, DHS



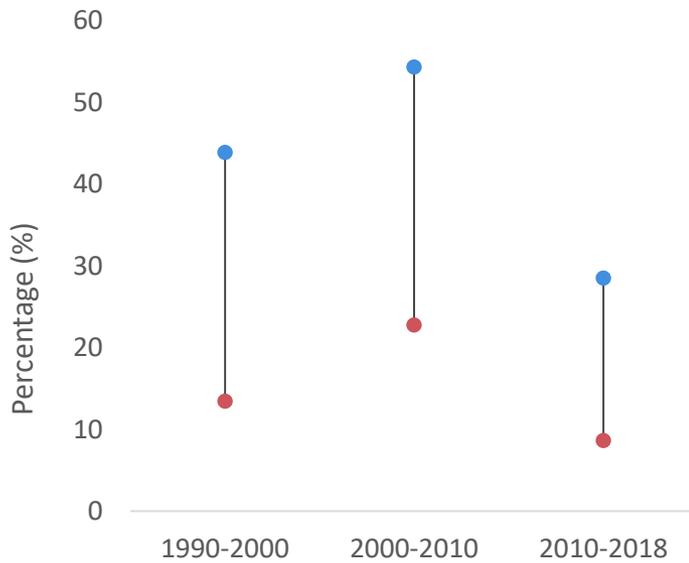
TIMSS Distribution of 4th Grade 95th Percentile, 2011 Asian countries



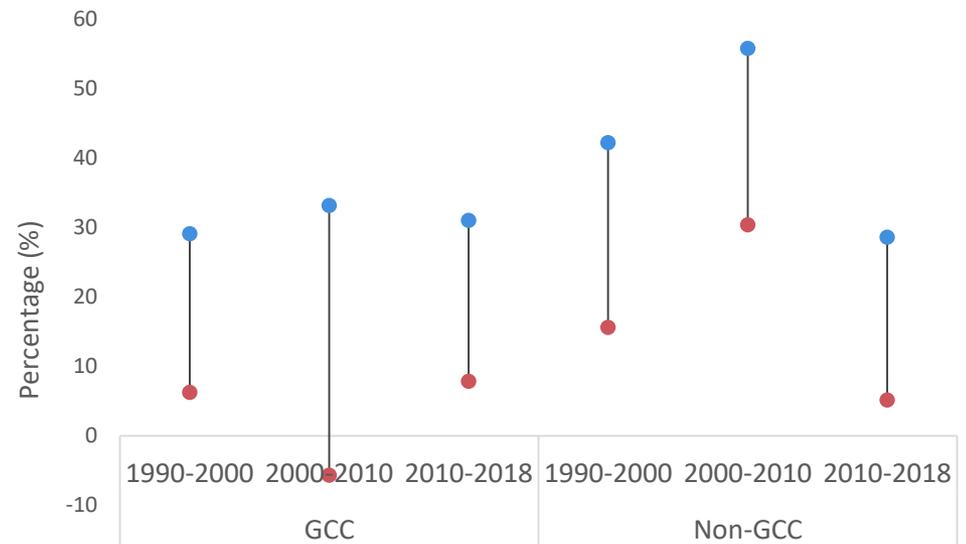
Let us not forget Conflict Affected Countries !

- 16 million refugees and 60 million displaced (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 .



● GDP growth ● GDP per capita growth

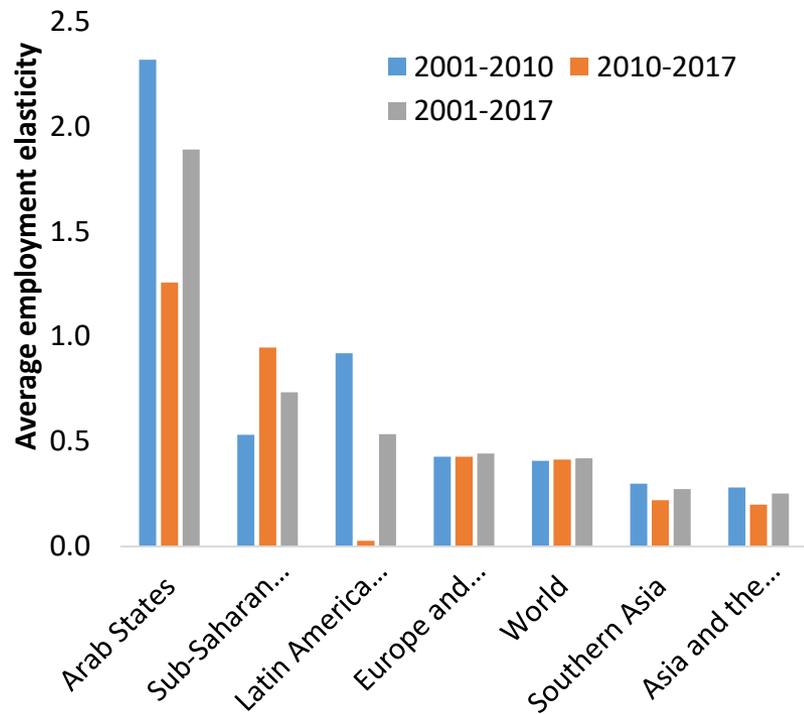


● GDP growth ● GDP per Capita Growth

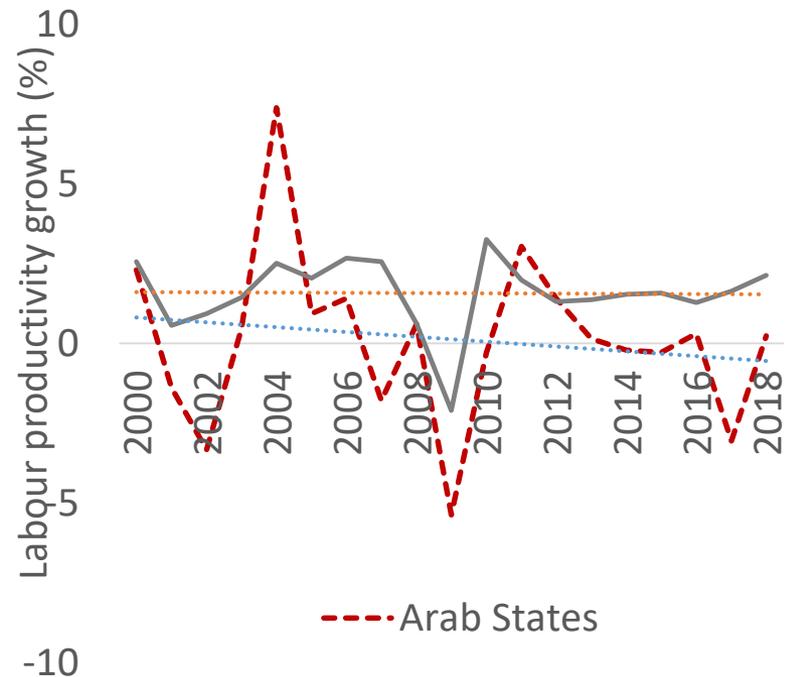
GCC countries included; UAE, Saudi Arabia, Oman, Bahrain
 Non-GCC countries Included : Algeria, Egypt, Jordan, Lebanon
 Mauritania, Morocco, Tunisia, Yemen

Source: Calculations based on World Development Indicators

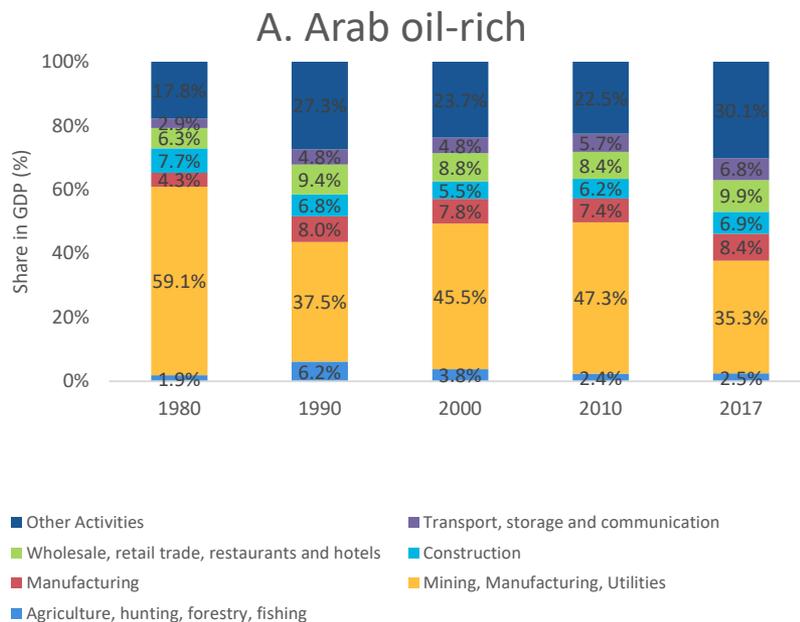
Jobs were created but productivity growth is low or negative and wage shares are low



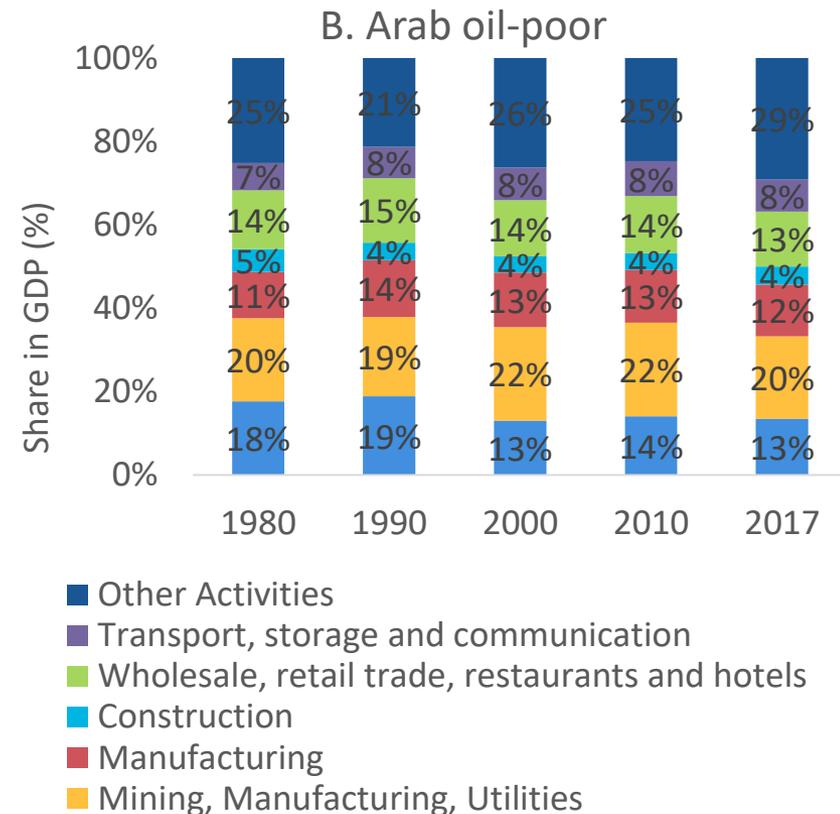
Annual labour productivity growth (%) based on output per worker (measured in GDP constant 2010 USD ILO modelled estimates)



Structural Transformation: Sectors shares in GDP (%) in Arab oil-rich and oil-poor countries

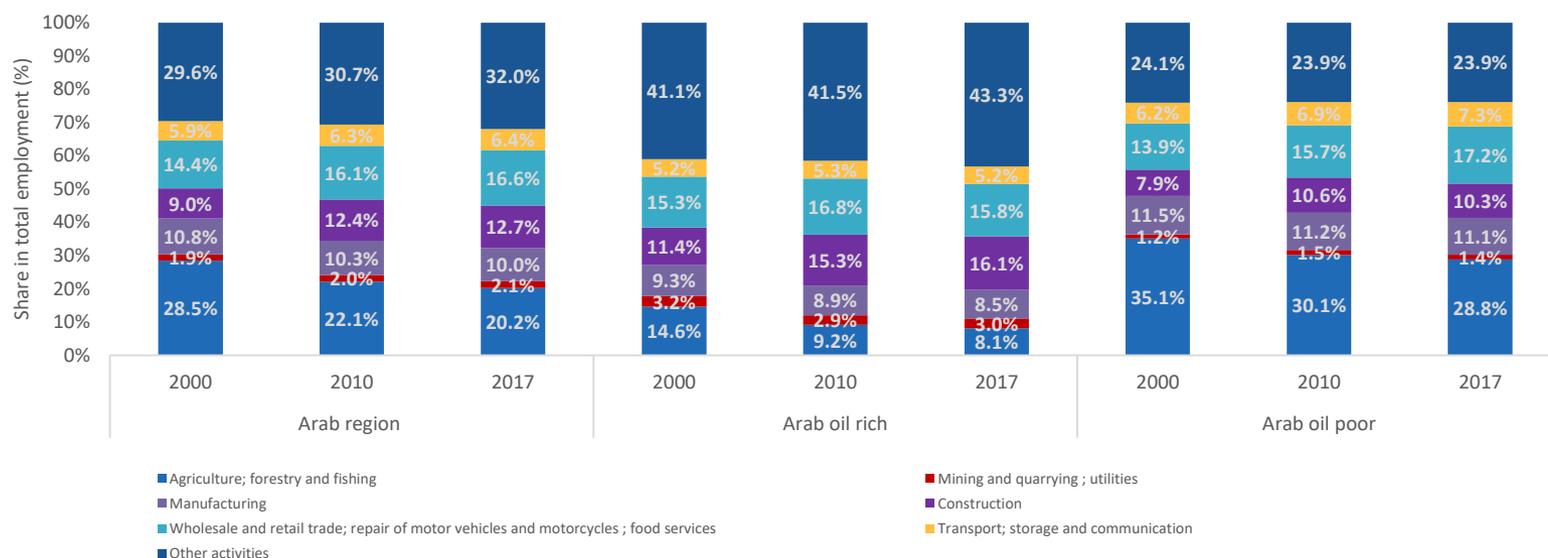


Source: World Development Indicators



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

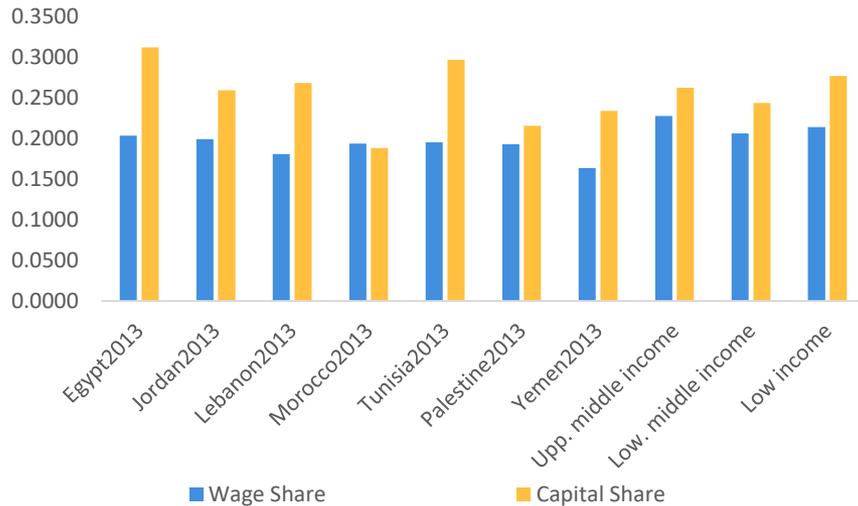
2.Demand Side

Can the private sector do it ?!

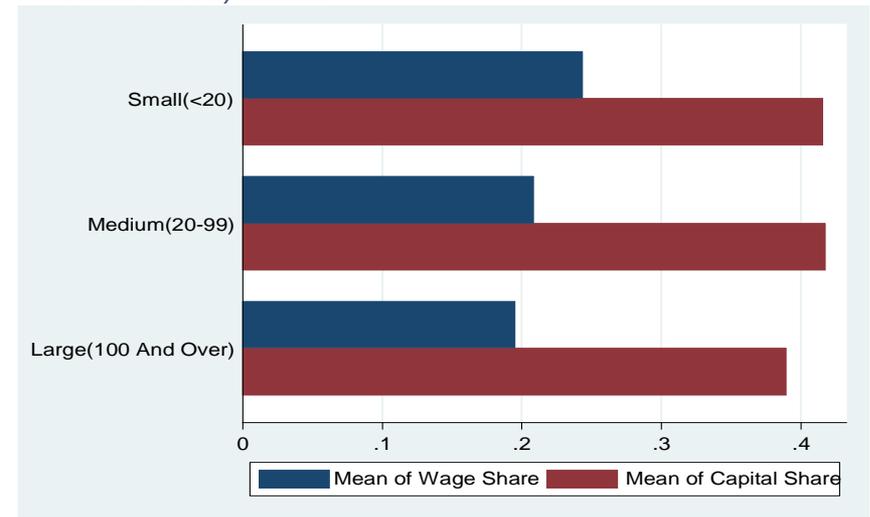
We know wage share is dropping ! But Wage shares is lower than other countries in Asia and Latin America

Enterprise survey: Wage share , Capital Share and Technology

Figure 3.1 Cost of Capital and wages as a Percentage of total sales



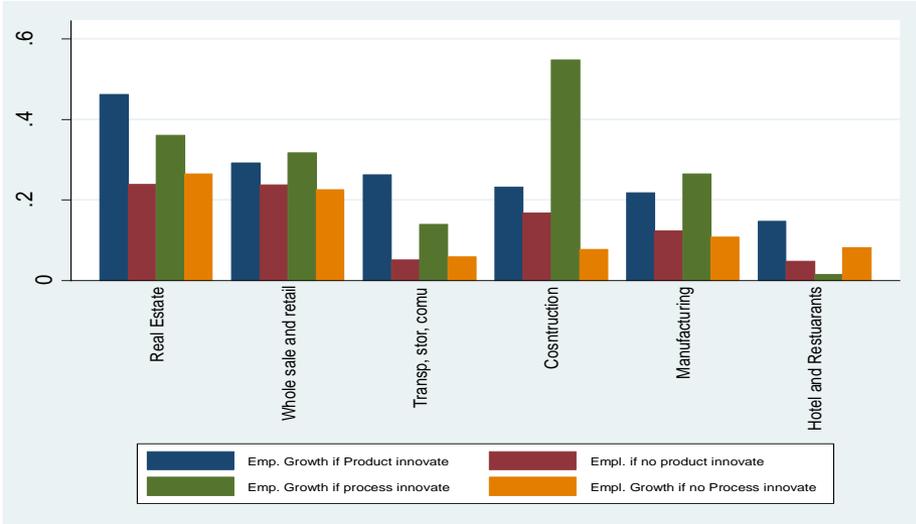
Factor share by firm size



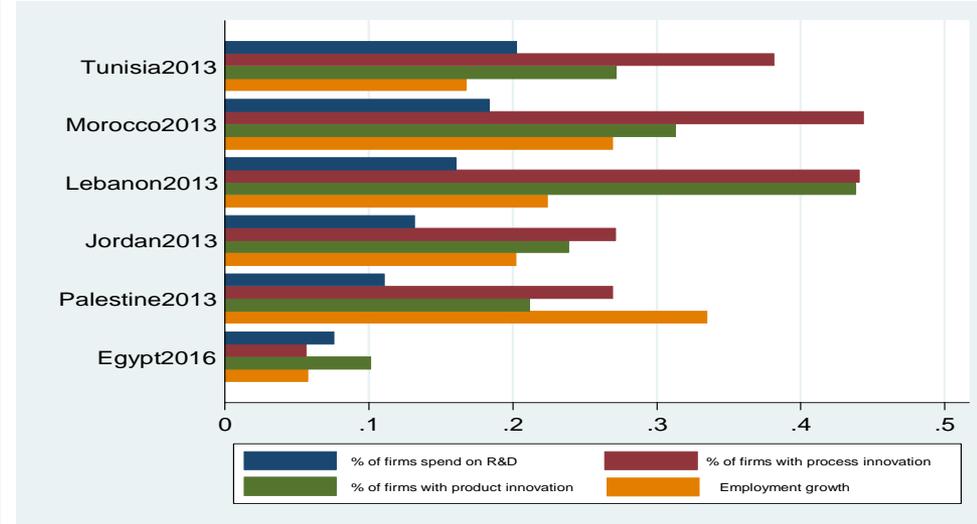
Those who innovate employ less labour and more capital.

Enterprise survey: Employment and Technology

Employment growth whether firms innovate or not

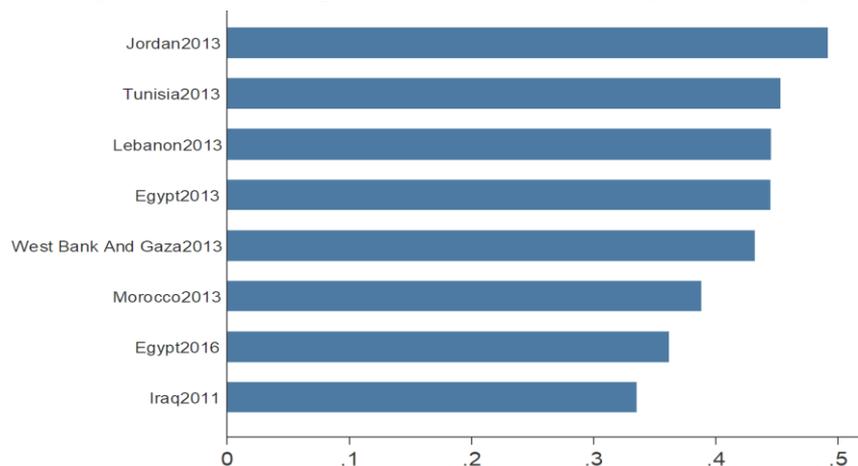


Employment growth R&D and innovation

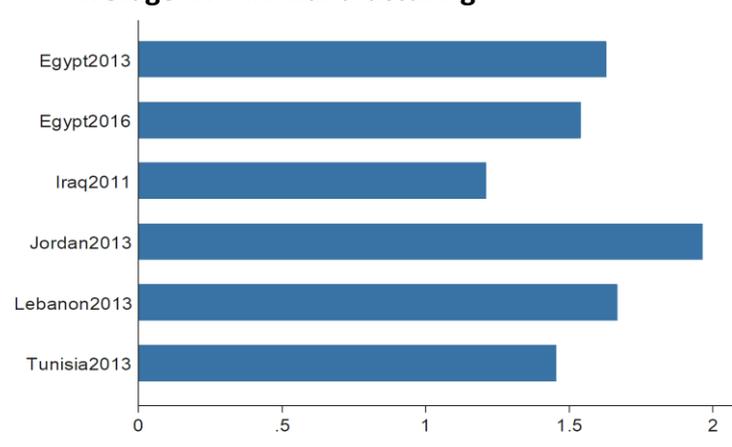


Total Factor productivity needs to increase !

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



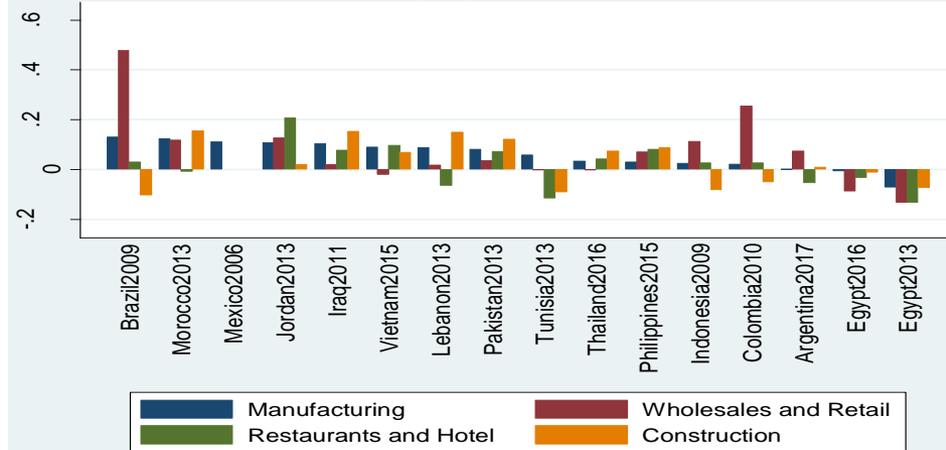
Average TFP in Manufacturing



Increasing Labor Productivity and Dropping TFP

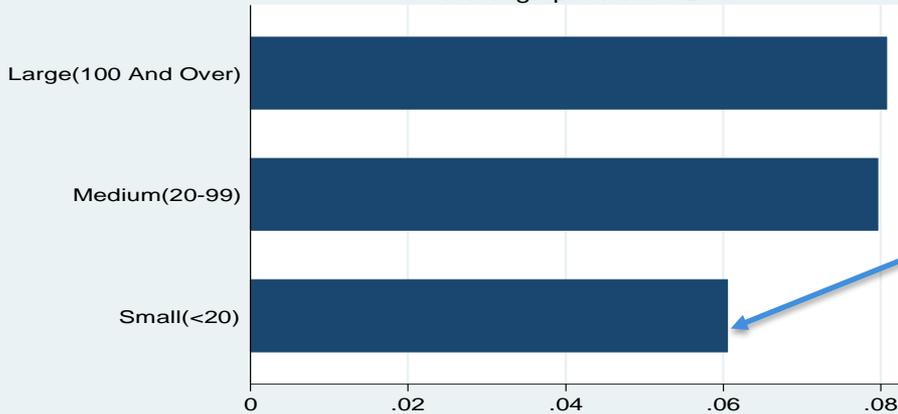
Identify and invest in sectors that employ the most and high value adding at the same time.

Employment Growth



..... 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...

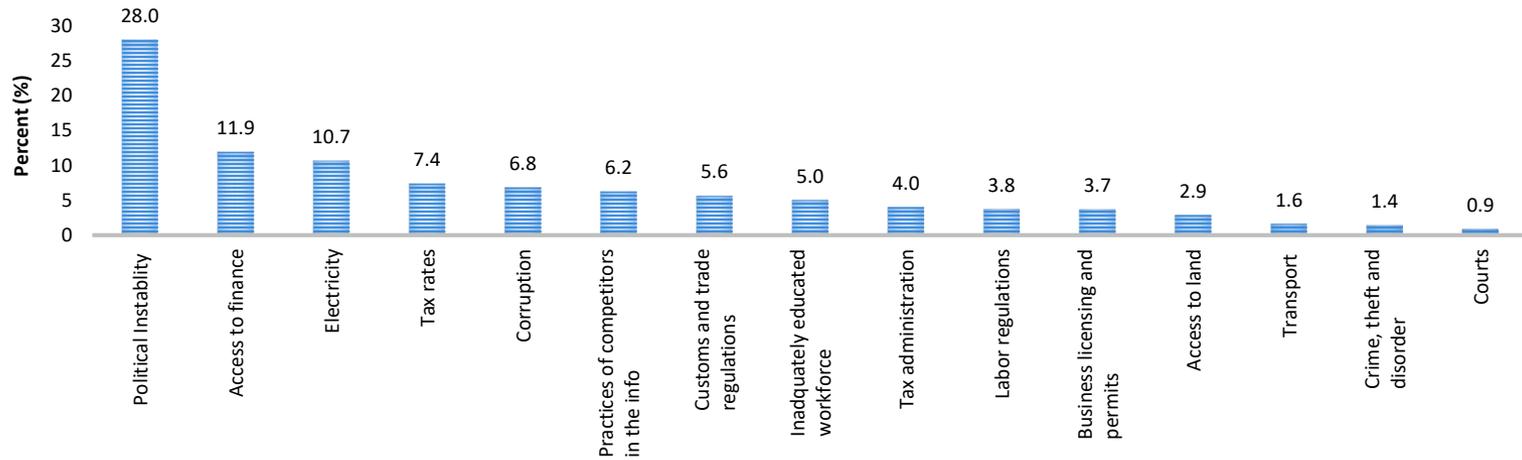
Employment Growth
Average per Firm Size



Why ?

Obstacles for private sector development

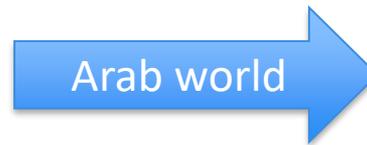
Figure 3.24 Biggest Obstacle reported by surveyed firms in the Arab States



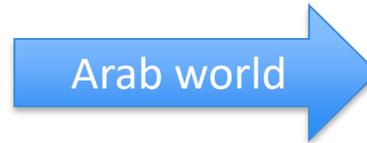
Source: ESCWA calculations based on ES

The Future of Jobs in the Arab World

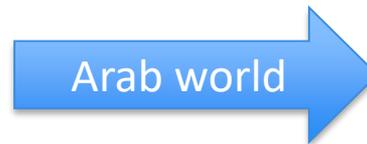
1-Social and emotional skills will grow along with technological skills where basic cognitive, manual and skills will decline.(McKinsey 2017)



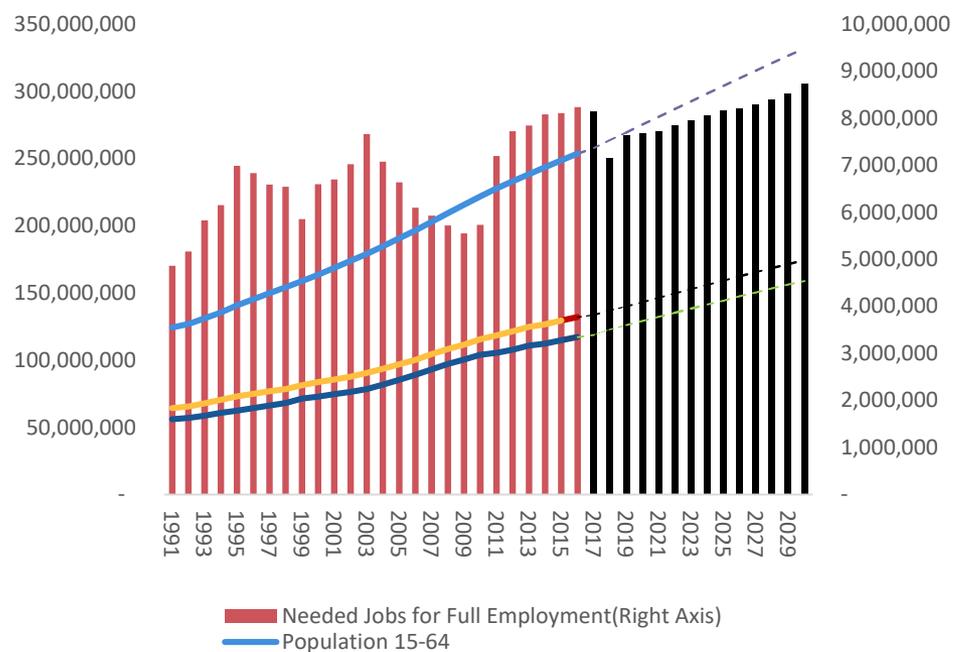
2- Flexible and quality education will be key in empowering people to benefit from and new technologies (IMF-2019).



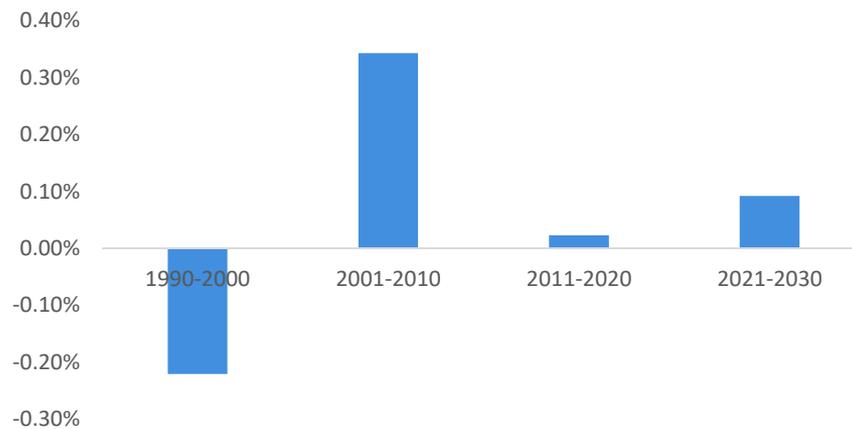
3- In some sectors technology and innovations will increase Unemployment (ESCWA).



Extending the trends

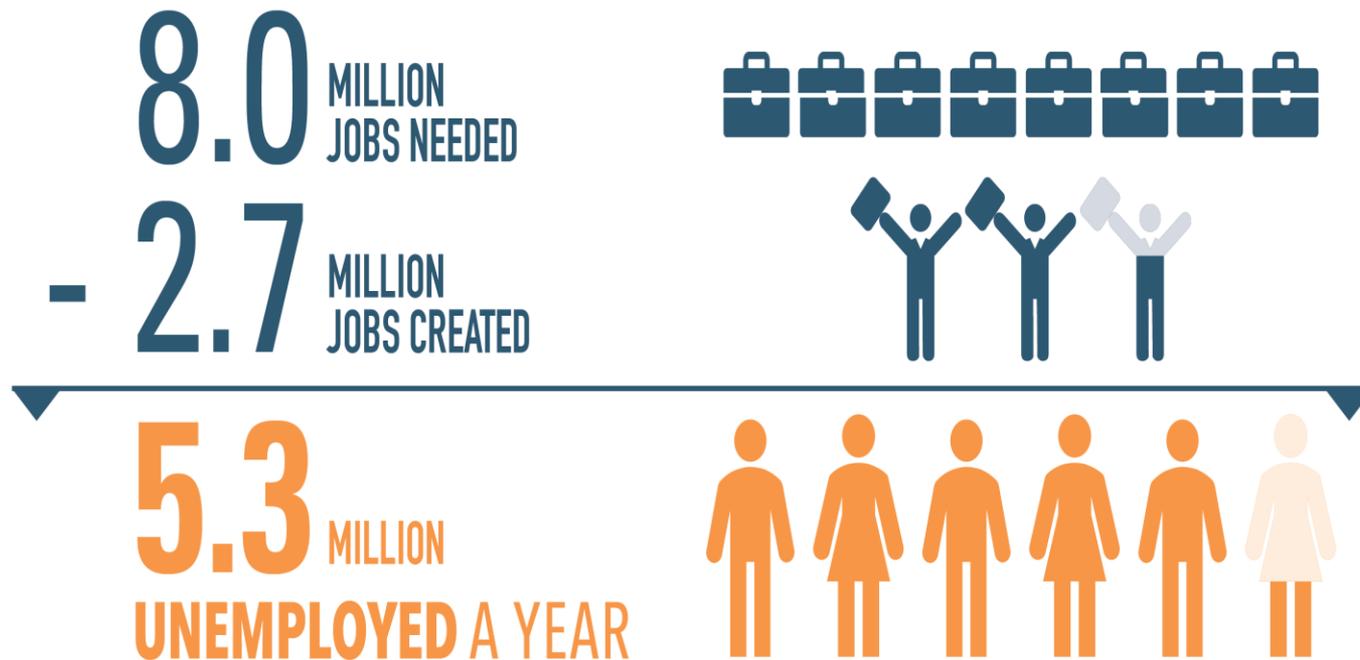


Average Labor Force Participation Rate Growth



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.

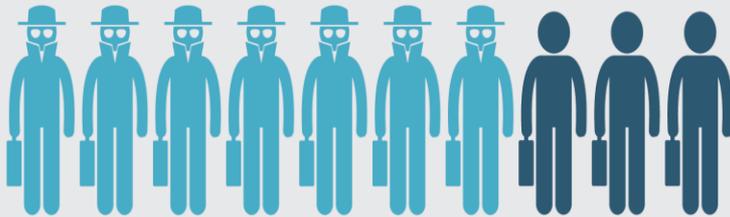
THE ARAB REGION NEEDS TO CREATE 8 MILLION JOBS PER YEAR PER YEAR TO REACH FULL EMPLOYMENT BY 2030 CURRENTLY **IT CREATES** AROUND **2.7 MILLION** JOBS ANNUALLY



2.7 MILLION **JOBS**
CREATED PER YEAR IN THE **ARAB REGION**

5.3 MILLION **UNEMPLOYED**
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



UNPRODUCTIVE ?



INFORMAL WORKERS ?

DISTRIBUTION UNKNOWN AND NEEDS MORE RESEARCH
SOCIAL BURDEN AND POLITICAL INSTABILITY

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



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