INTRODUCTION

Based on the International Labor Organization measurement methodology concerning informal labor and the guide issued for this purpose in 2012, we tried in this report to collect available data about informal labor in Arab countries, counting in particular on relevant international databases, publications, and academic and field studies. These sources consist particularly of the database and publications of the ILO, the UN organization concerned with labor issues and relevant social rights, and of WIEGO, given its effective contribution to developing the approaches of measuring formal labor and its reports on the specific conditions of women in the labor market, in spite of its inability to collect additional data on the geographic regions that concerns us.

We also counted on the main studies published by the Organization of Economic Development and Cooperation (OECD), especially the studies conducted by Jack Charmes, focused particularly on African and Middle Eastern countries, or the studies conducted by Friedrich Schneider, which resulted in an index estimating the contribution of the shadow economy to the Growth Domestic Product (GDP). As for demographic, economic and financial data, the World Bank databases, whether general or specialized ones, were the main source of the provided data.

We have devoted chapter one of the report to the indicators mentioned in the ILO database concerning the labor market in terms of informal labor, according to the direct method based on a relevant questionnaire, and to the indicators mentioned in WIEGO’s reports based on the same methodology. However, the fact that Arab countries did not provide statistical data according to the specified approach is considered the first weakness, making the data received from these two sources on the Arab world almost completely lacking, except for Palestine and some partial data about Egypt.

Therefore, chapter two was devoted to the indicators based on appropriate indirect estimates (proxy), particularly the approaches adopted when facing a lack of social protection, independent labor, or a lack in declaring an enterprise or production, as signs pertaining to the size of informal labor and its evolution in the region in the absence of direct measurements.

Chapter three is about indicators estimating the contribution of the informal sector to the GDP, either through national accounts or the empirical methodology based on economic statistics and mathematical models to estimate the hidden changes through a number of remarkable variables. In chapter four, we tried to look for correlations between the different approaches, before tackling in chapter five informal labor indicators related to demographic aspects, the labor market, and a number of economic, financial, and institutional factors that might have a direct or indirect impact on the existence, size, and evolution of formal labor.

Given the particular situation of migrants and refugees who are among marginalized categories that are usually more exposed to employment in the secret labor market or the informal sector, we mentioned the indicators related to this category of workers, with a focus on domestic workers, according to the new data published by ILO in its report issued in December 2015 concerning the estimates of migrant workers worldwide.

We listed in the annexes the detailed ILO standard methodologies through the guide published for this purpose, in addition to WIEGO’s methodologies.

INDICATORS BASED ON DIRECT METHODS AND ILO MEASUREMENT GUIDE

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1 - Indicators included in the ILO database concerning informal labor

The only data concerning Arab countries in this database are included in the table below:

Table: Informal labor and informal in the labor force in the Arab countries for which data are available in the ILO database:

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Gender</th>
<th>People working in informal labor</th>
<th>People working in informal labor as a % of total labor force</th>
<th>People working in formal labor (excluding agricultural labor)</th>
<th>People working in formal labor as a % of total labor force</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>2013</td>
<td>Male</td>
<td>45.6</td>
<td>54.4</td>
<td>40.6</td>
<td>45.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>54.4</td>
<td>45.6</td>
<td>54.4</td>
<td>45.6</td>
</tr>
</tbody>
</table>

Source: ILO database – Key Indicators of the Labor Market – table 6

According to the definitions included in the aforementioned database relevant to Palestine, informal labor in the first column includes the following:
- Renters, own-account workers, members of production cooperatives, and family members contributing to the informal sector
- Producers for their own consumption
- Workers without social coverage

The informal sector includes the unregistered economic enterprises.

The database indicates that these statistics, in Palestinean, cases, contain the results of studies in the labor. Although this data indicates an important drop in informal labor in Palestine in 2010 and 2011, from 57.2 to 50.1, percentages increased again in 2012 and 2013 to reach 50.1.

Informal labor in the Arab countries through international statistical indicators and data

The table below shows the percentage of informal labor in different non-agricultural sectors amounts to 31% in Palestine and 43.2 in Egypt. This percentage increases to 54.5 for men in Palestine and 56.3 in Egypt. For women, it drops to 44.0 in Palestine and only to 42.1 in Egypt.

As for sectoral breakdown, the table shows that the percentage of informality is very high in the construction sector in Egypt or in Palestine. The percentage of informal labor reaches 96.9 in the total labor in Palestine, and 95.2 in Egypt.

The informal sector (except for trade and transportation) sees the lowest percentages of informality, which do not exceed 20% of the total labor in both countries.

Source: Statistics on informal economy – WIEGO – 2014

INDICATORS BASED ON APPROXIMATE INDIRECT ESTIMATES (PROXY)

Indicators and data relevant to informal labor are estimated through many methods that developed over time. In the 1970s and 1980s, the general population censuses, conducted every ten years (or even more for some African countries), were considered the only sources of data regarding the informal sector. As for the 1990s, surveys concerned with active population and employment were conducted on a yearly basis, and sometimes a quarterly one, in a number of emerging countries.

Labor in the informal sector was measured indirectly through the method of residues, by deducting the registered labor from the total labor in every sector to obtain the formal labor. This method is still valid in countries where no surveys of the labor force are available. Whereas data about labor in the informal sector are available, data about informal labor are only available in a limited number of countries, and are almost absent in Arab countries.

This table, circulated as an example of data that could have been received if data collection were possible for the whole Arab region, shows that the percentage of informal labor in Palestine in 2010 reached 46.2 in rural areas, and 57.1 in urban areas. However, the percentage of informal labor outside the sectors in informal labor is considered in urban areas, with 36.7, in comparison to 25.2 in rural areas. This can be due to informal labor in the formal sector, which is usually concentrated in cities. This can also be due to higher labor for informal workers in urban regions. This table shows that there are no formal workers in the informal sector in Palestine. It is important to confirm that this is due to the lack of statistics or almost a complete absence of such category in the Palestinian economy.

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The present table differs from the previous one in that the latter included the percentages of informality in each sector, whereas this one includes the breakdown of workers by non-agricultural sectors and their weight in workers percentages to the total number of workers, the total formal labor, or the total informal labor, and takes into consideration the breakdown by gender.

The table shows that the other services sector (except for trade and transportation) attracts 43.4 of total workers in Palestine, but accounts for 72.8 of formal employees. This is a normal phenomenon since this sector largely includes management and organized enterprises. This percentage rises to 93.3 for women.

As for the construction sector, whereas it attracts 94.8 of the total labor in Palestine, it only attract 3% of formal labor in comparison with 27.4 of informal labor. This means that this sector is highly informal and vulnerable.

The table shows that the sectoral breakdown of informal labor in Egypt, the construction sector accounts for 27.3 of informal labor, and only attract 12.2 of formal workers. On the other hand, the other services sector (except for trade and transportation) attracts 45.5 of the total labor (men) and around 50 of the total labor (women). This also shows that women are almost completely absent from informal labor in transportation (10%).

The following table shows that women represent around one-fifth of the total labor in Egypt and less in Palestine (5.9%). This percentage goes up to 30 percent of the agricultural labor in both countries. Palestinian women account for 93.8 of the total informal labor, whereas they only account for 4.5 of formal agricultural independent labor.

Source: Statistics on informal economy – WIEGO – 2014

1 OECD and Jack Chamers data

As for the Arab region, statistics about informal labor published by Jack Chen, in his study entitled “Informality 40 years of debates” and his former study, which was the basis of a report entitled “Is Informal Normal?” for J. P. Jüttling and J. R. de Laigüe was published by OECD, were only limited to North Africa countries and some Middle Eastern, non-GCC, Arab countries.
Morocco, where these percentages were 58.8% and 67.8% respectively in 2000. The same applies to Mauritania in the 1990s (72.8%).

This table also shows the important evolution of waged employees who were part of informal labor between the 1990s and 2000 in Morocco and Egypt.

- Breakdown by gender:

Data taken from the same source show that women’s participation share in informal labor is between 56% in Lebanon and 20% in Syria. It is worth noting that the percentage of women’s informal labor looks usually lower than men’s informal labor in most Arab countries included in the table, except for Morocco and Lebanon.

In spite of the importance of informality among working women in Lebanon and Morocco, the following table shows the difference in the nature of women’s informal labor between the two countries; independent labor constitutes 88.6% of informal labor in Morocco, whereas waged females only represent 11.4% of women’s informal labor. As for Lebanon, waged females represent 74.9% of women’s informal labor.

- OECD

The table also shows that women represent 29.6% of the total informal labor in Morocco, 18.5% in Tunisia, and 16.8% in Algeria.

- Regarding income:

In terms of income, this table, which only concerns small renters, shows that the monthly income of this category in Tunisia increased from 1.7 times the guaranteed minimum wage in 1997 to 3 times said wage in 2002. In contrast, the income of this category of renters in Morocco increased from 1.7 times the minimum wage to 4.3 times said wage during the same period.

While the income of small renters exceeds the minimum wage in all countries included in the table, the wage paid to these employees of these enterprises varied in 2002 between 150 percent of the minimum wage in Mauritania, 110 percent of the minimum wage in Tunisia, and 0.2 percent of the minimum wage in Egypt and Lebanon. This shows the vulnerability level of workers in informal enterprises in these countries.

As for the difference between the women and men’s income in the informal sector, the study shows that the income of small renters in small enterprises represents 53.3 percent of the minimum wage in Morocco, in comparison with 82.6 percent in Tunisia in 2002. As for female waged employees, this percentage varies between 65.7 percent of male employees in Morocco and 67.7 percent in Tunisia. These data reflect women’s vulnerability in the informal sector and the fact that they lack basic rights, even if they are the employers.

- 2 Lack of social protection approach

This method was built on the fact that informal labor is the labor that does not provide social coverage to workers. It is measured by answering a question related to leveraging social security through labor force surveys, although these surveys only recently included questions about this issue. In this past, statisticians considered that workers registration meant necessarily that they were socially covered. Therefore, the residues method was adopted regularly by deducting registered labor in industrial sectors from the total workers to obtain an approximate estimate of informal labor. Then, the 17th conference of statisticians was held in 2003 and facilitated the collection and use of unified data through labor force surveys and answers related to the included benefits of social coverage. In the following table, and in order to highlight the lack of social protection, we counted on the latest available data in ILO database concerning social protection by choosing “the percentage of contributors to pension schemes for the labor force of 15 years old and above”, for that we thought it was the best indicator that might show the extent of appropriate social coverage for working categories. The table shows this weak percentage in most Arab countries for which data are available. It also shows that this percentage is weak in general in developing countries, indicating the importance of informal labor from a social protection perspective in different regions and countries.

Although this method reveals a general formality problematic in a given country, it might have a minor significance regarding the size of this work and its evolution, given the difference in the forms and policies adopted by countries in terms of social protection and ensuring different working categories.

The following table shows the important differences in social coverage and thus the vulnerability and informality of certain active categories according to their situation at work, the nature of their employment contracts, and the size of enterprises operated all over the world.

It is worth noting that the percentage of social coverage

<table>
<thead>
<tr>
<th>Country</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>41%</td>
<td>46%</td>
</tr>
<tr>
<td>Tunisia</td>
<td>46%</td>
<td>44%</td>
</tr>
<tr>
<td>Morocco</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Egypt</td>
<td>55.2%</td>
<td>51.2%</td>
</tr>
<tr>
<td>Lebanon</td>
<td>53.3%</td>
<td>66.3%</td>
</tr>
</tbody>
</table>

The table shows the main differences in social coverage and thus the vulnerability and informality of certain active categories according to their situation at work, the nature of their employment contracts, and the size of enterprises operated all over the world.

Table 8: Percentage of waged employees who were part of informal labor between the two countries; independent labor constitutes 88.6% of informal labor in Morocco, whereas waged females only represent 11.4% of women’s informal labor. As for Lebanon, waged females represent 74.9% of women’s informal labor.
relevant to pension schemes for total workers in the MENA region amounts to 8.32%, in comparison with 6.83% in developed countries, 6.74% in Latin America and the Caribbean, and 30.1% in Sub-Saharan Africa. As for the employees, coverage does not exceed 84.29% in the MENA region, which is considered the lowest percentage in comparison with the other countries of Sub-Saharan Africa and Latin America and the Caribbean.

As for own-account workers, it barely reaches 4.5% in comparison with 9.64% in Europe and the European Union, and 13.8% in Latin America and the Caribbean. Moreover, only 51.8% of contributing family members benefit from social coverage in the MENA region, knowing that this category remains weak in terms of coverage, even in the developed countries, where coverage remains below 18 percent.

Vulnerability is also reflected by the weak percentage of social coverage for those who work without a contract in the MENA region which does not exceed 19.6% in comparison with 43.7% for seasonal workers and 58.5% for civil servants respectively.

As for the sectoral breakdown, the difference is clear between those who work in the public and private sectors in the MENA region: the coverage drops to 94.7% for those who work in the public sector and to 19.7% for those who work in the private sector, whereas the difference between both sectors in developed countries does not exceed 4 points (39.4% in comparison with 39.0%).

On the other hand, this table shows the differences between the coverage according to the size of the enterprise: the percentage in the MENA region drops from 83.8% in enterprises that employ 50 workers and more, which are usually formal enterprises in this category, to less than 10 workers, which are mostly informal ones. The difference between regions is also clear: in fact, only 13.3% of the enterprises in Sub-Saharan Africa employ less than 10 workers, in comparison with 79.4% in developed countries, and 89.2% in Latin America and the Caribbean. This clearly shows the importance of informality in small enterprises and in the private sector in developing countries, including Arab countries.

3. Independent labor approach:

This method supposes that the informal labor can be estimated approximately in terms of independent labor percentage which complements the waged labor percentage out of total workers. The independent labor is composed of:

- Own-account workers;
- Renters (who recruit workers in their enterprises on an extension basis);
- Independent family members;
- Members of production cooperatives.

Independent labor represents only an approximate indicator of the informal labor, given the fact that it includes the complete independence of individuals, and the cash earnings outside banks.

The following table shows the evolution of the contribution of the informal sector to the gross domestic product (GDP) in the Arab countries through international statistical indicators and data.
amounts to 9.276. The study also reveals that the international average has decreased in 2007-1999. As for the average of Arab countries, it was almost stable due to the increase in 2007.

2. There are many different and interconnected reasons and factors determining the importance of this sector, depending on the specificities of countries and regions. However, these reveal in particular the governmental actions and measures, especially in the field of taxes, arrangements, and procedures.

3. In spite of the differences between countries in terms of the informal economy, there was a clear homogeneity on the level of major regional blocs: Sub-Saharan Africa countries have the highest informality percentages, whereas the lowest percentages are seen in OECD countries.

The following figure shows the percentages of the shadow economy in the MENA region. Although higher than the world average as well as that of developed and East Asia and Pacific countries, these percentages remain below the percentages of the countries of Latin America and the Caribbean, Europe, Central Asia, and Sub-Saharan Africa.


As for MENA countries, the table shows compliance between informality through self-employment percentages and that of the shadow economy in regional countries out of the GCC, whereas the percentage of contributors to social security systems amounts to around two-thirds of the labor force in the same group of countries. As for Sub-Saharan Africa, the lack of social coverage and independent labor approaches show very high levels of informality, whereas this percentage decreases to almost the half in terms of the shadow economy. This can be explained by the severe weakness of productivity in these countries’ informal sector.

We tried to examine deeply the nature of the relation between the two variables by counting on the statistics relevant to the indicator of not contributing to pension schemes by the labor force (15 years old and above) included in ILO database concerning social protection. Therefore, the figure will be as follows:

**- Shadow economy and lack of social coverage:**

Data included in the aforementioned study show that the percentage of workers who do not benefit from social coverage is very high in Arab countries, indicating a soaring level of informality.

According to the aforementioned study conducted by the World Bank, the following figure shows that, by adopting median lines, there will be 6 countries out of 8 covered by the same group of countries. In two opposite cases, in other countries, the percentage of contributors to social security systems amounts to about half in terms of the shadow economy. This breakdown shows that:

- Algeria, Egypt, Tunisia, and Libya are in the sector seeing very high levels of informality, whereas this percentage decreases to almost the half in terms of the shadow economy. This can be explained by the weak productivity of informal activities, the weak value of products exchange, and thus the weak income of workers and the lack of basic rights at work.

As for the following figure, it shows that the average percentage of the shadow economy in the Arab countries went down between 2000 and 2004, and then increased between 2004 and 2007. On the other hand, the world average dropped almost continuously between 1999 and 2007, except in 2002.

**- Arab countries included in the aforementioned study, as per Schneider index.**

Although there are few sample countries, the breakdown of countries along the regression line show a possible correlation between the two approaches. As a matter of fact, countries are spread relatively close to the line, except for Jordan and Morocco. However, the line curve looks incompatible with the results of the study issued by the World Bank in 2014, entitled «The fight for better jobs in MENA countries» and which shows a positive relation between the two variables, but only for a sample of around 100 countries.

**Figure 1: The fight for better jobs in MENA countries» – World Bank, 2014**

The table below shows informality percentages in some Arab countries included in the aforementioned study, as per the three approximate estimates.

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**Table 1: Percentage of non-earners, workers, and contributors to social security system, and percentage of contributors to social security system.**

**Source:** "The fight for better jobs in MENA countries» – World Bank, 2014

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The different results of Arab countries, compared to most of the remaining countries included in the study conducted by the World Bank (where the low percentage of shadow economy does not go hand in hand with a low informality percentage. In contrast, it turns out sometimes that in some countries, the shadow economy is weak but the lack of social coverage is very high, like in most of the GCC countries), might be due to weak social protection systems and the fact that some categories of workers in formal sectors do not benefit from any social protection, even in high income countries. This might be due, as in the case of GCC countries, to the importance of migrant labor, especially in the construction sector, and of domestic workers in the labor markets of these countries. Moreover, the weak percentages of the shadow economy in these countries might be due to the importance of oil revenues in their economies and to the fact that oil activities are mostly performed in the formal sector.

- Shadow economy and independent labor: The following figure shows that the relation between the shadow economy and independent labor looks closer, and that this relation is progressing. This means that when the independent labor percentage increases, the percentage of shadow economy increases as well. Although the sample includes 14 countries, only 12 are broken down to two opposite sectors, i.e., 85 percent of the countries, which confirms that correlation between the two variables.

The figure also indicates that:
- Yemen, Lebanon, Algeria, Egypt, Tunisia, and Morocco have relatively high levels in terms of variables; - Jordan, KSA, Oman, Kuwait, Bahrain, and Qatar have relatively low levels in terms of variables; - Syria is a special case; its shadow economy percentage is below the median, but the independent labor percentage is almost equal to that of Lebanon and Yemen; - UAE is a different case; its shadow economy percentage is higher than the median, but the independent labor percentage looks very weak, just like in other GCC countries.

**INDICATORS RELEVANT TO INFORMAL LABOR:**

Many studies conducted by academics or issued by international organizations show a number of elements of different dimensions relevant to informal labor, affecting negatively or positively its size, contribution to the economy, and evolution. For instance, as long as the level of development measured as per GDP per capita is low, the larger informal labor would be. However, weak participation to the labor force might be due to increasing percentages of informality. Therefore, we tried in this chapter to provide data and indicators which can be in causal relation with the informality phenomenon. These were divided into four main categories, which are:

- Demographic indicators;
- Indicators relevant to the labor force and percentages of participation, employment, and unemployment;
- Economic and financial indicators;
- Indicators relevant to institutional aspects and governance.

**1 Demographic indicators**

Table 20 highlights the demographic pressure that the region will continue to face, and that will necessarily have important repercussions on many levels, such as labor markets, social protection, social development, and terrain and urban configuration in the coming years, taking particularly into consideration the high level of demographic growth (2.2 percent annually) in comparison with the current worldwide average (1.2 percent annually).

Although the percentage of active population (62.4 percent) is below the current worldwide average (65.5 percent), the very high percentage of youth, who represent one-third of the current population, reflects the high pressure that will aggravate Arab labor markets in the future, when new generations of young people and children will reach the working age. While the percentage of rural areas remains high in many Arab countries, especially countries of important demographic weight in the region, like for instance Egypt (56.9 percent), Sudan (66.4 percent), and Yemen (66 percent), this will mean continuous high levels of informality in said countries, given the importance of agricultural labor in rural areas, which is already informal in developing countries. However, most of the indicators relevant to informal labor do not highlight this fact because they exclude agricultural labor from informal labor.

On the other hand, the demographic movement from rural areas to cities, confirmed by the continuous decrease of population in rural areas, leads necessarily to questions about the ability of cities and the formal sector in urban areas to absorb the demographic excess and the labor originating from rural areas, and the readiness to employ and accommodate it in decent conditions. This shows a potential large evolution of informal labor in cities where weak formal labor markets are unable to face the additional demand on labor resulting from this movement. This also results in random labor and more informality in terms of employment and urbanization, and in a kind of social discrimination in housing, limiting social mixing that used to characterize Arab cities, making them pillars social cohesion and solidarity.

- **2 Indicators about the labor force and employment**

The following figure highlights a probable causal relation between the informal labor under the perspective of shadow economy and the percentage of participation to the labor force.

The curve of the regression line highlights the negative relation between the Schneider index, confirming the importance of the contribution of informal labor to GDP.
and the percentage of participation to the labor force. This means that whenever the participation percentage drops, the percentage of informal labor increases. The spread of countries in the figure shows that three-quarters of the countries are in two opposite sectors, which means that there might be a strong causal relation between the weak participation percentages, especially for women, and the shadow economy. These countries are broken down as follows:

- Unlike Syria and Jordan and Yemen (up to a certain extent) on one hand, and Comores and Mauritania (up to a certain extent) on the other, the other countries are broken down into two groups that are close to the regression line:
- A group composed of Tunisia, Morocco, Egypt, Lebanon, Algeria, and Libya and characterized by low participation levels and a high Schneider index.
- A group composed of GCC countries and characterized by relatively high participation percentages and levels that are below the median value for the Schneider index.

The table highlights the importance of unemployment percentages in non-GCC Arab countries in spite of the low level of shadow economy.

Most of the countries are broken down into two groups as follows:

- GCC countries, i.e. UAE, Oman, Bahrain, KSA, Kuwait, and Qatar, where levels of unemployment and shadow economy are both low.

This figure shows that there is a close positive correlation between high income and the percentage of lack of social protection, which means that whenever the income increases, the percentage of lack of social protection also increases. However, when we look deeply into it, we see that it is due to the special situation of GCC oil countries of high income per capita, and which had not developed contribution systems to cover the workers (particularly domestic workers and migrant workers, especially those who work in the construction sector as we already mentioned) in a way to benefit from pension schemes. It is worth noting that the special case of Lebanon where, according to the ILO database, there is no pension system but a system for civil servants. When these countries are excluded from the figure, it becomes clear that the relation between both variables is reciprocal, i.e. the income per capita results in a highly probable decrease in the lack of social coverage as shown in the following:

The following figure shows the following:

- The spread of countries shows that four-fifths of the sample are in two opposite sectors, which means that there is an important correlation between both variables;
- Yemen, Sudan, Palestine, Mauritania, and Syria have low percentages of GDP per capita in parallel with high percentages of lack of social protection, particularly Algeria and Tunisia, due to their relative evolution in terms of covering pension systems for active categories;
- As for the different cases, these are seen in Libya where there is a high percentage of lack of social coverage in spite of the high GDP per capita – which can be explained by the importance of migrant labor that is not covered by pension systems – and in Egypt where there is a low percentage of lack of social coverage in spite of the low GDP per capita. This might be due to the importance of recruitment in the public sector, which provides a high percentage of social coverage.
The figure shows that the MENA region has seen the lowest percentages of population who have a current account in financial institutions. The same applies to the population who made savings in banks in the previous year. As for the percentage of population who received loans in the previous year, they do not represent more than 1% in the MENA region and in Sub-Saharan Africa. There is also a clear difference between GCC countries, which are in a situation similar to that of developed countries (except for KSA in terms of loans), and the rest of Arab countries. The relative importance of the indicator relevant to people who have a bank account in Morocco, Lebanon, Algeria, and Tunisia must also be highlighted. However, the last two countries see very weak borrowing percentages, which highlight the extent of bank exclusion and limit the ability to shift shadow economy and unregistered activities from the informal to the formal sector.

The curve of the regression line shows that the relation between the two variables seems negative, meaning that whenever the growth percentage increases, the percentage of the shadow economy to the GDP would be probably higher. The spread of the sample on the sectors shows that:

- Qatar, Kuwait, UAE, Jordan, Bahrain, and KSA have seen an average growth percentage during 2007-2000 in parallel with a shadow economy percentage that is below the median level during the same period.
- Tunisia, Egypt, Morocco, Comoros, Lebanon, and Algeria have been during the same period a high percentage of shadow economy and an average growth rate below the median level.
- As for Sudan, Mauritania, and Libya, these countries have seen high percentages of shadow economy in spite of growth rates that were above the median level. On the other hand, Yemen, Oman, and Syria (up to a certain extent) have seen low levels of variables.

- Bank exclusion:

This indicator was chosen given the importance of having access to financial institutions in order to enable production enterprises to enter the space of formality and registration, and getting out of the shadow economy.

The spread of the sample on the sectors shows that:

- Jordan and Tunisia (up to a certain extent) are in a situation similar to that of developed countries (except for KSA in terms of loans), and the rest of Arab countries. The relative importance of the indicator relevant to people who have a bank account in Morocco, Lebanon, Algeria, and Tunisia must also be highlighted. However, the last two countries see very weak borrowing percentages, which highlight the extent of bank exclusion and limit the ability to shift shadow economy and unregistered activities from the informal to the formal sector.

The figure above shows that around 1/3 of the countries are in the two opposite sectors 2 and 3, which indicates a correlation between the percentage of GDP evolution and the shadow economy indicator regarding our sample of Arab countries. The curve of the regression line shows that the relation between the two variables seems negative, meaning that whenever the growth percentage increases, the percentage of the shadow economy to the GDP would be probably higher.

The spread of the sample on the sectors shows that:

- Qatar, Kuwait, UAE, Jordan, Bahrain, and KSA have seen an average growth percentage during 2007-2000 in parallel with a shadow economy percentage that is below the median level during the same period.
- Tunisia, Egypt, Morocco, Comoros, Lebanon, and Algeria have been during the same period a high percentage of shadow economy and an average growth rate below the median level.
- As for Sudan, Mauritania, and Libya, these countries have seen high percentages of shadow economy in spite of growth rates that were above the median level. On the other hand, Yemen, Oman, and Syria (up to a certain extent) have seen low levels of variables.

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- As for Sudan, Mauritania, and Libya, these countries have seen high percentages of shadow economy in spite of growth rates that were above the median level. On the other hand, Yemen, Oman, and Syria (up to a certain extent) have seen low levels of variables.
The previous table shows that the percentage of enterprises that start operations without registration in the MENA region amounts to 16.4% in comparison with 7.46% in Latin America and the Caribbean, and 0.63% in East Asia and the Pacific. As for the years of non-registered operations of informal enterprises, they exceed 4 years, whereas the average time does not exceed one year in the remaining similar regions.

- **Governance:**
  - Definition of the international governance indicator, its measurement methodology, and its results analysis: This complex indicator, which started in 1996 with 199 countries, aims at estimating the governance quality through six dimensions:
    - Participation and accountability;
    - Political stability and absence of violence;
    - Effectiveness of public authorities;
    - Quality of arrangements and organizations;
    - State of Law;
    - Corruption monitoring

In presenting this indicator, we limited ourselves to 3 out of the 6 measurements, because we consider that informal labor might be related directly and up to a certain extent to these three measurements, which are the effectiveness of public authorities, the quality of arrangements and organizations, and corruption monitoring. These measurements embody economic governance, whereas the remaining measurements have more political and institutional dimensions.

The value of measurement is between 2.5- as a minimum and 2.5+ as a maximum, with a margin of error. This indicator can also be measured by a percentage ranging from 0 to 100 points with a margin of error.

The adopted index, known as “the distance from the limit,” represents an average number ranging from 0 as a minimum value to 100 as a maximum value for the country whose achievements are considered the best in each of the ten fields related to launching the business, its costs, the ease of measures, and the necessary arrangements.

The red color indicates the regression in ranking or the index value, whereas the green color indicates the improvement in the index value or ranking including 189 countries this year. The table highlights the regression of most Arab countries in terms of index and ranking, particularly in 2014 and 2015.

### Table 21: Registration of enterprises/households

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of enterprises/households in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East and North Africa</td>
<td>1.45</td>
</tr>
<tr>
<td>Eastern Europe and Central Asia</td>
<td>2.44</td>
</tr>
<tr>
<td>Gasti and the Pacific</td>
<td>3.8</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>4.9</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>5.9</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>7.46</td>
</tr>
</tbody>
</table>

### Table 22: Ease of doing business index: 2013 - 2014

<table>
<thead>
<tr>
<th>Country</th>
<th>2013 index</th>
<th>2014 index</th>
<th>2013 ranking</th>
<th>2014 ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAE</td>
<td>99</td>
<td>96</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Qatar</td>
<td>92</td>
<td>97</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Oman</td>
<td>90</td>
<td>94</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Bahrain</td>
<td>84</td>
<td>85</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Djibouti</td>
<td>48</td>
<td>60</td>
<td>127</td>
<td>96</td>
</tr>
<tr>
<td>Iraq</td>
<td>40</td>
<td>40</td>
<td>104</td>
<td>104</td>
</tr>
<tr>
<td>Jordan</td>
<td>32</td>
<td>30</td>
<td>118</td>
<td>115</td>
</tr>
<tr>
<td>Egypt</td>
<td>68</td>
<td>64</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>Tunisia</td>
<td>50</td>
<td>45</td>
<td>41</td>
<td>47</td>
</tr>
<tr>
<td>Morocco</td>
<td>54</td>
<td>53</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td>Algeria</td>
<td>57</td>
<td>57</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Yemen</td>
<td>58</td>
<td>55</td>
<td>35</td>
<td>37</td>
</tr>
<tr>
<td>Comoros</td>
<td>60</td>
<td>61</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td>Sudan</td>
<td>62</td>
<td>68</td>
<td>27</td>
<td>24</td>
</tr>
<tr>
<td>Mauritania</td>
<td>63</td>
<td>66</td>
<td>26</td>
<td>23</td>
</tr>
<tr>
<td>Lebanon</td>
<td>66</td>
<td>66</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Syria</td>
<td>67</td>
<td>68</td>
<td>24</td>
<td>22</td>
</tr>
<tr>
<td>Algeria</td>
<td>68</td>
<td>67</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Comoros</td>
<td>69</td>
<td>69</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Lebanon</td>
<td>70</td>
<td>71</td>
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<td>21</td>
</tr>
<tr>
<td>Syria</td>
<td>71</td>
<td>72</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Algeria</td>
<td>72</td>
<td>73</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>Comoros</td>
<td>73</td>
<td>73</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Lebanon</td>
<td>74</td>
<td>74</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Syria</td>
<td>75</td>
<td>75</td>
<td>16</td>
<td>16</td>
</tr>
</tbody>
</table>

### Table 23: Migrants and Refugees

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of total labor</th>
<th>Number of workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Africa</td>
<td>17.6%</td>
<td>11.3 million</td>
</tr>
<tr>
<td>Arab Asian</td>
<td>24.7%</td>
<td>8.7 million</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>35.6%</td>
<td>7.7 million</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>4.4%</td>
<td>1.1 million</td>
</tr>
</tbody>
</table>

Migrant workers and refugees are considered among the categories that are usually exposed to violations of their rights at work. Therefore, their presence in informal sectors and activities is high, particularly for clandescent emigrants or domestic workers.

According to the international report on the estimates of migrant workers in the world, issued by the ILO in December 2015, the number of emigrants who were above 14 years reached 206.3 million in 2013, i.e. 13.9% of the world’s population. The total number of migrant workers amounted to 150.3 million, including 11.5 domestic workers.

The participation of emigrants to the labor force amounts to 77.2% for men and 36.6% for women, in comparison with 63.9% for non-emigrants.

Migrant workers represent 4.4% of the total labor in the world (%4.1 for men and %4.9 for women). As for the total number of domestic workers in the world, it amounts to 67.1 million, including 5.8 million women, i.e. around 8.0%.

The report also reveals that the number of refugees who are employed as domestic workers is estimated at 1.52 million, including 8,450 million women (73.4%), i.e. 17.7 of total migrant workers and 17.2% of total domestic workers.

As for the Arab countries included in the report and broken down into two groups, one including 6 Arab countries from North Africa, and another one including 12 Arab Asian countries, the number of emigrants of 15 years old and more amounts to 24.7 million, i.e. 10.3% of the total population of this age category. However, this category does not exceed 1% in North Africa, but reaches 14% in Eastern Arab countries.

As for migrant workers, their number amounts to 18.4 million, including 17.6 million in Eastern countries, whereas the six Arab Asian countries only represent 0.8 million migrant workers.

The participation of migrant workers in the Arab countries reaches 168.8% (74.5% in Arab African countries and 17.6% in Asian Arab countries).

The percentage of migrant workers amounts to 15.3% of the total labor in the concerned Arab countries, in comparison with 14.4 as world average. This percentage does not exceed 11% in Arab countries in North Africa, but represents 13.6% of the total labor in Eastern Arab countries.

As for domestic workers in the concerned Arab countries, their number is estimated at 8.7 million, including 2.7 million females. 4.9 million Workers are in North Africa countries and 3.8 million in Eastern Arab countries.

As for migrant domestic workers, their estimated number in the Arab world amounts to 5.23 million, including 1.65 million
females, i.e. %28 of the total number of domestic workers in the world and %31% of migrant domestic workers. Migrant domestic workers are broken down as follows: 3,160 million in Eastern Arab countries, including 1,600 females, and 0.07 million workers in Arab countries in North Africa. Migrant domestic workers in Eastern Arab countries represent %17.9% of total residing migrant workers and %12.7% of domestic workers. As we already mentioned, the high percentages for this category in the GCC region, which is suffering in general from an important lack of social coverage for the categories working in an economy based on foreign labor, reflect the vulnerability of millions of workers. Therefore, they will probably adhere to the informal economy, which would require a special mechanism to protect them, especially since most Arab countries are not part to international conventions on the protection of these categories or do not apply national legislations ensuring their social and basic rights at work.

This table includes the number of refugees who are being looked after by UNHCR, and highlights the importance of the number of refugees present in a number of Arab countries due to the current situation and events in the neighboring countries. The number of refugees in Arab countries reached 759,764.2 by the end of 2013, i.e. %23.6 of the total number of refugees all over the world. It is worth noting that Lebanon hosted in 2015 more than 1,846 million refugees due to the war in Syria, i.e. around %40 of the population. Jordan hosted in the same year 400,965 refugees, i.e. %14.8 of its population. In 2015, the total number of refugees from Arab countries amounted to 2,974,494, including around 2.5 million Syrians. This number increased largely in 2015 due to the aggravation of the situation and the huge influx of refugees from this country in the last months. The number of refugees from Somalia exceeds 1,122 million. As for Iraq, it is ranked third, with 405,000 refugees.

These data reflect the important number of Arab refugees, whether or not on Arab soil, as well as their vulnerability in hosting countries in terms of living conditions, shelter, and work if available.

**Analysis, Summary, and Conclusions**

The main conclusions that can be taken from the data included in this report are the following:

- The serious weakness of the Arab region in terms of the availability of data and statistics in general, and for informal labor in particular, which would impede all monitoring and foresight attempts and analytical measures to examine invariances and derive constructive solutions based on an objective and accurate diagnosis. The same applies in this context to governmental institutions, economic agents, or civil society players. Therefore, this would require pushing the countries to commit to produce and publish statistical data according to international standards and to the right to access to information. This would give credibility and effectiveness to the interventions, solutions, and alternatives proposed by all these parties, particularly NGOs and CSOs, and would turn them into efficient proposals and change agents.

- In the absence of direct statistical measurements according to the three common indirect approximate standard methods, i.e. social protection, independent labor percentage (unwaged labor), or contribution to GDP, we can note the importance of informal work in the Arab world, in spite of the differences between the countries that compose it. In terms of social protection, and in spite of the fact that only partial data were available, the importance of informal labor is reflected by the large number of active labor not benefitting from any social coverage, which means clearly that important numbers of workers or unemployed do not benefit from social coverage, which is actually their right, to safeguard their dignity and protect them against the risks of poverty and exclusion. Although percentages differ from one country to another, and from one territory to another, who benefit from pension schemes and contribute to the labor force does not exceed %47.4 in North Africa, and %37.1 in Middle Eastern Arab countries, in comparison with %66.3 in emerging countries, and %59.9 in advanced economies. As for independent labor (all types of unwaged labor) considered as an indication of the level of layers, in some developing countries, the percentages of own-account workers in Arab non-oil countries are increasing, with %36.5 in comparison with %33.1 in Latin America and %13.4 in developed countries. As for the contribution to GDP, studies based on national accounts (J. Chomsky) or on economic statistical models, which adopt a number of variables to estimate the indicators for which no data are available (F. Schneider), have shown that the contribution of the informal sector to GDP in the Arab world – which was possible to be included in the studies – resulted in an increase in informal labor, except for GCC countries. J. Chomsky estimated it in three North African countries (Tunisia, Algeria, and Egypt) by %22.9 if the agricultural sector is not taken into consideration and by %35.8 if the agricultural sector is taken into consideration. As for the Schneider index, it allows us to conclude that the contribution of the shadow economy in the Arab oil countries is between %17.9 in Bahrain and %25.9 in UAE, whereas it ranges between %18% (Syria before the war) and %38.7 (Comoros) in the rest of Arab countries. The average of Arab countries (unweighted by the size of the population) is estimated at %22%, with a continuous increase since 2004. While the weak contribution of the informal sector to GDP is due to the importance of oil revenues in GCC countries GDP – considered within the contribution of the formal sector – the fact that part of the informal labor works in formal enterprises results in not counting its contribution within the informal sector. The weak productivity of informal activities and the limited incomes and wages weaken the contribution of the informal labor in comparison with the labor benefiting from social coverage or independent labor percentages. This leads us to think about the problematic of incomes and wages in informal activities and their ability to ensure decent work and living conditions to citizens working in said activities. – The bar chart is based on the search for correlation between the results of standard approaches showed that, according to available data, there is a strong link between the approaches of measuring informal labor and GDP to the extent of quasi-convergence in the aforementioned study entitled «The fight for better jobs in MENA countries», for Arab countries outside GCC, where the contribution of own-account workers amounted to %36.5 and the average of unauthorized production out of the total GDP amounted to %36.2. Unlike the outcomes of the World Bank study conducted on the level of 100 countries, which highlighted a positive relation between the lack of social protection and contribution to GDP, complementarities between Arab countries created a negative relation between these two approaches, i.e. whenever the contribution of informal labor to GDP increases, the lack of social protection decreases. The opposite result and approach is due to the great shortcomings of social protection, particularly in the countries that have high revenues and financial resources, which prevent them from establishing comprehensive and modern social coverage systems that are compliant with international standards. The aforementioned data can be summarized, according to the study entitled «The fight for better jobs in MENA countries» conducted by the World Bank in 2014, as follows: «A standard MENA country is a country which produces informally one-third of its product and two-thirds of its labor force.»

- Because the importance and growth of informal labor in the region is the result of wrong options and policies, this trend must be changed. And in the face of a serious lack in social and economic rights for a large category of citizens, the role of social actors and the civil society becomes very important to reconsider options and development patterns and to make them more comprehensive (adaptive) and equitable between categories and generations.

- The serious lack of social protection for most of the workers in Arab countries requires that governments develop comprehensive protection systems for all based on a rights driven approach, and which respects pertinent international standards, like social protection floors as per the ILO’s recommendation 204. Then, it would be possible to cover the different social categories, limit the negative effects of informal labor, ensure the basic rights of these categories, keep their dignity, and protect them against poverty and exclusion. More pressure needs to be made on governments to be keen on implementing labor regulations and the principles of decent work (right to social protection and the basic rights at work) with more determination and effectiveness. Therefore, we must confirm the important role of the State, who has the obligation to protect and enforce rights, in addition to seeking more pressure on governmental parties to play their role in this direction, particularly in light of the clear regression on this level due to the prevalence of neoliberal policies. – Moreover, it is necessary to reconsider the principle of wage being by itself a basic right at work that must be equitable, and an incentive for internal demand and growth. The current labor relations also need to be developed in the framework of a real and equal social dialogue, in order to bring more work-related rights and reduce informality.

As for external factors, the focus was on correlations between informal labor and a number of demographic, economic, social, and institutional indicators that have resulted in the following:

- The demographic growth remains relatively high in a number of Arab countries and youth percentages is also high (almost one-third of the population). This reflects the huge pressure...
on Arab labor markets, knowing that it will aggravate in the future, which would lead to higher informality coinciding usually with higher unemployment, and knowing that it amounted to an average of 34% in Arab countries in 2014. As for the youth, average unemployment reached 23.3% (vs 9.3% for males and 14.8% for females). Such data reflect the positive relation between informal labor employment rates.

- Agricultural labor remains high in many Arab countries. This is originally an informal labor in spite the fact that statistics about informal labor in this sector are not available due to such statistics only take into consideration non-agricultural labor. Furthermore, Arab countries see continuously regressing percentages of agricultural jobs, which affect negatively a demographic pressure on the cities, knowing that the latter are not always capable or ready to face such pressure, neither in terms of infrastructure nor housing services nor on the level of the economic activity, which results in random labor and more informality in terms of employment and urbanization, and the growing pressure on housing, but also the limiting social mixing which used to characterize Arab cities as pillars of social cohesion and solidarity. However, the report did not add more details this question, which needs deeper examination.

- The benchmarking exercise showed a close correlation between the weak percentage of participation in the labor force and the informal labor percentage, especially that the Arab region sees the lowest rates of participation particularly for women. The high percentage of informal labor might be one of the underlying causes for not encouraging a number of women to enter the labor market, for that they do not accept to work in enterprises that do not ensure the minimum conditions of decent work. This would explain the weak percentages of informality for women in many Arab countries. However, confirming this statistically requires more meticulous research.

- On another level, the correlation was clear between GDP per capita and informality as a result of the lack of social coverage (if GCC countries are not taken into consideration) or independent labor percentage. Whenever GDP per capita increases, informality percentages decrease. Under the same perspective, whenever the growth format is high, formality percentage will be low.

- On the institutional level, the benchmarking exercise showed a close correlation between bank exclusion and informality percentage under the perspective of independent labor. However, the report did not highlight the importance of informal labor in developing countries, for that it does not represent an indicator of the importance of entrepreneurship and innovation, as in the case of developed economies.

- The importance of tax pressure as a way to impact shadow economy percentages was also highlighted, thus confirming the positive and elementary role of public authorities, when it comes to face tax evasion which is not always facing the relevant statistical websites.

- The importance of import pressure as a way to impact informal economy percentages was also highlighted, thus confirming the positive role of labor and private enterprises, which are engaged in informal activities, and the wider concept of informal economy. The report did not face this issue in this context.

- As for refugees in Arab countries, they represent 23.6% of the total number of refugees all over the world, as per UNHCR estimates. The report highlights the importance of challenges and the necessity to ensure its basic rights and minimum living and working conditions in host countries, labor and social security, the rights of refugees represent respectively 94% and 14% of the population.

- People with disabilities are considered among the categories that are expected to face restrictions and violations of their economic and social rights, given their specificity on one hand, and the impeding surrounding on the other. Although it is not the objective of this report, the report states that the situation of this category in the Arab world must be further diagnosed, as well as the extent to which it exercises its rights. The report states that the standards and mechanisms leading to better conditions and integration in all fields.

- The social and solidarity economy, along with CSOs, are currently recognized as the third sector among the important institutional development and labor elements. However, these sectors, in Arab countries are still suffering from infrastructure and capability, innovation, which impede their potential contributions in decent and equitable labor (such as cooperatives which are classified in the formal sector in developed countries and in the informal sector in Arab countries). The report stresses the need of understanding this sector, its horizons, and the situation of its workers deserve more attention and scrutiny.

- Abiding by the international definition of informal labor, and limiting it to legal activities that are prohibited by law, should not hide the overlap between concepts and phenomena that may not be captured in the definition of historical informal labor, such as the so-called illegal activities, given that the lack of political stability, the situation of these countries and their social cohesion and solidarity improves. The report states that the situation of these countries and their social cohesion and solidarity improves. The report states that the situation of these countries and their social cohesion and solidarity improves. The report states that the situation of these countries and their social cohesion and solidarity improves.

- Abiding by Sustainable Development Goals 2030 gives an opportunity to verify some of the recommendations of the report. The report could make more pressure in order to proceed with the desired revision of policies and plans, in the framework of developing programs and action plans for achieving these goals according to the participatory approach adopted for this purpose.

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Annex 1: International Labor Organization recommendation 204 concerning informal labor.

In article 2 of the chapter entitled “Objectives and scope,” the term informal economy is defined as follows:

a. Refers to all economic activities by workers and economic units that are in law – or in practice – not covered or insufficiently covered by formal arrangements; and
b. Does not cover illicit activities, in particular the provision of services or the production, sale, possession or use of goods, covered by the illicit production and trafficking of drugs, the illicit manufacturing of and trafficking in firearms, trafficking in persons, and money laundering, as defined in the relevant international treaties.

«Economic units in the informal economy» include:

a. Units that employ workers;

b. Units that are owned by individuals working on their own account, either alone or with the help of contributing family workers;

c. Cooperatives and social and solidarity economy units.

Recommendation 204 applies to all workers and economic units – including enterprises, entrepreneurs, and households – in the informal economy, in particular:

a. Those in the informal economy who own and operate economic units, including:

- a. own-account workers;

- b. Employees; and

- c. members of cooperatives and of social and solidarity economy units.

b. Consulting family workers, irrespective of whether they work in economic units in the formal or informal economy;

c. Employees holding informal jobs in or for formal enterprises, or in or for the informal economy, excluding but not limited to those in subcontracting and in supply chains, or as paid domestic workers employed by households;

d. Workers in unrecognized or unregulated employment relationships.


ILO has developed a guide entitled “Statistical manual on employment and informal employment” in order to help countries measure informality. This guide included the different phases needed develop statistical concepts and definitions, the different components of informality, and its measurement, estimation methods, and methodologies as per the instructions of international conferences of labor statisticians, the development of the ILO conventions. For example, labor force and population/total number of refugees all over the world, as per UNHCR estimates. This high percentage highlights the important role of these countries and their social cohesion and solidarity improves.

The conceptual framework of informal labor.According to this conceptual framework, the production activities can take the form of enterprises, enterprises that are supposed to be formal.

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1. The category of formal sector enterprises includes the production units established under the form of companies (including sub-companies), non-profit enterprises, enterprises managed by public structures and which do not take the form of an autonomous enterprise, and enterprises providing goods for sale or exchange, and enterprises that do not belong to the informal sector.

2. As for the informal sector enterprises, these are composed of:

- Informal enterprises of own-account workers; according to international definitions, all these enterprises as well as the non-registered enterprises or enterprises that do not have accounting registers as informal sector ones. No specific level of data was provided for this category given the fact that all its enterprises are small.

- Informal workers enterprises defined as per the following:

- The small size of the enterprise is in terms of workers.

- The non-registration of the enterprise according to the same standards applied on own-account workers.

- The non-registration of workers, i.e. the existence of differences in labor conditions in comparison with the formal sector. These differences can take the form of conditions that exist in the informal sector.

- The non-registration of workers, i.e. the existence of differences in labor conditions in comparison with the formal sector. These differences can take the form of conditions that exist in the informal sector.
The number of workers in the enterprise on an extension basis or the total number of workers, including seasonal workers, or the total number of workers in a certain period (including the owner, his partners, and contributing family members); as for enterprises with many branches, these are considered informal due to their size, if no branch exceeds the highest allowed number of workers.

3. Families as production units which include the families producing goods for self-consumption only, and the families using waged domestic workers. As for the families that produce unpaid domestic services for their consumption (such as looking after its members or domestic affairs), they are not considered within the informal sector, given the fact that these activities are neither considered as production activities in the framework of national accounts systems, nor as labor. It is worth noting that the production of families which is exclusively focused on the own consumption of families is excluded from the definition of the informal sector. However, if these activities result into products that can be sold, they can be considered within the informal labor, like domestic workers if their work meets the requirements of informal labor definition.

The categories included in the conceptual framework table represent the following groups:

- Contributing family members: without employment contracts, social security, or legal protection relevant to this type of labor (whereas contributing family members with employment contracts, salary, and social security are considered as formal workers) (Cells 1 and 5 in the table)
- Informal workers: (Cells 2 and 6 in the table)
- Own-account workers and employers who own their informal enterprises: the nature of their informal labor depend on the characteristics of their enterprises (Cells 3 and 4)
- Formal workers in informal enterprises: this might happen when the unregistered enterprise is considered informal due to its small size only (Cell 7)
- Production cooperatives members: the nature of their informal labor is directly based on the characteristics of the cooperative they belong to (Cell 8)
- Producers of private consumption goods within families: if they are considered as workers as per the international definition (Cell 9)
- Waged domestic workers recruited by families in informal labor (Cell 10)
- Therefore:
- Informal labor is represented in cells 10, 9, 8, 6, 5, 4, 3, 2, 1
- Labor in the informal sector is represented in cells 6, 5, 4, 3, 2
- Informal labor outside the informal sector is represented in cells 10, 9, 8, 7

The following figure included in the ILO guide represents the informal sector:

Informal labor in the Arab countries through international statistical indicators and data

According to this methodology and classification, the ILO created a database in the framework of the database relevant to Key Indicators of the Labor Market (KILM 08) including data about informal labor in 65 countries, including only two Arab countries, Palestine and Egypt. As per this database, informal labor reflects the estimates of people in the informal sector out of the number of workers in the non-agricultural sector, according to the principles adopted by the 15th and 17th conferences of labor statisticians, and by adopting a standard approach which measures at the same time the labor in the informal sector and informal labor outside the informal sector. Labor estimates in the informal sector are based on enterprises as per the principles of the 15th conference; knowing that the principles of both conferences allow differences between countries in defining the informal sector, in a way which requires confirming national definitions when comparisons between countries are conducted.

The standards determining whether or not an enterprise belongs to the informal sector are included in the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Legal organization (firm) does not constitute a legal personality in formal enterprises</td>
<td>Not to consider legal enterprises that are not considered as legal enterprises</td>
</tr>
<tr>
<td>2. Organization (firm) is registered as a legal entity but not as a formal enterprise</td>
<td>Registration of legal entities that are not considered as formal enterprises</td>
</tr>
<tr>
<td>3. Accounting: lack of continuity in the operation of the enterprise</td>
<td>Suggest that individual enterprises that are not considered as formal enterprises</td>
</tr>
<tr>
<td>4. Labor costs do not reflect the labor costs in the enterprise</td>
<td>Define the labor costs of individual enterprises that are not considered as formal enterprises</td>
</tr>
<tr>
<td>5. Size of an informal economy:</td>
<td></td>
</tr>
<tr>
<td>- Number of workers employed in production units (independently of wage labor)</td>
<td></td>
</tr>
<tr>
<td>- Production in an informal enterprise as a branch of another informal enterprise</td>
<td></td>
</tr>
<tr>
<td>- Informal labor outside the informal sector</td>
<td></td>
</tr>
<tr>
<td>- The registration of the enterprise</td>
<td></td>
</tr>
</tbody>
</table>

Annex 3: Not using the term “Informal economy” as a statistical term

The 17th conference of labor statisticians opposed using the term “labor” in the informal sector” already used by the International Labor Bureau in its report about “Decent work and informal economy” in 2002 as the total labor in the informal sector and the informal labor outside the informal sector (Cells 1 to 10 of the conceptual framework). The 17th conference preferred, for statistical purposes, to provide detailed data about the informal sector and informal labor. However, it was necessary to keep the definition of the informal sector according to the decision of the 15th conference, so that it were included in the national accounts system in an important number of countries collected their data on this basis. Therefore, we had to choose between using the terms “informal sector” and “informal labor” and not using the term “informal economy.”

Annex 4: WIEGO approach

The conceptual framework adopted by WIEGO is summarized as follows:

- Informal labor sector is composed of the total of cells A and B (A+B)
- Informal labor outside the informal sector is composed of cell C, and includes workers of informal labor in formal enterprises, waged domestic workers recruited by families, and contributing family members working in formal enterprises, knowing that some countries consider own-account workers to produce goods for the own consumption of their families as informal workers outside the informal sector.
- The total informal labor is composed of cells (A+C), i.e. it does not include formal workers inside informal enterprises. The informal labor is defined in this study according to the international definition adopted by the international conference of labor statisticians. Therefore, the content of the following components was defined:
  1. Own-account workers, and renters in informal enterprises;
  2. Members of informal production cooperatives;
  3. Own-account workers who produce goods for the own consumption of their families (if considered as workers and if their production contributes to the total consumption of their families);
  4. Family members contributing to formal and informal enterprises;
  5. Workers in informal functions in formal enterprises (including public enterprises, non-profit enterprises), informal enterprises, and waged domestic workers recruited by families.

Employees performing informal functions are employees who do not benefit from any social coverage, and workers and employees who do not receive any other labor-related benefit, such as paid annual leaves or sick leave.

Independent labor covers renters, own-account workers, members of production cooperatives if any, and contributing family members.

People who performed two functions during the research period were considered based on their original function.

Annex 5: Relation between the concepts of informal sector, informal labor, and Shadow economy:

The guide developed by OECD puts informal labor within a more comprehensive framework consisting of the shadow economy. It’s related to four concepts that are sometimes mixed up: secret production, illegal production, illegal consumption production, and hidden production due to a lack in main statistical data.

Illegal production consists of the following:
- Goods and services whose sale, distribution, or possession is prohibited by law, such as drugs.
- Production activities that are not usually prohibited by law but become illegal when performed by unauthorized producers. These remain legal activities as long as they respect relevant conditions or arrangements, but are hidden from public authorities to avoid paying income taxes, VAT, other taxes, and social security contributions or for the sake of not respecting legal standards such as the minimum wage, working hours, professional health and safety conditions, or administrative arrangements.

Whereas it is clear that it is not easy to distinguish between secret production and illegal production, the provided definition makes this distinction possible:
- Activities are legal and not secret;
- Legal activities performed in a secret or hidden way;
- Illegal activities.

According to the following table, all types of enterprises (formal sector enterprises, informal sector enterprises, and families) can perform legal and non-confidential activities, legal and secret activities, or illegal activities. It is worth noting that, according to the ILO guide, most of the informal sector activities can develop illegal activities, either completely or partially, as neither legal, nor illegal, but constitute survival strategies for their practitioners and family members.

(A) Without taking into consideration the families recruiting waged domestic workers
(B) Families producing goods for their own consumption and families recruiting waged domestic workers

The ILO guide in this regard shows that most of informal sector activities provide goods and services which production and distribution are considered legal, unlike illegal production. There is a clear difference between the informal sector and family production. The activities of the informal sector do not necessarily aim at avoiding the payment of taxes or social contributions or violating labor regulations and administrative arrangements on purpose. Moreover, some informal sector enterprises even try to continue their operations with no registration or licenses to avoid abiding by all or some arrangements, and to reduce production costs. However, enterprises whose income can bear the burden of arrangements must be distinguished from those that cannot respect these arrangements due to economic lack or irregularity of income. In these enterprises by current situation either does not comply with the needs, or suffers from an absence of the State, who has no capabilities to implement its arrangements. In some countries at least, an important percentage of informal sector enterprises are registered and pay their taxes, but are unable to abide by all legal and administrative rules and regulations.

Furthermore, important parts of the family production come from formal sector enterprises. The same applies to the production of goods and services that are not included in the accounts, unauthorized financial and real estate transactions, the exaggerated expenses exempted from taxes, recruitment of unauthorized labor, or the lack of declaring the effective workers’ salaries and overtime for registered workers. In conclusion, even if the informal sector and secret activities might overlap, it would be necessary to clearly distinguish between the informal sector and secret production.