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Abstract

Labor regulations are important determinants of resource allocation, productivity, and labor market outcomes. They can protect workers' rights, enhance job security, and improve working conditions. However, overly restrictive regulations can also increase business costs, becoming barriers to creating formal employment, particularly for vulnerable workers. This paper analyzes the key characteristics of labor market regulations in the Middle East and North Africa (MENA) and benchmarks them against international practices. The main objective is to identify strengths and weaknesses in the regulations and to inform governments about policy options to enhance employment outcomes in the region. The paper focuses on labor laws and regulations concerning hiring, working hours, minimum wage, redundancy rules and cost, unemployment insurance, labor tax and social security contributions, and legal frameworks affecting women's work. This paper finds that the region has generally flexibly hiring rules, but that redundancy regulations are relatively rigid and costly compared to international practices. Statutory minimum wages and labor taxes are not very high, with the exception of a few countries. Although many countries have made efforts to remove legal barriers for women workers, discriminatory laws still restrict their participation in the labor market. While labor market regulations vary by country, the findings suggest areas where there is clear scope to improve the design and implementation of labor market regulations to facilitate stronger formal labor demand and to enhance efficient resource allocation; and at the same time, to strengthen compliance to provide necessary protections to workers.

JEL codes: J08, J23, J38, J78, J88, K31

Keywords: labor regulation, employment protection, labor reform, wages, compensation, and labor cost

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Introduction

Even before the onset of the coronavirus pandemic (COVID-19) and the consequent economic downturn, the Middle East and North Africa (MENA) region suffered from persistent labor market challenges. Youth unemployment rates have been the highest in the world at around 26% in 2019, and female labor force participation, averaging about 20 percent, has been the lowest (World Bank, forthcoming). The share of informality remains notably high in many countries. For example, 80 percent of private-sector workers were informally employed in Egypt in 2018, 77 percent in West Bank and Gaza in the same year, and 70 percent in Jordan in 2016.[2]

Labor market regulations are an important institutional framework that influences employment outcomes. To protect workers' rights, enhance their job security and improve working conditions, labor regulations set the boundaries for the types of employment contracts, benefits, and working conditions while providing social protection for workers. The regulations can help employers to effectively manage their workforces and incentivize investment in human capital, which can help enhance firm performance and productivity.

The key policy challenge is to avoid both over- and under-regulation, balancing between protection of workers and the flexibility of labor markets (Kuddo, Robalino & Weber, 2015). Stringent regulations raise the cost of hiring while restrictive job security rules limit worker reallocation from low to high productivity jobs (Betcherman, 2014). As a result, overly rigid employment protection regulations can reduce aggregate productivity and employment, or impede efficient resource allocation. This is especially important today as the countries slowly recover from the repercussions of the pandemic and the movement of workers becomes essential.

This paper assesses labor market regulations in the MENA region and compares them against international benchmarks.[3] The paper focuses on 19 countries; Algeria, Bahrain, Djibouti, Egypt, Iraq, Iran, Islamic Rep, Jordan, Kuwait, Morocco, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Lebanon, Libya, Tunisia, United Arab Emirates, the West Bank and Gaza, Yemen, Rep. The paper has two main objectives. The first objective is to identify strengths and weaknesses in labor regulations across the MENA countries. The second is to inform feasible policy options to enhance employment creation and improve social protection systems. This paper focuses on the regulations and laws that apply to workers in the private sector.

This paper contributes to a very sparse literature on the assessment of labor regulations in the region. Despite a considerable amount of such literature around the world, there have been very few studies that analyze the regulations in this region. Angel-Urdinola and Kuddo (2010) assess key features of labor market regulations in MENA economies through cross-country analysis. Other studies focus on a few countries in the region (Bardak, Huitfeldt & Wahba, 2006) or specific areas of labor regulation (ILO, 2019b), often as part of broader labor market assessments (World Bank, 2004; Gatti et al., 2014). This paper updates the status of labor regulations in

[2] Egypt (ELMPS, 2018), West Bank and Gaza (LFS, 2018), Jordan (JLMPS, 2016). The definition of informality is workers who do not pay social security contributions.

[3] MENA countries according to the World Bank classifications are the following: Algeria, Bahrain, Djibouti, Egypt, Israel, Iraq, Iran, Islamic Rep, Jordan, Kuwait, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Lebanon, Libya, Tunisia, United Arab Emirates, the West Bank and Gaza, Yemen, Rep. However, this paper classifies Israel into high income OECD countries, and Malta into Europe and Central Asia region. Regional and income group classifications follow the World Bank classification.

the region using the latest data available. It provides more comprehensive assessments than previous literature by including assessments of labor taxes and gendered laws.

To establish this assessment, the paper focuses on labor laws and regulations that can potentially affect employment creation. These include hiring regulations (fixed-term contracts, working hours, overtime, leave entitlements); minimum wages; regulations concerning termination (dismissal rules, notice period, severance pay) and unemployment benefit schemes; and labor tax and social security contributions. In addition, it reviews legal frameworks affecting women workers and highlights recent regulatory reforms in the region.

The main data sources about labor regulations are the World Bank Employing Workers 2020, Women, Business and Law (WBL) 2021, World Bank Paying Taxes 2020, the International Social Security Association (ISSA), and International Labor Organisation (ILO) databank.[4] Employing Workers, Paying Taxes and Women, Business and Law relies on laws and regulations as well as surveys administered to local lawyers and public officials. Data in Employing Workers and Paying Taxes 2020 are as of May 2019, and data in WBL 2021 are as of October 2020. To make the data comparable across countries, they are based on case assumptions about workers and employers.[5] Therefore, some analysis only reflects a sub-population and needs to be interpreted in light of such assumptions.[6] This study covers 190 countries for hiring regulation, minimum wages, redundancy regulations, labor taxes, and gender discriminatory laws. For social security contributions, the study compares information across 183 countries.

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[4] ILO NORMLEX (International labour standards); ILO Social Security database; ILO EPLex (Employment protection legislation); ILO NATLEX (National labour, social security and human rights legislation). This paper mainly assesses labor laws and regulations. It is important to acknowledge the limitation of labor laws. First, they primarily protect workers in the formal private sector. As many workers are in the informal sector in the region, these workers fall outside these regulations. Moreover, if labor regulations are not fully enforced, they will be ineffective in protecting workers. This paper includes analysis of fragile and conflict affected countries in the region. There are some limitations on the reliability of data and some analysis needs to be interpreted in light of such limitations.

[5] For the Employing Workers study, assumptions about the worker are: "The worker (1) is a cashier in a supermarket or grocery store, age 19, with one year of work experience; (2) is a full-time employee; and (3) is not a member of a labor union, unless membership is mandatory. Assumptions about the business include: "The business (1) is a limited liability company (or the equivalent in the local economy); (2) operates a supermarket or grocery store in the economy's largest business city; (3) has 60 employees; (4) is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and apply even to firms that are not party to them; (5) abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements." (World Bank, 2020a). For Paying Taxes, see the chapter on labor taxes and social security contribution and World Bank (2019). For Women, Business and the Law, "It is assumed that the woman in question resides in the economy's main business city; has reached the legal age of majority and is capable of making decisions as an adult, is in good health and has no criminal record; is a lawful citizen of the economy being examined; is a cashier in the food retail sector in a supermarket or grocery store that has 60 employees; is a cisgender, heterosexual woman in a monogamous first marriage registered with the appropriate authorities (de facto marriages and customary unions are not measured); is of the same religion as her husband, is in a marriage under the rules of the default marital property regime, or the most common regime for that jurisdiction, which will not change during the course of the marriage; is not a member of a union, unless membership is mandatory." (World Bank, 2021).

[6] For example, the Employing Worker study focuses on the regulations and laws that apply to workers in the formal private sector in the retail sector but does not cover informal or casual workers or workers in other sectors. For the methodological limitations of WBL, see Appendix A Data Notes, World Bank (2020b).

Figure 1 Areas of labor market regulations covered in this study

The analysis finds that in many countries hiring regulations are not restrictive, but redundancy regulations are relatively rigid compared to international practices. Statutory minimum wages and labor tax are not high except for a few countries. Although many countries have made efforts to remove legal barriers for women workers, the region still lags behind much of the world in reducing legal discrimination against women workers. While country variations exist in the key features of labor market regulations, there are common needs for improvements in the regulatory framework across the entire region. The main findings are as follows.

Hiring rules: Most countries have flexible hiring regulations set out in law. However, some countries (Algeria, Djibouti, Iraq, and Morocco) have laws restricting the provisions of fixed-term contracts. For regulations affecting work hours, the length of the legal working hours follows international practices, and most countries allow workers overtime arrangements.

Minimum wages: The levels of minimum wage are not very high by international practices, while a few countries (Morocco, West Bank and Gaza, and Djibouti) set a high level compared to the global average. More importantly, many countries where some minimum wage applies to private-sector workers have not revised it for the past few years. At the same time, about one-quarter of countries in the region do not have a national minimum wage for private sector workers. When they exist, minimum wages in the region exclude certain categories of workers such as domestic workers or migrants.

Redundancy rules: Regulations concerning termination are relatively rigid compared to international benchmarks. Burdensome procedures for dismissal are evident in non-GCC countries. Regarding advance notice periods for redundancy dismissal, some countries (especially Kuwait, Egypt, and Lebanon) have generous entitlements. The region also allows higher severance payments compared to international practices. On the other hand, only nine countries have unemployment insurance schemes. The absence of unemployment benefit schemes leads some countries to over-protection through mandated severance pay and dismissal rules.

Labor taxes and social security contribution: Compared to international benchmarks, the average labor tax is not very high. However, some countries like Egypt and Algeria set high statutory social security contribution rates. In Algeria, Iran, Egypt, Tunisia, Lebanon, and Morocco, more than one-fourth of corporate profits are spent on labor taxes and contributions. While the average labor tax in GCC countries is relatively low, the proportion of labor taxes to total taxes tends to be high.

Gendered laws: Women face multiple layers of legal restriction and inequality in the workplace. These wide-ranging barriers include restrictions on employment in certain industries and working hours, requirements for permission from husbands, limited maternity leaves, and unequal retirement ages. For example, the region has the highest share of countries with restrictions on women's work at night globally, while none of the GCC countries have a law establishing paid leave for mothers working in the private sector that can meet international standards.

Although labor regulations in some countries tend to be rigid de jure, they are often ineffective in protecting workers due to weak enforcement. Any reforms of regulations need to be carefully designed by examining whether compliance by employers is realistic. By improving labor inspectorates and by enhancing awareness of legal requirements, governments can enhance compliance with labor laws and regulations.

These results follow past studies that highlighted the rigidity of labor regulations (particularly redundancy regulations) in the MENA region (Angel-Urdinola & Kuddo, 2010) despite that there have been regulatory improvements in some countries. Regulations should address labor market imperfections and protect workers while ensuring flexibility to help firms adapt to changes in the economy and facilitate worker transitions. The COVID-19 pandemic and consequent economic downturn have already caused significant job losses across the region, which has forced some governments to adjust labor regulations and to provide assistance for those in need. As countries begin to enter a recovery phase, it is crucial for governments to move forward from temporary crisis responses into structural regulatory reform.

The rest of this paper is structured as follows: Section 2 - 6 assess the main features of labor regulations and benchmark them against international practices. Section 7 reviews recent labor regulatory reforms including policy responses to the COVID-19 pandemic. The final section concludes by discussing how labor market regulations can be improved based on the paper's findings.

Hiring regulations

Fixed-term contracts (FTCs): Fixed-term contracts are arrangements of temporary employment over a limited period of time, as opposed to regular or permanent employment (Aleksynska & Muller, 2015). With technological advancement, temporary employment contracts including fixed-term contracts, seasonal work, crowd work, or freelance contracts have become common in recent labor markets. Such contractual arrangements provide employers with the flexibility in adjusting employment levels in response to changes in market demand without excessive redundancy costs. Firms can also use it to conduct new or short-term projects and complement permanent staff on holiday or maternity leave (ILO, 2016a). Moreover, these contract types can be beneficial for labor market entrants, young or inexperienced workers to gain work experience and skills (Bart & Matteo, 2008; ILO, 2016a). The flexibility of using such contracts would encourage firms to hire them as formal workers (Kuddo, 2018b), which is especially relevant in countries with strict employment protection and rigid dismissal rules (Eichhorst, 2014).

On the other hand, non-standard or temporary contracts represent a risk of insecurity for workers (ILO, 2013). Temporary workers, especially the young and unskilled, tend to have limited access to social security benefits such as pensions, health insurance, and unemployment insurance. They earn lower wages, receive less training, and have limited collective bargaining power (ILO, 2016a). Therefore, the use of fixed-term contracts should be supported by social protection measures to avoid its misuse and support workers in transition.[7] In addition, the use of fixed-term contracts may contribute to facilitating a dualization of labor market when such contracts cannot be converted to permanent employment (Eichhorst, 2014). There is also a risk for fixed-term workers to repeat temporary employment, experience several unemployment spells, and they may not move from temporary employment to permanent employment (Gagliarducci, 2005; De Graaf-Zijl et al., 2011),

In the design and implementation of employment contracts, the regulations should ensure equal benefits and protections, including health, safety, remuneration, leaves or social benefits, for all workers regardless of length of employment, to avoid creating segmented labor markets (Kuddo et al., 2015). Governments and employers can also ensure provision of vocational training for workers in temporary jobs, which enhances their skills, career development, and occupational mobility (Eichhorst, 2014). Under such conditions, firms should be allowed to use different types of contracts to maintain their operational flexibility while being encouraged to hire young workers or the unemployed (Eichhorst, 2014; Kuddo et al., 2015).

Most MENA countries allow employers to make flexible contractual arrangements with employees. Only Algeria, Djibouti, Iraq, and Morocco prohibit fixed-term contracts for permanent tasks in the region. Globally, 124 out of 190 countries allow fixed-term contracts for permanent tasks or when the duration is not specified by law. In contrast, fixed-term contracts are prohibited in 66 countries. Countries that prohibit the use of fixed-term contracts are mainly low- and middle-income economies where legislation tends to be outdated (World Bank, 2020a).

The maximum cumulative duration of fixed-term contracts is relatively short in Iraq, Morocco, Djibouti, Lebanon, and the West Bank and Gaza (Table 1)**.** For instance, in Morocco**,** the maximum cumulative duration of a fixed-term employment relationship is 12 months, including all renewals. This is a very limited time period for such contracts. In contrast, about half of the MENA countries have no limits to the duration of fixed-term contracts, including renewals. For international comparison, 103 out of 190 countries have no limits to contract duration, and 23 countries allow fixed-term contracts for 60 months or longer (Figure 2). By income groups, high and upper-middle-income countries are more generous in the maximum length of fixed-term contracts for permanent tasks and allow fixed-term contracts without time limits.

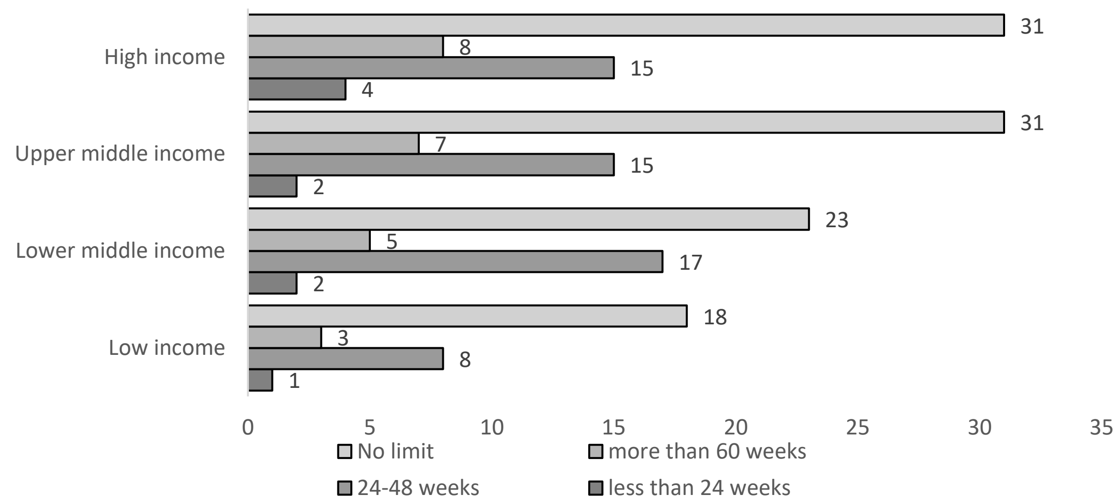
Table 1 Maximum legal duration of FTCs, including renewals

Maximum duration of FTCs, including renewals	**Countries**
1 year (12 months)	Iraq, Morocco
2 years (24 months)	Djibouti, Lebanon, the West Bank and Gaza
4 years (48 months)	Libya, Saudi Arabia, Tunisia
5 years (60 months)+	Bahrain, Syrian Arab Republic
No legal limits for the maximum duration of fixed-term contracts	Algeria, Egypt, Iran, Islamic Rep., Jordan, Kuwait, Oman, Qatar, United Arab Emirates, Yemen, Rep.

Source: World Bank Employing Workers 2020 database

[7] For instance, offering permanent contracts after the fixed-term contract period and expanding social protection coverage of fixed-term workers can be considered (ILO, 2016a). See ILO Recommendation No. 166 (Article 3(2)) that provides examples of legal rules to prevent abusive recourse to fixed-term contracts.

Figure 2 Duration of fixed-term contracts (weeks) by income group



Source: World Bank Employing Workers 2020 database

In the region, some countries (such as Morocco[8], West Bank and Gaza[9], Djibouti[10], Iraq[11], Saudi Arabia and Tunisia) set the number of renewal times or the maximum duration after which fixed-term employment contracts can be renewed (ILO, 2016a). In Saudi Arabia, if the contract is renewed for three consecutive terms or if the contract period exceeds four years, it is converted into an indefinite term contract.[12] Tunisia does not allow employers to make a fixed-term contract for more than 4 years, including renewals.[13] After the expiration of this term, the worker must be hired under an open-ended contract or replaced.

Countries with restrictions on the provisions of fixed-term contracts can consider easing their applicability and extending the duration of fixed-term contracts. An extension to the duration of fixed-term contracts for up to five years could be considered for these countries with limited duration FTCs. This would increase flexibility in hiring workers especially during cyclical fluctuations or early start-up, as well as encourage hiring young or inexperienced workers (Angel- Urdinola & Kuddo, 2010).

Working hours: The regulation of working times and rest can have an important influence on both employers and workers. Working hours and the organization of work can directly affect workers' mental and physical health, safety at work, earnings and productivity (ILO, 2018b). They can play an important role for employer firms in determining their profitability and productivity. Empirical evidence suggests that higher flexibility for employees to choose working hours increases their productivity (Collewet & Sauerman, 2017). Collewet and Sauerman (2017) studied the effects of daily working hours on workers' productivity using panel data from a call center in the Netherlands from 2008 to 2010. They show that higher flexibility for workers in determining working hours leads to higher productivity. Some studies find similar links between flexible work schedules and firms' outcomes. Golden (2012) surveyed relevant studies on such links and show that flexible work time

[8] Article 17, Labor code; ILO EPLex
[9] Article 25, Labor Law
[10] Article 11, Code du Travail de 2011
[11] Article 38, Labor law 37/2015
[12] Labor Law, Article 55; ILO, 2016a
[13] Labor Code, Article 6-4; ILO EPLex

improved firm profits because they can enhance workers' productivity, reduce absenteeism and staff turnover while attracting motivated employees. Finally, some studies show that flexible working-time arrangements can affect labor force participation rates, particularly for female workers (Winkler, 2016).

On the other hand, irregular work schedules can have negative impacts on workers' safety, health and productivity (Croucher et al., 2013). Moreover, flexible work or overtime arrangements can be misused by employers when work demands increase since they offer an alternative to hiring additional workers. The ILO Hours of Work Convention, 1919 (No. 1) and 1930 (No. 30) set the standard at 48 regular hours of work per week, with a maximum of eight hours per day. Later, the Forty-Hour Week Convention, 1935 (No. 47) established the principle of the 40-hour work week. While international standards do not specify the level of overtime limits, ILO's Committee of Experts on the Application of Conventions and Recommendations suggest such limits need to be reasonable to improve workers' health and workplace safety (ILO, 2007). The ILO's Night Work Convention No. 171 states that compensation for night work should recognize the nature of night work and suggests that an alternative measure should be available to women during pregnancy and after childbirth. Overall, while ensuring adequate working hours, rest days and overtime work arrangements, labor regulations should allow firms flexibility in organizing and adjusting hours, which enhances both productivity and business competitiveness.

In most MENA countries, the length of legal working hours follows international practices. Most countries set six working days per week while Lebanon and Oman have a working week of 5.5 days, and 5 days respectively. Globally, 90 percent of countries allow between five and a half and six working days per week. Concerning the standard working hours per day, in countries except for Oman (9 hours), the standard is 8 hours in the region. The majority of global economies set it at eight hours while it ranges from 6.6 (Italy) to 9 hours (Chile, India, Norway, Tanzania, and South Africa).

There are some legal restrictions on non-regular working hours in the region (Table 2). Six countries (Djibouti, Jordan, Kuwait, Lebanon, Oman, Qatar) set restrictions on overtime.[14] For instance, in Kuwait, overtime cannot exceed 2 hours per day or 180 hours per year.[15] In Jordan, employees are not allowed to work overtime except on special cases such as performing an annual inventory or preparing for a sales period.[16] In Lebanon, employers need to inform the Ministry of Labor when employees exceed the legal maximum number of working hours (48 hours).[17] Globally, 26 out of 190 countries restrict overtime (14 percent).

Regarding night shifts, six countries have some restrictions on night shifts (Algeria, Iraq, Jordan, Oman, Qatar, West Bank and Gaza). Iraq, for example, limits total weekly working hours, including night shifts, to 48 hours.[18] In Algeria, it is forbidden for female workers or youth under 18 years old to work at night (9 pm to 5 am) (Kuddo, 2019a). For international comparison, 21 percent of countries restrict work on night shifts.

Seven countries in the region have restrictions on weekly rest days. For instance, Morocco requires employees to take at least 24 hours of continuous weekly rest, and in general, the weekly rest days should be provided

[14] The Employing Workers study defines 'overtime' as 2 hours of overtime per day (from 6 PM to 8 PM) over 4 working days (8 additional hours in total) during a regular workweek. These overtime hours should not exceed 48 hours per week in total and are to be completed before 8pm.
[15] Article 66, Law 6/2010
[16] Article 57, Labor Law
[17] Article 31, Labor Code
[18] Article 71, Law 37/2015

either Friday, Saturday, Sunday or the weekly market day.[19] In Saudi Arabia, as per Article 104 of the Labor law, Friday is designated as the weekly rest day. The rest day for an employee can be replaced by another day and employers are obligated to inform the relevant labor office. Globally, 22 percent of countries restrict work on designated weekly rest days.

Overall, most countries follow the international standard on working hours while allowing workers overtime arrangements. Some countries set up restrictions on non-regular working hours by law. However, in practice, overtime works at non-regular working hours are very common, especially in countries with high informality (Angel-Urdinola & Kuddo, 2010). Enhancing awareness of legal obligations for both workers and employers will be needed to reach better compliance with labor legislation.

Table 2 Restrictions on non-regular working hours

Non-regular working hours	MENA countries	Number of countries with restrictions (out of 171 countries except for MENA countries)
Overtime	Djibouti, Jordan, Kuwait, Lebanon, Oman, Qatar	20 countries
Night shifts	Algeria, Iraq, Jordan, Oman, Qatar, the West Bank and Gaza	33 countries
Weekly holiday work	Kuwait, Morocco, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, the West Bank and Gaza	35 countries

Source: World Bank Employing Workers 2020 database

Paid leave: Paid leave is the period during which workers leave their work for a certain period while continuing to receive income and social protection entitlements. Leave days aim to provide workers opportunities to have extra rest and recreation (ILO, 2004). Leave also benefits employers because it can increase workers' motivation and health, reduce absenteeism and increase productivity. According to ILO Convention 132 on holidays with pay, employees have the right to take at least three weeks of paid annual leave each year (BOX 1).

BOX 1. ILO Convention No. 132 (1970)

- Every person shall be entitled to an annual paid holiday of a specified minimum length;
- The holiday shall in no case be less than three working weeks for one year of service;
- A person whose length of service in any year is less than that required for the full entitlement shall be entitled in respect of that year to a holiday with pay proportionate to his length of service during that year;
- A minimum period of service may be required for entitlement to any annual holiday with pay. The length of any such qualifying period shall not exceed six months;
- Public and customary holidays, whether or not they fall during the annual holiday, shall not be counted as part of the minimum annual holiday with pay;
- Periods of incapacity for work resulting from sickness or injury may not be counted as part of the minimum annual holiday with pay;
- Every person taking the holiday shall receive in respect of the full period of that holiday at least his normal or average remuneration;
- The division of the annual holiday with pay into parts may be authorized by the competent authority or through the appropriate machinery in each country.

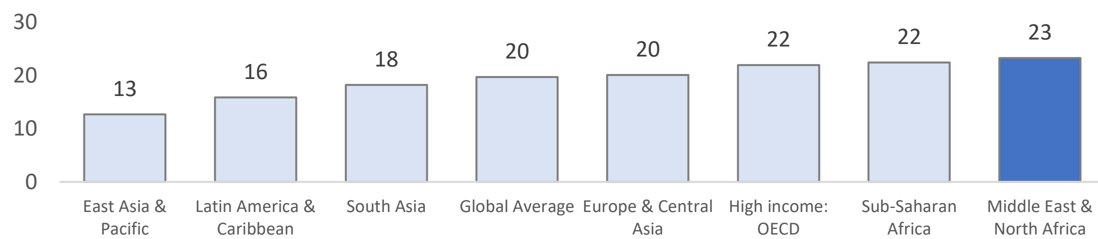
Annual leave arrangements are generous in most of the MENA countries compared to international benchmarks. The MENA region has the longest period of paid annual leave with an average of 23 working days followed by Sub-Saharan Africa with 22 days (Figure 3).[20] For international comparison, the mandatory paid

[19] Article 205, 206, Labor code
[20] The Employing Workers study measures annual leave days for workers with 1, 5, and 10 years of tenure.

annual leave in a private sector company varies from around 15 working days in Canada and Chile to more than 30 working days in Finland and France.

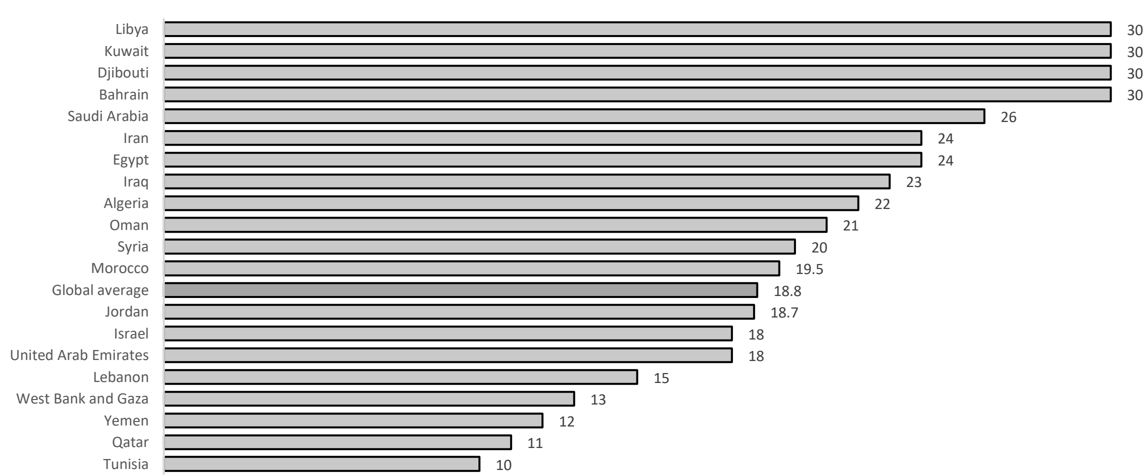
Wage workers in Bahrain, Djibouti, Kuwait, Yemen, and Libya are entitled to 30 days' annual leave, which is much longer than the global average of 19 days and the ILO's recommended minimum of three work weeks. In Morocco, workers can take 1.5 working days leave per month, plus an additional 1.5 working days for every 5 years of continuous employment up to 30 working days (Kuddo & Moosa, 2019). In West Bank and Gaza, Lebanon and Jordan, workers have a relatively shorter period of paid annual leave. In Lebanon, annual leave is 15 working days, which cannot be used until the completion of the first year of employment (Kuddo, 2019a). In Jordan, employees can take 14 days of paid annual leave or a longer period if they have an agreement with employers. If an employee has been working for the same employer for more than five continuous years, the employee will be entitled to 21 days of annual leave.[21] The shortest mandatory annual leave is in Tunisia, at 10 working days. Countries with relatively generous annual leave arrangements or with limited provisions can consider following the ILO recommendation of 15-21 days (3 weeks of annual leave) as a reference point (ILO, 1970a).

Figure 3 Paid annual leave by region (average for workers with 1, 5, and 10 years of tenure, in working days)



Source: World Bank Employing Workers 2020 database
Note: Average days are calculated only for countries with provisions of annual paid leave.

Figure 4 Paid annual leave in MENA countries (average for workers with 1, 5 and 10 years of tenure, in working days)



Source: World Bank Employing Workers 2020 database

[21] Art. 61, Labor Code; Kuddo. (2018a)

Minimum wages

Governments set minimum wages with the aim of providing adequate income for workers, especially low-paid workers, as well as reducing wage inequality (ILO, 1970b; Kuddo et al., 2015). Minimum wages can also be important when certain firms monopolize local markets, leaving little bargaining power to workers. However, when the minimum wage is higher than the marginal product of labor, minimum wages become a constraint for firms by increasing the cost of labor (Gatti et al., 2014). While the effects on employment are mixed empirically, a high level of minimum wage can potentially reduce formal labor demand and increase unemployment, particularly in low-wage and low-skilled sectors (Maloney & Nunez Mendez, 2004; Betcherman, 2014).

The effects of minimum wages on labor markets have long been studied, and empirically the effects on employment are mixed, often small or insignificant (Betcherman, 2014). Card and Krueger (2000) find no significant effects on employment using natural experiments in the U.S. Doucouliagos and Stanley (2009) also provide a comprehensive meta-analysis of the estimates of employment effects using 64 studies in the U.S. They show no negative employment effect of the minimum wage. In the U.K., a meta-analysis of 16 studies finds no evidence of a significant adverse effect on employment for the British minimum wage (De Linde Leonard et al.,2014).

For developing countries, the results are also mixed. Lemos (2004) uses household survey data from between 1982 and 2000 in Brazil and examines the effects of the minimum wage on wage distribution and employment rates in the formal and informal sectors. She shows that increases in minimum wages do not have negative effects on levels of employment in the formal and informal sectors. A review of more than 150 studies by Betcherman (2012) finds that increases in the minimum wage have modestly negative employment effects or no effects at all. On the other hand, Gindling and Terrell (2007) examine the effects of minimum wages on employment in Costa Rica by using cross-sectional household data from 1988 to 2000. They find that increases in the minimum wages had negative effects on the probability of employment. The same authors (2014) also look at changes in minimum wages from 1990 to 2004 in Honduras and find that increases in minimum wages reduced employment in medium and large firms. In South Africa, Bhorat, Kanbur and Stanwix (2012) analyze the minimum wage applied to the agricultural sector and its impact on employment. They find large negative effects on the probability of employment among low-skilled workers.

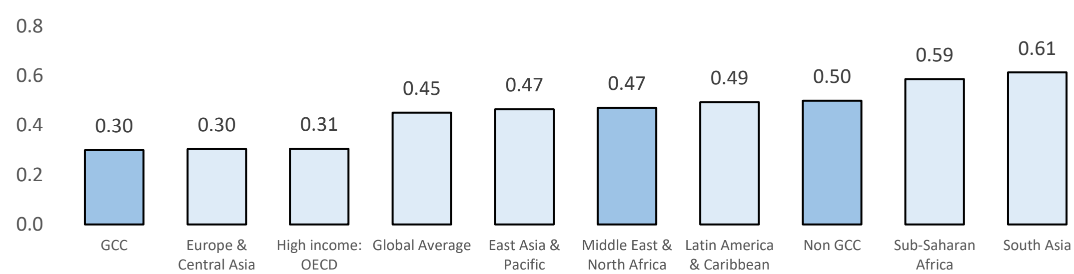
The labor market impacts depend on the level of the minimum wages, labor market structures, category of workers affected by this measure, and levels of enforcement. Although there is no standard formula to set the level of minimum wages (ILO, 2012), the ILO Minimum Wage Fixing Convention (No. 131) recommends that the level of minimum wages should be determined by considering “the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups” and “economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.” (ILO, 1970b). It also highlights the importance of full consultations with the representative organizations of employers and workers to determine and implement the minimum wage. Governments should have a mechanism to adjust the level of minimum wages from time to time, which is informed by reliable statistical indicators such as the cost of living and labor productivity.[22] Overall, setting a minimum wage at a

[22] See ILO (2016b) for details.

modest level, which is effectively enforced, will be a better approach instead of setting a high wage with weak enforcement (Kuddo & Moosa, 2019).

In the MENA region, the ratio of the minimum wage to the value-added per worker is similar to the global average at 0.45 (Figure 5). However, relative to the global average, some countries set a high level of minimum wage compared to value-added per worker. The Employing Workers survey recalculates minimum wage as a share of GNI per worker as a proxy for average earnings because of a lack of consistent cross-country data on average earnings. The ratio is adjusted to represent the percentage of the working age population as a share of the total population.[23] In the region, the West Bank and Gaza, Djibouti, and Morocco show high ratios at 0.75, 0.71, and 0.68 respectively (Table 3). By contrast, Kuwait has a very low minimum wage at 0.06. In general, lower-income countries set higher levels of the minimum wage. The average minimum wage level is at 0.31 in high-income countries, 0.37 in upper-middle-income countries, and 0.53 and 0.81 in lower-middle-income and low-income countries respectively. In high-income OECD countries, this ratio ranges from 0.15 in the Netherland to 0.46 in Italy.

Figure 5 Ratio of the minimum wage to value-added per worker by region



Source: World Bank Employing Workers 2020 database
Note: Average ratios are calculated only for countries with provisions of minimum wages for private-sector workers. GCC = Gulf Cooperation Council

Table 3 Minimum wages for workers in the private sector

	Minimum wage for a full-time worker in the private sector (US$/month)	Ratio of MW to value-added per worker
Algeria	149.41	0.28
Bahrain	-	-
Djibouti	198.38	0.71
Egypt, Arab Rep.	-	-
Iran, Islamic Rep.	371.20	0.56
Iraq	256.77	0.35
Jordan	308.86	0.54
Kuwait	215.98	0.06
Lebanon	431.19	0.46
Libya	284.49	0.36
Morocco	266.39	0.68
Oman	781.95	0.47

[23] In addition, different countries set minimum wages on either an hourly, daily, weekly, or monthly basis. The Employing Workers computes them on a monthly basis for cross-country comparisons. Minimum wages are converted from local currency into U.S. dollars using the World Bank Atlas conversion factor.

Qatar	-	-
Saudi Arabia	-	-
Syrian Arab Republic	37.06	0.26
Tunisia	251.93	0.58
United Arab Emirates	-	-
The West Bank and Gaza	403.84	0.75
Yemen, Rep.	38.18	0.27

Source: World Bank Employing Workers 2020 database[24]

More importantly, minimum wages remain unadjusted for the past few years in many MENA countries. Out of 14 countries where some minimum wage exists for private-sector workers, 6 countries have not revised their minimum wages since 2014 (Table 4). Only Iran implemented an adjustment of the minimum wage every year. Limited revisions of minimum wage levels mean that these fail to reflect changes in the cost of living and economic conditions, which may negatively affect workers' purchasing power and the fairness of the wage structure (ILO, 2016b; 1970b).[25] The ILO recommends annual adjustments in periods of low or moderate inflation, which provide workers and employers smooth adjustment and predictability.

At the same time, some countries introduced a statutory minimum wage. In October 2012, the West Bank and Gaza introduced a minimum wage of 1450 Shekels per month for daily workers as per Council of Ministers Decision No. 11. Djibouti amended the Labor Code of 2006 in January 2018, which reestablished a 35,000 DJF per month minimum wage for the private sector that had been suspended since 2006. Most recently, Qatar introduced a minimum wage of QAR 1,000, which came into force in March 2021 (ILO, 2021c).[26] Qatar is the first MENA country to introduce a non-discriminatory minimum wage, applying to workers of all nationalities and in all sectors, including domestic workers.

Table 4 Minimum wage reforms (local currency/month)

Economy	2014/15	2015/16	2016/17	2017/18	2018/19	LCU/ month
Algeria	DA 18,000	DA 18,000	DA 18,000	DA 18,000	DA 18,000	Algerian dinar
Djibouti	0	0	0	0	DF 35,000	Djibouti franc
Iran, Islamic Rep.	Ris 7,124,250	Ris 8,121,660	Ris 9,299,310	Ris 11,112,691	Ris 15,168,810	Iranian rial
Iraq	ID 120,000	ID 120,000	ID 120,000	ID 350,000	ID 350,000	Iraqi dinar
Jordan	JD 190	JD 190	JD 220	JD 220	JD 220	Jordanian dinar
Kuwait	KD 60	KD 60	KD 60	KD 75	KD 75	Kuwait dinar
Lebanon	LL 675,000	LL 675,000	LL 675,000	LL 675,000	LL 675,000	Lebanese pound
Libya	LD 450	LD 450	LD 450	LD 450	LD 450	Libyan dinar
Morocco	DH 2,450	DH 2,566	DH 2,566	DH 2,566	DH 2,566	Moroccan dirham
Oman	RO 325	RO 325	RO 325	RO 325	RO 325	Rial omani
Syrian Arab Republic	LS 13,670	LS 16,175	LS 16,175	LS 16,175	LS 16,175	Syrian pound
Tunisia	TD 476	TD 476	TD 502	TD 595	TD 634	Tunisian dinar

[24] The information on minimum wages is as of May 2019. In March 2021, Qatar introduced a minimum wage of QAR 1,000 for all workers including private sector workers.
[25] The Minimum Wage Fixing Recommendation, 1970 (No. 135) suggests that "Minimum wage rates should be adjusted from time to time to take into account changes in the cost of living and other economic conditions." --"either at regular intervals or whenever such a review is considered appropriate in the light of the variations in a cost-of-living index".
[26] Law No. 17 of 2020

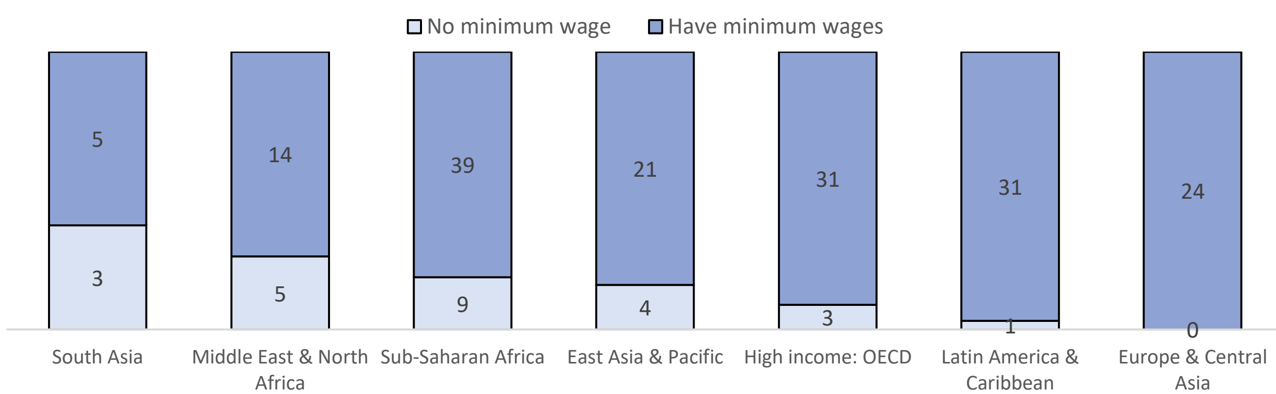
The West Bank and Gaza	NIS 1,450	NIS 1,450	NIS 1,450	NIS 1,450	NIS 1,450	Israel new shekel
Yemen, Rep.	YRI 20,000	YRI 20,000	YRI 20,000	YRI 20,000	YRI 20,000	Yemeni rial

Source: World Bank Employing Workers 2020 database

Note: The information on minimum wages was collected from May in one year to May in the subsequent year. This table doesn't reflect information after May 2019.

Minimum wages should protect all workers, regardless of their nationalities and types of employment (ILO, 1949; ILO, 2006). The Minimum Wage Fixing Convention, 1970 (No. 131) suggests that all groups of workers in employment relationships, including women, youth and migrant workers, regardless of their contractual arrangements, should be covered by minimum wages. To this day, about one-quarter of countries in the MENA region do not have a national minimum wage for workers in the private sector. The MENA region has the second-lowest coverage of minimum wages (Figure 6). Globally, around 87 percent of countries have one or more minimum wages for workers in the private sector while 25 countries have no minimum wage for workers in the private sector. All countries in Europe and the Central Asian region have a statutory minimum wage covering the private sector.

Figure 6 Number of countries with a minimum wage by region



Source: World Bank Employing Workers 2020 database

Where they exist, minimum wages in the region exclude large numbers of workers, such as domestic workers (Table 5). Countries with no minimum wage for any types of workers include the United Arab Emirates and Saudi Arabia. [27] Minimum wages are applicable only for public sector workers in Bahrain and Egypt.[28] Domestic workers are excluded from minimum wages in all the countries except Qatar and Kuwait.[29] Kuwait is the first country in the region to set a minimum wage for domestic workers. The minimum wage is set as 60 dinars (around USD 200) per month.[30] In March 2021, Qatar introduced a minimum wage which also applies to men and women employed by households. The legislation stipulates that employers also need to pay no less than QAR 1,000 a month and provide decent food and accommodation (ILO, 2021c).[31]

[27] Saudi Arabia does not set a statutory minimum wage. However, a worker needs to receive a monthly wage of more than SAR3,000 (USD800) in order to be considered in the Nitaqat points system (employment nationalization program) (ILO, 2016b).
[28] Bahrain, Law No. 42 of 2010; Egypt, Article 34 of the Labor Law.
[29] Domestic work is defined as work performed in or for a household or households.
[30] Ministerial Order No. 14 of 2017 sets out the monthly minimum wage for workers in the private and oil sector.
[31] Law No. 17 of 2020 on determining the national minimum wage for workers and domestic workers.

Jordan set different minimum wages for migrant and national workers. The monthly minimum wage for Jordanians is JD220 (USD310) per month, while the wage for migrant workers in the garment sector is only JD125 (USD178) (ILO, 2018a). ILO recommends that minimum wages should be set by skill levels and occupations instead of by nationality.[32] While the assumption is that migrant workers remit money to their home country, where the living costs are different, this is not always the case. At the same time, policymakers need to ensure that the in-kind payments deducted from a worker's wage are fair and reasonable.

Table 5 Minimum wage applicability[33]

Countries where there is a national minimum wage for **domestic workers**	Kuwait, Qatar
Countries where there is **currently no minimum wage application**	United Arab Emirates (UAE), Saudi Arabia
Countries where there is a minimum wage **only in the public sector**	Bahrain, Egypt
Countries where there is **a different minimum wage for migrant and national workers**	Jordan

Source: ILO, World Bank Employing Workers 2020 database

Overall, statutory minimum wages in the MENA region are not high by international comparisons. The region needs to adjust the minimum wages from time to time to take into account changes in the cost of living and other economic and social conditions (ILO, 1970b; Kuddo et al., 2015). For countries with no minimum wages, setting minimum wages is crucial to ensure an adequate income for all workers (ILO, 1970b; Kuddo et al., 2015). Moreover, in countries with high informality, many workers tend to earn wages below the stipulated wage due to limited compliance (Angel-Urdinola & Kuddo, 2010). To address low compliance, governments should avoid complex minimum wage systems and increase public awareness of the minimum wage regulations and levels so that workers can claim their rights. Frequent inspections coupled with sanctions for noncompliance with the rules should be carried out to ensure application of all minimum wage provisions (Kuddo et al., 2015).

[32] The ILO Migration for Employment Convention (Revised) 1949 (No. 97) (Article 6(1)(a)(i)), the ILO Multilateral Framework on Labor Migration 2006

[33] Legal basis: Kuwait (Ministerial Decree Number 14 for 2017 regarding setting the minimum wage in private and oil sector), Qatar (Law No. 17 of 2020), Bahrain (Law No. 42 of 2010 raising the minimum wage of civil servants and military personnel), Egypt (Article (34) of the Egyptian Labor Law. Prime Minister Decree No. 22/2014 of Egypt on Overall Monthly Wages and Incomes of Civil Servants.), Jordan (Resolution of the Minimum Wage Committee No.(1688) for the year 2017. Article 52 of the Labor Law).

Redundancy rules and unemployment benefits

Labor regulations can use different types of provisions to protect workers who terminate employment. In middle- and low-income countries, severance pay (meaning end-of-service compensation) is the most common way to protect the workers when they get laid off and fall into unemployment. ILO international conventions (No. 158 and No. 166) recommend measures to minimize termination without valid reasons.

BOX 2. ILO Convention regarding termination of employment

ILO Termination of Employment Convention No. 158 (1982) states that employment shall not be terminated unless there is valid reason for such termination connected with capacity or conduct of the worker, or based on operational requirements of the undertaking, establishment, or service.

ILO Termination of Employment Recommendation No. 166 (1982) suggests a package of measures that should be considered, with a view to averting or minimizing terminations of employment for reasons of economic, technological, structural, or similar nature. These may include, inter alia, restriction of hiring, spreading workforce reduction over a period of time to permit natural reduction of workforce, internal transfers, training and retraining, voluntary early retirement with appropriate income protection, restriction of overtime, job-sharing, and reduction of normal work hours.

Empirically, early studies find that the effects of dismissal procedures and redundancy costs on employment are mixed (Betcherman, 2012; 2014). Some studies argue that generous severance pay imposes additional costs on employers, reduces reallocation of workers, and hinders employment creation. Using time-series and cross-section data for 22 OECD countries, Lazear (1990) finds that higher severance pay correlates with increased unemployment levels and lowered labor force participation. Fallon and Lucas (1991) examine whether legal requirements to obtain approval from governments for a worker's dismissal affect the demand for labor in India and Zimbabwe. They show that such regulation decreased labor demand among manufacturing firms. Similarly, Kugler and Pica (2008) study the labor legislation reforms in Italy in 1990 using employer-employee panel datasets. They find that increased dismissal costs reduced workers' turnover and employment adjustments in small companies compared to larger companies.

Negative impacts of regulation are found especially high among youth and low-skilled groups. In Chile, Montenegro and Pagés (2004) use cross-section data from household surveys from 1960 to 1998 to measure the effects of reforms of job security regulations and minimum wages.[34] They show that the regulations reduced the employment rates for young or low-skilled workers but promoted employment opportunities for elderly or skilled workers. OECD (1999) finds no significant negative effects of job security regulations on employment rates, but shows negative effects on women, youth, and older workers.

Although international evidence demonstrates the mixed effects of dismissal procedures and redundancy costs, employers should have reasonable flexibility in adjusting human resources to respond to their operational needs without excessive state interventions. At the same time, a country should have measures to ensure a valid reason for termination, provide adequate length of advance notice, as well as income protection measures, in place (Kuddo et al., 2015).

[34] The paper looks at changes in the legislation for mandatory advance notice periods, justified cause of dismissal, and the amount of severance pay.

Dismissal rules: Some economies require employers to notify a third party and obtain approval from that third party, such as the Ministry of Labor, works council, or other competent authority before an employer can make workers redundant (ILO, 2015a).[35] This requirement aims to reduce the negative impact of employment termination on workers, especially when dismissing large groups of workers, and to protect workers from unfair or discriminatory practices and ensure that termination is supported by a valid reason (Kuddo et al., 2015).

Dismissal procedural requirements are tight in non-GCC countries. 14 countries (all the non-GCC countries plus Bahrain) have such legal obligations and require employers to notify a third party of either individuals or collective dismissals (i.e., a group of 9 workers or more made redundant). Half of the 14 countries also require approval from third parties. Globally, the employer is obliged to consult with a third party for dismissal of one worker in 94 countries (Table 6). In 31 countries, the employer needs the approval of a third party before they can make a worker redundant. In the case of collective dismissals for economic reasons, in 114 countries, the employer has to notify or consult a third party. Of these, 36 countries require third-party approval.

In Tunisia, for example, companies must notify the labor authority of planned dismissals in writing one month in advance as per Article 21 of the Labor Code. The inspector can make a proposal to change the planned layoffs. When the employers do not agree with these proposals, the regional tripartite committee comprising the labor inspector, the employers' organization, and the union will deal with the cases. If they reject the proposal, the dismissal cannot go ahead. Obtaining such approval entails a lengthy process and it is hardly ever granted, making dismissals nearly impossible (Angel-Urdinola et al., 2014).

In 2012, Bahrain adopted a new Labor Law for the Private Sector, No. 36, and introduced third-party notification requirements. According to Article 110, the employer needs to notify the Ministry of Labor and Social Affairs of the dismissal of redundant workers thirty days before the date of notification to the workers of their termination.[36]

Table 6 Notification and approval requirements by income group

	Dismissal of one worker		Collective dismissal	
Income group	Notify	Approval	Notify	Approval
High income	19	4	26	5
Upper middle	26	10	29	10
Lower middle	29	11	35	12
Low income	20	6	24	9
Total	94	31	114	36

Source: World Bank Employing Workers 2020 database

[35] In economies with well-functioning employment services, notification requirements for collective dismissals can help government officials prepare for an increase in the number of unemployed, including through the design of targeted job search assistance and training programs while there is little justification for mandating third-party approval for redundancy dismissals.

[36] Labor Law for the Private Sector, No. 36 of 2012

Table 7 Countries with dismissal procedural requirements

	Notification requirements for the dismissal of one or a group of workers	Approval requirements for the dismissal of one or a group of workers	Retraining or reassignment obligation before redundancy dismissal	Priority rules requirements for redundancy	Priority rules requirements for re-employment
Algeria	X		X	X	
Bahrain	X			X	
Djibouti	X				X
Egypt	X	X		X	
Iran	X	X			
Iraq	X	X			
Jordan	X	X			X
Kuwait					
Lebanon	X			X	X
Libya	X				
Morocco	X	X	X	X	X
Oman					
Qatar					
Saudi Arabia					
Syrian Arab Republic	X	X			
Tunisia	X	X	X	X	X
United Arab Emirates					
Yemen	X				X
West Bank and Gaza	X				

Source: World Bank Employing Workers 2020 database

Priority rules for redundancy dismissals mean that workers must be laid off in sequence based on attributes such as seniority, marital status, or the number of dependents. Priority rules for reemployment require that employers need to allocate available positions to workers previously dismissed for redundancy before advertising the positions to external candidates. Some countries also require employers to provide retraining or reassign workers before they are laid off to provide them with new employment opportunities (Kuddo et al., 2015).

Morocco and Tunisia have all of these legal requirements (i.e. priority rules for redundancy and reemployment, re-training, and re-assignments for employees before making them redundant) (Table 7).[37] According to the Tunisian Labor code, priority rules associated with seniority, family situation, and professional value apply to redundancy dismissals or lay-offs.[38] Globally, around 50 percent of economies do not have priority rules for redundancies and reemployment. In the income-level comparison, priority rules both for redundancy and reemployment are the most prevalent in low-income economies. They account for 53 percent of low-income countries compared to only 16 percent of high-income country groups. Although such legal provisions aim to mitigate unfair dismissals, they protect only a few formal workers while preventing vulnerable workers such as youth, immigrants, or disabled workers from accessing employment opportunities (Kugler and Saint-Paul, 2004).

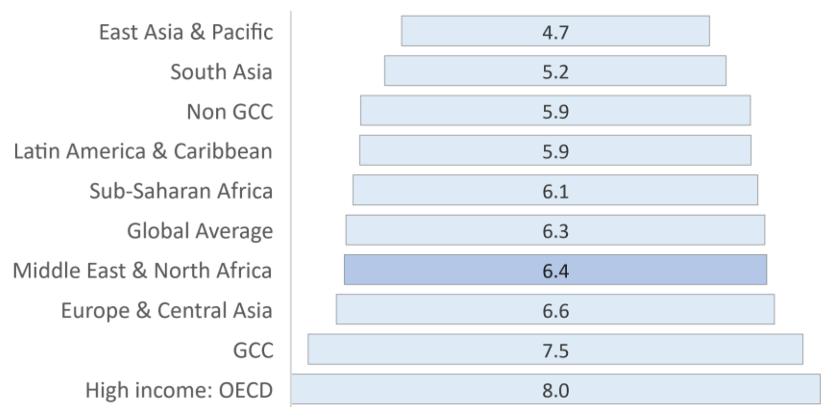
Notice Period: Advance notice of employment termination aims to offer workers a certain period of time to make a plan for consumption-smoothing and facilitate job search (Article 11 of the Convention No. 158). All workers should be entitled to an appropriate length of notice as well as paid leave of absence before termination to facilitate job search (Kuddo et al., 2015). On the other hand, if the period of notice is too long, it

[37] Article 66 to 71; Article 508 of the Moroccan Labor Code
[38] Article 21-13, Labor code

becomes a business cost and may reduce firms' productivity because they need to retain involuntary and unproductive workers and extend the duration of labor market adjustment (OECD, 1999). In consultation with employers and employees, the governments need to find appropriate lengths of notice periods (Kuddo et al., 2015).

The length of notice period for redundancy dismissal is similar to the international average (Figure 7). The average length in the MENA region is 6.4 weeks of salary, compared to the global average of 6.3 weeks of salary. However, GCC countries show the second-longest period of advance notice with 7.5 weeks, following high-income OECD countries (8 weeks). Compared to international benchmarks, Kuwait, Egypt, and Lebanon require generous advance notice periods at 13.1, 10.1, and 8.7 weeks of salary respectively (Table 8). Notice periods are often determined by length of tenure. In these three countries, a worker with more than 10 years of tenure is entitled to receive notice of more than 13 weeks. Globally, only 32 countries offer such generous entitlement for the worker (Table 9).

Figure 7 Notice period for redundancy dismissal by region (average for workers with 1, 5 and 10 years of tenure, in weeks of salary)



Source: World Bank Employing Workers 2020 database
Note: Average weeks are calculated only for countries with notice requirements. GCC = Gulf Cooperation Council

Table 8 Notice period for redundancy dismissal in MENA countries

	Notice period for redundancy dismissal			
Economy	**For a worker with 1 year of tenure, in salary weeks**	**For a worker with 5 years of tenure, in salary weeks**	**For a worker with 10 years of tenure, in salary weeks**	**Average**
Algeria	4.3	4.3	4.3	4.3
Bahrain	4.3	4.3	4.3	4.3
Djibouti	4.3	4.3	4.3	4.3
Egypt, Arab Rep.	8.7	8.7	13.0	10.1
Iran, Islamic Rep.	0.0	0.0	0.0	0.0
Iraq	0.0	0.0	0.0	0.0
Jordan	4.3	4.3	4.3	4.3
Kuwait	13.0	13.0	13.0	13.0
Lebanon	4.3	8.7	13.0	8.7
Libya	4.3	4.3	4.3	4.3
Morocco	4.3	8.7	8.7	7.2
Oman	N/A	N/A	N/A	N/A
Qatar	4.3	8.7	8.7	7.2
Saudi Arabia	8.6	8.6	8.6	8.6

Tunisia	4.3	4.3	4.3	4.3
United Arab Emirates	4.3	4.3	4.3	4.3
The West Bank and Gaza	4.3	4.3	4.3	4.3
Yemen, Rep.	4.3	4.3	4.3	4.3

Source: World Bank Employing Workers 2020 database

Table 9 Countries with more than 13 weeks of notice period for redundancy dismissal for workers with 10 years employment (in salary weeks)

Middle East & North Africa	East Asia & Pacific	Europe & Central Asia	High income: OECD	Latin America	Sub-Saharan Africa
Kuwait, Egypt, Arab Rep., Lebanon	Cambodia, Vanuatu	Albania	Belgium, Denmark, Finland, Germany, Iceland, Luxembourg, Netherlands, Norway, Poland, Slovak Republic, Sweden, Switzerland	Paraguay, Dominica, Haiti St. Kitts and Nevis	Burundi, Cameroon Comoros, Congo, Dem. Rep., Ethiopia, Gabon, Gambia, The Sierra Leone, Uganda Zimbabwe

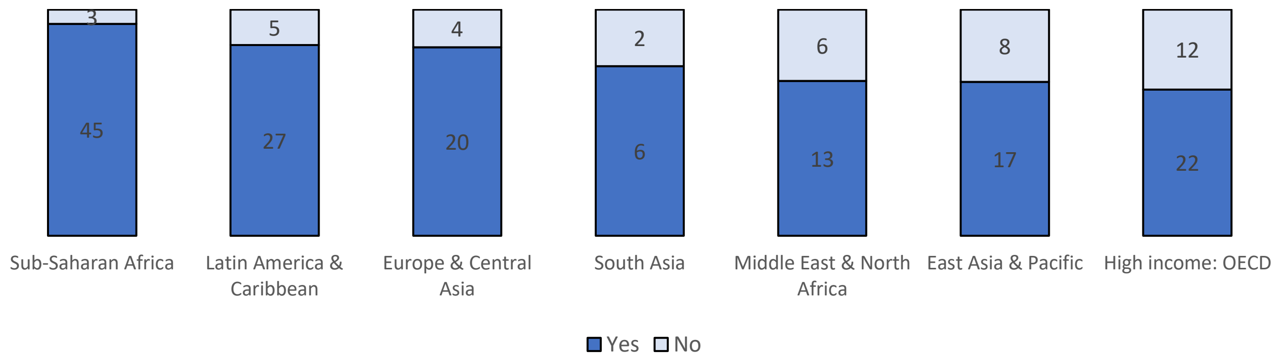
Source: World Bank Employing Workers 2020 database

Severance pay and Unemployment benefits: Severance payments for redundancy dismissals aim to protect the income of redundant workers and support workers' transitions between jobs (Holzmann et al., 2011). They can also create incentives for employers to retain workers by adding cost for redundancies, thus reducing turnover and facilitating long-term employment relationships (Kuddo et al., 2015). While severance pay provides some means of income protection for workers, it relies on an employer's liability and pools financial risk at the firm level, potentially failing to protect workers when firms have liquidity constraints or compliance is limited (Kuddo et al., 2015). As shown above in the literature, very high redundancy costs can potentially reduce aggregate employment and promote inequality across workers (Bassanini et al., 2009; Harasty, 2004; Kugler & Saint-Paul, 2004).

Unemployment protection schemes such as unemployment insurance or benefits aim to provide income security for unemployed and underemployed workers over a certain period of time (ILO, 2017). While severance payments do not reach long-term unemployed workers, unemployment benefits can support these workers (Angel-Urdinola & Kuddo, 2010). Instead of relying on severance pay, well-designed unemployment insurance schemes can provide adequate protection for workers' transitions.

Within the MENA region, Djibouti, Jordan, Lebanon, Oman, Syria, and the United Arab Emirates do not mandate severance payment for redundancy dismissals. Out of 190 countries, around 80 percent of the economies (150 economies) mandate severance payments for redundancy dismissals (Figure 8).

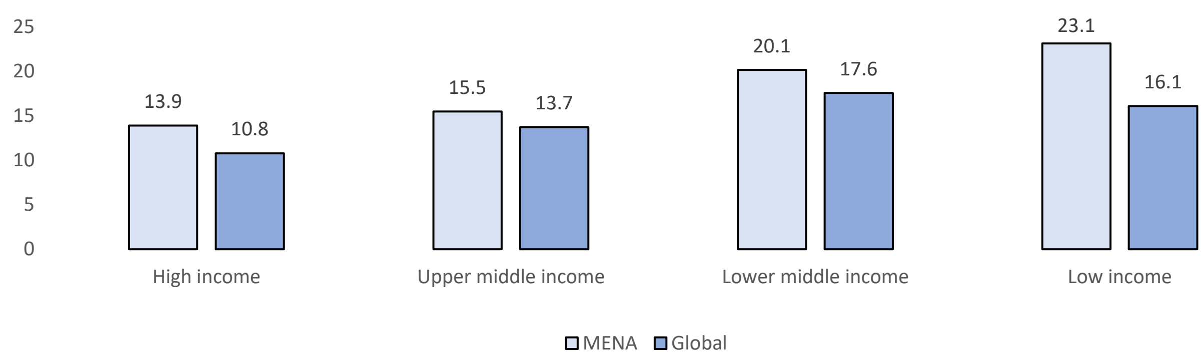
Figure 8 Number of countries with severance payment by region



Source: World Bank Employing Workers 2020 database

The average amount of severance payment in the MENA region stands at 17 weeks of salary, which is higher than the global average at 14.7 weeks. The average of non-GCC countries is 18.4 weeks of salary while those for GCC countries are low at 13.9 weeks. All the income groups in the MENA region have more generous severance payments relative to comparator groups in the rest of the world (Figure 9).[39] Although the generosity of severance pay varies across countries, it is clear that the magnitude of severance payments tends to rise as the income levels of economies decrease. In the regional comparison, the MENA region offers the third-highest level of payment, with South Asia first and East Asia and Pacific second (Figure 10).

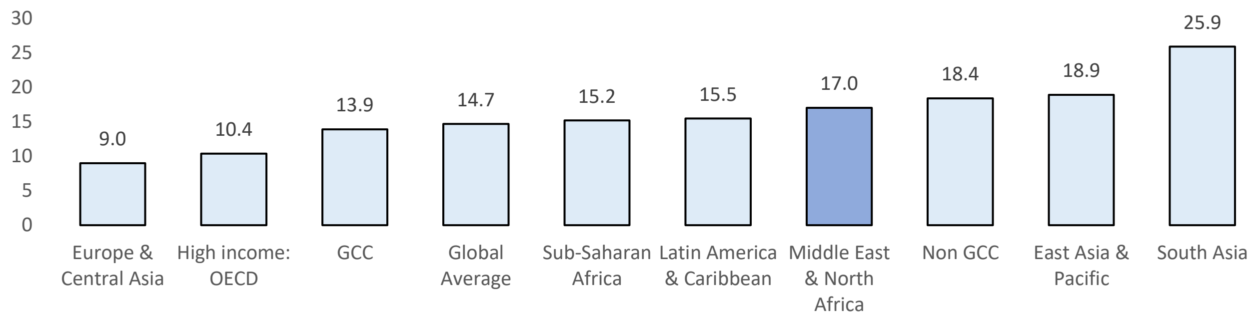
Figure 9 Severance pay benefit level by income-group (weeks of salary)



Source: World Bank Employing Workers 2020 database
Note: MENA = Middle East and North Africa. Average weeks are calculated only for countries with severance pay requirements.

[39] Low income countries include Syrian Arab Republic, and Yemen, Rep.. Lower middle-income countries include Algeria, West Bank and Gaza, Egypt, Arab Rep., Tunisia, Djibouti, and Morocco. Upper middle-income countries include Iraq, Iran, Islamic Rep., Jordan, Lebanon, and Libya. High income countries include Bahrain, Kuwait, Oman, Saudi Arabia, Qatar and United Arab Emirates.

Figure 10 Severance pay benefit level by region (weeks of salary)



Source: World Bank Employing Workers 2020 database
Note: Average weeks are calculated only for countries with severance pay requirements. GCC = Gulf Cooperation Council

Table 10 Severance pay benefit level by country (weeks of salary)

Economy	Severance pay for a worker with 1 year of tenure, in salary weeks	Severance pay for a worker with 5 years of tenure, in salary weeks	Severance pay for a worker with 10 years of tenure, in salary weeks	Average severance pay (weeks of salary)
Algeria	13	13	13	13
Bahrain	2.2	8.6	17.2	9.3
Djibouti	0	0	0	0
Egypt, Arab Rep.	4.3	21.7	54.2	26.7
Iran, Islamic Rep.	4.3	21.7	43.3	23.1
Iraq	2	10	20	10.7
Jordan	0	0	0	0
Kuwait	2.1	10.7	32.5	15.1
Lebanon	0	0	0	0
Libya	2.2	10.8	32.5	15.2
Morocco	2.2	10.9	27.3	13.5
Oman	N/A	N/A	N/A	N/A
Qatar	3	15	30	16
Saudi Arabia	2.2	10.8	32.5	15.2
Syrian Arab Republic	0	0	0	0
Tunisia	4.3	21.4	26	17.2
United Arab Emirates	0	0	0	0
West Bank and Gaza	4.3	21.7	43.3	23.1
Yemen, Rep.	4.3	21.7	43.3	23.1

Source: World Bank Employing Workers 2020 database

Egypt has the most generous severance pay in the region, amounting to 54 weeks of salary for workers with 10 years of tenure. It is one of the top 10 economies with the highest severance pay (Table 11). According to Article 201 of the Labor Law No. 12/2003, the severance payment should be equal to one month's wage for each year in the first five years of service, and one-and-a-half months' wage for each subsequent year. Iran, the West Bank and Gaza, and Yemen require 43 weeks of salary (Table 10). In contrast, Algeria, Bahrain, and Iraq have modest severance payment obligations at 13, 17.2, and 20 weeks of salary, respectively, for workers with 10 years of tenure.

Table 11 Top 10 economies with the highest severance pay

Economy	Severance pay (in weeks of salary) for a worker with 10 years of tenure
Thailand	50.0
Guatemala	50.6
Lao PDR	52.0
Ecuador	54.2
Egypt, Arab Rep.	54.2
Equatorial Guinea	64.3
Mozambique	65.0
Ghana	86.7
Zambia	86.7
Indonesia	95.3
Sri Lanka	97.5
Sierra Leone	132.0

Source: World Bank Employing Workers 2020 database

Regarding unemployment schemes, only nine MENA countries have unemployment insurance schemes (Table 13). As opposed to this trend, severance payment systems are more common than unemployment insurance schemes; 13 MENA countries mandate severance payments for redundancy dismissals. Five countries (Oman, Djibouti, Lebanon, Syria, and the United Arab Emirates) do not have severance payment systems, nor do they have unemployment insurance schemes, which leaves workers vulnerable to job loss. Among 190 countries surveyed, around 41 percent have unemployment benefit schemes.[40] More than half of these countries are classified as high-income countries, followed by lower- and upper-middle-income countries (Table 12). Since around 80 percent of the economies mandate severance payments for redundancy dismissals, unemployment benefits are less common than severance pay mechanisms.

Table 12 Average severance pays in countries with and without unemployment protection scheme by income group

Income level	**Countries with unemployment benefits**		**Countries with no unemployment benefits**	
	Total Number of Countries	**Average Severance Pay**	**Total Number of Countries**	**Average Severance Pay**
Low income	1	23	29	16
Lower middle income	7	15	45	20
Upper middle income	24	13	35	15
High income	46	11	14	12
Total	**73**	**13**	**117**	**17**

Source: World Bank Employing Workers 2020 database

40 It accounts for 78 countries. In Employing Workers data, the question asks" Assuming that the cashier is made redundant after one year of employment, would he/she be eligible to receive unemployment benefits? (Yes/No)".

Table 13 Availability of severance pays in countries with and without unemployment protection scheme

Unemployment protection scheme		**No unemployment protection scheme**	
Country	**Severance Pay (weeks of salary)**	**Country**	**Severance Pay (weeks of salary)**
Jordan[41]	No	Oman	No severance pay
Bahrain[42]	9.3	Djibouti	No severance pay
Algeria[43]	13	Lebanon	No severance pay
Morocco[44]	13.5	Syrian Arab Republic	No severance pay
Kuwait[45]	15.1	United Arab Emirates	No severance pay
Saudi Arabia[46]	15.2	Iraq	10.7
Tunisia[47]	17.2	Libya	15.2
Iran, Islamic Rep.[48]	23.1	Qatar	16
Egypt, Arab Rep.[49]	26.7	West Bank and Gaza	23.1
Average	16.6	Yemen, Rep.	23.1
		Average	17.6

Source: ISSA, 2019a, 2019b; World Bank Employing Workers 2020 database

The global trend shows that countries without unemployment benefit schemes tend to have higher severance pay than those countries with them. In contrast, MENA countries with unemployment benefit schemes still require a similar level of severance pay compared to the average severance pay in the countries that do not have unemployment schemes. The average mandated severance pay is 16.6 weeks of salary in countries with unemployment protection schemes. In these countries, unemployment benefits and severance pay can be combined to protect workers who lost their jobs. Especially when many people shift from permanent or open-ended jobs to more flexible, temporary jobs, unemployment insurance can protect income for workers in transition and for long-term unemployed workers.

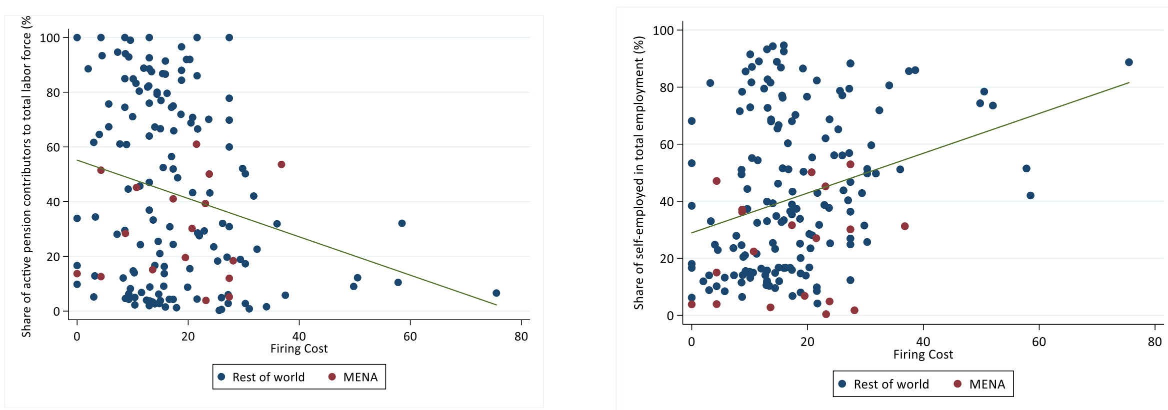
It is important to note that, even where unemployment insurance systems exist, the majority of the population is not entitled to such benefits. The share of unemployed individuals receiving unemployment insurance is less than 10 percent. The coverage rate is 8.8 percent in Algeria, 9.8 percent in Bahrain, and 0.1 percent in Egypt.[50] The underutilization of unemployment insurance could be because of a lack of public awareness about the benefits, strict eligibility conditions, the difficulty of documenting a dismissal decision, or low layoff risks for insured permanent employees (Angel-Urdinola & Kuddo, 2010). Informal employees, such as temporary and domestic workers, the self-employed, and employees in agriculture are also excluded from unemployment insurance schemes in most countries, leaving them out of social protection systems. [51]

The findings in this section demonstrate that, overall, the region exhibits relatively restrictive redundancy regulations that protect only a few formal workers. When faced with rigid employment protection laws, firms may have incentives to hire workers informally. The figure below shows that economies with high dismissal costs tend

[41] Law No. 1 of 2014 on Social Security Law
[42] Legislative Decree No. 78 of 2006 with respect to Insurance Against Unemployment
[43] Legislative Decree n ° 94-11 of May 26, 1994
[44] Law No. 03-14
[45] Law No.101 of 2013 on unemployment insurance
[46] Order No. 81 of 2014 on unemployment insurance
[47] Law No. 101 of 1996 of November 18, 1996
[48] Unemployment Insurance Law 1369/6/26 (September 1990)
[49] Social Insurance Law No. 79 of 1975
[50] Data for Bahrain, Algeria and Egypt refers to 2010, 2003 and 2015 respectively. ILO Social Security database.
[51] Except in countries such as Algeria, Bahrain, Egypt, Iran, Libya and Tunisia. Silva et al. 2012

to have a lower share of active contributors to a pension scheme in the labor force, which can be used as a proxy for formal employment (Figure 11). Moreover, high redundancy cost is also associated with a large number of self-employed workers. Although it is not enough to justify the causal effect of severance pay on informal and non-wage employment, these simple associations corroborate past empirical literature showing that high redundancy costs potentially reduce employment.

Figure 11 The relationship between dismissal costs and informal employment (panel a) and self-employment (panel b)



Sources: World Bank Employing Workers 2020 database; ILO STAT.[52]

Governments can consider introducing or strengthening unemployment insurance schemes while easing overly restrictive and costly regulations so that they can achieve both economic efficiency and worker protection. Unemployment insurance can be a more reliable option to protect workers in transition and unemployed workers. When governments do not have sufficient capacity to effectively operate unemployment benefit systems, enforcement of existing severance payments needs to be ensured to protect workers while making it less costly to employers, including through prefunding arrangements (Kuddo et al., 2015).

Labor tax and social security contributions

Labor tax refers to both social security contributions incurred by employers and employees as well as personal income taxes levied on employees (Kuddo & Moosa, 2019). Labor tax creates a tax wedge; in other words, a gap between the employer's labor costs and the worker's gain. A higher tax wedge can increase labor costs for employers and reduce labor demand, incentivizing employers to hire workers informally or temporarily, reduce working time or underreport wages (World Bank, 2009). The burden of taxes would also drive some firms to avoid registration requirements or mandatory contributions, increasing the size of the informal sector. If contributions by employees exceed the benefits, it can also create incentives for workers to work informally.

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[52] For panel a, ILO (International Labor Office Organization), World Social Protection Database, based on the Social Security Inquiry (SSI). For panel b, International Labor Organization, ILOSTAT database. Dismissal cost is the sum of several cost and advance notice period as weeks of salary (World Bank, 2020a). The number of active contributors is those contribute to national existing contributory retirement schemes. This total number of active contributors is then set into relation with the size of the labor force population. Self-employed workers include four sub-categories of employers, own-account workers, members of producers' cooperatives, and contributing family workers. (modeled ILO estimate, WDI, 2019).

Empirical research has shown that labor taxes can affect the level of employment and informality. In Colombia, Kugler and Kugler (2009) use plant-level panel data from 1982 to 1996 to study the effect of changes in tax rates on wages and employment. They find that a 10 percent increase in payroll taxes results in a drop in formal employment between 4 and 5 percent. In Turkey, Betcharman et al. (2010) compare provinces benefiting from tax subsidies with control provinces that did not qualify for the subsidies. They find that the tax subsidies increased formal employment by 5 to 13 percent through the formalization of informal workers. Monteiro and Assunção (2012) study a Brazilian tax reform, called SIMPLES, which combined different taxes into one single tax while reducing the overall tax rate, and its impacts on the formalization of small firms. Based on a cross-sectional survey data of firms in Brazilian states, they find that the number of businesses licensing rose by 13 percent in the retail sector after the reform but did not rise in ineligible sectors, showing that tax reduction helped to expand the formal economy. Lehmann and Muravyev (2012) also use cross-country panel data in Europe and Central Asia and Latin America to examine the impacts of payroll taxes on the size of the informal economy.[53] They show that a reduction in the tax wedge by 1 percent would reduce the informal activities by 0.1 percent. From international evidence, the recommendation would be to lower the tax wedge through affordable social security contributions or by shifting a portion of the labor taxes toward other revenue sources, which can reduce informality and increase employment.

The MENA region has slightly higher statutory social security contribution rates on insured persons and employers compared to the global average. The International Social Security Association (ISSA) in partnership with the U.S. Social Security Administration (SSA) provides information on five different types of social security programs: old age, disability, and survivors; sickness and maternity; work injury; unemployment; and family allowances. Table 14 lists employee and employer contribution rates by country and program type.

Table 14 Social security contribution rates by insured person, employer and government in MENA countries[54]

Country and contributor	Old-age, disability, and survivors	Sickness and maternity	Work injury	Unemployment	Family allowances	Total, all programs
Algeria						
Insured person	b 7.00	1.5	0	0.5	0	9
Employer	b 11.25	11.5	1.25	1	c	c 25
Total (Insured person & employer)	b 18.25	13	1.25	1.5	c 0	c 34
Bahrain						
Insured person	6	0	0	1	0	7
Employer	9	c	3	1	0	c 13
Total (Insured person & employer)	15	c 0	3	2	0	c 20
Djibouti						
Insured person	4	b 0	0	. . .	0	4
Employer	4	b, c	1.2	. . .	5.5	c 10.7
Total (Insured person & employer)	8	b, c 0	1.2	. . .	5.5	c 14.7
Egypt						
Insured person	13	1	0	0	0	14

[53] The study defines informality as the value of goods and services that are not declared to public authorities as a percentage of national GDP.
[54] Contribution rates are not directly comparable across programs and countries. Detailed sources, notes and definitions by country available at International Social Security Association (ISSA) 2018, 2019a, 2019b, 2020. a. Nonstandard financing. b. All or certain benefits are financed under another program. c. Employers or Government pay the total cost or provide benefits directly to the insured. d. The statutory program has not yet been implemented. e. Finances any deficit; contributes as an employer. f. Subsidizes the minimum pension. Information for Algeria, Djibouti, Egypt, Tunisia and Morocco is as of 2019; for Bahrain, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria and Yemen is as of 2018.

Employer	17	4	3	2	0	26
Total (Insured person & employer)	30	5	3	2	0	40
Iran						
Insured person	5	b	b	0	0	5
Employer	14	b	b	3	c	c 17
Total (Insured person & employer)	19	b	b	3	c 0	c 22
Jordan						
Insured person	6.5	0	0	1	0	7.5
Employer	11	c 0.75	2	0.5	0	c 14.25
Total (Insured person & employer)	17.5	c 0.75	2	1.5	0	c 21.75
Kuwait						
Insured person	7.5	0	0	0.5	0	8
Employer	10	c	c	0.5	0	c 10.5
Total (Insured person & employer)	17.5	c 0	c 0	1	0	c 18.5
Lebanon						
Insured person	0	. . .	0	. . .	0	0
Employer	8.5	. . .	c	. . .	6	c 14.5
Total (Insured person & employer)	8.5	. . .	c 0	. . .	6	c 14.5
Morocco						
Insured person	b 3.96	0.33	0	0.19	0	4.48
Employer	b 7.93	c 0.67	C	0.38	6.4	c 15.38
Total (Insured person & employer)	b 11.89	c 1.00	c 0	0.57	6.4	19.86
Oman						
Insured person	7	0	0	. . .	0	7
Employer	10.5	c	1	. . .	0	c 11.5
Total (Insured person & employer)	17.5	c 0	1	. . .	0	c 18.5
Qatar						
Insured person	5	0	0	. . .	0	5
Employer	10	c	c	. . .	0	c 10
Total (Insured person & employer)	15	c 0	c 0	. . .	0	c 15
Saudi Arabia						
Insured person	9	0	0	1	0	10
Employer	9	c	2	1	0	c 12
Total (Insured person & employer)	18	c 0	2	2	0	c 22
Syria						
Insured person	7	0	0	. . .	. . .	7
Employer	14.1	c	3	. . .	. . .	c 17.1
Total (Insured person & employer)	21.1	c 0	3	. . .	. . .	c 24.1
Tunisia						
Insured person	b 4.74	b 3.17	0	0.11	0.89	8.9111
Employer	b 7.76	b 5.08	0.4	0.29	2.21	15.7389
Total (Insured person & employer)	b 12.50	b 8.25	0.4	0.4	3.1	24.65
Yemen						
Insured person	6	0	0	. . .	. . .	6
Employer	9	c	1	. . .	. . .	c 10
Total (Insured person & employer)	15	c 0	1	. . .	. . .	c 16

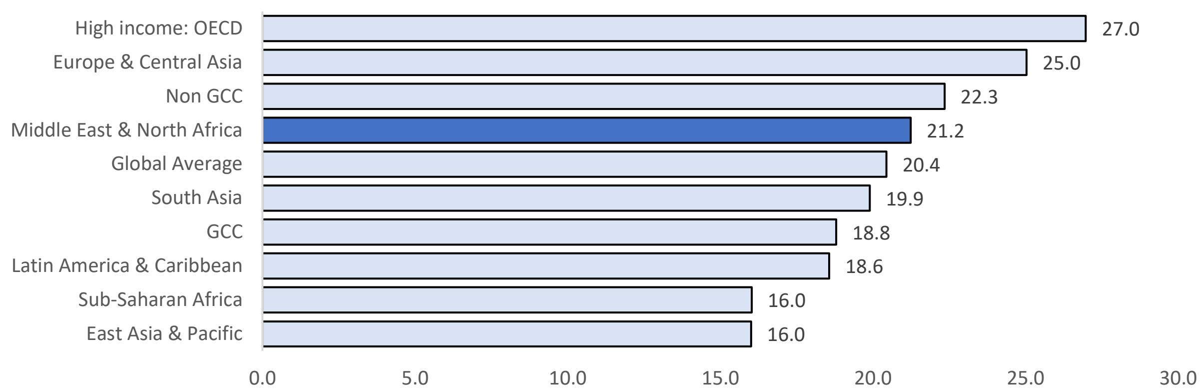
Source: ISSA, 2019a & 2019b

In the region, non-GCC countries have high statutory social security contribution rates on insured persons and employers compared to international benchmarks (Figure 12).[55] The average rate of non-GCC countries stands at 22 percent. Egypt has the highest insured and employer contribution rates at 40 percent, followed by Algeria (34

[55] The graph excluded Belize, Jersey, Guernsey, Bermuda, Bangladesh, Botswana, Lesotho, New Zealand, Philippines. Contribution rates are not directly comparable across programs and countries. The definition of earnings used to calculate contributions can vary and some rates are subject to contribution floors and ceilings. See ISSA 2018;2019a;2019b;2020.

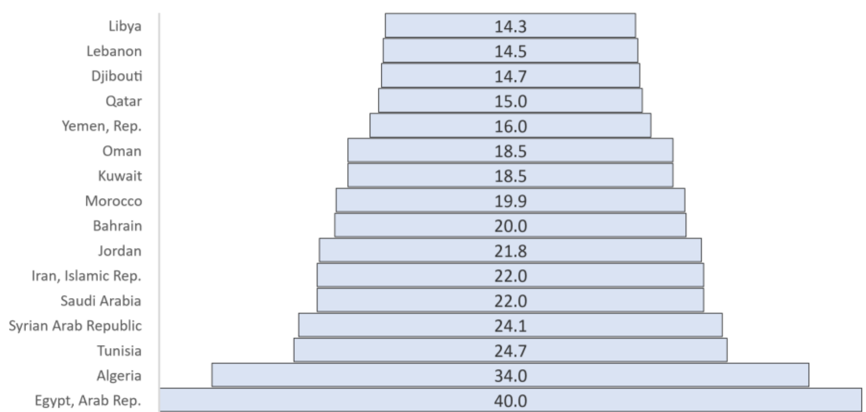
percent), which are significantly higher than the global average of 20.4 percent. Libya has the lowest rate at 14.3 percent.

Figure 12 Employee and employer contribution rates by region (percent)[56]



Source: International Social Security Association (ISSA), 2018;2019a;2019b;2020
Note: GCC = Gulf Cooperation Council; OECD = Organisation for Economic Co-operation and Development.

Figure 13 Employee and employer contribution rates by country (percent)



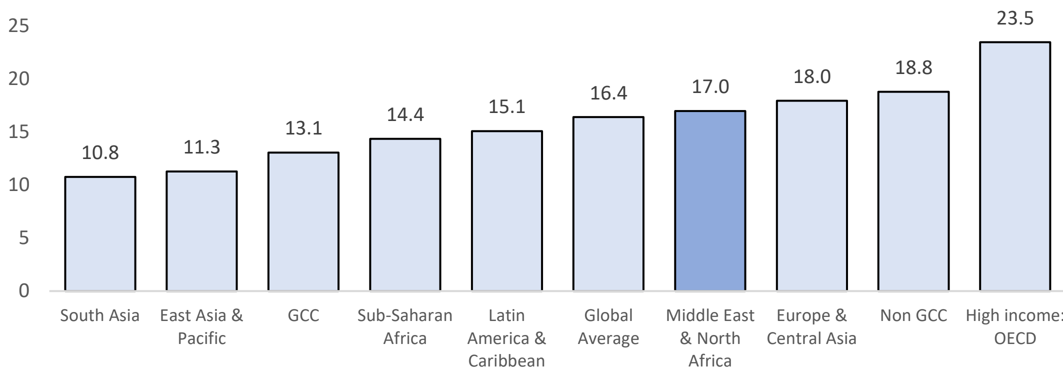
Source: International Social Security Association (ISSA), 2018;2019a;2019b;2020

With regards to the actual taxes paid by companies, in some countries nearly one-fourth of corporate profits are spent on labor taxes and contributions. The World Bank Paying Tax study provides data on the taxes and mandatory contributions that a medium-size private company needs to pay in a given year. The study measures the amount of taxes paid by the business, expressed as a percentage of "commercial profit" to identify an impact of all taxes and contributions that are government-mandated on its financial statements of the standardized business. Five tax categories are included: profit or corporate income tax, social contributions and

[56] The figure excludes countries without statutory social security contribution rates by employers or/and employees. Data are for 2018–19. Social security contribution rates are the total for the insured person and the employer in a country and averaged over each region. Contribution rates are not directly comparable across programs and countries, and the definition of earnings used to calculate contributions can vary. Detailed sources, notes and definitions by country available at International Social Security Association (ISSA) 2018, 2019a, 2019b, 2020.

labor taxes paid by the employer, property taxes, turnover taxes and others such as municipal fees and vehicle taxes.[57]

Figure 14 Average labor tax (percent of corporate profit) by region

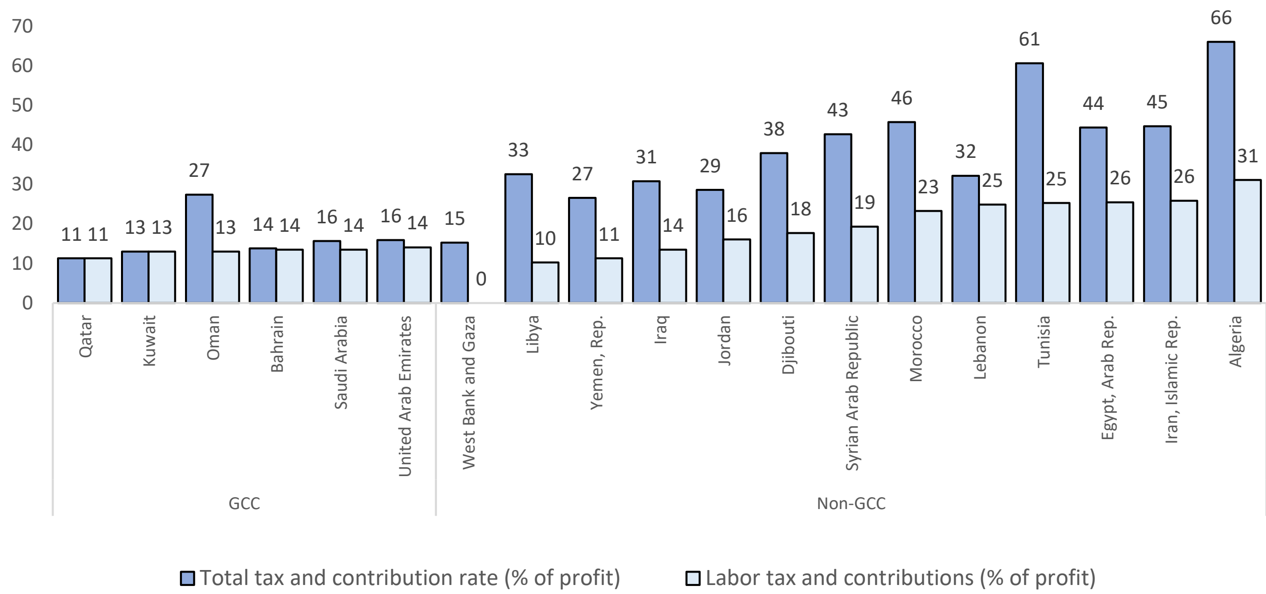


Source: World Bank Paying Taxes, 2020
Note: GCC = Gulf Cooperation Council

Compared to the global average of 16.4 percent, labor taxes in non-GCC countries are slightly higher at around 18.8 percent of corporate profit (Figure 14). Nearly one-fourth of corporate profits are spent on labor taxes and contributions in Algeria, Iran, Egypt, Tunisia and Lebanon (Figure 15). In contrast, GCC countries have lower labor taxes at around 13 percent. For total taxes (the sum of all five taxes and contributions), Algeria and Tunisia exceeded over 60 percent of corporate profit, and Morocco, Iran, Egypt, and Syria also show relatively high rates at around 40 percent of the corporate profit. In contrast, GCC countries, whose public revenues predominantly rely on oil exports, have low tax rates. An average labor tax in GCC countries is at 13.1 percent of a firm’s profit, which is lower than non- GCC countries.

[57] All mandatory contributions are included even if paid to a private entity such as a requited pension fund.; The main assumptions are that they are limited liability companies, they operate in the country's most populous city, they are domestically owned, they perform general industrial or commercial activities, and they have certain levels of start-up capital, employees, and turnover.; The total tax and contribution rate differs from the statutory tax rate.

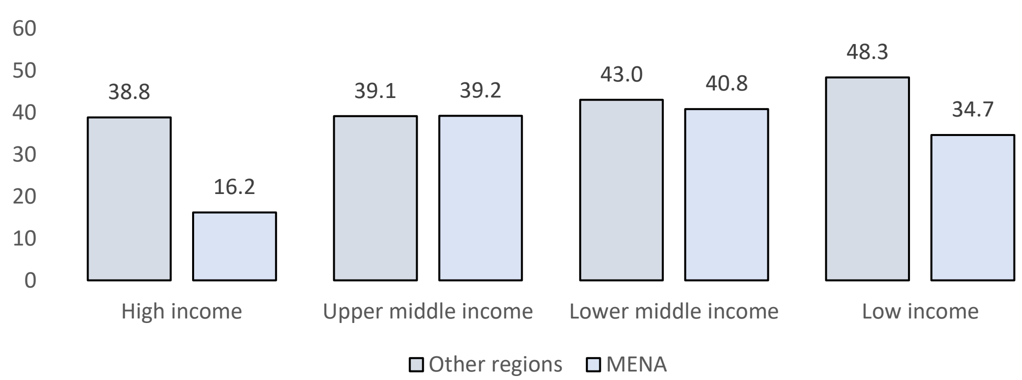
Figure 15 Total tax vs labor tax (percent of the profit)



Source: World Bank Paying Taxes, 2020
Note: GCC = Gulf Cooperation Council

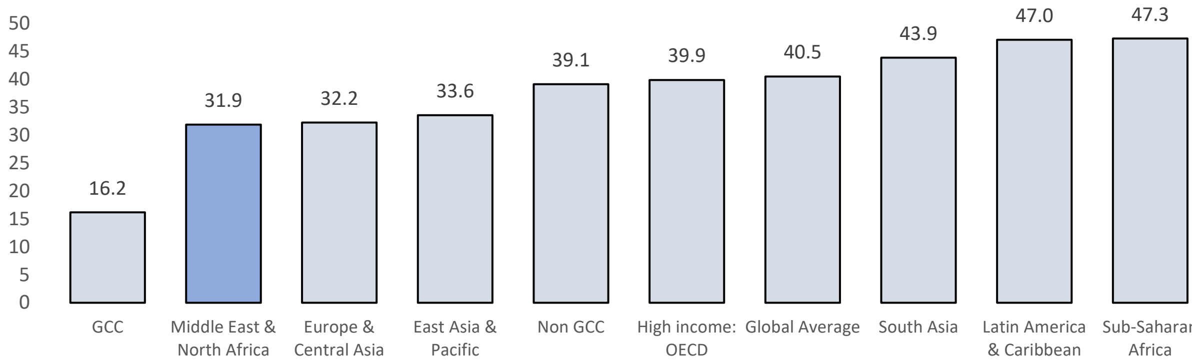
Looking at the total tax rates by income groups, all of these groups in the MENA region have lower or similar tax rates compared to groups in the rest of the world (Figure 16). In the regional comparison, MENA offers the second-lowest level of tax rates, following the ECA region (Figure 17). These figures highlight that the MENA region tends to require more labor taxes than the rest of the world, but the total tax rates, which include the profit or corporate income tax, property taxes, and turnover taxes, are lower than other regions.

Figure 16 Total tax and contribution rate (percent of profit) by income group



Source: World Bank Paying Taxes, 2020

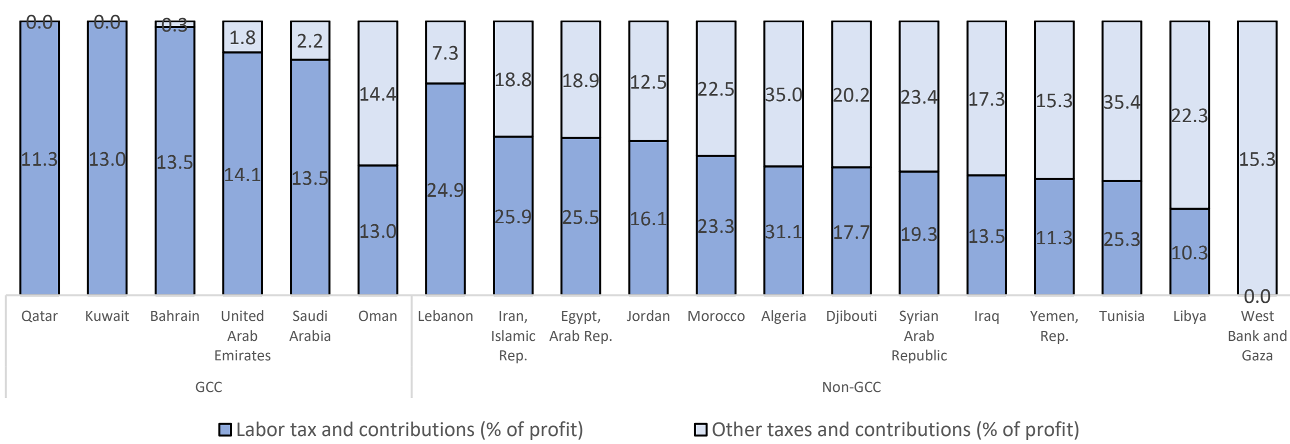
Figure 17 Total tax and contribution rate (percent of profit) by region



Source: World Bank Paying Taxes, 2020
Note: GCC = Gulf Cooperation Council

The proportion of labor taxes to total tax is very high in GCC countries. Except for Oman, more than 80 percent of the total taxes levied on companies are labor taxes and contributions (Figure 18). While these countries have less demanding tax systems, this might reflect the fact that the governments generate public revenues from oil and other natural resources. For example, Saudi Arabia has a national tax revenue at around 9 percent of their GDP compared to the world average of 14.9 percent of GDP.[58] This would increase volatility in the economy and pose a question about the sustainability of public services.

Figure 18 The proportion of labor taxes to all the total tax (percent)



Source: World Bank Paying Taxes, 2020
Note: GCC = Gulf Cooperation Council

The region, therefore, can consider diversifying sources of revenue. Redistribution between the different types of taxation, such as income and consumption taxes, may have a positive effect on the tax wedge and employment outcomes. Income and consumption taxes have broader bases than labor taxes and social security contributions (Kuddo, 2018b). Other sources include taxes on profits and property. In addition, different labor tax rates across different categories of workers (such as low-income, youth, older or female workers) or sizes of firms can be

[58] World Development Indicator, 2020

considered. For example, in the UK and Austria, social security contribution rates vary by wage levels of workers. Moreover, the MENA region, in general, has suffered from a low tax rate because of inefficient tax collection systems, illicit financial flows or capital flights. Any tax reforms also need to be accompanied by measures to increase compliance and enforcement.

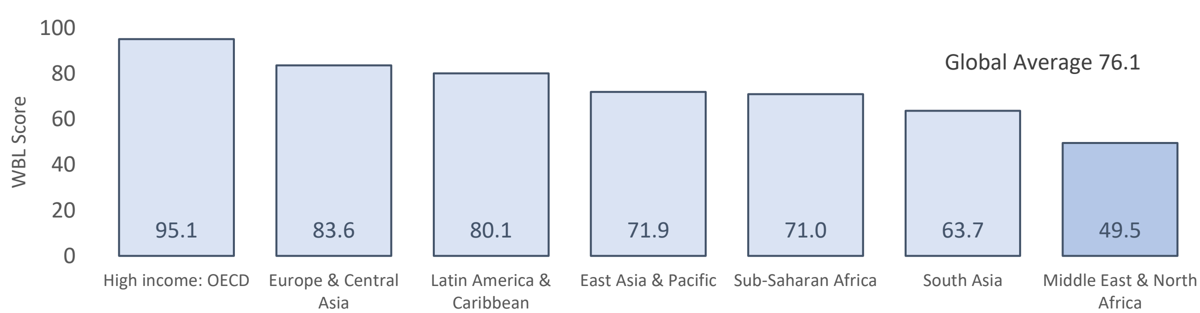
Gender discriminatory laws and regulations

Gender discriminatory laws and regulations restrict women's participation in the labor market and result in wage gaps between men and women (Hallward-Driemeier & Gajigo, 2015; Amin & Islam 2014; Islam, Muzi, & Amin 2019; World Bank, 2015). These laws include those affecting women's decisions to enter the labor market, protections in the workplace against discrimination and sexual harassment, and those affecting occupational segregation, wage gaps, and pensions (World Bank, 2021).

There is much international evidence to support the negative impacts of discriminatory laws on women workers. For example, in Ethiopia, the government amended its family law and removed restrictions on women's right to work outside the home. Using a difference-in-difference estimation, Hallward-Driemeier and Gajigo (2015) find that the reform is associated with increased women's participation in formal employment, and the effect is particularly strong for young, unmarried women. Islam, Muzi and Amin (2019) also find that more equal laws between women and men are associated with better employment outcomes. They exploited data from 59,000 firms from 94 economies to show that discriminatory laws decreased the amount of female employment and the likelihood that a firm has a female top manager. Laws and regulations matter for women's economic empowerment and should allow women workers to access equal economic opportunities and rights with men.

The MENA region lags behind other regions in achieving legal gender equality. Women Business and the Law (WBL) index provides information on the laws and regulations affecting women's access to employment and entrepreneurial activity, and measures the legal differences between men's and women's access to economic opportunities across 190 economies (World Bank, 2019b). The MENA region scores the lowest in the WBL index with an average score of 49.5 (Figure 19).[59] This figure is significantly lower than OECD countries which average 95.1. There is no economy in the MENA region with a score higher than 90.

Figure 19 WBL index by region

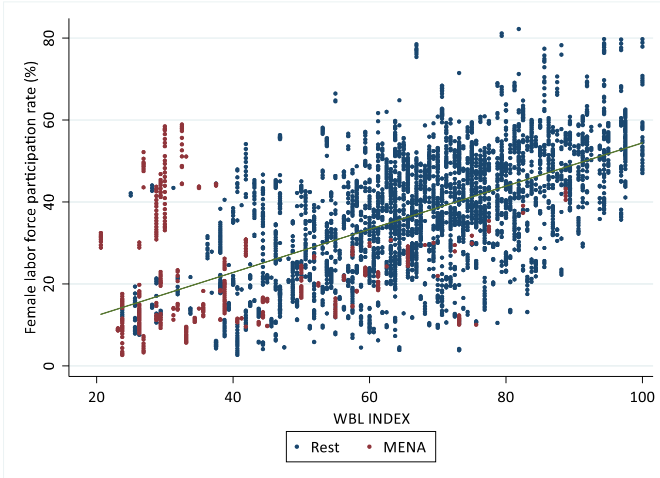


Source: World Bank, Women, Business and the Law, 2021

[59] The MENA region excludes Israel and Malta.

Hyland et al. (2019) examine the relationship between the degree of gender equality, as measured by the World Bank, WBL index, and the female labor force participation rate, and the result of regression analysis shows that more equal laws are associated with higher female labor participation (Figure 20).[60]

Figure 20 WBL index and female labor force participation rates, 190 economies, for 50 years



Source: World Bank, Women, Business and the Law 1970-2019; ILO

Workplace and Pay: Many MENA countries place legal restrictions on female participation in labor markets. 10 countries (Bahrain, Djibouti, Egypt, Jordan, Kuwait, Lebanon, Morocco, Syria, Tunisia, the West Bank and Gaza) prohibit women to work in certain industries. For instance, in Lebanon, women are not allowed to drive large machine engines (Table 15). Such restrictions result not only in limited female employment but also wage gaps between men and women, since these occupations are more likely to provide better wages (World Bank, 2015; Ogloblin, 2005). A recent empirical study confirms that more equal legal treatments are associated with a reduction in the wage gap and in occupational segregation between men and women (Hyland et al., 2019).

Table 15 Examples of countries with certain occupations forbidden for women

Country	Examples of prohibited jobs	Legal basis
Egypt	Underground work in mines, quarries, and all work connected with extraction of metals and stones; Glass melting or ripening; Tire manufacturing; Fertilizers and hormone making; All soldering work	Decree of Minister of Manpower and Immigration No. 155 of 2003, Article. 1
Lebanon	Underground work in mines, quarries, and all stone extraction work; Production and handling of explosives Operating driving engines; Repairing or cleaning driving engines on the run; Asphalt production	Labor Law of 1946, Article 27, ANNEX 1
Morocco	Underground work at the bottom of mines	Article 179, Labor Code
Kuwait	Working with dyes; Asbestos industries; Chlorine and soda industries; Asphalt industries; Operation or maintenance of engines; Manufacture of liquid batteries	Ministerial Decision No. 552 of 2018. Article. 22 Labor Law No. 6 of 2010, Article. 23

[60] Female labor force participation data come from modeled ILO estimates.

Moreover, women need their husband's permission to get a job in 10 MENA countries. Globally, there are only 19 countries where women need permission from their husbands to get jobs, of which 9 are in the MENA region and 10 are in Sub-Saharan Africa (Table 16).[61] For example, in Jordan, married women need to obtain their husband's permission for their work. These conditions are often stipulated in their marriage contract.[62]

Table 16 Countries where women need their husband's permission to get a job

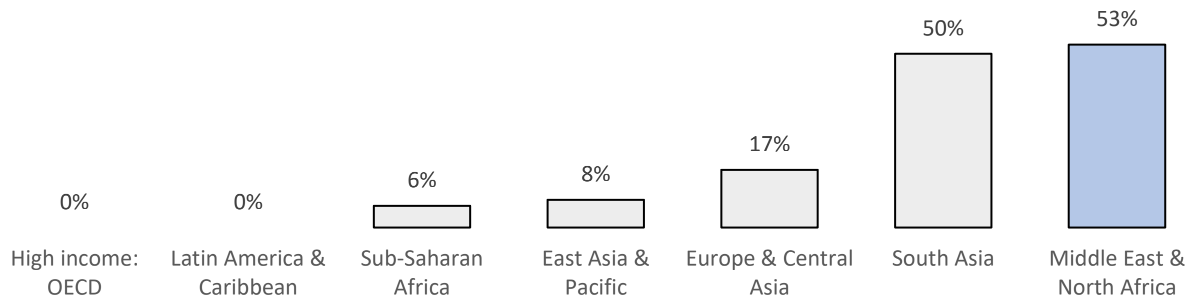
MENA	***Sub Saharan Africa***
Bahrain, Egypt, Arab Rep., Iran, Islamic Rep., Jordan, Kuwait, Qatar, Syrian Arab Republic, The West Bank and Gaza, Yemen, Rep.	*Cameroon, Chad, Comoros, Gabon, Guinea-Bissau, Equatorial Guinea, Eswatini, Mauritania, Niger, Sudan*

Source: World Bank, Women, Business and the Law, 2021

Female workers also face restrictions in the workplace. Restrictions on working hours at night for non-pregnant and non-nursing women are most common in the MENA region compared to other countries (Figure 21). The MENA region has the highest share of countries with restrictions on women's work at night. Globally, only 12 percent of economies have such conditions. None of the OECD countries have such restrictions, while 10 MENA countries (Bahrain[63], Algeria, Egypt[64], Iraq[65], Kuwait[66], Oman[67], Syria[68], Tunisia, West Bank and Gaza, Yemen[69]) have restrictions on women's night shifts. For example, in Algeria, according to Act No. 90-11 of 21 April 1990 respecting labor relations, women are not allowed to work between 9 p.m. and 5 a.m. In Bahrain[70], Egypt[71], and Tunisia[72], women are prohibited from working at night in general, though there are exemptions for women who have managerial or technical positions.

[61] The WBL profiles legal frameworks on restriction on if a husband can prevent his wife from getting a job or if permission or additional documentation is required for a woman to work but not a man.
[62] Personal Status Law, 2010: Articles 37 and 61
[63] Legislative Decree No. 23 of 16 June 1976 promulgating the labor law for the private sector, as amended by Legislative Decree No. 14 of 1993, Article. 59
[64] Labor Code promulgated by Act No. 137 of 1981, Article 152. The prohibition does not apply, however, to "female workers purely engaged in agriculture"; ibid., Article 159
[65] Act No. 71 of 27 July 1987 promulgating the Labor Code, s. 83(1), (2)
[66] Act No. 38 of 1964 regarding employment in the private sector, Article 23
[67] Labor Law enacted by the Sultani Decree No. 34/73, s. 80
[68] Law No. 91 of 5 April 1959 establishing the Labour Code, art. 131
[69] Labor Code, Act No. 5 of 1995, as amended by Act No. 25 of 1997, art. 45
[70] Ministerial Decision No. 18/1976, Article 1(3)
[71] Ministerial Decree No. 23 of 7 February 1982, Article 1(9)
[72] Act No. 66-27 of 30 April 1966, as amended by Act No. 96-62 of 15 July 1996, promulgating the Labour Code, art. 68(c)

Figure 21 Share of economies with restrictions on women working night shifts



Source: World Bank, Women, Business and the Law, 2021

Discriminatory laws lower female labor force participation. Many governments have established laws enhancing gender equality in the workplace. For example, laws that prohibit discrimination in employment based on gender mandate equal remuneration for work of equal value as well as forbid dismissal of pregnant workers. Past study finds that there is a strong positive relationship between non-discrimination mandates in hiring practices and women's employment relative to men's (Amin & Islam, 2015).

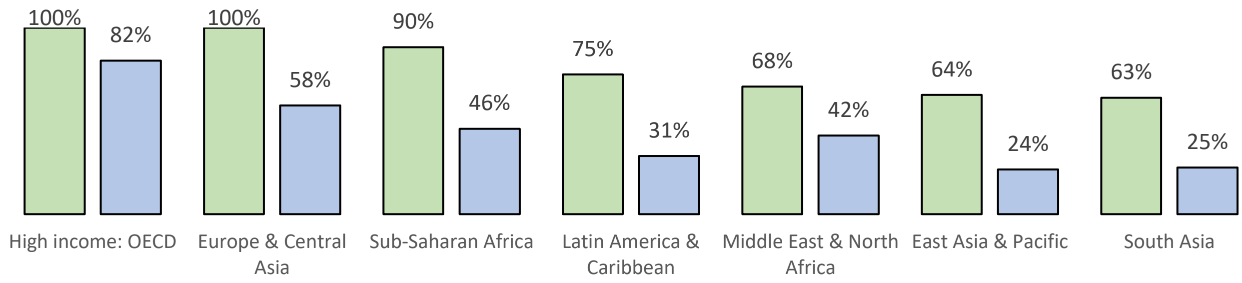
Across the globe, about 16 percent of economies do not have laws mandating gender non-discrimination in hiring, and about 53 percent of economies have no laws mandating equal remuneration for work of equal value (Table 17). These provisions are more common among economies in OECD, and Europe and Central Asia. In the region, Algeria, Iran, Jordan, Kuwait, Oman, and Qatar do not have laws prohibiting discrimination in employment based on gender. Moreover, less than half of the MENA countries have legislation mandating equal remuneration for work of equal value. The establishment of non-discrimination laws can provide a legal framework for action on women's rights and is an essential step toward reducing gender inequality in the labor market.

Table 17 Availability of laws enhancing gender equality at the workplace

Laws ensuring gender equality at the workplace	**MENA countries with no provision**	**Countries with no provision, Rest of the World**
Laws prohibiting discrimination in employment based on gender	Algeria, Iran, Islamic Rep., Jordan, Kuwait and Qatar	24 countries East Asia & Pacific: 7 / Latin America & Caribbean: 8 / South Asia: 3 / Sub-Saharan Africa: 5
Laws mandating equal remuneration for work of equal value	Bahrain, Egypt, Arab Rep., Iran, Islamic Rep., Kuwait, Lebanon, Oman, Qatar, Syrian Arab Republic, Tunisia, United Arab Emirates, the West Bank and Gaza, Yemen, Rep.	89 countries South Asia: 6 / High income: OECD: 6 Europe & Central Asia: 10 / East Asia & Pacific: 19 / Latin America & Caribbean: 22 Sub-Saharan Africa: 26
Law prohibiting the dismissal of pregnant workers	Jordan, Kuwait, Oman, Qatar The West Bank and Gaza, Yemen, Rep. Algeria, Iran, Islamic Rep., Iraq, Jordan, Kuwait, Oman, Qatar, Tunisia, West Bank and Gaza, Yemen, Rep.	28 countries South Asia: 4 / East Asia & Pacific: 11 Sub-Saharan Africa: 10 / Latin America & Caribbean: 3

Source: World Bank, Women, Business and the Law, 2021.

Figure 22 Laws on gender non-discrimination in hiring and equal pay for work of equal value



Source: World Bank, Women, Business and the Law, 2021

Parenthood: None of the GCC countries have a law establishing paid leave for mothers working in the private sector that meets international standards. The ILO Maternity Protection Convention (2000) recommends at least 14 weeks (98 days) as necessary paid maternity leave. Globally, 117 out of 190 economies legally allow mothers to have at least 14 weeks of paid leave (maternity leave, parental leave, or a combination of both) for childbirth. In the MENA region, only 7 countries provide more than 14 weeks of paid leave (Figure 23).

Figure 23 Share of countries with no or limited maternity leave by region

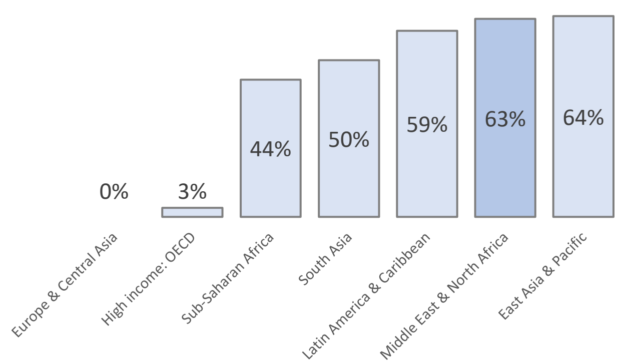
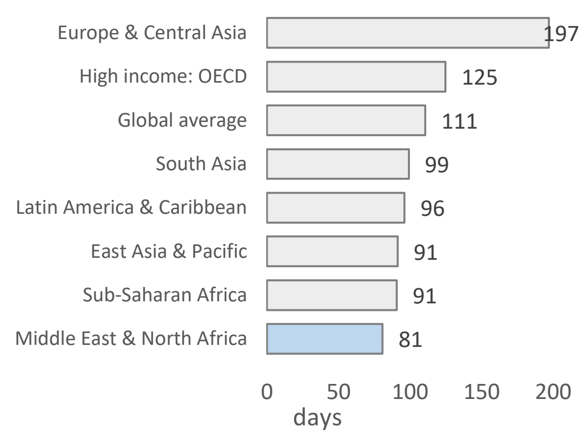


Figure 24 Average length of paid maternity leave by region



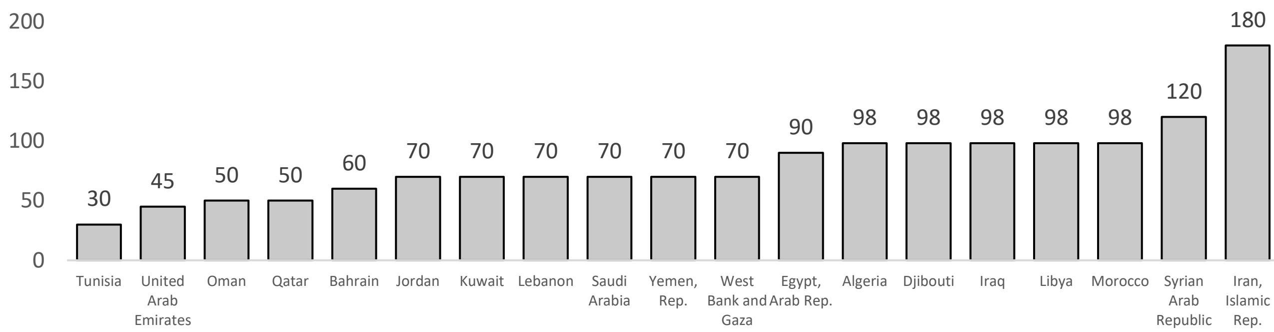
Source: World Bank, Women, Business and the Law, 2021

Figure 25 compares maternity leave days across the MENA region. Many are limited in terms of the number of paid days. For example, in Jordan, the Social Security Law enacted in 2014 mandates a maternity insurance scheme that includes cash benefits (ILO, 2017). Women are entitled to only 70 days of maternity leave at full pay.[73] However, there are no stipulations regarding paternity or parental leave (World Bank, 2015). In Kuwait, the length of paid maternity leave is 70 days and women can request additional unpaid leave up to 4 months for their childcare.[74] However, discriminatory rules between nationals and non-nationals exist. As per the Civil Service Committee Decree (1/1993), Article 1, Kuwaiti and non-Kuwaiti female employees who married Kuwaitis

[73] Labor Law No 8, 1996: Article 72; Social Security Law No 1, 2014: Article 42
[74] Article 24 of Law 6/2020

can benefit from paid maternity leave for four months after they take their maternity leave, while non-Kuwaiti female employees whose husbands are non-Kuwaitis do not receive the leave.[75]

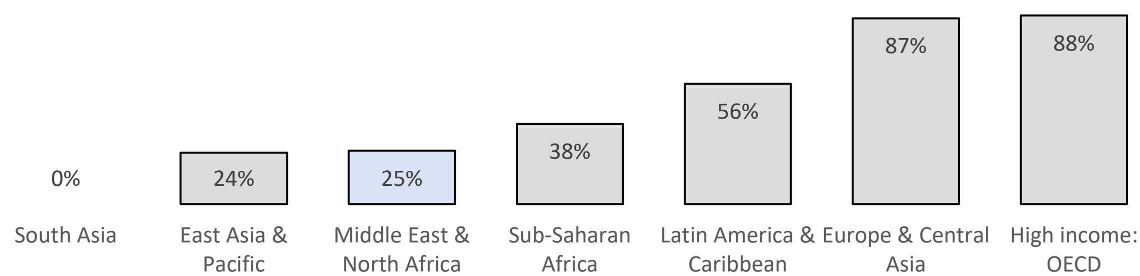
Figure 25 Maternity leave paid days by country (days)



Source: World Bank, Women, Business and Law, 2021

Even if paid maternity leaves are available, employers bear the costs of maternity leave, meaning that employers may discriminate against female employees, particularly women of child-bearing age due to the associated direct and indirect costs of maternity leave (Kuddo, 2018b). The government administers 100 percent of maternity leave benefits in only five countries (Algeria, Iran, Jordan, Morocco, Tunisia). In regional comparisons, nearly 90 percent of countries in OECD and the ECA region have maternity leave benefits covered by governments (Figure 26).

Figure 26 Percentage of countries where the government administers 100 percent of maternity leave benefits by region



Source: World Bank, Women, Business and the Law, 2021

Pension: There are gaps in legally established retirement ages between men and women in MENA countries. The WBL database provides information about differences in the statutory age at which men and women can retire and receive a minimum old-age pension. In addition, the WBL measures whether the mandatory retirement ages for men and women are equal. Early retirement reduces women's opportunities to earn income and reduces savings and social security contribution records for their retirement. Past empirical studies show that increases in retirement ages lead to increases in female labor supply (Staubli & Zweimüller 2013; Atalay & Barrett 2015; Cribb,

[75] For comparison, in all the ECA countries and high-income OECD countries (except for the US), pregnant women are entitled to a period of leaves. The duration of paid maternity leave is less than 100 days in United Kingdom, Korea, Montenegro, Switzerland, Germany, and Japan. Some countries allow the mothers to have more than 270 days of leave (Kosovo, North Macedonia, Albania, Bosnia and Herzegovina, Bulgaria, San Marino).

Emmerson & Tetlow 2016). When women can work as long as men, it will increase financial security for women as well as enhance the female labor force participation rate.

In 2020, around 30 percent of 190 countries have laws regulating the earlier retirement age for women to access their full pension benefits. The highest percentages are found in economies in the Middle East and North Africa (55 percent) and Europe and Central Asia (78 percent). 11 MENA countries have laws regulating the earlier retirement age for women to access their full pension. Only United Arab Emirates, Egypt, Morocco, Saudi Arabia, and Tunisia have an equal retirement age between men and women.[76] In addition, Algeria, Iran, Iraq, and Libya have gaps in the mandatory retirement age for men and women. For example, the mandatory retirement age for men is 65 years old while the retirement age for women is 60 years old in Algeria.[77] Such gaps exist in only 15 countries across the globe (Table 18).

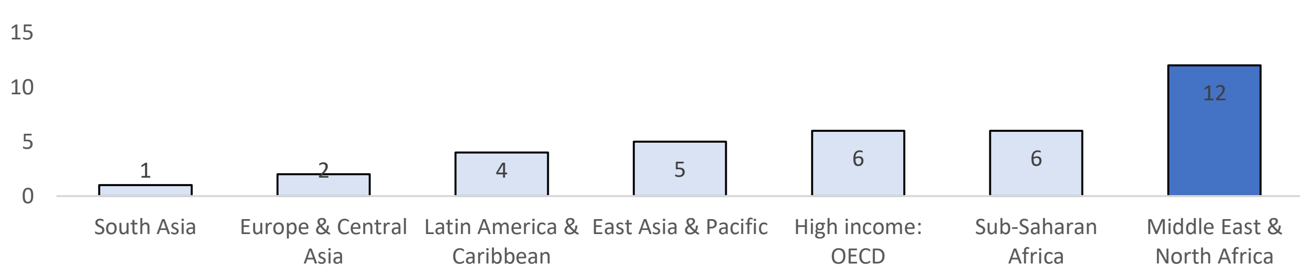
Table 18 Countries with gaps in the mandatory retirement age for men and women

Region	Countries
East Asia & Pacific	2: China Vietnam
Europe & Central Asia	4: Bulgaria, Kazakhstan, Moldova, Romania,
High income: OECD	2: Poland, Slovak Republic
Latin America & Caribbean	1: Brazil
Middle East & North Africa	**4: Algeria, Iran, Islamic Rep., Iraq, Libya**
Sub-Saharan Africa	2: Angola, Mozambique
	15 countries

Source: World Bank, Women, Business and the Law, 2021

Although there are still many legal barriers for women in the region, positive progress has been made toward gender equality in some countries. The region represents the highest number of positive reforms in WBL 2021 data (Figure 27). For example, Saudi Arabia has made the most significant improvement in the law affecting women's participation in labor markets. In 2020, Saudi Arabia eliminated all restrictions on women's employment in sectors considered unsafe, such as mining. That set men and women on equal terms in choice of employment opportunities. In 2019, the government also amended laws discriminating against women in employment, including job advertisements and hiring, and prohibited employers from dismissing a woman during her entire pregnancy and maternity leave. Saudi Arabia also equalized the retirement age for women and men at 60 years, extending women's working lives, earnings, and contributions.

Figure 27 Number of positive reforms in WBL 2021 by region



Source: World Bank, Women, Business and the Law, 2021

[76] For Lebanon, Qatar, West Bank and Gaza, no applicable provisions could be located.
[77] Labor Code, Art. 66; Loi No. 83-12, Art. 10

In 2005, United Arab Emirates established the Gender Balance Council (a federal agency) to foster efforts for removing legal barriers to women's work. In 2019, the government removed all job restrictions on women, and women are allowed to work the same hours and in the same jobs and industries as men. The same year, the government introduced reforms to protect from gender discrimination and sexual harassment in the workplace. In 2020, United Arab Emirates also introduced 5 days of parental leave, becoming the first and only country in the region to have paid parental leave. In addition to Saudi Arabia and the United Arab Emirates, countries like Bahrain, Djibouti, and Jordan also recently implemented positive reforms toward equality of opportunity between men and women.[78] The reform momentum in the region towards gender equality is expected to continue to grow as countries diversify their economies and introduce more inclusive policies.

Labor regulation reforms

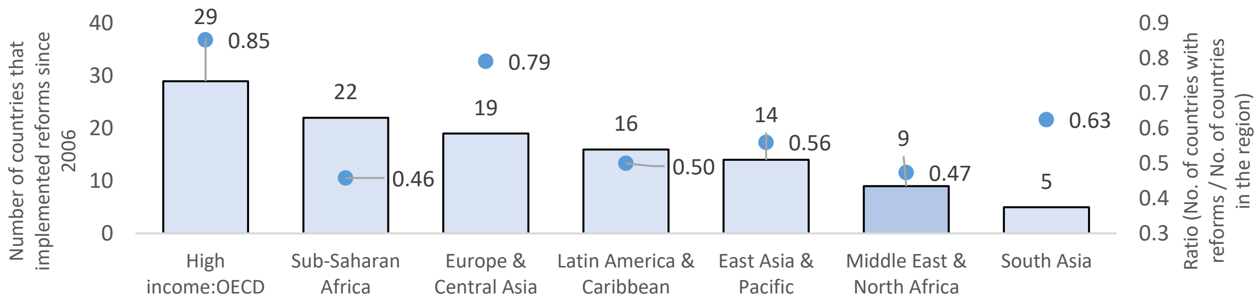
Finally, this section describes an overview of the trends in labor market regulation reform in the MENA region. Governments often introduce reforms of labor regulations with varied motivations (Adascalitei & Pignatti Morano, 2016). Some reforms have been introduced to protect workers against employment shocks during financial or economic crises or to increase employment levels when the unemployment rates rise. Reform designs and processes depend on a country's social, economic and political characteristics. Governments can consider the reforms as policy interventions to improve some of the labor market outcomes.

In the MENA region, there has been limited reform in labor market regulations over the past decade. While there are in total 29 OECD countries that have implemented reforms in labor regulations since 2006, only 9 countries recorded reforms in the MENA region (Figure 28). [79] Furthermore, some MENA countries have introduced reforms that have made labor law more rigid and more costly to employers. Common areas of reforms include redundancy procedural requirements and changes in notification arrangements; fixed-term contracts; and annual leave arrangements. Table 19 describes details of major regulatory reforms. Countries like Bahrain, Kuwait, and Saudi Arabia added more provisions for redundancy procedures and advanced notice requirements. For instance, Bahrain made third-party notification mandatory for redundancy dismissals, while Saudi Arabia has increased the length of notice needed for redundancy dismissals.

[78] The Women, Business and Law 2021 and 2020 report recorded the following reforms. Bahrain eliminated restrictions on women's employment in arduous jobs explicitly and accounted for periods of absence due to childcare in pension benefits. Djibouti enacted legislation protecting women from sexual harassment in employment. It also adopted criminal penalties for sexual harassment in employment. Jordan introduced three days of paid paternity leave, and lifted restrictions on women's ability to work at night. It also enacted legislation that mandates equal remuneration for work of equal value.

[79] The World Bank Employing Workers tracks changes in areas of labor regulations measured by the indicator and acknowledges the implementation of significant changes as "reforms".

Figure 28 Number of countries that implemented labor regulation reforms since 2006 by region[80]



Source: World Bank Employing Workers 2020 database

In 2000, West Bank and Gaza adopted Labor Law No 7, which replaced the Jordanian and Egyptian labor laws (Palestine Economic Policy Research Institute, 2014). The law prohibits gender-based discrimination in the workplace while increasing the costs of dismissal from 15 days' severance payment to 30 days' payment. In Morocco, the government amended Law No. 03-14 of August 22, 2014, and introduced the unemployment protection insurance scheme (ISSA, 2019c). The insured persons can receive the unemployment allowance (70 percent of their average monthly earning) over the last 36 months.

Table 19 Major labor regulatory reforms in the last 10 years

Country	Year[81]	
Bahrain	EW2014[82]	• **Hiring rules and cost**: Reduced the maximum cumulative duration of fixed-term contracts • **Working schedules:** Increased paid annual leave • **Redundancy rules and cost**: Made third-party notification mandatory for redundancy dismissals
Djibouti	EW2020[83]	• **Hiring rules and cost:** Introduced a minimum wage of 35,000 francs ($198) per month
Kuwait	EW2011	• **Working schedules:** Increased the paid annual leave • **Redundancy rules and cost:** Increased the notice period applicable in case of redundancy dismissals
Morocco	EW2016	• **Worker's protection:** Implemented an unemployment insurance scheme
Oman	EW2013[84]	• **Working schedules:** Reduced the maximum number of working days per week; Increased paid annual leave
Saudi Arabia	EW2017[85]	• **Redundancy rules and cost:** Increased the length of the notice period for redundancy dismissals
The Syrian Arab Republic	EW2011	• **Hiring rules and cost:** Reduced the total term limit of fixed-term contracts • **Working schedules:** Implemented a 100% pay premium for weekly holiday work • **Redundancy rules and cost:** Eliminated the severance payment obligation but increased the notice period applicable in case of redundancy dismissals
United Arab Emirates	EW2008	• **Redundancy rules and cost:** Abolished the requirement for severance payments
	EW2017	• **Hiring rules and cost:** Reduced the duration of a single fixed-term contract from 48 to 24 months
The West Bank and Gaza	EW2014	• **Hiring rules and cost:** Introduced a minimum wage

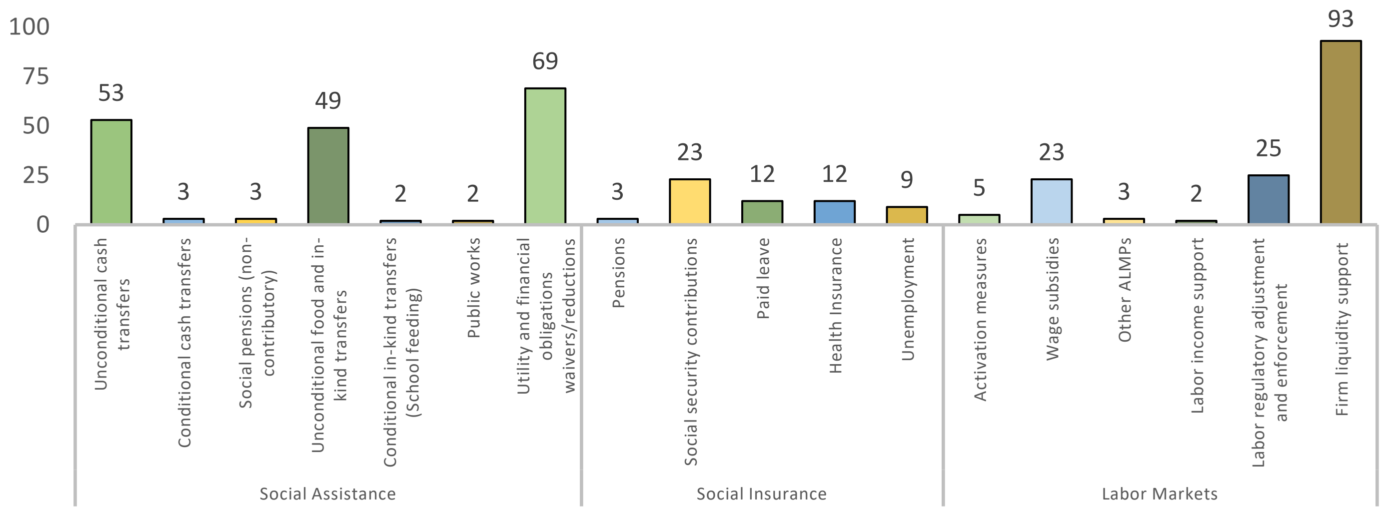
Source: World Bank Employing Workers 2020 database

During the COVID-19 pandemic, several adjustments to labor regulations have been made by governments to protect both workers and employers in the region. As of June 2021, the MENA countries introduced 151 labor

[80] The number of countries were counted when they had at least one reform of any areas of labor regulations since EW 2008 (2006/2007 data collection cycle). Even if a country implemented several reforms in several years, a maximum number is 1, otherwise 0.
[81] The years represent the published year for Employing Workers data, which were collected from May in one year before the published year to May in the published year.
[82] Law No. 36 of 2012
[83] Law No. 22/AN/17/8th L of 2017, Section 60 of the Labor Code; ILO, 2021b.
[84] Royal Decree No. 113 of 2011 amending Certain Provisions of the Labor Law
[85] Royal Decree No. M/46 issued on 05/05/1436H

market programs, of which 25 programs aimed at regulatory adjustments (Figure 29). These measures include increased hiring flexibility, the introduction of dismissal procedures, or the provision of leave benefits. Since COVID-19 facilitated new forms of employment such as teleworking or platform workers, some legislation also accounted better for the world of remote work.

Figure 29 Number of social protection and labor market programs in response to COVID-19 from March 2020 to June 2021



Source: COVID-19 SPJ Policy Inventory; De La Flor et al. (2021). De La Flor et al. (forthcoming)

In the United Arab Emirates, the Ministry of Human Resources and Emiratisation reduced fees for obtaining work permits to increase hiring flexibility (Gentilini et al., 2021). The Jordanian government adjusted leave policies and stipulated that employers cannot calculate leaves during the quarantine period as annual leave or sick leave. Table 20 describes details of some of the key labor regulatory adjustments due to the COVID-19 pandemic.

Table 20 Labor regulatory adjustments due to COVID-19 pandemic

Country Name	Area	Description
Djibouti	Working conditions/ methods	Presidential decree (2020-63/PR/MTRA) to propose exceptional measures, requesting enterprises of 11 workers or more, to protect their workers, by adopting alternative working measures (paid leave, teleworking, partial work). For teleworking, the employee and his employer must agree to use telework. They must formalize this agreement by the means of their choice. The fact of refusing to be teleworked cannot constitute a reason for dismissal. However, in the event of exceptional circumstances or force majeure, teleworking may be imposed on the employee without his agreement to contain the epidemic.
Jordan	Leave policies	During the quarantine period, an official license was granted to public and private sector workers (except for some essential sectors). Employers cannot calculate this period as annual leave or sick leave and cannot deduct it from workers' vacation balance.
Oman	Leave policies	• Oman's Supreme Committee issued a decision on 14 April 2020 requiring employees in private sector enterprises that have been closed to take their annual leave. Employers must pay full salary to employees who have been quarantined during the compulsory quarantine period. • The employment contracts of Omani nationals cannot be terminated. However, it is permitted for companies operating in the industries which have been demonstrably affected by COVID-19 outbreak, to grant their Omani nationals full paid leave during the lockdown.
	Remuneration	After employees have utilized their annual leave the company may reduce their salaries and in return reduce their work hours for the next three months. These measures for Omani employees can only be taken with effect from May 2020 onwards, and not beforehand.

Saudi Arabia	Leave policies; Remuneration	On 6 April 2020, MHRSD issued a decision to regulate the contractual relationship between worker and employer, allowing private-sector employers to agree with their employees on reducing wages to reflect actual working hours, or granting them leave to be deducted from their annual leave, or an exceptional leave. Once the employer has benefited from government subsidy, termination of the employee's contract is not legitimate.
	Hiring flexibility	MHRSD has also allowed a temporary benefit from the services of off-labor-market expatriates through the "Ajeer" portal as an alternative to recruiting from abroad, as the Ministry aims through this decision to protect workers during such circumstances from being terminated or losing their contractual benefits.
Syrian Arab Republic	Other regulatory adjustment	In February 2020, the Ministry of Social Affairs and Labour (MOSAL) prepared a draft legislation to amend the Labour Law No. 17 of 2010. The draft law proposed providing a legal protection framework for workers, as well as limiting the effects of individual and group layoffs due to the precautionary measures that Syria has taken to confront the risks of the proliferation of the COVID-19 pandemic.
	Dismissal procedures Severance payment	Article 64 of the Amendment stipulates that employees are not to be deprived of their end of service indemnities, nor should they be arbitrarily dismissed. Employers are obligated to pay dismissed workers who have completed five years or less of employment to compensation equal to three month's wages, and equal to six months' wages to those who have completed five years or more of employment, in addition to the employer's commitment to grant the worker an end-of-service gratuity equal to one month's wages for each year of service for the first five years.
	Remuneration	The Chamber of Industry (DCI) has affirmed that facilities and factories represented by the DCI will continue to grant salaries to their employees and workers during the lockdown period.
	Labor inspector interventions including occupational health and workplace safety measures	The Labor law gave labour inspectors a number of additional powers. If an establishment is found uncompliant with occupational health and safety regulations during the pandemic, this may result in the closure of the facility, especially if the lives of workers are put at risk.
United Arab Emirates	Hiring flexibility; Working conditions/ methods	The Ministry of Human Resources and Emiratisation implements a package of initiatives to support the operations of the private sector facilities: • Reducing fees for obtaining internal work permits. • Restructuring job frameworks in terms of wages, vacations and working remotely.

Source: COVID-19 SPJ Policy Inventory

Beyond labor regulatory changes, utility and financial obligations waivers, unconditional cash transfers, and food and in-kind transfers are common policy measures among social assistance programs. In terms of social insurance, waivers or subsidies for social security contributions are the most popular policy response. Unemployment benefits were less used in the region, accounting for only 2.3 percent of all measures. In Morocco, formal employees who lost their jobs and were registered with the pension fund received 2,000 dirhams ($203) a month from April to June 2020 (Gentilini et al., 2021). The Kuwait government also paid an unemployment allowance of 6 months to citizens who suspended their work.

During the pandemic, Jordan also took a positive step in supporting women workers by introducing Regulation No. 93 of 2020 on Maternity Social Protection under the Social Security Law (ILO, 2021a). Under the regulation, working mothers who return to work can still receive childcare subsidies for their children when they need to attend a childcare facility or stay at home. It also allows for registered childcare centers to receive cash benefits that cover 50 percent of their operational costs.

The COVID-19 pandemic has required many governments to adjust labor regulations and to provide social assistance for those in need. As countries begin to enter a recovery phase, it is crucial for governments to move forward from temporary crisis responses into structural regulatory reform.

Conclusion

This paper revisits the labor market regulations in MENA economies and compares them with international practices. Overall, the region has generally flexibly hiring rules while maintaining relatively restrictive redundancy regulations compared to international practices. The statutory minimum wage and labor tax are not very high except for a few countries. Although the analysis shows that each country has some distinctive labor market regulations, this paper identifies key policy implications region-wide in the following areas.

First, more flexible employment contracts can provide opportunities for workers, especially young or inexperienced workers, to gain work experience and skills. Some countries with restrictions on the provisions of fixed-term contracts can consider easing their applicability and extending the duration of such contracts. This could increase flexibility in formally hiring workers, especially during cyclical fluctuations or at start-ups. At the same time, non-standard or temporary contracts represent a risk to job security, especially for young and unskilled workers. Therefore, flexible work arrangements should be supported by social protection measures to avoid the misuse of fixed-term contracts and to protect workers in transition.

Second, statutory minimum wages in the MENA region are not high by international comparisons although few countries set a high minimum wage level relative to value added per worker. More importantly, minimum wages in MENA tend to be static, not adaptive to circumstances. Many countries where some minimum wage applies to private-sector workers did not revise it between 2014 and 2019. Minimum wages should be set at levels that employers can comply with and should be revised regularly based on local economic conditions. At the same time, minimum wages should protect all workers, regardless of nationality and type of employment. Currently, about one-quarter of countries in the region do not have a national minimum wage for workers in the private sector. For those that have it, certain categories such as domestic workers are excluded.

Third, redundancy regulations are relatively restrictive in the region. Severance pays are generous in some countries, especially non-GCC countries. Overly restrictive regulations protect a few formal workers and do not cover the unemployed. Unemployment insurance can be a more reliable option to protect workers in transition and long-term unemployed workers. However, ten countries do not have unemployment insurance schemes. Governments can achieve both economic efficiency and worker protection by strengthening unemployment insurance schemes and active labor market policies while easing overly restrictive employment protection regulations.

Fourth, labor taxes are modest on average but relatively high in non-GCC countries compared to international benchmarks. High labor costs can potentially reduce employment and increase the size of the informal sector. The region can consider diversifying sources of revenue and shifting toward other sources such as income, consumption or property taxes. Income and consumption taxes have broader bases than labor taxes and social security contributions. In addition, different labor tax rates across different categories of workers or sizes of firms can be considered. In countries with high informality, any tax reforms also need to be accompanied by measures to increase compliance and enforcement through efficient tax collection systems.

Finally, the region imposes several legal restrictions on women's participation in labor markets despite recent positive progress toward gender equality. Countries can consider passing legislation to enhance women's work rights and to mitigate discrimination. Moreover, the governments can improve work environments for women and facilitate their economic empowerment by supporting maternity and parental leave, childcare, and flexible working hours.

One of the key issues in the region is weak enforcement and limited compliance with labor laws and regulations. This paper finds that some countries impose rigid labor regulations de jure, yet evasion can render these ineffective in protecting workers. As a result, most workers remain largely unprotected against employment shocks. The region can improve labor inspectorates, who can monitor the protection of worker rights and enforcement of the regulations and provide employers with technical assistance and advisory services. Enhancing awareness of legal obligations for both workers and employers also helps the enforcement of legal rights.

The vital principle for policymakers when setting labor regulations is to avoid extremes. Any policy reforms should be designed according to a country's social, political, and economic circumstances. Combined with unemployment benefits and active labor market programs, more balanced labor regulations can make labor markets more dynamic while providing employment security and protection to workers. Such reforms can enhance efficient resource allocation and encourage more inclusive and better job creation.

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