

**Globalisation, Social Policies
and Labor Markets in Arab Countries:
Concepts and Correlations**

A preliminary working paper

by

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Introduction

Since the early 1980's, a majority of Arab countries have been exposed to a host of sharp economic imbalances including a decrease in their economic growth rates, heavily increasing foreign debts and a continuous increase in budget and balance of payment deficits. This has been the outcome of an array of unplanned expansion policies put in place in both the production and service areas by most Arab countries during the oil boom era, an understandable behavior by what could be described as mostly welfare states.

As obtaining new sources of funding from world capital markets has grown more difficult and as world oil prices – considered the main force driving economic activity - have continued to decline in both the oil-exporting Arab states and the rest of the Arab countries (whose economies are tied indirectly to the former through labor migration and the resulting cash remittances or through the grants, loans and assistance these countries have obtained from the former), the Arab countries have been compelled under these new pressures to pursue different economic policies aimed at the correction of internal and external structural imbalances and at the restoration of their capacity to realize acceptable, sustainable economic growth rates. In this respect, one may identify two types of reform program: first, traditional programs implemented in agreement with the major international financial institutions – the International Monetary Fund and the World Bank – and known as Economic Restructuring and Adjustment Program (ERSAP), as carried out in Egypt, Morocco, Tunis, Jordan, and Yemen; and second, national programs that apply different combinations of economic and social policies customized to the particular conditions of individual countries. This is especially the case with those countries that have been exposed to the effects of civil war or external aggression, such as Lebanon, Palestine and Iraq, or to the belt-tightening programs pursued by most oil-exporting Arab states. On the practical level, little essential difference exists between the content of these two types of reform program in as much as the final goal of both lies in increasing the capacity of Arab countries to adjust to external shocks and confront the growing challenges imposed upon them by the rapid and unrelenting developments in the world economy.

At the beginning of the 1990's, the international community witnessed a basic and unprecedented change in the speed of globalization. This is true even though it may be difficult to consider globalization a sudden phenomenon that only appeared during that most recent decade; indeed, it might be more accurate to think of it as a complex and accumulative process that started to crystallize gradually as a result of changes that started to affect the world economic system from the start of the 1970's.

Globalization may be defined – for the purposes of this paper – as a many-sided phenomenon that includes increasing liberalization of trade flows, broad movements of capital across national borders as a result of amazing advances in technology (especially in the communications and information fields), and the increasing orientation towards the

internationalization of production. All this means that the world has started to appear as a single global market sustainably governed by the rules of the free economy.

The Arab states have been increasingly affected by globalization generally during the past few years, through a number of different mechanisms. Thus, those countries that put stabilization and structural adjustment programs in place have had recourse to the introduction of radical transformations in their economic thinking, causing them gradually to abandon the state's dominating role in the management of economic activity and to start to extol market forces and the increasing liberalization of all trade and financial dealings with the outside world, with the goal of increasing their degree of integration into its mechanisms.

At the same time, the announcement of the establishment of the World Trade Organization (WTO), of which eight Arab states (Egypt, Morocco, Bahrain, Kuwait, Qatar, Tunis, Mauritania and the United Arab Emirates) have become members, means the commitment of those states to the increased liberalization of trade in goods and services within the framework of whatever agreements the WTO may conclude in the future. Finally, an increased orientation towards the outside world will result from the implementation of partnership agreements between the nations of the European Union and some of the Arab states of the Mediterranean, such as Morocco and Tunis (which have actually signed such agreements) and Egypt, Lebanon and Jordan (which have entered the final stage of negotiations to conclude such agreements).

In such a context, it is natural that conflicting points of view over the impacts of globalization on the development of the Arab nations should appear. Thus some see it as an opportunity to stimulate development in these nations through increased exports and in-flow of foreign capital, leading to an increase in the capacity of these nations to create new jobs and to raise the standard of living of their citizens. On the other hand, there is an opposing current of opinion that stresses the dangers to the Arab states of the impacts of globalization resulting from the concomitant intense exposure to external shocks whether as a result of the deterioration of international rates of exchange or of the rapid movements of short-term capital that is transferred among developing financial markets in pursuit of higher rates of return, or, finally, as a result of the possible restructuring of the international labor system in such a way as to lead to the increased marginalization of the Arab states therein and the threat of the outbreak of social conflicts at home (Khawaja 1999: 2).

Nevertheless, despite the difference between these two points of view, there is a minimum of agreement between them to the effect that it is logical to assume the effects of globalization should differ from one part of the Arab World to another, and that its impacts on the various classes and within each area naturally would differ. There is a similar consensus on the necessity of accompanying the globalization process with the provision of a greater degree of security and protection for the nations or groups adversely affected by integration into the new world market.

From this point of departure, the working paper presented here seeks to discuss the nature of the impacts of the globalization phenomenon on some of the Arab states in question (Egypt, Morocco, Jordan, Lebanon) by, on the one hand, focusing on the expected effects on the labor markets of these nations and, on the other, by putting forward a vision of the possible array of social policies that might be followed in order to face up to the increased integration of these states into the world economic order with all that that implies by way of changes and challenges. The paper is divided into two main parts: the first is devoted to an analysis of the nature of the relationships between globalization and the labor markets of developing nations in general and of the nations under study in particular, as well as a study of the various effects that are expected to result from these relationships; the second part of the paper deals with the array of social policies proposed according to differing time horizons (short term, medium term and long term), with an attempt at the same time to ensure that the goal of these policies should not be limited to merely alleviating the temporary effects of the period of transition through which these nations are passing, but should focus primarily in their substance on effectively confronting the causes of social imbalance and on working to involve all the active elements of society - the state, the private sector and the institutions of civil society in all their various forms at the forefront - in the implementation of these policies.

Part 1: Globalization and the Labor Markets of the Arab States

1. The Relationship of Globalization to Labor Markets

The decision to study the social impacts of globalization on the Arab states taking as an analytical framework the expected effects of this phenomenon on the labor markets of these countries may be justified from a number of methodological and objective standpoints.

(1) Globalization imposes on nations the pursuit of certain specific reform and adjustment programs in order to improve their competitiveness and degree of integration into the world economy, as explained above. It is to be noted that, on the one hand, implementation of this array of economic policies will effect directly the labor markets of the nations in question, while, on the other, the degree of responsiveness of the labor markets of these nations and the changes that occur therein may be considered the main indicator of the success of adjustment programs. The preceding may be clarified with the help of figure (1), which shows that, as the package of economic reform policies is put in place at the macro-level, so the final effects of these policies take shape at the level of the micro-economic constituents, of which the most important are the individual and the family. This end result is formed through impact at what is called the meso-level, which includes both markets in the elements of production, the most important of which is the "labor market," and markets in the products in which individuals deal (the supply effect), and the economic structure that provides the basic productive services plus the social structure, which effects the economic investment of the individual members of society (the supply effect). This means that this level is constituted of a network of channels of communication through which the impacts of adjustment programs are passed on to individuals (World Bank 1990:24).

Figure 1: Analytical Framework

(total, medial, partial) for economic reform programs

It is worth pointing to the expansion of the role of “labor markets” in the case of the Arab states under discussion, both in the area of the implementation of reform policies on the one hand (reactions and behavior of individual members of the work force) and in the limiting of the distributive impacts of these policies on the other. This is a function of the fact that earnings from labor represent the main source of income for the great majority of the inhabitants of these states, and especially of the poorer groups of workers, who, given their lack of ownership of any other material assets, depend directly on the sale of their labor.

(2) From another perspective, the choice of this specific framework may be justified by the extremely acute nature of the debate among economists over the nature of the impacts of globalization on the level of employment and use of the work force in the Arab states. One side promotes the huge gains that may be made by these states as a result of their increased integration into the world economy. These gains are represented primarily in the increased capacity of these states to create new opportunities for work and production following the correction of the prevailing price imbalances with regard to both labor and capital on the one hand, and as a result of the removal of the restrictions of the local market and the limitation of demand therein in the light of the formerly closed nature of these states on the other. From this globalization supporters conclude that increased opening up of the Arab states to the world market will lead to greater financial liberalization (which in turn will lead to a lowering of the high local exchange rates in those countries and the liberalization and upward movement of interest rates) so that the cost of the use of capital will increase in a direction expressive of its relative scarcity, with consequently increased labor demand and rising levels of employment, in addition to increased flexibility of employment in relation to output growth at the level of the Arab region as a whole (ESCWA 1999:24; Karshenas 1997).

At the same time, we find a growing number of writings that stress the negative character of the impacts of globalization on Arab labor markets particularly, arguing that the large-scale technological developments that accompany this phenomenon will reduce dependence on labor in general and on unskilled labor in particular, noting that it is this last category that makes up the broad base of the Arab work force and which was absorbed during the 1970’s and 1980’s in activities that produce neither goods nor services capable of being exchanged internationally

(non-tradable activities) such as building and construction, internal trade, or traditional industries (Abu Fadil 1998; Korayyem 2000).

(3) A recent study of globalization, science policy and technology in the Arab world arrives at the same conclusion, stressing that “globalization is expected to play a strategic role in exporting unemployment from one country to another” and that “direct foreign investment will never be attracted to countries with cheap work forces, as happened in the past, but will flow increasingly to countries with work forces that are highly skilled and at the same time highly paid” (Zahlan 1997:6).

We tend to believe that the latter point of view is correct, on the basis of the following evidence:

(a). Similar negative effects on employment levels accompanying the speed-up of globalization will not be limited to the developing nations – including the Arab nations - alone. On the contrary, they have already brought about comparable impacts in the advanced industrial countries, to the extent that a well-known book, entitled “The End of Work 1995” has appeared, whose author predicts the disappearance of “work” as we know it and radical changes in ways of organizing labor and in the occupational structure of the work force.

The explanation for this goes back to the fact that rapid advances in technology bring about the destruction and disappearance of entire occupations while at the same time creating new and innovative occupations. Naturally, the brunt of the destruction of jobs falls on the low-skilled and even medium-skilled work force, and is in the interest of the highly specialized professional and technical groups, which are the groups most lacking in the Arab work force (ESCWA 1999:25).

(b) Again, the study of direct foreign capital flows, on which the creation of new productive jobs depends, has clearly been concentrated throughout the 1980’s and up to the middle to the 1990’s within the advanced industrialized states, and specifically, within three leading nations, namely the USA, Europe and Japan, which appropriated 75% of the total capital available from these flows. The share of the developing nations taken as whole, on the other hand, did not amount to more than 5% of that total during the same period, not to mention that two thirds of this limited volume was concentrated in only ten nations, most of which are located in east Asia and Latin America. It is to be expected that the pattern of orientation of foreign capital and the activities of multinational corporations will continue to be towards countries with advanced technological and educational constituents, and not, as assumed by conventional neo-classical theory, towards the developing nations, which are characterized by an abundance of workers with limited skills and low wages, especially given that the cost of labor does not now exceed 20% of the total cost of any industrial commodity (Korayyem 2000: 178).

(c) Finally, most of the studies that have dealt with Arab labor markets since the early 1990’s agree on the appearance of a number of negative phenomena, such as a rise in open

unemployment, an increase in hidden unemployment and a lack of new job openings, and a deterioration of real wage rates, not to mention the growth of the numbers of those working in informal labor markets and a decline in the level of income gained from these, leading to increasingly severe poverty and an upsurge in the number of the poor within the Arab region as a whole (ERF Indicators 2000:116).

2. Impacts of Globalization of Arab Labor Markets

In the light of the above, it becomes extremely important to study the current and expected impacts of globalization on the labor markets of the Arab states and particularly on the four that are the object of this study. Needless to say, these impacts differ in their nature and degree of severity from one country to another according to the nature of the economic framework and its development and the size of the work force and its specific characteristics in each. What concerns us here, however, is to analyze the similar effects and general tendencies of these impacts and to discuss the varying points of view and the supporting arguments, in order to arrive at a diagnosis of the general social conditions which may be produced by these impacts in view of the fact that their significance goes beyond the field of economics and extends to the political and social stability of the countries involved.

In the following we shall deal with the effects of globalization on each of the level of employment and demand for the Arab work force, the effect on real wage levels, the effect on the current segmentation of the Arab labor market, the probable effect on labor movement regionally and globally, and finally the effect on the poverty levels and social exclusion of certain groups of the Arab work force.

1 – **The effect on the level of employment and demand for the Arab work force**

Despite the obvious shortcomings in the basic data relating to employment and unemployment in the Arab world in general, the available indicators reveal a time linkage between decline in the level of employment and progress of the implementation of structural adjustment programs in the Arab countries, resulting in a raise in levels of open unemployment plus an increase in both evident and hidden underemployment. Of course, not all these changes may be attributed to globalization and its various mechanisms alone. The Arab countries under discussion have all suffered since the 1980's from a shrinking capacity to create new and productive job opportunities sufficient to keep pace with the steady increase in the work force, especially given the significant reduction in their rates of economic growth and the slow-down or cessation of the movement of Arab labor within the Arab world.

Nevertheless, there can be no doubt that the implementation of current economic policies has led to the aggravation of this phenomenon and a broadening of its scope, as a result of the interaction of an array of factors among the most important of which are:

- The sharp reduction in economic growth rates witnessed by the Arab states, especially in the first reform phase, known as the economic stabilization phase, which seeks to apply belt-

tightening policies with the aim of bringing the volume of local demand into line with the level of supply leading, of necessity, to an equivalent reduction in rates of demand for the work force, and an increase in the number of the unemployed seeking suitable job opportunities.

- The pulling back of Arab governments from their commitment to employ graduates in the governmental and public sectors in keeping with the policy of reduced general expenditure and reduction in the size of budget deficits. This has resulted in one of the most important characteristics of unemployment in this group of Arab countries, which takes the form of a rise in the percentage of the unemployed among youth with upper or middle level qualifications who are entering the labor market for the first time, and especially among educated women.

- The third cause has to do with the policy of privatization of public projects and the necessity of reducing the surplus work force within these prior to the transferal of their ownership to the private sector, whether through the encouragement of early retirement or through voluntary departure in return for various severance packages.

- Finally, the obligation to liberalize trade and reduce customs duties – in accordance with the demands of reform programs or as a result of joining the WTO or of partnership agreements with the European Union – leads to the exposure of local industries to unequal competition under which these are unable to survive in the face of imported products, which in turns results in increased rates of bankruptcy and the closure of many industrial units involving, naturally, the laying off of the workers employed.

As a result of the above, the current total level of open unemployment in the Arab states has been put at about 20 million, according to ILO data, while unemployment rates have risen to between 10 and 19% of the total work force in Egypt, Morocco and Lebanon, and are in excess of 25% in Libya, Algeria and Yemen, on which basis it is concluded that the level of unemployment realized in the non-Gulf Arab states – which includes the four states under discussion – is higher than its equivalent in all other regional groupings, with the exception of sub-Saharan Africa, as the following figure illustrates:

Figure 2: open unemployment rates
(% of total work force)

In this context it is to be noted that the above estimates, though high, tend to underestimate open unemployment rates since they derive from elevated employment rates which take the shape of compound and dangerous characteristics such as discouraged unemployment, i.e., those groups who have ceased to look for work as a result of their conviction that there are few or no jobs available or because of their lack of such requirements for employment as influence or social connections (Fergani 1998:71).

At the same time, the definitions used in the surveys and censuses that have been made in the Arab states, and especially the definitions of the unemployed, the employed and the underemployed, need, on the one hand, to be reviewed and modified by these states in order to reflect the reality of labor market conditions, while there is also a vital need, on the other hand, to work for the coordination and unification of the various definitions and of the means and methodologies of making surveys and of timing them so as to allow precise and objective comparisons of the dimensions of these important phenomena in the different Arab states.

The importance of this effect lies in the fact that the continued future pace of globalization will be accompanied by increasingly severe unemployment in the Arab region as a whole. For, according to the estimates of the ILO, the Arab states of the Middle East and North Africa Region (MENA) will be obliged to provide about five million new jobs up to the end of the year 2000 and more than 2.18 million jobs up to the year 2015 – a goal that will be virtually impossible to achieve in practical terms (ERF Indicators 2000:111). Here we must raise a number of questions related to the accuracy of the supposed relationship between the liberalization of trade and increased integration into the world economy, and the capacity, according to the assumptions of neoclassical theory, to create new jobs, especially in export industries. We must also raise the question of the specific situation of the nations that started to pursue externally oriented and export-dependent growth policies at a late stage – as is the case with the Arab states – i.e., the late comers on the globalization train, and the extent of their success in strengthening their competitive capacities, especially with regard to the states that preceded them by two or three decades in the pursuit of the same orientations whether these be from south or east Asia or from Latin America. Is it possible for all the nations of the world, advanced or developing, to follow the same economic philosophy and for all nations to succeed in achieving their goals in the light of this similarity even while taking into account the differences in competitive advantage of each? And do not the demonstrations witnessed by Seattle and Davos over the past year point to the existence of numerous groups negatively affected by the impacts of globalization especially on the possibility of creating jobs for them and the specifications and conditions of the jobs available to them, even among the inhabitants of the advanced industrial nations?

And finally we have to stress one of the important phenomena distinguishing unemployment in the Arab world, namely the clear difference in rates of unemployment according to gender, since the rise in the unemployment rates among females – and especially

females with qualifications – in comparison with its equivalent among males is noticeable, in that this rate amounted to only 5% among males in 1997, against 24% for females in the case of Egypt, and is estimated at about 16% for males against 23% for females in Morocco in the same year. This characteristic may be applied to the great majority of the Arab countries, despite the low rate of participation of females, which does not exceed till now an average of 10% of the total work force. This fact may be confirmed by looking at the finding of a recent report on MENA that “if employment has been traditionally restricted to males in this region, unemployment has become a female phenomenon” (ERF Indicators 2000:137).

2. Effect on real wage levels of the work force

One of the important changes witnessed by the labor markets of the Arab states, and especially the states under discussion, which have implemented structural adjustment programs is the steep declining tendency of real wages of labor, refuting the claim that the labor markets of these states are characterized by labor market rigidity which interferes with the ideal exploitation of their work force. Figure (3) illustrates that the extent of the decline reached record levels in the Egyptian market during the period 1985 to 1995, amounting to 67.8% over the base year level.

[Fig 3]

In Morocco, the average decline in real wages in the processing industries sector reached an annual rate of 5.7% during the period 1987-92.

The above data clearly indicate that the rectification of price imbalances for each of the capital and labor components – as called for by those in support of globalization – is not nearly enough to raise the level of employment and create additional new jobs. On the contrary, it may be noted that the reduction in the level of real wages, which means the reduction of the cost of labor (in comparison with the change in productivity) does not lead the owners of projects to use labor-intensive methods. Rather, this reduction is accompanied by a parallel rise in open unemployment rates, which clearly confirms that dependence on market mechanisms – such as changes in relative costs - cannot be relied upon to treat the structural imbalances from which this group of Arab states suffers (Khawaga 1993).

The truth of the matter is that the competitive pressures associated with globalization and the race to dominate the markets causes governments to favor capital at the expense of labor. Thus governments reduce taxes on businessmen, local or foreign, and grant them numerous advantages and exemptions in order to attract them to invest locally and to dissuade them from thinking of leaving to invest in other countries. At the same time, and with the same aim, governments work to control the benefits obtained by workers and refuse any attempts to raise nominal wages, on the pretext of keeping down production costs and raising the competitiveness of national products internally and externally (Lee 1996).

Connected with this too is the orientation of a number of Arab states belonging to this group towards exchanging male labor in the export industries – and especially in the weaving, textiles and ready-made clothes sectors – for female labor, because women accept work at average wages that are lower and work for longer hours and without any rights to insurance, in view of the nature of the contractual arrangements in the form of informal or temporary or part-time work provided them by the employers with the goal of supporting the competitiveness of their products. This tendency appears clearly in the “feminization of jobs” in the cases of Morocco and Tunis, where a number of low-wage jobs have been created in the export-oriented industries (World Bank 1995:116). Against what some (and especially the international institutions) believe, to the effect that an increase in the decline of real wages will push these countries to provide more jobs, support their competitive capacities and bring about growth, we consider that this tendency does great harm to the standard of living of those in the work force and helps to increase the deterioration in their living standards and exposes them to long-term material and moral impoverishment.*

3. The effect on Arab labor market segmentation

* For more detail on the on-going debate between the neo-classicist and the structuralist schools on the causes and importance of labor market flexibility, see ESCWA 1999.

Labor markets in the Arab states suffer from a number of segmentation phenomena: public/private, male/female, formal/informal. The latter segmentation type is considered the most important of the characteristics of these markets in that the informal labor market constitutes the last resort for all of those whom the formal labor markets are unable to absorb, given that the unemployed in the Arab states – in the absence of unemployment insurance – do not have the luxury of surviving without work, and thence without a source of income. The 1990's witnessed a steady growth in the number of those belonging to this sector in most Arab countries. Despite the statistical difficulties associated with the compilation of data on the activities of this sector or the volume of those employed in it, the most recent estimates indicate that around 40% of the total urban work force works in the informal sector in Egypt, while in Jordan the percentage of those employed in it amounted to 33% of the total work force in 1995, and in Morocco the annual growth rate in employment in the informal sector amounted to 6.9% , which is estimated to be about double that of the formal modern sector during the first half of the 1990's. Finally, recent estimates concerning Lebanon indicate a rise in the percentage of the self-employed and those working without pay inside the home to 28.4% of the total work force in 1996 (ESCWA 1999:63).

Those employed in informal activities are highly diverse, in that they include those who have fallen through the cracks of the educational system, new entrants to the work force in the form of graduates and those returning from migration to the oil states, and the groups negatively affected by privatization. Similarly, the percentage of females with little education and few skills who have recourse to work in the informal sector as a means of increasing family income, especially as a consequence of impacts on the male head of the family in terms of loss of job or decline in real wages, is high.

The fact is that this informal market has played a pivotal role as an absorber of the shocks that have afflicted the formal labor markets during the 1990's, though it cannot be ignored that those working in it do not enjoy any legal rights in terms of the number of working hours or minimum wages, and similarly are without any form of insurance or social security, not to mention the instability and insecurity of work in this sector. In other terms, the informal labor market may be viewed as one of the natural survival strategies to which workers have resort in order to obtain the minimum of the requirements for them to be able to stay alive. However, with the tendency for income in that sector to deteriorate as a result of the continuous rise in the number of those joining it and the severity of the competition among its constituent units, these will be transformed into traps for workers with low skills and income, with a resulting increase in social marginalization and an increase in the pressures of poverty, especially in the urban areas, with all that that involves by way of economic and social impacts of the most serious kind (Fergany 1998: 18).

Despite the foregoing, we notice an increasing call in recent years for the necessity of paying attention to the informal sector and the possibility of depending on it as the basic engine of economic growth because of its high capacity to absorb more workers. Those who issue this call justify their point of view by pointing to the diversity of activities within this sector, which may be divided into three sub-sectors:

- The handicrafts and micro-enterprise sub-sector, which is considered to be the most dynamic and productive.

- The home-based enterprises sub-sector, which is characterized by its dependence on unpaid family labor, especially from women and children.

- The diverse services sub-sector whether inside or outside institutions, which calls for no skills levels.

On this basis, proponents call for the possibility of depending on the handicrafts and micro-enterprise industry component and its enhancement and the broadening of the scope of its activity through provision of an array of the ancillary services that it needs, such as access to small-scale credit, training, marketing and ties to larger-scale industries through sub-contracting, relying in this argument on the success of certain experiences, notably in Japan and Bangladesh, under the auspices of the Grameen Bank. However, observed reality in the Arab states throws great doubt on the possibility of adopting this road as a basic means of creating new jobs, for it is well known that every experience has its particularities and that the existence of successful experiences does not mean that these may be repeated automatically. From another angle, some studies indicate the dangers of depending on this approach given the resulting consecration of segmentation in the labor markets concerned and the increase in differentiation among the various work force groups, not to mention the many difficulties to which this sector will be exposed with the increase of the current of globalization, the liberalization of trade and the availability of numerous alternatives to local, and even traditional, products, of higher quality and at lower prices (Rokowski 1999).

4. The effect on the movement of Arab labor

Globalization by its very definition turns on increasing liberalization and the abolition of all constraints that may interfere with the transfer of goods or the elements of production across national borders. This means among other things that globalization will bring in its wake an increase in the freedom of movement of individuals in parallel with capital flows or the movement of world trade. This conclusion requires, however, some refinement and revision, for at least two reasons:

- (i) The climate characterized by globalization will result in the articulation of three differing categories within the work force, irrespective of nationality (ILO 1997)

- A limited group within the work force will be qualified to work in any job at the international level because of its possession of an extremely high level of intellectual and mental

skills and capacities, as a result of the accumulation within in of human investment at the highest international standards. And this group will be provided with jobs at extremely high rates of pay accompanied by continual opportunities for promotion and high competition for its services by international institutions. (This group will not exceed 10% of the total world work force.)

- The second group within the work force will be characterized by a lower level of skills compared to the first and will be given jobs within the borders of their own countries but without guarantee of job security, i.e., will be subject to the “hire and fire” principle, and will have fewer opportunities for promotion , in return for being reasonably paid. The main tasks of this group will be to assist the first group and place their ideas and creativity at their disposal. (This group will vary in size between 30 and 40% of the total world work force.)

- The last group, which is also the largest, will include all unskilled workers, who will find nothing but temporary and insecure jobs and extremely low rates of pay, given the severity of the competition whether within their own countries or with unskilled workers in other countries, to which capital will be able to move if these workers do not accept these conditions. (This group will represent more than 50% of the international work force.)

We may summarize the preceding by saying that globalization will place increasing constraints on the movement of the work force in general, with the exception of a small minority who will constitute a limited class separate from other working people, contrary to first impressions.

(ii) A look at the most important of the mechanisms on which globalization rests, namely the WTO and the consequent decisions of the most recent Uruguay round of the GATT agreement, and specifically the General Agreement on Trade and Services (GATS), will confirm for us the inadequacy of the opportunities for movement from one country to another available to work force members. To be extremely brief, this agreement adopts a comprehensive definition of services, to the effect that these comprise four methods of service provision, which are: cross-border, consumption abroad, commercial presence in the country of consumption, and the temporary movement of individuals. What concerns us in this field are two other forms of services liberalization that include the transfer of individual members of the work force from one state to another to offer certain types of service, such as banking or financial services, or professionals of various specializations such as doctors, accountants and engineers.... This, naturally, applies only if the state commits itself to the liberalization of its own services in these fields.

It goes without saying that such liberalization will result in the transfer of the work force from the advanced industrial nations to the developing nations in the south, because of the former's enjoyment of relative advantages and broad competitiveness in this field as a result of the development and refinement of the level of technology in these countries on the one hand, and the high skills levels of the practitioners of these professions on the other, all of which will lead to

an increase in the severity of the pressure exerted by globalization on the developing nations, including, of course, the Arab states that have become party to this agreement, such as Egypt and Morocco. However, it is worth noticing that the agreement gives each state the opportunity of choosing the specific fields whose services it may agree to liberalize, which guarantees the possibility of containing the negative effect of the agreement within a certain scope. Thus, by way of example, we find that Egypt has contracted to offer specific commitments in certain sectors, namely building and construction, financial and banking services, and tourism and communications (ECES 1999:9).

Study of the partnership agreements with the European Union results in the same conclusion, in that one of their chief goals is to control the transfer of labor from the south of the Mediterranean to the north, in return for improved income and work opportunities in the sending states, especially with regard to workers with low skill levels. This means a shrinkage in the ability of the Arab work force especially from the Arab North Africa, to transfer in the future to the nations of the European Union, even by illegal methods and in return for extremely poor working conditions and the continuous threat of exposure to legal penalties (Galal and Hoekman 1997: 239).

As for transfer opportunities for the Arab work force inside the Arab world, it is certain that these have declined greatly since the high levels witnessed during the oil boom, and that it will be difficult to rely on these in the future to absorb the work force available in the sending countries such as Egypt, Jordan and Yemen, especially after the second Gulf war, with its political and security implications. The limited amount of movement that is granted will be concentrated on the high skills groups and in limited specializations which are difficult to fill either with national or with Asian labor.

From all of the preceding it is clear to us that the expected effect of globalization on the movement of the Arab work force will be limited in terms of size, but will bring with it the emptying of these nations of their best human elements, whether through regional or international transfer – elements which these nations need in order to support their development efforts - while in return the numbers of their unemployed, both those with qualifications but lacking the skills needed in foreign labor markets and those without qualifications as a result of the shrinking internal demand for them, will increase, as demonstrated by the first effect.

5. The effect on the spread of poverty and social exclusion

Despite the absence of a direct link between the impacts of globalization on labor markets and the phenomenon of poverty, it may be said that the final outcome of the interaction of the array of changes alluded to above in this section have impacted negatively on the living standards of the great majority of the citizens of the Arab nations. Likewise there are numerous signs that indicate the aggravation of poverty and its increased severity in many parts of the Arab world. This is clearly demonstrated by the appearance of a number of studies and researches that have

dealt with the poverty issue in depth whether at the sub-regional or the regional levels over the past few years and based on which we may say that preoccupation with this phenomenon and the alleviation of its severity have risen to the top of the agendas of the decision makers and those involved with social development. We will not go into the details of the map of poverty or its distinguishing marks or underlying causes in the four states under discussion^{*}, since our concern in this area is to point to two general observations that relate to how to handle this phenomenon and its impacts at the level of the Arab region as a whole:

(i) The appearance of a fundamental evolution in the approaches used to define poverty and measure the degree of its spread in any society. For many years the literature associated with this issue was dominated by the income-expenditure approach or what became known as the poverty line – absolute and relative – this being applied through the use of an indicator that focuses on family income and the extent of the commodities or basic services that this income can obtain. This involves the identification of a minimum level of consumption and the classification as poor of families living below this level. With the appearance of the Human Resources Report of 1996, however, a new yardstick was offered that shows the degree of vulnerability of a given society to poverty according to the concept of “human capability failure,” such as inability to obtain nutrition and good health, inability to obtain education and access to information, or the inability to give birth using healthy methods. As a result of this development the United Nations Development Program (UNDP) has taken “capability failure” as the equivalent of the Development Index, and we believe that this new concept of poverty should be considered more suitable for application to the case of the Arab states, which suffer collectively from a deficiency in human capability (measured by the human development indicator) in comparison with the level of income available in them (measured by the individual’s share of total local output according to the average purchasing power of the dollar). This is clearly shown in figure (4), which reveals the difference between these two yardsticks in Egypt, Lebanon, Jordan and Morocco.

Table 1

Arab states arranged by individual’s share of real domestic product and Human Development

Index

Country	Arrangement by Human Development Index 1997	Difference between arrangement by individual share in Gross Domestic Product and by Human Development Index
Lebanon	69	-4
Jordan	94	2

^{*} This is due to the appearance of a recent study that deals in detail with the underlying causes of poverty and unemployment and methods of combating these in a number of Arab states including Egypt, Morocco, Jordan and Lebanon. See Abd al-Hamid Shuman Foundation (publisher) 2000, *Unemployment and Poverty: Reality and Challenges – Jordan, Morocco, Egypt, Tunis, Lebanon, Oman*

Egypt	120	-11
Morocco	126	-22

It may be noticed from the data in this table that Jordan is considered to be the only Arab state that has realized a level of human development that exceeds that provided it by its economic capabilities. The rest of the Arab states show negative deficit values, which reach their highest level, among the four states, in Morocco. It is worth pointing out that the states of the Gulf Cooperation Council, known for their wealth, have deficit ratings that reach extremely elevated levels, especially in Saudi Arabia and Oman (47% and 38%). This deficit is considered an indirect yardstick for what might be termed “avoidable poverty.” From another perspective it may be considered an indicator of wasted opportunities unexploited by Arab governments at a time when the financial capabilities to improve the level of human development are available to them (UNDP 1998: 31)

(ii) The second observation is that the application of a concept of poverty based on “human capability failure” to the Arab states leads us to an implicit conclusion to the effect that poverty is in essence a process of social exclusion that prevents wide groups of citizens from acquiring economic assets (such as agricultural land, clean drinking water, productive jobs and in kind and material capital), human assets (such as good education and health), and social assets (such as public services, information networks and social support systems).

We are of the belief that the increased opening up of the Arab states to the world market with its various mechanisms has helped to consecrate the phenomenon of social exclusion over the past ten years. Globalization, according to some definitions, is a compound, complex process that gives rise to conflicting effects represented in simultaneous processes of inclusion and exclusion. In other terms, it may be said that the impacts of globalization on the developing nations in general, the Arab states among them, helps to integrate a small elite of the citizens of each nation into the processes of production and capital accumulation that are linked to the world market. These may be called the “labor aristocracy” and it to these that is given the opportunity to enjoy a level of affluence far higher than that provided by the average income in these states, the flip side of the coin being the increase in the numbers of those excluded or marginalized from the circles of production and income, in as much as the generation of poverty is accompanied by these processes of economic and social exclusion. Even more serious is the dynamic nature of poverty in these cases, in that the aggravation of poverty leads to increasingly acute differentials in the distribution of wealth, with the consequence that the capability of the poor to acquire material, human and social capital is reduced, creating a vicious circle of poverty and backwardness in which poverty reproduces itself and social dualism becomes one of the basic

distinguishing marks from which every part of the Arab world suffers, though to varying degrees. It goes without saying that such dualism threatens the integrity of the social fabric of the nation and generates the dangers of instability at the different political, economic and social levels (Amin 1999: 28).

Part 2: Social Policies Proposed to Confront the Impacts of Globalization on the Arab States

With the expansion of negative social impacts – enumerated in Part 1 – the governments of the Arab states began to feel the need to pursue new social policies aimed at controlling these impacts and alleviating their pressure, especially on the poor and some of the more vulnerable groups, such as poor women, unemployed new graduates, those missed by the educational system, and the elderly and the disabled, in addition to groups negatively affected by the privatization of public projects. As is to be expected, these policies vary in their character, goals and beneficiary groups, according to the time limits for their implementation. Thus for short term policies, there must be an alleviation of the deprivation and poverty from which the most affected groups suffer, requiring recourse to social safety nets as among the fastest means to provide the minimum of life's necessities and facilitating the process of bringing into being jobs suitable to the limited skills of these groups. In the medium term, social policies may focus on raising the capabilities and skills of the unemployed through training programs specially designed to address the new and changing requirements of the labor markets of the Arab states. In the long term, however, social policies must be adopted that seek to put an end to the causes of the socio-economic imbalances and differences whose acuteness is becoming more serious as a result of globalization. From this point of departure, it becomes impossible to design the sought for new social policy in a vacuum; rather, it must be integrated within an overall developmental environment that includes the remaining economic, institutional and political components. In other terms, it may be said that dealing with the outside environment characterized by globalization calls of necessity for the creation of a new internal situation within each Arab state. Success in the realization of these goals will be impossible without a three-way partnership among the state, the private sector and the civil society institutions, in as much this partnership has become a pressing necessity, to the degree that any disturbance thereof may be considered a direct threat to the vital integration of the chief elements of society and to social tranquility (Khawaga 1999: 18). In the following we review the broad features of the social policies proposed to face globalization according to their different time frames.

First: social policies proposed for the short term

A distinction may be drawn in this area between two main types of program, the first relating to the setting up of appropriate social safety nets, while the second focuses on the

development and enhancement of the efficiency of employment offices so as to increase their effectiveness at matching unemployed job seekers with job vacancies.

1. Social safety nets in the Arab states: their role and performance

The appearance of the term “social safety nets” and the multiplication of writings about these accompanied the implementation of reform and structural adjustment programs in the developing nations in general, for most non-theoretical studies have established that the implementation of this package of programs increases the acuteness of the poverty from which certain classes suffer, not to mention the appearance of new groups of new poor whose standard of living decreases under the direct impact of certain policies such as these programs. It follows that social safety nets have become tantamount an additional component of the two basic elements of reform programs, namely the economic stabilization and structural adjustment programs. This has been done in order to give for these programs a “human face.”

In the following, we will undertake a brief review of the experiences of the four states under discussion, namely Egypt, Jordan, Morocco and Lebanon, focusing on their common characteristics and degree of effectiveness in the case of the first three. The Lebanese experience has its own special character due to the fifteen successive years of civil war to which this nation was exposed and which resulted in destruction of the infrastructure and a negative impact on all productive sectors, making it the most in need of this mechanism.

In general terms, social safety nets are made up of a package of programs, funded through the state in the first instance, with a measure of funding provided by non-governmental organizations or offered within the framework of foreign assistance programs (whether from foreign states or from international organizations). These nets depend to carry out their work on three or four basic mechanisms in the form of programs for the subsidization of food commodities and the provision to the poor, programs of assistance or material or in kind transfers to the extremely poor (the “abject poor”), programs to generate jobs or income for the groups that can be helped to integrate themselves socially, and finally programs aimed at providing a measure of health care for the classes that are without this.

If we take the social safety nets in the three first states and compare them to one another, we find a considerable number of common characteristics along with a measure of variation according to the nature and size of the targeted groups in each state (UNDP 1998).

- Social safety nets are characterized by a focus in their area of action, which, in the case of Morocco, is the rural areas, in view of the severity of poverty in these, especially with regard to women, children and the elderly. In the cases of Egypt and Jordan, however, we find that the social safety nets try to spread their programs between the countryside and the city, because of the linkage of poverty in Jordan to a great extent to illiteracy (more than a geographical concentration), while Egypt strives to alleviate the severity of the differences between the rural areas (especially in Upper Egypt) and the urban by providing basic services such as clean

drinking water, wastewater disposal and electricity networks, in addition to the equitable distribution of basic services.

- As regards funding, we find that the state bears the main and effective role in the case of Jordan and a lesser role in both Egypt and Morocco in view of the availability of foreign sources of funding (USAID, UN organizations and especially the UNDP, the World Bank and certain Arab funds).

- Non-governmental organizations play a basic role in alleviating poverty and facilitating access to target groups (in view of the focus of their areas of work on limited geographic areas or specific groups) in the experiences of Jordan, Morocco and Egypt.

- Food subsidy programs form one of the basic mechanisms in all the states under discussion and are directed towards basic food stuffs such as bread, cereals, food oils, sugar and milk, the sole area of difference lying in the methods and means of delivering this subsidy to those who merit it (food stamps, ration cards, special mechanisms).

- All the social safety nets include specialized programs to help the newly or the long-term unemployed to find jobs, whether via specialized funds such as the Social Fund in Egypt and the National Support Fund in Jordan, which aim to provide aid to certain groups, such as families on pension supported by women and workers negatively affected by privatization or migrants returning after the second Gulf war. The activities of these funds extend to include a number of sub-programs such as public works and local community development programs, and refresher courses and retraining programs for the unemployed or small loans for the development of small and handicraft enterprises.

In relation to the case of Lebanon it is to be noted that to date no social policy specific to fighting poverty or unemployment has been formulated. This is understandable in the absence of a reference text for social policy, in that the “policy of economic revival and reconstruction” preoccupied the state during the period 1992-98, in the expectation that the achievement of growth would guarantee necessarily the curing of other economic and social problems (Haddad 2000:184). This does not however deny the existence of social safety nets in Lebanon and their success in playing a role in reducing the spread of poverty and the alleviation of the burdens on the real wages and incomes of the inhabitants. At the forefront of these nets is the Social Security Program, whose equivalent in the public sector is the State Officials’ Cooperative and the funds of the military and security institutions. However, the coverage of these funds is not more than 42% of the total population.

Services to those not included in the Social Security are taken in charge by each of the Ministry of Public Health, the Ministry of Social Affairs, the Ministry of Emigrants, the Council of Deputies and the Supreme Agency for Relief, according to their areas of work and to varying degrees and by varying methods.

In response a relative downturn in the role of the National Social Safety Fund is to be noted, the percentage of the total work force belonging to the latter having declined from 38% in 1984 to 28% at the end of 1996. Likewise, the effective value of additional wage compensations and end of service compensation declined by a significant percentage (Haddad 2000: 187).

- Finally it may be said that social safety nets in all the states under discussion suffer from a common characteristic, which is the paucity of their financial resources, especially in the light of the policies of reducing social spending implemented in these states. Just how acute is this constraint becomes clear whenever the poverty constituency expands or the percentage of targeted groups rises in relation to the total population of each state.

- As far as the objective assessment of the effectiveness of the performance of the social safety nets is concerned, the matter of necessity requires the existence of in depth and continuous field studies to measure the extent of success of these programs in reaching the target groups and their capacity to cover the basic needs of these deprived groups. Most Arab states suffer however from an absence of such studies despite their importance as the only means of improving the efficiency of performance of these programs through the better targeting of needy groups. At the same time such studies would give a dynamic stamp to the role of these programs through follow up of their effects over time, in as much as poverty itself is a dynamic phenomenon liable to change under the influence of numerous political, economic and social factors.

Despite the preceding reservation, there are two important observations that must be made in the area of the comprehensive evaluation of the social safety nets in the Arab states under discussion:

- The first observation concerns the necessity to looking at and dealing with the newly introduced social safety nets within a more comprehensive and general framework comprising the economic and social frameworks of every Arab state. In other terms, the basic focus of concern must be to raise the capability of each Arab state to provide basic social services including health care, education, housing and public utilities at a level that is appropriate and acceptable to the great majority of their citizens. This does not mean that these nets are not called for within the framework of any comprehensive approach to the phenomenon of poverty and its implications, but that they must be treated as “supplementary” to more comprehensive policies and measures that have to be discussed and crystallized at the level of each Arab state.

- The second observation that must be stressed is that the social safety nets – despite being necessary to protect the poor of the Arab region, especially in the light of the structural adjustment programs and increased opening up to the outside world – do not constitute a sufficient mechanism or approach to put an end to poverty, unemployment or marginalization. This is because they do not address themselves to curing these phenomena and their basic underlying causes. On the contrary, they attempt merely to compensate for the negative effects

produced by economic and social mechanisms without affecting these mechanisms themselves (Fergany 1998: 6).

2 – Programs to develop employment mechanisms:

One of the distinguishing characteristics of the labor markets of the Arab states is the failure to make available sufficient information, and the inappropriateness of the mechanisms for linking job vacancies on the one hand and the backlog of different groups of the unemployed on the other. This failure reduces the efficiency of these markets in creating specialized human resources and is a waste of the latent capabilities of the work force. In order to confront this situation action is required on two parallel tracks:

- Introduction of radical and effective change in the labor market information system, since the provision and continuous up-dating of the rules for accurate and up-to-date data on the various alterations related to the labor market is a necessary condition for any attempt at scientific analysis of the evolution of these phenomena and hence for the design of appropriate policies to confront them.
- The second track consists of effectualizing the job and employment mechanisms in the states in questions, for, as we explained above, the phenomenon of globalization and its impacts bring with it the destruction of certain types of jobs, which are replaced by new jobs in different fields and with different requirements. It follows that employment offices, which are usually attached to the manpower ministries of the different states, must be upgraded and the competence of their employees raised and they must be supplied with the latest technologies so that they may become an effective means for linking job vacancies, whether in the private sector or in the social services sectors such as education and health, with the available unemployed groups capable of working in these jobs. In this field, use may be made of the experience of specialized international institutions such as the International Labor Organization and the Arab Labor Organization to discover the most suitable and successful means (“best practices”) for the design and implementation of this type of program.

Second: Policies Proposed for the Medium Term

In the medium term employment policies must aim to upgrade and enhance the skills of the unemployed so as to raise the degree of their acceptability for the positions that will be created as a result of the structural adjustment process. This is concept known as “employability” (ILO 1998: 99).

It is only logical that these employment policies should be tied organically to “training policy” in such a way that training becomes the basic mechanism depended on by the labor market to raise continuously the productive efficiency of job seekers, on the one hand, and to reinforce its capacity to create new job openings, necessarily accompanied by higher wage levels,

on the other, with the result that the living standards of the groups benefiting from these training policies go up.

Needless to say, the existing training systems in most of the states under discussion are as yet completely unqualified to undertake this new role, since they usually suffer from a lack of qualified teachers and trainers, from the outdated nature of the programs and curricula that they provide, and from their inflexibility and failure to adjust to the rapid technological developments and continuous modernization in methods and means of production that involve a change in content of the occupations and jobs that existed before (Kamil Rizq 1999: 26). Here the possibility presents itself of realizing a sort of complementarity between the role of the state and the private sector in designing and drawing up the new training policies and providing the resources needed to bring them to the point of implementation, while recognizing the necessity of focusing on the on-going and continuous nature of this role, in such a way that it be a long term process on the one hand, and include the entire range of necessary types and systems of training (retraining, improved competency training, in-service training, etc.) on the other. This should make it possible for members of the work force not merely to obtain a job at a given moment in time but also to make use of training as a means to increase their capacities to transfer repeatedly during their working lives to more productive and higher paid work.

Third: Proposed long-term policies

The survey of the expected impacts of globalization on the Arab states shows how negative and serious will be these effects in terms of aggravating unemployment, spreading poverty and the decline of living standards for the great majority of individuals, in addition to increasing the acuteness of social segmentation and marginalization. It follows that it is difficult to imagine the possibility of treating these imbalances which threaten the economic and social fabric of each of the states under discussion, through the pursuit of a range of partial or scattered policies. Effectively addressing these conditions calls rather for the designing of an integrated and multi-dimensional developmental environment to be implemented over the long term. This task requires the serious research centers of varying specializations to combine forces, not only at the level of the Arab states but also among the developing nations of the south as a whole in view of the similarity of the nature of the problems that they face, even though these may vary in terms of their severity from one state to another.

It follows that our task in this paper is limited to the modest proposal of a range of policies that we believe could be incorporated within the framework of the envisioned coordination*.

1. Continuous and just economic growth stimulation policy

* For more detail on the content of these policies, see Khawaga 1999.

Given the frantic orientation towards globalization and the increased competitiveness among the different nations that the world is witnessing today, the pursuit of economic policies that strive to achieve high rates of economic growth has become an urgent necessity in order to confront the negative consequences in each state. However, it must be stressed that this should be considered a necessary but insufficient condition for the realization of the desired goals of economic growth from the societal perspective, and that the more important issue is the “character” and the “content” of this growth, and how to distribute its fruits in a just way that reduces the severity of the imbalances in the currently prevailing income distribution pattern.

2. Human development support policy

The human development approach is considered to be that most appropriate for the realization of sustainable development. This is because concern for the human factor –considered the most important of the hidden sources of wealth in the Arab states overall – and the upgrading of its knowledge and capacities, and the creation of an appropriate infrastructure for the use of these capacities in the production process in a way to match the gigantic technological developments that are taking place globally, is the only way to benefit from any positive opportunities that may result from the globalization process.

It is not possible of course to touch on all the components and pillars of the human development called for but it is worth pointing to the importance of two basic factors therein, namely educational policy on the one side, and research and development policy on the other, the latter being the most important of the deciding factors in the potential competitiveness of nations, and one which generally speaking performs weakly and inadequately in the Arab region.

3. Political, institutional and legislative reform policy

The success of growth and distribution policies in promoting human capacities in the Arab states – in the above manner – must necessarily be accompanied by reform policies that cover all political, institutional and legislative areas in a manner that allows each member of society – and especially the poor and those of limited income – to participate effectively in national decision making.

We may sum up the preceding by saying that in order for the strategic directions referred to above to achieve their goals far-reaching institutional changes in the economic and political structure are required that will include increased efficiency of the labor market within the context of supporting the competitiveness of the markets generally and the control of their activity within the framework of the complete sovereignty of the law, unrestricted independence of the judiciary, reform of government service, establishment of effective social security systems, and reform of the system of government to make this transparently expressive of the desires of the people and effectively responsible to them and to make it possible truly to strengthen the institutions of civil society, so that ordinary people and the poor in particular have a voice in public affairs that is listened to (Fergany 1999: 11-12).

