

Foreword

The working age population in Arab countries is characterized by stagnant labour force participation, high unemployment levels and limited sustainable and inclusive employment creation, and even before the COVID-19 pandemic, more than 14 million Arab individuals were jobless. It is expected that the pandemic will compound the issue of employment creation even further, putting additional pressure on policymakers to come up with more effective strategies in the short run and strengthen their structural transformation efforts in the medium and the long run.

Realizing the importance of ensuring more equitable and sustainable employment, the Economic and Social Commission for Western Asia (ESCWA) and the International Labour Organization (ILO) Regional Office for Arab States partnered to examine the underlying reasons behind the endemic failure of Arab economies to create sufficient jobs. This joint study focuses on the limited role of the formal private sector in job creation and highlights labour market deficits in the Arab region. Solidarity among countries of the region is indispensable if they want to recover from the effects of the pandemic, boost economic activity and create sufficient decent job opportunities.

The Arab region has the world's highest unemployment rates especially among youth and women. Many of those are employed in the informal sector, under poor conditions and limited job stability. At the same time, jobs are not necessarily created with a view to accommodate available skills. The COVID-19 crisis has added pressure on the labour market and has put almost 39 million employees in the region at the risk of losing their jobs.

As to the demand side of the labour market, this report underlines the gap between capital owners and income earners in production. It also reveals that, albeit the region's acceptable labour productivity levels, total factor productivity in formal private-sector firms in Arab States is lower than in countries with similar income brackets. At the same time, employment elasticity is low in most firms, signaling low levels of technology, production infrastructure and overall governance quality. Innovation has a variant impact on employment creation and impacts various sectors differently. Finally, the demand-side analysis emphasizes that gender inequality in employment in the Arab labour market is considerable, evidenced, for instance, by the lower fraction of business ownership and few top management positions for females.

For every crisis, there is opportunity. The current challenges shall be overcome by building forward better and by ensuring that, in the future, labour markets in the Arab region offer prosperity for their people, especially younger generations, prevent people from falling into poverty and reduce inequalities.

The purpose of this report is to provide guidance to policymakers, help reduce labour market deficits, especially in the formal private sector and unlock the potential of the private sector to become a major driver for economic growth and the creation of decent employment across the region.