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# ARAB WATCH ON ECONOMIC AND SOCIAL RIGHTS 2016

## INFORMAL LABOR

### Informal Labor in Arab Countries

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#### Introduction

Informal work is no marginal problem in a world heading towards organization. It is a characteristic of a globalized economy and a modern division of labor. Discussing informal work in the Arab World during the Arab Spring upheavals has special resonance. Peruvian economist Hernando De Soto has said that developments in the Middle East have been a result of a revolution led by informal workers and precarious youths. Those are people who have been pushed outside the legitimized system and want to work in one that supports them and allows for their mainstreaming. However, this system is yet to be engineered.<sup>1</sup> De Soto played a role in shaping Egypt's policies on informal work before the country's revolution broke out.

The surge in interest towards informal work following the Arab Spring echoes the introduction to the 1919 International Labor Organization (ILO)'s "constitution," which states that permanent world peace cannot be achieved except if founded on social justice.<sup>2</sup> The body underscored that "an improvement of those (work) conditions is urgently required," because "conditions of labor exist involving such injustice, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperiled."

#### Definition, Principles, Legal Frameworks and Development Tracks of the Informal Sector

##### On Definitions

Terms related to the informal sector,<sup>3</sup> informal labor and employment, and the informal economy are subject to major confusions that must first be reviewed and clarified. These confusions stem from a political economy standpoint.

The terms appeared in the mid-1960s to replace the term "traditional sector," which is not regulated by labor relations governed by contracts and laws protective of laborers' rights. Analyses showed that forms of labor in this sector were not likely to get regulated in a capitalist economy;

<sup>1</sup> Stan Alcorn: Hernando De Soto on the Middle East's "informal" revolution; Marketplace, June 20, 2011, <http://www.marketplace.org/topics/business/economy-40/hernando-de-soto-middle-east-informal-revolution>

<sup>2</sup> <http://www.ilo.org/public/french/bureau/leg/download/constitution.pdf>

<sup>3</sup> This study uses the term "informal" instead of "unorganized" because the latter carries pejorative insinuations.



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actually, they acquired their own growth, becoming mostly non-agricultural jobs in developing countries (half to three quarters). Their size grew at a larger rate, even in developed countries.<sup>4</sup> This development is naturally tied to the progress of the economy's nature and its shift from intensive production in large companies to flexible production units and employment patterns. Then came the 1980s and 1990s with their economic crises (the crises of Asian Tigers, Latin American countries, the aftermath of the Berlin Wall's fall) to highlight that employment in the informal sector tends to increase during crises and has become a characteristic of the globalized economy.

In the beginning, the term "informal sector" appeared to monitor the sector's contribution – which was obvious in many countries - in the economy and in national accounts (for example, the account of gross domestic product). The difference between the informal sector and the concept of economic activity - as in agriculture or industry - was clarified. Hence, this definition was created according to productive units with similar targets and characteristics, as if differentiating between private and public sectors. The 15th International Conference of Labor Statisticians (ICLS) upheld in 1993 a tentative statistical definition<sup>5</sup> for the informal sector,<sup>6</sup> which was introduced later to the System of National Accounts (SNA, 1993). This definition included all non-agricultural small production units, which are not formally registered and are owned by individuals or households (especially freelancers), producing tradable commodities or services, and including one or more individuals. Somehow, this definition restricted the informal sector to divorce itself from the households sector<sup>7</sup> in the system of national accounts. However, this statistical definition included very different things, both economically and socially: From activities redressing need (to work and subsistence) to those eschewing taxes and laws (especially labor laws) and even those linked to criminal activities and corruption. Also, measuring employment in the informal sector is far from monitoring all sorts of informal work, which have been growing even in the formal sector and developed countries.

Furthermore, the 15th International Conference of Labor Statisticians suggested a definition<sup>8</sup> for informal work or employment from ILO's viewpoint; the definition was discussed and endorsed during the 2002 International Labor Conference (ILC)<sup>9</sup>, becoming part of the referential SNA in 2003.<sup>10</sup> This definition included all forms of informal employment in formal, informal and household sectors. It was developed around the job/work itself, not the working individual, since the latter can theoretically take on many jobs, both formal and informal. Hence, informal work included the sorts shown in Figure 1. Later on, however, the ILO introduced the term informal economy to indicate this definition of informal work. This caused confusion among non-specialists. Work relations and rights ceased to be the focus of concern,

<sup>4</sup> Women and Men in the Informal Economy: A statistical picture; ILO report 2002.

<sup>5</sup> Resolution concerning statistics of employment in the informal sector, endorsed by the Fifteenth International Conference of Labor Statisticians; January 1993.

<sup>6</sup> Ralf Hussmanns: Defining and measuring informal employment; ILO, 2002.

<sup>7</sup> However, it is a part that should produce services or services that are tradable in the market, not only privately usable by the household.

<sup>8</sup> The decent work and the informal economy; report VI, ILO, International Labor Conference, 90th session, 2002.

<sup>9</sup> Guidelines concerning a statistical definition of informal employment, The Seventeenth International Conference of Labor Statisticians (ICLS), 2002.

<sup>10</sup> In the 17th International Conference of Labor Statisticians (17th ICLS).



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giving way to informal work's contribution to the economy and addressing needs. This occurred despite informal employment relying on labor surveys in the informal sector in national accounts of productive units.

Regarding awareness of the expansion of the informal economy and the fact that it accounts for most jobs, especially in developing countries, the ILO asked in 1991: "Should the unstructured sector be preferred because it provides work and income, or should we, on the contrary, work on enforcing existing regulations and social welfare to this sector while risking reducing its abilities to provide economic activities to a growing population?" The ILO's focus gradually shifted from monitoring the implementation of international conventions and attempting their expansion to include informal work (this did not happen before 1999) to seeking "decent work" and the right to work for all, including the informal sector, by encouraging micro-firms. Applying an ethical and moral description of work instead of a rights-based one increased confusion.

Kind of Production Unit	Employment according to work condition									
	Self-Employed		Employers		Contributing Household Workers	Wage Earners		Productive Cooperative Members		
	Informal	Formal	Informal	Formal		Informal	Formal	Informal	Formal	
Formal Sector firms					1	2				
Informal Sector firms (A)	3		4		5	6	7	8		
Household Sector (B)	9					10				

Figure 1- A Conceptual Framework of Informal Work<sup>11</sup>

(A) According to the 15th ICLS in 1993.

(B) Households producing commodities for their own private consumption and households hiring domestic workers.

Black filling indicates that according to the definition, the employment sort is not included in the involved production firm.

Grey filling indicates that according to the definition, the employment sort is included in the involved production firm.

White fillings are the center of attention because they indicate all sorts of informal work.

Cells 1 and 5: Contributing household workers: No work contracts, social security or legal protection linked to this sort of employment (contributing household workers who have work contracts, salaries, social security, etc. are considered formal workers).

Cells 2 and 6: Workers in informal work.

Cells 3 and 4: Workers on their own and employers who own informal firms. The nature of their informal work stems from the characteristics of their firms.

Cell 7: Formal workers in informal firms (this may happen when an unregistered firm is considered informal just for being small).

Cell 8: Members of producers' cooperatives: The nature of their informal work stems directly from the characteristics of their cooperatives.

Cell 9: Producers of commodities for private consumption within households if considered workers according to the international definition.

Cell 10: Paid domestic workers hired by households in informal jobs.

## Civil Society Organizations



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The most important civil society organization (CSO) involved in this matter was created in 1997; it is called Women in Informal Employment: Globalizing and Organizing (WIEGO)<sup>12</sup> and was conceived by development activists and researchers<sup>13</sup> who shared concerns that workers in the informal sector, especially women, were not being understood and their contribution not appreciated or supported by neither political circles nor the international development community. This organization played a key role with the ILO and groups of experts (especially the Delhi Group<sup>14</sup>) in clarifying the concepts of informal work<sup>15</sup> and its universality. Hence, ever since its creation, it participated in joint research efforts leading to the endorsement of the concept of informal work in 2002 in a joint report.<sup>16</sup>

The most important finding of this effort was its highlighting of the need to divide informal work to self-employment and paid work for the purpose of facilitating analyses and policymaking. It included:

- Self-employment: Employers in informal firms (4 in Figure 1), self-employed workers in informal firms (3 in Figure 1), contributing household workers (in formal and informal firms) (1 and 5 in Figure 1), and members of informal cooperatives (8 in Figure 1).
- Informal Paid Work: Workers in informal firms (6 in Figure 1), discontinuous or day workers, temporary workers or part-timers, paid domestic workers (10 in Figure 1), contracted workers, unregistered or undeclared workers, and home workers and subcontractors.

This organization contributed to the endorsed model (Figure 1) on informal employment, which stemmed from the international classification of work positions (employer, dependent employee, self-employed, unpaid household worker, and member of productive cooperatives). However, it added two other categories: day or discontinuous workers, and home workers as subcontractors. These work positions were monitored according to economic risks (risking losing work or income) and authority (over the firm or workers). Field investigations showed ties between informality and poverty and gender - see Figure 2.

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<sup>12</sup> <http://wiego.org/>

<sup>13</sup> Note that this organization does not include any researchers or unions of informal workers in the Arab world.

<sup>14</sup> Organized since 1997 under the sponsorship of the United Nations Statistics Division. See <http://unstats.un.org/unsd/methods/citygroup/delhi.htm>.

<sup>15</sup> The organization continues to prefer the term informal work to the term informal economy.

<sup>16</sup> Women and men in the Informal Sector: A statistical picture; ILO & WIEGO, 2nd edition, 2013.



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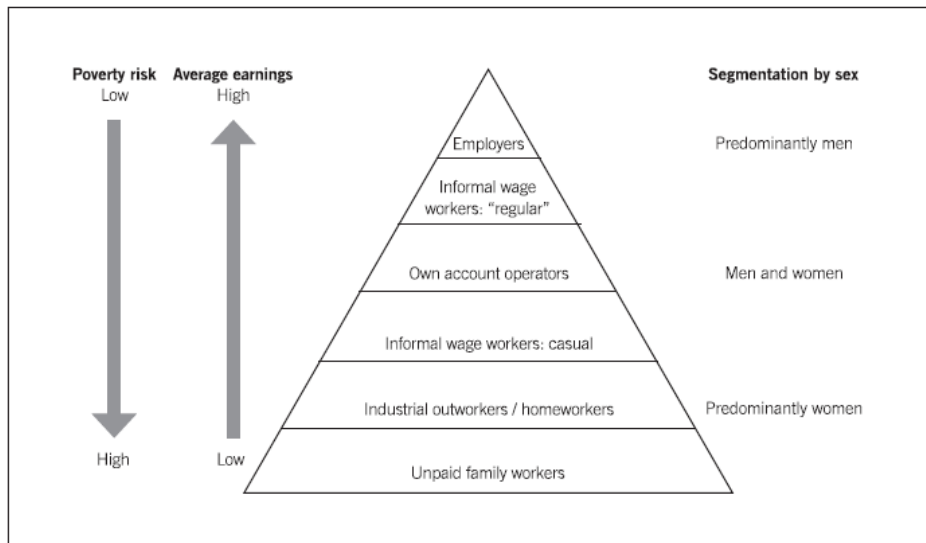


Figure 2- WIEGO Model for Informal Work: Income hierarchy and poverty risks according to work position and gender

### Labor Unions

The labor movement developed with the quick growth of industrialized societies (in other words, modern economy) in the 18th century, primarily because said growth brought in women, children, farming workers and immigrants to the labor force (urbanization). Contrary to trade associations (guilds), which preceded unions in medieval ages, the labor movement pooled contributions by those many unqualified or poorly qualified workers and organized their struggle for better work conditions and access to rights. These contributions allowed for health insurance and increased livelihoods during upheavals. The movement's history is that of a struggle for the right to collective negotiation on work rights at the level of firms or even nations.

The Universal Declaration of Human Rights established the right to association (Article 23, Paragraph 4: "Everyone has the right to form and to join trade unions for the protection of his interests"), which was recognized by most national constitutions; unions came into being worldwide, including in developing countries. However, the activities of most of these unions have come to be restricted to defending formal work in larger firms, whether in the public or private sectors. The unions did not do much to regulate workers in informal sectors and defend their rights, despite these workers being the least protected by social security.

The ILO's Bureau for Workers' Activities drew attention to this matter, especially during preparations for the first seminar on relations between unions and informal work.<sup>17</sup> It underscored the fact that current unions were still unclear in their involvement with informal workers, refuting the argument that they were not important for such unions and highlighting the history of unions. The discussion of the matter noted that there existed "a conflict of interests between the formal and informal sectors; the formal sector has privileges and security that informal work threatened."<sup>18</sup> This encourages deterioration in

<sup>17</sup> Trade unions in the informal sector: finding their bearings. Nine country papers. ILO, Labor education, 1999/3, no

116.

<sup>18</sup> C. S. Venkata Ratnam, India; in Trade unions in the informal sector: finding their bearings, 1999, op. cit.



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relations between capital (formal by default through its market) and work (mostly informal and suffering conflicting interests), unless unions are formed to regulate collective negotiations about informal work, independently or through existing unions.

In fact, many such unions that regulate informal work and defend its interests were established, and they played a major role in WIEGO<sup>19</sup> which had then been active in defining informal work and defending its rights. Remarkably, such unions did not come into being in Arab countries.

### International Standards about Informal Work

Growing awareness about the size of informal work and its ongoing expansion started a major controversy in organizations tasked with developing international standards that were led, evidently, by the ILO, a member of the United Nations. These standards dealt with ways to specify the nature and measurement of this sector and the points that should be agreed on to provide workers in this sector a form of security.

Hence, the ILO's director general presented in 1999 a report<sup>20</sup> in which he introduced the concept of "decent work"<sup>21</sup> to deal with the challenges of informal work under globalization and the intrinsic changes it introduced to relations among governments (whose role was decreasing and which were pressured by neoliberalism to exit productive sectors and shrink their own bureaucracies), employers (who called for "flexible" work) and workers. The report set the organization's goals, saying: "the primary goal of the ILO today is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity." It highlighted four pillars for what later became an Agenda of Decent Work upheld by the ILO: The promotion of employment, social security, 3) social dialogue, and, rights at work. In 2009, following the world economic crisis, the director general stressed that the crisis was the climax of unfair globalization and increasing income inequalities under policies that curbed the state's role and failed to respect work decency and the importance of social justice;<sup>22</sup> he added that any economic revival needed policies promoting decent work.

Since their endorsement by the 86th International Labor Conference in 1998 as part of the Declaration on Fundamental Principles and Rights at Work,<sup>23</sup> the four pillars of the ILO's contribution to decent work have been linked to historical references and standards. Encouraging employment brings back to mind the right to full employment, which is guaranteed by most constitutions,<sup>24</sup> including some in the Arab world.<sup>25</sup> The second pillar

<sup>19</sup> <http://wiego.org/wiego/wiego-institutional-members>

<sup>20</sup> <http://www.ilo.org/public/english/standards/relm/ilc/ilc87/rep-i.htm>

<sup>21</sup> Arguing that decent work here means various ways with which people contribute to the economy and society.

<sup>22</sup> Tackling the global jobs crisis: Recovery through decent work policies; report of the Director General, ILO, 98th session of the International Labor Conference, 2009.

<sup>23</sup> [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_095898.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_095898.pdf)

<sup>24</sup> This is the subject of Convention 122 of 1964, which was endorsed by some Arab countries - Algeria, Comoros, Djibouti, Iraq, Jordan, Lebanon, Libya, Morocco and Mauritania.

<sup>25</sup> Jordan's constitution, for example, says in Article 23 that "Work is the right of every citizen, and the State shall provide opportunities for work to all citizens by directing the national economy and raising its standards." See Samir Aita: Employment and Work Rights in Mediterranean Arab States vis-à-vis the Euro-Med Partnership, a comparative study, 2008. See also: The Arab Strategy for Developing Labor Forces and Employment, Arab Labor Organization, 2003. This strategy's





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recalls the right to social security and healthy work conditions. The third pillar underscores the right to forming and joining unions and the right to collective negotiations (including the right to strike). The fourth pillar deals with the so-called Core Labor Standards of the ILO; i.e., ending child labor, forced labor, discrimination and inequality at work, while encouraging the freedom of gatherings.

Many conventions regulate these basic work standards including: Convention 87 (1948) on Freedom of Association and Protection of the Right to Organize, Convention 98 (1949) on Freedom of Association and Collective Bargaining, Convention 29 (1930) on Forced Labor, Convention 105 (1957) on the Prohibition of Forced Labor, Convention 138 (1973) on the Minimum Age of Work, Convention 182 (1999) on the Worst Forms of Child Labor, Convention 100 (1951) on Equal Remuneration, and Convention 111 (1958) on the Reduction of Discrimination in Employment. The ILO considers enforcement of these conventions by signatory states a basic standard in informal and indecent work.

Figure 3 shows these basic standards and the moment when Arab states endorsed them. It should be noted that Gulf States, except Kuwait, have not endorsed the two conventions on unions and collective negotiations. Many states have not signed Convention 100 on equal remuneration. As for respecting these standards, some Arab states endorsed these conventions since promulgation or independence but failed to endorse them fully.<sup>26</sup> In fact, the Declaration on Fundamental Principles and Rights at Work stipulates that all ILO member states “even if they have not ratified the conventions in question, have an obligation arising from the very fact of membership in the organization to respect, to promote and to realize, in good faith and in accordance with the constitution, the principles concerning the fundamental rights which are the subject of those conventions.”<sup>27</sup>

The importance of basic principles and rights in efforts towards decent work were underscored in the ILO Declaration on Social Justice for a Fair Globalization,<sup>28</sup> which was endorsed in the 97th International Labor Conference in 2008. The declaration relied on ILO’s 1998 Declaration and Philadelphia Declaration (1944), which stated that “poverty anywhere constitutes a danger to prosperity everywhere” and that “all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity.” Hence, the declaration obliged the ILO and member states “to place full and productive employment and decent work at the center of economic and social policies.” It said the four strategic objectives of the Agenda of Decent Work “are inseparable, interrelated and mutually supportive.” Recently, the ILO published a guide for policies in

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foundations highlighted “commitment to full employment’s realistic concept as an invariable goal leading to equality in income, combating poverty, achieving decent livelihood and proving oneself in achievements.” The fourth goal of the strategy was “serious and ongoing efforts to reach full employment.” Goal 14 called for “caring for employment in the informal sector.”

<sup>26</sup> Child labor in Syria is an example; labor force statistics have up until recently included numbers of working children who are less than 15 despite Syria’s endorsement of the conventions. See: Samir AITA (coordinator): Syria country profile: The Road Ahead for Syria; Economic Research Forum, Institute de la Méditerranée, FEMISE, 2006; especially the discussions on Chapter V: Labor and Human Resource Development.

<sup>27</sup> [http://www.un.org/ar/events/youthday/pdf/fund\\_princ\\_rights\\_declaration.pdf](http://www.un.org/ar/events/youthday/pdf/fund_princ_rights_declaration.pdf)

<sup>28</sup> [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---cabinet/documents/genericdocument/wcms\\_182776.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---cabinet/documents/genericdocument/wcms_182776.pdf)



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this regard,<sup>29</sup> which relied on the Global Jobs Pact endorsed by the 98th International Labor Conference in 2009.<sup>30</sup>

	ICESCR	ICCPR	Unions and Collective Negotiations		Abolishing Obligatory Work		Equality in Wages and Limiting Discrimination		Abolishing Child Labor	
			Conventio n 87	Conventio n 89	Conventio n 29	Conventio n 105	Conventio n 100	Conventio n 111	Conventio n 138	Conventio n 182
			1948	1949	1930	1957	1951	1958	1973	1999
Algeria	S1968/E1989	S1968/E1989	1962	1962	1962	1969	1962	1969	1984	2001
Bahrain	E2007	E2006	-	-	1981	1998	-	2000	2012	2001
Comoros	S2008	S2008	1978	1978	1978	1978	1978	2004	2004	2004
Djibouti	E2002	E2002	1978	1978	1978	1978	1978	2005	2005	2005
Egypt	S1967/E1982	S1967/E1982	1957	1954	1955	1958	1960	1960	1999	2002
Iraq	S1967/E1971	S1967/E1971	-	1962	1962	1959	1963	1959	1985	2001
Jordan	S1972/E1975	S1972/E1975	-	1968	1966	1958	1966	1963	1998	2000
Kuwait	E1996	E1996	1961	2007	1968	1961	-	1966	1999	2000
Lebanon	E1972	E1970	-	1977	1977	1977	1977	1977	2003	2001
Libya	E1998	E1998	2000	1962	1961	1961	1962	1961	1975	2000
Mauritania	E2004	E2004	1961	2001	1961	1997	2001	1963	2001	2001
Morocco	S1977/E1979	S1977/E1979	-	-	1957	1966	1979	1963	2000	2001
Oman	-	-	-	-	1998	2005	-	-	2005	2001
Qatar	-	-	-	-	1998	2007	-	1976	2006	2000
KSA	-	-	-	-	1978	1978	1978	1978	2014	2001
Somalia	E1990	E1990	2014	2014	1960	1961	-	1961	-	2014
Sudan	E1986	E1986	-	1957	1957	1970	1970	1970	2003	2003
Syria	E1969	E1969	1960	1957	1960	1958	1972	1960	2001	2003
Tunisia	S1968/E1969	S1968/E1969	1957	1957	1962	1959	1968	1959	1959	2000
UAE	-	-	-	-	1982	1997	1997	2001	1998	2001
Yemen	E1987	E1987	1976	1969	1969	1969	1976	1969	2000	2000

Figure 3- Basic UN and ILO Standardized Regulations for Informal Employment and Endorsements by Arab States

### Informal Employment, Human Rights and Civil Society

Growing awareness that informal employment is not a scourge, but a feature of the globalized neoliberal economy and its modern production relations that transcends the traditional role of unions, pushed some researchers<sup>31</sup> and labor rights activists to go beyond existing proposals at the ILO, in order for the problematic to be understood more universally within basic human rights in general and economic and social human rights in particular. This approach culminated with the UN General Assembly's endorsement in 2008 of the optional protocol annexed to the International Covenant on Economic, Social and Cultural Rights (ICESCR),<sup>32</sup> which established the first international system outside the ILO for complaints against violations of economic and social rights, including the right to decent work.

<sup>29</sup> Informal Economy and Decent Work: A Guide on Policy Resources Supporting Transitions to Formality, Arabic Edition, ILO, Beirut Office, 2014.

<sup>30</sup> Recovering from the crisis: A Global Jobs Pact; ILO, June 16, 2009.

<sup>31</sup> Gillian McNaughton & Dian F. Frey: Decent work for all: A holistic human rights approach; American University International Law Review, Vol. 26, Issue 2, 2011.

<sup>32</sup> <http://www.ohchr.org/AR/ProfessionalInterest/Pages/OPCESCR.aspx>





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Hence, the ICESCR,<sup>33</sup> endorsed by the UN General Assembly in 1966, was endorsed worldwide. It came into effect in 1976 as complementary to the Universal Declaration of Human Rights,<sup>34</sup> which was endorsed in 1948. The Committee on Economic, Social and Cultural Rights (CESCR),<sup>35</sup> which is linked to the UN High Commission for Human Rights (UNHCHR) and the Economic and Social Council (ECOSOC),<sup>36</sup> follows up the implementation of the covenant. In its actions, it builds on ILO expertise and a follow-up of its conventions' endorsements. Furthermore, the covenant is closely linked to the International Covenant on Civil and Political Rights (ICCPR).<sup>37</sup>

Figure 3 shows Arab states that signed or endorsed the ICESCR and the ICCPR. Here, too, Gulf States, except Kuwait, stand out for not endorsing these international standards.

ICESCR includes and surpasses the four pillars of the ILO's Agenda of Decent Work (Figure 4) because it establishes a legal reference wider than the eight conventions on "basic labor standards." For example, it includes the right to a fair salary, secure work conditions and reasonable working hours. Contrary to the ILO's several conventions with varying endorsement levels<sup>38</sup> and dealing with many specific groups, the covenant is an integral international document endorsed by 160 countries. This obliges signatory states to commitments, even if they have not endorsed involved ILO conventions, towards all sorts of clauses related to informal work no matter what. Hence, the covenant's human rights perspective and the ILO's social justice approach share central concerns for poverty, inequality and human dignity. However, the human rights perspective is holistic, universal (all human beings have equal rights at any time), inalienable (nobody has the right to drop his/her rights or the rights of others),<sup>39</sup> interrelated (one right cannot be seen independent of the others), interlinked (rights are related as well as individual and collective rights), and indivisible (the value of each right is enhanced through other rights, and commitment to one right cannot hinder commitment to another). These rights as a whole are foundations of human dignity.

The authors of this understanding of labor rights as human rights proposed methodologies based on: a) defining decent work as a whole (through Article 6 and Comment 18<sup>40</sup> of the involved commission ; an example is the link between the rights of a working mother and the rights of the child); b) recognizing interdependence of all human rights and their indivisibility in the context of regulating informal work<sup>41</sup> (for example, regulating the work of women at home to take it to workshops could hamper other rights); and c) using methods and mechanisms to combat human rights violations, such as endorsing human rights

<sup>33</sup> <http://www.un.org/ar/events/motherlanguageday/pdf/ccpr.pdf>

<sup>34</sup> <http://www.un.org/ar/documents/udhr/>

<sup>35</sup> <http://www.ohchr.org/ar/hrbodies/cescr/pages/cescrindex.aspx>

<sup>36</sup> <http://www.un.org/ar/ecosoc/>

<sup>37</sup> <http://www1.umn.edu/humanrts/arab/b003.html>

<sup>38</sup> For example, 34 states only endorsed convention 158 of 1982 on end-of-service rules.

<sup>39</sup> McNaughton & Frey, op. cit.

<sup>40</sup> <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G06/403/11/PDF/G0640311.pdf?OpenElement>

<sup>41</sup> Human Rights and Poverty Reduction, A Conceptual Framework; OHCHR, 2004;

<http://www.ohchr.org/Documents/Publications/PovertyReductionen.pdf>



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monitoring indicators, analyses of budgets, and assessing the impact of projects and policies. All this seeks to promote awareness of the right to decent work and educating workers, CSOs and governments about these rights. It also provides a framework for collecting data and producing policies and recommendations.

In fact, this human rights-based approach to informal work and decent work supplies the great engagement of different CSOs, especially those defending human rights, women's rights and the environment, rather than traditional labor unions, when it comes to combating violations of economic and social rights in general and labor rights in particular. For example, CSOs engaged in WIEGO belong to this category of CSOs more than to traditional labor unions.

Article	Human Rights	Aspects Related to Work and Employment
6	The Right to Work	The right to choose work freely
		The right to make a living through a freely-chosen job
		The right to technical and vocational habilitation and training programs
		The right to full and productive employment
		The right to conditions guaranteeing the individual's basic political and economic rights
7	The Right to Just and Acceptable Working Conditions	The right to a fair wage
		The right to equal remuneration for work of equal value
		The right of women to being guaranteed conditions of work not inferior to those enjoyed by men
		The right to decent living for themselves and their families
		The right to safe and healthy working conditions
		The right to equal opportunity for everyone to be promoted in their employment to an appropriate higher level, subject to no considerations other than those of seniority and competence
		The right to rest, leisure
		The right to reasonable limitation of working hours
		The right to periodic holidays with pay, as well as remuneration for public holidays
		8
The right of unions to form national and international confederations		
The right of trade unions to function freely		
The right to strike		
9	The Right to Social Security	The right of everyone to social security
		The right of everyone to social insurance (unemployment and retirement)
10	Family Rights	The right to the widest possible protection and assistance of the family, particularly while it is responsible for the care and education of dependent children
		The right to special protection for mothers during a reasonable period before and after childbirth
		The right of working mothers to paid leave or leave with adequate social security benefits
		The right of children and young people to be protected from economic and social exploitation
11	The Right to Enough Living Standards	The right to an adequate standard of living for himself and his family, including adequate food, clothing and housing
		The right to the continuous improvement of living conditions
12	The Right to Health	The right to all aspects of industrial hygiene
		The right to prevention, treatment and control of occupational diseases
13 and 14	The Right to Education	The right to technical and vocational secondary education
		The right of teaching staff to have to their material conditions continuously improved
15	Cultural Rights	The right of authors to the protection of their interests resulting from their scientific, literary or artistic production

Figure 4- Labor Rights Stipulated in the ICESCR

Informal Employment, Millennium Development Goals and Sustainable Development Goals



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The Millennium Development Goals (MDGs),<sup>42</sup> issued by the UN Millennium Summit in 2000, were endorsed by 192 states. The endorsed eight goals included targets that should be achieved in 2015 and indicators to measure progress. Goal 1, “eradicate extreme poverty and hunger,” included target 1b, which reads: “achieve full and productive employment and decent work for all, including women and young people.” The target should be monitored through four indicators: growth rate of gross domestic product (GDP) per person employed, employment-to-population ratio, proportion of employed people living below \$1 (purchasing power parity - PPP) per day, and proportion of own-account and contributing family workers in total employment. Of course, these goals led to policies and commitments.

Such indicators, in general, and this target in particular, are not the only ones concerned with decent work. The last UN report on progress in MDGs<sup>43</sup> noted that labor forces grow at higher rates than jobs (indicator 2) and that this was especially true for young people and women. However, the percentage of workers living in dire poverty decreased considerably (indicator 3), but almost half of the world’s workers still work in fragile conditions (indicator 4). Regarding Arab countries (West Asia and North Africa), the UN noted a major shortage in decent work and deterioration in progress towards this target.<sup>44</sup>

The UN General Assembly endorsed in the fall of 2015 the Sustainable Development Goals (SDGs).<sup>45</sup> Clearly, developing the SDGs was more global and relied more on an approach rooted in human, economic and social rights than previous approaches. A central goal (No. 8) was suggested: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.” Its approach relied on ILO’s Global Jobs Pact.

## 2- Tables on Formal and Informal Work

### Tables on Informal Sector and Economy

Ever since the term informal or unstructured was introduced for the first time in 1970; debates and arguments arose and have yet to reach a conclusion until now. The problem is not only related to the definition but is also and mainly about its economic and social role, or rather the stances that should be taken and the policies that should be applied vis-à-vis informality. All these debates focus on the aforementioned key question posed by the ILO’s director general in 1991 about whether this sector is an economic opportunity for poor communities to make incomes or if it has usurped from workers' economic and social rights, and which must be restored.

The debates focused on four schools of thought, which were monitored by a key WIEGO report:<sup>46</sup>

<sup>42</sup> <http://www.un.org/arabic/millenniumgoals/>

<sup>43</sup> Report of the Millennium Development Goals in 2015, the United Nations; <http://unstats.un.org/unsd/mdg/Resources/Static/Products/Progress2015/Arabic2015.pdf>

<sup>44</sup> [http://unstats.un.org/unsd/mdg/Resources/Static/Products/Progress2015/Progress\\_A.pdf](http://unstats.un.org/unsd/mdg/Resources/Static/Products/Progress2015/Progress_A.pdf)

<sup>45</sup> [http://www.un.org/ga/search/view\\_doc.asp?symbol=A/68/970&Lang=A](http://www.un.org/ga/search/view_doc.asp?symbol=A/68/970&Lang=A)

<sup>46</sup> Martha Alther Chen: Informal economy: Definitions, theories and policies; WIEGO working paper no1, August 2012.



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- The Dualist School of Thought was launched by researchers with the ILO's 1972 Kenya Mission, in turn an initiative for launching the definition and research about it.<sup>47</sup> It was called as such because it highlighted the labor market as being dually split between formality and informality, with the two sectors enjoying minor linkages, and informality being excluded from the modern economy. It refers this to two disruptions: A disruption between population growth (and migration from rural to urban areas) and the growth of jobs in modern industries; and a disruption between labor force skills and jobs in the modern economy. This school of thought does not underscore relations between informal productive units and governmental laws and measures. It sees informal work as a positive way to provide the impoverished with opportunities and a social security network stemming from self-employment. It also calls for supporting informal activity to contain population growth all the while providing infrastructure and social services to the families of workers.
- The structuralist school of thought,<sup>48</sup> which appeared in 1989 and underscores that the growth of informality is linked to the structural development of globalized capitalism and its production relations. Formal companies strive to decrease the costs of wages and increase their own competitiveness; hence, they actively work on getting rid of structured labor's negotiation power and eschewing rules, laws, government taxes and social commitments. All this takes place in a globalized environment governed by subcontracting and flexible and specialized forms of production and work. Hence, the informal sector is directly subordinated by formal economy in an unbalanced division of economic activities and work. It concerns paid work and self-employment. Therefore, governments must treat this imbalance and regulate economic activities and employment.
- The legalist school of thought<sup>49</sup> redirects attention to the margins of the formal economic system, arguing that the system of rules, laws and taxes is rigid and costly vis-à-vis enterprising businessmen. Hence, this school of thought accuses governments of colluding with business interests by imposing too bureaucratic rules. Therefore, governments must facilitate the registration of informal production units and develop ownership rights in order for these units to become fully capitalist.
- For its part, the voluntarist school of thought<sup>50</sup> underscores the fact that the informal economy is linked to law and tax aversion. It blames those in charge of informal activities, not governments. It argues that the matter is a result of a decision by entrepreneurs and their balancing between benefits and costs. This school of thought asks governments to force informal production units to register formally. This would enhance tax revenues and break dishonest competition with the formal sector.

### Market Approaches and Rights Approaches

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<sup>47</sup> A leading name in this school of thought is the anthropologist Keith Hart.

<sup>48</sup> Leading scholars include Caroline Moser, Alejandro Portes and Manuel Castells.

<sup>49</sup> A key voice of this school of thought is Hernando De Soto.

<sup>50</sup> With William Maloney.



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This debate remains far from clear frameworks and theories that would produce clear development policies.<sup>51</sup> Even the concept of “unstructured” or “informal” has been subject to criticism. In fact, this debate can be framed within two main approaches: a market-based approach and a rights-based approach.<sup>52</sup> The best expression of the market-based approach came from Hernando De Soto and the World Bank, while WIEGO’s expression of the rights-based approach remains the best of its kind.

The market-based approach<sup>53</sup> focuses on analyzing the effects of informality on the economy, relying on a definition of informality which includes productive firms that evade rules and taxes. It centers on the costs of informality on the economy and the investment sphere more than on social and political costs. Hence, this approach tends to mix up the informal sector and informal employment, ignoring informal employment in the formal sector and underestimating the structural link between the formal and informal sectors. It also influenced statistics where an early definition of informal employment included only the self-employed.<sup>54</sup> In terms of policies, this approach is concerned with proposing reforms for firms, companies and related legal frameworks instead suggesting reforms for labor laws.

On the other hand, the rights-based approach focuses on defining the informal economy according to the status of workers and the absence of a minimum wage, sustainability safeguards, health insurance or privileges. Workers’ statuses include very different sorts of employment - wage workers, employers or self-employed - in both the formal and informal sectors. This approach pays more attention to the structural ties linking the formal and informal sectors than to their competition. When it comes to policies, it also focuses on basic social issues, calling for the provision of basic rights irrespective of employment conditions. It also urges for urban planning since it believes informality is related to accelerations in migration from rural to urban areas and the construction of slums<sup>55</sup>, and to changes in the state’s functions and the meaning of formality.

### 3- The Economic Aspects of Informal Economy

#### Reasons

To explain informality, the market-based approach privileges the free “exit” option by the economic player (the firm) scenario over the forced “exclusion” resulting from the absence of formal employment one. Many analyses by the World Bank<sup>56</sup> arose, explaining how

<sup>51</sup> B. Gula-Khasnabis, R. Kanbur & E. Ostrom (eds.): Linking the formal and the informal economy: Concepts and policies; Oxford university press, 2006.

<sup>52</sup> Antti Vainio: Market-based and rights-based approaches to the informal economy. A comparative analysis of the policy implications; Nordiska Afrikainstitut 2012.

<sup>53</sup> World Bank: World development report 2005: A better investment climate for everyone; Washington D.C. and Oxford University Press, 2004.

<sup>54</sup> The 15th ICLS in 1993.

<sup>55</sup> Ananya Roy: Urban informality. Toward an epistemology of Planning; Journal of the American planning association; spring 2005, Vol. 71, no2.

<sup>56</sup> A. M. Oviedo, M. R. Thomas & K. Karakurum-Ozdemir: Economic informality - Causes, costs and policies. A literature survey; World Bank, Working paper no 167, Washington D. C., 2009.



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workers in the formal sector voluntarily and mindfully choose to become self-employed or wage-earners in the informal sector.

This approach also considers taxes, strict labor laws and badly-planned and phrased laws as key reasons for high informal registration fees, a luxury that the impoverished cannot afford. Hence, it blames the state for informal employment, and describes individuals/firms as players who chose strategies to secure income vis-a-vis this situation. The social conflict in the background is, thus, between the state and citizens, while informal work is a result of bad management.

Yet, this interpretation faces many criticisms. Is looking for another, informal job a choice for a government or formal sector employee whose wage is not enough? Or is it a way to secure decent living? Also, it supposes that the state is operating in a vacuum, when in fact, it isn't; it is subject to major phenomena, such as economic changes that lead to migration from rural to urban areas, or to structural reforms<sup>57</sup> imposed by international financial institutions, which shrink formal labor opportunities.

### Repercussions

While De Soto describes informal firms as “heroic entrepreneurship”<sup>58</sup> and “a creative response to the state’s failure to secure basic needs to poor masses,”<sup>59</sup> the literature of the market-based approach sees these firms as prisoners of informality that are unable to push economic growth because of their weak productivity. Informal firms also harm the formal sector because they create unfair competitive conditions; they also weaken the state by preventing it from getting enough taxes and fees from the sector. Hence, these firms hamper their country’s engagement in the global economy.<sup>60</sup> Informality’s loophole lies within its “distrusted property rights, corruption, unpredictable policies and limited access to loans, financing and public services.” The approach suggests a magic formula to attain informality: documenting property rights and engaging in the market.

A critique to this vision argues that relations between formal and informal firms are not always competitive; the two sectors being tied by production, distribution and consumption chains. Also, informal employment in formal firms gives the latter many advantages, used extensively by multinational corporations. Another argument put forward is that privatizing the public sector and shrinking government employment, brought into being by “structural reforms” imposed by the International Monetary Fund (IMF), decreased the share of formal employment. It can also be argued that the state’s weakness encourages the expansion of the informal sector and informal labor. The state weakens for many reasons, including global competition under globalization. In more elaborate words, informality is not a state of exception created by a paradox in the state’s mechanisms;<sup>61</sup> informality is also a “market” with rules.

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<sup>57</sup> M. Mwamadzingo & D. Saleshando (eds.): Trade Unions and poverty alleviation in Africa; Geneva; ILO Bureau of Workers’ Activities, 2003.

<sup>58</sup> Hernando De Soto: The Mystery of Capital; Basic Books, 2003.

<sup>59</sup> Hernando De Soto: The other path. The economic answer to terrorism; Basic Books, 2002.

<sup>60</sup> World Bank 2004, World development report 2005, Op. cit.

<sup>61</sup> Ananya Roy: Urban informality, 2005, op. cit.





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## Policies

The market-based approach also believes that government laws and measures are the main incentives for informality because they make the cost of firms too high. Formality allows for optimum benefits from capital and labor to enhance economic growth. Hence, policy recommendations tend to call for “simplifying” laws and measures, decreasing taxes for firms and making employment and lay-offs “flexible.”<sup>62</sup> Direct policies proposed by this approach suggest a clarification of property rights, making micro-finance available and, generally, formalizing informal firms without focusing on the conditions of workers.

The logic of these policies and recommendations is not that of international financial institutions; most non-governmental organizations (NGOs) practically engaged in non-profit micro-finance to “soften” neoliberal capitalism.

Still, these recommendations face much criticism. The sustainability of informal firms is not guaranteed after their formalization. Formalization and moving capital and labor to the formal sector, especially when the availability of jobs is already low can mean forceful closure. This is comparable to tough government policies regarding street vendors.<sup>63</sup> In addition, if foundations of formalization are absent, the implicit social contract governing informal employment may break. Major political upheavals may break out and may prove uncontrollable because social brackets in the informal sector are “uncontrollable,” contrary to their counterparts in the formal sector. In fact, there is an intrinsic contradiction between shrinking the rights of workers in the formal sector and encouraging informal workers to formalize. Also, market liberalization policies in favor of economic growth neglect the fact that such policies lead to new forms of exploitation.<sup>64</sup>

## 4- The Social Aspects of Informal Economy

### Reasons

The rights-based approach blames the growth of informal work on “exclusion.” Current globalized economic growth channels create fewer opportunities for formal work because growth is either weak to begin with or relying more on capital than on labor, or because the public sector has shrunk under “structural reforms” imposed by the IMF.<sup>65</sup> Global competition pressures companies to reposition their production in countries with cheaper and less protected labor, through informal firms or temporary employment. Major corporations also focus on their core businesses and organize as “hollow organizations.”<sup>66</sup> For their part, states are not able financially anymore to provide social security because they

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<sup>63</sup> The suicide of Mohamed Bouazizi in Tunisia, which triggered the Arab Spring, was the result of such policies.

<sup>64</sup> Ray Bromley: Power, property and poverty: Why De Soto’s “Mystery of Capital” cannot be solved; in Ananya Roy & Nezar Alsayyad (eds.): Urban informality: Transnational perspectives from the Middle East, Latin America and South Asia; Lexington books, 2003.

<sup>65</sup> M. Carr & M. A. Chen: Globalization and the informal economy: How global trade and investment impact on the working poor; Working paper on the informal economy, ILO 2002.

<sup>66</sup> N. Klein: No Logo: Taking aim at the brand bullies; Knopf, Toronto, 2000.



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are estimated to have lost almost one third of their tax revenues under economic liberalization.

Hence, contrary to the market-based approach, the rights-based approach blames globalization, economic liberalization and their effects on the regulation of a labor market that has become global. Consequently, informality is not a relic of bygone times; it is “a byproduct of advanced production patterns.”<sup>67</sup> Evidence to this is already present in informal urban growth patterns, which are linked to globalization, migration from rural to urban areas and labor surpluses. The concept of “informality” appeared in the context of analyzing these conditions.<sup>68</sup> It is not only tied to the impoverished; informality targets large social sectors in developing countries, including middle classes and government employees.<sup>69</sup>

### Repercussions

The rights-based approach highlights the negative aspects of this situation but also admits to it having positive ones. It provides livelihood opportunities for people with informal jobs under globalization and weak states. Since informal work is structural, most advocates of this approach focus their attention on the fact that informal workers make less incomes and lack economic and social security. Poverty worsens when an individual “switches from employer to self-employed, informal worker, seasonal wage-earner or industrial worker from home.”<sup>70</sup> Moreover, in the informal economy, women suffer worse conditions than men. Hence, the key problem lies in how informal workers don't get the same rights as their formal counterparts: Guarantees against work fragility, especially during economic and political crises, social security, clearer government policies and development policies regarding informal work, should create channels for informal workers to negotiate and raise grievances to employers and the government, combating negative cultural stereotypes about informal work in society, etc. The rights-based approach tackles aspects other than work conditions; the problem also lies in the haphazard growth of cities and suburbs under massive migration from rural to urban areas in the 21st century.<sup>71</sup>

### Policies

Advocates of the rights-based approach do not propose formalization as a priority; they see it as an unrealistic goal in light of neoliberal globalization trends. They do not even see in formalization policies evidence that poverty decreased or social conditions improved. Most governmental bureaucracies are incapable of comprehensive formalization in light of the

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<sup>67</sup> P. Fernandez-Kelly: *Out of the Shadows: Political Action and the Informal Economy in Latin America*; Penn State University Press, 2006.

<sup>68</sup> W. A. Lewis: *Economic development with unlimited supply of labor*; *Manchester School* 22, no 2, pp 39-91, May 1954. L. G. Reynolds: *Economic development with surplus labor: Some complications*; *Oxford Economic Papers* 21, no 1, March 1969.

<sup>69</sup> Ananya Roy & Nezar Alsayyad (eds.): *Urban informality*, 2003, op. cit.

<sup>70</sup> M. R. Chen: *Rethinking the informal economy*; Seminar paper, WIEGO, vol. 531, 2003.

<sup>71</sup> Ananya Roy: *Urban informality*, 2005, op. cit.



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large size of informal employment. Most economies are incapable of providing enough formal jobs. Hence, no magic formula is at hand; conditions should be tackled realistically and the social bracket operating outside formality should be relied on to “decrease costs and increase advantages for informal work.”<sup>72</sup>

To this approach, formalizing firms (i.e., their formal registration and payment of taxes) is important as much as the conditions of informal workers and the advantages they can acquire: ownership of production means, trade contracts and their enforcement, incentives to enhance competitiveness, membership in unions , and access to social security and insurance.

Hence, WIEGO recommendations are multileveled: Develop informal firms and enhance their access to services and loans, include informal workers in effective labor laws or replace social security granted to formal workers with systems similar to those enjoyed by informal workers, etc.

However, the main focus is on informal workers developing a sociopolitical and civil voice to defend their rights to negotiation and influence decisions. This stems from knowledge that informal workers are in any event integrated in the economy but absented from politics and society. One way to do so is through the establishment of cooperatives with equally economic, social and political roles. Some experiences in India and other countries proved such cooperatives to be effective (e.g., for waste collectors) in improving the conditions of their members.<sup>73</sup> Alliances can also be built with other CSOs, including unions that are more open to this in light of ILO encouragement. Recently, unions have been losing members due to major changes in the labor market. Enhancing their activities to the informal sector can be mutually beneficial, especially since organizations specialized in informal workers lack financial abilities and political weight. Finally, researchers, intellectuals and politicians should study more the conditions of informal workers and highlight their causes.

### 5- Informal Work in Arab Countries

Informal employment has not grabbed enough attention in Arab countries. Meetings of the Arab Summit for Economic and Social Development overlooked this subject, instead tackling it indirectly through the concepts of labor, unemployment and studies of slums.<sup>74</sup> Also, in its conferences, strategies<sup>75</sup> and recommendations, the Arab Labor Organization (ALO) saw in informality nothing more than “parasitic revenues” that must be curtailed, while productivity and labor market flexibility should be enhanced, self-employment programs introduced to increase jobs and small and micro industries encouraged. However, ALO participation in ILO activities and conferences developed its awareness of informal

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<sup>72</sup> M. Chen: The business environment and the informal economy: creating conditions for poverty reduction; draft paper for Committee of donor agencies for Small Enterprise Development Conference on Reforming Business Environment, Cairo, 2005; quoted in Vainio, 2012, op. cit.

<sup>73</sup> P. Chikarmane & L. Narayan: Organizing the Unorganized: A case study of the Kagad Kach Patra Kashtakari Panchayat; WIEGO, 2005. M. Medina: Waste Picker Cooperatives in Developing Countries; paper prepared for WIEGO/Cornell/SEWA Conference on membership based organizations of the poor, Ahmedabad, 2005.

<sup>74</sup> The Arab Network for Environment and Development (RAED) proposed to the summit a project to deal with slums and their conditions and prospects. <http://arabeconomicsummit.org/Projects/aProjectListing.aspx%3FID%3D5>

<sup>75</sup> The Arab Strategy for Developing Labor Forces and Employment, Arab Labor Conference, March 2003.



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employment issues.<sup>76</sup> Recent guidelines and recommendations<sup>77</sup> specifically increased ALO's interest in these matters.

This disinterest, even a confusion of concepts, is seen in most Arab CSOs. Some even call for "international restraints to curtail the spread of slums and non-urban pockets in major Arab cities."<sup>78</sup>

On the other hand, the UN Economic and Social Commission for Western Asia (ESCWA)<sup>79</sup> showed more interest in the subject. It noted that "the informal sector remains large in some member countries"<sup>80</sup> because the formal sector is incapable of creating enough jobs. It also noted that "labor legislation is extremely rigid on paper... but highly flexible in practice due to poor enforcement and the prevalence of informal employment." It got involved by developing a regional database on decent work, but its efforts remained humble.

### International Research about Informal Work

Major Arab research institutions have not paid attention to informal economy and employment up until recently, following the Arab Spring. Hence, the Economic Research Forum (ERF), which covers Arab countries, Turkey and Iran, and is the best financed research institution in the region, held a workshop in 2014 on informal economics<sup>81</sup> with a special focus on Egypt. However, most research at the workshop espoused a market-based approach. Some said informal employment in Egypt is a consequence not of poverty but of personal choice,<sup>82</sup> adding that the problem lies in bureaucracy and red tape, while the solution should stem from liberalizing frameworks and laws, improving the investment environment and pushing small firms to formalization.<sup>83</sup> Others argued that due to their flexibility, informal labor markets helped liberalize markets, urging policies not to speed up formality in order to keep economic liberalization costs low.<sup>84</sup>

Accordingly, most neoliberal research of such nature is in line with the market-based approach and relies on the work of De Soto, whose work and advices to governments relied on Egyptian cases. Said research did not take into much consideration other recent research in social science and urban planning, which attributed informal employment to its main reason: accelerating migration from rural to urban areas.

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<sup>76</sup> A report on the outcomes of the 104th International Labor Conference, ALO, June 2015. <http://www.alolabor.org/>

<sup>77</sup> A recommendation to switch from informal to formal economy and a decision on efforts to facilitate this switch, the 104th International Labor Conference, June 2015. <http://www.alolabor.org/>

<sup>78</sup> Recommendations of the Seventh International Conference on Development and Environment in the Arab World, March 25, 2014; <http://diae.net/14530>.

<sup>79</sup> ESCWA; its operations include Arab states in North Africa.

<sup>80</sup> Economic Policy in the ESCWA region and its impact on employment; ESCWA report E/ESCWA/SDD/2012/12.

<sup>81</sup> <http://erfblog.org/2014/09/01/the-economics-of-informality-in-the-mena-region/>

<sup>82</sup> Hanan Nazier & Racha Ramadan: Informality and poverty A Causality dilemma with application to Egypt. ERF paper draft 2014.

<sup>83</sup> Hala Abou-Ali & Reham Rizk: MSEs informality and productivity: Evidence from Egypt; ERF paper draft 2014.

<sup>84</sup> Abeer ElShennawy & Dirk Willenbockel: Trade liberalization and the costs and benefits of informality. An in temporal general equilibrium model for Egypt; ERF paper draft 2014.



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Hence, Ahmed M. Soliman noted in 2003 that “more than 20 million Egyptians live now in homes lacking minimum health and safety standards.”<sup>85</sup> (52.7% of all homes in Greater Cairo). He also said that formality and its lack thereof in economy and urban expansion are related; the growth of slums has sped up since economic openness was launched in the early 1970s (the government backed real estate projects to increase their profitability and facilitate their privatization). The foundations of this problem lie in political economy and the approaches of elites, especially in terms of their exploitation of real estate revenues, turning agricultural areas into urban areas. In 1989, former Egyptian Prime Minister Atef Sedky described slums as a “cancer,” although a noticeable portion of middle classes had moved into them. Active policies to structure housing were implemented only after terrorism spread in Egypt in the early 1990s. Soliman noted that the construction of large mosques amidst slums and their exploitation by Islamic movements curbed any policies that could undermine the excessive growth of slums.

Spanish unions and the Euro-Med Trade Union Forum launched a project to study “employment and labor laws” in eight Arab Mediterranean states.<sup>86</sup> The study focused on informal employment and tied it to migration inside and among these states. The study showed that the most concerned countries witnessed a youth boom, over 20 years after the baby boom, while economic growth only created a small number of formal jobs vis-à-vis a large number of newcomers to the labor market. The youth boom turned into a “youth tsunami” because it came alongside increasing migration from rural to urban areas under the pressure of structural changes in the agricultural sector. For this reason in particular, the informal work phenomenon is related to the haphazard growth of small and medium cities and the suburbs of large cities. In Syria,<sup>87</sup> newcomers to the labor market in the early Third Millennium (2000-2008) averaged at 300,000 annually. The annual increase reached almost +6% (the number was, in fact, 350,000 if Palestinian refugees were counted in, not to mention Iraqi refugees during the middle of the same period. On average, only 36,000 new jobs were created annually: an increase of 65,000 jobs for men and a decrease of 29,000 for women). Hence, many agricultural jobs were lost during the same period, especially for women. **These jobs were not made up for well enough by the rate of job creation in urban areas (?).** Therefore, 80% of urban employment outside the governmental sector became informal.

This report highlighted that non-Gulf Arab states witnessed sudden, large-scale immigration waves (refugees from Palestine, Iraq, Libya and then Syria, not to mention the waves of Egyptian immigrant labor), which sped up the rate of informality.

### The World Bank’s Report on Informal Economy and Work in Arab Countries

<sup>85</sup> Ahmed M. Soliman: Tilting at sphinxes: Locating urban Informality in Egyptian cities; in Ananya Roy & Nezar Alsayyad (eds.): Urban informality, 2003, op. cit.

<sup>86</sup> These are Morocco, Algeria, Egypt, Tunisia, Jordan, Palestine, Lebanon and Syria. Samir Aita (coordinator of the comparative study): Employment and Work Rights in Mediterranean Arab States vis-à-vis the Euro-Med Partnership, 2008. [http://www.pazysolidaridad.ccoo.es/comunes/recursos/99891/doc220526\\_Empleo\\_y\\_Derecho\\_del\\_Trabajo\\_en\\_los\\_paises\\_arabes\\_mediterraneos\\_y\\_el\\_partenariado\\_Euromediterraneo\\_Arabe.pdf](http://www.pazysolidaridad.ccoo.es/comunes/recursos/99891/doc220526_Empleo_y_Derecho_del_Trabajo_en_los_paises_arabes_mediterraneos_y_el_partenariado_Euromediterraneo_Arabe.pdf) Also: Samir AITA: Les travailleurs arabes hors-la-loi, éd. L’Harmattan, 2011.

<sup>87</sup> Samir Aita: Labor market policies and institutions with focus on inclusion, equal opportunity and the informal economy; Syrian Country Study; Study for the ILO, 2009. It is noteworthy that the ILO refrained from publishing this report.

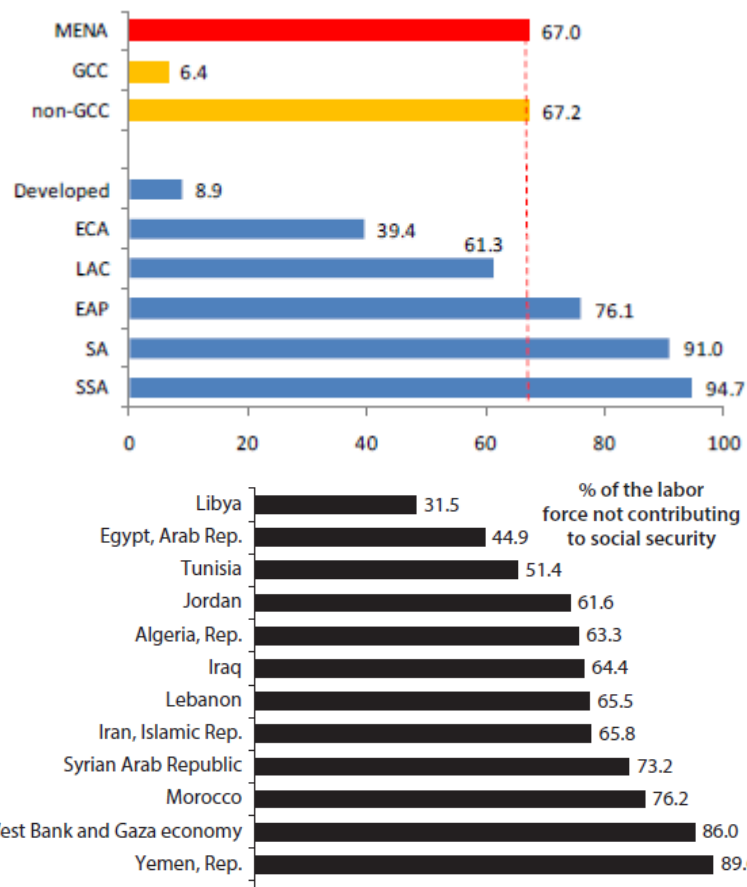


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All these developments pushed the World Bank to prepare a large report on informal economy and work in the Middle East and North Africa,<sup>88</sup> which was published in 2014 in the context of Arab Spring-related repercussions. The report said the region had both the lowest employment rates and the highest unemployment rates in the world. It added that one third of GDP produced in each country comes on average from the informal sector, while 65% of workers assume informal jobs. It attributed this to the 2008 world economic crisis, which lowered the share of employment by the governmental sector, demographic growth, but also the fact that economic growth could not cope with the waves of newcomers to the labor market. However, the report does not link the increase in informality to migration from the agricultural sector.

In its most important findings and comparisons, the report relies on measuring informality with an indicator it called “the share of labor force without contributions to social security.” (Figures 5 and 6):



Figures 5 and 6: The Share of Labor Force without Contributions to Social Security

GCC: Gulf States; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; EAP: East Asia and the Pacific; SA: South America; SSA: Sub-Saharan Africa.

It notes that informal employment does not have the same characteristics in Gulf States and other Arab states. It notes differences among states with intensive human resources

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Roberta Gatti, Diego F. Angel-Urdonlina, Joana Silva & Andras Bodor: Striving for Better Jobs: The challenge of informality in the Middle East and North Africa; World Bank Group, 2014.

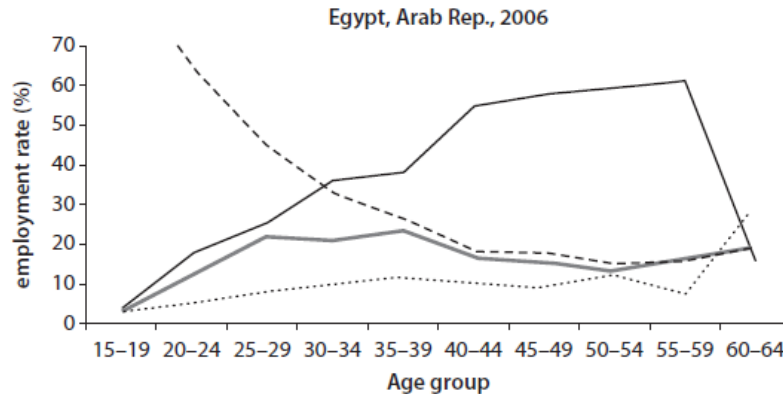




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according to the importance of natural resources. However, it does not say that informal labor, and most of the labor force in Gulf States, involves Arabs or foreigners<sup>89</sup>, who are non-citizens, and that the issue of formality is tied to the right to reside in Gulf States, while workers do not gain stable rights and even face blatant violations.<sup>90</sup> In the other Arab countries, informal employment involves citizens; there are some special cases, such as Lebanon, where Palestinian refugees and Syrian seasonal workers (before the current war broke out in Syria) occupy much of informal employment. The same applies to Syria and Jordan, where Iraqi refugees poured in to escape the sectarian war at home, and to Syria's neighbors, where Syrian refugees poured in following the beginning of the civil war. Some statistics in the report show the more detailed characteristics of informal work in some Arab countries. For example, in Egypt, informal employment involves young people in the informal sector more than self-employment, because the employment of young people in the public sector decreased. Self-employment is more important in countries such as Morocco where a sizable public sector never existed (Figures 7 and 8). The report also highlights the fact that informal work involves large sectors in some countries, including middle and rich classes and people with good education. On the other hand, employment's ties to gender are complicated. According to the report, Arab countries have the lowest contribution of women to labor forces (the reasons are not discussed), and the rate of women's informal employment is weak because most working women choose the public/governmental sector instead to safeguard their rights.



<sup>89</sup>

<http://blog.lmra.bh/ar/2015/06/28/%D9%87%D9%8A%D8%A6%D8%A9-%D8%AA%D9%86%D8%B8%D9%8A%D9%85-%D8%B3%D9%88%D9%82-%D8%A7%D9%84%D8%B9%D9%85%D9%84-%D8%AA%D8%AF%D8%B4%D9%86-%D8%AD%D9%85%D9%84%D8%A9-%D9%84%D8%AA%D8%B5%D8%AD%D9%8A%D8%AD-%D8%A3/http://alhayat.com/Articles/9046419/%D8%AA%D8%B5%D8%AD%D9%8A%D8%AD-%D8%A3%D9%88%D8%B6%D8%A7%D8%B9-%D8%A7%D9%84%D8%B9%D9%85%D8%A7%D9%84%D8%A9-%D8%A7%D9%84%D9%8A%D9%85%D9%86%D9%8A%D8%A9-%D8%BA%D9%8A%D8%B1-%D8%A7%D9%84%D9%86%D8%B8%D8%A7%D9%85%D9%8A%D8%A9---%D8%A7%D9%84%D8%A3%D8%AD%D8%AF>

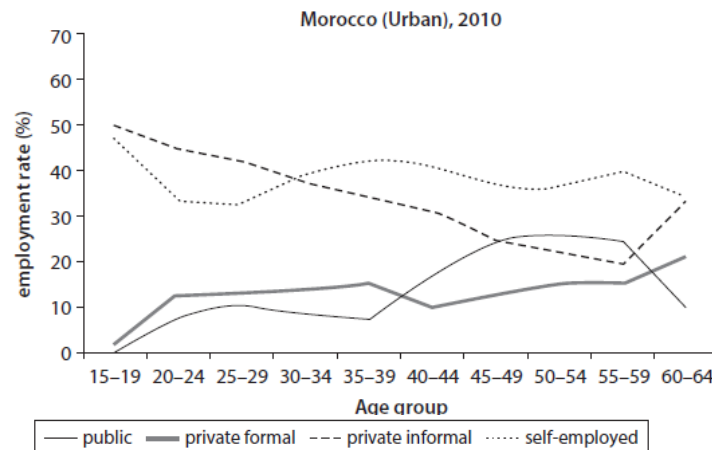
<sup>90</sup>

Promising little, delivering less: Qatar and migrant labor abuse ahead of the 2022 football world cup; Amnesty international, May 2015.



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Figures 7 and 8- Employment by Sector in Egypt and Morocco

Regarding firms, the report says that the Middle East and North Africa have the highest rate of firms operating informally in the world and for a longer time compared to other regions. (Figure 9) This is attributed to traditional reasons highlighted by the market-based approach without discussing the pressures exerted by the quick growth of the labor force in urban areas<sup>91</sup> and the consequences of structural reform.

The report asks if informal employment is a choice or exclusion; it leans towards exclusion without rendering it explicit. However, it clarifies that there is a problem in labor markets, which remain fragmented to this day.

Towards the end, the report produces policy recommendations on five levels:

1. Developing Reforms to Enhance Competition: Including, from within the market-based approach, facilitating the registration of informal companies through liberalization policies and the easing of rules and laws.
2. Re-regulating Incentives in the Public Sector: Decreasing the rights of workers (especially women), also as part of the market-based approach and liberalization policies. Despite the report's confirmation (see Figures 7 and 8) that the governmental sector stopped hiring young people, it says the proposed decrease of incentives involves older people who "receive generous social security"<sup>92</sup> but does not elaborate on the nature of the so-called generosity.

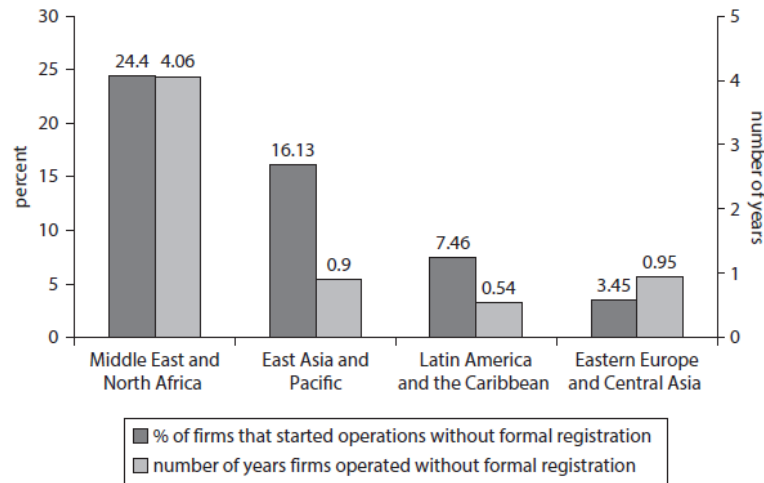
<sup>91</sup> It can reach 8% annually, which is hard to accommodate; see: Samir Aita: Labor market policies (Syria), 2009, op. cit.

<sup>92</sup> Some studies say that save for the protection of basic rights, such as the right to maternity leave in the public sector, the benefits of social security decrease with the privatization of the healthcare sector and inflation. See: Samir Aita: Labor market policies (Syria), 2009, op. cit.



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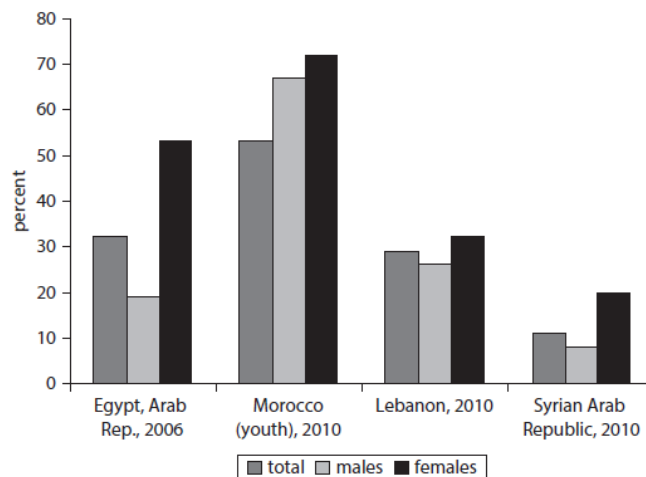
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Source: World Development Indicators Dataset.

Figure 9- Unregistered firms according to Region

As a percentage of companies that start without registration and as a number of years of operation without registration



Sources: Angel-Urdinola and Tanabe 2010; Alloush and others 2011.

Figure 10- Estimating the Relative Reward upon Formalizing Workers in Egypt, Morocco, Lebanon and Syria

3. Shifting to Labor Laws Supportive of Labor Mobility and of Workers in Transitional Periods (towards formal work): Examples are laws on workers' lay-offs (without noting that in many Arab countries, formal workers are forced to sign a prior resignation, while this arbitrary measure cannot be fended off in courts or through unions). Another example is the minimum wage, whose abolishment is recommended. The report does not discuss the level of the minimum wage vis-à-vis the development of the cost of living or the extent of enforcement of the minimum wage. Regarding all aspects of this liberalization, the report calls for social dialogue among the government, employers and unions but does not discuss the conditions of unions in most Arab countries and the extent of their involvement in informal work issues.
4. Increasing the Productivity of Informal Workers through Training and Habilitation



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5. Reforming Social Security Systems and Creating New Mechanisms to Expand Coverage: The report proposes for this rights-related recommendation, systems of savings instead of social redistribution, which is necessary since most Arab countries will be made up primarily of youths in a few decades. The report attributes non-enrollment in social security to “myopia” in choice and a lack of knowledge of available options without it estimating the costs and benefits.

Hence, the report is a key contribution to the documentation of informal employment and sector in Arab countries. However, it avoids Gulf States and ignores in the other Arab states key systematic and rights issues related to the causes of the accelerating growth of informal employment.

### WIEGO’s Estimates of Informal Employment

The ILO and WIEGO created statistical cooperation in the beginning of the Third Millennium to measure the size of informal work as part of efforts to establish typical foundations for this measurement. This cooperation continued after the foundations were established. In 2014, the first accurate international statistical report was produced.<sup>93</sup>

The report came out with stunning findings about the 2004-2010 period, during which informal employment included more than half of non-agricultural jobs in developing countries<sup>94</sup>: 82% in South Asia, especially 84% in India; 66% in sub-Saharan Africa, especially 82% in Mali; 65% in East and Southeast Asia, especially 73% in Indonesia; 51% in Latin America, especially 75% in Bolivia; and only 10% in Eastern Europe and Central Asia, with 16% in Moldova. In the Middle East and North Africa,<sup>95</sup> informal employment was estimated at 45%, especially 57% in the West Bank and Gaza. (Figure 11)

	Employment population ratio			Agricultural employment as a % of total employment			Informal employment as a % of non-agricultural employment		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Latin America and the Caribbean	48	75	61	11	22	18	54	48	51
Sub-Saharan Africa	55	74	65	59	55	57	74	61	66
Middle East and North Africa	22	67	45	37	22	26	35	47	45
Eastern Europe and Central Asia	49	61	55	16	18	17	7	13	10
South Asia	34	78	57	72	47	54	83	82	82
East and Southeast Asia (excluding China)	53	78	65	40	42	41	64	65	65
China *	67	75	71	...	...	...	36	30	33

\* Estimates for urban China based on six cities: Fuzhou, Guangzhou, Shanghai, Shenyang, Wuhan, and Xi-an

Figure 11- Participation in the Labor Market, Agricultural Work and Informal Non-Agricultural Work 2004-2010

<sup>93</sup> John Vanek, Martha Alter Chen, François Carré, James Heintz & Ralf Hussmanns: Statistics on the informal economy: definitions, regional estimates & challenges; WIEGO Working paper no 2, April 2014.

<sup>94</sup> See also: Women and men in the Informal Sector: A statistical picture; ILO & WIEGO, 2nd edition, 2013.

<sup>95</sup> The statistics included Algeria, Egypt, Iran, Iraq, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia, Turkey and the West Bank and Gaza.



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The apparently low percentage of informal work in the Middle East and North Africa is tied to low economic participation (the labor force as a percentage of the population); it is especially low for women - the lowest in the world, at only 22%. This means men and especially women are far from involvement in any sort of employment outside the governmental sector. The percentage of workers in the public/governmental sector is large in these countries, compared to other world regions. Analyzing the development of informal work is impossible without tying it to the development of employment in the public sector. The WIEGO report also notes that the percentage of agricultural workers decreased, reflecting accelerating migration from rural to urban areas.

The report highlighted that in most developing countries, informal work in the informal sector is higher than in the formal one. Informal work there involves men more than women. The opportunities of women in informal work in the formal sector are generally higher. Informal employment is split equally between self-employment and wage work. However, women's opportunities in self-employment are larger. Generally, informal work is a larger source of work for women than for men in most regions (except the Middle East and North Africa).

In addition to the aforementioned findings, the report highlights major loopholes in labor force statistics, especially in the Middle East and North Africa, where many partial indicators of informal employment were not monitored. The report recommended:

- Institutionalizing the collection, tabulation, dissemination and use of data on informal employment and the informal sector.
- Improving statistical concepts and methods.
- Making data available, encouraging data analysis and disseminating analyzed data.

Efforts made by WIEGO and the ILO in this report on Arab countries are important but remain humble. The reason is weak involvement by Arab CSOs and researchers in the activities of WIEGO and similar organizations and research institutions dealing with the rights-based approach and refuting the arguments and recommendations of the market-based approach. This is especially important because the second approach ended in the region with the beginning of the Arab Spring, whose repercussions will remain felt for decades.

### A Return to SDGs

When the SDGs were endorsed in the fall of 2015, the concept of “nexus” arose in the search for a means to analyze facts and work on achieving interrelated long-term goals. The “water-energy-food security” nexus<sup>96</sup> arose and became a central part of the work of CSOs, research centers and other organizations, including the UN General Assembly.

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<sup>96</sup> Alessandro Flammini, Manas Puri, Lucie Pluschke, Olivier Dubois: Walking the Walking the Nexus Talk: Assessing the Water-Energy-Food Nexus in the Context of the Sustainable Energy for All Initiative; FAO, 2014. Hoff, H.: Understanding the Nexus. Background Paper for the Bonn 2011 Conference: The Water, Energy and Food Security Nexus. Stockholm Environment Institute, Stockholm, 2011.



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However, the conditions of Arab countries and the major growth of informal work in the region, together with the complexity of solutions in light of political, social and economic chaos during the Arab Spring, make it necessary to propose a new nexus to frame analyses and policies. It should be an “employment-decentralization-regional and urban planning” nexus.<sup>97</sup> Such a framing of research would link informality in employment to urban growth and necessary infrastructure and would find ways for policies allowing, on the local level, to overcome the size of informality’s problematic as seen in Arab countries.

### 6- Primary Conclusions and Recommendations

To conclude, informal employment has become a key characteristic of the development of Arab societies, economies and political atmosphere in recent decades. This characteristic and its reasons and solutions were ignored until the suicide of Bouazizi in Tunisia - the man was a symbol for informal workers -, which ignited the Arab Spring. The dilemma of informality has become bigger and wider today in light of the deteriorating economic and development indicators in many Arab countries after the Arab Spring and the major weakening of the state as an institution. Hence, the living conditions of workers in particular and people in general deteriorated largely. In fact, many admit that the repercussions of the Arab Spring will not come to an end unless millions of young Arabs in the streets find their way to decent jobs. Some of them carry weapons and adhere to pre-state or extremist ideologies and informal economies.

Hence, CSOs must prioritize the issue of informal employment and make it the subject of organized statistics, research and struggle efforts contributing to a new stabilization of Arab societies according to concepts of dignity, rights and freedoms. Such efforts must focus on the following subjects:

- Institutionalizing, collecting, organizing and publishing data and research on informal employment and economy in Arab countries and their characteristics.
- Working with unions and CSOs to give informal workers a strong social and political voice in defending their rights.
- Working on the establishment of cooperatives for informal workers and institutionalizing this framework within civil organizations and local administrations.
- Creating a special research group in Arab countries that is linked to CSOs and specialized in analyzing the data and conditions of informal work. It should have effective contributions in cooperation with WIEGO.

Research should include:

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<sup>97</sup> Post-Arab Spring: Sustainable development *via* a nexus approach, ID4D, Ideas for development, to appear, autumn 2015.





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- Studying economic ties between the formal and informal sectors and clarifying how informal workers are being exploited in each country in the context of globalization.
- Analyzing the economic, social and political costs of unemployment informality and creating social and political awareness of the hindrances cause by informality to human development.
- Studying the ties between the development of informal employment and the large waves of immigration to Arab countries.
- Studying the needs of informal employment and how infrastructure and social security can be provided for it.
- Studying labor market institutions and means for their development in order to create a true framework for the labor market and develop means for switching into formality.
- Studying relations between informal employment and informal urbanization in the context of accelerating migration from rural to urban areas, and proposing policies linking urban and regional development to the protection of the rights and working conditions of informal people. Studying ties between slums and the development of extremist movements, especially those tied to political Islam.

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