Middle East and North Africa

No. 5. -- February 1993

Labor Markets in The Middle East and North Africa

by

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The London School of Economics

Discussion Paper Series

Document de Travail

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February, 1993
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Abstract

This paper discusses the problems that have confronted the labor markets of countries in the Middle East and North Africa region, drawing from the experience of Egypt, Jordan, Morocco and Algeria. The main purpose of the discussion is to identify the areas of data needs and to suggest ways to tackle them.

Countries in this region are characterized by fast population growth, low female labor-force participation rates, a large but declining agricultural sector and a large public sector. The entire region benefited from the 1970s oil boom, which came to an abrupt end in 1982. Since then output and productivity growth stagnated, real wages fell and unemployment became a serious problem, especially for young workers. The end of the oil boom necessitated a structural change in industry and a running down of the public sector, which mainly financed itself from oil and oil-related revenues. This restructuring does not appear to have taken place.

The paper argues that more information is needed on the kind of activities pursued in the private small-enterprise sector, which is largely informal, in order to ascertain whether there is a sufficiently large base there for future growth. It also discusses the kind of studies that might shed light on the nature of the unemployment problem, such as studies at the individual and family level.
Résumé


Les pays de la région se caractérisent par la rapidité de leur croissance démographique, la faiblesse du taux de participation des femmes à l'activité économique, la taille importante mais décroissante du secteur agricole et l'importance du secteur public. Toute la région a profité du boom pétrolier des années 70, mais, depuis qu'il a brusquement pris fin en 1982, la croissance de la production et de la productivité stagnent, les salaires réels sont en baisse et le chômage pose un grave problème, surtout pour les jeunes. La fin du boom pétrolier requérait une restructuration industrielle et une contraction du secteur public dont le financement provenait avant tout des recettes pétrolières et connexes. Cette restructuration ne semble pas avoir eu lieu.

Selon l'étude, il faut obtenir des renseignements supplémentaires sur les activités du secteur — avant tout informel — des petites entreprises privées pour déterminer s'il y existe une base suffisante pour la croissance future. Elle examine aussi le type d'études, au niveau de l'individu et des ménages, qui pourraient jeter plus de lumière sur la nature du problème du chômage.
خلاصة

تبحث هذه الدراسة المشكلات التي تواجه أسواق العمل في منطقة الشرق الأوسط وشمال أفريقيا، وتستند إلى التجربة المكتسبة في كل من مصر والأردن والمغرب والجزائر. ويتمثل الهدف الرئيسي للدراسة في تقديم المجالات التي تحتاج إلى معلومات وبيانات واقتراح أساليب لتنفيذها تتميز دول هذه المنطقة بسرعة نمو سكانها، وانخفاض معدلات اشراك المرأة في قوة العمل، وكسر حجم قطاع الزراعة الأكاديمية في التدروم، وكسر حجم القطاع العام. وقد استفادت كافة دول المنطقة من الطرفة التي طرأت على أسعار البترول في السبعينات والتي انتهت عام 1982، ومنذ ذلك الحين، أصبحت الواردات والانتاجية بالرغم وحيض الأجر الخفيف، وأصبحت البطالة مشكلة خطيرة، وبمجرد خاصة بالنسبة للشباب، وأوجه نهاية طفوة أسعار البترول تغيرات هيكليّة في الصناعة وتغيير القطاع العام الذي يمثل ذاتيا بصورة رئيسية من عائدات البترول ومشتقاته، غير أنه لا يبدو أن هذه التغييرات الهيكليّة قد تتم.

ترى الدراسة أن هناك حاجة لتحقيق المزيد من المعلومات عن أنواع الأنشطة التي يقوم بها قطاع المؤسسات الصغرى الخاصة، وهو قطاع غير رسمي إلى حد كبير، وذلك بهدف التحقق من وجود قاعدة كبيرة بما يكفي لتحقيق النمو في المستقبل. كما تتناول أنواع الدراسات التي يمكن أن تلقى ضوءا على طبيعة مشكلة البطالة كحال دراسات المتعلقة بالأفراد والآخرين.
Labor Markets in the Middle East and North Africa

The aim of this paper is to identify the key mechanisms that govern the operation of labor markets in selected countries of the Middle East and North Africa. The discussion focuses on Egypt, Algeria, Morocco and Jordan. Although the available information on those countries’ labor markets is briefly reviewed, the paper’s primary objective is to explain how their labor markets work to absorb new entrants into the labor force, how they have reacted to the shocks of the 1980s and what needs to be learned from future surveys and other statistical sources in order to better understand their workings.

There are several papers that review the existing evidence and can provide a more detailed background for this study than can be offered here. Particularly useful is the study by Amerah (1990), which reviews the labor market evidence in the four countries under study (as well as in North Yemen and Tunisia) and the paper by Stephenson and Adams (1992), which reviews youth unemployment in the same countries. Other papers devoted to single countries or single issues are referred to later in the text.

The economic fortunes of the Middle East and North Africa are closely tied to the international market for oil. When oil prices are high, government revenues and private-sector incomes are high, either because the country is an oil producer or because it benefits from generous spillovers from the oil producers, such as cash allowances, remittances, high demand for imports and high demand for immigrant labor. When the oil market is in recession, government debt accumulates, and both government and private industry cut down on recruiting.

The decade that followed the first oil price shock of 1973 saw large flows of funds into the countries of this area. At a time when the industrialized world was coming to terms with expensive energy sources, and running massive balance of payments deficits, the countries of the Middle East and North Africa were growing fast, new labor-force entrants were quickly absorbed into jobs, education standards were rising and unemployment was virtually non-existent. When the price of oil fell sharply in real terms after 1982, recession ensued. Economic growth declined, new labor could not be absorbed at existing wages, and consequently per capita incomes declined and unemployment increased. The key policy questions are, what features of the labor markets of these countries were behind the rather rigid response to the negative shocks of the 1980s, how could labor markets be made more flexible to cope with adverse economic conditions and why are labor markets still depressed, ten years after the turnaround in the market for oil?

To answer these questions one needs data on both the operation of labor markets and on the policy environment. This paper concentrates on the kinds of data needed to improve our understanding of the operation of labor markets, paying less attention to the details of labor-market policy in each country.

The discussion is organized under three broad headings: the demand for labor, the supply of labor and wage determination. Wage determination is a largely neglected issue in much of the discussion of the operation of labor markets in this area. The behavior of wages is,
however, an important influence on labor market flexibility and a policy package that frees wages from artificial constraints can have larger long-term benefits than a similar package that is designed to increase the demand for labor under existing arrangements.

The paper is organized as follows. In section 1 some background statistical information is given under each one of the three headings. Sections 2-5 look at the labor markets of the four countries in turn, starting with Egypt and continuing with Jordan, Morocco and Algeria. The striking fact that emerges from this discussion is the extent of our ignorance. The paper puts forward various hypotheses on the workings of the labor markets under study, on the basis of the rather limited data available, which may or may not survive more detailed scrutiny. In a concluding section, the arguments earlier advanced are brought together and various suggestions are made about future needs and priorities.

1. The Setting

The Demand for Labor

There are several ways in which the organization of production in an economy can be classified, depending on the dimension that one chooses to work with. Three dimensions of particular relevance to the economies of the Middle East and North Africa are the sector of employment, the type of ownership and the "formality" of employment, that is, whether or not it conforms to all legal and union rules. It is necessary to refer to all three dimensions for a full understanding of the labor markets of the countries under study. I work here with a classification that combines sector and ownership: it firstly divides employment into agricultural and non-agricultural and subsequently sub-divides non-agricultural employment according to ownership, into the public sector and the private sector. This three-sector classification is suggested by the method of wage determination, which differs across sectors but is broadly similar within sectors.

The public sector consists of public administration and public enterprises (government-controlled production of goods and services). Examples of public enterprises are large mining concerns, the Suez canal in Egypt, transport etc. For as long as wages in such enterprises are set using the same criteria as the ones used to set wages in public administration, public enterprises and public administration are usefully grouped into one category, the public sector. Such has been the practice in the countries of the Middle East and North Africa, at least until recently. If, however, public enterprises are given total autonomy in the setting of wages and recruitment, with incentives similar to those that govern private employment, public enterprises are more usefully grouped together with the non-agricultural private sector. Recently, there has been a move to free public enterprises from state control in Algeria but it is believed that the operation of the public enterprises has not yet changed significantly.
Employment in the public sector is subject to strict rules that often bear little relation to economic efficiency. In contrast, privately-owned non-agricultural production is mainly in the hands of small units that operate in the informal sector, though some large registered companies are also found. Businesses in the informal sector often have no employees other than unpaid family members. (Usually, because of the difficulties inherent in measuring the size of the informal sector, all businesses with fewer than ten employees are classified as "informal").

Production units in agriculture are also largely privately-owned and informal. About half or more of agricultural employment in all the countries under study is self-employment in small family units. Most of the rest is casual and seasonal employment.

A distinguishing feature of three of the four economies under study, the exception being Morocco, is a large public sector. The largest public sector is in Algeria, accounting for 59 percent of employment, followed by Jordan at 47 percent, Egypt at 35 percent and Morocco at 8 (Amerah, 1990, Table 7; inexplicably, Amerah reports Morocco’s public sector share as 45 percent of formal employment. I used his labor force estimates to arrive at the overall share of 8 percent). The share of public administration in total public sector employment is 45 percent in Algeria (Labor Force Survey, 1989, reported in World Bank, 1992), 50 percent in Egypt (Fergany, 1991; it should be pointed out that there are some inconsistencies between the Egyptian data reported by Amerah and that reported by Fergany, so the exact figures may not be accurate), 36 percent in Jordan (Birks, Holt and Sinclair, 1990) and 79 percent in Morocco (World Bank estimates).

The share of agriculture in employment has been declining in all the countries under study. In Jordan in 1988 agriculture employed only 8 percent of the labor force (Birks, Holt and Sinclair, 1990) but its share was much higher in the other countries: Egypt 38 percent (1986, calculated by Fergany, 1991), Algeria 18 percent (Labor Force Survey, 1989; Amerah, Table 2 reports 31 percent) and Morocco 53 percent (1986, calculated from the statistical tables in Montoliu, 1989; Amerah, Table 2, report ‘6 percent).

Employment in the private non-agricultural sector accounts for the remainder share, 47 percent in Jordan, 39 percent in Morocco, 27 percent in Egypt and 22 percent in Algeria. Unemployment in 1986 amounted to 12 percent in Egypt and Jordan, 20 percent in Algeria and 8 percent in Morocco. Since 1986, unemployment has increased further.

Supply of Labor

The supply of labor is determined by three factors, population growth, participation rates and migration. The rate of population growth is high in the countries of this region with consequent high ratio of young to old workers. Thus, the number of new entrants that needs to be absorbed each year is large, when compared to the number in industrialized countries. Egypt is the largest of the countries under study here, with a population in 1990 of about 53
million (population estimates for all countries are contained in Amerah, 1990). The rate of growth of its population in the first half of the 1960s was 2.8 percent per annum but, as in the other countries, is expected to fall by about one point in the 1990s. Algeria's and Morocco's population was approximately 25 million in each, but with a growth rate of 3.5 percent in Algeria and 1.9 percent in Morocco. Jordan, with a population of 3.6 million in 1990, had the highest growth rate, about 3.9 percent per annum.

Female participation rates are still very low but rising, so the rate of growth of the labor force is likely to exceed the rate of population growth in the near future. Especially fast in recent years, in particular during the boom years up to the first half of the 1980s when the public sector expanded fast, has been the growth in the supply of highly-educated women, whose preferred employment destination is usually public service. Whether the recent depressed state of the labor markets will speed up or delay the entry of women into the labor force remains to be seen. On the one hand, high unemployment rates discourage entry because of the high chance of a long duration of unemployment but on the other the fall in real earnings and rise in male unemployment is likely to encourage more women to look for work to boost family incomes. Evidence on this issue (the "discouraged" versus the "added" worker effects) is lacking.

In Egypt and Algeria, male participation rates are close to 90 percent at ages 20-60 but female participation rates barely exceed 10 percent. A feature of the age distribution of participation in Egypt is that whereas male participation rates rise with age, starting with 70 percent at ages in the early 20s and finishing with 100 percent in the late 50s, female participation rates fall with age, starting at 15 percent in the early 20s and finishing below 10 percent in the late 50s (Fergany, 1991). In Morocco, male participation rates at ages 24-59 are 95 percent and female participation rates 53 percent (calculated from Montoliv, 1989, Tables II.4, II.5, II.7, II.9). The participation rates for Morocco may, however, exaggerate true activity rates as they are based on time-use surveys which give an extraordinarily high participation rate for women in rural areas, about 60 percent, and also include broadly defined unemployed people (it is not clear from the sources for the other countries if they also include the unemployed).

There is a lot of migration between the countries of this region, facilitated by the similarity of culture and language, but also between the countries of the region and Europe. Migration from Egypt is mainly to the Gulf states and Jordan, from Jordan to the Gulf and from Morocco and Algeria almost exclusively to Europe but also some to North America. In the recent past migration has taken place largely in response to conditions in receiving countries. It has been influenced by economic events, such as the oil boom in the Gulf, and by political events, such as the Iran/Iraq war and the Gulf war. Despite its importance for the labor markets of the area, however, precise estimates of migration flows and of the stocks of foreign workers working in host countries are lacking (see also Shafik, 1992).
Up to the Gulf war about half of Jordan’s entire labor force worked in the Gulf and a similar number of foreign workers worked in Jordan. The workers received were of lower skill than those emigrating. Migrants in Jordan worked mainly in construction and low-skill service jobs, whereas the ones leaving the country were mainly in highly-trained service occupations (teaching and the professions). The other three countries have been almost exclusively donor countries. In the mid 1980s the number of Egyptians working abroad, mainly in Iraq, Saudi Arabia and other Gulf states, was about 1.5 million, or about 10 percent of the Egyptian labor force (Fergany, 1991). Most of these immigrants came from agriculture and construction and on average were more skilled than those left behind. In the late 1980s many Egyptians returned home, partly in response to the Iran/Iraq war and partly because of the slowdown in economic activity in the Gulf.

In contrast to Jordan and Egypt, and also the other Arab countries of the Middle East, migration from Algeria and Morocco has always been almost exclusively to Europe, especially France, where more than 90 percent of Algeria’s migrants go. In the mid 1980s the number of Algerians and Moroccans in Europe amounted to about 800,000 from each country, or about 15 percent of their respective labor forces. As with the other countries, those migrating were of higher skill than those staying home.

Remittances by migrant labor in 1986 amounted to 20 percent of GDP in Jordan, 4.6 percent in Egypt, 8.6 percent in Morocco and only 1.3 percent in Algeria (Amerah, Table 15). Remittances have provided an important channel through which oil revenues were transferred across the Middle East and North Africa region, because of the high migration to the oil producing nations. They have been influenced by exchange controls, and recent moves to liberalize foreign exchanges should increase their importance, especially if the recipient countries experience a boom similar to that of the late 1970s.

Wages

The evidence on wage levels and method of wage determination is very limited. There is a lot of information on the wages of public sector employees but not on private sector workers in agriculture and industry and services. Nor is there information on earnings from self employment, much of which is in the informal sector.

Amerah (1990) reports that agricultural wages have been on the decline relative to urban wages, especially non-governmental ones. He claims that this has been the main force behind the observed internal migration, though that claim is not substantiated. The most dramatic wage declines were observed in Egypt, which enjoyed fast growth up to 1982, when real wages increased by as much as 11 percent per annum in agriculture and private activity, but has been depressed since 1982. Government wages declined dramatically after 1982 but so did private wages: some estimates put the average real wage rate in 1987 at 66 percent its 1982 level (Amerah, Table 6). But Assad and Commander (1989) report that the wage declined to only 80 percent its 1982 level. Agricultural wages held up better than industrial and government
wages and consequently the skill differential and urban/rural differential both narrowed. Public wages in Jordan also declined in real terms, though not by as much as in Egypt, but overall wages declined only slightly in real terms.

Wage information in Morocco is lacking, especially on trends. It is believed that urban industrial wages declined in recent years (Montoliu, 1989) but that they are still in excess of agricultural wages. One of the reasons for the decline in average wages, however, may be that there has been a structural change in the demand for labor in favor of low-skill labor, especially female, in new export-oriented industries such as clothing and footwear. Without a large public sector, most of the Moroccan labor force escapes official wage statistics. There is virtually no information on wages and earnings in the informal sector. Agricultural wages are low and a large section of agricultural labor force works in family units. Although there is a minimum wage in force for both urban and rural employment, it does not appear to be effective, either because it is below the market wage or because it is simply not observed. Non-observance is believed to be particularly prevalent for female labor.

Information on wages actually paid in Algeria is absent (World Bank, 1992). The only published information is on nominal salary grids for public employees which often bear little relation to actual wages.

2. Egypt

In Egypt, wages in agriculture are volatile and respond quickly to changes in economic conditions. Production is labor intensive and substitution between capital and labor and between hours of work and the number of people employed is easy. Agricultural employment, with its large self-employment and casual-employment components, fits the description of a competitive labor market. When demand is high because of a good crop, or because of a busy season, wages increase to attract more labor. When demand is low or supply high, for example because of job shortage in urban centres, wages drop to clear the market. Although rural-urban migration in Egypt is high, as it is in the other countries of this region, the geographical distribution of the population is such that the country does not fit the typical Harris-Todaro picture of a developing economy (Hansen, 1986). Inhabited Egypt is a small country and rural-urban migration often does not require moving from the village. Consequently, there is a large pool of labor which might at any time turn from urban jobs to seek employment in agriculture. Underemployment in bad times is a common feature of agricultural employment.

Agricultural employment seems to be the least preferred destination of new entrants, despite the large increases in wages observed in this sector. It is likely that the large wage increases in agriculture took place because agricultural employment is the least preferred destination. Agriculture in Egypt acts as a buffer, with changes in the supply of labor to it determined residually. When the demand for labor elsewhere is high, people leave agriculture
to work in the other sectors. When it is low, fewer of them leave, and some of those who had earlier left may return. Wages respond to accommodate such changes in labor supply.

During the boom years before 1982 both the urban demand for labor and demand from the Gulf states were increasing rapidly. Egyptian rural labor was attracted to the cities and the Gulf and wages in agriculture increased rapidly in the face of a diminishing supply of labor. From 1982 to 1985 the urban demand for labor dropped but demand from abroad, especially Jordan and Iraq, was still high. The workers who migrated were the more skilled rural employees, so wages in agriculture continued to increase but not at the same rate as before 1982. When demand from abroad also dropped after 1985, wages in agriculture declined.

Thus, the biggest shocks to Egyptian agriculture came from exogenous changes in the supply of labor. Wages took the brunt of adjustment. Even after 1985, when the demand for labor from outside agriculture dropped, unemployment in rural areas accounted for only about 10 percent of total unemployment, or about 4 percent of agricultural employment (calculated from the information in Handoussa, 1991). Overall unemployment, including that in agriculture, exceeded 12 percent in 1986 and reached 15 percent in 1989. Thus, the fact that agriculture did not absorb the unemployed after 1982 is not evidence of rigidity in agricultural wages. The reasons for the persistent unemployment of recent times have to be sought elsewhere.

Two such reasons can be offered, consistent with the co-existence of high recorded unemployment and market clearing in agriculture. Firstly, agricultural jobs, especially at times of high labor supply and low wages, are not attractive enough to the unemployed. This is supported by the fact that a high proportion of the unemployed in Egypt (75 percent in 1986-89) hold intermediate school diplomas or university degrees. The fact that the government guarantees employment to unemployed new entrants with school or university degree contributes to this kind of unemployment, by inducing at least some applicants to wait for a government job, rather than risk their place in the government queue by temporarily taking a job in agriculture or elsewhere.

Secondly, because of the government’s guarantee, some of those declaring themselves as unemployed may not actually be unemployed but work in the urban informal sector. If they made their involvement in the labor market formal, they would lose the government’s guarantee of a job. The fact that currently the waiting period for a government job is eight years long adds credence to this argument, because only applicants with large family incomes would have chosen to wait this long for a government job without any income earnings in the meantime. In any event, the current level of government salaries does not justify such a long waiting period, regardless of wealth and family income. The recorded unemployment figures for qualified new entrants might well be artificially high.

Regardless of whether the unemployment queue for government jobs is real or not, qualified workers still show a preference for jobs in the government sector, despite the recent large fall in government wages. Although recruitment in the public sector has fallen
dramatically since 1982, a large number of workers are still hired, both in central administration and in public enterprises, at wages that do not reflect productivity or other economic conditions. Wages in the public sector reflect the government’s political and social objectives, given its ability to pay. Governments have responded to changes in their budget mainly by changing the number of new recruits but also by cutting pay. This has been especially true in Egypt. During the boom years to 1982, the public sector in Egypt, especially public administration, absorbed all new qualified entrants to the labor force, partly because the revenues of the government were high enough to support them and partly because the government chose this route to redistribute revenues. But after 1982, both hiring and wage rates fell.

Why are jobs in the public sector still preferred, at much reduced relative and absolute real wages? The reasons can be found partly in the security and non-wage benefits of public sector jobs, such as pensions, shorter hours of work etc., and partly in the multiple job holding that public sector working times allow. Of these two, multiple job holding is a more likely explanation. Although public sector jobs offer more non-wage benefits than private jobs do, especially job security, non-wage benefits have not increased recently to compensate for the loss of wage earnings, and there is some evidence that morale in the public sector is low and absenteeism high (Assaad and Commander, 1989). Egypt has a large informal sector which offers job opportunities to qualified urban labor but at the same time carries many risks. Qualified workers may treat public employment as a secure base from which to launch into more risky, and possibly more rewarding, job ventures.

Work in the informal sector may also explain why the queue for public sector jobs is so lengthy. Those waiting in the queue may have jobs in the informal sector, or they may be in the process of building up small businesses, which they might well intend to keep after they take the public sector jobs for which they are registered.

The informal sector accounts for most of employment in the private non-agricultural sector. The estimates reported by Handoussa (1991) attribute an employment share to the informal sector of 25 percent. By its very nature, the informal sector is difficult to measure, and most estimates assume that it is made up of all private businesses with less than 10 employees. This leaves only about 5 percent of private employment in larger enterprises with formal rules for employment and negotiated wages. Also by its nature, it is difficult to ascertain the way that the informal sector operates. The appreciation of the Egyptian currency in the boom years up to 1982 resulted in a drop in the production of tradeables and in a rise of the service sector. Wages in the service sector are less likely to be rigid than in the manufacturing sector, and this fact, coupled with the large self-employment component of employment in this sector, make it unlikely that the informal sector has failed to absorb qualified manpower because of wage rigidity.

Developments in the informal sector after 1982 are likely to have been influenced by two factors, the drop in overall demand due to the end of the oil boom and the change in relative prices in favor of tradeables. The exchange rate is still overvalued, due to government
intervention in foreign exchange markets, but the recent liberalization of foreign exchanges has ensured that the relative price of Egyptian exports has dropped. The natural outcome of the twin shocks of aggregate demand and relative prices is an initial rise in unemployment and a drop in production in the informal sector, followed by recovery primarily in tradeables. Wage flexibility can speed up the recovery and mitigate the initial rise in unemployment but the rise cannot be avoided altogether (nor would it be good policy to try and avert it).

The shocks of the 1980s exposed structural weaknesses in the Egyptian labor market. The evidence is that neither policy-makers, nor private initiative have been able to correct those weaknesses to the extent necessary to absorb the continuing population expansion. So the situation is getting worse, necessitating government action to speed up the adjustment.

What would be the appropriate labor market policies in the face of such developments? The market for agricultural labor appears to be working efficiently in securing work for everyone that seeks it. Of course, this does not necessarily mean that agricultural production in Egypt makes maximum and efficient use of available land. But whatever other problems agriculture might be facing, the structure of its labor market does not appear to be the cause of them. The rural labor market has coped well with two large supply shocks, one when the urban sector stopped absorbing rural labor and another one when the Gulf states stopped recruiting Egyptian labor.

This is not the case, however, with the public sector. In the public sector wages do not reflect productivity, even in public enterprises. The government’s policy of using public sector employment to redistribute the revenues that it received largely for political reasons, has distorted the demand for human capital by workers. Since the public sector offered guaranteed employment at high wages to workers with intermediate or higher schooling, the demand for this kind of schooling increased above the needs of industry. Workers demanded this training to qualify for the government’s transfer, not to increase their productivity, and in their turn congested the education system for those training for industry. Even if the policy of redistribution was abandoned, as seems to have been the case with the drop in government revenues after 1982, those workers who qualified for government jobs would not easily have found employment elsewhere that compensated them for their training.

The size of the public sector is such that plausible drops in the compensation of qualified workers in the informal sector would not be enough to absorb the large outflow of qualified workers from the schools. The fall in public sector wages is already affecting morale and further drops might well be counter-productive (the "efficiency wage" argument against wage reductions seems to be working here). Immigration cannot act as an alternative adjustment mechanism because migration flows in this region have been determined by conditions in the receiving countries. Migration when this is the case can act as a correction mechanism only when the external shocks that hit the donor and receiving countries do not coincide, that is, when one country is hit by a positive shock and the other is hit by a negative one. This has not been the case in this area because external shocks in all countries have been closely associated with
conditions in the international market for oil.

The obvious policy response to the misallocation of human resources is to run down the public sector to a more efficient size. For public enterprises this is easy enough to achieve, since if they are given free-market incentives they will find their own demand for labor. For public administration the task is more difficult but the evidence of over-employment, low morale and absenteeism point to the need to reduce employment. The government has to abandon its guarantee of employment to all qualified school leavers. Such a guarantee puts pressure on the government to keep its hiring rates high and inflates the unemployment figures. It also encourages more formal schooling than a free market would demand at current rates of pay.

Adjustment from the existing situation, with a large number of unemployed diploma and degree holders, to one with a smaller public sector will not be easy. The pressure on the government when graduate unemployment is high is to hire more, not less than the current already low rates. The unemployed and those not yet in the labor market will have to be absorbed eventually into the kind of activities that currently belong to the informal sector. But fast labor shedding could put undue pressure on existing businesses in the informal sector and be counter-productive. Compensating dismissed employees would reduce personal hardships but it would not contribute to the efficiency of the market. A policy more akin to the training programs in Sweden, but geared to former public sector employees, would also reduce hardships but be much more efficient in terms of future labor productivity.

The difficult question if such a program were to be started is not how much to spend on training and how to do it, but in what to train. Currently, most non-governmental production activity is taking place in the informal sector, about which very little is known. A "manpower planning" exercise that identified areas of future expansion amongst existing activities would provide a starting point. A good example of new sectors that are providing new employment growth in this region are Morocco's new export industries of light manufacturing. Whether Egypt has a comparative advantage in similar activities is not certain (probably not, given its more highly qualified workforce); without more detailed information on the activities and labor market arrangements in the informal sector it is difficult to be more precise.

3. Jordan

The experience of Jordan is in some important ways similar to that of Egypt, though the structure of their economies is different. Agriculture in Jordan is a very small part of the economy, after the main agricultural area, the West Bank, was lost in 1967. Labor migration is a far more important phenomenon in Jordan than in Egypt, both for accounting for labor supply changes and for influencing the education choices of Jordanians. But the differences
between the two countries virtually end there. The shocks that affected the two economies in the last twenty-five years have been remarkably similar to each other, and the public sector in the two countries has played a similar role in influencing the operation of the labor market.

Like Egypt, Jordan grew rapidly between 1973 and 1983, facilitated by generous grants from the Gulf states, given for political reasons, and by remittances from Jordanians working in the Gulf. Growth slowed down after 1983 and unemployment appeared for the first time as a serious problem. Between 1973 and 1983, high demand for qualified Jordanians from the Gulf led to an education system that was designed to supply the teachers and professional workers needed in neighboring states. The large sums of foreign money coming into the country led to an industrial and consumer boom that needed infrastructure. The construction sector grew to a large size, second only to the government sector in its employment share (17 percent in the mid 1980s). The workers needed for construction and other low-skill occupations, who would normally in a developing country be drawn from agriculture, were supplied to Jordan by other Arab countries, especially Egypt, and later by some Asian countries. So migration played a key role in Jordan's fast growth in the 1970s. Highly-qualified Jordanians went to work abroad and the money they sent home was one of the means used to finance the employment of low-skill labor that came from abroad. At the height of the migration boom, in the early 1980s, about half the Jordanian labor force was working abroad and an equal number of foreigners worked in Jordan.

When the Gulf boom ended in 1983, with the collapse of oil prices, demand for Jordanians ceased, and after the Iran/Iraq war and especially the Gulf war, several thousands of Jordanians were repatriated (300,000 after the Gulf war). Grants from abroad also stopped. This put the Jordanian economy under strain, for it had to deal at one and the same time with two unfavorable shocks: on the one hand, a drop in government revenue and a drop in the demand for Jordanian products at home and abroad, and on the other hand an increase in the supply of Jordanian labor. The result of the shocks was a sharp fall in the rate of GNP growth, from 12 percent in 1976-80 and 4 percent in 1981-85 to negative in 1988-90 (ILO estimates).

How did the labor market react to these shocks? The public sector, with less money to spend, reduced recruiting and allowed real wages to fall, though not nearly as fast as in Egypt. The number of civil servants appointed was particularly high in 1984-87, when demand for qualified Jordanians from the Gulf dropped and the Jordanian public debt had not yet grown. The growth of the public debt that followed this expansion led to a sharp drop in the number of workers hired by the public sector. Unemployment increased, from less than 4 percent in 1981 to 17 percent in 1990.

Most of the unemployed were trained new entrants, who could not secure jobs because neither the Gulf, nor the public sector demanded their skills. Jordan, unlike other countries in this region, has high female unemployment, about as much as male. Most of the unemployed women are new entrants with secondary school education or above, waiting to enter public sector jobs. Qualified females suffered most from the twin shocks outlined above. Their traditional
employment destination was the public sector, so the drop in hiring affected them more than it affected other groups. In addition, those male workers who did not go abroad to seek employment, and those who returned from the Gulf, being highly qualified, gradually started entering jobs in Jordan, making it more difficult for new qualified entrants to find work. Once again, the group that suffered most from this competition was the one of qualified women.

Unemployment amongst qualified workers is high but gradually dropping. At the same time, some unemployment of less skilled workers has started appearing, especially of construction and transport workers, where the immigrant labor mostly works. Despite that development, there is still high demand for low-skill immigrant labor, and despite some restrictions imposed on the issuing of work permits, on the whole the number of foreigners working in Jordan has not dropped. Unemployed Jordanians have been mostly unwilling to take the menial jobs performed by immigrant labor.

The combination of high-skill unemployment with a large immigrant low-skill employment is a symptom of the mismatch in the Jordanian labor force that resulted from the supply of labor shock that followed the end of recruitment, and eventual repatriation, of Jordanians in the Gulf. Jordan's education system continues to produce the highly qualified men and women once demanded by the public sector and the Gulf states, so the mismatch does not show signs of correction at source. Unemployment might even continue increasing as the supply of educated labor fails to adapt to the changed structure of demand.

If education is now demanded as a consumption good, which it might well be as those who were educated in the 1970s and benefited from high growth are starting their own families, the solution to the mismatch will have to be the absorption of educated Jordanian labor into jobs traditionally done by less educated workers. Such a structural change has been observed in industrialized countries, especially in North America. Wage flexibility in the private sector and high labor turnover can help this transformation, though what will help more in present circumstances is more flexibility in the wages of public sector employees. The large number of qualified workers waiting for public sector jobs would then abandon the hope of a well-paid public sector job and seek employment in the private sector.

It is, however, still an open question how much of Jordan's problem is one of general job shortage and how much one of mismatch. Labor market information on vacancies and hiring rates in the private sector could shed light on this issue. The role of wages in perpetuating the unemployment of Jordanians also deserves study. It is argued that immigrant labor is usually prepared to work for less than Jordanians expect to earn, even in similar jobs. If this were true, the re-absorption of Jordanian labor would be faster if wages in the jobs now done by immigrant labor were increased, conc. -ently with the introduction of effective immigration controls or even the repatriation of imm. at labor. A survey of the characteristics and aspirations of unemployed Jordanians may then shed light on this issue.
The argument that Jordan’s unemployment problem is primarily one of mismatch usually builds on the claim that unemployed Jordanians do not want to do the jobs now done by immigrant labor. Jordan, however, suffered a jump in its supply of labor and such a shock would initially show up as higher unemployment, regardless of mismatch considerations. The higher unemployment gradually disappears as domestic substitution possibilities between capital and labor are exploited and as new capital investment takes place. If this were the only reason for unemployment in Jordan, Jordan’s unemployment would be one of normal transition, possibly prolonged by wage rigidity.

But the jump in labor supply in Jordan has been mostly of a single kind, highly qualified professional workers. If substitution between different kinds of labor is limited, the unemployment problem then partly becomes one of mismatch: the skills of the unemployed are not well matched to each other and to the skills of the available labor force. The availability of low-skill immigrant workers under this hypothesis might actually make the transition of the highly-skilled Jordanians into work easier, because of the complementarity between the two kinds of labor. Surveys of the unemployed and the structure of employment in Jordan, and studies of labor demand by the Jordanian private sector, can clarify these issues and show the role of wages and immigrant labor in the current situation.

4. Morocco

Morocco is not as exposed to the international oil market as Egypt and Jordan are, though as in the other countries, its economy has not been able to absorb its population growth and unemployment has been high. Population growth in Morocco has been lower than in the other countries of this region but the reason is higher mortality rates, not lower birth rates. Therefore, the ratio of young to adult workers, which tends to be positively associated with unemployment because of the young workers’ lower attachment to the labour force, is as high in Morocco as elsewhere.

As in Egypt, rural unemployment in Morocco is low, especially for women who experience almost no unemployment. For men, rural unemployment rates are higher, 8 percent in 1986, though still much lower than in urban areas. In urban areas at the same time, men experienced unemployment rates up to 14 percent and women up to 20 percent.

In contrast to Egypt and Jordan, the Moroccan population is dispersed over a large area and urban wages are far higher than rural ones. The economy fits the simple stylized picture of a Harris-Todaro economy, with large migration from rural to urban areas in pursuit of higher-paying jobs. Agriculture is still very large and can easily absorb workers into family units or underemployment. Although wage earnings in agriculture are not well documented, the available evidence on wage (or at least, total return) flexibility points to a situation that is similar to the one in Egypt. The number of unpaid family workers in agriculture is so large (60 percent
of all employed people in rural areas in 1986) that the issue of whether or not contracted wages are flexible ceases to be of much relevance. In any case, the agricultural minimum wage does not appear to be constraining employment, either because of non-observance or through more subtle oligopolistic channels that make employment an increasing function of the minimum wage (Azam, 1991).

In the urban labor market, however, there are some important differences between the experiences of Morocco and Egypt. Firstly, the relation between youth and adult unemployment in Morocco is normal by industrialized country standards. Youth unemployment is approximately twice as high as adult unemployment. In Egypt, youth unemployment is relatively higher, because of the distortion introduced by the government’s guarantee of a job to qualified school leavers. Secondly, and related to the first, although holders of secondary school certificates in Morocco do have slightly higher unemployment rates than other groups, the relation is not nearly as bad as in Egypt. The biggest groups amongst male unemployed in Morocco lost jobs in the industrial or construction sectors (31 and 18 percent respectively). Many women unemployed also lost jobs in domestic or personal services.

The pattern of urban unemployment in Morocco then shows some clear signs of an expanding population, through migration and natural growth, not being absorbed by the urban economy. This, despite sustained growth in industrial production during the 1980s. GDP grew fast between 1984 and 1986, following a decline in 1981-1983, and declined again in 1987, but those fluctuations were due mainly to the agricultural cycle. Industrial production, especially of export-promotion industries, grew faster than the rest of the economy.

Morocco has a small public sector and apparently little distortionary labor legislation. This contrasts sharply with Egypt and Jordan, where the public sector plays a key role in the urban economy and where, at least in Egypt, there does appear to be distortionary legislation. Morocco’s economy is more of the traditional type of a developing economy, with a large agricultural sector characterized by underemployment, urban unemployment, a large informal sector and fast population growth. For this reason, the contrast between Morocco’s and Egypt’s labor markets is a particularly good one to study through more detailed country analyses.

The role of urban wages in Morocco’s process of development is crucial, because, on the one hand, they influence the speed with which the urban economy can absorb new workers through job creation, and on the other they speed up the migration from the rural areas. At present, not much can be said about wages because of the lack of data. The new industry emerging in Morocco, especially textiles, clothing and footwear, requires low-skill labor and many young women work in it at rates below the ones normally paid to men. The minimum wage does not seem to be enforced. The fact that female unemployment is as high as 20 percent in urban areas must be indicative of one of two things, either the women losing jobs from services or now entering the labor force with some school qualifications are unwilling to work in the new factories at current rates of pay, or that the economy elsewhere is contracting faster than the new industries are expanding. The two are, of course, related, in the sense that the
export markets of Morocco can probably absorb additional output if it was forthcoming; if unemployed women were prepared to work at going wages, it is likely that new investment and expansion would sooner or later take place.

The role of the informal sector is also important here. It is not possible to say precisely how the informal sector works, because of lack of data, but it employs up to 40 percent of the urban labor force and includes many services of the kind traditionally done by women. Structural problems, however, such as Egypt’s and Jordan’s oversupply of highly qualified workers seeking a public sector job, seem to be absent.

In terms of medium-term prospects, Morocco’s labor market appears to be the one least likely to need strong policy initiatives to accelerate growth. What is needed more urgently in Morocco is more capital investment in its new export-promoting industries, though less fast expansion of "free" education would also preempt the growth of serious mismatch problems such as those experienced by Egypt and Jordan.

5. Algeria

Information on Algeria is even more limited than in the other countries, especially as it relates to wage trends. This makes it more difficult to design a good restructuring program, in a country that is likely to benefit most from such a program because of its large public sector. Proposals for such a program, as well as some reforms, are under way. The background to those are given in a labor market overview study prepared by the World Bank (1992).

As in other countries of this region, the public sector in Algeria benefited from large oil revenues up to 1982. The oil revenues were redistributed to the population through public sector employment, which accounts for about 60 percent of all employment. Algeria has both a larger public enterprise sector and larger public administration than the other countries under study, and remuneration in both was determined by the government's revenues rather than by worker productivity.

When oil revenues dropped after 1982, Algeria was faced with two problems. First, with less aggregate demand, which depressed the economy as a whole, and second, with a rigid industrial structure that could not adapt to the new circumstances created by cheaper oil. The result was at first a rise in unemployment, followed by attempts to restructure industry, which led to further rises in unemployment. Thus, although the oil market has been more or less in the same state for several years now, Algeria’s economy has not fully recovered because the restructuring that the oil shock necessitated has not yet taken place.

The available information points to disappointing performance with respect to wage determination in public enterprises. Although the reform program was supposed to liberalize
wage determination and make public enterprises behave as private industries would, it is still the case that the principles of wage determination in public enterprises and public administration are very much as they were in the early 1980s. Wages in public administration follow a basic salary grid and are supplemented in various ways. In public enterprises there are now negotiations between employers and unions but most agree to adopt the public administration grid. As a result, wages in the public sector are on average higher and have less variance than wages in the private sector.

Information on the performance of the private sector, which is largely informal, is lacking, though rough estimates suggest that it is growing in size. Given its small size relative to the public enterprises, however, it is difficult to see this sector providing the engine of growth. Employment in the private sector grew rapidly in the early 1980s but less so in the late 1980s, when aggregate demand dropped. Public administration absorbed most new entrants in the late 1980s, which may have eased the unemployment problem in the short term but is likely to lead to even more serious restructuring problems in the longer term. By contrast, in the early 1980s most new entrants were absorbed into productive activities.

The experience of Algeria, described this far, is similar to that of Egypt, with only one important difference, a larger public sector in Algeria than in Egypt. A second difference is the type of unemployment that characterizes the two countries. Whereas both countries have a serious youth unemployment problem, Algeria’s is far the worse because its young unemployed are unqualified and have long durations. Algeria does not have as widespread education coverage as Egypt has and it does not offer guaranteed employment to school leavers. As a result, it does not have the educational mismatch problems of Egypt. But with most employment under the control of public enterprises, which are not recruiting at the same rates as before, youths entering the labor market do not have much hope of formal employment. Unemployment amongst 15 to 19 year olds is currently as high as 63 percent and drops only to 30 percent at ages 20 to 24. These two age groups combined account for 60 percent of total unemployment. Some of those youths report some earnings, so there must be activities in the informal sector that attract the low-skill school leavers. It is unlikely, however, that this income amounts to much, or that the youths are engaged in productive activities that might give them experience or basic training, because of the type of activities that remain outside the public enterprise domain. Much of employment in the informal sector is likely to be rent seeking.

Algeria’s main failure is the lack of absorption of its rapidly growing population into employment. The main impetus for such absorption has to come from the kind of activities now under public enterprise-control. The most urgent policy priority must be the reform of the public enterprises and the relaxation of the laws that are reported to impede the development of a formal private sector, especially high non-wage costs of employment and rigid salary grids that bear no relation to productivity.
6. Conclusion: Data Priorities

Despite the many differences that characterize the countries of North Africa and the Middle East, their labor markets and recent economic problems have many important features in common. Various reports available on those markets also have many features in common, partly because much of what is written is influenced by the Egyptian experience. Egypt has the largest economy in the region and has better data sources than any other country, which explains its popularity with researchers, but its experience is not always typical. In any case, data limitations are such that it is not yet possible to do detailed studies or rigorously evaluate alternative explanations of economic trends and policy alternatives, even for Egypt. Writings in this area have to have a large speculative component. I will try here to summarise the main features of the labor markets of the countries of this region and point out the most urgent data needs.

Countries in this region are characterized by rapid population growth, low but increasing participation of women and an education system that is not geared to the needs of industry. Agriculture is still a large but declining sector of employment. Agricultural employment is largely informal, organized along family units, and although total factor productivity in agriculture is probably low, there is no evidence of excessive government interference with rural labor markets. If agriculture has problems, their solution lies elsewhere, not in the reform of its labor market.

In urban labor markets three types of employment co-exist, public administration, formal employment in enterprises which are mainly under public-sector control and informal private activities. In the years up to the early 1980s, the entire region of North Africa and the Middle East was in a long sustained boom, financed directly or indirectly by the oil boom and by foreign aid tied to the peace movement in the Middle East. The main beneficiary from this boom was the public sector, which redistributed its large income by absorbing most new entrants to the labor market (Morocco, being somewhat removed from the problems and oil fields of the Middle East, conforms less to the stereotype described here than do the other countries).

Such a long, public-sector oriented, boom led to distortions in the labor market, which became exposed when the boom ended in the early 1980s. It is those distortions that lie behind the structural problems that now characterize the economies of the region. The reason it is taking them so long to come out of the negative oil shocks of the early 1980s is their failure to reform their economies and reverse the trends that became established during the long boom. Modern business cycle theory talks of recessions as periods for organizational change, shaking out and cleaning up. In the countries of this region such cleaning up has never taken place, yet without it, finding a new growth path would be difficult. A cleaning up process in this region has to achieve, firstly, a heavy pruning of the public sector and secondly, a market-oriented restructuring of labor hiring, labor firing and wage determination.
Future growth in the countries investigated here will have to come from private, non-oil producing, and most likely export-oriented activity. Morocco is leading the way in the development of such activities. In the other countries such activities might grow either out of the informal sector or out of a reformed public-enterprise sector. Egypt and Jordan are likely to find themselves in the former category but Algeria is more likely to find itself in the latter. Understanding what kind of activities there are currently in the informal sector would help in the design of labor market policy, by asking whether current policy has helped or inhibited the growth of a productive informal sector and by designing better policies for the future.

The first task of new data is to uncover the kind of jobs available in the informal sector, are they productive or rent-seeking? Do they offer job security and the right incentives for productivity improvements? Do they pay according to productivity and well enough to discourage absenteeism, low morale and frequent job quitting? Are they supported by modern capital investment? Micro studies that shed light on these issues would help establish whether the informal sector can provide the engine of growth, or whether new means have to be found to generate the jobs needed for future growth (the recent study by Handoussa and Potter, 1992, on Egypt tries to answer some of those questions using existing data sources).

A second question of relevance to labor demand is the operation of public enterprises and whether they follow policies geared to the enhancement of labor productivity. This is particularly relevant in Algeria, where public enterprises employ a large fraction of the labor force, but also elsewhere. An analysis of this question would also shed light on the question of wage determination in the formal productive sector, and on policy constraints on the operation of public and large private enterprises. In particular, on whether policy acts as a safeguard for workers’ and employers’ rights and provides a framework for a flexible employer-employee relationship, or whether it inhibits the employment and investment policies of enterprises.

On the supply side of the labor market the most pressing need is to understand precisely the meaning and consequences of unemployment. This should be at two levels, firstly the economic role of unemployment and secondly its social consequences.

On the economic side, a reasonable case can be made for the argument that during the 1973-1982 boom, the urban labor markets of the countries in this region were operating under conditions of over-full employment. Over-full employment came about partly through public sector expansion, which clearly exceeded the needs of the domestic economy, and emigration, especially to the labor-shortage economies of the Gulf. The consequences of over-full employment were high wages that inhibited the development of new private initiatives, a distorted education system that led to the "over-educated Arab" who today cannot find a job that meets his or her aspirations, and a large public sector with established vested interests that is difficult to cut down. Egypt and Jordan are prime examples of countries that suffered from such ills; Algeria suffered even more from public sector expansion.
Just as economies suffer when there is excessive unemployment over long periods of time, economies also suffer when there are long periods of over-full employment, even when they do not have an aggressive public sector. In the former case the bad economic consequences are loss of output and atrophy of skills; in the latter they are excessive wage pressure, complacency and lack of incentive to get rid of enterprise slack. The most pressing data need here is to establish what is "reasonable" unemployment, through an analysis of its different aspects and of the economic activities of those affected by it. Simply saying that unemployment is 10 or 15 percent does not prove that unemployment is too high and that job creation measures are necessary.

The countries of this region have high rates of population growth and high ratio of young to old workers. "Natural" unemployment rates under these circumstances are likely to be high because of the frequent transitions into and out of employment experienced by young workers. Countries are also characterized by high rural-urban migration, which necessarily involves interim unemployment, unlike mobility in a local market which might be job-to-job. It is economically efficient to tolerate such unemployment in order to induce better job matching, in which case the policy priority is not how to provide jobs for the unemployed, through demand management for example, but how to protect the unemployed from social distress and ensure that they are engaged in productive search activities.

How does one establish in practice whether unemployment is too high or too low? The answer is not easy at the best of times; it is more difficult here because of the lack of reliable information on the structure of labor supply and demand. OECD models of unemployment are not transferable because of the formality of employment in OECD countries, the size of the typical employer, the institutionalization of wage determination and the uniformity of the working week for those in employment. But some lessons can be learned from the study of unemployment in the OECD, which might shed light on the question of unemployment in this region.

Studies at the level of the individual need to provide information at three levels, firstly, who are the unemployed, secondly, how long have they been continuously unemployed and what were their recent transitions if not long, and thirdly, what do they do during unemployment? Of course, even with plentiful information along all three dimensions, one would not be able to devise strict guidelines of what is or is not efficient unemployment, nor would one be able to establish that there was a unique "natural" unemployment rate equal to $x_i$ percent in each country $i$ (the OECD has tried to do the latter for its members). But detailed micro studies on the characteristics and activities of the unemployed would certainly shed light on the question whether the unemployed perform a useful economic role, or whether they are a wasted resource. Panel studies of new entrants or of displaced workers can be particularly useful in this respect. The studies of youth unemployment done at the National Bureau of Economic Research in Cambridge, Massachusetts, are good models to emulate when planning such studies.
As examples of what might be found, consider the comparison between a rural country, such as Morocco, and a more urbanized one, such as Egypt. In Morocco more young workers leave rural areas to seek employment in the urban centres than they do in Egypt. Since new migrants are unfamiliar with urban labor markets, it is efficient for them to remain unemployed for a short period of time to learn about job availability and general market conditions. "Efficient" unemployment for this population group is therefore likely to be higher in Morocco than in Egypt. The optimal policy response to this kind of unemployment is the provision of job information in urban centres and the provision of support networks for young workers without jobs.

In order to illustrate two kinds of inefficient unemployment, consider again Egypt on the one hand but now Algeria on the other. Suppose for the sake of argument that micro studies in Egypt find, among other things, that most of the unemployed have formal education qualifications and that they are inactive, waiting in a queue. It would be clear from this that what is inflating the unemployment figures is the over-expansion of both education and the public sector during the boom of the 1970s. Although it is not efficient to tolerate such unemployment, it is also not efficient to try and accommodate it through macroeconomic management or job guarantees. What would be needed here is reform of the education system and a shift of resources from public sector employment to retraining the public employees for private sector jobs.

Suppose in contrast that a study of the unemployed in Algeria found that Algeria's unemployed were young, mainly unskilled and had very long unemployment durations. If they were idle during their unemployment, or if they were rent-seeking in the informal sector, their future employment prospects in growth-promoting sectors would not be enhanced. Such unemployment is obviously inefficient. Schooling and youth training subsidies to private industry might be one solution.

With regard to whether or not the unemployed engage in useful job-seeking activities, surveys of the unemployed might investigate how jobs are located. Studies of both employers' recruitment practices and workers' job seeking activities would reveal if labor markets have the proper mechanisms for bringing together well-matched jobs and workers. The process by which individuals set up their own business is also relevant in this respect, since self-employment is one of the important destinations of unemployed workers. Other relevant information in this respect might be contained in job vacancy statistics, which can be collected at the establishment level.

The social consequences of unemployment need different kinds of data from the ones needed in a purely economic analysis. The important issue here is the relation between unemployment and poverty. In the OECD unemployment is one of the primary causes of poverty and that is why it is of such policy concern. In the countries of North Africa and the Middle East this may not be the case. In Egypt and Jordan, for example, a large fraction of the unemployed come from the wealthier classes of society. This may not be the case elsewhere,
but even in Morocco and Algeria most of the unemployed, who are youths, have better access to the informal sector than many other workers have. What is needed in this connection is a good understanding of the relation between labor-market status and poverty status. The only possible source for this is data at the family level, seeking information on family incomes and expenditures and also on the formal and informal labor market activities of family members.
References


