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NORDIC COUNTRIES

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Abstract

The greater emphasis on governance issues in economic reform programmes of Middle East and North African (MENA) countries has given inadequate attention to labour governance. This paper draws on the experience of Nordic countries to review the role of labour governance institutions, tripartism, and collective bargaining in the MENA region. The issues it addresses include labour flexibility, social protection, public sector employment, and minimum wages. This comparative overview identifies directions for future research on multiple dimensions of the link between labour governance and economic reform.

ملخص

لم يبذل التركيز المتزايد على موضوعات الحوكمة في برامج الإصلاح الإقتصادي في دول منطقة الشرق الأوسط وشمال إفريقيا قدرًا كافيًا من الإهتمام لمسألة حوكمة العمالة. وتستفيد هذه الورقة من تجربة الدول الإسكندنافية في استعراض دور مؤسسات حوكمة العمالة والتعاون بين أطراف الإنتاج الثلاثة والصفقات الجماعية في منطقة الشرق الأوسط. ومن بين الموضوعات التي تتناولها: المرونة العمالية، والحماية الإجتماعية، وعمالة القطاع العام، والحد الأدنى للأجور. وتحدد هذه الرؤية المقارنة إتجاهات البحث المستقبلي المتعلق بالعلاقة بين حوكمة العمالة والإصلاح الإقتصادي بناءً على أبعاد متعددة.

Introduction

Economic liberalization or neo-liberal reform of the state-led model of development, which gained momentum in the Middle East and North Africa (MENA) in the mid-1980s, has failed to deliver on its promises.¹ Policymakers in the region and their advisers have been turning to governance matters to explain the limited success of the economic reform agenda of the past two decades. The greater focus on governance is part of a broader evolution in the thinking of international financial institutions.² Labour governance issues, however, have not received sufficient attention, despite the large youth population, mounting unemployment especially among women, and labour movement pressures facing almost all countries of the region. Instead, labour market flexibility has been uncritically promoted as a desirable goal for economic policies regardless of the accompanying social policies, with limited or no regard for management and regulation of labour markets.³

Nordic countries have traditionally provided a successful model of economic development based on the principles of basic security for workers, and tripartism between the state, business, and labour.⁴ In the 1980s, these countries suffered deep economic crises and many deemed their labour regimes unable to compete in the globalized economy. Nordic countries, however, overcame the challenges and achieved strong economic growth with equity, employment expansion, and rise in productivity. In doing so, they maintained the fundamentals of their labour governance model: powerful associations of labour and business, strong bargaining systems, and a high degree of tripartite dialogue. Instead of forming obstacles to economic development, Nordic labour regimes were in fact essential to economic success. The experience of Nordic countries can provide valuable insights for MENA countries, given the differences between the paths of reform in the two regions.

MENA and Nordic Countries in the Age of Reform

The economic reform process initiated in MENA countries after the economic crises of the mid-1980s exhibited several interlinked features (Alissa 2007a). There was agreement on the necessity of economic reform, but not on its nature and the measures needed for its implementation. The implemented economic liberalization agenda met resistance from a range of social actors, including labour activists and private businesses, as its burdens and benefits were unfairly distributed. Unemployment increased, costs of living rose, and public sector benefits eroded, exposing the already economically vulnerable to further risks. ‘Constructive resistance’ came from those whose livelihoods were threatened by economic reform, while ‘destructive resistance’ came from the business and political elite seeking to maintain their privileges. Due to limited capacities to implement economic reform programmes, states pushed economic liberalization forward through strategies varying from co-optation of certain groups to coercion of others, while national dialogue based on participation, consultation, and coordination remained non-existent or limited in scope.

¹ The definition of MENA region used in this paper includes the countries of the Gulf Cooperation Council (GCC) (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates), Southwest Asia (Iran, Iraq, Jordan, Lebanon, Syria, West Bank and Gaza, and Yemen), and North Africa (Algeria, Djibouti, Egypt, Libya, Morocco, and Tunisia).

² Critics such as Reinert (2006) see the focus on good governance and institutions as an attempt to explain the failure of trade liberalization in the 1990s, in what is deemed a continuation of “sequential single-issue management”.

³ In the words of Standing (2000), “A twelfth element [of the ‘Washington consensus’], expressed by the World Bank, IMF and OECD reports, is labour market flexibility, by which is meant decentralized labour relations coupled with cutbacks in protective and pro-collective regulations; this reached its sharpest pitch in the IMF’s 1999 *World Economic Outlook*.”

⁵ Nordic countries denote Denmark, Finland, Iceland, Norway, and Sweden.

The weakness of civil society institutions, the crackdown on trade unions, and the absence of political parties in many countries of the region limited the contestation of official policy, and contributed to the skewed representation of different social interests. Improved economic indicators were often associated with reliance on unsustainable external factors. The upheaval caused by political and armed conflicts such as the Iraq war and the Arab-Israeli conflict played a compounding role. The conflicts provided the perfect pretext for postponing renegotiation of social contracts across the region, and further contracted the public space for national dialogue on economic reform in general, and more participatory labour governance in particular.

How can economic reform in MENA move forward with a more participatory and democratic process, and more efficient, effective, and equitable outcomes? In his analysis of European responses needed to manage opportunities and threats of greater global competition, Sapir (2006) identifies four European social models: Nordic, Anglo-Saxon, Continental, and Mediterranean. He finds the Continental and Mediterranean models inefficient; although both the Nordic and Anglo-Saxon models exhibit greater efficiency, only the Nordic model is also equitable.

The viability of the Nordic model featuring a generous welfare state and tripartism was uncertain in the mid-1980s. Nordic countries witnessed economic crises that many contemporary analysts took as a signal of the model's demise. In coping with the crises, Nordic countries adopted different strategies of institutional transformation. Finland, Iceland, and Norway recentralized collective bargaining, while Denmark and Sweden opted for a decentralized approach favouring coordination at a sectoral level. Instead of labour deregulation that workers' organizations opposed, employers' organizations accepted the alternative of control over aggregate wage determination through collective bargaining. In parallel, states engaged in goods market liberalization, and adjusted labour market policies and social security to encourage work, while central banks adopted policies targeting low inflation. In the 1990s, Nordic countries emerged as winners of globalization. Economic growth recovered, real wages increased faster than in the previous decade, and unemployment rates fell (Dølvik 2007).

In Nordic countries, prudent macroeconomic policies were coupled with collective bargaining to achieve "moderate real wage growth, low inflation, international competitiveness, and sufficient room for growth in investment and demand to ensure full employment" (ibid.); in contrast, MENA countries witnessed increases in unemployment, living costs, and poverty (Alissa 2007a). Income security was fundamental for workers in Nordic countries to support economic reform, and further encouraged women to participate in the labour force. In MENA countries the retreat of states' social provisions alienated many workers, and where the private sector failed to provide alternatives to the traditionally accommodating public sector, women's position in the labour force retreated (Assaad 2006).

Both Nordic and MENA countries faced pressure to adapt to the changing needs of the global economy, and to liberalize their markets after the crises of the 1980s. Nordic countries adopted an approach inclusive of different social actors through their respective representative organizations. Instead, MENA countries adopted a top-down approach of co-opting influential business leaders, and marginalizing or even coercing workers and small businesses. While MENA countries engaged in hesitant liberalization of their markets, including labour markets, Nordic countries adopted a coordinated policy of liberalization of different markets, offering workers incentives to adapt through active labour market policies and training.

The paths chosen for labour governance and reform relate to context-specific factors. Nordic countries featured a balance of power between labour and capital, mutual recognition of employers' and workers' organizations, and absence of ideological differences among unions except in Finland. They also had a legislative and regulatory framework as a base, with states acting as a third party (Dølvik 2007). In contrast, economic reform in MENA countries was distorted in favour of capital; there was little basis for mutual recognition between already weak, splintered, and at times non-existent employers' and workers' organizations; ideological confusion characterized the labour movement; and states hindered the autonomy and independence of the representative organizations of social actors (Spooner and Barghouthi 2004).

Labour Governance Institutions in MENA countries

Economic development involves a process of institutional transformation that explicitly takes into account the conflicts and harmonies of different interests. Swenson (2004a, b) argues against critics that in Sweden, but also in the United States and Germany, politicians who introduced social welfare legislation intended to serve the interests of "labour *and* capital, not labour at the expense of capital" (Swenson 2004a, emphasis in original). More specifically, "*social policies often regulate competition among capitalists in ways that protect the profits of a politically significant portion of them*" (Swenson 2004a, emphasis in original). Workers' and employers' organizations, also referred to as social partners, are membership-based organizations that form, along with governments, the basis for tripartism. Their political significance is intrinsically linked to the nature of the institutions regulating labour governance, namely labour legislation, institutions for collective bargaining and tripartism, and government agencies.

International Labour Standards: Ratification and Implementation

Respect for ILO core labour standards is a prerequisite to effective tripartite cooperation. The ILO identified eight conventions as "core conventions" in its 1998 Declaration on Fundamental Principles and Rights at Work. Regardless of ratification status, ILO member states have the obligation to respect the principles of freedom of association and the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the abolition of child labour, and the elimination of discrimination in respect of employment and occupation. These rights are universal and apply to all people in all states; particular attention is given to groups with special vulnerabilities such as the unemployed and migrant workers.

States in the MENA region have been selective in their ratification of ILO core conventions and have avoided issues that may decrease their control over the public sphere, such as freedom of association (see table A1). All of the 18 MENA states have ratified the Forced Labour Convention, 1930 (No. 29), the Abolition of Forced Labour Convention, 1957, (No. 105), and the Worst Forms of Child Labour Convention, 1999 (No. 182). Only one (Oman) has not ratified the Discrimination in Employment and Occupation Convention, 1958 (No. 111). In contrast, the majority of MENA states has not ratified the Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87) and a third of them has not ratified the Right to Organize and Collective Bargaining Convention, 1949 (No. 98). Kuwait is the only Gulf Cooperation Council (GCC) state that has ratified Conventions No. 87 and No. 98; the other GCC states have ratified neither.

The 2008 ILO Declaration on Social Justice for a Fair Globalization identified the Labour Inspection Convention, 1947 (No. 81), the Employment Policy Convention, 1964 (No. 122), the Labour Inspection (Agriculture) Convention, 1969 (No. 129), and the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), as "the most significant from the viewpoint of governance" (ILO 2008a). Although all MENA states

except Iran and Oman have ratified Convention No. 81, only Syria, Morocco, and Egypt have ratified Convention No. 129. The three countries feature the highest shares of agricultural employment in the region, after Yemen where the majority of employment is in agriculture. While the ILO is actively promoting Convention No. 122 in the region, none of the GCC states has ratified it, a fact linked to the prevalence of non-GCC workers in that sub-region. Less than a third of MENA states has ratified Convention No. 144, an indicator of the long way to go before the region can enjoy effective tripartism (see table A2).

Ratification, of course, does not necessarily imply implementation; but it provides a benchmark to evaluate and improve national legislation and practices. Quantitative indicators of freedom of association and collective bargaining are scarce. The most comprehensive indicator was developed by Kucera (2004) for the mid-1990s. A comparison of Nordic and MENA countries confirms that Nordic countries respect trade union rights more than MENA countries, with an average indicator of 9 compared to 3.3. A striking point is that Libya and Syria, two countries that have ratified all the ILO core conventions, featured a score of zero on the trade union rights index (table 1). Seven of the seventeen MENA countries with data available (Iran, Iraq, Libya, Qatar, Saudi Arabia, and UAE) have indices of zero, signalling wide-spread violations of trade union rights in the region.

The discrepancy between ratification and implementation is noteworthy. Even when states ratify an ILO convention, they often do not take steps towards harmonizing national legislation with the provisions of the convention. For instance, although many MENA countries have ratified Convention No. 100 on equal pay for equal value of work, the understanding in their national laws remains limited to equal pay for the same work. This interpretation fails to acknowledge gender-based occupational segregation in the labour market, confining women to jobs that are extensions of women's care responsibilities in the household, which are significantly underpaid. The lack of recognition of the principle of comparable worth remains a significant impediment to achieving gender pay equity in the region.

When harmonization of national legislation does follow ratification of the convention, policy commitment to bring about change is often lacking. Rarely do governments develop any plans in consultation with the social partners to address the issues specified in the convention under discussion. Nor do institutional mechanisms exist to follow upon the activities needed for monitoring compliance.

Labour Legislation: Selected Issues

Freedom of Association and the Right to Collective Bargaining

Restrictions on the right to establish free unions are widespread in the MENA region. In some countries the formation of trade unions is prohibited, as in the UAE and in Saudi Arabia (International Trade Union Confederation, ITUC 2007a). Some countries have taken positive steps towards allowing trade unions in law. In Oman, a 2006 decree allowed workers to form trade unions, protecting union members against reprisal from employers; but the minimum number to form a union was set at 25 workers, with government approval required (ibid.). Even where workers have the right to form trade unions, there is little freedom of association, as the law imposes a single trade union system in countries like Jordan, Kuwait, Yemen, and Syria (ibid.). In countries hosting union pluralism in practice, like Algeria and Morocco, the attitude of trade union leaders is ambivalent. Although some argue that pluralism is necessary to provide alternatives to non-democratic institutions, others believe that pluralism is the other side of union fragmentation and the weakening of the labour movement (Aouadi 2004).

In recent years the nature of work in the MENA region has changed significantly. In countries implementing privatization programmes, substantial segments of the workforce

shifted from the public sector to the private sector, creating a new situation for workers' organizations to adapt to. In addition, the number of informal workers has increased along with the size of the informal economy in MENA countries (see ILO and CAWTAR, 2008). In particular, agricultural workers and domestic workers are outside labour law coverage across the region, and are thus excluded from related rights, including the right to organize and the right to strike. Agricultural workers, however, are often governed by special legislation. The employment of domestic workers is not regulated by special legislation; numerous decrees by government agencies are not put under a comprehensive law and are often incongruent with each other, and in some cases with the constitution of the country, as in Lebanon. Also in Lebanon, on the principle of reciprocity, Palestinian refugees are not allowed to form trade unions, as they are stateless; they also face other forms of discrimination. Other groups of workers that have their trade union rights either partially or totally restricted in MENA countries include civil servants and legal workers under the age of 18. For instance, civil servants are explicitly forbidden from establishing or joining trade unions in Yemen, and are denied the right to strike in Syria. Although workers under 18 are allowed to work provided they are older than the minimum age, there are restrictions on their participation in trade unions; in Yemen, for example, workers aged 16-18 need the approval of their legal guardians to join a union (ITUC 2007a).

Collective bargaining has recently been legally introduced in countries that previously did not allow for it, such as Oman (October 2006 decree) and Bahrain (2007 law). Yet in many countries where collective bargaining is allowed, important restrictions remain. Employers have resisted having collective agreements in Yemen, and the government has veto power over them. In Syria, despite being legal, collective bargaining is not actually practiced. Saudi Arabia bans collective bargaining (ibid.). Data on trade union density and membership in MENA countries is scarce; tables 2a and 2b present information gathered from various sources. In Egypt, trade union membership has been increasing since the mid- 1980s, although less than half the paid employees are members of trade unions, with men's representation much higher than that of women.

Right to Strike

The right to strike is banned in MENA countries like Saudi Arabia and Iran. In practice, however, workers in Iran have engaged in considerable strike actions, but have been repressed; in Saudi Arabia there have been work stoppages by workers who were not getting paid (ITUC 2007a). In other countries the right to strike is recognized, but with limitations, such as the requirement of prior notification or approval, or the ban of strikes in some sectors, particularly the public sector. In Iraq, workers in state-owned enterprises are considered civil servants, eliminating their right to strike. A 2006 decree in Oman protects the right to strike; but an absolute majority of the workforce must support a strike action, employers need to be notified about it three weeks in advance, and strike days are unpaid. In Jordan, strikes need government approval and are illegal without it. In Yemen, strikes are limited to certain sectors and cannot be organized for "political purposes" (ibid.).

Migrant Workers' Rights

The number of migrant workers in MENA countries has been growing at an alarming rate because of the push of poverty and unemployment (and in some cases, conflict) and the pull of the hope for better income and job opportunities in other countries. Migrant workers have been a source of cheap labour in a number of MENA countries, where they often work in sectors such as construction and textile, including in special zones such as the Qualified Industrial Zones in Jordan. Many migrant workers come from South Asia, and constitute a particularly vulnerable segment of the workforce. The challenge lies in maximizing the

benefits of labour migration while minimizing its risks, by promoting policies that give priority to economic growth and employment and encourage regular migration.

Migrant workers are forbidden from joining unions in almost all MENA countries. Their situation is particularly difficult in GCC countries, where they often represent a majority of the labour force. In the UAE, they are forbidden to strike or to encourage a strike “without a valid reason;” the penalty they face is up to a one-year ban on work (ITUC 2007a). In Saudi Arabia, ITUC (2007a) reports that “[m]igrant workers, particularly women, are frequently subjected to blatant abuse, such as non-payment of wages, forced confinement, rape and physical violence.” The sponsorship system across the Gulf, but also in Lebanon and Jordan, is a source of vulnerability for migrant workers, especially women migrant domestic workers.

The trend towards the ‘nationalization’ of the workforce in GCC countries has increased restrictions on employment of foreigners. But the private sector’s disposition to replace foreign workers with nationals has been limited because ‘guest workers’ are willing to work longer hours for less pay. Considering the demographic ratio of foreign workers to Gulf nationals, GCC countries have heightened sensitivities about referring to this majority as ‘migrant workers’, opting to use the term ‘guest workers’. This makes it hard for international bodies to pressure for ratification of texts such as the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families. It also poses a challenge to engage with GCC governments through other international instruments such as the ILO Multilateral Framework on Labour Migration, which provides non-binding principles and guidelines for a rights-based approach to labour migration.

The situation of migrant workers depends to a large extent on their skill level, the age pyramid in host countries, and the number and nature of unfilled vacancies. While high-skilled workers have been received on favourable terms and conditions of work in MENA countries, particularly in the Gulf, low-skilled workers have faced extensive labour rights abuses and exploitation. Considering their low birth rates and unemployment rates, and ageing population, Nordic countries have also welcomed high-skilled migrant workers. In the case of low-skilled migrant workers, Nordic countries’ experience has been mostly positive, although in the last decade they have faced new challenges. Trends of neo-nationalism, xenophobia, racism, and related policies have had adverse effects, particularly on low-skilled workers.

The representation of women in low-skilled migrant workers has been globally on the rise in recent years. The feminization of migration, a trend that began in the early 1980s, has resulted in an increase in the number of women who migrate alone. Prior to that time, women generally accompanied their spouses to destination countries or joined them later. Unemployment and household poverty in their countries of origin pressure these women to find jobs abroad and send their earnings to their families back home. Heightened demand in certain sectors of destination countries, especially in the domestic sphere, also increase pressure for migration.

Box 1: Protection for women migrant domestic workers in Lebanon

Women migrant domestic workers in Lebanon range between 130,000 and 200,000 in an overall population of four millions. Many workers endure labour rights abuses, such as extremely low wages, non-payment of salaries, excessive work hours, restrictions on rest times and movement, withholding of passports, lack of privacy, unhealthy or unsafe working and living conditions and lack of social protection, in addition to instances of verbal, psychological or physical abuse. In 2006, a National Steering Committee was established under the auspices of the Ministry of Labour to serve as a participatory policy dialogue platform with line ministries, the syndicate of placement agencies, NGOs, the ILO, and the High Commissioner for the Human Rights. The Committee formed three working groups focusing on a draft proposal for changing pertinent articles in relevant laws; a draft of a comprehensive unified rights-based standard contract; and an information guide for women migrant domestic workers in nine languages.

Source: ILO, 2008b.

Domestic workers, mostly women, are among the most vulnerable group among migrant workers in MENA countries, facing risks of physical and sexual abuse. In Kuwait, they are subject to prosecution if they leave their employers, who often confiscate their passports. In Saudi Arabia, the ITUC indicates that “reports of serious cases of abuse towards domestic migrant workers have continued to flood in”. The situation of women migrant domestic workers in Arab countries is assessed by ILO (2004a). According to the report, women migrant workers have made up a larger percentage of migrant workers in Arab countries in recent years. In GCC countries, for example, women migrants represented almost 30 per cent of all inflows in 2000 compared to 8 per cent in the early 1980s. In Lebanon the rate of women migrant workers among all migrant workers has more than doubled between 1965 and 2000. The largest number of women migrants came from Sri Lanka, Bangladesh, Indonesia, and the Philippines. Data from these countries reveal that they have been sending larger numbers of women workers than men to Arab countries.

Domestic workers can be supported through targeted schemes. In 1994, Denmark introduced a Home Service Scheme that offers 40 per cent state subsidy on the labour costs of registered companies, 91 per cent of which were single-person businesses. Yet a 2001 official study found that the formalizing effect of the scheme was limited, as only 10 per cent of its users had previously relied on ‘black labour’ (that is, work involving tax evasion) for domestic cleaning jobs (Renoy et al. 2004). In the MENA context, such a scheme may help remove possible social bias against the declaration of women domestic work, but the issue of funding is problematic for governments with weak fiscal positions.

Institutions for Collective Bargaining and Tripartism

Workers’ organizations

The MENA region features workers’ organizations of various sizes and roles, distributed unevenly across countries. The International Trade Union Confederation (ITUC), which includes trade unions and their con/federations that adhere to the principles of trade union democracy and independence, has numerous MENA-based workers’ organizations affiliated with it (table 3). The International Confederation of Arab Trade Unions (ICATU) is a regional trade union confederation that has among its membership all the Arab countries of MENA with established trade unions. Based in Damascus, the ICATU has been in many ways synonymous with the ‘pan-Arab labour movement’. Since its inception in 1956, ICATU has been outspoken in its support for anti-colonial struggles, such as Palestinian trade unions in the face of the attacks of Israeli Defence Forces, as well as Iraqi trade unions in the aftermath of the US invasion.

Abbott (2007) provides a framework for studying international labour unions through linking the priorities they set for themselves and the contexts in which they act, along each of the industrial, political, and ideological realms. He suggests that according to a logic of ‘spill-over’, “the movement in international trade union ‘imperatives’ will typically run from the ideological to the political, and *only* then from the political to the industrial” (emphasis in original). He explains the limited role of international labour unions by the absence of supranational political entities that have considerable power over labour and social policies, with the notable exception of the European Trade Union Confederation and the European Union. In the MENA context this perspective links a regional labour organization such as ICATU to Arab regional institutions such as the Arab Labour Organization (ALO) and the League of Arab States.

In the absence of strong political parties, trade unions played the role of dissenting politics in many MENA countries, as they were able to mobilize their members. Accordingly, in many instances there is a divide of trade unions with respect to their affiliations with different political parties, tendencies, or agendas (including communist, socialist, nationalist, and recently, Islamist). The contesting activities of trade unions and professional associations can transform the political status quo. The 1989 bread riots in Jordan led to partial political liberalization; the May 2008 general strike in Lebanon turned into armed clashes.

Repression of labour is widespread in many countries. Workers in the region have repeatedly been arrested and detained for demanding better wages and working conditions. In particular, migrant workers face deportation for basic demands, as has recently been the case in Jordan, Qatar, and the UAE (ITUC 2007). Ongoing violent conflicts pose direct threats to trade unionism. In Iraq, trade unionists have been targeted by “militias, terrorist groups, occupation troops, and others” (ibid.). A main item of confrontation with official policy on the agenda of Iraqi trade unions has been about the management of oil, particularly the oil law (Bader-Blau 2007). In the West Bank and Gaza Strip (WBGS), trade union activism has been “virtually impossible”. In addition to the general restrictions on movement and livelihoods of Palestinians in general, leaders of the Palestinian General Federation of Trade Unions as well as its offices have been subject to a number of direct attacks by masked men and Israeli soldiers. The WBGS trade unions have not been able to meet because of Israeli-imposed mobility restrictions on the Palestinian population. In addition, internal power struggles, generational disputes, and political affiliations have led to splits in the trade unions (PGFTU 2007).

Workers’ organizations in the region have generally lacked democratic standards of fair elections, accountability, and transparency. In Egypt for instance, workers have engaged in mass strikes while the union leadership was opposed to them; accordingly, workers have demanded a restructuring of their union system (Alissa 2007c). In Lebanon, the 1990s witnessed the artificial creation of a number of trade unions and federations, which then joined the General Labour Confederation (GLC). The new GLC members shifted the balance of power within it and affected the election of its leadership, along with direct government intervention. A number of institutional changes to the Lebanese GLC have been proposed, including the adoption of proportional representation (Sleibi 1999).

Workers’ organizations are facing unprecedented challenges given the changing nature of employment. Colluding state and business interests have increasingly deregulated labour markets to make them more ‘flexible’. Increased flexibility without due consideration to the security of workers has also contributed to greater informalization of employment in the MENA region. Recent research indicates that informal workers represented 57 per cent of workers in the West Bank and Gaza Strip in 2004 (Hilal, Al Kafri, and Kuttub 2008). Informal workers share an important characteristic: they are not recognized or are

insufficiently protected under the legal regulatory framework and are characterized by a high degree of vulnerability. In improving the formal regulatory environment, the challenge is to find the adequate regulations to support informal enterprises by increasing the benefits of working formally, and improve informal jobs by decreasing the costs of working informally.

The need for social protection for workers is all the more a priority because even formal enterprises (public and private) often opt for informal work arrangements to avoid the costs related to employing workers, including social insurance contributions. Extension of social protection coverage for informal workers and their families is a priority to protect workers from falling further into poverty and increased exposure to risk and vulnerability. In most MENA countries, the retreat or simple absence of the state from the provision of social services, and the lack of capacity of trade unions to provide alternatives, has driven people to organize through other channels and to rely on informal social networks and resources. In Jordan for instance, the number of family associations has boomed in the economic reform era and their importance has increased (Baylouny 2006). In Lebanon, foreign capital inflows, transfers, and remittances have been estimated at a yearly average of one third of GDP in the 1993-2005 period (Berthélemy et al. 2007).

The size and nature of informal employment in Nordic countries, in addition to state services and institutional capacity, are significantly different from those in MENA countries. Reflecting on policies implemented in Nordic countries to decrease informal work can be of benefit. In Sweden, tax authorities have implemented measures to decrease informal work, including random inspections of businesses, revoking licenses of evaders, publicizing cases of undeclared work, as well as information and awareness campaigns mainly targeting youth. Their approach explicitly takes into account the persistence of social norms regarding informal work, and the necessity to tackle them early on. The general practice of collective agreements with strong labour unions also limits informal employment. In Sweden for example, workers who receive benefits less than those set through collective bargaining (such as a wage lower than the set minimum wage) can file a lawsuit against the business, even if they are not members of the related union. In addition, strong unions have significant bargaining power; they can put up blockades against businesses to ensure they enter into a collective agreement.⁵

Box 2: A voice for the unemployed

In September 2006, a conference held in Ramallah to establish a federation of the unemployed was attended by 480 delegates (with noticeable representation of women) from various governorates of the West Bank. Called for by an ad-hoc committee (some affiliated with the Centre for Democracy and Workers' Rights and others with the trade union movement), it elected a steering committee of 13 members including four women. The steering committee has been meeting regularly to launch the federation, develop its work plan and identify its financial resources. In Gaza, a federation of independent workers' committees was established in 2004, where most of its membership is unemployed. These committees have been active in promoting the rights of the unemployed and in seeking health insurance for the unemployed (provided they register as members of the federation) and their families, through policy advocacy with the Ministry of Health. They have negotiated with the Ministry of Labour to receive its acknowledgement and support for the federations as representatives of the unemployed, and utilize financial resources (mostly in the form of foreign donor assistance) available in the ministry for the benefit of the unemployed. The organization of the unemployed triggers a sense of empowerment, creates a sense of having the ability to affect change, and provides a way out of despair.

Source: Hilal, Al Kafri, and Kuttub, 2008.

⁵ We thank Kristoffer Bjarkefur for making this point.

How can workers' rights in the MENA region be promoted in light of the conditions they face? Regional organizations, such as the International Confederation of Arab Trade Unions and the Arab Labour Organization can play an important role alongside the efforts of international organizations. But the effectiveness of their roles remains limited, as recognized by ALO Director-General Ahmed Luqman. Their capacities to advocate for protecting workers' rights will need to be significantly improved if they are to have any significant role in influencing policies. Priorities include better integrating migrant workers' rights in their agendas, and further collaborating with NGOs.

Cooperation between workers at an international level remains essential to avoid a "race to the bottom" regarding workers' rights. Jose (2002) suggests that for trade unions to achieve more relevance for workers in the light of changes in the global economy, they need to provide services for non-members, and collaborate with other civil society organizations working on improving the welfare of various disadvantaged groups. This is essential in his view to "turn the workers crowding into the lower end of labour markets into non-competing groups within and between countries" (emphasis added). New types of organizations are playing an increasing role in promoting the welfare of workers in MENA countries; among these are affiliates of the International Federation of Workers' Education Associations, which created a regional (Arab) federation in 2004 (Spooner and Barghouthi 2004), and the federation of the unemployed in the West Bank and Gaza Strip.

Employers' organizations

The social foundations of a state are an important determinant of its relationship with employers' organizations. In countries like Jordan and Syria where the social bases of the state and of business associations differed, their relationship was confrontational. In contrast, in countries like Kuwait, where the social bases of the state and of business associations were similar, a pattern of coordination was more likely (Moore and Salloukh 2007). In the West Bank and Gaza Strip, the freedom of association of employers' organizations is not legislated; business representatives have thus organized as associations under the law for charities. The Federation of Chambers of Commerce, Industry and Agriculture, formed under Jordanian law, held the last elections in 1992 (Aouadi 2004). The MENA member federations of the International Organization of Employers are listed in Table 4.

States in the region reached out to business representatives in the aftermath of economic crises. State-business relations took place outside formal institutional channels, through social networking between business people and government officials. Such was the case in Jordan, where King Abdullah II formed the Economic Consultative Committee to represent the private sector. The Committee was able to set deadlines for governments, yet it gradually declined in importance (Alissa 2007b). Also in Egypt, informal ties with government officials were key for prominent business people to secure privileges (Alissa 2007c). In the post-crisis period, states further converged and colluded with private sector leaders and their business associations. Sometimes this compensated for decreasing state capacity, particularly at the technocratic level, due to expenditure cuts in the government budget and high reported levels of corruption.

Business associations presented states with support on gathering information, elaborating, and implementing reform programmes (Moore and Salloukh 2007). Such influence meant that reform programmes prioritized the interests of private sector businesses, especially large businesses, rather than workers, small and micro businesses, or the wider public. At the same time, business associations contested economic reforms, criticizing them as populist or detrimental to growth, when they saw possible drops in the profits or privileges accruing to their key members. In Jordan, sales tax reform incurred substantial delays in the 1992-1995 period due to resistance from the Amman Chamber of Commerce and the Amman Chamber

of Industry (Alissa 2007b). In Tunisia, the Federation of Industry, Commerce, and Handicrafts, which is closely linked with the ruling party, targeted its criticism to the administration and not the government (Aouadi 2004). In Egypt, the pace and direction of reform was shaped by the increasingly colluding interests of the business and political elites, thereby hindering the competitiveness of the economic environment (Alissa 2007c). Accordingly, business associations have played the role of “both agents and objects of political change” (Moore and Salloukh 2007).

The reform era in MENA countries witnessed the appointment of key business association representatives to government positions, and their election to parliament. In Jordan for example, a former president of the Amman Chamber of Commerce (ACC) was appointed to the cabinet. In Syria, two members of the Damascus Chamber of Commerce were elected to parliament in 1990. But the rising prominence of business representatives was not necessarily synonymous with increased policy coordination. In Jordan the ACC “lacked the leadership coherence and capacities to take advantage of the openings whereas the government desired only consultation and little policy input” (Moore and Salloukh 2007).

An important question with regard to business associations, especially the Chambers of Commerce and Industry, is whether they have an independent agenda. The answer in the MENA context often points towards convergence of the agendas of state and business leaders, and collusion between the political and economic elite. In Kuwait the government relied on the Chamber of Commerce and Industry for assistance in recovering from the 1981 crisis, and established policy boards with members from the Chamber. After the Gulf war, state-business cooperation helped restore the parliament and put the country on the path of recovery (Moore and Salloukh 2007).

In Jordan, the Amman Chamber of Commerce was the first to agree with the government’s position on the issue of sales tax reform. The Chamber’s conciliatory position towards the state resulted in the split of some private sector representatives to form new employers’ organizations, such as the Jordanian Businessmen’s Association. In Syria, the contestation of government policies by professional associations in 1980 led to their dissolution by government decree. New organizations were formed instead; compulsory membership was instated, as they came under the control of the ruling party’s Professional Syndicates’ Regional Bureau (ibid.). Since the 1990s, the state has reached out to business associations, and the Damascus Chamber of Commerce and the Chamber of Industry have been involved in policy formulation and implementation.

The degree of democracy and renewal of leadership in business associations has varied according to various national and sectoral circumstances. Baroudi (2000) recounts the change of leadership in the Association of Lebanese Industrialists, as the head of the association since 1977 lost the election in 1992, and how the bylaws of the organization were modified in 1994. In the region the decisions of employers’ organizations are generally strictly respected by their members; close connection with government helps overcome internal conflicts. In Tunisia, opposition usually comes from representatives of businesses in trouble (Aouadi 2004).

Box 3: Palestinian Business Women Forum

The Palestinian Business Women Forum was established in 2006. It aims to strengthen the role of Palestinian businesswomen by developing their skills and abilities, increasing the number of women in the private sector, and providing useful information to help members manage and promote their businesses. The Forum also seeks to encourage the formation of policies and legislation protecting the interests of businesswomen, and work to strengthen relations among local, Arab, and international businesswomen. Its founders include prominent members of the Palestinian Industrialists Association, the Palestinian Trade Association, and other new business associations.

Source: Esim (2007b).

The new conditions resulting from the opening up of MENA economies have created new challenges for employers' organizations. Among these are challenges related membership in the World Trade Organization, Foreign Direct Investment, corporate social responsibility, local area development, and modern management. The Council of Saudi Chambers of Commerce and Industry has provided a number of services to cope with the changing economic conditions, including training and assistance for small and medium enterprises. As women in Saudi Arabia have been historically under-represented in business, the Council cooperated with the government to address this issue. It also made use of modern technology such as closed circuit television to allow women to participate in business forums and conferences while maintaining gender segregation. In parallel with the recent rise of Saudi women in key business positions came the creation of organizational bodies for women in the Council (ILO 2005).

New private sector organizations have recently emerged in the region, as is illustrated in the Palestinian context. New Palestinian private sector organizations are being formed by a younger generation of business owners. Established in parallel to the Federation of the Chambers of Commerce and Industry, the founders of new private sector organizations such as the Palestinian Industrialists Association, the Palestinian Trade Association and the Palestinian Information Technology Association are also members of the Chambers. Although there are substantial differences in the business strategies and economic visions of the Chambers and the new generation of private sector organizations, they are gathered under the unified umbrella of the Palestinian Private Sector Coordination Council.

The new generation of Palestinian business organizations is supported extensively by international donors as an alternative to working with the Palestinian Authority, a strategy developed following the severing of ties with the PA under the Hamas-led government. An emerging difference between the younger and older generation of Palestinian business organizations is the way they understand, prioritize, and address businesswomen as members, beneficiaries, and leaders.

Government Agencies

Ministries of labour and social affairs in MENA countries are weak compared to ministries of economy and finance, with lower budgets and administrative capacities. As a result, labour and social policies have been undermined to advance fiscal and monetary goals. Governments in the region have failed to assume responsibility for promoting and protecting fundamental rights through regular and effective tripartite consultation. The changing relationship between the state and its employees, as displayed by growing informalization of employment in the public sector through flexible contractual work and diminishing benefits, undermines the credibility of the state to engage in effective tripartism with the private sector. Governments have often restricted the independent activity of workers and employers rather than responding to their concerns. Restrictions have included prohibiting the formation of

representative organizations, putting excessive conditions on their establishment, or requiring membership in an official organization monopolizing representation. Effective recognition of the role of social actors is closely related to more general democratic development in MENA countries.

The growing demand for transparency and efficiency of public services in the region has increased pressure on the internal organization of Ministries of Labour and other relevant government agencies; labour administration reform, however, has not been high on the reform agenda. Labour administration reform emphasizes revision of labour legislation, improved labour inspections and employment services at the ground level. Amid obstacles to restructuring and modernizing management, the global trend towards decentralization has reached MENA countries mainly in rhetoric. Administrative and fiscal devolution has yet to take full effect in most countries, and the strength of local governments has been visible mainly where weak states have left a void to fill. In some cases, local governments have witnessed reversion to traditional forms of leadership; their ability to contribute to basic social services, local economic development, and employment generation is constrained by their capacity to secure financing, either through the state or through local taxes. In fact the main form of financing for decentralization efforts in the region has been through donor funds, as for local economic development projects in Lebanon and Iraq.

Guaranteed public sector employment, a safe haven for women in the old MENA social contract, has been reconsidered because of fiscal pressure and ideological shifts, though actual decrease in public sector employment remains slow in many countries (Alissa 2007a). Considering the limited absorption of new graduates by the public sector, initiatives promoting entrepreneurship, self-employment, and micro-credit programmes have flourished. Such programmes include Jordan's INJAZ, with volunteers from the private sector giving relevant courses to school students; Syria's Know About Business course, incorporated in the national curriculum of vocational schools and intermediate institutes; and Algeria's National Agency to Support Youth Employment, which provides funding to young entrepreneurs. The effectiveness of ongoing initiatives in the MENA region is limited by the fact that government agencies often lack labour market information systems and the capacity to advise policy. International institutions have an important supporting role to play in this regard.

Challenges to Effective Tripartism

Tripartism includes negotiation, consultation, and exchange of information between, or among, representatives of governments, employers, and workers. Successful tripartite structures and processes have the potential to resolve important economic and social issues, encourage good governance, advance social and industrial peace and stability and boost economic progress. In the MENA region, tripartite platforms hardly exist. Where they exist they are often only on paper, and are in reality ineffective, dysfunctional, and conducting consultations irregularly if at all. There have been initiatives, however, to remedy the situation through supporting tripartite platforms in countries like Jordan.

Box 4: Tripartite training for workers in Yemen

In Yemen, 18,000 women and men workers in the public and private sectors have been trained by trainers from the government, workers' and employers' organizations on their rights. The workers' rights booklet used in the training has become a key reference for Yemeni workers across the country and reprinted in tens of thousands of copies several times. Media, civil society organizations and the national women's machinery have also contributed to the effective implementation of this training programme, hailed as a global good practice in social dialogue.

Source: Yemen Ministry of Social Affairs and Labour, Directorate General for Working Women, 2008.

The role of employers' and workers' organizations is being redefined across MENA countries. The history of the social and economic movements in the region points to a long list of leaders in civil society, political parties, trade unions, and student movements who were persecuted, imprisoned, exiled, or killed. Political parties have been weakened, co-opted, or outlawed in many countries. As is typical where workers have yet to achieve their political rights (Pencavel 1995), workers' organizations have filled this gap and played a political role, at times one of contestation of official policies. In response, states have restricted the general activity of trade unions, striving to control them through cooptation or coercion. Political restrictions have hampered the prospects for national dialogue and resulted in contracted or non-existent tripartite dialogue, coordination, and cooperation between social partners and government. Public confidence in the relevant institutions is weak across MENA countries, as reported by the fourth wave of the World Values Survey (1999-2004). In Algeria, Morocco, and Iran the public has "not very much confidence" in either labour unions or major companies. In Egypt the public has limited confidence in major companies, but "quite a lot of confidence" in labour unions.

The political configuration of states has had a critical impact on the form and function of employers' and workers' organizations. Albrecht and Schlumberger (2004) point out that most political parties, workers' and employers' organizations, and civil society organizations "focus on access to decision-making power and resources." They conclude that "[i]n no other region have trade unions, syndicates, and professional associations been penetrated as deeply and profoundly by authoritarian rule as in the Arab world." In studying the role of employers' organizations in combating corruption, Leenders and Sfakianakis (2002) note that employers' organizations have played "only a marginal role in countering corruption since government or its cronies usually control such groups," noting exceptions such as Lebanon and Morocco, where codes of ethics were drawn.

Questioning the Conventional Wisdom

Labour Flexibility as a Policy Prescription

The economic security of workers and their families in developing countries has been affected by government measures promoting greater labour 'flexibility'. The MENA region is no exception. Since 2003, for instance, Egypt and Morocco have introduced measures allowing employers to hire and fire workers with greater ease. Tunisia took similar measures in 1996.

With regard to labour 'flexibility' in hiring, firing, and employment policies, the World Bank Doing Business indicators reveal that Nordic countries are quite diverse with regard to employing workers, compared to MENA countries. Lebanon ranks 53rd and Iraq 60th, while Finland ranks 127th; Egypt, ranked 108th, is just behind Sweden, ranked 107th (World Bank 2007). Thus, directly anchoring economic policy to the general rankings seems misguided, at the least. Accordingly, closer inspection is needed of the components of the employing workers' index, namely the difficulty of hiring index, rigidity of hours' index, rigidity of employment index, and non-wage labour cost. Here too, no clear pattern emerges (see table 5). In fact, many MENA countries fare in these rankings similar to, or even higher, than Nordic countries. Of Nordic countries, only Denmark systematically ranks high on all indicators. This result can be linked to Denmark's gradual dismantling of the centralized collective bargaining model in the mid-1980s (Dølvik 2007), but is also accompanied by active labour market policies such as job relocation and training programmes, along with generous unemployment benefits over four years, which reach up to 90 per cent of the previous wage for lower-paid workers (Commander et al. 2006). Other countries such as Finland, Norway, and Sweden, rank lower than many MENA countries in different areas.

Two consequences can be inferred from the general disparity in the performance of each of the MENA and Nordic countries. First, there is no one common criterion with regard to these indicators to explain Nordic countries' success, and thus extrapolate lessons for the MENA region. Second, the idea that higher positions in these rankings are necessarily better for employment outcomes is not confirmed by simple observation, and has to be complemented by an analysis of the social policies involved. Boyer (2006) argues that although too much labour regulation can lead to bad economic outcomes, too little labour regulation is also undesirable. He suggests that an inverted U-shaped curve depicts the relationship between economic performance and security. In the conceptual framework of ILO (2004b), economic security can take different forms, including labour market security, voice-representation security (including trade unions), work and life security (including healthcare), skill security (including education and training), in addition to income security (including minimum wage and unemployment insurance).

The policy space of MENA states has been narrow and in some cases shrinking. The official social and economic agenda was presented as the only alternative to deeper crises. Labour specialists have raised concerns regarding the current indicators of hiring and firing workers included in the World Bank's annual *Doing Business* reports. Among the criticisms are a bias against labour regulation, disregard of ILO core labour standards, emphasis on external numerical flexibility while neglecting other channels such as wage flexibility and functional flexibility, and disregard of collective bargaining and tripartism, in addition to other methodological problems. The indicators may have thus favoured a certain set of policies over others with no solid economic justification (Berg and Cazes 2007). Among those frequent critiques is the ITUC, which points out the countries with severe violations of workers' rights each year. ITUC notes that International Financial Institutions have promoted contradictory policies: "By discouraging countries from maintaining anything above the bare minimum level of labour market regulation, *Doing Business* actually undermines development goals promoted by the World Bank and other international organizations" (ITUC/Global Unions 2007). It has even been suggested that the section pertaining to labour regulation in the *Doing Business* indicators "should be removed" (Bakvis 2006).

A comparison of the *Doing Business* hiring and firing indicators in Nordic and MENA countries reveals that many MENA countries fare much worse than Nordic countries in firing workers, both on the difficulty of firing index and the firing costs (weeks of wages). Proponents of economic reform in the form of liberalization and privatization policies suggest that significant mobility of workers from less productive sectors to more productive ones is necessary; they argue that employment protection legislation impedes such mobility. Making it too hard for employers to fire workers goes against the ability to adapt fast to changing conditions; but ability to adapt must not occur at the expense of workers' welfare (Blanchard 2006). In some enterprises, outmoded hierarchical personnel practices can lead to acrimony and high labour turnover, breeding a chronically confrontational culture that in the long run is unproductive for both enterprises and workers.

The absence of active labour market policies and programmes such as reskilling, skills upgrading, and lifelong learning can often lead to heightened insecurity and vulnerability of workers. In Iraq, Oman, and Jordan, fired workers have no schemes to protect them resulting in increased unemployment, poverty and insecurity. Thus governments need to introduce unemployment insurance schemes, as has been done in Bahrain. In addition to unemployment insurance schemes, Nordic countries chose to decrease the difficulty and high cost of firing workers. But in the context of the demographic and labour market realities of MENA, with little non-oil generated economic growth and considerably low FDIs, decreasing the difficulty and cost of firing workers might actually further increase unemployment pressures in these countries.

In the words of Blanchard (2006), the underlying principle applied in Nordic countries “is to protect workers, not jobs. This means providing unemployment insurance, generous in level, but conditional on the willingness of the unemployed to train for and accept jobs if available. This means employment protection, but in the form of financial costs to firms to make them internalize the social costs of unemployment, including unemployment insurance, rather than through a complex administrative and judicial process.” In a region where there is a deficit in enforcement of labour laws, especially in the case of private sector employment with respect to hiring and firing, these principles would be difficult to monitor unless through strengthening of the labour inspection system and comprehensive reform of labour administration. The fact that most businesses in the MENA region are micro, small and medium in nature, further complicates ensuring good practices on the part of private sector employers. Promising labour governance institutions for gender-responsive social protection of workers in the region include the maternity benefit fund in Jordan and the unemployment benefit fund in Bahrain.

Regarding Doing Business indicators, social insurance, if financed through payroll taxes, could worsen the position of countries that introduce it in the non-wage labour costs rankings. Despite that, the introduction of social insurance was proposed by the World Bank in its Doing Business in 2006 report (Bakvis 2006). However, the way that the World Bank proposes to finance social insurance schemes, and encourages for instance contributory and voluntary schemes, is significantly different from the approach of the ILO which insists upon the social responsibility of the state and employers, and the need to organize solidarity at the national level, or at least within a framework of inter-class socialization of risk insurance.

Farewell Welfare State?

Proponents of economic liberalization often recommend that countries decrease the size of public sector employment to a minimum. They argue that large public sector employment is the cause of heavy fiscal burdens. They also point out that it can also be linked to ineffective bureaucracy, and may crowd out private sector employment. The most recent data available (see table 6) suggest that Nordic countries (with the exception of Finland) have larger shares of public employment in total employment than MENA countries. Between 2000 to 2006, the public sector share of employment remained fairly constant at 36 per cent in Norway, and 34 per cent in Denmark and Sweden.

In 2000, Egypt was the only MENA country with a public sector share of employment higher than those in Nordic countries, at 52 per cent. From 2000 to 2004, Egypt halved this share to 26 per cent, largely due to extensive privatization efforts. One of the unintended negative externalities of this is having fewer jobs for women in public sector while the absorption rate of private sector with respect to women workers is much lower (on account of the perceived costs of maternity benefits by the employers). The experience of Nordic countries should be an important reminder, therefore, that the share of public sector employment is not necessarily in itself an inhibitor of good economic outcomes. In addition to fiscal constraints and incentives to strengthen the private sector, it is the quality of public sector delivery that should be a matter of consideration.

Opening up to the global economy through financial and trade liberalization increases the vulnerability of countries to shifts in the global economy; in response, more open economies have increased the size of their governments to mitigate the risks that they are exposed to (Rodrik 1998). Also countries that are more open to trade have better respect of trade union rights, which can be interpreted as an additional compensation to workers; though Foreign Direct Investment does not seem to play a significant role on trade union rights (Neumayer and Soysa 2006).

In the MENA region, trade and financial liberalization has in many countries been pursued as part of economic reform packages that also included shrinking the size of public sector spending. The increased exposure to risks and the accompanying decreased insurance to protect from the impact of heightened vulnerabilities has led to popular opposition to such policies in many countries. As the way such economic reforms have been devised without proper thinking about implications for the public, and void of links to employment and social policies have been detrimental to the most vulnerable in society. Such heightened vulnerabilities resulting from these economic reforms will clearly affect the future prospects of the economies in the region negatively in the long-run.

Setting Minimum Wages

The impact of minimum wage legislation has been a controversial issue in the empirical economic literature, and no consensus has risen in characterizing its effects. Many MENA countries have minimum wages in the private sector, determined through minimum wage legislation. The exceptions are the Gulf countries of Kuwait, Qatar, Saudi Arabia, and UAE, as well as Libya, West Bank and Gaza, and Yemen. Minimum wage legislation may play an important role in labour regimes that have little coordination. But Nordic countries do not have minimum wage legislation; instead, there are legal provisions for setting minimum wages through collective bargaining.

Within this framework, different countries have adopted different mechanisms. For example, in Finland minimum wages are determined in collective agreements at the sectoral level; those applying nationwide and considered representative of the sector may be extended. In Iceland, the minimum wage applies to all workers in the sector covered by the collective agreement, regardless of membership in the trade unions having negotiated the agreement. Whereas in Sweden, minimum wages can be set at the sectoral and enterprise levels: in certain sectors, minimum wages can be set through central collective agreements at the national level, and apply to the members of the trade unions involved in the agreement; at the sectoral level there can be minimum wages higher than those set in the central collective agreements; and minimum wages set in collective agreements at the enterprise level must be higher than those bargained at the central or sectoral level (ILO 2007a). Blanchard (2006) suggests that a negative income tax is more desirable than a minimum wage, as it increases incentives for workers on the low wage end to work; and complementarily, the social contribution costs of firms at the low-wage end should be reduced. For developing countries with weak tax systems, however, a negative income tax is not a viable option.

Countries that have adopted mechanisms for setting minimum wages have achieved unequal minimum wage levels. Saget (2008) explains that minimum wages can create pressures on the public budget where they are linked to social benefits and public sector wages. In addition, structural adjustment policies may be accompanied with lower minimum wages to contain price inflation and signal a political shift in economic policy. Countries with weak collective bargaining systems tend to have higher minimum wages, since they represent the main area for workers to advance their interests, including actual wages. High minimum wages, in turn, lead to non-compliance and inhibit the development of collective bargaining. Table 7 reports the ratio of minimum wage to GDP per capita for MENA and Nordic countries. Based on her classification, countries with ratios less than 0.30 have *mini* minimum wages, and countries with ratios above 0.60 have *maxi* minimum wages. Denmark, which dismantled its centralized collective bargaining system in the 1980s, is the only Nordic country with a *maxi* minimum wage. All MENA countries with minimum wages except Lebanon and Syria (both of which have fixed exchange rates) have *maxi* minimum wages. No country listed in table 7 features *mini* minimum wages.

Expanding the Policy Space through Tripartism

Case studies, elaboration on new data, and policy analyses can cast a new light on the relationship between labour governance and economic reform in the MENA region. This paper provides a comparative overview of labour governance in MENA countries in relation to Nordic countries and identifies directions for future research on the multiple dimensions of the subject. Other areas for exploration include the process and temporality of institutional transformation, the interaction between formal and informal institutions, and the role of changing norms.

The proponents of economic and social policies prominent on the reform agenda of MENA countries have often identified them as the only way to adapt to the changes of the global economy. Labour deregulation, public sector downsizing, social spending cuts, and low or inexistent minimum wages have failed to achieve their promises. Amid growing informalization of work and rising unregulated migration, MENA countries have to look for alternatives. The institutional configurations, policy choices, and actual performance of Nordic countries suggest possible alternatives and make a strong case for expanding the policy space in MENA countries. The economic reform process in the MENA region has excluded workers' organizations, and where employers have been represented, small and medium enterprises have been largely absent. A more participatory process that gives voice to all stakeholders, including NGOs, needs to be an informed process. The collection and dissemination of relevant data, as well as greater transparency in decision-making, are necessary.

External actors can provide policy advice, technical assistance, training, funding, and other incentives to improve labour governance in MENA countries. Yet external support should be part of a transition; policymakers and key stakeholders should be wary of creating long-term dependencies. Ultimately however the success of labour governance lies in a conducive environment that is essentially the task of local actors to shape. Tripartism ensures that resistance to reform is channelled through constructive mechanisms, making reform more responsive to people's needs. It also supports a type of integration into the world economy that is less prone to instability and more likely to increase public welfare.

An effective tripartite coordination platform may require changes in the governance structures of the state, employers' and workers' organizations. The introduction of new institutions may also be necessary, especially in countries where the social actors are not adequately represented. Employers' organizations can expand membership to include small and medium enterprises to better represent the majority of businesses in the region. Workers' organizations can further expand their membership to youth and women by taking on issues of migrant workers, informal workers, domestic workers, civil servants, and workers in emerging sectors.

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Table 1: Trade Union Rights Index (Weighted), Mid-1990s

Finland	9.55	Bahrain	7.14	Egypt	4.59	Qatar	0
Sweden	9.55	Jordan	6.69	Morocco	3.68	KSA	0
Iceland	9.1	Tunisia	6.54	Kuwait	3.53	Syria	0
Norway	8.65	Algeria	5.79	Iran	0	UAE	0
Denmark	8.2	Lebanon	5.34	Iraq	0		
Oman	7.89	Yemen	5.04	Libya	0		

Source: Kucera, 2004.

Table 2a: Trade Union Membership in MENA and Nordic Countries

Country	Year	Number of trade unions	Number of trade unions members (thousands)	Data source
Egypt	1985		2,721	ILO World Labour Report 1997-98
Egypt	1995		3,313	ILO World Labour Report 1997-98
Egypt	2004	1,828	4,290	Ministry of Manpower and Emigration
Jordan	1988		212	
Kuwait	2002	19	25	Ministry of Social Affairs & Labour
Morocco	1994		290	ILO World Labour Report 1997-98
Syrian Arab Republic	2002	205	595	Statistical Abstract
Tunisia	1994		220	ILO World Labour Report 1997-98
Denmark	2004	105	2,127	Statistisk Arbog
Finland	2003	88	2,169	Statistical Yearbook of Finland
Iceland	2003	10	130	Statistical Yearbook of Iceland
Norway	2004		1,511	Statistisk Arbok
Sweden	2005	60	3,678	Statistical Yearbook of Sweden

Table 2b: Trade Union Density in Egypt (per cent)

	Year	Membership/total employment			Membership/paid employment		
		Total	Men	Women	Total	Men	Women
Egypt	2003	24.8	26.3	18.3	42.8	45.2	32.5

Source: Lawrence and Ishikawa, 2005.

Table 3: MENA Organizations Affiliated with the International Trade Union Confederation, June 2007

Country	Organization	Membership
Algeria	Union Générale des Travailleurs Algériens (UGTA)	1,532,968
Bahrain	General Federation of Bahrain Trade Unions (GFBTU)	10,000
Djibouti	Union Djiboutienne du Travail (UDT)	13,000
Jordan	General Federation of Jordanian Trade Unions (GFJTU)	120,000
Kuwait	Kuwait Trade Union Federation (KTUF)	34,274
Morocco	Confédération Démocratique du Travail (CDT)	61,500
	Union Générale des Travailleurs du Maroc (UGTM)	53,000
	Union Marocaine du Travail (UMT)	320,000
WBGS	Palestine General Federation of Trade Unions (PGFTU)	318,052
Tunisia	Union Générale Tunisienne du Travail (UGTT)	539,000
Yemen	General Federation of Worker's Trade Unions of Yemen (GFWTUY)	350,000

Source: International Trade Union Confederation, 2007b.

Table 4: Member Federations of the International Organization of Employers

Algeria	Confédération Générale des Entreprises Algériennes (C.G.E.A)
Bahrain	Bahrain Chamber of Commerce & Industry (BCCI)
Egypt	Federation of Egyptian Industries (FEI)
Iran	Iran Confederation of Employers' Associations (ICEA)
Jordan	Jordan Chamber of Industry (JCI)
Kuwait	Kuwait Chamber of Commerce & Industry (KCCI)
Lebanon	Association of Lebanese Industrialists (ALI)
Maroc	Fédération des Chambres de Commerce, d'Industrie et de Services du Maroc (FCCISM)
Oman	Oman Chamber of Commerce & Industry (OCCI)
Saudi Arabia	Saudi Council of Commercial and Industrial Chambers (CCIC)
Tunisia	Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA)
UAE	Federation of United Arab Emirates Chambers of Commerce and Industry (FCCI)

Source: International Organization of Employers, 2007.

Table 5: Doing Business Indicators, Hiring and Firing Workers, MENA and Nordic Countries

▪ Difficulty of Hiring Index		▪ Rigidity of Hours Index		▪ Difficulty of Firing Index	
Denmark	0	Lebanon	0	Kuwait	0
Egypt	0	Denmark	20	Saudi Arabia	0
Kuwait	0	Egypt	20	Oman	0
Saudi Arabia	0	Jordan	20	UAE	0
UAE	0	Kuwait	40	Denmark	10
Yemen	0	Saudi Arabia	40	Iceland	10
Iran	11	Syria	40	West Bank and Gaza	20
Jordan	11	Tunisia	40	Iraq	20
Sweden	17	Iceland	40	Lebanon	30
Syria	22	Oman	40	Djibouti	30
Tunisia	28	West Bank and Gaza	40	Norway	40
Iceland	33	Norway	40	Yemen	40
Iraq	33	Djibouti	40	Sweden	40
Oman	33	Morocco	40	Finland	40
West Bank and Gaza	33	UAE	60	Algeria	40
Finland	44	Yemen	60	Syria	50
Algeria	44	Iran	60	Morocco	50
Lebanon	44	Sweden	60	Iran	50
Norway	61	Iraq	60	Egypt	60
Djibouti	67	Finland	60	Jordan	60
Morocco	100	Algeria	60	Tunisia	80

▪ Rigidity of Employment Index		▪ Non-wage labour cost (% of salary)		▪ Firing costs (weeks of wages)	
Denmark	10	West Bank and Gaza	0	Denmark	0
Kuwait	13	Denmark	1	Iraq	0
Saudi Arabia	13	Yemen	9	Oman	4
UAE	20	Kuwait	11	Jordan	4
Oman	24	Saudi Arabia	11	Iceland	13
Lebanon	25	Oman	11	Norway	13

Egypt	27	Jordan	11	Yemen	17
Iceland	28	Iceland	12	Lebanon	17
Jordan	30	Iraq	12	Tunisia	17
West Bank and Gaza Strip	31	UAE	13	Algeria	17
Yemen	33	Norway	14	Finland	26
Syria	37	Djibouti	16	Sweden	26
Iraq	38	Syria	17	Djibouti	56
Sweden	39	Morocco	19	Kuwait	78
Iran	40	Lebanon	22	Saudi Arabia	80
Djibouti	46	Tunisia	22	Syria	80
Norway	47	Iran	23	UAE	84
Finland	48	Egypt	25	Morocco	85
Algeria	48	Finland	26	West Bank and Gaza Strip	91
Tunisia	49	Algeria	27	Iran	91
Morocco	63	Sweden	32	Egypt	132

Source: World Bank, 2007.

Table 6: Share of Public Sector Employment in Total Employment

Country	2000	2006 or latest
Norway	36	36
Denmark	34	34
Sweden	34	34
Jordan	35	29
WBGs	26	27
Finland	27	27
Syria	28	26
Egypt	52	26
Morocco	10	9

Source: ILO, 2007b.

Table 7: Standardized minimum wages and GDP per capita, MENA and Nordic countries (PPP dollars, 2002/2004)

▪ Country	▪ Monthly minimum wages	▪ GDP per capita per month	▪ Ratio
Djibouti	299.36	178.65	1.68
Morocco	392.82	334.32	1.17
Algeria	389.41	520.66	0.75
Denmark	1913.86	2635.85	0.73
Egypt	227.94	329.15	0.69
Jordan	232.29	359.96	0.65
Tunisia	362.79	590.24	0.61
Norway	1844.42	3088.61	0.6
Sweden	1251.09	2221.29	0.56
Finland	1220.31	2271.01	0.54
Syria	154.74	297.92	0.52
Lebanon	199.17	422.76	0.47
Iceland	914.42	2554.85	0.36

Source: Saget, 2008.

ANNEX

Table A1: Ratification of ILO Conventions on Core Labour Standards, MENA countries (Aug. 2008)

Country	Freedom of association and collective bargaining		Elimination of forced and compulsory labour		Elimination of discrimination (employment and occupation)		Abolition of child labour	
	Conv. 87	Conv. 98	Conv. 29	Conv. 105	Conv. 100	Conv. 111	Conv. 138	Conv. 182
Bahrain			1981	1998		2000		2001
Kuwait	1961	2007	1968	1961		1966	1999	2000
Oman			1998	2005			2005	2001
Qatar			1998	2007		1976	2006	2000
Saudi Arabia			1978	1978	1978	1978		2001
UAE			1982	1997	1997	2001	1998	2001
Iran			1957	1959	1972	1964		2002
Iraq		1962	1962	1959	1963	1959	1985	2001
Jordan		1968	1966	1958	1966	1963	1998	2000
Lebanon		1977	1977	1977	1977	1977	2003	2001
Syria	1960	1957	1960	1958	1957	1960	2001	2003
Yemen	1976	1969	1969	1969	1976	1969	2000	2000
Algeria	1962	1962	1962	1969	1962	1969	1984	2001
Djibouti	1978	1978	1978	1978	1978	2005	2005	2005
Egypt	1957	1954	1955	1958	1960	1960	1999	2002
Libya	2000	1962	1961	1961	1962	1961	1975	2000
Morocco		1957	1957	1966	1979	1963	2000	2001
Tunisia	1957	1957	1962	1959	1968	1959	1995	2000

Source: ILO, 2008c.

Table A2: Ratification of key ILO conventions on governance, MENA countries (Aug. 2008)

	Labour Inspect ion	Employment Policy	Labour Inspectio n (Agricult ure)	Tripartite Consultati on (Internati onal Labour Standards)
Country	Conv. 81	Conv. 122	Conv. 129	Conv. 144
Bahrain	1981			
Kuwait	1964			2000
Oman				
Qatar	1976			
Saudi Arabia	1978			
UAE	1982			
Iran		1972		
Iraq	1951	1970		1978
Jordan	1969	1966		2003
Lebanon	1962	1977		
Syria	1960		1972	1985
Yemen	1976	1989		2000
Algeria	1962	1969		1993
Djibouti	1978	1978		2005
Egypt	1956		2003	1982
Libya	1971	1971		
Morocco	1958	1979	1979	
Tunisia	1957	1966		

Source: ILO, 2008c.