ERF Policy Brief

The Impact of COVID-19 on Middle Eastern and North African Labor Markets: Employment Recovering, but Income Losses Persisting

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In a nutshell

- *Pandemic cases and deaths were higher in Jordan and Tunisia in 2021 than in Egypt and Morocco, but closure measures continued to be more stringent than the world average in Morocco.*
- *GDP growth in quarter two of 2021, in comparison to a year earlier, was the highest in Tunisia and Morocco, the two countries that experienced the highest contractions in Spring 2020. However, except for Egypt, economies remained depressed compared to pre-pandemic.*
- *Macroeconomic, business support, and social protection policies introduced in 2020 were extended in the four countries. However, some countries, such as Tunisia, were constrained by a narrowing fiscal space.*
- *Aggregate labor market indicators, such as labor force participation, employment and unemployment rates generally recovered from February to June 2021, except in Morocco where the progress made earlier was reversed.*
- *With the exception of Morocco, transitions from pre-pandemic labor market states also showed some improvements in 2021. In June 2021, fewer previously employed people were unemployed or out of the labor force compared to February 2021. Moreover, more previously unemployed people and those out of the labor force transitioned to employment.*
- *Private wage workers, especially those hired informally, faced substantially more challenges related to layoffs/suspensions and wage reductions in Egypt, Jordan and Tunisia than in Morocco. However, the prevalence of these challenges decreased in these three countries from February to June 2021, while it increased in Morocco.*

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- *Although a substantial proportion of farmers continued to see a decrease in input use relative to the same season in 2019, an increasing proportion in Morocco and Tunisia had improved expectations for a better harvest in June 2021 compared to February 2021.*
- *A higher proportion of enterprises were open with normal hours in June compared to February 2021 in all four countries, but a higher share also reported substantially reduced revenues in Jordan and Morocco, and moderately reduced earnings in Egypt and Tunisia.*
- *Household income levels remain depressed, with just under half to two thirds of households in all four countries reporting income losses in June 2021 compared to pre-pandemic levels. In fact, the share reporting income losses increased from February to June 2021.*
- *Household income losses continued to be highest for the households that were poorest pre-pandemic, confirming the adverse effects of the pandemic on poverty and inequality.*
- *The share of households receiving government assistance declined in all countries except Egypt, from February to June 2021. Targeting of assistance to the poorest improved in Morocco but worsened in Egypt.*
- *Assistance continues to be only weakly targeted to groups whose labor market status makes them most vulnerable to the disruptions brought about by the pandemic.*

This policy brief assesses the impact of COVID-19 on Middle East and North Africa (MENA) labor markets through June 2021. We use data from the four waves of the ERF COVID-19 MENA monitor household surveys, spanning November 2020, February 2021, April 2021, and June 2021. We focus on Egypt, Jordan, Morocco and Tunisia and developments between February 2021 and June 2021.[1] Retrospective data on February 2020 labor market outcomes allows us to compare pre-pandemic conditions to the results of the multiple waves, facilitating study of the evolution of challenges in the labor market.[2] The microdata of the ERF COVID-19 MENA monitor surveys are publicly available through ERF's Open Access Data Initiative (OAMDI) (www.erfdataportal.com). Previous policy briefs have analyzed the evolution of the labor market during COVID-19 over the first year of the pandemic (Krafft, Assaad, and Marouani 2021a; b); and its impact on micro, small, and medium enterprises (Krafft, Assaad, and Marouani 2021c)

The progression of the COVID-19 pandemic and public policy responses

Following a large increase in the number of cases and deaths in the fall of 2020 in Jordan, Morocco, and Tunisia (but not Egypt), cases and deaths declined somewhat in the first quarter of 2021, only to peak again by the end of the first quarter in Jordan and by the end of the second quarter in Tunisia and to a lesser extent Morocco (See Figure 1). Cases per thousand and deaths per million remained well above the world average in both Jordan and Tunisia and below the world average in Egypt and Morocco in the first quarter of 2021. While case and death rates fell in Jordan to close to the world average rate in the second quarter, they increased substantially in Tunisia. Caseloads picked up as well in Morocco in the third quarter of 2021, which is outside the purview of this policy brief.

The high incidence of cases was mirrored in closure measures as both Tunisia and Jordan retained closure measures adopted in the fourth quarter of 2020 (see Table 1). As shown in Figure 2, both Jordan and Tunisia saw a substantial increase in their stringency index in the fourth quarter of 2020. Jordan's stringency measures were the most severe among the four countries examined and well above the world average. With the exception of a brief loosening of Jordan's closure measures from early February to early March, Jordan's stringency stance remained tight through April 2021 (Table 1 and Figure 2). Tunisia's stringency measures had fallen well below the world average in the summer of 2020 but caught up with world average levels as Tunisia was forced to considerably tighten its stance in response to the fall surge in cases. Tunisia maintained relatively high stringency through February 2021, loosened somewhat from February to April as caseloads declined and then tightened again from May to August 2021 as cases and deaths surged again.

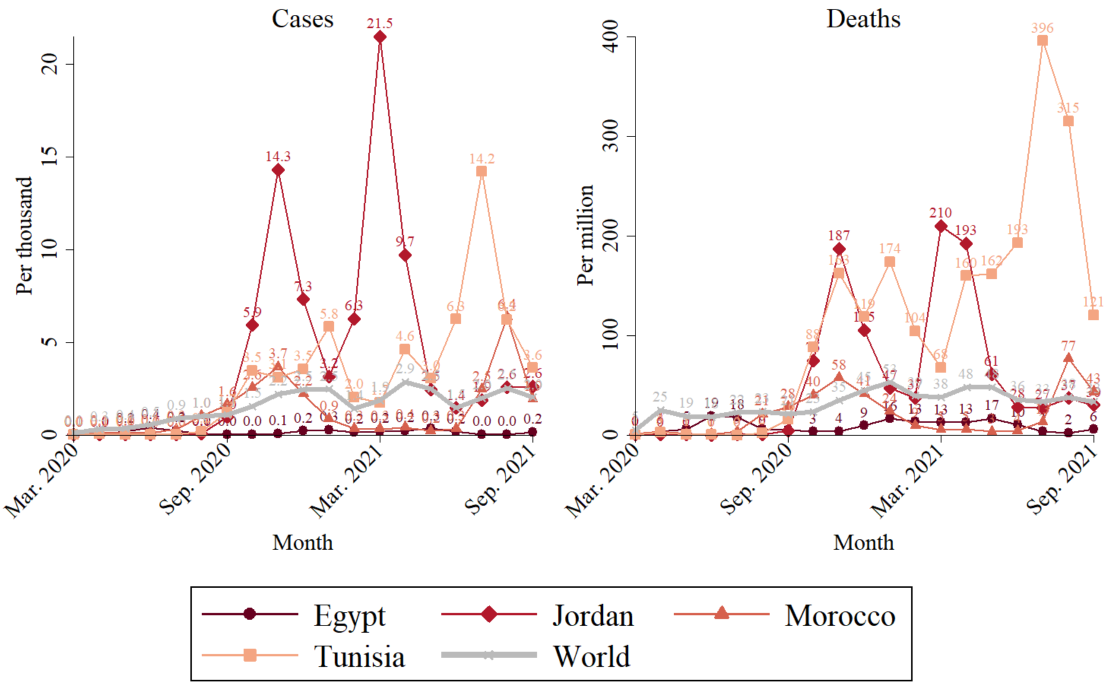
Morocco experienced a similar but less extreme dynamic, with the loosening of stringency measures over the second half of 2020 being met with a resurgence in cases in the fall, which, was followed by a tightening of measures and a reduction in caseloads late in the year (See Figures 1 and 2). Despite bringing case numbers under control in 2021, Morocco maintained this relatively stringent stance well into the second quarter of the year. In fact, Morocco had a more stringent stance than either Jordan or Tunisia until May 2021, despite much lower

[1] Two waves of household survey data are available for Sudan. They will be analyzed in forthcoming publications.

[2] Data are from mobile phone surveys. It is important to keep in mind that, although results were weighted on observable characteristics to ensure comparability to mobile phone users in in-person surveys, unobservable non-response bias may persist, and results only generalize to the universe of mobile phone users, who are disproportionately higher income, male, and more educated.

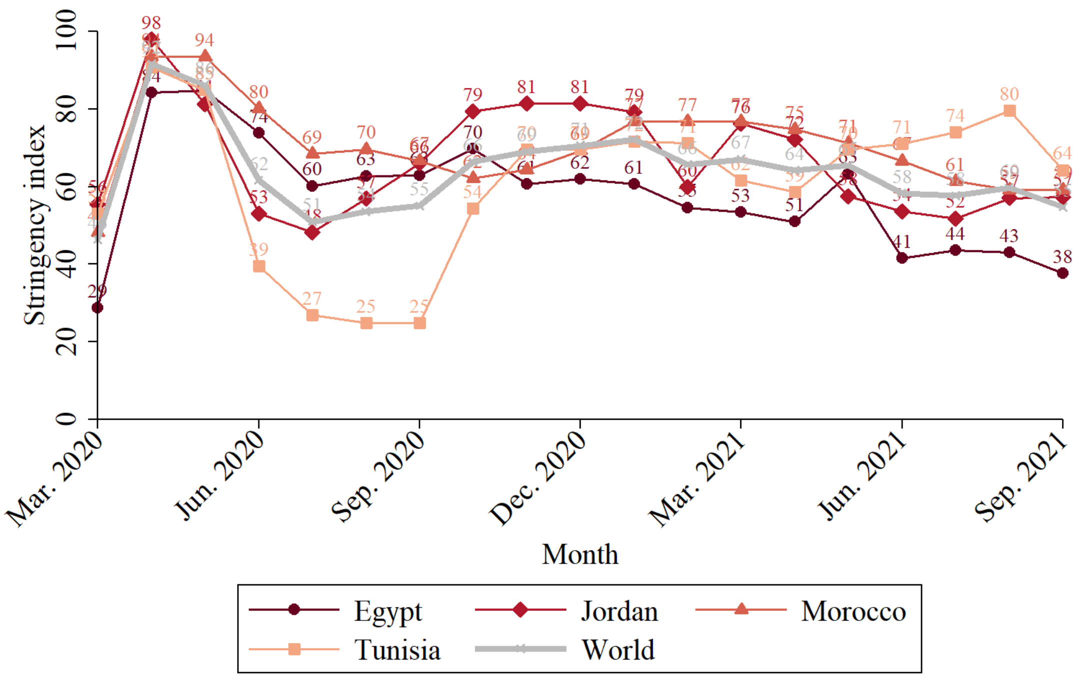
cases counts and deaths than these two countries. Egypt maintained a relatively stringent closure stance through October 2020, but then began a gradual loosening that lasted through September 2021, with the exception of a short tightening episode in May 2021.

Figure 1. Monthly new COVID-19 cases (per thousand) and deaths (per million) by country, March 2020 to September 2021



Source: Compiled by authors based on data from Ritchie et al. (2021)

Figure 2. Average stringency index per month by country, March 2020 to September 2021



Source: Compiled by authors based on data from Hale et al. (2021)

Table 1. Timeline of government responses to COVID-19 by country

Policies	Categories	Egypt	Jordan	Morocco	Tunisia
January -March 2021	Vaccination campaigns	Vaccination campaign launched late January	Vaccination campaign launched mid-January	Vaccination campaign launched late January	Vaccination campaign launched mid-March
	Closure measures	School closing required for some levels or categories	School closing required at all levels, loosened in early February but reinstated in early March	School closing recommended	School closings required for some levels or categories, loosened to recommended closing in early March
		Selective workplace closures	Selective workplace closures loosened in early February and re-instated in mid-March	Selective workplace closures	Recommended workplace closures
		Required cancelation of public events	Required cancelation of public events, loosened in early February and reinstated in mid-March	Required cancelation of public events	Required cancelation of public events, switched to recommended cancelation in early March
		Restrictions on gatherings of any size	Restrictions on gatherings of more than 10 people	Restrictions on gatherings of any size	Restrictions on gatherings of any size
		No public transport closures	Recommended closures or reductions in public transport	Recommended closures or reductions in public transport	Required closures of public transport re-instated in late January and loosened in early March
		Recommendation to stay at home	Requirement to stay at home with exceptions for exercising and essential trips	Requirement to stay at home with exceptions for exercising and essential trips	Requirement to stay at home with exceptions for exercising and essential trips
		Restrictions on internal movements were in place but got lifted in mid-January	Restrictions on internal movements were in place, lifted in early February and re-instated in March. By the end of the period travel between cities and regions was not recommended	Restrictions on internal movements in place	Restrictions on internal movements in place
		Screening of international travel arrivals	Ban on international travel arrivals from some regions	Ban on international travel arrivals from some regions	Ban on international travel arrivals from some regions, loosened in early March to quarantine arrivals from high-risk regions
April-June 2021	Change in closure measures	School closings loosened to recommend closing in early April, tightened to require closings for some levels in early May, and loosened again in early June	School closings loosened to recommend closing in early June	School closings tightened to require closing of some categories of schools in early June	School closings tightened to require closing all levels in mid-April and loosened to recommend closing in mid-May
		Workplace restrictions loosened to recommend closing in early June	Workplace restrictions removed in mid-May and tightened to recommend closing in early June	No change in workplace restrictions	Workplace restrictions policy fluctuated a number of times during the period ending up with required closing of all-but-essential workplaces in late June
		Cancelation of public events briefly dropped in early June but quickly reinstated	Restrictions on public events dropped in mid-May and tightened again to recommend cancelation in early June	Restrictions on public events loosened to recommend closing in early June	Restrictions on public events fluctuated during the period ending up with requiring cancellation of public events in early June
		Restrictions on all gatherings briefly loosened in June but quickly re-instated	Restrictions on gatherings dropped in mid-May but re-introduced for gatherings of more than 10 people in early June	Restrictions on gatherings loosened to allow gatherings of less than 1,000 people in early June	No change in restrictions on gatherings
		Required closings of public transport re-introduced in early May and lifted again in early June	No change in restrictions on public transport	Restrictions on public transport tightened to require closing in early June	Restrictions on public transport tightened to require closing in mid-June

Table 1. Continued

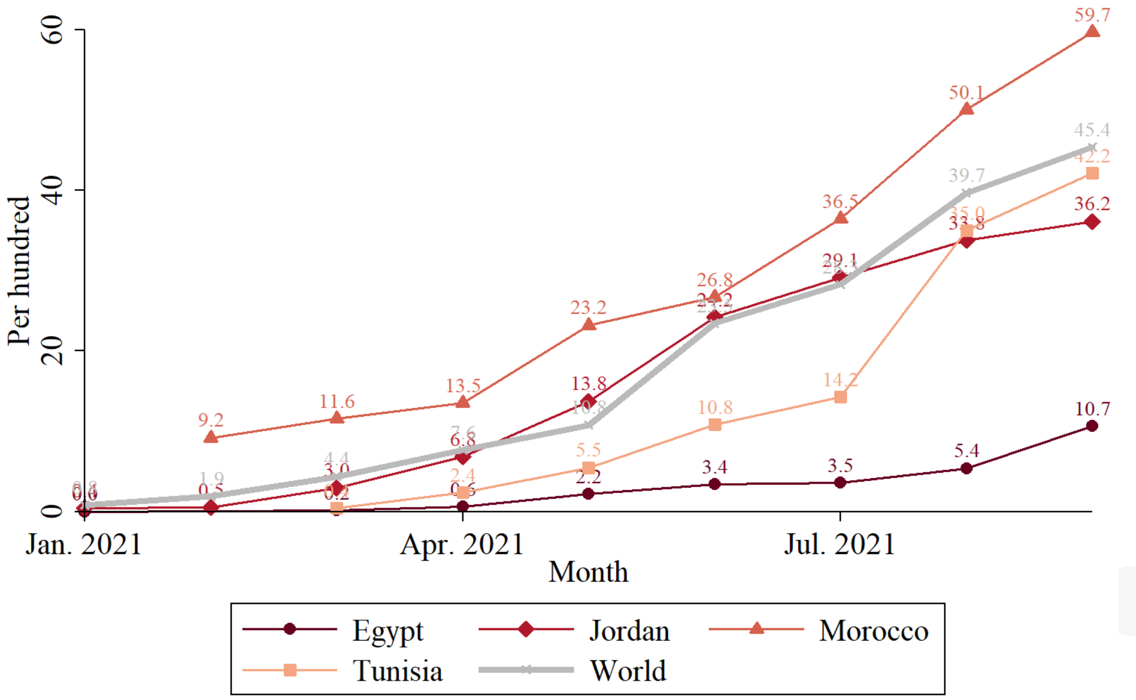
Policies	Categories	Egypt	Jordan	Morocco	Tunisia
		Stay-at-home recommendation lifted in early June	No change in stay-at-home requirements	No change in stay-at-home requirements	No change in stay-at-home requirements
		No restrictions on internal movements	Internal movement restrictions were reintroduced in mid-May and then dropped in early June	No change in internal movements restrictions	Restrictions on internal movements were put in place in late April, loosened briefly in May and put back in place in mid-June
		No change in international travel restrictions	International travel controls were loosened to only screening in early April. A ban on arrivals from some regions was later reintroduced in early June	International travel restrictions loosened to quarantine arrivals from high-risk regions in late June	International travel controls fluctuated throughout the period going from screening only to quarantine on arrival ending up with banning arrivals from some regions in early June

Note: Red shading means measures are becoming more restrictive, blue shading means measures are becoming less restrictive, purple shading means change in measures is mixed, and no shading means no change.

Sources: Authors' compilation based on Hale et al. (2021)

Although all countries started their vaccination campaigns around the same time in January 2021, Morocco was clearly ahead with a vaccination rate higher than the world average since the start of its campaign (Figure 3). By September 2021, Morocco had vaccinated 60 percent of its population. Progress in Jordan was slow until April 2021 when the vaccination rate picked up and almost caught up with that of Morocco in June but slowed again in recent months. Vaccination rates in Egypt and Tunisia were well below world average rates throughout the first two quarters of 2021, but stared accelerating in Tunisia in June 2021 and then more dramatically in August, when it exceeded Jordan's vaccination rate. The vaccination rate in Egypt, while increasing, remained very low through August.

Figure 3. Cumulative vaccinations per hundred per month by country, January 2021 to September 2021

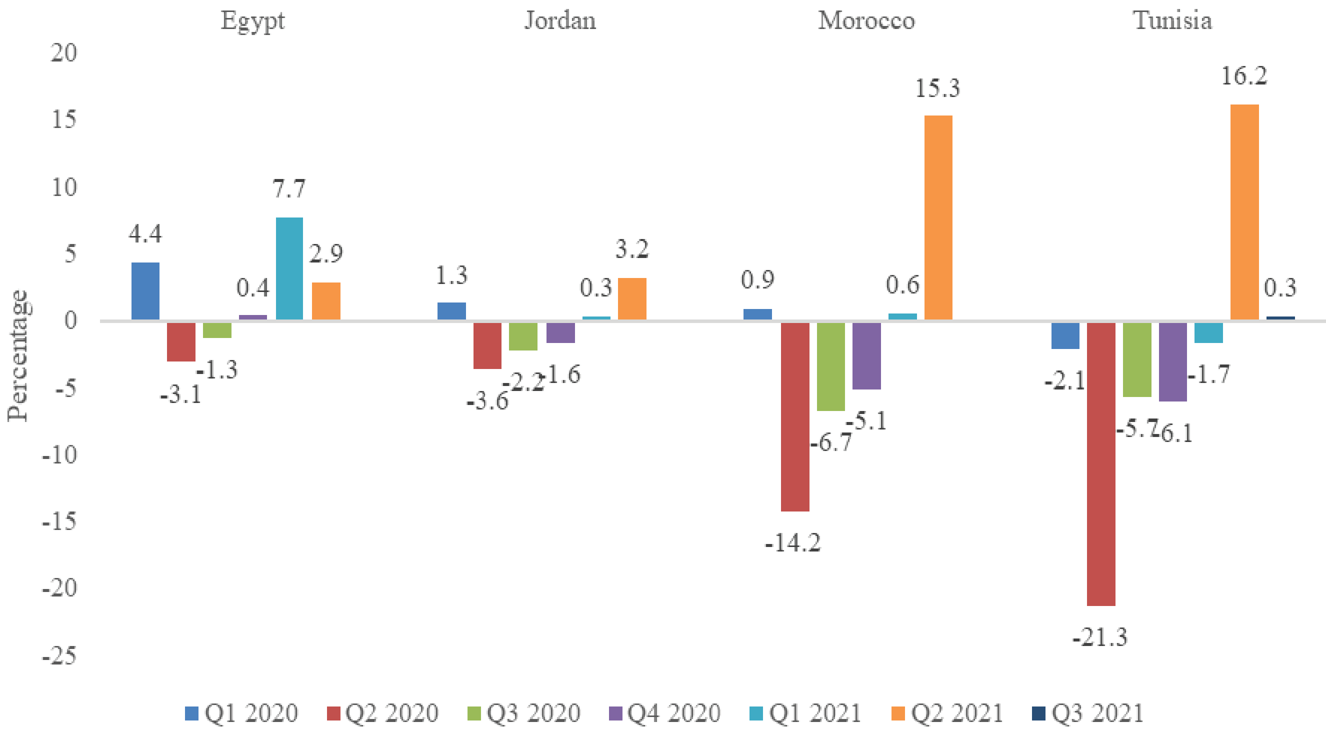


Source: Compiled by authors based on data from Ritchie et al. (2021).

In Figure 4 we present quarterly economic growth rates in 2020 and 2021. Growth is relative to the same quarter a year earlier. Comparing quarter one of 2021 to quarter one of 2020 (which was mostly but not entirely pre-pandemic in 2020), Egypt's growth rate in quarter one of 2021 was 2.9 percent, Morocco 0.6 percent, Jordan 0.3 percent, and Tunisia contracted by 1.7 percent. There were very high losses in terms of growth in 2020 in Morocco (6.3 percent) and Tunisia (8.8 percent) (Krafft, Assaad, and Marouani 2021a), particularly in quarter two of 2020 (14.2 percent Morocco, 21.3 percent Tunisia). The growth comparing quarter two of 2021 and quarter two of 2020 was therefore, unsurprisingly, higher in these two countries (15.3 percent in Morocco and 16.2 percent in Tunisia). Growth was more moderate in quarter two of 2021 in Jordan (3.2 percent) and Egypt (7.7 percent).

In 2021, the four countries extended economic and social protection measures implemented in 2020 (Krafft, Assaad, and Marouani 2021b) and launched new ones such as the stimulus plan announced by Jordan in March 2021 (an amount equivalent to 5.5 percent of GDP). The four countries had different reponses depending on their fiscal space and priorities as Table 2 shows. However, it is difficult to compare responses as the sources for some countries report more detail on the government measures. To summarize the economic measures implemented, some are macro level policies (monetary, regulatory and fiscal), while some others are more focused on SMEs (subsidized lending, cash support, state guarantee, etc.) or the tourism and transport sectors (loan and tax deferrals, state guarantee for loans, etc.). Population support continued to be based on both regular social protection programmes and ad hoc cash transfers, as well as other less conventional programs such as loan deferrals and energy susbidies.

Figure 4. Quarterly economic growth rates relative to a year earlier, 2020-2021 (percentage)



Sources: Ministry of Planning and Economic Development (2021) for Egypt, Department of Statistics (Jordan) (2021) for Jordan, Haut Commissariat au Plan (2021) for Morocco, Institut National de la Statistique (INS) (2021) for Tunisia.

Notes: Economic growth is growth of value added at constant prices in 2021 (2020) relative to the same quarter in 2020 (2019).

Table 2. Summary of fiscal, monetary, business support, and social protection policies adopted by the four countries[3] with a focus on 2021

Policies	Categories	Egypt	Jordan	Morocco	Tunisia
		- Stimulus policies: EGP 100 billion (equivalent to USD 6.3 billion and 1.8% of GDP)	- Establishment of relief fund called "Himmat Watan" (JD 115 million) (USD 162 million) - Measures amounted to about 8% of GDP - End of March 2021: new stimulus plan announced amounting to a total value of JD 448 million (USD 640 million, 5.5% of GDP). The stimulus package includes measures to protect existing jobs (JD 113 million, USD 159 million), employ youth in COVID-related programs (JD 10 million, USD 14 million), and augment social welfare programs (JD 60 million, USD 85 million, primarily via an expansion of the Takaful cash transfer program)	- Special fund dedicated to the management of the pandemic which received voluntary contributions from public and private entities to reach MAD 33.7 billion in June 2020 (about USD 3.7 billion and 3% of GDP) and expenses of MAD 24.7 billion (USD 2.7 billion) as of end-July 2021	- A TND 2.6 billion (USD 1.0 billion) emergency plan was created (2.3% of GDP) - A fund of 100 million TND (35 million USD) was dedicated to health and food expenditures according to the Budget of 2020-2021
Business support	**Monetary and Regulatory**	- Extension by the Central Bank in 2021 of initiatives launched in 2020, namely (i) initiatives for the tourism sector and distressed companies with debt below EGP 10 million (approx. USD 640 thousand) have been extended for another 6 months, (ii) the share of bank loan portfolios that must be allocated to SMEs has been raised from 20% to 25%	- JD 550 million (USD 776 million) of liquidity was injected through the reduction of the compulsory reserve ratio on deposits from 7% to 5%	- The government drew on all resources made available by the IMF's Precautionary and Liquidity Line (about US$3 billion) to maintain an adequate level of official reserves to mitigate pressures on the balance of payments - The Central Bank allowed banks to reduce their liquidity coverage ratio below 100 per cent, lowered reserve requirements from two per cent to zero per cent and reduced the capital conservation buffer by 0.5 percentage points	- Introduction of additional refinancing instruments (with maturities of 1 and 3 months) and broadening of the eligible collateral for Central Bank refinancing - Parliament approved a TND billion 2.8 (USD 1.0 billion) direct monetary financing plan from the central bank to the government budget
	Fiscal	- Corona taxes of 1% on all public and private sector salaries and 0.5% on state pensions have been imposed, the proceeds of which are earmarked for sectors and SMEs most affected by the pandemic		- Fund for sustaining employment levels and recovery (MAD 120 billion equivalent to USD 13.6 billion) in the form of credit guarantees to firms and funding for a newly -created "Fund for Strategic Investment," which will finance investment projects -Tax exemptions for additional compensation paid by firms to workers up to a limit of 50% of the average monthly net salary	- Accelerated value-added tax (VAT) reimbursements to support businesses -Rescheduled repayments of tax arrears - Creation of investment funds (TND 600 million, USD 231 million), a state guarantee for new credits (TND 1.5 billion, USD 577 million), and the activation of a mechanism whereby the state covers the difference between the policy rate and the actual rate on investment loans

[3] 1 United States Dollar (USD) = 15.68 Egyptian Pounds (EGP) ; 0.70 Jordanian Dinar (JD), 8.82 Moroccan dirham (MAD) ; 2.72 Tunisian Dinar (TND)

Table 2. Continued

Policies	Categories	Egypt	Jordan	Morocco	Tunisia
	Specific Sectors	- Stimulus of EGP 50 billion (USD 3.1 billion) for the tourism sector - Reduction of the preferential interest rate from 10% to 8% on loans (tourism, industry, agriculture and construction sectors) - Loans with a 2-year grace period to aviation sector firms - Reduction of energy prices (for the industrial sector and for the aviation sector) - A government guarantee of EGP 3 billion (USD 191 million) for the tourism sector and another of EGP 100 billion (USD 6.4 billion) for manufacturing, agriculture and construction loans were announced to cover lending at preferential rates to these sectors	- Decreased interest rate and expanded sectoral coverage -Support for the tourism sector: deferral of principal repayment on loan payments and subsidized financing to continue paying salaries including JD 150 million (USD 211 million) credit facilities made available - Concessionary finance facilities for agriculture, renewable energy, and information technology sectors - Reduction of the general sales tax and services tax for hotels and restaurants - Allowing tourism sector to pay its 2019 tax liability in installments with no penalty	- Announcement of Damane Relance program (MAD 3.7 billion, USD 414 million as of May 8) to support businesses including financing to cover working capital needs at subsidized interest rate - 3 new facilities launched by the Government to provide financing to very small firms, real estate firms (Damane Relance Promotion Immobilière) and to firms operating in the tourism sector, which provided loans worth about 0.1% of GDP - Guaranteed loans to state-owned enterprises to repay their suppliers. At mid-April 2021, banks provided loans worth about 3.3% of GDP to about 25,000 firms under this facility	- Deferral of loan repayments extended in tourism sector to September 2021 - Off-budget funds to finance businesses in priority sectors and medical equipment - 2021 Budget Law: Measures for affected sectors and enterprises; extension of the state guarantee scheme; postponement of taxes for firms
	Small and medium enterprises (SMEs)	- Support for small projects impacted by COVID-19, mostly in the industrial and labor-intensive sectors using the availability of short-term loans of up to a year to secure the necessary liquidity for operational expenses - Microlenders were advised by the Financial Regulatory Authority to consider delays on a case-by-case basis	- Expansion in subsidized lending schemes for SMEs from JD 500 million to JD 700 million (USD 1 billion) and extension of bank loan service moratorium to negatively impacted borrowers until the end of 2021 - Reduction of the cost and expansion of the coverage of guarantees provided on SME loans	- Establishment of fund to extend state loan guarantees and deferral of social insurance contributions to firms. - Businesses with fewer than 500 employees experiencing difficulties authorized to defer social insurance contribution payments due between March and June 2020 to September 2021 (government cost estimate of MAD 4.4 billion, USD 0.5 billion) - Small and medium-sized businesses and self-employed people were allowed to postpone loan payments and leasing contracts - Sovereign guarantee of 95% provided for SMEs (an equivalent of up to 10% of annual turnover) - Interest-free loan of up to MAD 15,000 (USD 1,829) to the self-employed, with a repayment period of three years and a grace period of one year	- Cash support to firms (April-May 2020) - Impacted businesses and sectors benefit from interest rate subsidy on investment loans - Guaranteed repayment mechanism for new credit to affected enterprises - Support funds for SMEs as well as companies in financial difficulties were established

Table 2. Continued

Policies	Categories	Egypt	Jordan	Morocco	Tunisia
Population support	**Government decisions (excluding transfers)**	- Reduction of the preferential interest rate from 10% to 8% for housing for low-income and middle-class households - Capital gains tax has been postponed until January 2022 - EGP 20 billion (USD 1.3 billion) stock-purchase program - New guarantee fund of EGP 2 billion (USD 128 million) for mortgages and consumer loans was launched - A six-month deferral was granted for all loan repayments to all individuals, and the tax on dividends was reduced	- Imposition of price ceilings on essential products - Share of custom duties postponed - Government measures to forbid dismissal of workers during the pandemic - Sales tax exemption on sanitizers, face masks, and medical equipment - Allocation of 50% of maternity insurance revenues (JD 16 million, USD 22.9 million) to material assistance for the elderly and the sick - The government allocated JD 50 million (USD 71.4 million) for purchases of health equipment and supplies, rental of hotels for quarantines, and additional COVID-related security costs	- Cancellation of capitalized interest on mortgages and consumer loans for households experiencing income losses - To increase liquidity the Central Bank expanded the range of collateral accepted to include public and private debt instruments. In addition, Bank al-Maghrib decided to bring reserve requirements to zero (from 2%) to increase liquidity provision, and to ease refinancing of banks' contribution to microcredit institutions and credit unions	- Credit postponement by the Central Bank for employees, for a period of 3 to 6 months, depending on income
	Social protection **Regular programs**	- Regular pensions increased by 14% - Expansion of Takaful and Karama cash transfer program to reach more families. By June 2021, 411,000 households were added to the rolls of the program, which by then included a total of 3.4 million households	- Social protection response committee launched on the basis of the existing National Aid Fund (NAF) and Zakat Fund JD 50–JD 136 (USD 70 – USD 192) to 250,000 households for three months delivered through e-wallets, out of a JD 84 million (USD 120 million) budget - Reduced social security contributions from the private sector to encourage the formalization of workers	- Informal workers benefiting from the health insurance scheme (RAMED) received a monthly cash transfer - Others not benefiting from RAMED could obtain similar support through registration	-Support for temporarily unemployed workers
	Social Protection **New programs**	- Support for 1.6 million irregular workers: EGP 500 in monthly grants (USD 32) for 3 months extended for three more instalments, ending in March 2021 - EGP 10 billion (USD 6.4 billion) consumer spending initiative: two-year low-interest loans to pay for consumer goods at discounted rates. Households with ration cards received EGP 200 per household member up to EGP 1000 (US $ 64) in additional spending power per month	- Instituted a temporary (six month) cash transfer program for daily workers through NAF - Expansion of the cash transfer program to include 100,000 new families and daily workers - Temporary cash transfer program for the unemployed and self-employed JD 81 million (USD 114 million) - Funding to protect nearly 180,000 jobs in the hardest-hit sectors	- Starting in April 2020, laid off employees covered by social insurance were allowed to collect a cash transfer of MAD 2,000 per month (USD 227) with coverage currently extended through March 2021. In April 2020, almost 1 million workers from 134,000 companies were eligible to these transfers	- Households eligible for subsidized health care (470,000 households) received two payments (worth around USD 74 each) in April and May and a further 300,000 vulnerable households received one such transfer in May

Sources: This table is a compilation of data on policies presented in Krafft, Assaad, and Marouani (2021b) complemented by data from the IMF Policy Tracker for COVID-19 (IMF 2021) and various sources (Abouzzohour 2020; Abouzzohour and Ben Mimoune 2020; Ben Mimoune 2020; Beschel 2021; FitchRatings 2021; Hamdy 2021; Paul-Delvaux et al. 2020; UNICEF and Jordan Strategy Forum 2020; World Bank 2020c; a; b).

Labor Market Outcomes During COVID-19

In all four countries, there were improvements in the labor force participation rate and employment-to-population ratio (employment rate) since the initial wave of the survey. However, whether these improvements continued since February 2021 and the degree of improvement varied substantially across countries. As shown in Figure 5, increases from February 2021 to June 2021 in labor force participation and employment rates were substantial in Jordan and Egypt (rising two to four percentage points), but only inched up in Tunisia (by one percentage point). Morocco experienced an increase in its employment and labor force participation rates in April 2021, but then reverted back to February 2021 levels in June 2021, which may be related to seasonality in agricultural labor. [4]

These patterns generally held for both men and women in each country, although women's labor force participation and employment rates remained well below men's, continuing long-standing patterns in the region (Assaad, Ghazouani, and Krafft 2018; Assaad, Krafft, and Keo 2019; Krafft, Assaad, and Keo 2021).

In terms of unemployment, Figure 6 explores the unemployment rate (as a share of the labor force) using two definitions: the broad definition (not working for even one hour the past week and wanting to work and available to start within two weeks) versus the standard definition (which adds a criterion of actively searching for work within the past four weeks). The trends in unemployment rates over time mirror those of employment rates; while unemployment declined since the initial wave in all countries, from April 2021 to June 2021 the trend reversed in Morocco. In Egypt, while unemployment fell from February 2021 to June 2021 from 29 to 27 percent using the broad definition, it remained constant at 21 percent according to the standard definition. Levels of unemployment in June 2021 remained much higher for women, at 32-54 percent across countries using the standard definition, than for men, at 12-22 percent in June 2021. High rates of female unemployment continue long-standing trends in the region as well (Assaad, Ghazouani, and Krafft 2018; Assaad, Krafft, and Keo 2019; Krafft, Assaad, and Keo 2021).

[4] Seasonality is visible in the labor force participation and employment rates (as well as share of employment in agriculture) over 2018 and 2019, although primarily in terms of lower rates in the third quarter (Haut-Commissariat au Plan 2019a–d). As our data were collected in June and July of 2021 this may be the point in the agricultural season where labor demand is low.

Worker transitions and changes

Figure 7 explores changes in labor market status based on February 2020 (pre-pandemic) status.[5] The figure specifically shows status in February 2021 and June 2021,[6] by February 2020 status.[7] Among the employed in February 2020, across countries 9 to 19 per cent were unemployed in June 2021 and 3 to 7 percent were out of the labor force (Figure 7). There have been shifts in this pattern over time, without much improvement since February 2021, and with, in fact, some deterioration in the case of Morocco. Likewise, among those unemployed in February 2020, while between 21 to 54 percent were employed by June 2021, and some had dropped out of the labor force, many remained unemployed. The proportion finding employment increased in Egypt and Tunisia from February to June 2021, remained constant in Jordan and actually decreased in Morocco.

More promisingly, an increasing share of those who were out of the labor force in February 2020 transitioned to employment over time, which may indicate an improvement in the ability of new entrants to transition to work. Again, Morocco had the smallest increase in the share of those out of the labor force who found work. In all four countries, however, a larger share of those out of the labor force pre-pandemic who transitioned into the labor force were still unemployed by June 2021 (20-35 percent) than employed (10-21 percent).

Figure 8 explores the experiences of those who were wage workers, comparing the changes they experienced in the 60 days preceding the interview in February 2021 and June 2021, according to the type of wage work they were engaged in in February 2020.[8] Except in Morocco, private sector wage workers experienced much higher rates of layoffs and suspensions and decreased earnings than public sector wage workers. Workers in informal private wage employment working outside establishments generally experienced higher rates of layoffs and decreased earnings, with rates of layoffs and suspensions ranging from 42 to 63 percent and rates of

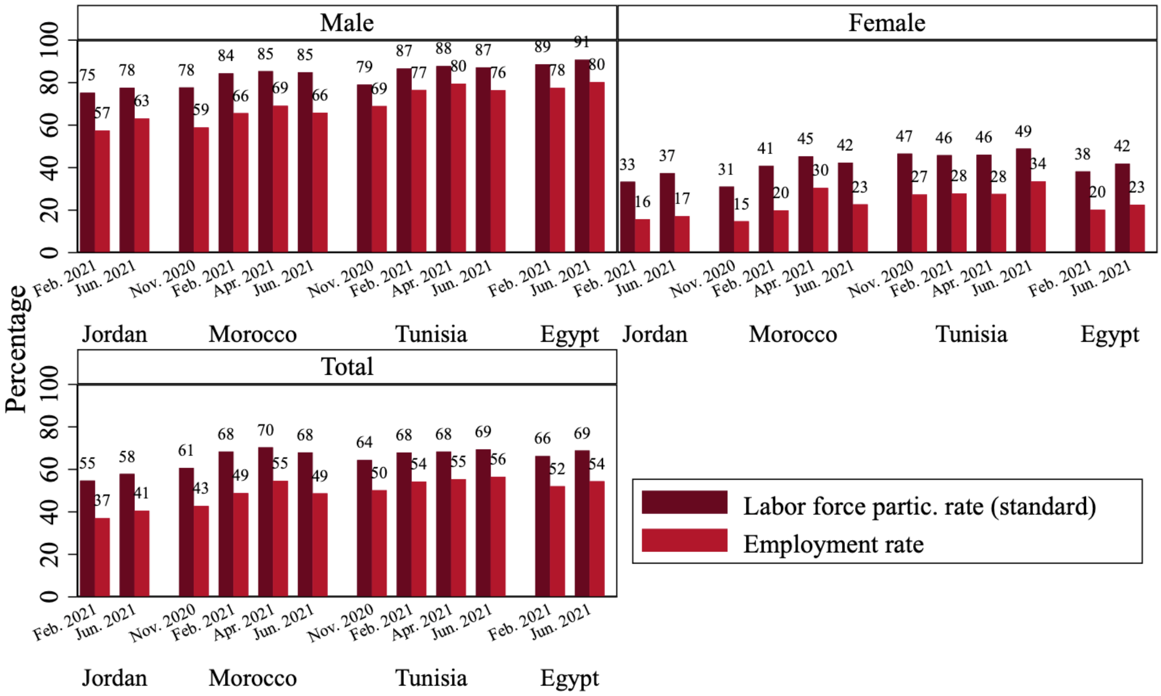
[5] The survey collected retrospective data on labor market status in February of 2020.

[6] For the rest of the brief we focus on either February 2021 and June 2021 or June 2021 only to have comparisons for all countries.

[7] Individuals are classified as employed, unemployed, or out of the labor force (OLF) based on the broad definition of unemployment.

[8] Distinctions are made between the public and private sectors, formal work (with social insurance) and informal work (no social insurance), and among informal workers whether they worked inside or outside an establishment in February 2020.

Figure 5. Labor force participation rate (standard, search required) and employment rate (percentages), week preceding the survey, by wave, country, and sex

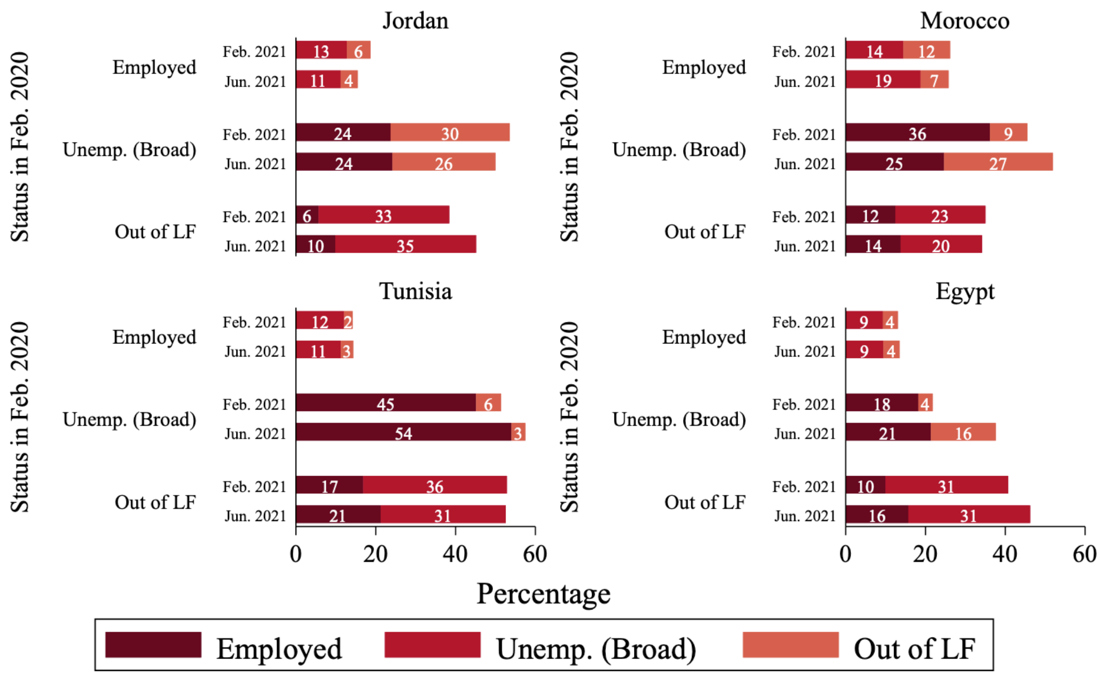


Source: Authors' calculations based on COVID-19 MENA Monitor.

Figure 6. Unemployment rates (percentage of the labor force), week preceding the survey, by wave, country, and sex

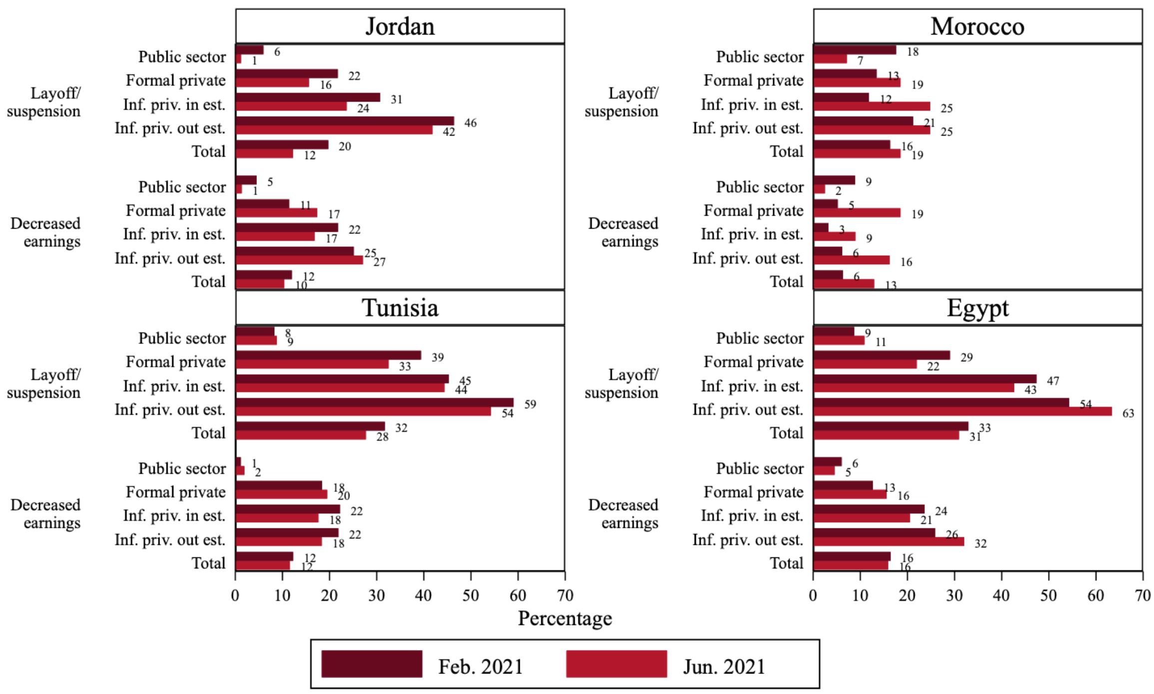
Source: Authors' calculations based on COVID-19 MENA Monitor.

Figure 7. Changes in labor market status in February 2021 and June 2021, by February 2020 status and country (percentage of February 2020 status)



Source: Authors' calculations based on COVID-19 MENA Monitor February 2021 and June 2021 waves.

Figure 8. Wage workers' experiences (past 60 days from interview), by type of wage work in February 2020 and country



Source: Authors' calculations based on COVID-19 MENA Monitor February 2021 and June 2021 waves.

earnings reduction ranging from 18 to 32 percent in June 2021, except in Morocco where they were lower. The next most vulnerable group of wage workers were informally employed workers inside establishments. Whether these challenges have changed from February 2021 to June 2021 shows mixed results by country and type of wage work. Countries other than Morocco saw a general decline in the share of wage workers reporting these challenges from February to June 2021, indicating some recovery in labor market conditions as the pandemic progresses and stringency of closure measures was reduced. The rising share of wage workers experiencing challenges in Morocco is in line with earlier results indicating worsening employment rates and rising unemployment. Other than Morocco, where most types of wage workers are facing rising challenges, informal workers outside of establishments in Egypt were facing higher rates of layoffs/suspensions and, together with formal private wage workers, higher rates of decreased earnings.

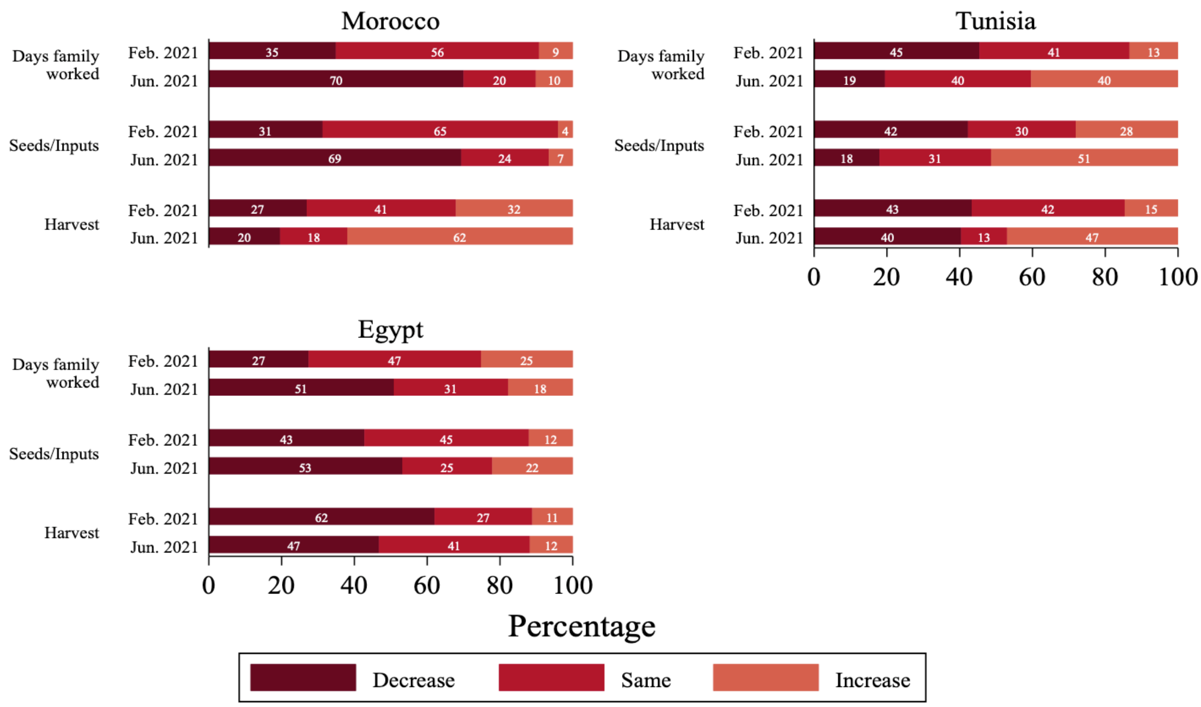
Farmers, employers, and the self-employed

Although pandemic assistance policies have worked to support wage workers and businesses, farmers have also struggled during the pandemic. Figure 9 compares, for farmers, the number of days the family worked, the quantity of seed and inputs used, and the harvest or expected harvest in February 2021 and June of 2021 relative to the same season in 2019. In Morocco and Egypt, family labor and seeds/other inputs decreased from February 2021 to June 2021, whereas in Tunisia these inputs increased. Expectations for harvest improved slightly from February to June 2021 in all three countries, although in Egypt there were still 47 percent expecting a decrease in their harvest in June 2021. The expectations for Morocco and Tunisia were a substantial improvement over those in November 2020 (not shown), which were very poor following drought (Karam and Durisin 2020; Krafft, Assaad, and Marouani 2021c).

The pandemic and associated policy responses, followed by weakened demand, have created major challenges for enterprises in MENA.[9] Using the household enterprise data, Figure 10 shows the operational status of enterprises in February and June of 2021. There were signs of progress from February 2021 to June 2021, with the share of household enterprises open normal hours rising in all countries, albeit to varying extents. In Morocco, for example, the share of enterprises open with normal hours rose from 48 percent to 70 percent, while in Egypt the share rose only slightly from 41 to 44 percent from February to June 2021. Business closures fell in Jordan and Tunisia,

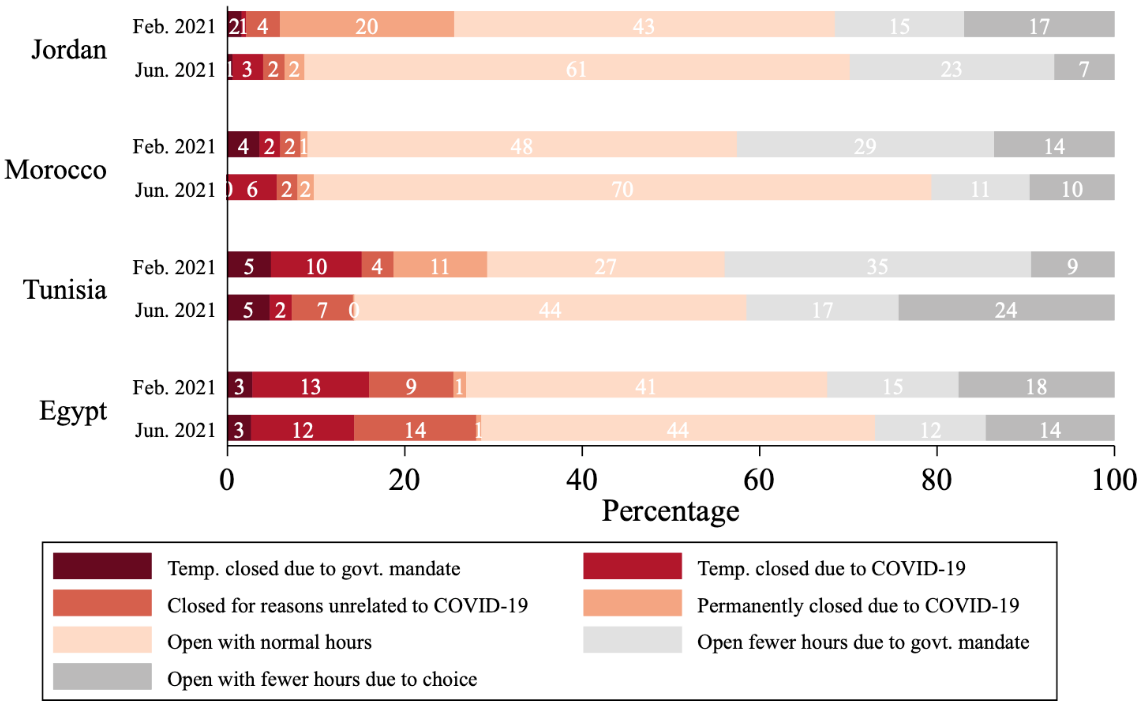
[9] A fuller analysis of how enterprises were affected by the pandemic in the first and second quarters of 2021 can be found in Krafft, Assaad, and Marouani (2021c). We limit ourselves here to household enterprises only.

Figure 9. Farmers' experiences compared to the 2019 season (percentages), by country and wave



Source: Authors' calculations based on COVID-19 MENA Monitor February 2021 and June 2021 waves.
Note: Jordan sample size of farmers too small to analyze.

Figure 10. Operational status of household enterprises (percentage), employers and self-employed in February 2020, by country and wave



Source: Authors' calculations based on COVID-19 MENA Monitor February 2021 and June 2021 waves.

but rose slightly in Morocco and Egypt, which, in June 2021, had the highest share of closures. The share of enterprises operating with fewer hours decreased in all countries. Except in Tunisia, this was driven by fewer businesses open with fewer hours due to choice, which may be a positive sign of increasing demand for goods and services. In Tunisia, the share of enterprises open fewer hours due to government mandate dropped from 35 percent to 17 percent, but those open fewer hours by choice rose from 9 to 24 percent from February to June 2021.

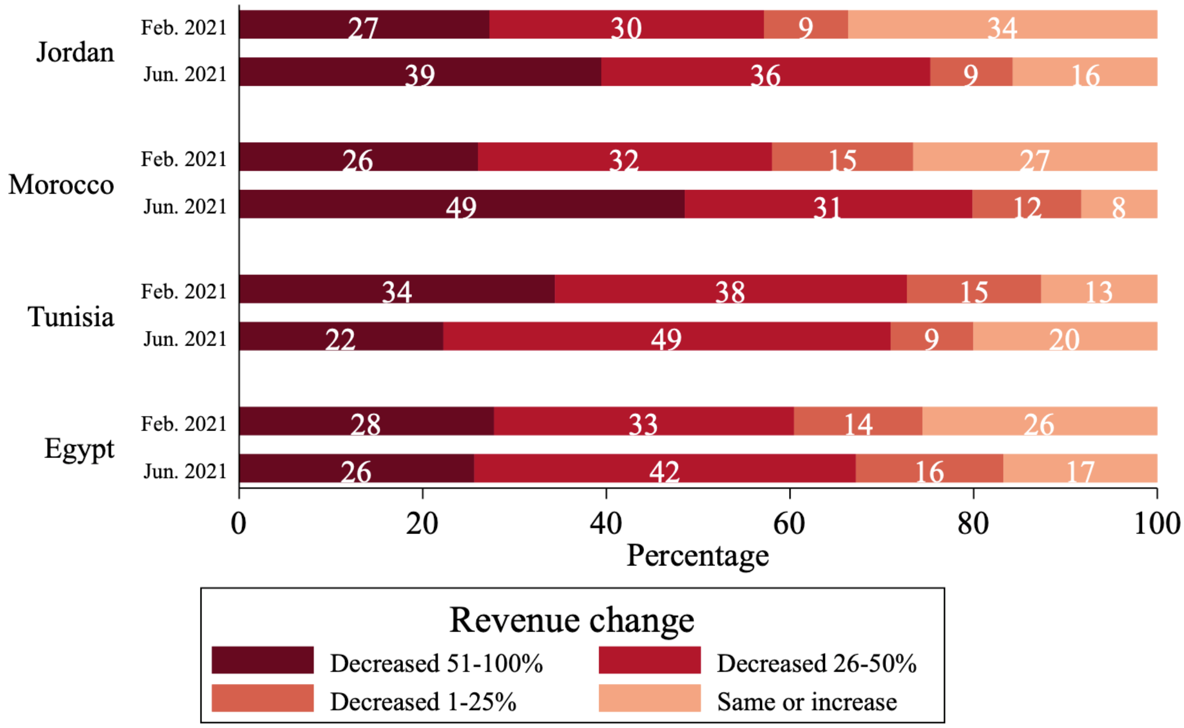
Although operations are improving, revenues for household enterprises remain depressed. Figure 11 compares revenues in the past 60 days in February and June 2021 to those for the same season in 2019. The share experiencing decreased revenues rose in Jordan (from 66 to 84 percent), Morocco (from 73 to 92 percent) and Egypt (from 74 to 83 percent) over February to June 2021. In Tunisia, the share with decreased revenues fell slightly, from 87 to 80 percent, which may be related to the substantial reduction in the share with reduced hours due to government mandate (Figure 10). In Jordan and Morocco, the share of enterprises with decreases of 51-100% in revenue increased substantially over time, from 27 to 39 percent in Jordan and 26 to 49 percent in Morocco. The ongoing struggles of these household enterprises for employers and the self-employed reflect the particular sensitivity of this sector to macroeconomic conditions (Krafft 2016).

Changes in income and social protection

Large and inequality-exacerbating decreases in income observed throughout the pandemic (Krafft, Assaad, and Marouani 2021c; b) continued through June 2021 (Figure 12). The extent of income loss varies somewhat across countries, with 48 percent of households in Egypt and Tunisia, 51 percent in Jordan, and 65 percent in Morocco experiencing decreases in income as of June 2021 compared to pre-pandemic levels. In all countries, the share of households reporting income losses relative to February 2020 had increased slightly between February 2021 and June 2021 (Krafft, Assaad, and Marouani 2021a). Those who were the poorest pre-pandemic had the greatest rate of income losses and especially losses of more than 25 percent. The pandemic thus continues to worsen inequality and poverty, with effects being increasingly persistent.

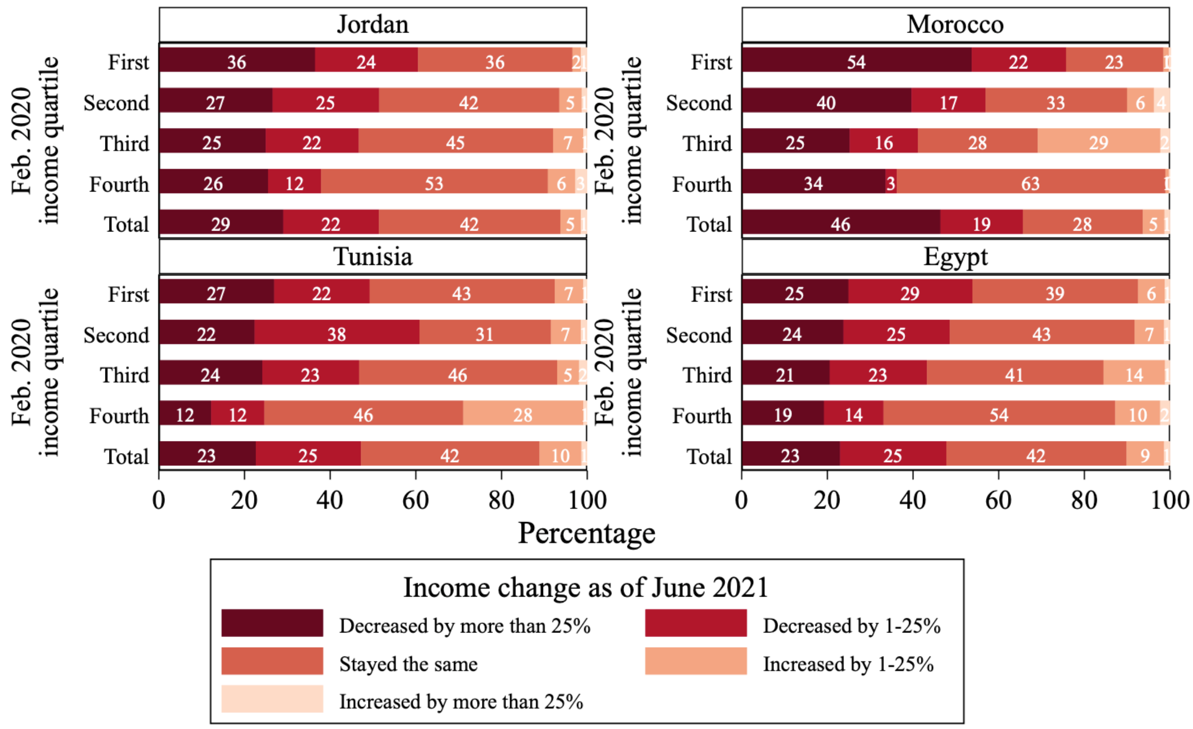
Countries have supported households with both pre-existing social safety net programs and new emergency assistance. Figure 13 shows the percentage of households receiving government assistance by February 2020 income quartile, comparing February and June 2021.

Figure 11. Revenue changes of enterprises, past 60 days compared to same season in 2019 (percentage), employers and self-employed in February 2020, by country and wave



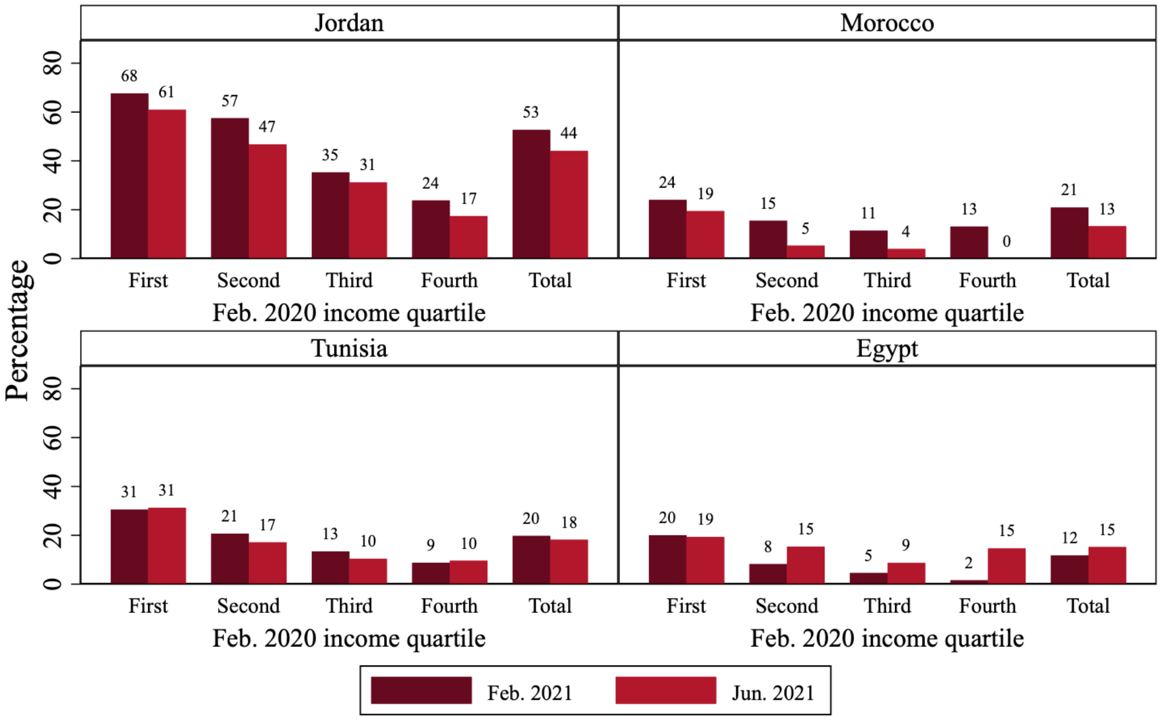
Source: Authors' calculations based on COVID-19 MENA Monitor February 2021 and June 2021 waves.

Figure 12. Changes in household income from February 2020 to June 2021 (percentage of households), by country and February 2020 income quartile



Source: Authors' calculations based on COVID-19 MENA Monitor June 2021.

Figure 13. Receiving government assistance (percentage of households), by country, wave, and February 2020 income quartile



Source: Authors' calculations based on COVID-19 MENA Monitor February and June 2021.

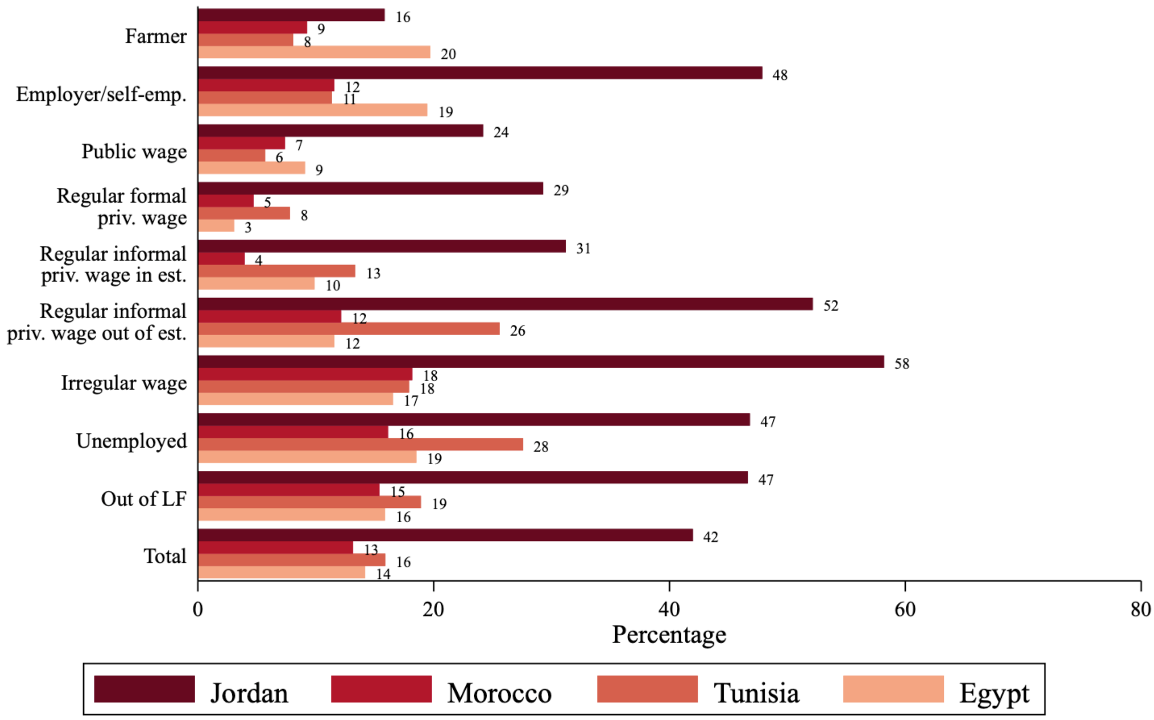
The share receiving assistance decreased substantially in Morocco (from 21 to 13 percent) and Jordan (from 53 to 44 percent) and slightly in Tunisia (from 20 to 18 percent). The share actually rose in Egypt (from 12 to 15 percent), but this was largely driven by an increase in the share of household receiving personal protective equipment (PPE). Those who were in the lowest income quartile pre-pandemic did receive the most assistance during the pandemic, with targeting of the poor improving in Morocco over time but worsening in Egypt.

Figure 14 focuses on who was receiving government assistance in June 2021, by labor market status. Public sector and formal private sector wage workers were less likely to receive assistance than average in all countries, but also were substantially less likely to need assistance given labor market impacts (Figure 8). Irregular wage workers were more likely to receive assistance than average, which is a promising sign given the vulnerability of this segment of the labor market (Assaad and Krafft 2015). Only in Egypt were farmers more likely than average to receive assistance, and employers/the self-employed, who continued to face huge revenue losses, were only slightly more likely to receive assistance than average in Jordan and Egypt, but not Tunisia or Morocco. The unemployed were particularly likely to be receiving assistance in Tunisia (28 percent) but otherwise the unemployed and those out of the labor force were near the average. Regular informal private sector wage workers in establishments were less likely to receive assistance than average in all countries, despite facing substantial challenges. Such workers outside establishments were slightly less likely to receive assistance than average in Morocco and Egypt (12 percent), but more likely in Jordan (52 percent) and Tunisia (26 percent). Overall, the picture that emerges more than a year into the pandemic and government response is that government assistance continues to be only weakly targeted to those struggling the most in the labor market.

Conclusion

We examined in this brief the progression of the pandemic and its effects on labor markets and household incomes in the first half of 2021. The severity of the pandemic varied greatly among the four countries we examined and so did the stringency of the closure measures they adopted. Jordan, followed shortly by Tunisia, had huge resurgences of the pandemic in the fall of 2020 and in the first half of 2021. Accordingly, they were forced to adopt more stringent closure measures after having substantially loosened their stance in the summer of 2020. Facing a somewhat less severe pandemic, Egypt gradually loosened closure measures from October 2020 to September 2021, with the exception of a brief

Figure 14. Receiving government assistance (percentage) by labor market status in February 2020 and by country



Source: Authors' calculations based on COVID-19 MENA Monitor June 2021.

tightening in May 2021. Having faced a surge in cases in the last quarter of 2020, Morocco tightened its policy stance and continued with this stringent stance through May 2021 despite a substantial reduction in its case count.

All four countries experienced improvements in their economic growth rates in comparison to last year's quarters, particularly the two most affected by the spring 2020 lockdowns, Tunisia and Morocco. This growth was translated into the improvement of their aggregate labor market indicators, such as labor force participation, employment and unemployment rates, from fall 2020 to April 2021. While these indicators continued to improve somewhat in Egypt, Jordan and Tunisia from April to June 2021, the improvement trend reversed in Morocco. Similar positive trends can be seen in rates of transition from employment to non-employment and vice versa, again with the exception of Morocco in June 2021. While private sector wage workers, especially those employed informally, appeared to be more negatively affected in Egypt, Jordan and Tunisia in terms of layoffs and earnings reductions than in Morocco, workers in these three countries saw an improvement from February to June 2021, whereas workers in Morocco saw a deterioration.

The outlook for farmers in 2021 was mixed. Farmers in Egypt and Morocco reported greater decreases in the use of inputs relative to the same season in 2019, but a larger share of farmers in Morocco and Tunisia reported increased expectations for their harvest in June 2021. Although more household enterprises were open normal hours, the share reporting substantial reductions in revenues (of 51 to 100 percent) relative to 2019 increased in 2021 in Jordan and Morocco. Egypt and Tunisia saw a substantial increase in those reporting moderate revenue reductions (26 to 50 percent).

Despite the improvement in labor market indicators at least until April 2021 in all countries, the proportion of households reporting a large decrease in income compared to pre-pandemic levels was persistently high in June 2021, especially in Morocco. Income reductions were consistently higher the poorer the household was pre-pandemic, confirming the inequality-exacerbating effects of the pandemic. Only in Tunisia did the second income quartile report a higher share of income losses than the lowest quartile in June 2021.

Social support reached a relatively limited fraction of the population, except in Jordan, where it reached 53 percent in February and 44 percent in June 2021. Assistance was generally well-targeted, reaching a higher proportion of households as income declines, but, while targeting efficiency improved in Morocco over time, it deteriorated in Egypt. Targeting of assistance was generally not based on the workers' vulnerability with respect to labor market status, again with the possible exception of Jordan which successfully targeted irregular and informal workers.

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