

# COVID-19

From bad to worse

# 02



## Key messages

01



The COVID-19 pandemic has highlighted deep and longstanding inequalities across the Arab region.

02



Although the region was already significantly unequal, the pandemic deepened and accelerated those inequalities, hitting the poorest and most vulnerable communities hardest.

03



The pandemic pushed an additional 16 million people into poverty, increasing the number of poor in the region to over 116 million, almost a quarter of the population.

04



People in the informal sector, vulnerable workers, women, young people, less-educated workers and persons with disabilities suffered the most from job losses during the pandemic.

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Temporary informal sector labour accounted for the greatest proportion of net job losses in the Arab region in 2020. At the same time, workers with permanent jobs in tele-workable occupations were largely spared from unemployment, thus widening existing inequalities between those in the formal and the informal sectors.

06



The shift to online education widened educational inequalities and deepened existing gaps in access to technology and the Internet in the Arab region, where 48 per cent of households are without home Internet.

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Aggregate working hours dropped by 10.3 per cent in the Arab region in the second quarter of 2020, compared with 2.1 per cent in the last quarter of 2019.

08



In many Arab countries, less than 25 per cent of older women have pensions because of their absence from the workforce in preceding decades. Their poverty was exacerbated by the pandemic.

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# 02



“You need some inequality to grow... but extreme inequality can be harmful to growth”

— Thomas Piketty

### A. Pandemic of inequality in the Arab region

The Arab region was already significantly unequal, but the pandemic deepened and accelerated these inequalities. At the same time, existing social, political and economic inequalities amplified the impact of the pandemic. The outbreak of COVID-19 caused drastic changes in jobs, education, economy, welfare systems and social life in the region, hitting the poorest and most vulnerable communities hardest. It also revealed the fragile safety nets that left vulnerable individuals, families and communities bearing the brunt of the crisis.

What started as a health crisis quickly developed into a severe economic recession, followed by a social crisis that profoundly affected the lives of people in the region.

An additional 16 million people have been pushed into poverty, increasing the number of poor in the region to over 116 million, almost a quarter of the population.<sup>27</sup>

Regardless of how it is measured, poverty in Arab countries was on the rise before COVID-19. However, the pandemic further exposed and accentuated existing structural deficiencies driving poverty and inequality in the region.

People in the informal sector, vulnerable workers, women, young people, less-educated workers and persons with disabilities suffered most from job losses during the pandemic. These workers often hold temporary or other types of non-standard working



## Inequality kills

Globally, the wealth of the world's 10 richest men has doubled since the pandemic began, but the income of 99 per cent of people has dropped because of the COVID-19 pandemic. Widening economic, gender and racial inequalities, in addition to inequalities between countries, are tearing the world apart. This is not by chance, but by choice: “economic violence” is perpetrated when structural policy choices are made for the benefit of the richest and most powerful individuals. This causes direct harm to everyone else, especially the poorest groups, women and girls, older persons, and persons with disabilities. Inequality contributes to the death of at least one person every four seconds. However, economies can be radically redesigned to be centred on equality.

Source: Oxfam, Inequality kills – The unparalleled action needed to combat unprecedented inequality in the wake of COVID-19, 2022.

arrangements that are easily suspended when demand for labour falls. In addition, temporary workers in the informal sector and lower-paid blue-collar workers, who are more likely to work in sectors strongly hit by the pandemic, such as retail, agriculture, manufacturing, transport, tourism, hospitality and sales, did not have the opportunity to work from home, and were disproportionately impacted by job losses. Temporary informal sector labour accounted for the greatest proportion of net job losses in the Arab region in 2020. In contrast, workers with permanent jobs in tele-workable

white-collar occupational categories were largely spared from unemployment, thus deepening the digital divide and further exacerbating inequality.

The pandemic significantly increased unemployment and dramatically slashed workers' incomes in the Arab region. It also highlighted the vulnerabilities of young people and female workers in terms of job stability, social inclusion and welfare. Resolving the precarious position of Arab male and female young people is of paramount importance, because not prioritizing them in

the present provides little hope for their future in terms of social and economic prosperity. The International Labour Organization (ILO) estimated that working hours worldwide fell dramatically by 10.7 per cent in the second quarter of 2020 relative to the last quarter of 2019. This is equivalent to about 305 million full-time jobs. The Arab region was no exception. Aggregate working hours dropped by 10.3 per cent in the second quarter of 2020 compared with 2.1 per cent in the last quarter of 2019.<sup>28</sup>

In the Arab region, micro, small and medium enterprises (MSMEs) in the informal economy were particularly vulnerable to the economic impact of the virus. Consumers were demanding and spending less, leading to decreasing revenues, liquidity problems, reduced output, and layoffs. Arab countries showed characteristics that made them more susceptible to deeper economic and social challenges compared with other countries, including dependency on the informal

sector for economic activity and employment, lower shares of tele-workable jobs, and higher numbers of informal sector workers. Reducing informality will help reduce inequalities in the long run through stronger social welfare safety nets, better enforcement of laws and policies, increased revenue yields, easily administered regulations, and enhanced economic growth.

The shift to online education and remote working during the pandemic also highlighted gaps in access to technology and the Internet in the Arab region. Educational inequalities were widened, as students in more economically vulnerable households and in remote rural areas often lacked the equipment and digital connectivity to complete schoolwork. Those who already had limited access to education, owing to their rural location, being poor or being displaced, faced more challenges and weaker access to online learning. It is estimated that about 48 per cent of households

“Despite the additional challenges that the COVID-19 pandemic brought to the region, it provides new opportunities for recovering forward better, and enabling a transformation in the modes of governance and in development operation and implementation. This required transformation is one premised on shared responsibility and societal solidarity that promotes responsible and effective partnerships for development, and strengthens social and economic solidarity, leaving no one behind in the pursuit of the SDGs.”

== == == == Rola Dashti, Executive Secretary of ESCWA



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in the Arab region are without home Internet.<sup>29</sup> This disparity varies between countries: Qatar has 100 per cent Internet coverage, while the Sudan has only 30 per cent. The digital divide also has a gendered aspect in the Arab region, with an Internet penetration rate of 58.5 per cent for men compared with 48.2 per cent for women in 2019. Insufficient Internet connection is usually linked to various other factors, including poor infrastructure and limited financial resources to pay for fast Internet needed to upload and download learning materials. The World Bank estimates that broadband becomes accessible and reliable when households spend between 3 to 5 per cent of monthly income on it.<sup>30</sup> This added financial burden came at a time when people in the Arab region were already facing loss of income and increased poverty, thus preventing them from investing in enhancing broadband connectivity and purchasing computers.

Inequalities made the pandemic more deadly, more prolonged, and more damaging to lives and livelihoods. Income inequality proved to be a stronger indicator than old age of whether a person would die from COVID-19.<sup>31</sup> Extreme economic inequality is built into the current model of global capitalism, and the pandemic exposed the degree to which financial crises makes the rich richer. While Governments spent vast sums of public money propping up economies, a small group of private individuals profited enormously during the pandemic. At the start of the COVID-19 outbreak, billionaires collectively owned 2 per cent of household wealth worldwide. By the end of 2021, they owned 3.5 per cent. In the Arab region, the average government fiscal stimulus as a share of regional GDP was nearly 4 per cent, which is less than half the global average fiscal stimulus of 11 per cent of GDP. The fiscal stimulus of developing countries and LDCs was significantly lower than that of developed countries, which threatened their pandemic recovery. In the Arab region, 5 of the top 10 fiscal stimulus announcements, relative to GDP, were from GCC countries. Almost 11 per cent of the announced

fiscal stimulus was targeted at people through social protection and health-related measures, and nearly 40 per cent went to supporting SMEs and businesses in the Arab region.<sup>32</sup>

Despite progress made in the past two decades, the region is still below the global average in many health-related areas. The pandemic exacerbated this situation, with significant disparities between Arab countries. In 2017, average life expectancy at birth was 71.6 years (73.5 years for women and 69.9 years for men) in the region, compared with 72.4 years globally (74.7 years for women and 70.2 years for men). In the same year, stunting decreased by 6 percentage points in the region compared with 10 percentage points worldwide. Moreover, health expenditure ranged from 2.6 per cent of GDP in Qatar to 8.2 per cent in Lebanon, while some countries witnessed a reduction such as the Comoros that decreased its expenditure from 12.2 per cent of GDP in 2000 to 7.4 per cent in 2017.<sup>33</sup> The Arab region also suffers from a shortage of hospital beds: there are only 1.3 hospital beds per 1,000 people compared with 2.9 globally. Moreover, in 2017, the number of physicians per 10,000 people in the region stood at 1.1, and the number of nurses and midwives at 2.2,<sup>34</sup> which is far lower than the 44.5 skilled health workers (doctors, nurses and midwives) per 1,000 people needed to reach the SDG threshold.<sup>35</sup>

The roll-out of the COVID-19 vaccines is a prime example of inequality in health care. COVID-19 vaccine inequity could potentially have a lasting and profound impact on socioeconomic recovery in lower-middle and low-income countries. In the Arab region, vaccination rates in the United Arab Emirates, Qatar and Kuwait (all high-income countries) stood at 93.1, 75.7 and 71.1 per cent, respectively, compared with 1.1 per cent in Yemen and 8.7 per cent in Djibouti as at 31 January 2022.<sup>36</sup>

The pandemic also exacerbated existing inequalities between social groups, such as persons with disabilities,

migrants and older persons. For example, health budgets were redirected towards dealing with the COVID-19 emergency, meaning that non-pandemic-related medical services for persons with disabilities were negatively affected. Consequently, close to 60 million people living with one or more disabling conditions in the Arab region suffered disproportionately. In addition, migrants, who represent 40 per cent of all workers in the Arab region, did not have equal access to health services, and were more at risk of losing their jobs.

Furthermore, there are 32 million older persons in the Arab region whose pre-existing inequality has further deteriorated owing to the pandemic. The absence of universal or comprehensive old-age pensions and health insurance in most Arab countries forced many older persons to become more financially dependent on family members, who may already be poor or slipping into poverty as a result of the pandemic's economic impact, thus making older persons even more vulnerable. Moreover, older persons working in the informal sector, and depending on daily wages, were hard hit by the pandemic and its consequent lockdowns. These people

have little savings and limited safety nets to fall back on when they find themselves suddenly out of work.

The pandemic also led to increased inequality for women, since they were the main care providers during the outbreak in the region. For example, in Egypt, women comprised 90 per cent of nurses. However, working as care providers during the pandemic did not reduce women's engagement in unpaid care work at home. On the contrary, due to a shift to online learning, women spent more time on unpaid care work, conservatively estimated at 4.7 more time than men.<sup>37</sup> This situation, coupled with a larger number of women affected financially owing to lost or reduced income, increased their risk of falling into poverty, especially female headed households. The following two factors exacerbated female inequality. Firstly, the sectors mostly affected by the pandemic, such as manufacturing and service industries, feature a high number of women workers. Secondly, ESCWA estimates that 61.8 per cent of working women are in the informal sector, which was the most affected by lockdown measures.<sup>38</sup>

## B. Government responses

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While the pandemic hit Arab countries with varying intensity, responding to the crisis presented unparalleled challenges to Governments. One of the pandemic's paradoxes is that it was both completely global and intensely national. On the one hand, the virus spread across national borders with unprecedented rapidity. On the other, many people looked first and foremost to their national governments for leadership and reassurance. The pandemic highlighted Governments' performance in response to the crisis, and brought structural and social issues to light, including the issue of public trust in Government.

Furthermore, the pandemic underscored vulnerabilities in national administrations, business operations and supply chains. It was also an important turning point, which offered a window to reform economic and social policies in the region. The crisis emphasized the importance of government services, the private sector, technology and e-governance, working together to offer practical policy solutions to address the situation.

Arab Governments rolled out emergency social protection measures to soften the short-term effects of the crisis, and to initiate a faltering economic recovery.

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However, this process was also unequal among Arab countries owing to their varied fiscal capacities and ability to rapidly reach the most vulnerable. Prior to the pandemic, most Arab countries already had social protection systems in place, which had been developed in recent years. When the COVID-19 crisis hit, these social protection systems were mobilized to deliver additional support using a variety of approaches. Social assistance constituted 50 per cent of social protection interventions during the crisis, which were most prevalent in the Arab LDCs, accounting for 62.5 per cent of social protection-related support. In comparison, GCC countries comprised the highest share of active

labour market programmes. Countries with limited fiscal space relied on measures such as reducing government fees and housing subsidies, which constituted forgone government revenues rather than cash assistance from the treasury. Oil-importing countries focused their spending on health and targeted social transfers, while oil-exporting countries prioritized temporary tax reductions, extended payment deadlines, and increased spending on schemes such as partial salary payments to preserve jobs. These various schemes had differing effects on vulnerable groups, which were sometimes insufficient to ease the financial repercussions for already underprivileged families.

## C. Social protection in Arab countries before COVID-19

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In the years leading up to the pandemic, many Arab countries embarked upon ambitious reforms to make their social protection systems more sustainable and equitable.<sup>39</sup> Doing so had become crucial as existing arrangements were extremely costly to maintain, and tended to aggravate rather than reduce inequalities. Some Arab countries had relied heavily on general subsidies for decades, especially for energy products such as petroleum and electricity. Since they covered the entire population, these subsidies largely benefitted the rich more than the poor. A 2014 IMF report found that in Egypt, Jordan and Lebanon, 86, 58 and 38 per cent, respectively, of petrol subsidies accrued to the richest quintile, and only 1, 8 and 5 per cent, respectively, to the poorest quintile.<sup>40</sup>

Meanwhile, only a relatively small portion of Arab populations were covered by contributory social insurance. In many countries, this portion declined during the 1990s and 2000s owing to increasing economic informality. For instance, in Algeria, the

proportion of salaried workers with social insurance coverage dropped from 89 per cent in 1992 to 67 per cent in 2012.<sup>41</sup> Workers on lower incomes are generally much less likely to be covered by social insurance than those on higher incomes. For example, by 2018 in Egypt, coverage of private sector wage workers ranged from 7 per cent in the lowest wealth quintile to 27 per cent in the highest one.<sup>42</sup>

Key objectives of the reforms undertaken prior to the pandemic were phasing out general subsidies, and ushering in social assistance targeted to the poor, often in the form of cash transfers. In Egypt, for instance, spending on fuel subsidies fell from 6.8 per cent of GDP in 2012/2013 to 0.3 per cent in 2019/2020.<sup>43</sup> Meanwhile, the country established a new flagship cash transfer programme, *Takaful and Karama* (Solidarity and Dignity), which by late 2019 had expanded to cover more than 2 million beneficiaries. This programme is aimed at poor households using appropriate targeting mechanisms. An evaluation of the *Takaful* component showed that 46



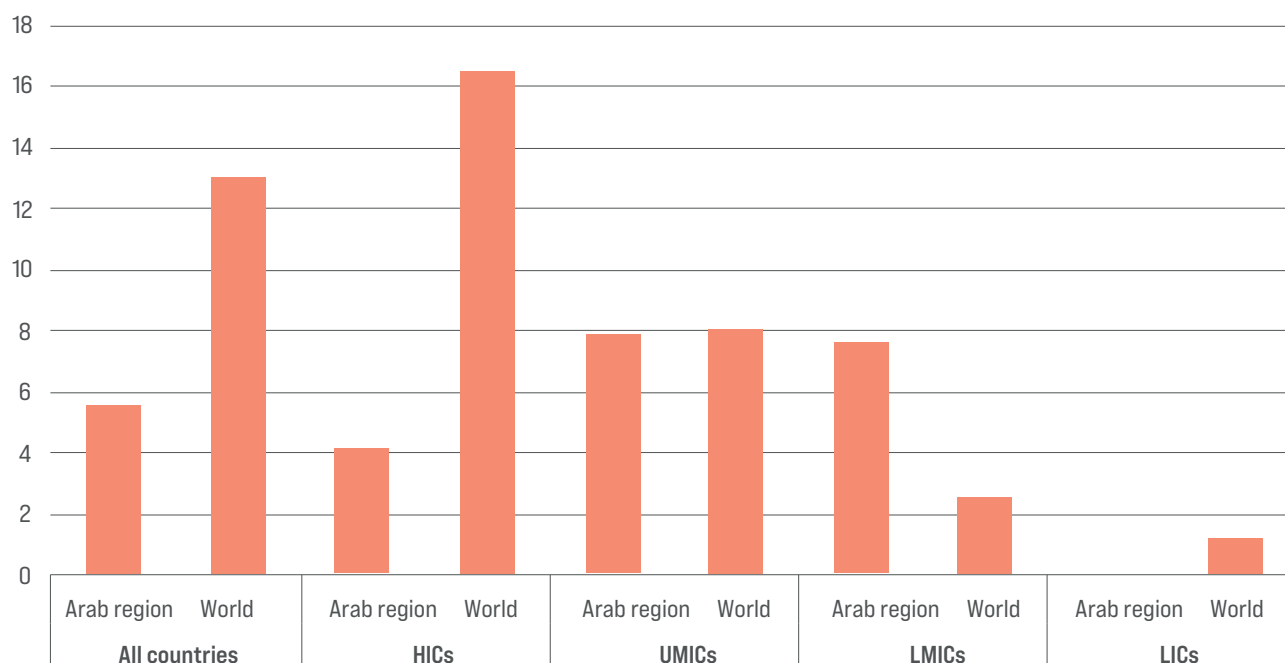
per cent of total benefits went to the poorest quintile. Programmes of this sort have been launched or scaled up in many other countries, including Jordan, Lebanon, Mauritania, Morocco, the Sudan and Tunisia.<sup>44</sup>

Nonetheless, social protection spending has remained relatively low in Arab countries (figure 13). ESCWA analysis indicates that the region's total expenditure on social protection (excluding health) in recent years was approximately 5.4 per cent of GDP.<sup>45</sup> Arab high-income countries (HICs) spent significantly less on social protection (4 per cent of GDP) than HICs worldwide (16.4 per cent of GDP on average). In contrast, social protection spending in Arab upper-middle-income countries (UMICs) was 7.8 per cent, which is almost the same as the average for this income group at the global

level (8 per cent). Meanwhile, Arab lower-middle income countries (LMICs) spent on average fully three times more (7.5 per cent) than LMICs worldwide (2.5 per cent).<sup>46</sup>

Social protection coverage differs among men and women in the region, despite the positive change witnessed recently. For example, the gender distribution of old-age pensioners covered by social insurance schemes has been systematically low for women when compared with men. According to available data in four Arab countries, old women covered by pensions ranged between 14 per cent in Tunisia, 17 per cent in Jordan, 37 per cent in Kuwait, and 25 per cent in Bahrain, compared with 86, 83, 63 and 75 per cent, respectively, for men. This is largely a consequence of women's absence from the workforce in the preceding decades (figure 15).

**Figure 14. Total expenditure on social protection (excluding health), 2020 or latest available year (Percentage of GDP)**



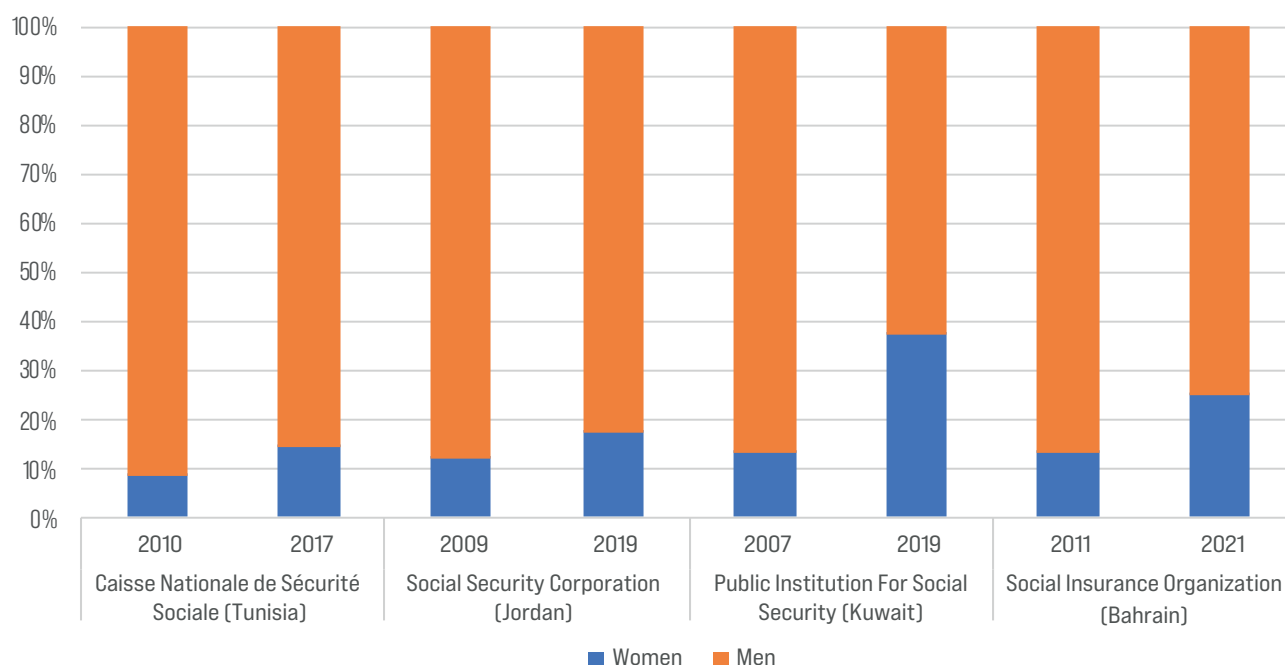
**Source:** ESCWA calculations based on World Social Protection Data Dashboards.

The situation is different for non-contributory social insurance, with female beneficiaries frequently outnumbering male beneficiaries, as shown in figure 16. Consequently, older women are less covered by pension schemes owing to their absence from the labour force, meaning that they receive more social assistance to compensate for their limited access to opportunities and wealth.

Furthermore, the reforms undertaken by Arab countries were not necessarily always successful in reducing inequality. Efforts to target the poorest, and thereby prevent "leakage"

of social assistance to the non-poor, has always generated a certain degree of exclusion errors. Moreover, poverty targeting risks undermining political support for social assistance among the middle classes, potentially affecting the viability of funding and thus the adequacy of support provided. In the words of Amartya Sen: "Benefits meant exclusively for the poor often end up being poor benefits".<sup>47</sup> The Pathfinders Global Report notes that the Mexican programme *Prospera* was recently suspended largely because of the unpopularity of its exclusive targeting of poor households among middle-income voters.<sup>48</sup>

Figure 15. Gender distribution of old-age pensioners in selected social insurance organizations



**Source:** The sources are annual and statistical reports of the different social insurance organizations, as follows:

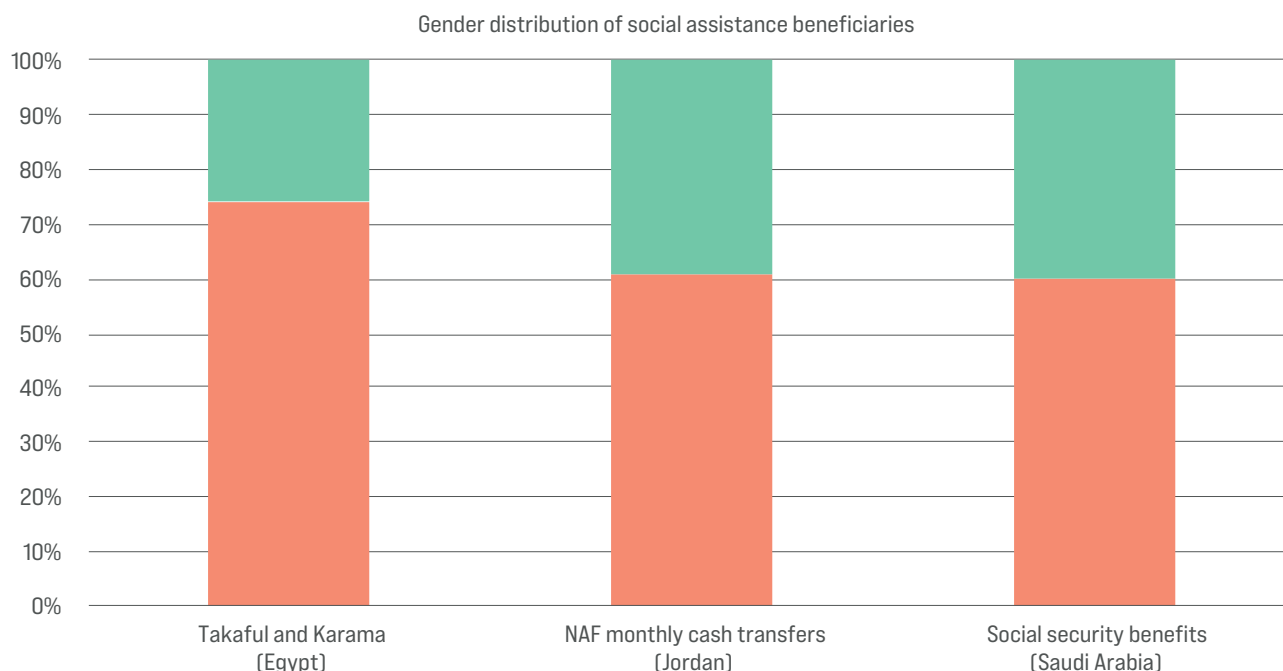
**Tunisia:** Caisse Nationale de Sécurité Sociale (undated) – Annuaire Statistique.

**Jordan:** Social Security Corporation (undated) – Annual Report 2009, Social Security Corporation (undated) – Annual Report 2019.

**Kuwait:** Public Institution for Social Security (2007) – Annual Statistical Collection; Public Institution for Social Security (2019) – Annual Statistical Collection.

**Bahrain:** Social Insurance Organization (undated) – Statistical Report 2011 – Quarter 4: Civil & Private Sector, Social Insurance Organization (2021) – Statistical Report 2021 – Quarter 1.

**Figure 16. Gender distribution of social assistance beneficiaries**



**Source:** Compiled by ESCWA.

Consequently, while poverty targeting may in theory seem an effective way of reducing poverty, it does not necessarily reduce inequalities, since this outcome may fail to materialize in practice for technical and economic reasons. In addition, while targeted programmes often aim to cover the poorest 10-20 per cent of the population, the proportion who are vulnerable to a covariate shock (unexpected adverse events that affect large shares of the population) is considerably higher. In most low- and middle-income Arab countries, despite efforts to expand contributory social insurance,<sup>49</sup> a majority of workers still operate in the informal economy. These workers are frequently not deemed poor enough to be eligible for targeted social assistance, and thus make up a "missing middle" not covered by

“Social protection needs to go hand-in-hand with a progressive taxation system to bridge the gap between the “haves” and “have nots”.”

contributory or non-contributory social protection. The extreme precariousness of this group was starkly exposed by the COVID-19 crisis.

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## D. Social protection in Arab countries during COVID-19

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When the pandemic struck, many Arab countries were in the process of reforming their social protection systems. These reforms largely sought to scale back costly and inequitable subsidies and replace them with alternative social assistance measures, especially cash transfers, targeted to the poor. Several countries were also trying to expand coverage of contributory social insurance, but economic informality remained commonplace across the region.

To tackle the pandemic, Arab Governments had to swiftly change gear to ensure fiscal support for those without any form of social protection. Within the first six months of the pandemic, 189 new social protection measures were introduced. By September 2021, the total fiscal response to the COVID-19 crisis in the Arab region was \$94.8 billion, which was equivalent to approximately 2 per cent of the region's GDP in 2020. This is considerably low compared with the global average fiscal response to the pandemic, which was 22 per cent of GDP. However, of this \$94.8 billion total fiscal response in the Arab region, an impressive 18 per cent was allocated to various forms of social protection programmes, such as cash transfers. In relative terms, this is double the global average of social protection spending as a share of the total fiscal response, which is estimated to be just 9 per cent.

Moreover, the pandemic exposed both the strengths and weaknesses of existing social protection systems. While recent pre-pandemic reforms had aimed to identify the poorest and thus to reduce leakage of resources to the non-poor, they did not offer adequate protection for the large section of informal workers who were not covered by social insurance because they were deemed not poor enough to qualify for social assistance. These workers, who rarely have the option to telecommute, were often the most severely impacted by lockdowns and the economic downturn. At the same time, the pandemic revealed social protection systems' capacity to scale up relatively quickly, even in an extremely challenging context. In many countries, the introduction

of poverty-targeted cash-transfer programmes coincided with the establishment of social registries containing data on potential beneficiaries. When the pandemic struck, Governments could select additional beneficiaries directly from these registries, without having to initiate a cumbersome targeting process. In Egypt, for instance, around 800,000 new Takaful and Karama beneficiaries were added between February and November 2020. In addition to enlarging the scope of existing social assistance programmes, Governments set up new temporary schemes often directed specifically to informal workers. For example, in Jordan, the Takaful II scheme provided cash transfers to almost 250,000 households of informal workers during the crisis.

The impact of the pandemic has been far-reaching and has touched every aspect of development. With the poor and vulnerable bearing the brunt, the pandemic impeded efforts to reduce inequality, end poverty, and boost shared prosperity. Nonetheless, the recovery from the devastating consequences of the pandemic in the Arab region provides fresh opportunities for practical solutions to reduce inequalities. There are urgent demands for policies and actions to systematically address inequality and exclusion and to demonstrate that change is possible, despite the longevity and perceived intractability of the situation. Short-term policies were introduced to protect the disadvantaged and the vulnerable from the health, economic and social impacts of the crisis. Now, medium- to long-term policies must address the deeper structural drivers of inequality.

Reducing economic and social inequalities in the aftermath of the pandemic is vital to building societies that are resilient to major shocks. This enhanced resilience, with stronger social protection systems that leave no one behind, is critical for the Arab region, which faces the challenge of boosting economic activity under the Fourth Industrial Revolution while working towards a climate-neutral economy.