



Towards A Better Future of Work in the MENA region

Yasmine Fahim
Director of Research and Programs
Economic Research Forum

29 November 2022



Contents

- Introduction
- Challenges Facing the Future of Work in the MENA Region
- In Focus: The Gig Economy in Egypt
- Policy recommendations



Introduction

- ❑ Digital technologies are allowing us to produce goods and services in new ways that are not only transforming production processes, but the very essence of jobs in the workplace.
- ❑ It's expected that digital technologies could displace as many as 30 percent of jobs worldwide by 2030 (Manyika et al., 2017).
- ❑ In the Middle East and North Africa (MENA) region, an estimated 45 percent of work activities could be automated in sectors as diverse as manufacturing, transportation, wholesale, construction, and hospitality (aus dem Moore, Chandran, and Schubert, 2018)



- In MENA, the sectors that employ the most workers are the ones most susceptible to automation and digitization: manufacturing and agriculture.
- MENA countries have weak social safety nets with not enough public finances for public programs that can address technology disruption, such as unemployment benefits and education and training/reskilling programs for displaced workers.
- A big of portion of jobs that rely on tech platforms are informal



Challenges Facing the Future of Work in the MENA Region

MENA faces similar development challenges to other developing regions of the world which hinder the region's ability to improve technology access, adoption, and adaptation.

Challenges that will affect what the future of work in MENA could look like include:

1) Labor Market Informality

- The new trends of informality is the prevalence of the gig economy which has recently gained prominence because of the rise of the digital platforms (ILO, 2021).
- The MENA region has seen a dramatic increase in digital platforms, focusing on taxi services, delivery, and freelance work. The region has 7 percent of the global platforms.
- An estimated 86 percent of MENA youth are employed in the informal sector, ranging from 48 percent in Jordan, to 86 percent in Tunisia, to 92 percent in Egypt (Dimova et al., 2016). They face job instability, low compensation, weak human capital investment, and limited opportunities for advancement.



Cont'd: Challenges Facing the Future of Work in the MENA Region

2) Demographic trends

- While the 1970s main demographic wave has passed in most countries of the region, pressures on the labour market will intensify again very soon because of the so-called echo of the youth bulge.
- UN announced earlier this year that to reduce the overall unemployment rate to 5 per cent and to be able to absorb new entrants, the region needs to create more than 33.3 million new jobs by 2030.
- Characteristics of the new entrants will also change. A quarter of the new entrants will have a university education and another half will have at least a secondary degree. This group aspires to formal employment and are willing to queue for it.
- This group could work in jobs created as part of the fourth industrial revolution, but only if they have the skills and qualifications and tech infrastructure. The education systems of the region are failing to provide young people with even the basic skills they will need at an adequate scale.



Cont'd: Challenges Facing the Future of Work in the MENA Region

3) Inequalities

- MENA countries suffer from unequal wealth distribution, significant divergences in infrastructure spending between urban centers and rural peripheries, large gender disparities, from labour force participation to economic, social, and political inclusion, to ownership of assets, to decision-making within the household. The region also has a high concentration of refugees, who lack access to resources and basic rights.
- The structural inequalities will affect the employability of job seekers and hinder social mobility if left unaddressed.

4) Weak Institutions and lack of Enabling Environment

- The MENA region has weak, inflexible institutions that prevent it from pivoting and providing the skills required in the fourth industrial revolution.
- The region's failings in terms of technology integration reflect the lack of an enabling environment for businesses. Excessive bureaucratic red tape and a lack of regulatory independence prevent the entry of meaningful foreign competition or FDI that can bring about tech spillovers, or the emergence of smaller firms that are more digitally adept and able to challenge their dominance.



Cont'd: Challenges Facing the Future of Work in the MENA Region

5) Rigid Education Systems

- This evolution of education systems in the MENA region has serious repercussions for the future of work. There are four layers of technical skills that various segments of the population need to adopt.
- Everyone needs basic ICT skills, such as using computers and other electrical devices.
- A second level involves data management and security.
- A third level covers technical and complex problem-solving skills that could complement artificial intelligence (AI) systems.
- A final set of skills includes soft skills that are not directly linked to technology. Education systems of the MENA region are lagging in all these levels.
- There are further areas of education that require specific attention. Most important is the weakness and second-tier status of technical and vocational education and training (TVET) in the region. TVET is a key pillar in the future of work equation.



Gig Economy in Egypt

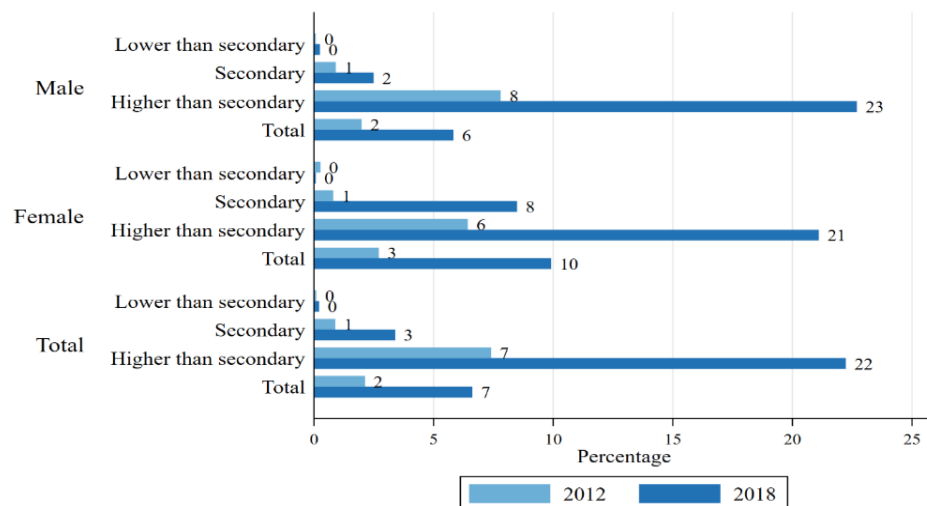
- ❑ Gig economy platforms in Egypt can be categorized into four sectors based on the type of services they provide 1) Asset-sharing services 2) transportation based services, 3) Professional Services, 4) Handmade Goods, Household & Miscellaneous Services (HGHM) that include Digital platforms for freelancers to sell homemade crafts or offer on demand services for household related tasks.
- ❑ **Reasons** for the rise of gig economy in Egypt include;
- ❑ technological advancements
- ❑ The prevalence of digital solutions,
- ❑ Flexible working conditions
- ❑ Ease of hiring and the development of worker's skills in this sector.



Cont'd: Gig Economy in Egypt

- A report on the gig economy produced jointly by ERF and GIZ Egypt earlier this year used technology-enabled employment as a proxy and the available data form the ELMPS 2012 and 2018.

Tech-enabled employment, by education and sex, over time, 2012 and 2018 (percentage)

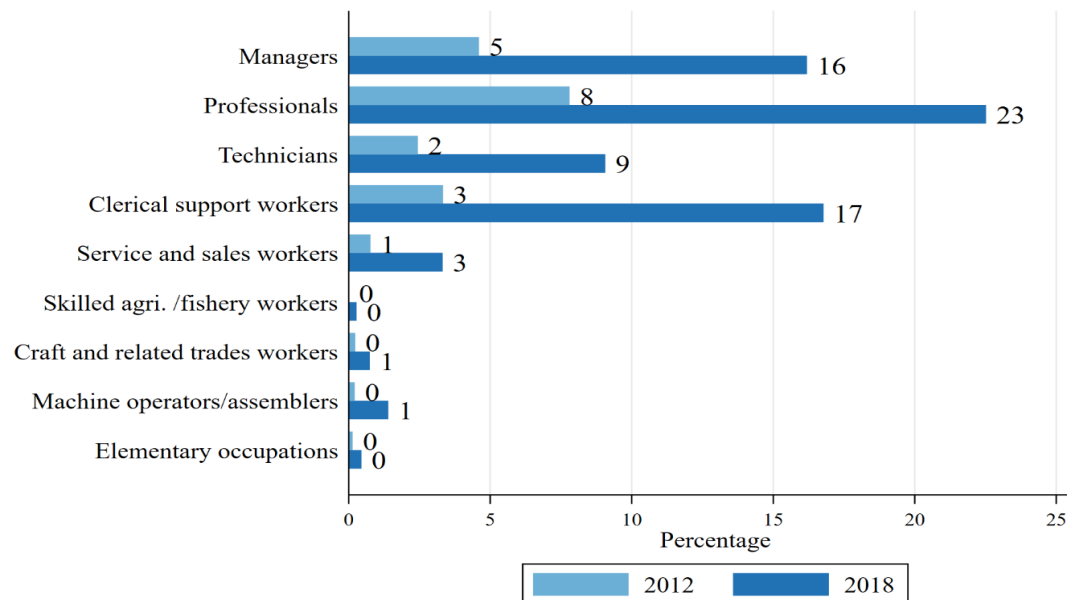


Source: Constructed by the authors using data from the Egypt Labor Market Panel Survey of 2012 and 2018.



Cont'd: Gig Economy in Egypt

□ Tech-enabled employment, by occupation, employed individuals, over time, 2012 and 2018 (percentage)



Source: Constructed by the authors using data from the Egypt Labor Market Panel Survey of 2012 and 2018.



Cont'd: Gig Economy in Egypt

- ❑ **Challenges** facing the gig economy in Egypt include:
 - ❑ Need to further enhance technological infrastructure
 - ❑ The lack of a clear legal framework
 - ❑ limited availability of skills especially linguistic and IT
 - ❑ The exposure to risks and absence of social protection



Policy Recommendations for a better future of work

1) Investing in Human Capital

- Education reform must have the full support of a country's leadership
- Education systems need to integrate technology into all aspects of learning, from pedagogies to applications.
- Educational reforms should systematically address the mismatch between skills learned and the skills demanded by labor markets.
- MENA's education systems must shift their focus from knowledge transfer to skills development.
- MENA governments must support and promote reskilling, upskilling, life-long learning, and career development within firms and industries.



Policy Recommendations for a better future of work

2) Creating an enabling environment for private sector

- MENA countries need to create an enabling environment for businesses, especially tech-enabled firms, small and medium enterprises (SMEs), and start-ups.
- An enabling environment includes legal, regulatory, and institutional aspects. It should also cover smaller, more traditional sectors.

3) Collecting and availing more detailed data

- Systematically collecting detailed data on labour markets and growth in order to advance a decent work agenda.
- Detailed data on worker characteristics, skills of occupations and topics such as hours of work and income are also important to track the change in labour demand over time and address the gap.



Policy Recommendations for a better future of work

5) Reforming and Expanding Social Protection Programs

- MENA governments also must replace costly welfare systems, including public sector employment and energy price subsidies, with social programs, such as training subsidies and unemployment insurance. There must also be a balanced approach to taxing labour versus technology, otherwise labour costs will be too high.
- Social protection systems need to expand their coverage in order to include informal economy workers, particularly farmers and the self-employed, who are often outside the reach of the contributory, social insurance system, making assistance and targeting difficult. The pandemic highlighted the need for robust and shock-responsive social protection systems.



Thank you!

