INFORMAL WORK IN ARAB COUNTRIES

Samir Aita
President, Cercle des Economistes Arabes

INTRODUCTION

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

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

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

On Definitions

Terms related to the informal sector1, informal labor and employment, and the informal economy are subject to major confusions that must first be reviewed and clarified. These confusions stem from a political economy standpoint. The terms appeared in the mid-1960s to replace the term “traditional sector,” which is not regulated by labor relations governed by contracts and laws protective of workers’ rights. Analyses showed that forms of labor in this sector were not likely to get regulated in a capitalist economy; actually, they acquired their own growth, becoming mostly non-agricultural jobs in developing countries (half to three quarters). Their size grew at a larger rate, even in developed countries2.

This development is naturally tied to the progress of the economy’s nature and its shift from intensive production in large companies to flexible production units and employment patterns. Then came the 1980s and 1990s with their economic crises (the crises of Asian Tigers, Latin American countries, the aftermath of the Berlin Wall’s fall) to highlight that employment in the informal sector tends to increase during crises and has become a characteristic of the globalized economy.

In the beginning, the term “informal sector” appeared to monitor the sector’s contribution – which was obvious in many countries - in the economy and in national accounts (for example, the account of gross domestic product). The difference between the informal sector and the concept of economic activities - as in agriculture or industry - was clarified. Hence, this definition was created according to productive units with similar targets and characteristics, as if differentiating between private and public sectors. The 15th International Conference of Labor Statisticians (ICLS) upheld in 1993 a tentative statistical definition3 for the informal sector4, which was introduced later to the System of National Accounts (SNA, 1993). This definition included all non-agricultural small production units, which are not formally registered and are owned by individuals or households (especially freelancers), producing tradable commodities or services, and including one or more individuals. Somehow, this definition restricted the informal sector to divorce itself from the households sector5 in the system of national accounts.

However, this statistical definition included very different things, both economically and socially. From activities redressing need (to work and subsistence) to those eschewing taxes and laws (especially labor laws) and even those linked to criminal activities and corruption. Also, measuring employment in the informal sector is far from monitoring all sorts of informal work, which have been growing even in the formal sector and developed countries.

Furthermore, the 15th International Conference of Labor Statisticians suggested a definition6 for informal work or employment from ILO’s viewpoint; the definition was discussed and endorsed during the 2002 International Labor Conference (ILC)7, becoming part of the referential SNA in 20038. This definition included all forms of informal employment in formal, informal and household sectors. It was developed around the job/work itself, not the working individual, since the latter can theoretically take on many jobs, both formal and informal. Hence, informal work included the sorts shown in Figure 1. Later on, however, the ILO introduced the term informal economy to indicate this definition of informal work. This caused confusion among non-specialists. Work relations and rights ceased to be the focus of concern, giving way to informal work’s contribution to the economy and addressing needs. This occurred despite informal employment relying on labor surveys in the informal sector in national accounts of productive units.

Regarding awareness of the expansion of the informal economy and the fact that it accounts for most jobs, especially in developing countries, the ILO asked in 1991: “Should the unstructured sector be preferred because it provides work and income, or should we, on the contrary, work on enforcing existing regulations and social welfare to this sector while risking reducing its abilities to provide economic activities to a growing population?” The ILO’s focus gradually shifted from monitoring the implementation of international conventions and attempting their expansion to include informal work (this did not happen before 1999) to seeking “decent work” and the right to work for all, including the informal sector, by encouraging micro-firms. Applying an ethical and moral description of work instead of a rights-based one increased confusion.

1. Stan Alcorn: Hernando De Soto on the Middle East’s “informal” revolution; Marketplace.
2. De Soto played a role in seeking “decent work” and the right to work for all, including the informal sector, by encouraging micro-firms. Applying an ethical and moral description of work instead of a rights-based one increased confusion.

(A) According to the 15th ICLS in 1993.
(B) Households producing commodities for their own private consumption and households hiring domestic workers. Black filling indicates that according to the definition, the employment sort is not included in the involved production firm.

1. (A) According to the 15th ICLS in 1993.
(B) Households producing commodities for their own private consumption and households hiring domestic workers. Black filling indicates that according to the definition, the employment sort is not included in the involved production firm.
2. De Soto played a role in seeking “decent work” and the right to work for all, including the informal sector, by encouraging micro-firms. Applying an ethical and moral description of work instead of a rights-based one increased confusion.

1. Stan Alcorn: Hernando De Soto on the Middle East’s “informal” revolution; Marketplace.
2. De Soto played a role in seeking “decent work” and the right to work for all, including the informal sector, by encouraging micro-firms. Applying an ethical and moral description of work instead of a rights-based one increased confusion.

1. (A) According to the 15th ICLS in 1993.
(B) Households producing commodities for their own private consumption and households hiring domestic workers. Black filling indicates that according to the definition, the employment sort is not included in the involved production firm.
Grey filling indicates that according to the definition, the employment sort is included in the involved production firm. White fillings are the center of attention because they indicate sorts of informal work.

Cells 1 and 5: Contributing householders: No work contracts, social security or legal protection linked to this sort of employment. Contributing householders are those whose work is part of the household's income (housework, salaried work in the household, and trade work). In these cases, the work activity is part of the household, so the characteristics of this activity are those of the household.

Cells 2 and 6: Workers in informal work.

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

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

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

Cell 9: Producers of commodities for private consumption within households if considered workers according to the producer's characteristics.

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

Informal Work in Arab Countries

CIVIL SOCIETY ORGANIZATIONS

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

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

- Self-employment: Employers in informal firms (4 in Figure 1); self-employed workers in informal firms (3 in Figure 3), contributing householders, and self-employed informal firms (1 and 5 in Figure 1), and members of informal cooperatives (8 and 9 in Figure 2).
- Informal Paid Work: Workers in informal firms (6 in Figure 1), discontinuous or day workers, temporary workers or part-timers, paid domestic workers (10 in Figure 1), contract workers, unregistered or undocumented workers, and home workers and subcontractors.

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

Field investigations showed ties between informal and poverty and gender - see Figure 2.

Figure 2 - WIEGO Model for Informal Work: Income hierarchy and poverty risks according to work position and gender

Labor Unions

The labor movement developed with the quick growth of industrialization in other countries in the 18th century, primarily because said growth brought in women, children, farming workers and immigrants to the labor force (urbanization). Contrary to trade associations (guilds), which preceded unions in medieval ages, the labor movement is that of a struggle for the right to collective negotiation on work rights at the level of firms or even nations.

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

The ILO’s Bureau for Workers’ Activities drew attention to this matter, especially during several seminars and seminars on relations between unions and informal work. It understood that fact that current unions were still unclear in their involvement in informal work; they did not consider it important for such unions and highlighted the history of unions. The discussion of the matter noted that the ILO “is a conflict of interests between the formal and informal sectors; the formal sector has privileges and security that informal work threatened.” This encourages determination in relations between capital (formal by default through its market) and work (mostly informal and suffering conflicting interests), unless unions are formed to regulate collective negotiations about informal work, independently or through existing unions.

In fact, many such unions that regulate informal work and defend the interests of workers did not endorse the two conventions on unions and collective negotiations. Many states have not signed Convention 100 on equal remuneration. As noted for International Standards about Informal Work

Growing awareness about the size of informal work and its impacts, led to a major controversy in organizations tasked with developing international standards that were led, evidently, by the ILO, a member of the United Nations. These standards started with ways to specify the nature and measure of this sector and the points that should be agreed on to provide workers in this sector a form of security. Hence, the ILO’s Director General presented in 1999 a report in which he introduced the concept of “decent work” to deal with the challenges of informal work under globalization and the characteristics that new relations among governments (whose role was decreasing and which were pressured by neoliberalism to exit productive sectors and shrink their own bureaucratic), employers (who called for “flexible” work) and workers. The report set the organization’s goals, saying: “The primary goal of the ILO today is to promote opportunities for decent and productive work, in conditions of freedom, equity, security and human dignity.” It highlighted four pillars for what later became known as Agenda 21: Work (Local Work, The promotion of employment, social security, 3) social dialogue, and, rights at work. In 2009, following the world economic crisis, the director general stressed that the crisis was the climax of unfair globalization and increasing income inequalities under policies that curbed the state’s role and failed to promote the right to association, collective and individual bargaining. The labor movement developed with the quick growth of industrialization in other countries in the 18th century, primarily because said growth brought in women, children, farming workers and immigrants to the labor force (urbanization). Contrary to trade associations (guilds), which preceded unions in medieval ages, the labor movement is that of a struggle for the right to collective negotiation on work rights at the level of firms or even nations.

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

The ILO’s Bureau for Workers’ Activities drew attention to this matter, especially during several seminars and seminars on relations between unions and informal work. It understood that fact that current unions were still unclear in their involvement in informal work; they did not consider it important for such unions and highlighted the history of unions. The discussion of the matter noted that the ILO “is a conflict of interests between the formal and informal sectors; the formal sector has privileges and security that informal work threatened.” This encourages determination in relations between capital (formal by default through its market) and work (mostly informal and suffering conflicting interests), unless unions are formed to regulate collective negotiations about informal work, independently or through existing unions.

In fact, many such unions that regulate informal work and defend the interests of workers did not endorse the two conventions on unions and collective negotiations. Many states have not signed Convention 100 on equal remuneration. As noted for Standard 182: “Everyone has the right to freedom of association and trade unions. As for the purposes of this Convention, a trade union shall be free to determine its objectives, to establish its internal organization and to carry out its activities without interference.” Article 23, Paragraph: 4: “Everyone has the right to form and to join trade unions for the protection of his interests.” However, many states that signed the convention did not implement its provisions. The most important principle is that public institutions and the right to work at the center of economic and social policies.” It said the four strategic objectives of the Agenda of Decent Work “are inseparable, interrelated and mutually supportive.” Recently, the ILO published a guide for policies in this regard, which relied on the Global Jobs Pact endorsed by the 98th International Labor Conference in 2009.

Figure 3 - Basic UN and ILO Standardized Regulations for Informal Employment and Endorsements by Arab States.
ICESCR includes and surpasses the four pillars of the ILO's Agenda of Decent Work (Figure 4) because it establishes a legal foundation rather than an abstract concept of "basic labor standards." For example, it includes the right to a fair salary, secure work conditions and reasonable working hours. Contrary to its predecessors with varying emphasis levels and dealing with many specific groups, the covenant is an integral international document work as a whole. It obliges states to ratify the declaration, to ensure its implementation in their territories, to report to the International Covenant on Civil and Political Rights (ICCPR).

**Table on Informal Sector and Economy**

Ever since the term informal or unstructured was introduced for the first time in the 1950s, issues and arguments arose that have yet to reach a conclusion until now. The problem is not only related to the definition but is also mainly about its economic social role, and the stances that should be taken and the policies that should be applied vis-à-vis informality. All these debates focus on the aforementioned key issues: a) informality being linked to the structural relationship between informal productive units and governmental laws and measures; it sees informal work as a positive way to provide the impoverished with opportunities to earn a living; b) informal productive units and informal employment, ignoring informal work as a negative way to include workers in the formal sector; c) concerns for firms, companies and related legal frameworks instead suggesting reforms for labor laws.

**Market Approaches and Rights Approaches**

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

The market-based approach focuses on analyzing the effects of informality on the economy, relying on a definition of informality which includes productive firms that evade rules and ignore social commitments. Workers' statuses include very different sorts of employment - wage workers, employers or self-employed - in both the formal and informal sectors. This approach pays attention to the structural ties linking the informal and formal sectors than to their competition. When it comes to policies, it also focuses on basic services, calling for the provision of basic services irrespective of employment conditions. It also urges for urban planning since it believes informality is related to accelerations in migration front and the construction of slums, and changes to the state's functions and the meaning of formality.

**-3 THE ECONOMIC ASPECTS OF INFORMAL ECONOMY**

**Reasons**

To explain informality, the market-based approach privileges the free “exit” option by the economic player (the firm) scenario over the forced “exclusion” resulting from the absence of formal employment, since the former scenario provides luxury that the impoverished cannot afford. Hence, it blames the state for informal work, which is not a result of the market forces but an effect of government policies, then incapability or negligence in providing the citizens with fundamental rights and essential services.

employment, and describes individuals/firms as players who chose strategies to secure income vis-a-vis this situation. The social conflict in the background is thus, between the state and citizens, while informal work is a result of bad management. Yet, this interpretation faces many criticisms. Is looking for another, informal job a choice for a formal economic sector employee whose wage is not enough? Or is it a way of contributing to the adverse conditions that the state is operating in a vacuum, in which, if and it is subject to major phenomena, such as economic changes that lead to informalization into being, or to structural reforms imposed by international financial institutions, which shrink formal labor opportunities.

Repercussions

While De Soto describes informal firms as “heroic entrepreneurship,” a creative response to the state’s failure to secure basic needs to poor masses,” the literature of the market-based approach sees these firms as prisons of informality that are unable to push economic growth because of their weak productivity. Informal firms also harm the formal sector because they create unfair competitive conditions; they also weaken the state by preventing it from getting enough taxes and fees from the sector. Hence, these firms hamper their country’s engagement in the global economy. Informality’s loopholes create a “soft” environment for property rights, corruption, unpredictable policies and limited access to loans, financing and public services. The approach suggests a magic formula to attain informality: documenting property rights and engaging in the market. A critique to this vision argues that relations between formal and informal firms give the latter many advantages, used extensively by multinational corporations. Another argument put forward is that privatizing the public sector and shrinking government employment, brought about “informal firms” and “structural reforms” imposed by the International Monetary Fund (IMF) during the share of formal employment. It can also be argued that the state’s disinterest is not a state of exception created by a paradox in the state’s mechanisms; informality is also a “market” with rules. Policies

The market-based approach also believes that government laws and measures are the main incentives for informality because they make the cost of firms too high. Formality’s laws for capital and labor to enhance economic growth. Hence, policy recommendations tend to call for “simplifying” laws and measures, decreasing taxes for firms and making regulations “flexible.” Direct policies proposed by this approach clarify a suggestion of clarifying property rights, making micro-finance available and, generally, formalizing informal firms without focusing on the conditions of the workers. The logic of these policies and recommendations is not that of international financial institutions; most non-governmental organizations (NGOs) practically engaged in non-profit microfinance to “soften” neoliberal capitalism. Still, other informal firms don’t get the same formal sector’s criticism. The sustainability of informal firms is not guaranteed after their formalization. Formalization and moving capital and labor to the formal sector, especially when the availability of jobs is already low can mean forceful closure. This is comparable to tough government policies regarding street vendors. In addition, if a secure source of income is not available because formal sector is “incontrollable,” contrary to their counterparts in the formal sector. In fact, there is an intrinsic contradiction between shrinking the rights of workers in the formal sector and encouraging informal workers to formalize. Also, market liberalization policies in favor of economic growth neglect the fact that such policies lead to new forms of exploitation.

-4 THE SOCIAL ASPECTS OF INFORMAL ECONOMY

Reasons

The rights-based approach blames the growth of informal work on “exclusion.” Current globalized economic growth channels create barriers because informal work whose growth is even weaker to begin with or relying more on capital than on labor, or because the public sector has shrunk under “structural reforms.” Global competition pressures companies to repatriate their production in countries with cheaper and less protected labor, through informal firms. Some legal experts also look for the conditions that are estimated to have lost almost one third of their tax revenues under economic liberalization.

Hence, contrary to the market-based approach, the rightsbased approach blames globalization, economic liberalization and their effects on the regulation of a labor market that has become global. Consequently, informality is not a relic of bygone times; it is “a byproduct of advanced production patterns.” Structural reforms are in ever-increasing urban growth patterns, which are linked to globalization, migration from rural to urban areas and labor surpluses. The concept of “informality” appeared for the first time in analyzing these conditions. It is not only tied to the impoverished; informality targets large social sectors in developing countries, including middle classes and government employees.

Repercussions

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

Informal Work in Arab Countries

Informal employment has not grabbed enough attention in Arab countries. Meetings of the Arab summit for Economic and Social Development overlooked this subject, instead tackling it indirectly through the concepts of labor, unemployment and studies of slums. Also, in its conclusions, development policies of the International Labor Organization (ALO) saw in informality nothing more than “parasitic revenues” that must be curtailed, while policies targeted those from rural areas. Hence, an increased self-employment programs introduced to increase jobs and small and micro industries encouraged. However, ALO participation in ILO activities and conferences developed the awareness of informal employment issues. Recent guidelines and recommendations specifically increased ALO’s interest in these matters.

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

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

International Research about Informal Work

Major Arab research institutions have not paid attention to informal work, which is subject to major debates during the Arab Spring. Hence, the Economic Research Forum (ERF), which covers Arab countries, Turkey and Iran, is the best framework to discuss research in the region. A noted workshop in 2014 on informal economics with a special focus on Egypt. However, most research at the workshop espoused a market-based approach. Some said informal employment in Egypt is a consequence not of poverty but of personal choice, adding that the problem lies in bureaucracy and red tape, while the crisis should start with integrating formal sector firms and laws, improving the investment environment and pushing small firms to formalization. Others argued that due to their flexibility, informal labor markets helped liberalization. Yet, these recommendations face much criticism. Some have looked at informal employment as a tool for survival or a work of desperation. However, many experts noted the increasing size of informal employment. It got involved by developing a regional database on decent work, but its efforts remained humble.

Informal Work in Arab Countries

Informal employment has not grabbed enough attention in Arab countries. Meetings of the Arab summit for Economic and Social Development overlooked this subject, instead tackling it indirectly through the concepts of labor, unemployment and studies of slums. Also, in its conclusions, development policies of the International Labor Organization (ALO) saw in informality nothing more than “parasitic revenues” that must be curtailed, while policies targeted those from rural areas. Hence, an increased self-employment programs introduced to increase jobs and small and micro industries encouraged. However, ALO participation in ILO activities and conferences developed the awareness of informal employment issues. Recent guidelines and recommendations specifically increased ALO’s interest in these matters.

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

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

International Research about Informal Work

Major Arab research institutions have not paid attention to informal work, which is subject to major debates during the Arab Spring. Hence, the Economic Research Forum (ERF), which covers Arab countries, Turkey and Iran, is the best framework to discuss research in the region. A noted workshop in 2014 on informal economics with a special focus on Egypt. However, most research at the workshop espoused a market-based approach. Some said informal employment in Egypt is a consequence not of poverty but of personal choice, adding that the problem lies in bureaucracy and red tape, while the crisis should start with integrating formal sector firms and laws, improving the investment environment and pushing small firms to formalization. Others argued that due to their flexibility, informal labor markets helped liberalization. Yet, these recommendations face much criticism. Some have looked at informal employment as a tool for survival or a work of desperation. However, many experts noted the increasing size of informal employment. It got involved by developing a regional database on decent work, but its efforts remained humble.

Informal Work in Arab Countries

Informal employment has not grabbed enough attention in Arab countries. Meetings of the Arab summit for Economic and Social Development overlooked this subject, instead tackling it indirectly through the concepts of labor, unemployment and studies of slums. Also, in its conclusions, development policies of the International Labor Organization (ALO) saw in informality nothing more than “parasitic revenues” that must be curtailed, while policies targeted those from rural areas. Hence, an increased self-employment programs introduced to increase jobs and small and micro industries encouraged. However, ALO participation in ILO activities and conferences developed the awareness of informal employment issues. Recent guidelines and recommendations specifically increased ALO’s interest in these matters.

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

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

International Research about Informal Work

Major Arab research institutions have not paid attention to informal work, which is subject to major debates during the Arab Spring. Hence, the Economic Research Forum (ERF), which covers Arab countries, Turkey and Iran, is the best framework to discuss research in the region. A noted workshop in 2014 on informal economics with a special focus on Egypt. However, most research at the workshop espoused a market-based approach. Some said informal employment in Egypt is a consequence not of poverty but of personal choice, adding that the problem lies in bureaucracy and red tape, while the crisis should start with integrating formal sector firms and laws, improving the investment environment and pushing small firms to formalization. Others argued that due to their flexibility, informal labor markets helped liberalization. Yet, these recommendations face much criticism. Some have looked at informal employment as a tool for survival or a work of desperation. However, many experts noted the increasing size of informal employment. It got involved by developing a regional database on decent work, but its efforts remained humble.

International Research about Informal Work

Major Arab research institutions have not paid attention to informal work, which is subject to major debates during the Arab Spring. Hence, the Economic Research Forum (ERF), which covers Arab countries, Turkey and Iran, is the best framework to discuss research in the region. A noted workshop in 2014 on informal economics with a special focus on Egypt. However, most research at the workshop espoused a market-based approach. Some said informal employment in Egypt is a consequence not of poverty but of personal choice, adding that the problem lies in bureaucracy and red tape, while the crisis should start with integrating formal sector firms and laws, improving the investment environment and pushing small firms to formalization. Others argued that due to their flexibility, informal labor markets helped liberalization. Yet, these recommendations face much criticism. Some have looked at informal employment as a tool for survival or a work of desperation. However, many experts noted the increasing size of informal employment. It got involved by developing a regional database on decent work, but its efforts remained humble.
up since economic openness was launched in the early 1970s (the government backed real estate projects to increase their profitability and facilitate their privatization). The foundations of this problem lie in political economy and the approaches of elites, especially in terms of their exploitation of real estate revenues, turning agricultural areas into urban areas. In 1989, former Egyptian Prime Minister Adel Saidy described slums as a “cancer,” although a noticeable portion of middle classes had moved into them. Active policies to structure housing were implemented only after terrorism spread in Egypt in the early 1990s. Soliman noted that the construction of large mosques amidst slums and their exploitation by Islamic movements curbed any policies that could undermine the excessive growth of slums.

Spanish unions and the Euro-Med Trade Union Forum launched a project to study “employment and labor laws” in eight Arab Mediterranean states. The study focused on informal employment and tied it to migration inside and among these states. The study showed that the most concerned countries witnessed a youth boom, over 20 years after the baby boom, while economic growth only created a small number of formal jobs vis-à-vis a large number of newcomers to the labor market. The youth boom turned into a “youth tsunami” because it came alongside increasing migration from rural to urban areas under the pressure of structural changes in the agricultural sector. For this reason in particular, the informal work phenomenon is related to the haphazard growth of small and medium cities and the suburbs of large cities. In Syria, newcomers to the labor market in the early Third Millennium (2000-2008) averaged at 300,000 annually. The annual increase reached almost 1% (the number was, in fact, 350,000 if Palestinian refugees were counted in, not to mention Iraqi refugees during the middle of the same period). On average, one 30,000 new jobs were created annually: an increase of 65,000 for men and a decrease of 29,000 for women. Hence, many agricultural jobs were lost during the same period, especially for women. These jobs were not made up for well enough by the rate of job creation in urban areas (7). Therefore, 14% of urban employment outside the governmental sector became informal.

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

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

All these developments pushed the World Bank to prepare a large report on informal economy and work in the Middle East and North Africa, which was released in 2014 in the context of Arab Spring-related repercussions. The report said the region had both the lowest employment rates and the highest unemployment rates in the world. It added that one third of GDP produced in each country comes on average from the informal sector, while 56% of workers assume informal jobs. It attributed this in part to the economic crisis, which lowered the share of employment by the governmental sector, demographic growth, but also the fact that economic growth could not offer newcomers to the labor market. However, the report does not link this increase in informality to migration from the agricultural sector.

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

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

Some statistics in the report show the more detailed characteristics of informal work in some Arab countries. For example, in Egypt, informal employment involves many people in the informal sector more than self-employment, because the employment of young people in the public sector decreased. Self-employment is more important in countries such as Morocco where a sizable public sector never existed (Figures 7 and 8). The report also highlights the fact that informal work involves large sectors in some countries, including middle and rich classes and people with good education. On the other hand, employment’s ties to gender are complicated. According to the report, Arab countries have the lowest contribution of women to labor forces (the report assumes that the rate of women’s informal employment is weak because most working women choose the public/governmental sector instead to safeguard their rights.

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

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

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

most Arab countries will be made up primarily of youths in a few decades. The report attributes non-enrollment in social security to “maya” in choice and a lack of knowledge of available options without it estimating the costs and benefits. Hence, the report is a key contribution to the documentation of informal employment and sector in Arab countries. However, it avoids Gulf States and ignores in the other Arab states key systematic and rights issues related to the causes of the accelerating growth of informal employment.

WIEGO’s Estimates of Informal Employment

The ILO and WIEGO created statistical cooperation in the beginning of the Third Millennium to measure the size of informal work as part of efforts to establish international statistical standards. The report came out with stunning findings about the 2010-2014 period, during which informal employment included more than half of non-agricultural jobs in developing countries: %82 in South Asia, especially %84 in India; %66 in sub-Saharan Africa, especially %82 in Mali; %65 in East and Southeast Asia, especially %73 in Indonesia; %53 in Latin America, especially %75 in Bolivia; and only %10 in Eastern Europe and Central Asia, with %16 in Moldova. In the Middle East and North Africa, informal employment was estimated at %45, especially %57 in the West Bank and Gaza. (Figure II)

The apparently low percentage of informal work in the Middle East and North Africa is tied to low economic participation (the labor force as a percentage of the population); it is especially low for women - the lowest in the world, at only %52. This means men and especially women are far from involvement in any sort of employment outside the governmental sector. The percentage of workers in the public/ governmental sector is large in these countries, compared to other world regions. Analyzing the development of informal work is impossible without tying it to the development of employment in the public sector. The WIEGO report also notes that the percentage of agricultural workers decreased, reflecting accelerating migration from rural to urban areas.

The report highlighted that in most developing countries, informal work involves men more than women. The opportunities of women in informal work in the formal sector are generally higher. Informal employment is split equally between self-employment and wage work. However, women’s opportunities in self-employment are larger. Generally, informal work is a larger source of work for women than men in most regions (except the Middle East and North Africa).

In addition to the aforementioned findings, the report highlights major loopholes in labor force statistics, especially in the Middle East and North Africa, where many partial indicators of informal employment were not monitored. The report recommended:

- Institutionalizing the collection, tabulation, dissemination and use of data on informal employment and the informal sector.
- Improving statistical concepts and methods.
- Making data available, encouraging data analysis and disseminating analyzed data.

Efforts made by WIEGO and the ILO in this report on Arab countries are important but remain humble. The reason is weak involvement by Arab CSOs and researchers in the activities of WIEGO and similar organizations and research institutions dealing with the rights-based approach and refuting the arguments and recommendations of the market-based approach. This is especially important because the second approach ended in the region with the beginning of the Arab Spring, whose repercussions will remain felt for decades.

A Return to SDGs

When the SDGs were endorsed in the fall of 2015, the concept of “neus” arose in the search for a means to analyze facts and work on achieving interconnected long-term goals. The “water-energy-food security” nexus arose and became a central part of the work of CSOs, research centers and other organizations, including the UN General Assembly.

However, the conditions of Arab countries and the major growth of informal work in the region, together with the complexity of solutions in light of political, social and economic chaos during the Arab Spring, make it necessary to propose a new nexus to frame analyses and policies. It should be an “employment-decentralization-local and urban planning” nexus. Such a framing of research would link informality in employment to urban growth and necessary infrastructure and would find ways for policies allowing, on the local level, to overcome the size of informality’s problematic as seen in Arab countries.

- Primary Conclusions and Recommendations

To conclude, informal employment has become a key characteristic of the development of Arab societies, economies and political atmosphere in recent decades. This characteristic and its reasons and solutions were ignored until the suicide of Bouazizi in Tunisia - the man was a symbol for informal workers, which ignited the Arab Spring. The dilemma of informality has become larger with the growth of the deteriorating economic and development indicators in many Arab countries after the Arab Spring and the major weakening of the state as an institution. Hence, the living conditions of workers in particular and people in general deteriorated largely. In fact, many admit that the repercussions of the Arab Spring will not come to an end unless millions of young Arabs in the streets find their way to decent jobs. Some of them carry weapons and adhere to pre-state or extremist ideologies and informal economies.

Hence, CSOs must prioritize the issue of informal employment and make it the subject of organized statistics, research and struggle efforts contributing to a new stabilization of Arab societies according to concepts of dignity, rights and freedoms. Such efforts must focus on the following subjects:

- Institutionalizing, collecting and publishing data and research on informal employment and economy in Arab countries.
- Working with unions and CSOs to give informal workers a strong social and political voice in defending their rights.
- Working on the establishment of cooperative informal workers and institutionalizing this framework within civil organizations and local administrations.
- Creating a special research group in Arab countries that is linked to CSOs and specialized in analyzing the data and conditions of informal work. It should have effective contributions in cooperation with WIEGO.

Figure II Particpation in the Labor Market, Agricultural Work and Informal Non-Agricultural Work 2010-2014

Research should include:

- Studying economic ties between the formal and informal sectors and clarifying how informal workers are being exploited in each country in the context of globalization.
- Analyzing the economic, social and political costs of unemployment informality and creating social and political awareness of the hindrances caused by informality to human development.
- Studying the ties between the development of informal employment and the large waves of immigration to Arab countries.
- Studying the needs of informal employment and how infrastructure and social security can be provided for.
- Studying labor market institutions and means for their development in order to create a true framework for the labor market and develop means for switching into formality.
- Studying relations between informal employment and informal urbanization in the context of accelerating migration from rural to urban areas, and proposing policies linked to a regional and development based on the protection of the rights and working conditions of informal workers. Studying ties between slums and the development of extremist movements, especially those tied to political Islam.