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Arab States Employment and Social Outlook – Trends 2024

- ▶ Promoting social justice through a just transition

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Arab States Employment and Social Outlook – Trends 2024

- ▶ Promoting social justice through a just transition

► Preface

The “*Arab States*” is a diverse and complex region that has navigated, over the years, through a myriad of developments and changes, evolving in response to both internal and external dynamics. From the economic prosperity of the countries of the Cooperation Council for the Arab States of the Gulf (GCC) to the socio-economic struggles encountered by less affluent nations, this region spans a spectrum of wealth and disparity.

Nonetheless, despite the abundance of natural resources -notably oil- and the associated rapid development and modernization observed in the GCC sub-region, Gulf states still face a unique set of challenges driven by their endeavour to diversify their economies, reduce dependence on oil, increase employment of nationals in the private sector and reduce reliance on migrant workers. Conversely, most of the non-GCC subregion has grappled for decades with limited resources, persistent geopolitical turmoil, protracted conflicts and widespread violence. Financial and economic crises have periodically erupted, amplifying longstanding structural economic and labour market issues and resulting in heightened levels of poverty, inequality and unemployment.

The COVID-19 pandemic has further compounded challenges in both subregions, with a labour market return to pre-pandemic levels still elusive. Today, additional burdens posed by climate change and other global megatrends exert a significant impact on labour market dynamics.

Recognizing the pressing need to address these challenges, the ILO Regional Office for Arab States has produced this report of employment and labour market trends in the region and identified barriers to decent job creation and social justice. The report uncovers the subtleties of employment across the Arab States and sheds light on opportunities expected to arise from a successful green and just transition.

Since the preparation of this report, significant events have unfolded, notably the ongoing hostilities in Gaza. This potentially extended conflict has profound and far-reaching implications on the overall situation in the Occupied Palestinian Territory (OPT), affecting Gaza most severely but with repercussions for the West Bank as well. The conflict has also influenced the geopolitical and security situation in the region more broadly and has triggered economic repercussions on neighbouring countries, amplifying an already challenging situation.

Despite the tumultuous environment, we hope that this report can still serve as a valuable resource for understanding the labour market dynamics in the region, and that the recommendations offered help clarify the roadmap required for addressing the multifaceted labour market challenges prevalent across the Arab States. It is our hope that governments, together with workers’ and employers’ representatives, will join forces to address employment challenges and decent work deficits, guided by a shared commitment to building a brighter and more equitable future for all. We also extend our heartfelt wishes for the cessation of conflicts and the emergence of a peaceful environment that nurtures prosperity, growth and the well-being of the region’s population.

Ruba Jaradat

ILO Regional Director for Arab States

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► Executive summary

For decades, the Arab States have grappled with complex geopolitical and security dynamics, which have had far-reaching consequences for economic and labour market development and the attainment of social justice in the region.¹ Between 2011 and 2019, political instability and conflict, as well as global economic conditions, led to varying economic growth trajectories across the Arab countries. The COVID-19 pandemic triggered a regional economic downturn in 2020, which was soon reversed. Notably, by 2021, the growth rate of most Arab economies had not only rebounded but surpassed pre-pandemic levels.

►► Between 2011 and 2019, political instability and conflict, as well as global economic conditions, led to varying economic growth trajectories across the Arab countries.

In 2024, GDP growth is projected to stand at 3.5 per cent in the Arab States region, with the GCC subregion projecting a higher economic growth rate of 3.7 per cent compared to the non-GCC states (2.6 per cent). However, the uncertainties stemming from the war in Gaza and the potential escalation of the conflict throughout the region will necessitate a reassessment of projections and forecasts to provide a clearer depiction of the economic and employment landscape in the region.

Indeed, while conflicts have sporadically disrupted economic growth in the non-GCC states, Gulf economies encounter different sets of challenges, primarily manifested in the perpetual volatility of oil prices. This issue stands as a significant concern, emphasizing the pressing need to accelerate initiatives for divesting from oil and pushing towards more resilient and productive industries.

As all Arab States endeavour to promote higher levels of economic growth, they concurrently grapple with the imperative to address labour underutilization and create more and better jobs for the growing working-age population within the region. In 2024, the unemployment rate in the region is projected to stand at 9.8 per cent, persisting above its pre-pandemic level. This failure to reduce unemployment - and other broader measures of labour underutilization - reflects a myriad of factors affecting labour markets in the region.

In the GCC, labour market segmentations between nationals and non-nationals, between the private and public sectors and between men and women have long impacted employment and labour market outcomes. Nationals continue to prefer public sector jobs, whereas the private sector mainly employs migrants under inadequate working conditions. In the non-GCC states, on the other hand, unemployment and labour underutilization challenges have primarily been related to political instability, conflict, economic crises, a weak private sector and demographic pressures. In 2023, ILO figures showed that 17.5 million individuals in the Arab States wanted to work but did not have a job, translating into a jobs gap rate of 23.7 per cent.

Unfortunately, unlike economic indicators that have returned to their pre-pandemic levels, labour market indicators are trailing behind. This suggests that heightened efforts are required to bolster recovery of the labour market. Thus far, endeavours to diversify economies and generate employment in more resilient sectors have been sluggish. While the agricultural sector's overall contribution to employment has decreased over the past decades, the services sector has emerged as the primary job generator, with limited growth witnessed in industrial sectors. The absence of a well-established private sector and inadequate diversification initiatives have impeded progress, contributing to premature de-industrialization.

Labour productivity has also been a concern in the Arab States, stagnating between 1993 and

1. The ILO describes social justice as having four dimensions: universal human rights and capabilities; equal access to opportunities; fair distribution; and just transitions. In his first report to the International Labour Conference, ILO Director General, Gilbert F. Houngbo, presented his vision for advancing social justice including through promoting decent work.

2023. At the sub-regional level, labour productivity declined in the GCC subregion and increased in non-GCC states, albeit from a very small base. Yet, this improvement in non-Gulf countries has not been substantial enough to bridge the productivity gap between the two subregions.

During the same period, employment-to-output elasticities in the GCC and non-GCC states stood at 1.3 and 0.7, respectively, indicating a significant employment response to economic growth. However, despite this dynamic, the region continues to grapple with unresolved employment challenges. High rates of unemployment persist accompanied by the proliferation of informal and low-productivity jobs.

Given this challenging reality and the scarcity of decent and productive paid employment opportunities, a growing number of individuals are pivoting towards entrepreneurship. Interestingly, compared to their GCC counterparts, non-GCC states exhibit a higher prevalence of self-employment, a trend largely fuelled by the limited availability of formal job opportunities. However, within this subregion, those engaged in self-employment tend to operate as own-account workers rather than becoming employers. This choice is primarily shaped by the challenges they face when attempting to expand their businesses. In contrast, self-employment is less common in the GCC, where salaried positions are widely accessible across diverse sectors. The prevalence of own-account workers is relatively low in this subregion, primarily because the business environment in the Gulf states has historically favoured larger corporations.

While a substantial portion of employment challenges in the region is rooted in the Arab economies' struggle to generate an ample number of high-quality jobs for those seeking employment, there are also significant challenges on the supply side, with serious concerns over the quality and relevance of education and skills development programmes in the region. This is particularly worrisome amid the persistent problem of skills mismatch and the elevated rates of unemployment, including among those with high levels of education.

Looking at youth labour market outcomes, data show significant employment obstacles facing those aged 15–24 years, marked by low employment-to-population ratios and elevated rates of labour underutilization. In 2023, the employment rate for youth stood at 19.3 per cent, in stark contrast to the 53.3 per cent employment rate among

adults. Of particular concern is the share of youth, especially young women, not in employment, education or training (NEET). In 2023, some 11 million young individuals, of whom more than two thirds were women, were categorized as NEET.

▶▶ Women are among the most disadvantaged groups in Arab labour markets... A substantial gender income gap is evident in the Arab States, where the total earnings of women amount to only 12.5 per cent of men's.

In addition to young people, women are also among the most disadvantaged groups in Arab labour markets. Female labour force participation remains low (19.8 per cent), significantly trailing the male participation rate (74 per cent). Concurrently, and despite strides in education, women continue to face persistently high rates of unemployment. A substantial gender income gap is also evident in the Arab States, where the total earnings of women amount to only 12.5 per cent of men's. Additionally, Arab women's representation in managerial positions is low, underscoring the need for intensified and concerted efforts, not only to encourage women's participation in the labour market but also to support the dismantling of the so-called "glass ceiling".

Another defining characteristic of the Arab States is an extensive history of labour migration, marked by significant inflows and outflows of migrant workers. As of 2019, the region hosted 24.1 million migrant workers, constituting 14.3 per cent of the global migrant workforce. However, despite their significant contributions, migrant workers encounter less favourable working conditions compared to their national counterparts. This poses a significant challenge to the extensive nationalization efforts, particularly those exerted by Gulf governments, aimed at fostering the employment of nationals within the private sector.

Furthermore, while certain Arab States are primary destinations for migrant labour, several countries

also contribute significantly to the global workforce by sending a substantial number of workers abroad. This dynamic is primarily driven by elevated unemployment rates and poor economic prospects within origin countries. Of particular concern is the emigration of a large number of skilled individuals, commonly labelled as a “brain drain”. This phenomenon poses a significant challenge to economic development and innovation in countries of origin as it depletes valuable human capital and expertise essential for fostering sustainable growth and progress.

Importantly, and alongside voluntary migration, the region also grapples with forced migration, including a significant number of refugees and internally displaced persons (IDPs). While Syria is the largest source of refugees globally, with millions seeking refuge in neighbouring and non-neighbouring countries, Lebanon and Jordan are major recipients, hosting the highest numbers of refugees per capita in the world. Beyond their already challenging humanitarian circumstances, refugees frequently encounter difficulties in the labour markets of their host countries, where they are forced to compete with the local population over jobs. A significant number of refugees resort to informal employment, often characterized by unfavourable working conditions.

Equally concerning is the upsurge in internal displacement arising from conflict, violence and natural disasters. Syria, Yemen, Iraq and the OPT have faced significant internal displacement crises, imposing tremendous strains on their resources and infrastructure. This displacement has triggered economic instability, intensified competition for jobs and housing, and heightened tensions between displaced individuals and host communities.

Notably, employment challenges in the Arab States region extend beyond mere quantity, encompassing critical concerns related to job quality. High rates of informality persist, with more than half of the workforce engaged in unregulated and precarious forms of employment, lacking access to social protection and many other employment benefits. In 2023, 7.1 million workers, that is 12.6 per cent of total employment in the region, also found themselves trapped in a cycle of working poverty, struggling to make ends meet despite being employed. Moreover, vulnerable employment continues to be a pressing concern in the region, with job security often eluding a significant portion of the workforce.

Today, emerging trends in the world of work, such as the growth of the platform economy, introduce further complexities to the labour market. These developments can exacerbate issues related to job security, fair wages, decent working hours and international labour standards, underscoring the need for comprehensive and innovative strategies that leave no one behind.

Emerging trends in the world of work (...) can exacerbate issues related to job security, fair wages, decent working hours and international labour standards, underscoring the need for comprehensive and innovative strategies that leave no one behind.

Such innovative strategies are also key as the stark realities of environmental degradation and climate change become increasingly visible. This threat, while jeopardizing the future of livelihoods, societies and economies, offers a unique chance for profound economic and social transformation, with great potential to create more and better jobs. Modelling by Cambridge Econometrics for the ILO indicates that, under certain scenarios (e.g. a “climate resilience” scenario), Arab economies could, potentially, see a US\$200 billion increase in GDP by 2050 compared with the baseline scenario, representing a 5.0 per cent rise. This is projected to lead to the creation of approximately 2 million additional jobs, translating to a 3.8 per cent increase in employment compared with the baseline scenario. While certain policies outlined in this scenario – particularly strong industrial policies and those geared towards promoting a climate-resilient economy – are significant, the success of a just transition hinges on implementing appropriate policies and measures that support all individuals who might be affected by such a transition, ensuring that no one is left behind.

► Policy recommendations

Promoting decent work, including in the green economy, plays a central role in advancing social justice, eliminating discrimination and ensuring that no one, irrespective of their age, sex, nationality or religion, is left behind. Concerted efforts and integrated measures need to consider both the supply and demand sides of the labour market, as well as the intermediation between them. The report presents a set of policy recommendations, as summarised below:

1. Design and implement pro-employment and inclusive macroeconomic and sectoral policies

In addressing the employment needs of the Arab States, efforts to foster meaningful change must prioritize structural transformation and private sector development. Pro-employment and inclusive macroeconomic and sectoral policies should be formulated and implemented to create an environment conducive to decent job creation and inclusive economic growth. These policies serve not only as tools for economic stabilization but should also have clear employment objectives, ideally with some explicit focus on promoting gender equality, facilitating youth employment, and ensuring opportunities for other vulnerable groups.

2. Enable factors for manufacturing growth

The region's failure to industrialize has led to missed opportunities, particularly in view of the limited high value-added services in the private sector. To address this, substantial investments in modern infrastructure, technology, and research and development are needed. Supporting small and medium-sized enterprises is also essential, with a focus on green manufacturing for sustainable development. Incorporating environmentally responsible practices can enhance competitiveness, create green economy jobs, and align with international sustainability goals. Importantly, as countries aim to bolster the manufacturing sector, it is vital for them to concurrently devise a strategy to promote high value-added services. This approach ensures that companies from the region remain competitive amid the global shift toward service-based economies supported by digital technology and artificial intelligence.

3. Improve the skills and education system and promote lifelong learning

Achieving structural transformation goes beyond sector-specific investments; it requires a simultaneous focus on developing human capital and skills. Education and skills policies must align seamlessly with other economic, employment and labour market strategies, necessitating collaboration among national stakeholders, with the active involvement of employers and the private sector. Addressing negative perceptions of technical and vocational education and improving its relevance are also critical as new educational and labour market policies are designed to address the needs of the private sector. Ultimately, policymakers must strive to ensure universal access to lifelong learning to support individuals throughout their lives.

4. Address informality and promote the transition from the informal to the formal economy

Given the prevalence of informality within Arab labour markets and the associated challenges and decent work deficits, prioritizing efforts to promote formalization becomes imperative. This entails adopting a comprehensive and integrated approach targeted at both workers and businesses, aligning with ILO Recommendation No. 204. Key measures include ensuring universal social protection coverage; stimulating formal labour demand through relevant macroeconomic and sectoral policies; improving education and skills; protecting workers' rights; and promoting social dialogue. Simplifying regulatory procedures and reducing bureaucratic hurdles are equally critical to promote business formalization. Strengthening labour inspection and enforcement mechanisms also has a key role to play in supporting the transition to formality.

5. Promote women's participation in the labour force and bridge the gender gap

Gender equality is another critical dimension of social justice. Bridging the gender gap in employment is essential for harnessing the region's increasingly educated female labour force and supporting their employment, including in managerial and decision-making positions. This

requires implementing a multifaceted approach, encompassing awareness-raising campaigns, increased investments in the care economy, and the design and implementation of family-friendly policies. Additionally, targeted measures must be adopted to address gender pay gaps and tackle occupational segregation. The promotion of women's entrepreneurship is also vital to their economic empowerment.

6. Address inequalities and protect workers' rights in all forms of work

Additional forms of inequality in the region warrant focused attention. Migrant workers, especially in the GCC, face significant challenges, emphasizing the need for fair migration and recruitment processes, improved access to information, comprehensive legal reforms, and robust enforcement mechanisms. Likewise, the rights and well-being of refugees and IDPs across the region must be secured, requiring implementation of legal safeguards, provision of adequate support, and promotion of awareness campaigns to combat discrimination. In the realm of non-standard forms of employment, including in the platform economy, addressing inequalities necessitates both legal reforms and the establishment of comprehensive social protection coverage. Awareness raising along with better data and statistics on platform work are equally critical.

7. Establish robust labour market information systems and support improved capacity for data collection and analysis

Arab countries face notable challenges in collecting, analyzing, and disseminating labour market data. With the ongoing transformations in the world of work, there is an increasing need for reliable and regularly updated information on both the supply and demand sides of the labour market. Crucially, governments need to prioritize the establishment of robust and modern labour market information systems, enabling effective data collection, analysis, and dissemination. This is essential for informed policy development, monitoring and evaluation, and evidence-based decision-making.

8. Promote tripartism and strengthen social dialogue institutions

Social dialogue and the representation of workers and employers in the Arab region are presently weak, impacting the effectiveness of labour market policies, especially for marginalized groups. While social dialogue institutions do exist in some countries in the region, expanding their coverage to include all relevant stakeholders, especially vulnerable groups and those in non-standard forms of employment, is crucial. Ensuring the independence of workers' and employers' organizations, providing capacity-building and facilitating access to accurate information are important prerequisites for meaningful social dialogue.

Further to the above, specific thematic recommendations to encourage a just transition include:

9. Develop a comprehensive and integrated policy framework, encompassing cohesive policies across environmental, economic, social, educational and labour dimensions

Recognizing the significant potential of decarbonization to facilitate both structural transformation and the creation of high-quality jobs, Arab governments should also systematically incorporate just transition aspects into their overarching development-oriented strategies to ensure no-one is left behind. Such strategies encompass two major dimensions:

- ▶ macroeconomic, industrial and sectoral policies to stimulate investment in green infrastructure and green industries, spurring economic transformation and diversification, and the creation of quality jobs; and
- ▶ fundamental just transition policies to support and protect those most affected by the transition, for example through skills development, social protection and occupational safety and health (OSH) policies.

10. Promote sustainable funding mechanisms for implementing the framework

As governments strive to stimulate growth in the green economy, the role of the private sector in financing the transition cannot be undermined. Long-term strategies and regulatory frameworks, such as tax incentives and streamlined licensing processes, are vital. Public-private partnerships, along with instruments like sovereign green bonds or sharia-compliant green sukuk, can further expand financing avenues. Concurrently, fiscal reforms, including the elimination of energy subsidies, are needed to promote a just transition and support vulnerable groups. Collaboration with international organizations and climate funds is equally essential, particularly for non-GCC countries, to secure green climate fund accreditations and improve access to funding.

11. Raise awareness on the risks of climate change and the opportunities and challenges associated with the green transition

To drive effective climate action, governments should conduct regular campaigns communicating the impacts, challenges, and opportunities of the shift to a low-carbon trajectory. Targeted communication is crucial to reduce uncertainty and support particularly vulnerable groups including youth, women, migrant workers, and those at higher risk of losing their jobs as a result of the transition. Awareness campaigns on climate risks and occupational safety and health standards, particularly in regions with heat exposure concerns like the GCC, are vital. Tailoring campaigns linguistically ensures clear understanding and demonstrates a commitment to the wellbeing and safety of vulnerable groups.

12. Strengthen institutional coordination and social dialogue around a just transition

While ministries of environment and climate change, along with ministries responsible for energy, industry, transportation, waste management, agriculture, and tourism, play a pivotal role in shaping green policies, it is imperative to broaden national engagement. Ministries of economy, labour, and education and training need to be actively involved, considering the profound impact of such policies on both the broader economy and the labour market. Social partners should also contribute significantly to the planning of just transition policies and actively participate

in the development of the Nationally Determined Contributions. A critical aspect involves strengthening the institutional and technical capacities of government entities and social partners, requiring strategic investments in knowledge and capacity enhancement.

13. Foster regional cooperation

Cooperation among Arab States is critical for addressing climate change. This entails harnessing the potential of regional networks to strengthen collaboration, sharing knowledge, and pooling resources for a collective response. The establishment of a regional just transition fund, the development of joint strategies to address climate risks, and the consolidation of a unified position in global climate negotiations are also crucial steps. Furthermore, it is essential to create shared solutions for cross-border labour and climate-induced migration, and to establish a comprehensive online database, among other measures.

►► To drive effective climate action, governments should conduct regular campaigns communicating the impacts, challenges, and opportunities of the shift to a low-carbon trajectory.

► Abbreviations

| | |
|-----------------|---|
| CAS | Central Administration of Statistics |
| COVID-19 | Coronavirus disease 2019 |
| GCC | Cooperation Council for the Arab States of the Gulf |
| GDP | GROSS DOMESTIC PRODUCT |
| IDPs | internally displaced persons |
| ILO | International Labour Organization |
| IMF | International Monetary Fund |
| KSA | Kingdom of Saudi Arabia |
| LBP | Lebanese pound |
| MENA | Middle East and North Africa |
| NDCs | Nationally Determined Contributions |
| NEET | Not in Employment, Education or Training |
| OPEC | Organization of the Petroleum Exporting Countries |
| OPT | Occupied Palestinian Territory |
| OSH | Occupational Safety and Health |
| PPP | Purchasing Power Parity |
| RPL | Recognition of Prior Learning |
| TVET | Technical and Vocational Education and Training |
| UAE | United Arab Emirates |

► Introduction

The Arab States face numerous socio-economic and labour market challenges, exacerbated by years of geopolitical unrest, protracted conflicts and financial/economic crises. The COVID-19 pandemic has further impacted Arab labour markets, exposing pre-existing fragilities, including insufficient levels of social protection, weak public services and fragmented employment and labour market policies and programmes. While not yet fully recovered from the pandemic, the region has been confronted by a number of devastating events, including the earthquakes in Syria in February 2023, the Russian Federation's war on Ukraine with its inflationary impact on food and energy prices, and the escalation of hostilities in the OPT since 7 October 2023.

Today, climate change is posing an existential threat to the world of work with a range of economic, social and environmental implications affecting workers in both GCC and non-GCC states. With decarbonization presenting both challenges and opportunities, concerted efforts to support a just transition towards environmentally sustainable economies and societies for all become indispensable.

This report provides a comprehensive analysis of the economic and employment situation in the Arab States, delving deeper into the just transition implications for the region. It draws upon a wide range of data sources and information, including ILO modelled estimates (available in the ILOSTAT database), official statistics from national departments, and regional, subregional and national research and analysis published by the ILO and other organizations. The report highlights not only the current state of affairs but also the potential pathways towards social justice, including through more equitable and inclusive labour markets. The analysis focuses on the regional and subregional levels, with specific national examples and contexts highlighted where appropriate.

Chapter 1 serves as a foundational exploration into the geopolitical landscape and macroeconomic context of the Arab States. It delves into the complex web of regional dynamics, including conflicts, wars and geopolitical rivalries to explain the security challenges that influence labour markets. The broader macroeconomic conditions that shape the region's economic stability and growth are examined, with the aim of illuminating the backdrop

against which labour markets operate, paving the way for a more informed and holistic analysis in subsequent chapters.

Chapter 2 focuses on employment and labour market trends, drawing on a range of labour market indicators that examine the quantity and quality of employment in the region. The chapter looks into the impact of COVID-19 and tries to evaluate the extent to which labour markets have recovered, shedding light on the primary challenges that impede progress towards the goal of social justice and decent employment for all.

Chapter 3 analyses how actions that address climate change and move economies towards environmental sustainability can have ripple effects on the region's employment and economic prospects. This chapter builds on modelling undertaken by Cambridge Econometrics for the ILO to assess and quantify the economic and employment implications of different energy-transition scenarios. It examines how such a just transition can both create new job opportunities while addressing potential job losses. Additionally, this chapter identifies the most promising sectors for green jobs, the vulnerabilities of specific demographic groups and the critical role of policies and initiatives aimed at fostering social equity in the face of climate change.

The concluding chapter serves as a critical bridge between analysis and action and offers a set of policy recommendations to address employment deficits. The policy options are designed to support relevant stakeholders as they navigate the complex challenges of employment in a rapidly changing world of work. By advocating for decent work, inclusion, non-discrimination and sustainable and productive growth, the recommendations provide a roadmap for policymakers committed to advancing the cause of social justice and decent work for all.

► 1. Overview of regional context

► 1.1. Security and geopolitical situation

The Arab States region has long been a region of geopolitical significance, marked by complex and volatile security dynamics driven by ongoing conflicts, proxy wars and geopolitical rivalries. These have had far-reaching economic implications, hampering socio-economic development and growth and resulting in a serious deterioration of living standards. Some of these longstanding conflicts have persisted for years, if not decades, resulting in high levels of poverty and vulnerability. The Israeli–Arab conflict centred around the OPT, the Syrian civil war and the Yemeni civil war are notable examples. These conflicts have resulted in a significant loss of life, mass displacement of populations and extensive destruction of infrastructure, leading to deep-seated grievances and humanitarian crises, which have left overwhelmingly large numbers of people in need for all forms of protection and support. Terrorism and extremism have also risen, including in Syria and Iraq, with groups such as ISIS and al-Qaeda exploiting the power vacuums created by conflict and causing considerable human suffering and socio-economic losses.

In early 2023, some regional and international efforts sought political solutions to the humanitarian crises in the region. Syria, following a series of earthquakes in February, was allowed back into the Arab League – more than 10 years after its membership was suspended, and Saudi Arabia and Iran agreed to resume diplomatic relations on

10 March after years of hostility and rivalry. While these developments were initially viewed as positive, no real impact has been felt on the ground, neither in Syria where reconstruction support remains needed, nor in neighbouring countries, Jordan and Lebanon, where challenges continued to mount amid limited and overstretched resources.

The Israel–Hamas conflict that erupted in October 2023 has further blighted the positive geopolitical developments that seemed underway, resulting in heightened concerns about the broader security and economic situation in the region. While the escalation of hostilities has severely impacted the economy and labour market in the OPT, with the people of Gaza bearing the brunt of this conflict, repercussions have extended to neighbouring countries, namely Lebanon and Jordan, where risks and uncertainties have mounted (see Box 1).

Given the current circumstances, the prospect of a regional escalation of the conflict cannot be discounted, with consequences swiftly impacting not only neighbouring countries but also reverberating throughout the economies of Syria, Yemen and Iraq, thereby creating a potential regional turmoil with far-reaching implications on stability and socio-economic conditions.

► **Box 1. Impact of the escalation of hostilities in Gaza on the OPT and its neighbouring countries**

After the attack initiated by Hamas on Israel on October 7, 2023, Israel responded with a series of heavy bombardments that continue to date, resulting in the tragic loss of the lives of thousands of civilians, including women and children.

The ongoing strikes on Gaza have led to the destruction of thousands of buildings and housing units, forcing some two million Palestinians to leave their places of residence, seeking refuge in public schools, hospitals and other emergency shelters. Economic operations have come to a complete halt and workers forcibly “disemployed”.

Beyond the Gaza Strip, violence has also escalated in the West Bank, where Israeli authorities have imposed tighter restrictions on inter-governorate movements, severely disrupting supply chains, trade routes and workers' mobility.

The ILO and Palestinian Central Bureau of Statistics estimated that, by the end of November 2023, 66 per cent of total employment in the Gaza Strip and 32 per cent of employment in the West Bank had been lost, equivalent to some 468,000 jobs. As a result, unemployment rate in the OPT was projected to increase from 24 per cent in the 4th quarter of 2022 to 46.1 per cent in the 4th quarter of 2023.¹

While the impact of the war has been particularly devastating for the Palestinian economy and labour market, Lebanon and Jordan have not been immune and experienced consequential effects as well.

In Lebanon, clashes between Hezbollah and Israel have erupted at the border in Southern Lebanon, leading to the displacement of more than 86,000 individuals from the South.² While the conflict has, for the most part, remained geographically contained, its associated risks and uncertainties have undeniably cast a shadow over tourism activities in the country. As a consequence, real GDP in 2023 is projected to decline between -0.6 per cent and -0.9 per cent, contingent upon the magnitude of the tourism shock. Should the conflict escalate throughout the entire country, the World Bank warns of potential repercussions surpassing those witnessed during the 2006 war.³

In Jordan, there has been a surge of popular protests denouncing Israel's actions in Gaza. Given the deep demographic and cultural ties between Jordan and the OPT, the war is testing the peace treaty established between Israel and Jordan in 1994. As the conflict has escalated, Jordan has taken diplomatic measures recalling its ambassador to Israel. Beyond such political repercussions, the conflict has also hit hard the tourism sector in Jordan, negatively impacting the economy of this tourism-dependent country. With Jordan largely reliant on Israel for gas imports, possible disruptions of gas supply could also exacerbate pre-existing and longstanding economic challenges in the country.

Sources: 1-ILO and PCBS (2023); 2-UNOCHA (2024); 3-World Bank (2023a)

Exacerbated by weak state institutions, poor governance and lack of resilient and diverse economies, conflict and political instability in the non-GCC countries are likely to continue to pose serious risks to humanitarian and socio-economic development, undermining efforts to achieve social justice.

In the Gulf countries, on the other hand, it is evident that the security and socio-economic landscape differs markedly from the non-GCC states. Gulf countries occupy a critical position in the region because of their vast oil reserves, strategic location and economic influence. These countries have a complex history shaped by tribal rivalries and modern nation-building efforts but, since the discovery of oil, they have transformed into major players in the global energy market, attracting the attention of global powers and shaping the geopolitical dynamics of the region. The GCC states are seen as regional powerhouses, with the Kingdom of Saudi Arabia and the United Arab Emirates (UAE) playing prominent roles. They possess substantial economic resources, military capabilities and diplomatic influence, including over regional affairs.

Overall, the security situation remains stable in these oil-rich countries, despite some major events observed in recent years. The wave of Arab popular uprisings, which began in late 2010, threatened the

stability of some GCC countries, such as Bahrain, where protests and demands for political reform rose, but were rapidly contained. In Saudi Arabia, authorities took measures to prevent similar protests, providing financial support and increased job opportunities to their national populations. While the Arab uprisings underscored the need for political stability and socio-economic development in the most affected countries, they have also prompted Gulf states to reassess their strategies, re-emphasizing the need to provide decent and productive jobs to nationals, particularly in the private sector.

In 2017, a diplomatic crisis developed in the GCC, when Saudi Arabia, the UAE, Bahrain and Egypt imposed a blockade on Qatar. This led to closures of airspace and land borders, with trade and diplomatic relations severed. The blockade was lifted two years after its imposition to prevent further divisions within the GCC and avoid strained regional alliances.

More recently, and after several years of efforts exerted by the United States to normalize and improve relations between Gulf countries and Israel, the current conflict in the OPT seems to have affected diplomatic endeavours, with the escalation of hostilities resulting in a suspension of moves towards further normalization.

► 1.2. Macroeconomic context

1.2.1. Economic growth and subregional issues

The geopolitical landscape in the Arab States has largely impacted the macroeconomic situation in the region, creating a special economic context characterized by high risks and volatility. Between 2011 and 2019, the region experienced a varied economic growth trajectory, largely influenced by political instability, conflict and global economic conditions. Specific trends and performance varied across individual countries as presented in table 1.

In 2019, the COVID-19 pandemic led to a rapid economic downturn in all regions, including the Arab States. As of 2020, both GCC and non-GCC states experienced negative economic growth, driven by a reduction in domestic and external demand, disruption of trade and supply chains, restrictions on

movement of people and goods, reduction of oil prices and a fall in consumer confidence, among other things (ILO 2020).

By 2021, most Arab economies had rebounded, with the majority registering real GDP growth above pre-pandemic levels. The lifting of restrictions and the recovery of vital sectors, including travel, tourism and hospitality, prompted a quick economic recovery. Economic growth continued to accelerate in 2022, with particularly high rates of growth in oil-exporting countries, thanks to higher energy prices and global demand for oil.

In 2023, GDP growth decelerated in the region recording a modest 0.9 per cent expansion compared to the robust 7.2 per cent growth observed

in 2022. In the GCC subregion, the oil production cuts, including notably in Saudi Arabia, resulted in a decline in economic growth from 7.9 per cent in 2022 to 1.4 per cent in 2023. Concurrently, non-GCC states witnessed a negative economic growth of -1.4 per cent in 2023, driven primarily by the negative growth in Iraq but also the turbulent conditions in the other non-oil rich countries of the region. Accounting for the impact of the continued escalation of hostilities in the OPT, projected economic growth rates in the directly- and the indirectly- affected countries are set to be further downgraded. For instance, estimates from the Palestinian Central Bureau of Statistics and the Palestine Monetary Authority in December 2023 project a 6.0 per cent decline in GDP for the OPT in 2023, compared with 2022. This contrasts with the original/ pre-conflict projection of a positive 3.0 per cent growth rate in 2023 (PCBS and PMA, 2023).

Similarly, repercussions from the conflict on the OPT's neighbouring countries, namely Lebanon and Jordan, are likely to impact their economies, potentially resulting in lower GDP growth rates in both countries. The magnitude of the impact will depend on how the situation evolves and the duration of the conflict.

Looking forward, GDP growth is projected to increase in 2024, with a forecasted growth of 3.7 per cent in the GCC subregion and 2.6 per cent in the non-GCC subregion. However, given the uncertainties around the duration and potential escalation of the conflict in the region, these projections and forecasts will need to be revisited to more accurately gauge the real impact of the ongoing conflict not only on the OPT, but also on other affected countries and the regional economy more broadly.

► **Table 1. Real GDP growth by Arab sub-region, country and year (annual %)**

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------|------------|------------|------------|------------|-------------|------------|-------------|------------|------------|--------------|------------|------------|-------------|------------|
| Arab States | 7.4 | 5.0 | 3.4 | 2.9 | 3.0 | 3.8 | -0.4 | 2.1 | 1.1 | -6.0 | 2.9 | 7.2 | 0.9 | 3.5 |
| GCC | 9.6 | 5.5 | 3.6 | 3.8 | 4.8 | 3.3 | -0.2 | 2.2 | 0.7 | -4.7 | 3.6 | 7.9 | 1.4 | 3.7 |
| Bahrain | 2.0 | 3.7 | 5.4 | 4.4 | 2.5 | 3.6 | 4.3 | 2.1 | 2.2 | -4.6 | 2.6 | 4.9 | 2.7 | 3.6 |
| Kuwait | 9.6 | 6.6 | 1.1 | 0.5 | 0.6 | 2.9 | -4.7 | 2.4 | -0.6 | -8.9 | 1.1 | 8.9 | -0.6 | 3.6 |
| Oman | 2.9 | 8.9 | 5.2 | 1.3 | 5.0 | 5.0 | 0.3 | 1.3 | -1.1 | -3.4 | 3.1 | 4.3 | 1.2 | 2.7 |
| Qatar | 11.3 | 4.7 | 5.6 | 5.3 | 4.8 | 3.1 | -1.5 | 1.2 | 0.7 | -3.6 | 1.5 | 4.9 | 2.4 | 2.2 |
| KSA | 11.0 | 5.4 | 2.9 | 4.0 | 4.7 | 2.4 | -0.1 | 2.8 | 0.8 | -4.3 | 3.9 | 8.7 | 0.8 | 4.0 |
| UAE | 6.2 | 1.8 | 5.1 | 4.2 | 6.8 | 5.6 | 0.7 | 1.3 | 1.1 | -5.0 | 4.4 | 7.9 | 3.4 | 4.0 |
| Non-GCC | 0.8 | 3.2 | 2.7 | 0.1 | -3.4 | 5.6 | -1.2 | 1.5 | 2.5 | -11.0 | 0.0 | 4.1 | -1.4 | 2.6 |
| OPT | 9.6 | 6.1 | 4.7 | -0.2 | 3.7 | 8.9 | 1.4 | 1.2 | 1.4 | -11.3 | 7.0 | 3.9 | 3.0 | 2.7 |
| Iraq | 7.5 | 13.9 | 7.6 | 0.7 | 2.5 | 15.2 | -3.4 | 4.7 | 5.4 | -12.1 | 1.6 | 7.0 | -2.7 | 2.9 |
| Jordan | 2.7 | 2.4 | 2.6 | 3.4 | 2.5 | 2 | 2.5 | 1.9 | 1.8 | -1.6 | 2.2 | 2.5 | 2.6 | 2.7 |
| Lebanon | 0.9 | 2.6 | 3.8 | 2.5 | 0.5 | 1.6 | 0.9 | -1.9 | -6.9 | -25.9 | -10.0 | 0.0 | n/a | n/a |
| Syria | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Yemen | -12.7 | 2.4 | 4.8 | -0.2 | -28 | -9.4 | -5.1 | 0.8 | 2.1 | -8.5 | -1.0 | 1.5 | -0.5 | 2.0 |

Note: Regional and sub-regional figures are ILO estimates based on IMF and UN-DESA series. The impact of the Israel-Hamas conflict is not factored in in the figures presented in this table.

Source: International Monetary Fund, World Economic Outlook Database, October 2023.

A closer examination of economic dynamics across Arab subregions reveals distinct contexts and priorities. In the GCC states, the considerable fiscal advantage derived from higher oil and gas prices has historically fuelled economic growth. Nevertheless, the volatility of oil prices and the anticipation of reduced demand for oil, as global economies increasingly embrace green energy, have become pivotal factors prompting Gulf Governments to reassess their policies. This has led to the implementation of long-overdue reforms, including economic diversification and structural transformation plans.

While significant steps have been taken to bolster the non-oil sectors of the GCC economies, it is evident that there is still untapped potential and further action required to reduce reliance on oil and move towards more diversified and knowledge-based economies.

In non-GCC states, the economic landscape diverges notably, with the exception of Iraq. Despite grappling with security issues, refugee concerns and internal displacement challenges, Iraq's economic growth trajectory tends to parallel that of the GCC states, primarily due to its substantial reliance on oil. Robust oil revenues in Iraq have underpinned a period of strong economic growth, resulting in a notable fiscal surplus. Much like its GCC counterparts, Iraq should leverage these short-term gains to further advance plans for diversification and structural transformation and shield its economy against future fiscal or financial distress.

Among the other non-GCC States, Jordan emerges as the most economically stable country, yet it grapples with significant employment and labour market challenges. These challenges are further compounded by the Syrian refugee crisis, contributing to consistently high unemployment rates, particularly among the youth. Second only to Lebanon, Jordan hosts the second-highest number of refugees per capita globally, and both countries continue to strive to maintain peace and social cohesion. The situation is particularly difficult in Lebanon where a series of crises have struck the country since 2019, unleashing a relentless wave of challenges, impacting the economy, society and political stability, and resulting in a significant deterioration in citizens' quality of life (see Box 2).

In the OPT, Syria and Yemen, years of conflict and wars associated with intertwined political challenges have taken their toll. The destruction of vital infrastructure, along with a lack of domestic and foreign investments and an unfavourable business environment mean that economic activity – and therefore employment – in these conflict-affected countries continue to be constrained and limited to low value-added and low-productivity activities.

► Box 2. Lebanon's compounded crises

Since October 2019, Lebanon has faced a series of interconnected crises that have severely impacted its economy, political stability and social fabric. Triggered by proposed taxes and deteriorating economic conditions, protests erupted in October 2019 and have quickly evolved into a broader movement against government corruption, sectarianism and the entire political establishment in the country. As a result, the Government resigned in October 2019 amid an obvious economic crisis, fuelled by decades of economic mismanagement and corruption, along with high and unsustainable levels of public debt.

The collapse of the country's financial sector has played a major role in stoking the crisis. The banking system, which had attracted significant foreign deposits, faced liquidity issues and implemented "unofficial" capital controls to prevent a mass exodus of capital. This, in turn, led to many Lebanese citizens being unable to access their savings, intensifying public anger and eroding trust in the banking system.

In March 2020, Lebanon defaulted on its sovereign debt for the first time in its history. The Government was unable to service its debt obligations, further undermining investors' confidence and increasing the country's borrowing costs. According to the IMF, the economy in Lebanon contracted by a staggering 40 per cent between 2019 and 2022.¹

Simultaneously, the Lebanese pound (LBP) experienced a rapid and dramatic devaluation. Against the official pegged exchange rate of LBP1,507.5 to the US dollar – which had been maintained since the start of the crisis – the Central Bank of Lebanon revalued the pound at 15,000 to the dollar in February 2023. On the black market, however, US\$1 was trading at LBP89,000 as of mid-October 2023. This dramatic currency depreciation has led to a surge in prices of goods and services, particularly impactful as the country is heavily reliant on imports. Hyperinflation emerged, with an annual rate of 221 per cent in 2023,² eroding individuals' purchasing power and pushing poverty levels to new heights. Access to basic necessities, food, healthcare and education has become unaffordable for many.

From a labour market perspective, while the private sector has attempted to adjust wages to account for currency devaluation and transitioned (albeit partially) to dollarized payments, the public sector has struggled to do the same because of limited government resources. Although salary increases were announced for public sector employees, their wages have remained exceptionally low in dollar terms. This has led to an overall deterioration of public-sector services, further impeding the functioning of the Lebanese economy, already strained by the presence of a large number of Syrian refugees, the impact of the COVID-19 pandemic, the devastating Beirut Port Explosion in August 2020 and the more recent inflationary effects of the Russian Federation's war on Ukraine.

Since October 2023, the war in Gaza has posed additional threats to Lebanon, with heightened concerns about a potential complete devastation of the economy if the conflict spreads.

Sources: 1-IMF (2023b); 2-CAS (n.d.).

1.2.2. Inflation and monetary and fiscal policies

The Russian Federation's war on Ukraine, which broke out in February 2022, has impacted the already fragile situation in the Arab States, resulting in shortages of essential food products and a significant increase in both food and energy prices. Given the limited fiscal space of most of the affected countries and their inability to raise subsidies or compensate for higher commodity prices, the situation has become particularly worrisome.

Food shortages and inflation have hit hard residents of non-GCC states, where jobs and social protection measures are also lacking, leaving individuals, particularly those in vulnerable situations, with even weaker purchasing power. Currency devaluations in Lebanon, Syria and Iraq have further led to increased levels of poverty and vulnerability, raising the potential risk of social unrest and leading to a vicious circle of economic and social distress.

On the contrary, inflationary pressures in the GCC states have been adequately managed, given the tight monetary policies implemented by national central banks and their ability to set higher interest rates while targeting low inflation. Nevertheless, it is important to note that these oil-rich countries have also experienced the positive impact of elevated oil prices subsequent to the Russian Federation's war on Ukraine, which positions them at a distinct advantage in comparison to their non-GCC counterparts.

With respect to fiscal policy, GCC governments have, for years, spent significant amounts on infrastructure development and provided generous benefits, subsidies and allowances to their national populations, including through public sector employment. However, such policies have failed to adequately support structural transformation and led to an excessive sense of entitlement among nationals regarding access to public sector jobs. Aware of the unsustainability of this state-led model, particularly in view of oil price volatility, many GCC governments are rethinking their fiscal policies and diversifying revenue sources by

introducing new taxes, such as value-added tax, corporate income tax and personal income tax. Sovereign wealth funds, which aim to preserve wealth for future generations and provide a stable source of income, have also undergone changes in their investment patterns, focusing more on pro-growth and pro-employment investments directed towards high-priority and high value-added sectors, including digital infrastructure, artificial intelligence and renewables, among others (Calabrese 2023). These efforts, if sustained and further expanded, will likely expedite structural transformation and economic diversification efforts in the Gulf and promote more productive growth in the non-oil sectors.

In oil-importing countries, the lack of fiscal space makes such policies unviable. Most of the public spending continues to be allocated to finance current expenditure, including salaries and wages of government employees, pensions, subsidies, debt service and social welfare programmes, among others. With rising commodity prices, widening fiscal deficits, increased debt levels and borrowing costs, many governments, including those of Lebanon and Jordan have been forced to adjust fiscal spending, thus affecting public service delivery and the living conditions of their resident populations. High levels of debt will need to be managed effectively, supported by transparent fiscal policies and structural reforms, along with increased efforts to enhance economic resilience and sustainable economic development.

In general, evidence from different countries from the region suggests a disconnect between macroeconomic policies and employment. Fiscal and monetary policies appear to predominantly emphasize macroeconomic stabilization, with insufficient attention directed towards their labour market and employment implications. As economies endeavour to expand, it becomes imperative for policymakers to reassess these policies with a keen focus on employment generation. Such a perspective shift is integral to fostering social justice and promoting decent work for all.

► 2. Labour market dynamics in the Arab States region

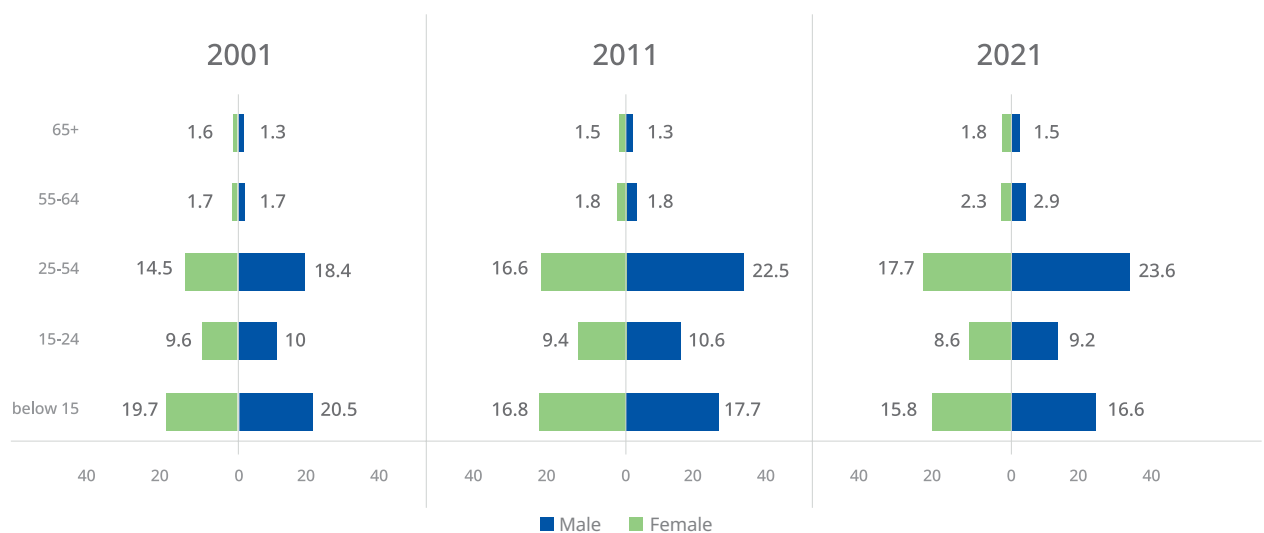
► 2.1. Insufficient demand for labour and high labour underutilization

2.1.1. Limited employment opportunities for a growing labour force

The Arab States region is undergoing significant demographic shifts that are reshaping its population composition, presenting both opportunities and challenges. Over the past decades, the size of the working-age population (15–64 years) has steadily increased. In 2001, it comprised 56.8 per cent of the total population, rising to 62.7 per cent in 2011 and 64.2 per cent in 2021. Simultaneously,

fertility rates have declined, with delayed marriage and postponed childbearing – trends also linked to societal and economic changes. Meanwhile, advances in healthcare and medical services have contributed to an extended life expectancy across the Arab States region, resulting in an expanding number of older people as a proportion of the population.

► **Figure 1. Demographic structure in the Arab States by sex, age group and year (%)**



Source: ILO calculations based on 2022 data from the United Nations, Department of Economic and Social Affairs, Population Division.

On the surface, a growing working-age population can be seen as a potential demographic dividend – a larger workforce can contribute more to economic growth and development. However, harnessing this potential hinges on generating an ample number of productive jobs to absorb new entrants to the labour market, without worsening unemployment or labour underutilization. To reduce unemployment and labour underutilization, an even greater number of jobs must be created.²

To better assess labour demand in the region, we examine trends in the employment-to-population

ratio, which serves as a useful proxy for understanding the ability of economies to create jobs and the extent to which labour markets are effectively absorbing the growing working-age population. In the Arab States, less than 50 per cent of the working-age population was employed in 2019, with significant differences between men and women, as illustrated in table 2. 69.2 per cent of the male working-age population was employed, compared with only 14.8 per cent of the female working-age population, despite women's increasing levels of education.

► **Table 2. Employment-to-population ratio by sex, subregion and year (%)**

| Region/ sub-region | Sex | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Arab States | Total | 45.0 | 43.3 | 43.5 | 44.4 | 44.5 | 44.4 |
| | Male | 69.2 | 66.0 | 66.1 | 67.7 | 67.9 | 67.9 |
| | Female | 14.8 | 15.2 | 15.9 | 16.1 | 16.3 | 16.2 |
| GCC | Total | 64.0 | 63.2 | 64.5 | 65.4 | 65.7 | 65.6 |
| | Male | 83.5 | 81.1 | 81.9 | 83.0 | 83.4 | 83.4 |
| | Female | 28.5 | 31.3 | 33.8 | 34.6 | 35.0 | 35.0 |
| non-GCC | Total | 33.0 | 31.1 | 31.1 | 32.3 | 32.5 | 32.6 |
| | Male | 57.4 | 54.2 | 54.1 | 56.5 | 56.8 | 56.9 |
| | Female | 8.7 | 8.2 | 8.3 | 8.4 | 8.5 | 8.5 |

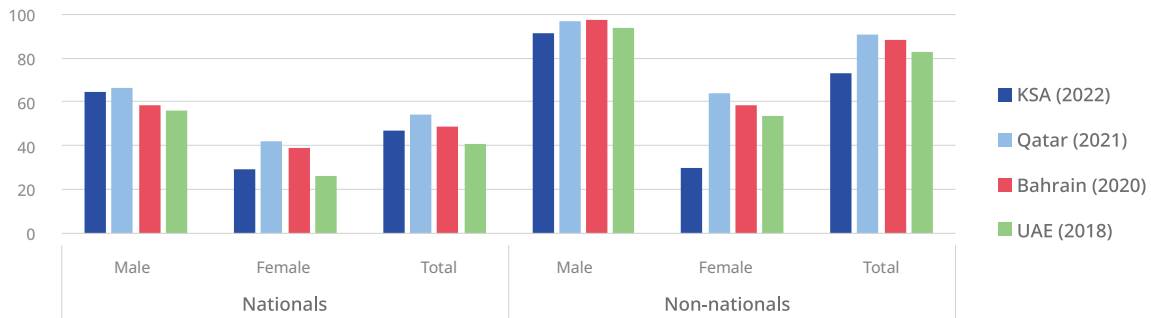
Source: ILO modelled estimates, November 2023.

Importantly, data illustrate distinct labour market dynamics between the GCC and non-GCC subregions. Notably, labour demand for both men and women is considerably lower in the non-GCC states compared with the GCC. This divergence is attributed to the different factors that shape the labour markets of each subregion. In the non-GCC countries, the deficient demand for labour is the result of a complex interplay of factors that have, for years, hindered job-creation efforts. These factors include an underdeveloped private sector, an overburdened public sector, weak labour institutions, prolonged periods of conflict and instability, limited infrastructure development and constrained financial resources, among other elements.

Conversely, the GCC states present a unique scenario, driven by a significant migrant population residing and working in the subregion. These countries continue to implement extensive infrastructure and investment projects that require a substantial workforce, predominantly comprised of low-skilled, low-wage migrant workers. Given the link between migrants' residence permits and work permits, employment-to-population ratios among migrants are unsurprisingly high when compared with those of nationals, as illustrated in figure 2. This dynamic, in turn, influences the overall level of employment-to-population in the GCC subregion.

2. ILO estimates indicated that before the COVID-19 pandemic, 33 million jobs needed to be created between 2020 and 2030 in the broader Arab League region to reduce the unemployment rate to 5 per cent by 2030 (ILO and ESCWA (2021)).

► **Figure 2. Employment-to-population ratios (%) by sex and nationality in selected GCC states, latest year available**



Source: National official surveys.

Following the COVID-19 pandemic, employment-to-population ratios declined in 2020 for men but improved moderately for women. This trend was particularly evident in the GCC subregion, where the pandemic disproportionately affected men because of their overrepresentation, particularly that of migrant workers, in sectors severely impacted by the crisis. Conversely, women in the GCC saw their employment-to-population ratios improve, benefiting from increased government support and a sustained and remarkable commitment to promoting national female employment and increasing their participation in the labour force. In Saudi Arabia, for example, the female employment-to-population ratio of nationals increased significantly from 16 per cent in 2019 to 21.8 per cent in 2020.³ In contrast, in the non-GCC subregion both men and women experienced negative impacts on their employment-to-population ratios, but the effect was more pronounced for men than for women.

As of 2024, it is evident that employment-to-population ratios are expected to continue trailing their pre-pandemic levels, primarily because of ongoing challenges in the recovery of male employment-to-population ratios. The journey to recovery in the GCC subregion appears less arduous, owing to the substantial fiscal capacity of these governments and the significant measures taken to alleviate the pandemic's impact on the labour

market and to promote women's participation in the labour force.

In contrast, recovery in the non-GCC states seems more intricate, heightening the urgency for structural reforms aimed at stimulating labour demand for both men and women. Among women, employment-to-population ratios remain strikingly low, underscoring the significant barriers and challenges that continue to hinder women's employment and their access to the job market.

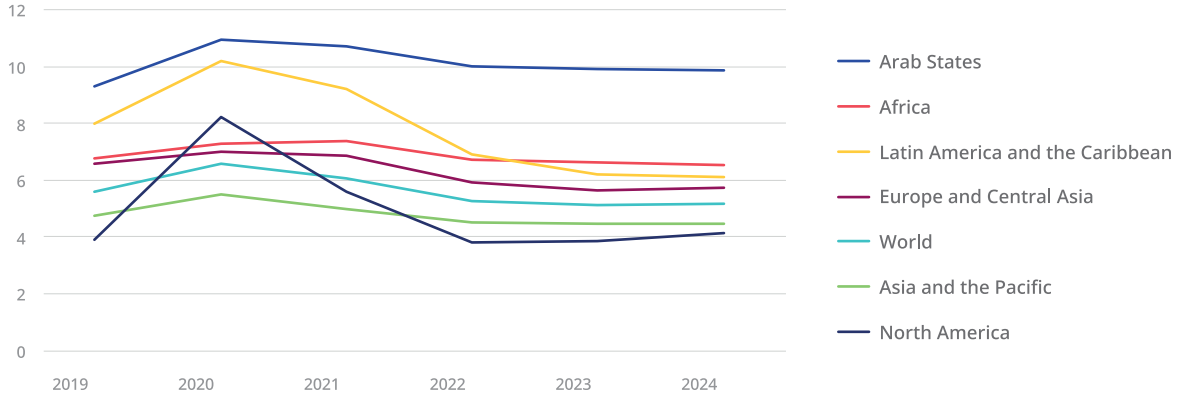
2.1.2. Labour underutilization: Unemployment and beyond

In addition to the region's persistently low employment-to-population ratios, the Arab States continue to grapple with labour underutilization, including a concerning trend of high unemployment rates. Prior to the pandemic, the Arab States reported an unemployment rate of 9.3 per cent, notably surpassing the global average of 5.6 per cent. The onset of the COVID-19 pandemic led to a surge in unemployment, peaking at 10.9 per cent in 2020, before slowly recovering.

As of 2024, the projected rate of unemployment in the region continues to exceed its pre-pandemic level, further exacerbated by the onset of new crises affecting the economies and labour markets in the region.

3. General Authority for Statistics, quarterly Labour Force Surveys of 2019 and 2020. Yearly figures are calculated as the average of the quarterly figures.

► **Figure 3. Unemployment rate (%) by region and year**



Source: ILO modelled estimates, November 2023.

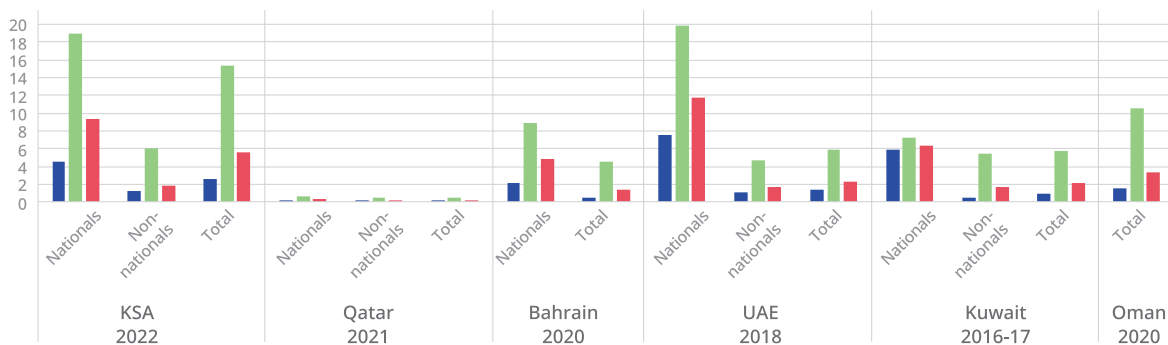
Similar to other labour market indicators, the headline unemployment rate conceals substantial disparities between GCC and non-GCC states. A closer analysis unveils that these statistics are influenced by the considerable impact of the GCC countries, which lower the region’s average unemployment rate.

In the GCC subregion, a substantial portion of the labour force comprises migrants whose residency status is directly tied to their employment status, as previously explained. This unique setup has led to remarkably low unemployment rates among migrants, as illustrated in figure 4, which contrast starkly with the unemployment rates among nationals, particularly in Saudi Arabia and the UAE. These two countries have made huge structural transformation and economic diversification efforts and have initiated large nationalization

programmes as they endeavour to reduce nationals’ reliance on public sector employment, and increase their engagement in the private sector, including through the use of quotas, subsidies and incentives. Nevertheless, high unemployment rates among nationals persist, driven by a number of factors including elevated rates of female unemployment, a continued preference among private sector employers to hire more experienced/less expensive migrant workers, and the comparatively less appealing working conditions of the private sector for nationals when compared with the public sector.

In Qatar, the very small size of the national population has resulted in negligible unemployment among Qataris, the majority seamlessly absorbed into the public sector.

► **Figure 4. Unemployment rate (%) by sex and nationality in selected GCC states, latest year available**



Source: National official surveys.

■ Male ■ Female ■ Total

While the low unemployment rates of the GCC countries contribute to the overall regional average, these figures provide only a partial view of the broader employment landscape in the Arab States. Recent national surveys indicate alarmingly high rates of unemployment in the non-GCC countries. For instance, Lebanon recorded an unemployment rate of 29.6 per cent in 2022, a stark increase from 11.4 per cent in 2018/19, prior to the pandemic. The OPT reported an unemployment rate of 24.4 per cent in 2022, undoubtedly further exacerbated by the Israel-Hamas conflict which erupted in October 2023 and which has resulted in a projected increase in the unemployment rate to 46.1 per cent in the fourth quarter of 2023 (ILO and PCBS 2023). Syria documented a 21.9 per cent unemployment rate in 2021, and similar high rates of unemployment were recorded in Jordan and Iraq, standing at 18.3 per cent (2022) and 16.5 per cent (2021), respectively. Though recent data from Yemen are unavailable, the ongoing instability and dire economic conditions in the country suggest poor employment outcomes, including high levels of unemployment.⁴

Joblessness becomes more concerning when it persists for an extended period, commonly termed long-term unemployment.⁵ In Lebanon, Jordan and the OPT, long-term unemployment represents a significant share of the unemployed population, standing at 48.9 per cent, 46.7 per cent and 39.5 per cent, respectively, in 2021/22.⁶

Prolonged joblessness not only results in financial instability for affected individuals and their families but also carries far-reaching societal and economic consequences. Individuals experiencing long-term unemployment often face a loss of skills and employability, diminishing their prospects for reintegration into the labour market. Moreover, the social implications of long-term unemployment, including increased stress, mental health issues and social unrest, cannot be overstated.

Overall, the multifaceted challenges impacting non-GCC states have significantly hampered their ability to generate an adequate number of jobs for those available and actively looking for employment, including highly educated workers.

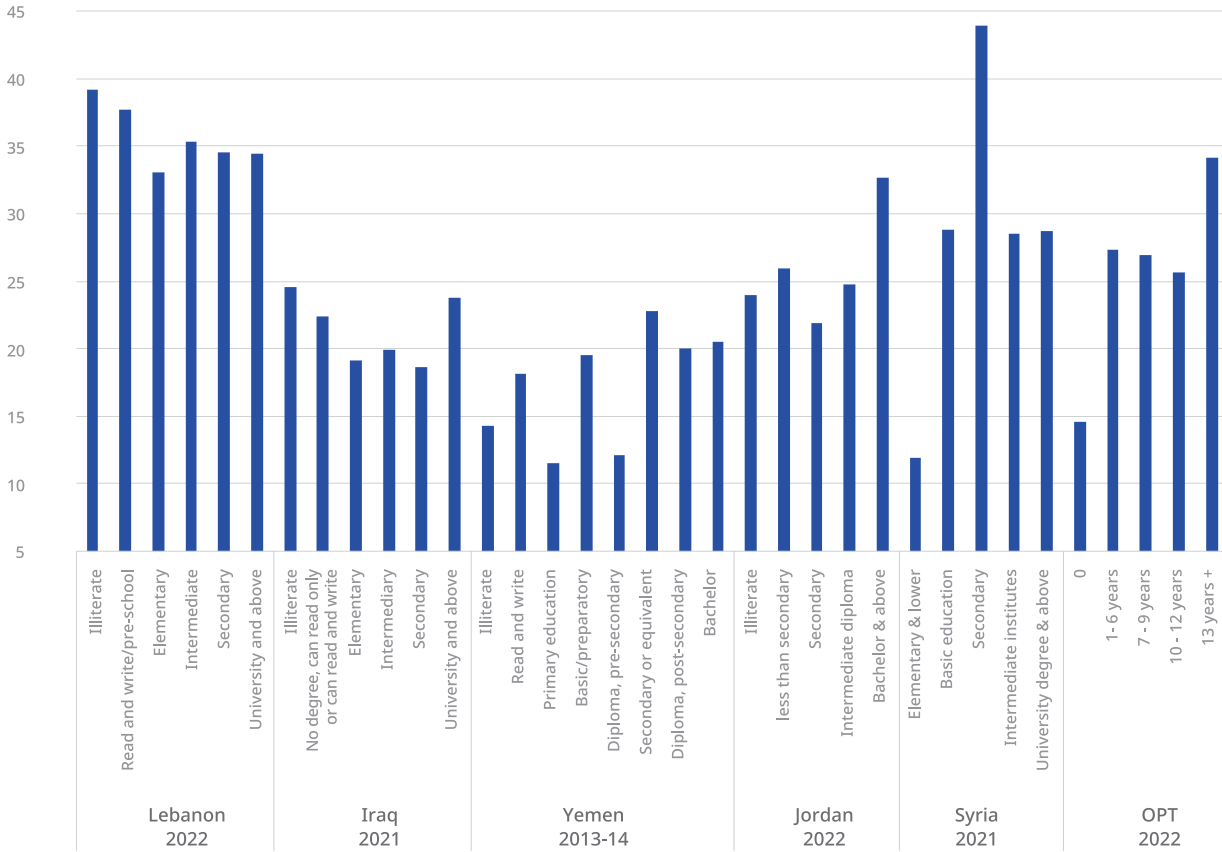
As illustrated in figure 5, unemployment rates have persisted at elevated levels (sometimes the highest) among those with the highest levels of education. This trend, associated with brain drain, underscores a significant issue rooted, first and foremost, in the demand side of the labour market and the limited capacity of regional economies to create the number and quality of jobs needed to absorb those with high levels of education. Further, and while the education and training systems need to be modernized, this should be done in tandem with other efforts aimed at promoting the creation of more productive and high value-added jobs in the private sector.

4. National data based on the latest surveys conducted by national statistical offices (see Annex I).

5. Calculated as a percentage of total unemployment, long-term unemployment represents individuals unemployed for 12 months or longer.

6. National labour force surveys of Lebanon, Iraq and the OPT.

► **Figure 5. Unemployment rate (%) by non-GCC country and education level, latest year available**



Note: For the OPT the numbers on the x-axis represent years of schooling.
Source: National official surveys.

Despite its significance as a metric for evaluating the health of a labour market, the unemployment rate falls short of offering a complete overview of labour underutilization. To provide a more comprehensive understanding of labour underutilization, other metrics have gained prominence. These not only consider the proportion of unemployed people but also factor in those experiencing time-related underemployment and individuals within the potential labour force.

In the Arab States, the combined rate of time-related underemployment and unemployment (referred to as LU2), the combined rate of unemployment and potential labour force (LU3) and the aggregate measure of labour underutilization (LU4), presented in table 3, are all considerably higher than the unemployment rate (LU1), suggesting high numbers of individuals not only in unemployment but also in time-related underemployment or in the potential labour force.⁷

7. Please see Annex II for key definitions and statistical concepts.

► **Table 3. Labour underutilization (LU2, LU3 and LU4) in %, Arab States, 2019–2022**

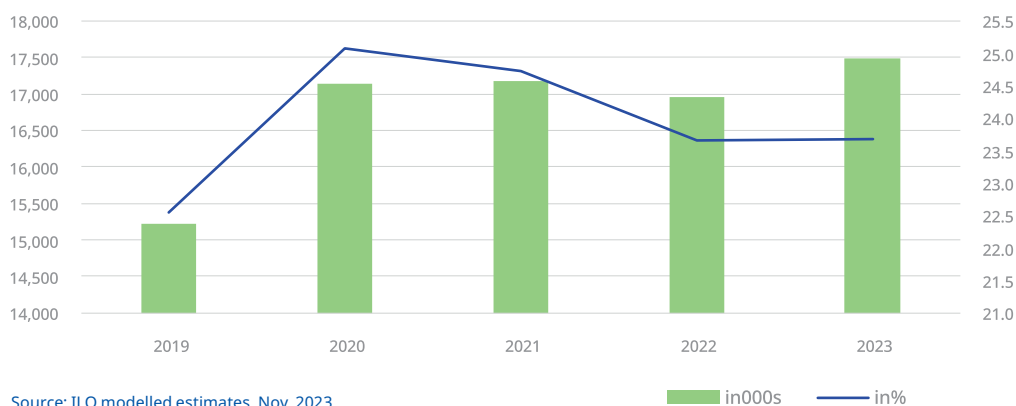
| | 2019 | 2020 | 2021 | 2022 |
|--|------|------|------|------|
| Combined rate of time-related underemployment and unemployment (LU2) | 14.1 | 15.7 | 15.4 | 14.8 |
| Combined rate of unemployment and potential labour force (LU3) | 14.3 | 16.2 | 15.6 | 15.0 |
| Composite measure of labour underutilization (LU4) | 19.4 | 21.4 | 20.7 | 20.1 |

Source: ILO modelled estimates, November 2022.

Beyond the above measures of labour underutilization, the ILO published in 2023 data on individuals who want employment but who were neither available to work within the reference period nor searching for work. Accounting for this new category of “willing non-jobseekers”, on top of those unemployed and those in the potential labour force, helps estimate the true level of “unmet demand for

jobs”. In the Arab States, 17.5 million individuals wanted to work but did not have a job in 2023, translating into a jobs gap rate of 23.7 per cent.⁸ This figure is notably higher when compared with both the conventional unemployment rate (LU1) and the combined rate of unemployment and potential labour force (LU3), and reflects the real magnitude of the challenge beyond unemployment.

► **Figure 6. Jobs gap in the Arab States, 2019-2023**



Source: ILO modelled estimates, Nov. 2023

Since the pandemic, all labour underutilization measures, along with the jobs gap rate, have worsened, driven by job losses, reduction in working

hours and disruption in economic activity. As of 2022-23, none of the indicators had returned to their pre-pandemic levels.

8. The jobs gap rate is calculated as follows: (unemployed + potential labour force + willing non-jobseekers)/(labour force + potential labour force + willing non-jobseekers) * 100.

► 2.2. Sectoral employment trends, labour productivity and the private sector

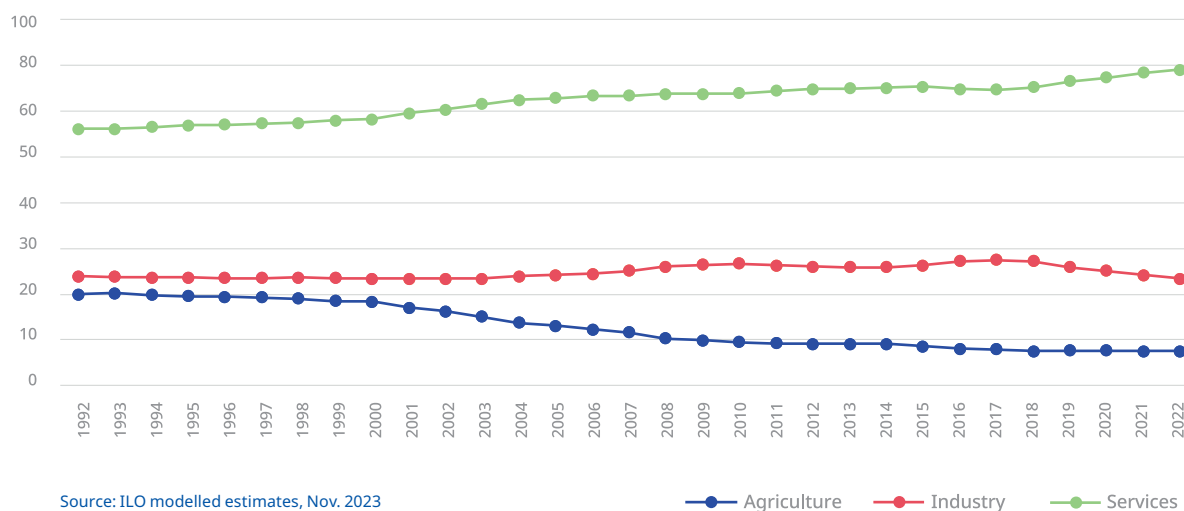
2.2.1. Sectoral changes in employment

The region has, historically, relied heavily on sectors such as oil and gas, agriculture and public administration for employment. While these sectors have played a pivotal role in providing jobs and generating revenue, they have also exposed the region to vulnerabilities because of their lack of sustainability and/ or their limited contribution to productivity growth.

In recent decades, there has been a growing recognition of the need to diversify economies and create jobs in sectors that are more resilient to market fluctuations. However, the transition has been slow, and most Arab States continue to

face challenges in nurturing a diverse range of industries. Over the past three decades, the contribution of agriculture to total employment decreased from 20.0 per cent in 1992 to 7.6 per cent in 2022. However, instead of a concomitant increase in the industrial share, the services sector emerged as the main creator of jobs, with its contribution to employment increasing from 56.1 per cent in 1992 to 69.0 per cent in 2022. The industrial sector's contribution to employment has, on the contrary, slightly decreased from 23.9 per cent to 23.4 per cent of total employment during the same period.

► **Figure 7. Employment share (%) by sector and year, Arab States**



Source: ILO modelled estimates, Nov. 2023

The lack of a well-developed private sector and ineffective efforts at diversification and structural transformation have impeded progress, with the region undergoing premature deindustrialization (ILO 2022). Diversification efforts have supported economies' shift away from agriculture towards services without going through a proper phase of industrialization.

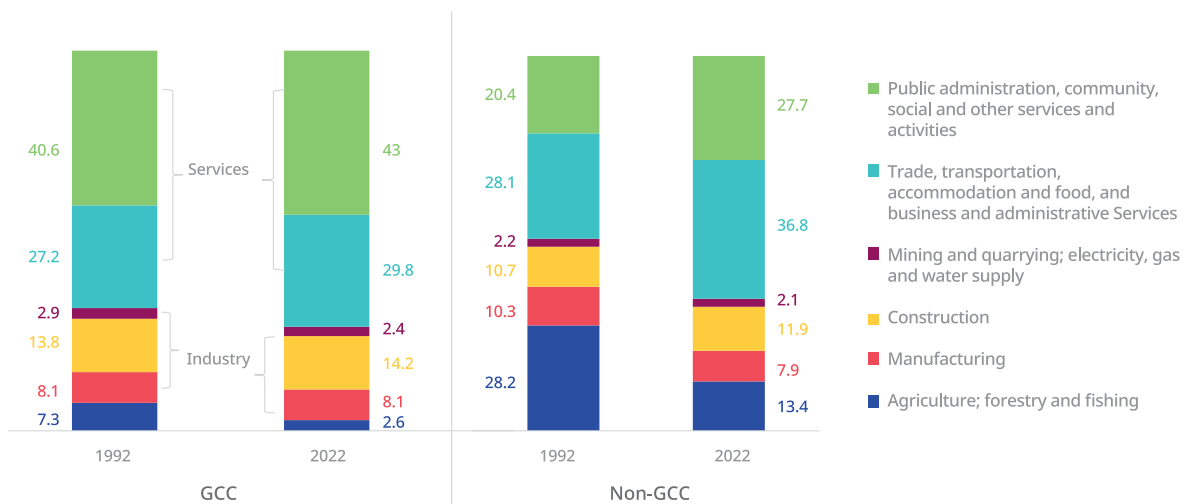
Looking more closely at the GCC (figure 8), data show a persistently high contribution of services to total employment, standing at more than 70 per cent. More than half of this share is driven by the "public administration, community, social and other services and activities" sector, expected in a region where public sector employment has, for decades, absorbed large numbers of nationals into

the labour market.⁹ The industrial sector's contribution to employment, on the contrary, remains fairly low and has decreased slightly from 24.9 per cent in 1992 to 24.6 per cent in 2022. Industry in the GCC is mainly driven by construction, a sector largely dependent on migrant workers. Meanwhile, the manufacturing sector has remained fairly stagnant at around 8 per cent, while oil and gas contributed just 2.4 per cent in 2022, explainable given the sector's capital-intensive nature. These sectoral employment trends point to a number of deficiencies that persist, despite GCC governments' commitments to diversify and transition towards high value-added/high-productivity sectors and reduce reliance on the public sector for employment.

In summary:

- ▶ The public sector continues to provide the main source of employment for nationals in this sub-region, sustaining a persistently high sectoral contribution to overall employment despite an observed decline over the past three decades.
- ▶ Most jobs that were created in the private sector between 1992 and 2022 as a result of diversification were in the services and construction sectors, both of which are likely to create low-productivity/low value-added jobs, primarily attractive to migrant workers.
- ▶ The manufacturing sector, which is a catalyst for growth and value-added products, remains weak.

▶ **Figure 8. Employment share (%) by subregion and sector, 1992 vs 2022**



Source: ILO modelled estimates, November 2023.

In the non-GCC subregion, on the other hand, countries have struggled with instability, corruption, inadequate infrastructure and governance structures, and weak education and skills development systems, all of which have discouraged private sector development, a critical driver of economic growth, innovation and job creation. Meanwhile, and unlike the case in the GCC, the lack of fiscal space has

constrained the ability of the public sector to act as an employer of first and last resort. In Lebanon and the OPT, for instance, the public sector provides less than 20 per cent of total employment in both countries. While this share is more than 30 per cent in the four other countries, the benefits offered to public sector employees are not comparable to those offered in the GCC states.

9. Public sector employment absorbed the majority of nationals in the Gulf states with the respective shares in Saudi Arabia, Kuwait, UAE and Qatar standing at 52.8 per cent, 89.9 per cent, 78.2 per cent and 82.8 per cent, as per the latest national data available.

From a sectoral perspective, figure 8 shows that non-GCC countries have experienced, over the past decades, a transition away from agrarian sectors towards services, with an associated decline in the employment share of the manufacturing sector. Typically, structural transformation processes involve manufacturing playing a vital role in creating jobs, boosting productivity and producing value-added goods. In some cases, this process can be disrupted, leading to premature deindustrialization. Between 1992 and 2022, agriculture's contribution to employment in the non-GCC subregion more than halved from 28.2 per cent to 13.4 per cent in 2022. However, in tandem, the industrial share, including that of manufacturing, decreased from 23.3 per cent in 1992 to 22 per cent in 2022. But the share of services simultaneously grew from 48.5 per cent to 64.6 per cent, driven by an increase in both public sector employment and other service activities.

Overall, the Arab States have struggled to unlock the full potential of the private sector and, for years, relied on the public sector to create employment for nationals. Jobs in the private sector have been largely informal or concentrated in low-value-added/low-productivity sectors. The weak manufacturing sector in both GCC and non-GCC states has particularly constrained the economic potential of countries and led to significant employment challenges. Supporting the growth of this sector would not only stimulate domestic demand but also facilitate the growth of export-oriented industries, reducing the trade deficit and enhancing the region's global competitiveness. This, in turn, would help to attract foreign investment, promote technology transfers and increase the overall economic vitality of the Arab States.

2.2.2. Labour productivity and employment response to growth

Labour productivity is a measure of economic efficiency and competitiveness. It reflects the output produced per unit of labour and is a key indicator of economic growth and prosperity. High levels of labour productivity are ideally associated with increased profitability and should lead to higher wages for workers and higher standards of living.

Over the course of the last 30 years, the Arab States have experienced stagnating labour productivity, with different patterns across the GCC and non-GCC subregions. While diminishing levels of labour productivity were observed in the GCC subregion

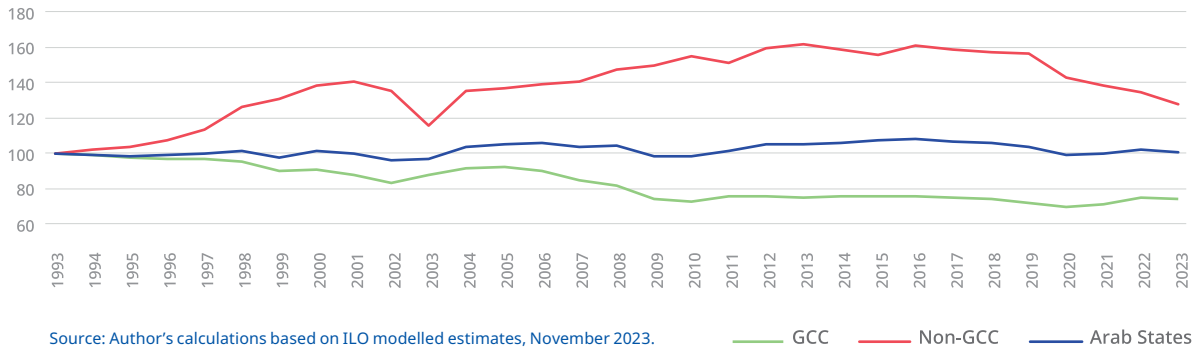
between 1993 and 2023, non-GCC states demonstrated a 27 per cent increase in labour productivity over the same period, as illustrated in figure 10. It is important to acknowledge, however, that this remarkable growth across non-GCC states was from a low base, thus constraining its overall influence on labour productivity across the broader region.

As of 2023, labour productivity in the non-GCC states stood at US\$27,800 in terms of purchasing power parity (PPP), compared with US\$109,078 (PPP) in the GCC. The regional average stood at US\$71,204 (PPP). Accordingly, the ratio of a worker's average productivity in the GCC to that of a worker in the non-GCC states was 3.9 in 2023. Notably, over the years, this gap in labour productivity has progressively narrowed, declining from an initial value of 6.7 in 1993.

While the transition away from the agrarian economy towards a more service-oriented one partially accounts for the rise in labour productivity observed in the non-GCC states between 1993 and 2023, limited industrialization efforts appear to have constrained the potential for a more significant labour productivity growth needed to bridge the productivity gap with the GCC. Notably, the gap persisted despite declining productivity levels in the GCC subregion, which have been attributed to Gulf governments' intensified efforts to develop their non-oil sectors and reduce reliance on the capital-intensive oil sector, but their failure to promote, throughout this process, high-productivity/high value-added activities.

While the above describes changes in labour productivity over the past three decades, a closer look at data from 2019 to 2023, shows that the COVID-19 pandemic further dampened productivity growth, with a particularly devastating impact on non-GCC states. Unlike global trends of positive labour productivity growth in 2020, labour productivity declined by 8.6 per cent in the non-GCC subregion and by 3.3 per cent in the GCC subregion, driven, at least in part, by the poor digital infrastructure, particularly in the non-GCC states, and the huge impact of the pandemic on the oil industry in the oil-rich economies of the GCC. While labour productivity continues to decline in non-GCC states, Gulf countries have successfully reversed this trend thanks to the recovery in the global oil market.

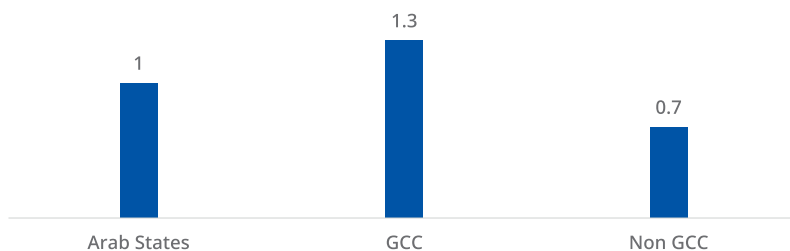
► **Figure 9. Output per worker (GDP constant 2017 US\$ at PPP), by subregion, indexed to 1993 (100 = 1993 level)**



Looking at employment-to-output elasticities, data show a high response of employment to growth, both in the GCC and non-GCC states, standing at 1.3 and 0.7, respectively, between 1993 and 2023. Notably, data from the last decade (2013 to 2023) show consistent findings for the GCC, where the employment-to-output elasticity is 1.1. However, a noteworthy observation lies in the non-GCC states, wherein a negative employment-to-output elasticity is recorded, reflecting a positive growth in employment even when economic growth is negative. Before looking separately at the two subregions, these results on their own suggest that economies in the region, relative to their levels of economic growth (and even when growth is negative), have managed to create a considerable

amount of employment, which should have, ideally, helped address the employment challenge in the region. However, contrary to expectations, this has not been the case. Unemployment rates have sustained high levels, and employment-to-population ratios have remained low. On the one hand, this reflects the need to stimulate higher economic growth through increased investments and private sector development given the fast population growth; but also underscores, on the other hand, and more importantly, the core challenges associated with the quality of jobs created in the region and their capacity to absorb individuals looking for employment, including nationals with high levels of education.

► **Figure 10. Employment-to-output elasticity by subregion, 1993–2023**



Source: Author's calculation based on ILO modelled estimates, November 2023.

In view of the differences between the two subregions, a comparative analysis helps better understand the economic and associated employment landscape. In the GCC, the discovery of oil in the 1970s and the associated large revenues radically changed the face of the economy and demography in the region. These countries experienced an accelerated pace of development and embarked on ambitious plans and projects to diversify their economies and improve the general standard of living. Historically, diversification efforts centred around large-scale infrastructure projects that required a substantial amount of labour using low-wage/low-skilled migrant workers. Meanwhile, nationals were offered employment in the public sector – a perceived entitlement based on nationality.

Over the years, however, concerns over the sustainability of this model prompted a renewed commitment to diversification and structural transformation. Nationalization efforts have aimed at promoting nationals' employment in the private sector, but often leaned towards labour-intensive, low-productivity sectors, attracting instead large numbers of low-skilled and low-wage migrant workers. This dynamic explains the consistently high employment-to-output elasticity in the GCC subregion, which has been driven not necessarily by the creation of decent and productive jobs, but rather by the proliferation of low-productivity jobs within the private sector, especially attractive to certain classes of migrant workers.

For the non-GCC countries, despite a relatively lower employment-to-output elasticity compared with the GCC, this figure is still considered high. It is noteworthy, however, that some of the employment created in the non-GCC states is in an overstretched and unproductive public sector. Meanwhile, the private sector continues to be characterized, as discussed elsewhere in this report, by low levels of labour productivity, high informality rates and poor working conditions. This points to a serious deficit in terms of employment quality and an urgency not only to promote job-rich growth, but to also ensure that such growth is conducive to decent and productive employment.

A rethinking of economic policies and a proper structural transformation are thus key to the promotion of decent and productive employment. This would entail strengthening the role of the manufacturing sector, including through the design and

implementation of the right mix of industrial and sectoral policies in coordination with comprehensive national employment policies or strategies.

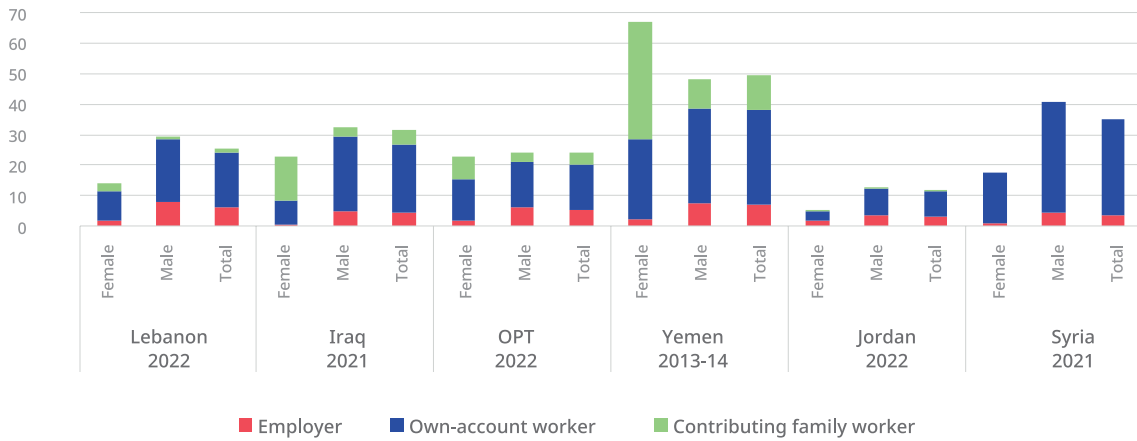
2.2.3. Business environment and entrepreneurship activities

Entrepreneurship is being increasingly recognized as a vital driver of economic growth and development worldwide, and the Arab States region is no exception. In recent years, the region has witnessed a burgeoning interest in entrepreneurship as a means to foster innovation, create jobs and diversify economies. Regardless of whether individuals pursue entrepreneurship by choice or out of necessity, this avenue to entering the labour market is important, especially for young people, including first-time jobseekers who may lack the experience that employers are increasingly demanding.

An analysis of self-employment data, which encompasses employers, own-account workers and contributing family workers, reveals a higher prevalence of self-employment in non-GCC states compared with GCC countries, as depicted in figures 11 and 12. This discrepancy primarily arises from differences in labour market structures and economic models between the two subregions. In Yemen and Syria, the dearth of employment opportunities leaves individuals with no choice but to venture into entrepreneurship. Conversely, in the GCC countries, where there are more extensive labour markets and a wider range of employment options are available, self-employment rates tend to be comparatively lower.

In the non-GCC subregion, data reveal that the majority of self-employed individuals are own-account workers, meaning that they operate businesses on their own without hiring employees. This can be attributed to several factors, including limited access to financial resources, lack of essential business and management skills, regulatory and legal impediments – especially concerning employee registration and taxation – and the uncertain political and economic realities and market conditions. Such factors deter individuals from taking the risk of operating at a larger scale. Further, there is a general lack of support services in the region, such as mentorship and business guidance.

► **Figure 11. Self-employment by sex and country (non-GCC), % total employment, latest year available**



Note: Syria does not follow the International Classification of Status in Employment, and classifies workers as either employees, employers or self-employed. The red bar in this figure represents all those classified as self-employed.

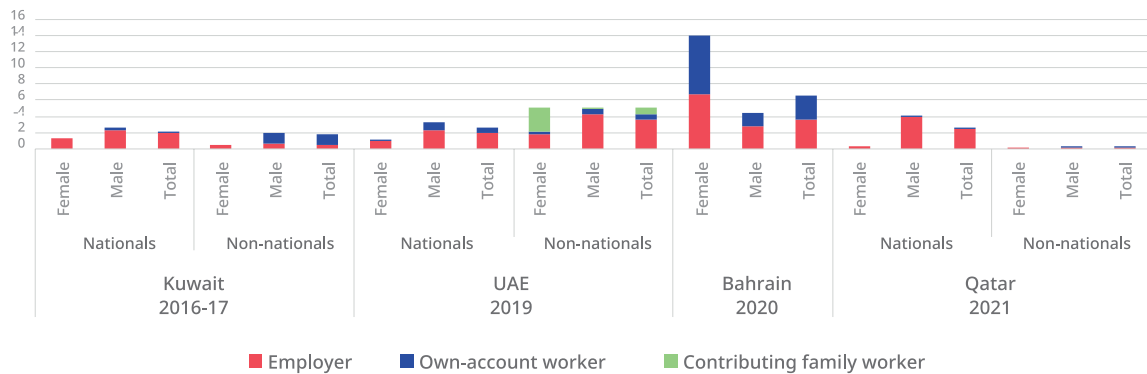
Source: National data from the labour force surveys of Lebanon, Iraq OPT, Jordan, Syria and Yemen.

In the GCC states, self-employment tends to be relatively low as a result of several factors. The robust oil-based economies of these nations have long provided salaried employment in a number of sectors, including government, construction and oil-related industries. Additionally, labour market dynamics in the Gulf often favour expatriate workers who are brought in to fill specific roles, leaving fewer opportunities for entrepreneurship. The presence of comprehensive welfare systems and generous benefits for citizens can also reduce the incentive for self-employment. Furthermore, the regulatory environment and business support infrastructure in Gulf countries have, historically, been more conducive to larger corporations and foreign investments rather than nurturing

small-scale entrepreneurship. These factors collectively contribute to the relatively low prevalence of self-employment.

Interestingly, and unlike non-GCC states where there is a clear tendency for the self-employed to work as own account workers as opposed to employers, this is not the case in the GCC, where there is a notable trend of nationals partnering with expatriates in business ventures. Many GCC countries have specific ownership regulations that restrict full foreign ownership of businesses in certain sectors. To operate in these sectors, expatriates are required to have a GCC national partner or sponsor who holds the majority ownership stake, ensuring compliance with local laws.

► **Figure 12. Self-employment by sex and country (selected GCC states), % total employment, latest year available**



Source: National data from labour force surveys (Kuwait, UAE, Qatar) and census data in Bahrain.

Beyond these marked subregional differences, varying trends are also discernible between men and women. While men are generally more inclined to engage in self-employment compared to women, they are mostly classified as employers or own account workers. Women, on the contrary, are more likely than their male counterparts to work as contributing family workers, a category of work that is typically classified as informal. These gender differences can be attributed to a number of obstacles that women face, including limited access to finance, unequal access to networking and mentorship opportunities, and social norms that hinder their pursuit of self-employment or entrepreneurial activity outside the family unit. Additionally, family responsibilities and societal pressures disproportionately affect women's ability to devote time and energy to starting and managing a business. Consequently, many women engage in family businesses, and seek to strike a balance between contributing to their families' financial livelihoods and their obligations in domestic and familial caregiving roles.

Overall, it is important to recognize entrepreneurship not only as a viable employment option but also as a potent driver of job creation. The vision for entrepreneurship should evolve from being merely driven by necessity to becoming a conscious preference for individuals. It is necessary to develop an ecosystem that nurtures and guides entrepreneurs and helps them establish formal well-structured enterprises. As of 2019, the ILO (2023a) estimated that 67 per cent of all employers in the Arab States and 80.1 per cent of own-account workers owned or operated informal economic units. Because of their informal nature, these individuals and businesses often lack access to formal financial resources, credit and institutional support. They face difficulties in securing investment and capital, hindering their ability to scale up operations, innovate or increase productivity. Moreover, the absence of legal protections and social security measures can leave them vulnerable to economic shocks, making long-term planning and growth a difficult endeavour.

► 2.3. Youth challenges in accessing decent jobs

Over the past two decades, and despite a declining share of the youth in the total working-age population in the Arab States region, the total number of young people increased from 29.1 million in 2013 to 33.2 million in 2023. Turning this large number of young people into a demographic dividend requires creating decent and productive jobs for a potentially expanding labour force and ensuring their smooth transition from school to work, especially in view of the rising enrolment rates in education within the Arab States.

2.3.1. Youth labour underutilization

Young people in the Arab States continue to be disproportionately affected by employment and labour market challenges, registering particularly low employment-to-population ratios, low labour force participation rates and high unemployment rates. As of 2023, less than 20 per cent of youth were employed, compared with 53.5 per cent of the adult population. Similarly, the youth labour force participation rate stood at 26.6 per cent in 2023, less than half the adult labour force participation rate (table 4). While part of these differences can be attributed to a larger share of the young population being in education, other factors include young people's high

expectations, employers' reluctance to employ and train young people, mismatches between the skills of young graduates and those required by employers, and the general lack of sufficient and decent jobs available to new entrants to the labour market.

Alongside low employment-to-population ratios and low labour force participation rates, the unemployment rates of young people are alarming. In 2023, the unemployment rate among young Arabs reached 27.7 per cent, which is almost four times the rate of adult unemployment. When examining this issue at a more granular level, disparities emerge again between the GCC and non-GCC states. The non-GCC states experience markedly higher youth unemployment rates, peaking at 47.8 per cent in Lebanon in 2022, 45.9 per cent in Syria in 2021, and 42 per cent in Jordan in 2022. These figures underscore the immense hurdles faced by young job-seekers in these nations. Nonetheless, in the GCC subregion, youth unemployment rates, although relatively lower, are not negligible. For instance, in Saudi Arabia in 2022, the youth unemployment rate stood at 15.9 per cent, and Kuwait reported a rate of 15.4 per cent in 2016/17.¹⁰ Compared with their adult counterparts, young people in all countries of the region are at a disadvantage.

10. National labour force surveys of Lebanon, Syria, Jordan, KSA and Kuwait.

► **Table 4. Key labour market indicators (%) by age group and year**

| | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Employment-to-population ratio | Youth (15-24) | 19.5 | 17.5 | 18.2 | 19.1 | 19.3 | 19.3 |
| | Adults (25+) | 54.3 | 52.6 | 52.5 | 53.4 | 53.5 | 53.3 |
| Labour force participation rate | Youth | 26.7 | 25.6 | 26.1 | 26.5 | 26.6 | 26.7 |
| | Adults | 58.0 | 56.9 | 56.8 | 57.5 | 57.5 | 57.3 |
| Unemployment rate | Youth | 27.0 | 31.4 | 30.3 | 27.8 | 27.7 | 27.6 |
| | Adults | 6.3 | 7.6 | 7.5 | 7.1 | 7.0 | 6.9 |

Source: ILO modelled estimates, Nov. 2023

Beyond unemployment, once time-related underemployment and the potential labour force are included, the metrics for labour underutilization exhibit a substantial increase. In 2022, the

composite measure of labour underutilization (LU4) among young individuals stood at 44.0 per cent, compared with a 15.6 per cent rate observed among adults.

► **Table 5. Labour underutilization measures (LU2, LU3 and LU4) (%) by age group and year**

| | | 2019 | 2020 | 2021 | 2022 |
|--|---------------|-------------|-------------|-------------|-------------|
| Combined rate of time-related underemployment and unemployment (LU2) | Youth (15-24) | 30.8 | 34.6 | 33.9 | 33.0 |
| | Adults (25+) | 11.2 | 12.6 | 12.3 | 11.8 |
| Combined rate of unemployment and potential labour force (LU3) | Youth | 36.5 | 40.3 | 39.6 | 38.9 |
| | Adults | 10.1 | 11.7 | 11.0 | 10.5 |
| Composite measure of labour underutilization (LU4) | Youth | 41.4 | 45.4 | 44.9 | 44.0 |
| | Adults | 15.1 | 16.9 | 16.2 | 15.6 |

Source: ILO modelled estimates, November 2022.

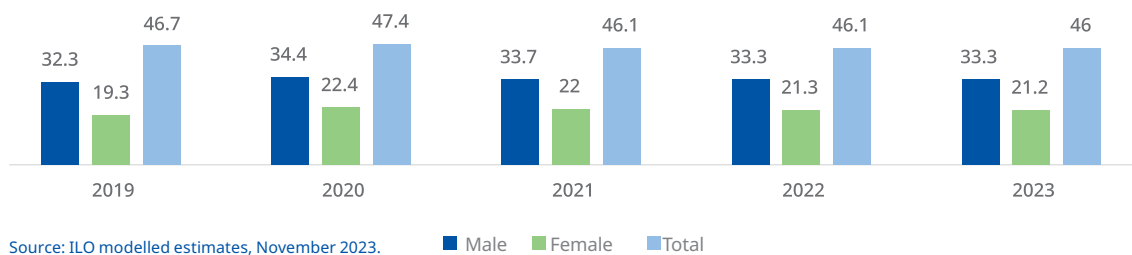
Labour market challenges for youth are not new in the Arab States but have undoubtedly been exacerbated by the series of political, economic, financial and security crises that have swept through the region over the past decade. The COVID-19 pandemic has also disproportionately impacted young people. Between 2019 and 2020, the youth employment-to-population ratio decreased by 1.7 percentage points, surpassing the 1.4 percentage point decline observed among adults. Concurrently, the youth unemployment rate rose by 3.4 percentage points, compared with a 1.2 percentage point increase among adults. Other indicators of labour underutilization have also

worsened relatively more among the youth when compared with adults over the same period. Since 2020, there has been a gradual recovery in the employment-to-population ratio, labour force participation rate and various labour underutilization measures, but they have yet to return to pre-pandemic levels, both among youth and adults. Importantly, as of 2024, the youth labour force participation rate is the sole indicator expected to revert to its pre-pandemic level. In contrast, the youth unemployment rate is anticipated to persist at a level higher than that observed in 2019, while the employment-to-population ratio is projected to remain below its 2019 mark.

The disproportionate effect of crises on youth has been observed worldwide. Several factors have contributed, including the sectoral distribution of youth employment. In fact, many young individuals are employed in sectors that were severely impacted by the pandemic, such as retail, hospitality and tourism. Additionally, youth employment often leans towards precarity and informality when compared with that of adults. As such, young workers frequently lack the job security and benefits typically afforded to older employees, rendering them more vulnerable to layoffs. The lack of sufficient work experience among young people further challenges their employment prospects, particularly during times of crises, when employers tend to be more cautious about hiring inexperienced workers and training them.

Further to measures of labour underutilization, the youth NEET rate stood at 32.3 per cent prior to the pandemic, considerably higher among women compared with men, as illustrated in figure 13. The pandemic increased youth NEET rates in the region, as the crisis impacted not only the labour market and employment outcomes of youth, but also their education and training prospects. As of 2023, the NEET share of young men has not yet returned to its pre-pandemic level, while that of women was slightly below. In absolute terms, however, the numbers of both young men and women NEETs were still above their pre-pandemic levels as of 2023.¹¹

► **Figure 13. Share of youth NEET (%), by sex and year**



Importantly, of the 11 million young Arabs classified as NEET in 2023, more than two thirds were young women, who face the double burden of being both young and female. Discriminatory practices in the workplace, an unsupportive business environment and a lack of gender-responsive policies and measures have all contributed to the limited engagement of young women in the labour market. In addition, traditional gender roles and societal expectations place a heavy burden on young women to fulfil domestic and caregiving responsibilities, limiting their ability to pursue both education and employment opportunities.

In Jordan, the marital status of young women was found to significantly affect their NEET status, with

92.7 per cent of young married women being NEET, compared with 29.7 per cent of young women with no partner (ILO 2023b).

Further, despite their lower NEET rates compared to young women, young men still have high shares of NEET, with one in every 5 young men being out of employment, education and training in 2023. In Lebanon, Iraq and the OPT, NEET rates among young men stood at 26.1 per cent, 22.1 per cent and 24.3 per cent, respectively, in 2021/22.¹² Such high rates can fuel social unrest and political instability, especially if young individuals remain NEET for prolonged periods of time.

11. ILO modelled estimates, November 2023.

12. National labour force surveys of Lebanon (2022), Iraq (2021) and the OPT (2022).

2.3.2. Where are youth employed?

Although data are limited, table 6 suggests that young people aged 15–29 years are largely concentrated in services and sales occupations, craft and related trades activities and other elementary occupations. Usually associated with lower levels of skill, such occupations are more prone to informality and more likely to pay low wages under less favourable working conditions. Further, and

while professionals appear among the top occupations for young people in Jordan and Lebanon (two countries with relatively better education systems), this occupational category, together with technicians and associate professionals, does not feature among the top three occupations of the other countries where data are available.

► **Table 6. Employment distribution (%) of young people (15–29 years) by occupation in selected Arab States, latest year available**

| | UAE (2021) | Iraq (2021) | Jordan (2021) | Lebanon (2019) | OPT (2022) |
|--|---------------|----------------|------------------|-------------------|---------------|
| Managers | 2.5 | 0.2 | 0.0 | 2.4 | 0.5 |
| Professionals | 9.9 | 8.6 | 16.5 | 14.6 | 12.1 |
| Technicians and associate professionals | 10.0 | 4.2 | 3.5 | 4.2 | 3.7 |
| Clerical support workers | 6.9 | 1.0 | 2.7 | 3.8 | 1.4 |
| Service and sales workers | 16.6 | 24.0 | 39.1 | 20.4 | 21.7 |
| Skilled agricultural, forestry and fishery workers | 0.7 | 8.7 | 2.1 | 0.9 | 2.7 |
| Craft and related trade workers | 20.3 | 31.9 | 16.4 | 13.7 | 20.1 |
| Plant and machine operators and assemblers | 9.2 | 7.8 | 4.9 | 4.8 | 8.6 |
| Elementary occupations | 21.8 | 8.0 | 14.6 | 26.7 | 26.6 |
| Armed forces | 2.0 | 3.0 | 0.0 | 8.3 | 2.6 |
| Not elsewhere classified | 0.1 | 2.6 | 0.2 | 0.4 | 0.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

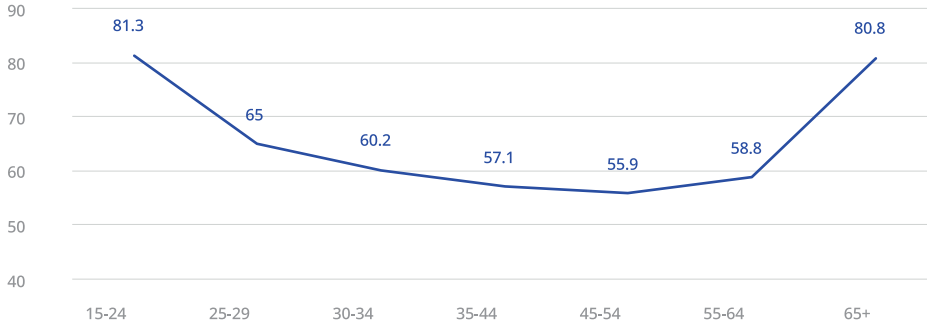
Source: ILOSTAT, based on national estimates.

Overall, young people in the region are more likely to be informally employed than their adult counterparts. Figure 14 shows that informality is a reality for 8 in 10 young workers aged 15–24, and for more than 6 in 10 young adults aged 25–29. While informality decreases with age, partly because of accumulated skills and experience, more than half of the adult population in the region remains trapped in informality, indicating a difficult path out of informality and a lack of formal jobs more generally in the region.¹³

Historically, Arab youth have predominantly found employment opportunities in the public sector. Yet, recent government policies aimed at reducing public sector job openings have limited this avenue for young jobseekers. With the parallel lack of sufficient jobs in the private sector, many young people have been compelled to explore non-traditional employment options, including in the digital and gig economies. Both location-based and web-based platforms have mushroomed, creating new employment opportunities for youth. Nevertheless, concerns regarding the quality of such jobs, and the level of protection they provide, remain.

13. Informality is discussed in more detail in section 2.6.

► **Figure 14. Informal employment (%) by age group, Arab States, 2019**



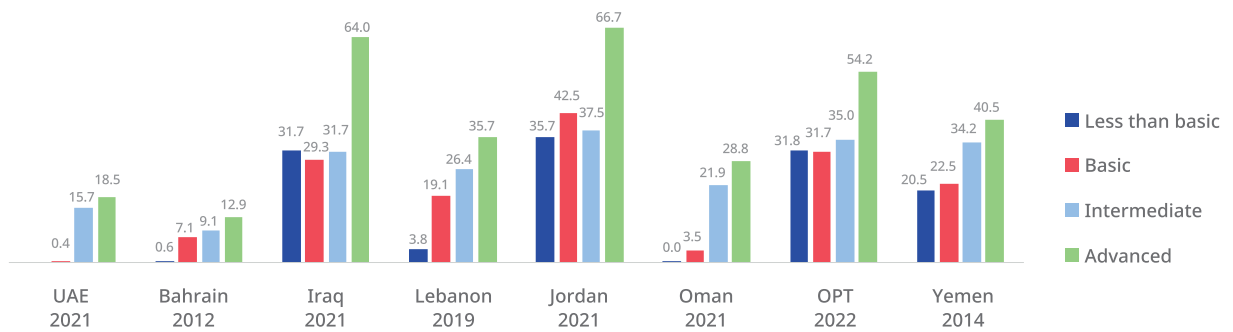
Source: ILO (2023a).

2.3.3. Skills mismatch and learning challenges

Despite significant advancements in educational attainment among youth and the substantial investments in education and training programmes and institutions across the region, the overall quality and relevance of education in the region remain subpar. Except for a handful of universities and institutions that equip graduates with market-relevant skills, the majority of education and training institutions, including technical and vocational education and training (TVET), seem to operate in isolation, failing to adequately address employers’ needs.

In fact, youth unemployment rates, mirroring the overall unemployment rates, tend to rise with higher levels of education, as illustrated in figure 15. This can be attributed, in part, to countries’ inability to create sufficient high-skilled positions to absorb the influx of graduates with advanced levels of education, and the rising competition among them. However, it also reflects the shortcomings of the education system itself in preparing young graduates with the knowledge and skills needed by the job market, a concern frequently voiced by employers across the region.

► **Figure 15. Youth unemployment rate (%) by sex and level of education, latest year available**



Source: ILOSTAT, based on national sources.

A recent study (ILO, UNICEF and ETF (2023)) found that education and skills development systems in the region largely adhere to traditional practices, emphasizing formal credentials rather than practical knowledge. Graduates often hold academic qualifications but frequently lack the kinds of hands-on experience and skills demanded by employers. This includes not only technical skills, but also soft skills, such as communication, teamwork, critical thinking, problem-solving and adaptability.

Further, and with employers increasingly recognizing the pivotal role of technology and digitalization in remaining competitive and innovative, demand for digital skills in the region is on the rise. However, there is still a significant gap between demand for skills and jobseekers' skillsets. In fact, the education and training systems in the Arab States have been generally very slow at adapting to rapid transformations of the labour market, including digital technologies. Training and education curricula and programmes are noticeably outdated and there is a lack of comprehensive digital skills training, leaving graduates ill-prepared for the job market. In Lebanon, for instance, a recent survey conducted by Forward MENA found that 88 per cent of Lebanese companies in the tech sector are recruiting but are not able to find graduates with the necessary skills (World Bank 2023b). The lack of mechanisms for anticipating skills requirements further challenges education and training systems' capacities to develop timely and relevant education and training programmes that align with emerging and future skills requirements.

These realities are further exacerbated by the limited access that students have to comprehensive labour market information and the weak career guidance mechanisms available to them. Without access to

up-to-date data and information on job opportunities, industry trends and skill demands, students often make uninformed choices that do not necessarily align with the needs of the job market. Further, the absence of a culture that promotes part-time employment among youth, including those still in education or training and the limited opportunities for apprenticeships and internships, mean that young people are not exposed, at an early stage, to the world of work and employers' needs, ultimately hindering their professional development and growth.

Notably, within skills development systems and programmes, there is a general lack of involvement of employers, thus contributing to the widening gap between skills offered and market needs. By incorporating employers' perspectives, a more holistic and responsive approach to education and training would help ensure that graduates are equipped with skills that lead to meaningful employment, while also benefiting businesses and the economy at large.

In addition, and in view of the rapid changes taking place in the world of work, the importance of continual skills development cannot be overstated. Presently, education and skills development systems fall short of promoting or facilitating lifelong learning. Graduates are ill-equipped to navigate career transitions or seize opportunities for advancement. To meet the demands of an ever-evolving job market, it is imperative that education systems and training programmes be restructured to foster a culture of perpetual learning. Lifelong learning empowers individuals to adapt to changing job requirements, embrace new technologies and remain competitive throughout their careers, ensuring a more resilient and skilled workforce for the future.

► 2.4. Gender disparities and women's under-representation in the labour market

The role of women in the labour market has been a topic of growing significance. While progress has been made in recent years, significant challenges persist in terms of women's participation, access to employment, including formal and decent employment, labour utilization, equality and non-discrimination.

2.4.1. Insufficient female participation in the labour force

As of 2023, the female labour force participation rate in the Arab States stood at 19.8 per cent

– significantly lower than that for men (74 per cent). This gender gap, which has persisted for years, is due to a range of factors including, first and foremost, societal norms and entrenched gender roles that have, traditionally, assigned men the main responsibility of providing income for their families, while women have borne the majority of caregiving responsibilities. With limited access to high-quality and affordable childcare, many Arab women have been forced out of the labour force. Additionally, the limited access to reliable transportation in the region hinders the ability of women, especially those from economically disadvantaged backgrounds, to

commute to work, deterring women from seeking employment outside their home. Workplace sexual harassment, legal barriers and various forms of discrimination at work can further exacerbate the issue by creating a hostile and unfair environment that can also discourage women from entering or remaining in the labour force.

Overall, gender gaps in participation not only affect women's personal growth and financial security, but also have significant economic implications. According to Tzannatos (2016), disparities in labour force participation between men and women in Jordan, Lebanon and the OPT have led to substantial GDP losses of 21 per cent, 19 per cent and 17 per cent, respectively. Consequently, closing the gender gap in labour force participation in these countries has the potential to boost GDP in Jordan by \$8 billion, in Lebanon by \$9.5 billion, and in the OPT by \$2.2 billion. These potential economic gains can, in turn, foster innovation and promote higher levels of productivity, ultimately driving economic growth and prosperity.

Importantly, while similar challenges affect women's labour force participation in both GCC and non-GCC states, variations in outcomes at the sub-regional level cannot be overlooked. According to the ILO's estimates, the Gulf states exhibit higher female labour force participation rates than other Arab States, with the ratio of female labour force participation rate in the GCC to that of women in non-GCC standing at 3.4 in 2023. This can, at least

in part, be attributed to the significant presence of female migrant workers in the Gulf countries, employed in domestic work, retail sales and hospitality. Furthermore, despite the historically low labour force participation rates of women among GCC nationals, the landscape is transforming as Gulf states diversify and modernize. While Gulf women were first offered opportunities in the public sector, positions that were deemed socially acceptable and suitable for them, social norms in these countries have evolved, along with the expansion of educational prospects for women. In response, many governments have introduced policy measures and reforms, such as "feminization" policies in Saudi Arabia (Box 3), which have led to an increase in women's participation in the labour force, including in 2020, defying the anticipated adverse effects of the pandemic on labour force participation rates.

Conversely, in the non-GCC states, only 11.7 per cent of women of working age were participating in the labour force in 2023, slightly below the 11.8 per cent pre-pandemic level (table 7). Beyond the societal challenges and other issues listed above, instability, conflicts, lack of sufficient jobs and a large informal economy have all created additional barriers to women's participation in this subregion, leaving a large share of them economically marginalized. The inability of the public sector to absorb women into the labour market has further discouraged them from seeking employment.

► **Table 7. Labour force participation rate (%) by subregion, sex and year**

| Region/ sub-region | year | Total | Male | Female |
|---------------------|-------------|-------------|-------------|-------------|
| Arab States (total) | 2019 | 49.6 | 74.7 | 18.3 |
| | 2020 | 48.6 | 72.6 | 18.9 |
| | 2021 | 48.7 | 72.6 | 19.5 |
| | 2022 | 49.4 | 73.9 | 19.6 |
| | 2023 | 49.4 | 74.0 | 19.8 |
| | 2024 | 49.3 | 73.9 | 19.7 |
| Non-GCC | 2019 | 38.9 | 66.2 | 11.8 |
| | 2020 | 37.4 | 63.8 | 11.3 |
| | 2021 | 37.5 | 63.9 | 11.3 |
| | 2022 | 38.5 | 65.8 | 11.5 |
| | 2023 | 38.8 | 66.1 | 11.7 |
| | 2024 | 38.8 | 66.2 | 11.7 |

| Region/ sub-region | year | Total | Male | Female |
|--------------------|-------------|-------------|-------------|-------------|
| GCC | 2019 | 66.6 | 85.0 | 32.9 |
| | 2020 | 66.9 | 83.9 | 36.4 |
| | 2021 | 67.7 | 84.1 | 38.7 |
| | 2022 | 68.1 | 84.8 | 39.0 |
| | 2023 | 68.2 | 84.8 | 39.3 |
| | 2024 | 68.0 | 84.7 | 39.3 |

Source: ILO modelled estimates, November 2023.

► **Box 3. Gender reforms and feminization policies in the Kingdom of Saudi Arabia**

Over the past years, Saudi Arabia has embarked on a series of policy and legislative reforms aimed at “feminizing” the labour market, reflecting Saudi Arabia’s commitment to increasing women’s labour force participation as a crucial part of its National Transformation Programme launched under Vision 2030.

In 2018, Saudi Arabia lifted the longstanding ban on women driving, granting them greater mobility and access to employment. This reform marked a symbolic and practical step towards increasing women’s participation in the labour force. The Kingdom has taken further steps to prevent and address harassment in the workplace, and has adopted anti-harassment regulations along with a ministerial decision on protecting against inappropriate behaviour at work.

Several national programmes have increased women’s employment opportunities. Diversification efforts and nationalisation programmes (e.g. the Nitaqat programme) have opened up new sectors and job opportunities for women, including in such areas as technology, entertainment and tourism. The Government has encouraged flexible work arrangements, such as remote work and part-time employment, which allow women to balance work and family responsibilities while engaging in the labour force. Efforts and programmes to promote female leadership have been implemented in tandem with other supportive measures to promote inclusive work environments for women. In addition, relevant initiatives provide child care and transport support for working women and encourage their integration into the labour market.

In January 2023, the Saudi Cabinet approved the National Policy of Equal Opportunities and Equality in Treatment, developed with technical support from the ILO, with the aim of ending discrimination in employment and promoting a more inclusive labour market in the Kingdom.

Overall, the Kingdom has made impressive progress in relation to Saudi women’s participation in the labour force, which stood at 36.0 per cent in the first quarter of 2023, increasing from 22.6 per cent in 2019. In parallel, the Saudi female employment-to-population ratio increased from 14.0 per cent to 30.2 per cent over the same period. While these are significant achievements, the increased numbers of Saudi women joining the labour force means higher rates of unemployment among them, standing at 16.1 per cent in Q1 of 2023, compared with 4.6 per cent for men.

The rise in female unemployment should not be viewed as a negative development but rather as a call to further action. More importantly, heightened levels of unemployment underscore the need for more proactive policymaking and programme design to accommodate the growing size of the labour force and effectively harness the untapped human capital within the female segment of the population.

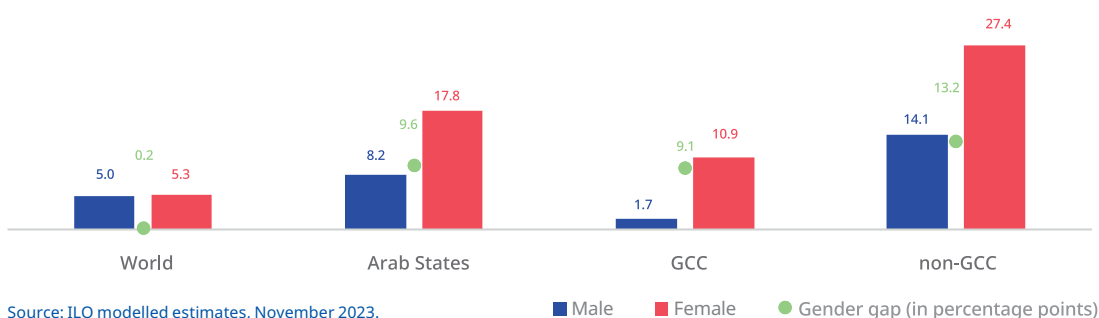
2.4.2. Significant female labour underutilization

Despite their very low labour force participation rates, women exhibit particularly high rates of unemployment, compared with both men in the region and other women globally (figure 16). Notably, female unemployment in the Arab States exceeds the global average by more than three-fold. Furthermore, the gender gap in the unemployment rate at the global level is 0.2 percentage points. However, in the Arab States this gender gap was a staggering 9.6 percentage points in 2023, but more pronounced in the non-GCC states (13.2 percentage points) than the GCC states (9.1 percentage points).

Similar to youth unemployment, women's unemployment in the region is partly driven by a general

inadequate number of job vacancies. Nevertheless, the significant gender gap highlights a range of challenges unique to Arab women that hinder their entry into the labour market. These challenges include women's preference for limited public sector jobs, discriminatory practices in the workplace and private sector employers' reluctance to hire women, widespread informality and inadequate social protection, restrictions on women's ability to work in certain fields or industries, and the prevailing gender norms that give many women the privilege and ability to remain unemployed until they find an opportunity that aligns with their aspirations.

► **Figure 16. Unemployment rate (%) by sex, region and subregion, 2023**



Source: ILO modelled estimates, November 2023.

Unfortunately, these high rates of unemployment persist despite the significant strides that women have made in education. The high levels of education among women should serve as a catalyst for change, inspiring governments, businesses and communities to address the systemic barriers that contribute to women's unemployment. Unlocking the full potential of women in the labour market, including those with high levels of education, is not only a matter of gender equality but also an

essential step towards economic growth, innovation and societal progress.

When considering the various facets of labour underutilization, which encompasses time-related underemployment and the potential labour force, the composite measure of labour underutilization (LU4) among women appears high (36.4 per cent), with a gender gap amounting to 20.2 percentage points. The gap is more concerning in the non-GCC states compared with the GCC, as shown in table 8.

► **Table 8. Composite measure of labour underutilization (LU4) (%) by sex and region, 2022**

| Region | Male | Female | Gender gap (% points) |
|-------------|------|--------|-----------------------|
| Arab States | 16.2 | 36.4 | 20.2 |
| GCC | 7.8 | 22.1 | 14.3 |
| Non-GCC | 23.3 | 48.6 | 25.3 |

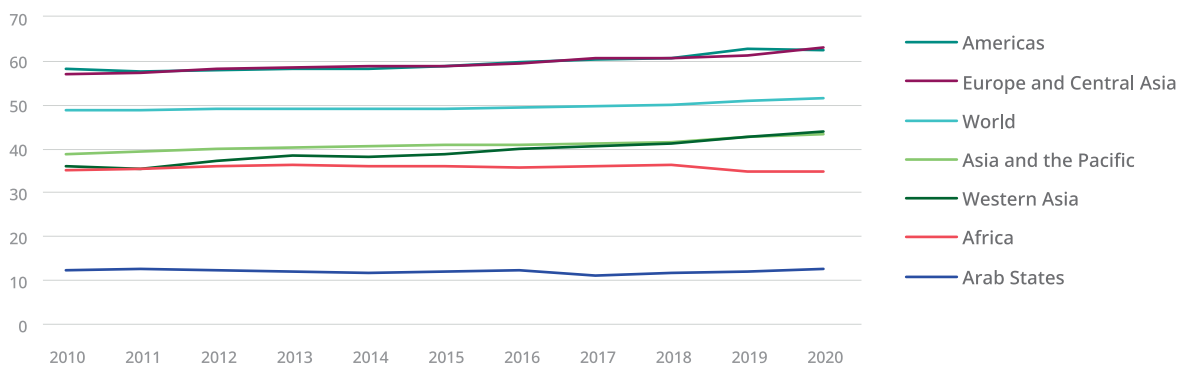
Source: ILO modelled estimates, November 2022.

Further to this composite measure of labour underutilization, the ILO's new jobs gap indicator provides insights into women's ability to access jobs. In 2023, the jobs gap for women stood at 44.5 per cent – 27 percentage points higher than men's.¹⁴ This means that almost half of women who wanted to work did not have a job. The women's jobs gap rate in the Arab States is also considerably higher than the global average of 13.7 per cent, and is even higher than that registered in low-income countries (24.3 per cent).

2.4.3. Gender pay gap

When examining women's access to the labour market, it is also important to examine their remuneration from work. Understanding the disparities in pay between men and women is key to promoting women's participation in the labour force and addressing gender inequalities. Despite efforts to promote inclusive labour markets, Arab women continue to face disparities in employment and income when compared with their male counterparts. The gender income gap is a particular concern in the region, with Arab women earning just 12.5 per cent of the income earned by Arab men (figure 17), the lowest ratio in the world.¹⁵

► **Figure 17. Gender income gap (% of women's to men's labour income) by region and year**



Source: ILO modelled estimates, November 2022.

Despite the huge income gap between Arab men and women, this is not surprising in a region where women represent less than a fifth of total employment. In fact, total labour income is influenced by both the number of individuals working and the income earned by each of these workers. As such, total income gap is the result of the gender gap in employment and the gender gap in average income per worker (ILO 2023c). In the Arab States, the gender employment gap, calculated as the

ratio of female to male employment, stood at a low 18.5 per cent in 2020.¹⁶ By dividing the labour income gap by the gender employment gap, we obtain a measure of income per worker gap, which, in the Arab States region, stood at 67.5 per cent. This new measure, which provides an estimate of the income gap between men and women after accounting for the difference in their levels of employment, suggests that a significant part of the labour income gap can be explained by the gap

14. ILO modelled estimates, November 2023.

15. The gender income gap, expressed as a percentage, is calculated as the ratio of women's total labour income to men's total labour income.

16. ILO modelled estimates, November 2022

in employment between men and women in the region. As such, closing the employment gap, including through measures to absorb more women into the labour market, would considerably narrow the gender income gap.

However, even if the employment gap in the region is closed, the gender income gap (67.5 per cent) remains particularly high. This gap is driven by occupational and sectoral segregations, access to managerial and leadership positions, number of hours worked, and so on. Addressing these other inequalities and ensuring equal access of women and men to the same opportunities, can further narrow the gender income gap. Any remaining gap that cannot be explained by objective factors, such as experience and educational attainment, would then imply discrimination in pay on the basis of sex, requiring legal remedies to prohibit such discrimination and social actions that promote the principle of “equal pay for work of equal value”.

This is why when trying to interpret pay gap results, it is essential to control for certain factors before drawing conclusions about the prevalence and magnitude of the gender pay gap. Recent surveys in Lebanon and Iraq have identified negative gender pay gaps in both countries, standing at -13.0 per cent and -51.3 per cent, respectively.¹⁷ While these negative numbers indicate that, on average, women earn more than men, results should be interpreted with caution as the gaps reflect average values and mask several factors, including educational attainment as a proxy of skills and age as a proxy of work experience, for example. Accounting for the effect of some of these factors could provide a better assessment of the gender

In Iraq, the gender pay gap adjusted for age and educational attainment stood at 18.4 per cent, which means that, for the same level of education and experience, female employees earned, on average, 18.4 per cent less than their male counterparts. A similar pattern is observed in Lebanon, where a comparison of monthly earnings between female and male wage employees with similar educational backgrounds reveals that women

consistently earn less than men across all education categories (table 9).

► **Table 9. Gender wage gap (%) by education, Lebanon (employees at main job)**

| Level of educational attainment | Gender wage gap |
|---------------------------------|-----------------|
| Total | -13.0 |
| Elementary | 27.6 |
| Intermediate | 18.1 |
| Secondary | 13.6 |
| University and above | 18.5 |

Source: Lebanon follow-up Labour Force Survey 2022.

2.4.4. Women in managerial positions

While Arab women undeniably encounter substantial obstacles when entering the labour market, as evidenced by their notably low employment-to-population ratio, estimated at just 16.3 per cent in 2023,¹⁸ it is important to recognize that enhancing employment outcomes for women goes beyond their initial entry into the workforce. It involves a broader commitment to equality and non-discrimination, including access to leadership and managerial positions, as well as the dismantling of the so-called “glass ceiling” that has, historically, hindered women’s progress in managerial roles.

In the Arab States, deep-seated gender stereotypes continue to influence perceptions of women’s leadership capabilities. Furthermore, societal expectations of women’s roles as caregivers and homemakers often clash with their career aspirations, creating a barrier for women seeking managerial positions. This persists despite the fact that women consistently surpass men in tertiary education and provide a substantial untapped resource that could yield significant benefits for businesses, economies and societies at large.

17. These figures are drawn from the latest labour force surveys in Lebanon and Iraq. In Lebanon, the gap represents the difference between average monthly earnings at the main job of female employees as a percentage of average monthly earnings at the main job of male employees. In Iraq, it is defined as the difference between the average hourly earnings at the main job of female employees as a percentage of average hourly earnings at the main job of male employees. In both cases, only waged employees are considered, whereas earlier analyses included self-employed workers in the labour income gap.

18. ILO modelled estimates, November 2023.

Figure 18 shows the proportion of women in managerial positions in selected Arab States. Although progress has been made over the past few decades,

data indicate that women still have a long way to go before their representation in these roles equals that of men.

► **Figure 18. Proportion of women in senior and middle management positions (%), latest year available**



Source: ILOSTAT, based on national sources, and Lebanon's follow-up Labour Force Survey 2022.

Women's access to managerial positions has often been confined solely to a handful of traditionally feminized sectors, such as education. However, women should have the unrestricted right to access such positions across all sectors, including within the most productive and influential companies and enterprises. Within the MENA region as a whole, women's access to managerial positions has been

more prevalent in small and medium-sized enterprises, while only a modest 19.6 per cent of large enterprises, employing more than 99 employees, have included women in managerial positions (ILO and ESCWA 2021). This calls for concerted efforts to enhance women's representation in leadership roles across diverse sectors and within larger enterprises.

► 2.5. Labour migration and forced displacement

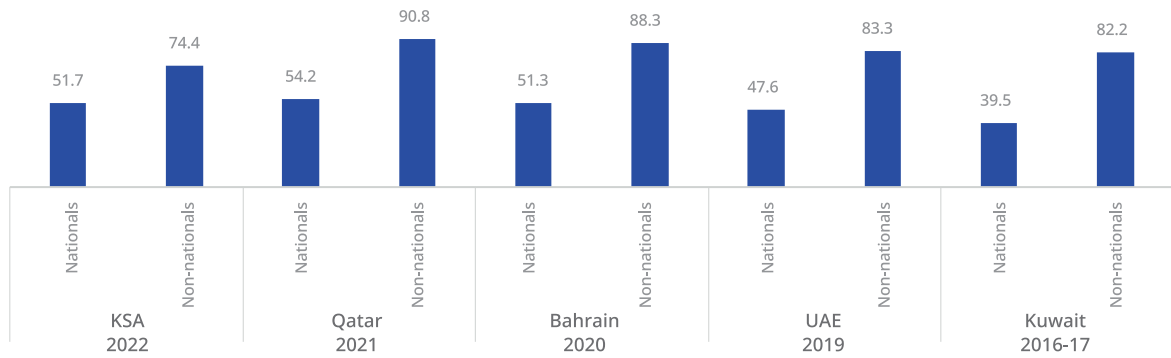
The Arab States region has long been a hub for labour migration, characterized by significant inflows and outflows of migrant workers. These movements are a reflection of economic and labour market disparities between sending and receiving countries and have played a pivotal role in shaping the economic, social and cultural dynamics in the region. While labour migration has provided employment opportunities for millions, it is not without its challenges. This section examines the dynamics of labour migration, and the challenges faced by both migrant workers and host countries. Beyond voluntary migration, it also explores issues of forced displacement, in view of the rise in the number of forcibly displaced individuals, including refugees and IDPs.

2.5.1. Inflows of migrant workers

In 2019, the Arab States hosted 24.1 million migrant workers, constituting 14.3 per cent of the global international migrant workforce. This marked a significant increase from 11.7 per cent in 2013. Migrants comprised the largest share of the labour force, increasing from 35.6 per cent in 2013 to 41.4 per cent in 2019. This is much higher than the global share of just 4.9 per cent. Labour force participation rates are exceptionally high among migrants in the region, standing at 78.5 per cent compared with 41.2 per cent among nationals (ILO 2021b).

Figure 19 shows the participation rates of migrants in the GCC states, which rank among the world's most significant recipients of migrant workers.

► **Figure 19. Labour force participation rates (%) by nationality in five GCC states, latest year available**



Source: Labour force surveys of KSA, Qatar, UAE and Kuwait and Census of Bahrain.

In the GCC region the oil-based economy has resulted in a significant reliance on low-skilled migrant workers, especially in the construction sector. Recent endeavours to promote the employment of national citizens in the private sector, along with substantial investments aimed at transitioning Gulf economies into knowledge-based economies, are poised to reshape labour demand in the Gulf. It is likely that these transformations will involve increased demand for high-skilled workers, both nationals and non-nationals.

It is important to highlight that GCC governments have significantly increased their investments in education, aimed at nurturing a highly educated and skilled national workforce, adequately equipped to spearhead structural transformations and drive economic diversification. This strategic shift also seeks to lessen the reliance on migrant workers, particularly relevant given mounting concerns over unemployment rates among nationals.

Thus, the pattern of migrant inflows into the GCC subregion is poised to undergo change, both in terms of quantity and quality. Yet, in the coming years, GCC states will continue to rely on low-skilled migrant workers to do jobs that nationals, including low-skilled nationals, are unwilling to do because of the substandard working conditions offered, especially when compared with those offered in the public sector. Furthermore, persistent disparities in wages and working conditions between nationals and non-nationals in the private sector, even in high-level positions, are expected to sustain employers' preference for foreign workers, at least in the short term (ADBI 2023).

Another significant difference between nationals and migrant workers is the kafala (sponsorship) system, which places migrant workers at a distinct disadvantage compared with their national counterparts. Under this system, the legal status of a migrant worker is intricately linked to their employment, creating a high degree of dependency on sponsors for residency and work permits, thus granting employers significant authority over the employment relationship. In recent years, Gulf countries have made significant efforts to reform the kafala system with the aim of improving labour mobility for migrant workers. The Qatari Government, in collaboration with the ILO, has undertaken a comprehensive set of labour reforms, some of which are summarized in Box 4. While these reforms are a step forward, persistent challenges remain, particularly regarding their effective implementation.

Other labour-related issues affecting migrant workers include exploitative recruitment practices, migrants' limited rights to freedom of association and collective bargaining, and challenges related to accessing justice mechanisms, among others (Georgetown Journal of International Affairs 2023). Migrant workers also lack social protection coverage in the GCC, with Bahrain and Saudi Arabia being the only two Gulf countries that provide (albeit limited) social insurance to non-national workers, notably for employment injury in both countries and unemployment insurance in Bahrain (ILO 2023d).

► Box 4. Overview of key labour reforms in Qatar

Significant changes to the kafala system include eliminating the need for workers to obtain exit permits to leave the country and removing the requirement for “no-objection certificates” to change employers. In March 2021, a non-discriminatory minimum wage came into force, applying to all workers, of all nationalities, in all sectors, including domestic workers. With this new legislation, Qatar has become the first country in the region to introduce a non-discriminatory minimum wage.

For the first time in the Gulf region, migrant workers have also been elected as representatives in the workplace. As of October 2022, 600 workers were representing their colleagues in over 70 enterprises. New legislation was introduced to enhance protections for workers against heat stress during the summer months, including the expansion of the hours during which outdoor work is prohibited. Specific thresholds for suspending outdoor work, irrespective of the time of day or year, have also been established.

To further safeguard the rights of domestic workers, a new standard employment contract has been implemented, tailored to their unique circumstances. Awareness-raising materials regarding domestic workers’ rights under the Domestic Workers Law have also been widely disseminated.

Numerous Qatar visa centres have been established in countries of origin to reduce issues related to contract deception and substitution.

Source: ILO (n.d.) “Overview of Qatar’s Labour Reforms”.

Overall, limited mandated benefits and the ease of recruiting low-wage migrant labour has allowed employers to minimize their labour costs, leading to a serious disincentive to hiring nationals, who demand higher wages and better working conditions. This disincentive has been exacerbated by the perception that migrant workers are more skilled, more committed and more experienced than their national counterparts, even in high-level positions. The uneven working conditions, which are also in clear violation of human and labour rights, have had profound implications for the employment of nationals in the private sector. In recent years, though, migrant workers’ vulnerabilities have been brought into sharp focus, particularly during the COVID-19 pandemic. Many of these workers lost their jobs, faced increased health risks and encountered considerable challenges in returning to their home countries.

Given the intricate interplay of the various policies, it is essential that the working conditions of migrant workers in the Gulf region are enhanced,

not only as a matter of upholding their rights but also as a catalyst for successful nationalization policies. The effectiveness of these policies hinges on their integration into broader labour reforms and a more extensive strategy geared towards creating decent and productive employment opportunities for all. This will entail rectifying existing labour market segmentations in the Gulf region and creating a level playing field between nationals and non-nationals. It is noteworthy that certain Gulf countries, such as Saudi Arabia and Oman, have demonstrated an interest in developing and implementing comprehensive national employment strategies that include the issue of labour migration. This reaffirms the importance of addressing labour migration issues as an integral part of broader national efforts to promote more and better jobs, including for nationals.

2.5.2. Outflows of migrant workers

While the GCC subregion employs a large number of migrant workers, non-GCC countries are a source of migrant workers. High unemployment rates, particularly among youth, economic instability and political turmoil have driven citizens from these countries to seek employment abroad, often in the oil-rich Gulf countries or in Western countries, including those in Europe, North America and Australia.

In a survey conducted by ASDA/BCW (2023), 53 per cent of young individuals in non-GCC states expressed a strong inclination to emigrate. In contrast, only 27 per cent of their peers in GCC countries had contemplated migration. This disparity stems from the poor economic prospects within non-GCC countries, in which a striking 72 per cent of young respondents believed the economy was heading in a negative direction, compared with 12 per cent in GCC states.

In Lebanon and Jordan, for instance, employment opportunities and economic prospects are notably weak, leading to significant numbers of skilled workers emigrating abroad (see Box 5). While valuable in terms of remittances to their countries of origin, such emigration contributes to brain drain, creating further challenges to economic development. The departure of highly educated and skilled individuals often leaves gaps in vital sectors of the sending economies, impacting innovation and overall economic growth. This, in turn, leads to a vicious cycle that is difficult to break. The outflow of skills and talent limits economic growth, hampers structural transformation in the local economy, and perpetuates a persistent shortage of decent and productive employment opportunities, further reinforcing the perception that emigration is the only viable option for skilled individuals.

► Box 5. Skilled emigration – Lebanon’s brain drain

Lebanon’s brain drain has deep-rooted origins, with a history marked by political turmoil, civil conflict and economic hardship. Across the years, a significant number of highly skilled individuals, including doctors, engineers, academics and entrepreneurs, have sought employment abroad. Additionally, many young Lebanese people study abroad but do not return to Lebanon because of more favourable employment prospects, higher wages and superior working conditions available to them in foreign countries.

Emigration from Lebanon has been significantly exacerbated by the economic and financial crisis that has rocked the country since 2019. According to a 2021 Gallup poll, the desire to migrate from Lebanon reached a record high that year, with 63 per cent of respondents expressing a strong desire to leave permanently, a significant increase from the 26 per cent reported before the crisis.

These figures are not surprising given the grim economic outlook in Lebanon. In 2022, the CAS/ILO Follow-up Labour Force Survey revealed that job losses reached a staggering 27.7 per cent of the initial size of total employment in 2019. The survey also showed that the employment-to-population ratio in Lebanon plummeted to 30.6 per cent in 2022, a decrease of over 10 percentage points from the 43.3 per cent rate in 2019. Furthermore, the unemployment rate surged from 11.4 per cent in 2019 to a concerning 29.6 per cent in 2022, with youth unemployment reaching a staggering 47.8 per cent that year.

The deteriorating economic and labour market conditions in Lebanon, coupled with rising prices of essential goods and services, such as fuel and food, have made it extremely challenging for individuals to make ends meet. According to a 2021 Gallup poll, a striking 85 per cent of Lebanese respondents reported struggling to meet their financial needs, with 62 per cent characterizing their financial situation as “very difficult”. Notably, this latter percentage had nearly doubled from 2019, when only 32 per cent reported facing severe financial hardship.

These challenges, combined with difficulties in accessing foreign currency, have led to a significant increase in the desire to emigrate. Professionals, including doctors and academics, have been leaving the country in substantial numbers, posing a significant threat to Lebanon’s healthcare and education

sectors and the provision of high-quality services to the local population. Other sectors have also lost valuable skills and talents, challenging economic and productivity growth.

Amid this crisis, however, remittances from the Lebanese diaspora have proved important, serving as a crucial lifeline for families, providing vital financial support for basic necessities, including food, healthcare and education. In 2022, remittances accounted for 37.8 per cent of GDP, making it the country with the highest remittances-to-GDP ratio in the MENA region and the third globally. In absolute terms, Lebanon ranked as the third highest recipient of remittances in the MENA region and first within the Arab States.

While high levels of remittances provide benefits, over-reliance on these inflows makes the Lebanese economy more vulnerable to external shocks. To mitigate this risk, Lebanon should intensify efforts to reverse the brain drain by retaining skilled individuals to promote economic development, innovation and growth. In the meantime, the country should focus on maximizing the positive impact of remittances by restoring the confidence of expatriates in the local economy and encouraging them to channel funds into productive sectors and development projects that can support economic growth and job creation.

Sources: Loschky (2021); UNDP (2023); CAS and ILO (2022).

2.5.3. Refugees and internally displaced persons

The Arab States region has been marked by significant and protracted displacement challenges, with both refugees and IDPs facing complex and interconnected challenges.

Refugees

The region acts as a significant hub for refugees and asylum seekers. In 2020, Syria remained the largest source of refugees globally, with 6.7 million refugees having fled the country, seeking refuge in neighbouring and non-neighbouring countries. Other countries in the region (e.g. Iraq) also experienced significant cross-border displacement due to conflicts and crises (IOM 2021). Beyond being a source of refugees, the Arab States region is also a significant destination for refugees, many of whom originate from Syria and the OPT.

For host communities, refugees often present a number of complex challenges, especially in the labour market. The issue becomes particularly acute in countries struggling to generate enough employment opportunities for their own citizens. As refugees actively seek employment, their presence may strain local communities and intensify competition with native workers for the limited number of job openings available.

Beyond challenges in accessing employment, research findings consistently reveal that a significant portion of refugees are employed informally (ILO 2021c). Such work is frequently characterized by subpar working conditions, discrimination

and exploitation, including unjust wages, unsafe working environments and limited prospects for career advancement.

To safeguard the rights of refugees and advance principles of equity and social justice, several governments in the region have undertaken significant initiatives aimed at formalizing the status of refugees and facilitating their access to lawful employment. In 2016, the Government of Jordan signed the Jordan Compact, committing to create 200,000 jobs for Syrian refugees. With support from the ILO, thousands of work permits have been issued to Syrian refugees in Jordan since 2019. Additionally, many have received subsidies covering 18 months of contributions to aid their transition into the social security system and bolster their engagement in formal employment. Since 2016, more than 24,000 jobs have been created through the ILO Employment Intensive Infrastructure Programme in Jordan, with Syrian refugees constituting 51 per cent of beneficiaries (ILO 2023e). Employment services, training activities and on-the-job training programmes have also targeted both nationals and non-nationals, including refugees, and aim to promote a more inclusive environment.

Importantly, recognition of prior learning (RPL) is a promising means of validating and supporting individuals' employability. It offers individuals, including refugees, both horizontal and vertical pathways for acquiring new skills, paving the way for better employment and earning prospects. An example highlighting the effective use of the RPL process in assisting forcibly displaced persons in Jordan is presented in Box 6.

► **Box 6. RPL certification – empowering Syrian refugees in Jordan’s construction sector**

Background

In a context of high unemployment among Syrian refugees and Jordanians, the ILO has partnered with the Jordanian Government to support both refugees and locals working in the construction industry. The aim was to upgrade their professional expertise and provide them with accredited skills certificates.

Collaborative approach

The Ministry of Labour and the General Federation of Jordanian Trade Unions came together in a social dialogue, resulting in a memorandum of understanding. This agreement aimed to simplify the process of awarding work permits to Syrian refugees within the construction sector, contingent upon possessing an RPL certificate. This certificate was made accessible through the Centre for Accreditation and Quality Assurance.

Implementation

A number of Syrian refugees were certified with occupational licences across 12 construction-based professions. The recognition process involved the following:

- **Training.** A 4-week course (theory and practice) was offered in such occupations as floor layering, painting, plumbing and interior decoration, with an emphasis on OSH.
- **On-site supervision.** Expert trainers conducted periodic monitoring and coaching sessions at the workplace.
- **Evaluation.** Theoretical and practical assessments were required to obtain formal RPL certification.

Source: ILO (2018a).

While commendable efforts have been made to address the plight of refugees in host communities, it is important to recognize that significant challenges persist, necessitating a more holistic and comprehensive approach, regardless of nationality and including refugees and asylum seekers. This will require not only legal and economic support, but also access to healthcare, education and other social services. Awareness-raising campaigns that combat negative perceptions of refugees are also key.

Internally displaced persons

The Arab States face the additional challenge of internal displacement – that is, the forced movement of individuals or groups within their own country. Usually a result of conflict, violence, persecution or natural disaster, this phenomenon, while distinct

from cross-border refugee flows, significantly compounds the region’s humanitarian and socio-economic challenges.

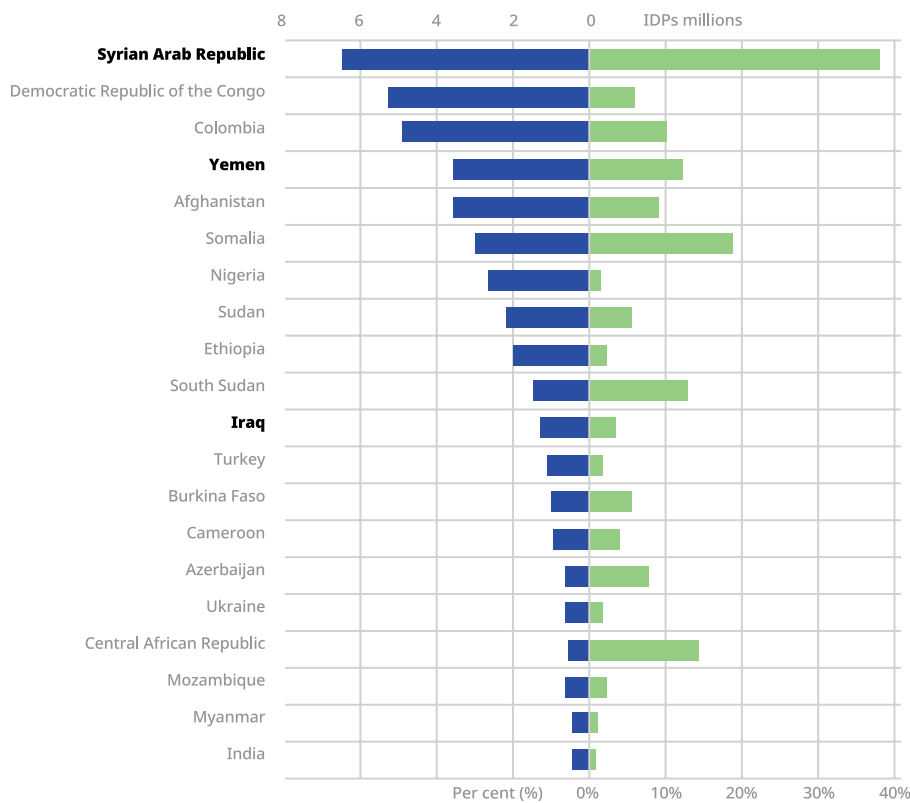
Syria, Yemen and Iraq have witnessed some of the most significant internal displacements in recent years. These have been driven by prolonged conflicts, destruction of infrastructure, loss of livelihoods and the omnipresent threat of violence. As of 2020, Syria had the highest number of IDPs worldwide (6.6 million). Yemen and Iraq also feature among the top 20 countries with the largest populations of IDPs by conflict and violence (figure 20). These nations have experienced large-scale population movements within their borders, straining their resources and infrastructure. In relative terms, Syria also ranks first globally, with IDPs representing 35 per cent of its total population in the year 2020.

In 2023, the war on Gaza led to significant population displacement, with some 2 million individuals in the Strip forced to relocate, according to the latest figures published by the Palestinian Central bureau of Statistics.

Importantly, internal displacement is not solely the outcome of conflicts and violence; it can also stem from natural disasters, such as floods and earthquakes. Yemen and Syria have witnessed such disasters, further exacerbating the challenges of internal displacement in these countries.¹⁹

As with refugees, internal displacements have created economic instability for both displaced and host communities. The influx of IDPs has intensified competition for jobs, housing and public services in host areas, creating tension and resentment among locals and IDPs. Many IDPs have been forced into informal employment with limited job security and substandard working conditions, exacerbating their vulnerability.

► **Figure 20. Top 20 countries with the largest populations of IDPs by conflict and violence, 2020**



Source: IOM (2021).

19. In 2020, floods displaced nearly a quarter of a million people in Yemen. Similarly, in 2023, the earthquakes that hit Syria led to huge displacements, destruction of infrastructure and loss of livelihoods.

► 2.6. Quality of employment and working conditions

In view of the high demand for employment associated with the growing working-age population and new jobseekers entering the market, creating sufficient jobs is paramount to preventing discontent and harnessing the potential demographic dividend that can drive economic growth. However, focusing solely on job quantity neglects the quality of such employment. Many jobs in the region are characterized by informality, lack of social protection coverage and limited access to fundamental rights at work. This not only impacts individuals and their families but also hampers broader economic development, limits productivity growth and contributes to persistent income inequalities.

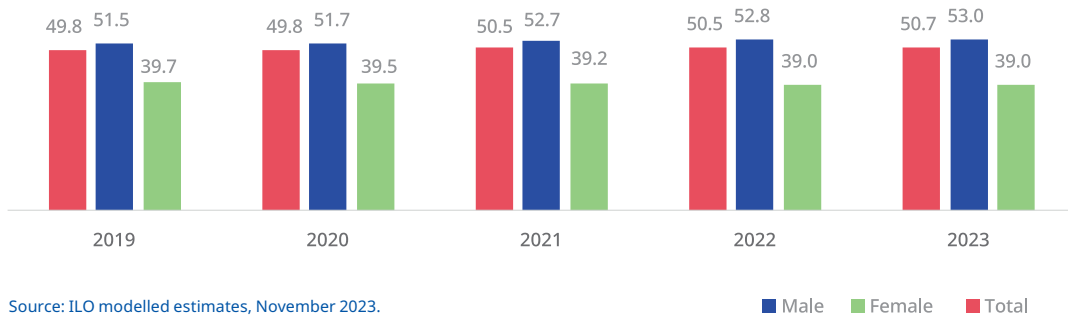
2.6.1. Informal employment and lack of social protection coverage

The issue of informality stands as a significant challenge in the region, with serious implications for both individuals and economies. The informal

economy refers to all economic activities by workers and economic units that are, either in law or in practice, not covered or insufficiently covered by formal arrangements.²⁰

Unfortunately, informal employment has become the norm rather than the exception in most Arab States, with 50.7 per cent of total employment in the region – around 28.6 million individuals – informally employed in 2023. Informal employment appears to be more prevalent among men (53.0 per cent) than women (39.0 per cent), partly because of Arab women’s preference for working in the public sector or in sectors and occupations that are likely to be formal. Given the deeply rooted gender roles prevalent in the region, Arab women also tend to face less pressure than their male counterparts to accept informal employment opportunities. Instead, they often wait for suitable offers that provide them the necessary protection and coverage before committing to a job.

► **Figure 21. Informal employment rate (%) by sex and year**



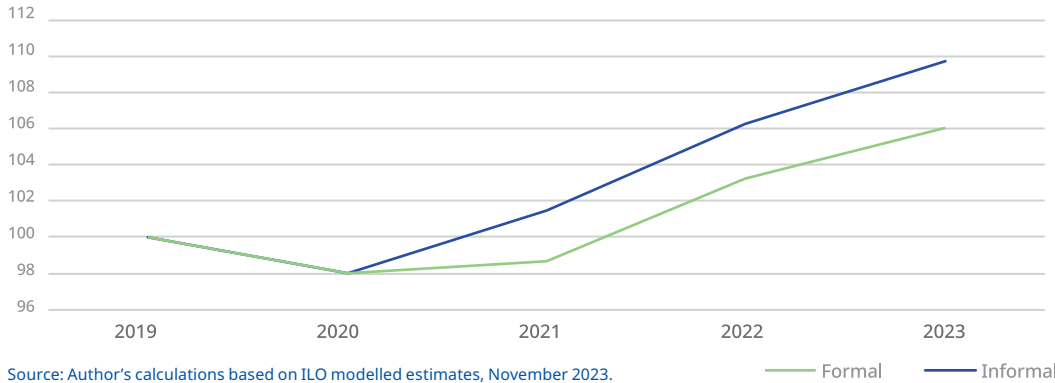
Source: ILO modelled estimates, November 2023.

During the COVID-19 pandemic, the informal economy failed to absorb those who lost their formal jobs. Instead, the number of informally employed individuals declined by 2 per cent in 2020 compared with 2019. While the initial impact of the pandemic on formal and informal workers was the same, informal employment rebounded at a faster rate than formal employment, as illustrated in figure 22. By 2023, informal employment had risen nearly 10 per cent above its pre-pandemic

level, while formal employment increased by 6 per cent. In Lebanon, official data indicate that informal employment surged from 54.9 per cent in 2018/19, before the pandemic, to 62.4 per cent in 2022. Similarly, in Iraq, informal employment comprised two thirds of the total employment in the country in 2021.

20. ILO Recommendation concerning the transition from the informal to the formal economy (No. 204), 2015.

► **Figure 22. Employment by formality and year, Arab States, indexed to 2019 (100 = 2019 level)**



Several longstanding factors continue to undermine the quality of employment in the Arab States. Macroeconomic, sectoral, industrial and investment policies aimed at facilitating structural transformation in the region have, unfortunately, fallen short in creating decent formal employment within the private sector, especially the manufacturing sector. Policies have tended to emphasize low-productivity growth in construction, tourism and other services sectors, where most of jobs are informal. Inadequate regulations and the lack of effective enforcement mechanisms have also contributed to high levels of informality, with millions of workers left unprotected. Moreover, discrimination, including on the basis of nationality, has led to increased levels of informality among migrant workers and refugees. In Lebanon, for instance, the ILO (2021c) assessed informality and vulnerability among disadvantaged groups, and found that 95 per cent of employed Syrian refugees and 93.9 per cent of employed Palestinian refugees were

working informally, compared with 64.3 per cent of the most vulnerable Lebanese population.

Compounding these issues are inadequate labour market policies and institutions, along with a shortage of social protection coverage and fragmented social security systems. According to recent estimates, a mere 40 per cent of the population in the Arab States enjoys at least one form of social protection (ILO 2021d). This combination of factors has propelled informality and increased workers' vulnerability, including in the formal sector. While the majority of informal employment in the region (78.7 per cent) is, predictably, found in the informal sector, 12.5 per cent of informal workers were employed by formal enterprises in 2019 and 8.7 per cent were in the household sector, as shown in table 10.²¹ The majority of informal workers (73.9 per cent) were wage employees, followed by independent workers (23.1 per cent) and contributing family workers (2.9 per cent).

► **Table 10. Informal employment (%) by status in employment and type of unit of production, Arab States, 2019**

| | Employee | Independent worker | Contributing family worker | Total informal employment |
|----------------------------------|-------------|--------------------|----------------------------|---------------------------|
| Informal sector | 55.5 | 20.9 | 2.3 | 78.7 |
| Formal sector | 12.2 | | 0.3 | 12.5 |
| Household sector | 6.2 | 2.2 | 0.3 | 8.7 |
| Total informal employment | 73.9 | 23.1 | 2.9 | 100.0 |

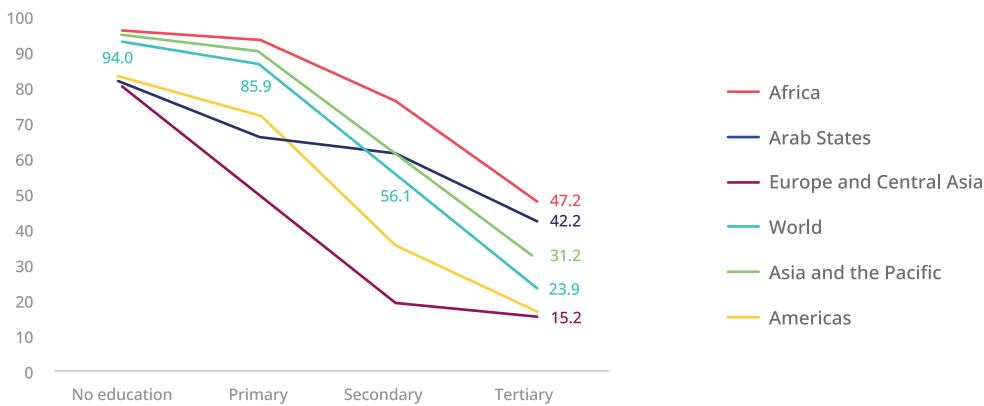
Source: ILO (2023a).

21. In Lebanon, a quarter of total informal employment is found in the formal sector, including in the public sector, which increasingly relies on informal daily wage workers.

Looking at informality by level of education, ILO estimates suggest that for all regions in the world, decreases in levels of informality are strongly related to increases in levels of education (figure 23). In the Arab States, more than 8 in 10 workers with no education were informally employed in 2019. This share decreases with higher levels of education but remains relatively high among those with tertiary education (42.2 per cent).²² Elevated levels

of informality among highly educated workers underscore the insufficient creation of decent and productive jobs in the region, and imply a scarcity of formal, high-value jobs. When individuals with substantial education and expertise are forced into the informal economy, it not only represents a significant underutilization of their talents but also hampers productivity and competitiveness.

► **Figure 23. Informal employment (%) by level of education and world region, 2019**



Source: ILO (2023a).

In recent years, the issues of informality and social protection have gained prominence on policy agendas. In Oman, a recent reform represents a commendable move towards a comprehensive

and adequate social protection (Box 7), and lays the groundwork for universal social protection, establishing Oman as a reference for other countries in the region.

► **Box 7. Reshaping the social protection system in Oman**

In July 2023, the Sultanate of Oman issued Royal Decree No. 52/2023 promulgating the Social Protection Law, which sets out a comprehensive social protection system that integrates contributory and non-contributory instruments to address life-cycle risks and vulnerabilities.

More comprehensive protection for workers in all forms of employment

The reform focuses on balancing income security in retirement with better protection of workers during their working life and on broadening participation in the contributory social insurance system to workers in all forms of employment. Moreover, old-age, disability and death insurance and employment-injury insurance apply to waged workers (on all types of contracts), those who are self-employed and in all economic sectors. The new sickness, maternity and paternity, and unemployment insurance branches also apply to waged workers on all types of contracts and in all economic sectors, but exclude part-time and self-employed workers.

22. This pattern is observed in both Lebanon and Iraq, where national labour force surveys indicate that 41.9 per cent of employed individuals with university degrees and above in Lebanon and 37.0 per cent of employed individuals with tertiary education in Iraq are informally employed.

Enhanced social protection coverage for migrant workers

Prior to the reform, foreign nationals were legally excluded from social insurance and social assistance systems and were only protected by relatively weak employer-liability provisions. Under the new law, many non-nationals working in Oman will gain access to several fundamental social protection benefits. By extending social protection to migrant workers, these changes project Oman as the most progressive country in the region.

Stronger protection for women and promotion of gender equality

The law strengthens gender equality by introducing guaranteed pensions, regardless of prior contributions, and extends maternity leave, offering women 14 weeks of paid leave and an additional 98 days of unpaid, job-protected leave. Additionally, it provides seven days of paid paternity leave, a significant step towards promoting gender balance and shared responsibilities.

Source: ILO (2023f).

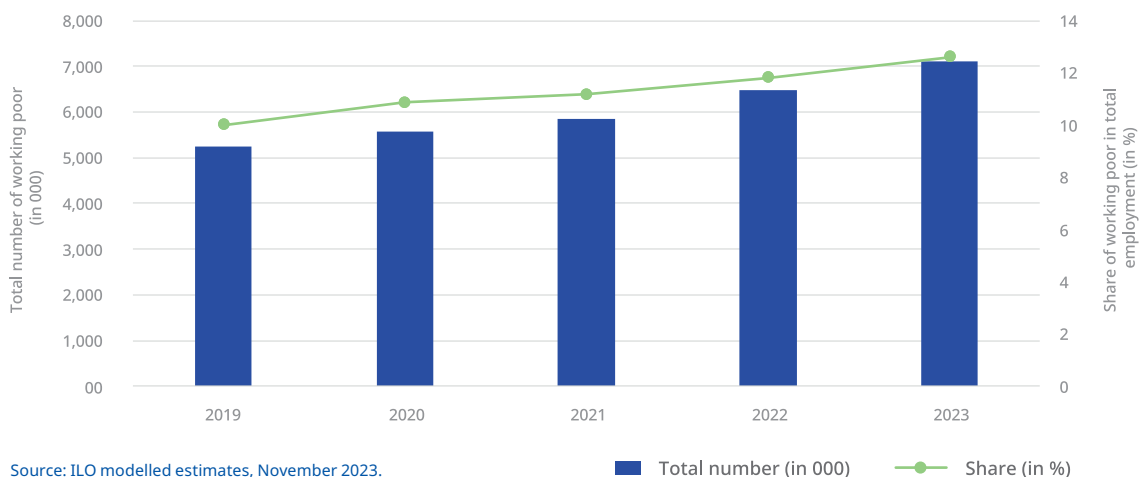
2.6.2. Insufficient wages and working poverty

Beyond informality, working poverty stands as a significant barrier to inclusive and sustainable development. Despite economic growth and progress, a substantial portion of the population remains trapped in a cycle of working poverty, unable to escape low wages and inadequate earnings.

Working poverty, as defined by the ILO, refers to a situation where workers' income from employment is insufficient to lift them and their families out of poverty. As of 2019, 5.2 million workers – 10.0 per cent of total employment in the region – were considered to be in working poverty, living with their families on less than US\$2.15 per day per capita (PPP).

In 2020, the number and share of those in working poverty increased in the region compared with 2019, suggesting a deterioration of working conditions as a result of the pandemic. Over the years, the number and share of those in working poverty continued to grow, with 7.1 million workers in 2023, that is 12.6 per cent of total employment, trapped with their families in poverty. This is a particularly worrying trend, requiring concerted efforts not only on job creation for recovery but also on the quality of these jobs, including the wages and incomes that they offer.

► **Figure 24. Working poverty by year, Arab States**



Source: ILO modelled estimates, November 2023.

From a subregional perspective, working poverty in the Arab States region is primarily driven by the high poverty rates in the non-GCC states, standing at 27.7 per cent of total employment in 2023, double the estimated regional average of 12.6 per cent. Poverty in employment is less prevalent in the GCC and mainly affects migrant workers.

Importantly, while minimum wage policies are designed to safeguard workers from earning unacceptably low wages, it is concerning that, in numerous Arab States, a significant portion of the working population still earns below the established minimum wage. This is the case in the OPT, for example, where, in 2022, as many as 40 per cent of waged employees in the private sector were paid less than the minimum wage,²³ underscoring the need not only for minimum wage policies but for broader and more comprehensive labour and economic reforms and better enforcement mechanisms. It is also indicative of the depth of despair felt, especially among young people in

Gaza, who would take any job – even if it meant accepting extremely low wages (ILO 2023g).

Another notable disparity in wages is found across governorates and between rural areas and urban centres, with capital cities and large metropolitan areas typically offering more favourable compensation packages. In Lebanon, for instance, 15.6 per cent and 15.2 per cent of all employees in Beirut and Mount Lebanon, respectively, fell into the category of low-paid workers in 2022. This proportion increased to more than 30 per cent in all other governorates, with the highest concentration found in Akkar, one of Lebanon's poorest and least developed governorates.²⁴ Geographical disparities, visible in both GCC and non-GCC states, encompass a range of labour market issues other than wages. The capacity of labour markets in general and the quantity and quality of jobs offered can vary significantly across governorates, necessitating an inclusive approach that addresses local disparities in employment and leaves no one behind.

2.6.3. Vulnerable employment

Vulnerable employment is another concern for the region, as it encompasses a significant portion of the workforce. Defined by the ILO as the sum of “own-account workers” and “contributing family workers”, these workers are likely to have poor access to social protection, job security, regular and decent pay, formal working arrangements, including employment contracts, and social dialogue.

In 2019, 7.9 million workers in the region, 15.1 per cent of total employment, were in vulnerable employment. As the COVID-19 pandemic hit, the number of workers in vulnerable employment decreased both in the GCC and non-GCC states and among men and women, but started to pick up again starting in 2021, driven primarily by an increase in vulnerable employment among men in the non-GCC states (table 11).

As of 2022, approximately one third of the workforce in non-GCC nations found themselves in vulnerable employment, in stark contrast to the GCC, where this figure was just 1.6 per cent. This disparity can be attributed, as previously detailed in this report, to policies in the GCC that provide little opportunity and incentive for individuals, both nationals and non-nationals, to engage in self-employment, including own-account work or family businesses.

23. Palestinian Central Bureau of Statistics, Labour Force Survey of 2022.

24. Based on Lebanon's follow-up Labour Force Survey 2022. Low-wage employees are defined as those employees whose hourly earnings at all jobs equals less than two thirds of the median hourly earnings of all employees.

► **Table 11. Vulnerable employment by sex and subregion, 2019–2022**

| | Total | | | | Male | | | | Female | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|--------|------|------|------|
| | 2019 | 2020 | 2021 | 2022 | 2019 | 2020 | 2021 | 2022 | 2019 | 2020 | 2021 | 2022 |
| in '000s | | | | | | | | | | | | |
| Arab States | 7,892 | 7,641 | 7,769 | 8,187 | 7,082 | 6,867 | 6,978 | 7,401 | 810 | 774 | 791 | 786 |
| GCC | 682 | 554 | 527 | 474 | 532 | 413 | 359 | 329 | 150 | 140 | 168 | 145 |
| Non-GCC | 7,210 | 7,087 | 7,242 | 7,713 | 6,550 | 6,454 | 6,618 | 7,071 | 660 | 633 | 623 | 641 |
| As a percentage of total employment | | | | | | | | | | | | |
| Arab States | 7,892 | 7,641 | 7,769 | 8,187 | 7,082 | 6,867 | 6,978 | 7,401 | 810 | 774 | 791 | 786 |
| GCC | 682 | 554 | 527 | 474 | 532 | 413 | 359 | 329 | 150 | 140 | 168 | 145 |
| Non-GCC | 7,210 | 7,087 | 7,242 | 7,713 | 6,550 | 6,454 | 6,618 | 7,071 | 660 | 633 | 623 | 641 |

Source: ILO modelled estimates, November 2023.

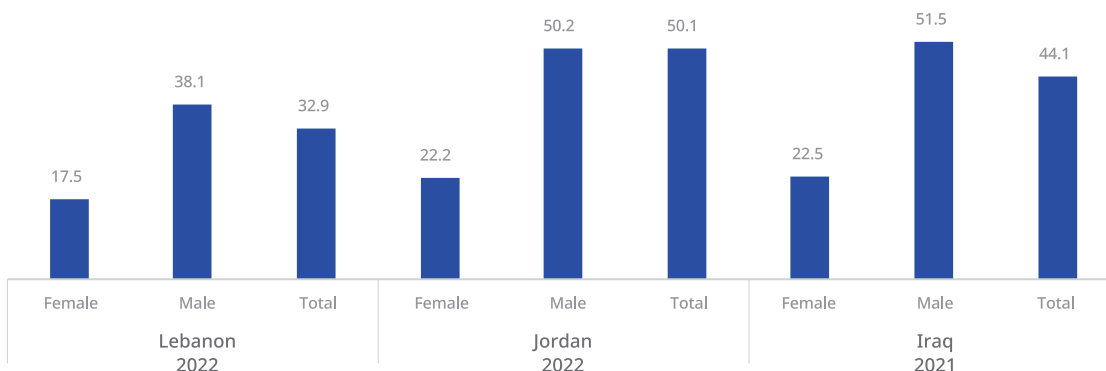
2.6.4. Excessive hours of work

Excessive working hours continues to be a pervasive issue in many Arab States, raising concerns about the wellbeing of the workforce and the potential negative impact on productivity and overall job quality. In Lebanon, Jordan and Iraq, a significant share of the employed population appears to be working excessively long hours, ranging from 32.9 per cent in Lebanon to 50.1 per cent in Jordan (figure 25).

Several factors contribute to this challenge. In many communities, long working hours are considered a sign of commitment and dedication to one's job.

Cultural norms and societal expectations often place pressure on individuals to work extended hours, even beyond what is legally required. For many, economic necessity can also compel individuals to work excessive hours to make ends meet. In the absence of sufficient job opportunities, workers may take on multiple jobs or accept demanding schedules to support their families. The prevalence of informal employment in many Arab countries exacerbates the problem, with informal workers lacking legal protections being more susceptible to exploitative working conditions, including long hours of work.

► **Figure 25. Employed population (15+) working excessively long hours (%) by sex and country, latest year available**



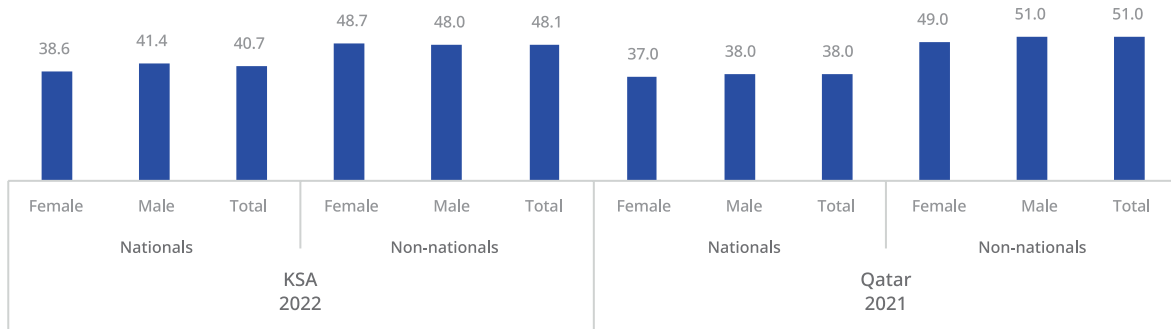
Note: In Lebanon and Iraq, employed individuals working excessively long hours are defined as those who usually work 50 hours or more in a week. In Jordan, figures represent the share of the employed population who actually worked 49 hours or more per week.

Source: National labour force surveys.

While labour laws regulate working hours in most Arab States, enforcement can be lax, leading to widespread violations. Employers may exploit loopholes in labour regulations or exert pressure on employees, particularly migrants and refugees, to work extended hours without receiving

appropriate compensation or overtime benefits. Figure 26 shows average working hours in KSA and Qatar, with significant differences between nationals and non-nationals, with migrant workers likely to work considerably longer hours than their national counterparts.

► **Figure 26. Average weekly hours worked by sex and nationality, KSA and Qatar, latest year available**



Note: In KSA, data represent average weekly hours usually worked in main job; in Qatar, figures include average hours worked in all jobs.

Source: National labour force surveys.

2.6.5. New forms of work: Opportunities and challenges for decent work

The region has witnessed significant growth in digital platform work in recent years, driven by a number of factors, including increased smartphone penetration and internet connectivity and an increasing young population seeking flexible/additional employment opportunities. Such platforms include e-commerce and food delivery services. Companies like Talabat, Toters and Noon have established a strong presence, requiring drivers and couriers for last-mile delivery. Similarly, ride-hailing platforms Uber and Careem (now part of Uber), have gained popularity across several Arab countries and provided job opportunities for drivers, particularly in densely populated urban areas.

In addition to location-based platforms, web-based platforms have also proliferated. Today, a growing number of Arab workers are participating in the global gig economy as freelancers, offering services in areas such as translation, graphic design, content writing, programming and digital marketing. Freelancing platforms like Upwork, Ureed and Freelancer have enabled individuals to access global clientele. Indeed, over the past

years, the types of digital platform work available have diversified significantly, offering a wide array of opportunities that cater to diverse skillsets and interests. Today, platform work is attracting both highly educated individuals and those with lower levels of education, particularly in countries where traditional employment opportunities are lacking.

This rapid emergence of new forms of work within the digital economy presents both opportunities and challenges to the concept of decent work. While these innovative arrangements offer flexibility and global connectivity, they also pose significant threats to the quality of employment and the wellbeing of workers.

Digital platform workers and gig workers typically do not enjoy conventional job security, employee benefits or legal safeguards associated with formal employment. Often operating as freelancers or independent contractors, they usually lack access to fundamental amenities such as health insurance, retirement plans and job stability. A thorough examination of the terms and conditions governing the largest digital platforms across various Arab States

reveals that these platforms explicitly disclaim any semblance of an employer–employee relationship. Clauses such as: “Nothing in this Agreement will be construed as creating a relationship of partnership, joint venture, agency, or employment between the Parties” are commonplace. This disclaimer effectively severs the traditional ties between workers and their employers, leaving those in the platform economy vulnerable in the face of accidents, illnesses or economic downturns.

As of 2023, none of the Arab States has legislated to explicitly regulate or protect platform workers. At the same time, national labour laws do not seem to apply to these digital/gig workers. However, countries such as Jordan, the UAE and Saudi Arabia have adopted legislation to protect workers in other non-standard forms of employment, including freelancing or flexible work. While some of the features of platform work correspond to those of freelancers or workers in flexible work arrangements, clear and special legislation remains critical as governments attempt to protect the increasing number of platform workers. It is also noteworthy that current legislation covering non-standard forms of employment fails to address a number of decent work deficits. While some provide for a minimum wage or access to social security, other working conditions, including working time, right to collective bargaining, OSH and other fundamental rights, remain missing.²⁵

Importantly, for many individuals, platform work serves as a supplementary source of income alongside a traditional job (ILO 2023h). Such platform workers rely on the benefits provided through their non-platform work. However, as platform work continues to gain prominence in the region, and a growing number of individuals rely on it as their sole or primary source of income, concerns regarding deficiencies in decent work will rise, necessitating deep reforms and efforts to ensure that platform work adheres to the principles of decent work.

In addition to the above and beyond the legal aspects and rising concerns regarding the quality of platform work, the invisible nature of the gig economy is becoming a critical issue in the Arab States because of the absence of relevant official statistics. Current surveys fail to adequately gauge the extent of participation in platform work, thereby impeding our ability to monitor the scale and evolution of the platform economy, pinpoint challenges and address any specific issues that confront platform workers.

Above all, it is crucial to highlight that digital labour platforms not only pose challenges to the concept of decent work but also raise concerns about social justice by exacerbating inequalities and vulnerabilities. The presence of a 'digital divide,' particularly in regions with limited access to technology, puts individuals at a substantial disadvantage when seeking participation in the gig economy. This divide further marginalizes those who are already disadvantaged due to geographical location, economic circumstances, or limited access to technology, hindering their ability to access gig work opportunities. Moreover, even for individuals with access to technology, a lack of digital literacy and other relevant skills can present a significant barrier. Many gig platforms necessitate users to navigate complex online interfaces, understand app-based work processes, and manage digital payments. Those with lower skills, including digital literacy, may encounter challenges in effectively using these platforms, thereby undermining efforts to promote inclusiveness and social justice.

25. E.g. Marn and Freelance programmes in Saudi Arabia.

► 3. A just transition in the Arab States: Employment challenges and opportunities

Climate action and the transition to a green economy have become socio-economic imperatives, including for the Arab States. The green transition holds great potential to foster economic transformation and create more and better jobs. Emerging green industries, including renewable energy, along with traditional sectors undergoing transformation towards energy efficiency and sustainable practices (e.g. manufacturing, transportation and construction) hold significant potential for employment generation.

The transition to a low-carbon economy is expected to indirectly create jobs in supporting sectors. Unlike other transitions, such as energy evolutions, globalization and digitalization, the green transition is not market-driven, but primarily policy driven. Thus, achieving a low-carbon economy hinges on international commitments, strong political will, and the implementation of robust climate policies.

GCC and non-GCC states exhibit different dynamics in terms of their potential contributions and the impacts they face from climate change and decarbonization. As major oil and gas producers, the GCC countries are responsible for higher greenhouse gas (GHG) emissions than the non-GCC states. Their vast desert landscapes and coastal cities make them particularly vulnerable to rising temperatures and sea levels, as well as water scarcity. Conversely, because of their smaller industrial bases and lower (or non-existent) levels of fossil fuel production, many of the non-GCC states are among the countries that contribute least to climate change. However, they face such climate change impacts as diminishing water resources, heat waves, desertification, reduced agricultural yields, and extreme weather events and their constrained capacity to adapt makes them even more vulnerable to climate

change. Although their strategies and priorities are different because of their distinct economic structures and climate vulnerabilities, both GCC and non-GCC states share the same challenge of navigating an economic transformation that expands productive and decent employment opportunities.

The Arab States have increasingly taken steps to articulate and act upon their climate commitments. As signatories to the Paris Agreement, they have put forth their nationally determined contributions (NDCs), laying out strategies to mitigate greenhouse gas (GHG) emissions and adapt to climate change. In advance of the first Global Stocktake during COP28, Bahrain, Jordan, Kuwait, Lebanon, the OPT, Qatar and Saudi Arabia updated their first NDCs. The UAE and Oman went a step further by adopting second NDCs, setting the ambitious goal of achieving net-zero emissions by 2050. Saudi Arabia, Bahrain and Kuwait have announced goals of achieving carbon neutrality by 2060, even if not yet stated in their latest NDCs. Nearly all countries have set NDC targets – unconditional and conditional – for carbon emissions reduction by 2030, with varying degrees of ambition.

A thorough review of the NDCs provides insights into the extent to which Arab States' policies have incorporated development-oriented transition strategies that yield both economic and social benefits – specifically, the extent to which they have integrated ILO guidelines for a just transition towards environmentally sustainable economies and societies for all (2015) in their climate policies. Annex III provides an overview of specific policy elements in the NDCs of GCC and non-GCC states. It indicates whether each country's NDC references the concept of just transition, or particular policy areas such as social protection, skills development and so on.

► 3.1. The spectrum of green jobs

The concept of green jobs is often defined in slightly different ways by different entities. However, most definitions share common themes and consider green jobs as those that contribute to preserving or restoring the environment, whether in traditional sectors such as manufacturing and construction,

or in emerging green sectors such as renewable energy and energy efficiency. The ILO definition adds to this the “decent” dimension, requiring that green jobs meet the job quality standards outlined in its decent work agenda (ILO 2016). This means that jobs should offer fair income, job security and

social protection, along with improved prospects for personal development and social integration. It also respects workers' rights to organize and participate in decisions that affect their lives and guarantees equality of opportunity and treatment. According to the ILO (2016), green jobs are decent jobs that help:

- ▶ improve energy and raw materials efficiency;
- ▶ limit greenhouse gas emissions;
- ▶ minimize waste and pollution;
- ▶ protect and restore ecosystems;
- ▶ support adaptation to the effects of climate change.

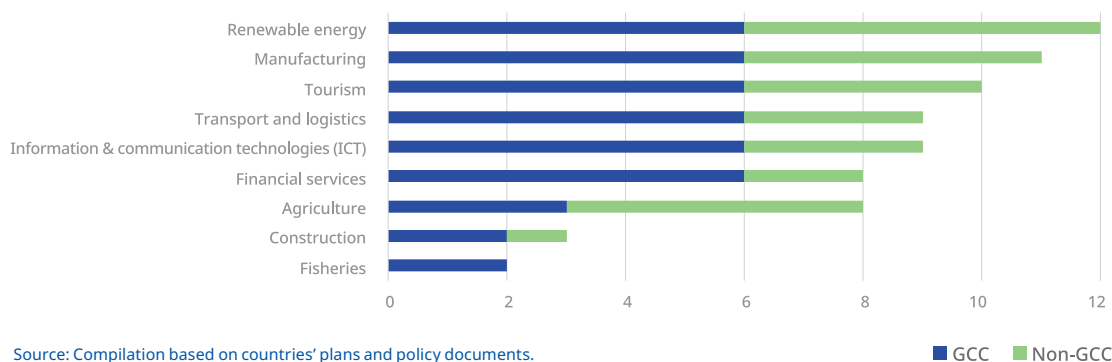
However, these green outputs (products and services) are not always based on green production processes and technologies. Therefore, green jobs can also be distinguished by their contribution to more environmentally friendly processes, as well as those producing green products and services.

When assessing green jobs, a distinction is typically made between direct and indirect jobs. Direct jobs are those directly involved in creating an economic output in a sustainable or green industry. These can include jobs in sectors such as renewable energy, energy efficiency, sustainable agriculture and waste management, among others. Indirect green jobs, on the other hand, are those that support direct green jobs and the growth of green industries. These can include jobs in areas such as supply chain management for sustainable industries or

finance and investment in green technologies, or also education and training in green skills. When assessing the (potential) effects of certain policies or investments on employment, it is important to consider not only direct employment but also the jobs created through subsequent ripple effects. These encompass indirect jobs and what is known as induced jobs. Induced jobs are jobs that emerge across all sectors as a result of forward linkages, as individuals who benefit from new direct and indirect employment opportunities increase their spending.

Given the broad scope of the green jobs concept, it is important for countries to determine the relevant boundaries for green jobs and the key economic sectors that are significant for transitioning towards a green economy. Notably, most of the Arab States have identified strategic sectors to focus on for their economic diversification and transformation endeavours (figure 27). These efforts are reflected in various policy documents, including NDCs and national visions and strategies. Despite this, only a few of the Arab States, such as the UAE and Jordan, have included assessments or estimations of jobs expected to be created by the greening and diversification of the economy in their national strategies or policy documents. For the majority, even when the shift towards renewable energy and sustainable practices is acknowledged as an avenue for job creation, specific projections are often not readily available or not publicly shared. Green jobs are not being monitored in most of the Arab States and job estimation figures related to the green transition are sparse or not uniformly available.

▶ **Figure 27. Key sectors identified in national plans and strategies by subregion**



► 3.2. Employment dynamics and green transition policy scenarios: Insights from a macro-econometric analysis

With respect to employment creation and job losses related to the green transition, the ILO, based on modelling by Cambridge Econometrics, has quantitatively analysed the employment impacts of various climate policies in the Arab States.

The analysis examines four possible scenarios with different levels of ambition and various policy packages. Using E3ME, a macroeconomic model of the world's economic and energy systems and environment, the modelling covers 44 industrial sectors. Yet, its regional scope is constrained by model classifications. Of the 12 Arab States, only a subset is explicitly represented in the E3ME, as shown in Annex IV. To provide a complete coverage, the E3ME regions have been complemented by additional off-model estimations to extract data to cover the Arab States as a whole.

The off-model estimations consist of historical data on GDP and employment to estimate the proportion of the Arab States region represented by E3ME regions. This proportion is kept constant across scenarios and time and is applied to the E3ME results to project GDP and employment figures for the Arab States. This approach assumes that the transition (or other future economic trends) do not shift economic structures within the Arab States, or alter the proportions of the region's GDP or employment represented in E3ME in future years and across scenarios. It also assumes that countries included in the E3ME model are a fair representation of decarbonization targets and expected transition responses of the entire Arab States region.

Overall, the analysis aims to quantify the economic and employment impacts of four policy scenarios. Specifically, it compares three "what-if" scenarios against a baseline scenario, which represents the current policies in the Arab States as of the end of 2022.²⁶ The three other scenarios represent different policy packages, which reflect varying levels of ambition and different industrial strategies:

- The NDC scenario, which assumes that the Arab States will fulfil their unconditional NDC targets by 2030.
- The strong industrial policy scenario, which assumes that the Arab States will achieve net-zero emissions by 2050. Decarbonization measures are accompanied by industrial policies aimed at diversifying the economy and replacing oil and gas export revenues with low-carbon exports.
- The climate resilience scenario, which aligns with the strong industrial policy scenario but includes additional policies to promote waste management, recycling and climate adaptation, including through seawater desalination and reforestation. While waste management and recycling policies are assumed to be financed domestically, climate adaptation policies are assumed to be financed through an established regional fund, funded by both the international community and the Arab States.

The impacts associated with each scenario are examined at the macro level, followed by a detailed analysis of major shifts across the various economic sectors.

3.2.1. Macroeconomic impacts: The differential effects on GDP and total employment

Key findings from the analysis include projections for GDP and employment across the different scenarios, representing varying degrees of ambition and complementary industrial and climate policies.

In the baseline (current policies) scenario, GDP is projected to grow by an average of 2.8 per cent annually between 2023 and 2050, primarily driven by consumption and investment. As this scenario assumes significant demand for oil and gas, the region's investment and production in these sectors are maintained with sustained growth over that period. In this context, employment is

26. An overview of the key policies assumed under the three scenarios is presented in Annex IV of this report.

expected to experience a modest annual growth of 0.3 per cent up until the mid-2030s. Yet, by the late 2030s, growth slows, levelling off with no growth from 2040 onward.

Projections of GDP and employment under the other three scenarios are compared with the baseline to understand the extent to which more

ambitious decarbonization goals and associated policies might impact the region's economic outlook, as well as the potential for job creation. Table 12 summarizes the forecast differences in GDP and employment for future years, also illustrated in figures 29 and 30.

► **Table 12. Projected change in GDP and employment by scenario and year, relative to baseline**

| Scenario | 2030 | 2040 | 2050 | 2030 | 2040 | 2050 |
|-----------------------------------|--|---------|---------|------------------------------|-------|-------|
| GDP | Absolute difference (\$US billions, 2023) | | | Percentage difference | | |
| NDC Scenario | -20.4 | -97.8 | -154.1 | -0.9% | -3.3% | -3.9% |
| Strong industrial policy scenario | 24.7 | 95.8 | 161.7 | 1.1% | 3.2% | 4.1% |
| Climate resilience scenario | 44.9 | 125.0 | 199.8 | 2.0% | 4.2% | 5.0% |
| Employment | Absolute difference ('000 jobs) | | | Percentage difference | | |
| NDC Scenario | 44.3 | -133.0 | -649.8 | 0.1% | -0.3% | -1.3% |
| Strong industrial policy scenario | 1 191.2 | 1 711.6 | 1 518.7 | 2.4% | 3.3% | 2.9% |
| Climate resilience scenario | 1 371.7 | 2 010.6 | 1 948.1 | 2.7% | 3.9% | 3.8% |

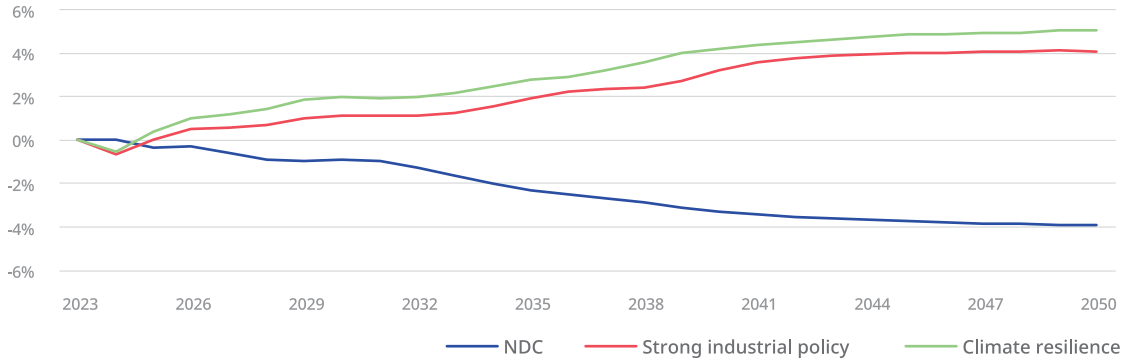
Source: ILO, based on modelling by Cambridge Econometrics.

The NDC scenario appears to progressively decline relative to baseline. By 2050, the Arab States are estimated to witness a 3.9 per cent reduction in GDP compared with baseline. While investments are expected to rise, especially in the medium term for renewable technologies and infrastructure development, this positive effect is offset by deteriorating net trade balances relative to baseline. This decline stems from decreasing exports of oil, gas and manufactured fuels, as a result of reduced global demand.

The effect on total employment is projected to be negative under the NDC scenario, in line with the expected drop in GDP. While marginal

increases can be observed in the years up to 2030, a consistent decrease follows. By 2040, employment is 0.3 per cent below the baseline. This decline becomes steeper as the years progress, culminating in a 1.3 per cent reduction compared with the baseline by 2050. This translates to a loss of approximately 650,000 jobs by 2050 compared with the baseline, following 133,000 job losses expected for 2040 and a gain of 44,000 jobs in 2030 (table 12). These figures suggest that while employment gains might be observed in the initial years, primarily driven by green infrastructure development, subsequent losses in the fossil fuel supply chain overshadow any job creation.

► **Figure 28. Projected GDP growth by scenario and year, relative to baseline**



Source: ILO, based on modelling by Cambridge Econometrics.

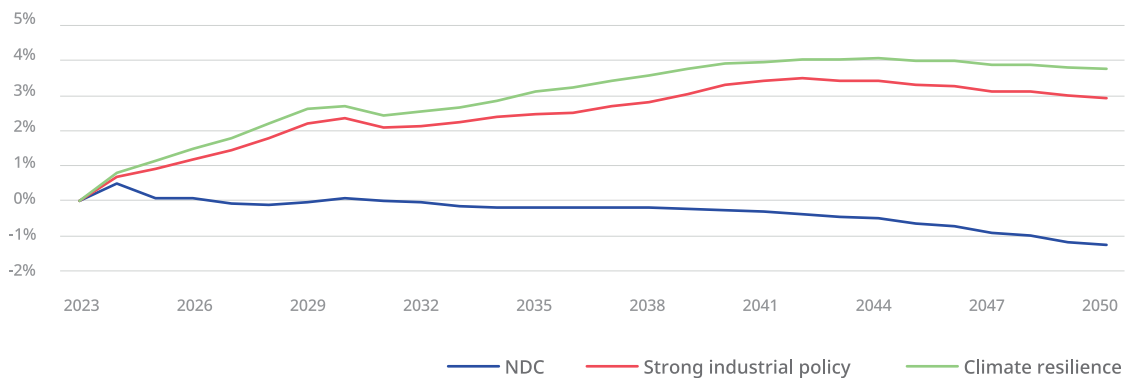
Under the strong industrial policy scenario and relative to the baseline scenario, GDP rises after a slight dip in 2024. This positive trend intensifies over time, culminating in a 4.1 per cent higher GDP relative to the baseline by 2050. These impacts stem from investments in solar-based electricity, electric vehicles and green hydrogen, which generate substantial export revenues. Over time, these revenues grow and, in Saudi Arabia, eclipse the losses from fossil fuel exports from the mid-2030s. In the UAE, although they do not surpass the fossil fuel driven export losses, the gap diminishes steadily from the early 2030s onwards.

Total employment is anticipated to rise in line with GDP. As depicted in figure 30, under the strong industrial policy scenario, employment

follows a consistent upward trajectory, reaching 3.3 per cent above the baseline by 2040, and then moderating slightly to 2.9 per cent by 2050. This is equivalent to more than 1.5 million jobs above baseline by 2050.

The climate resilience scenario promises even stronger growth, with GDP forecast to be 5.0 per cent above the baseline by 2050. Positive effects are also anticipated for total employment, with a 3.9 per cent rise by 2040, sustained through 2050. As with the strong industrial policy, projections for climate resilience indicate the total job count could surpass 1 million above baseline from the late 2020s. For the latter, the surge is notably higher, with an excess of 2 million jobs above baseline between 2040 and 2050.

► **Figure 29. Employment impact by scenario and year, relative to baseline**



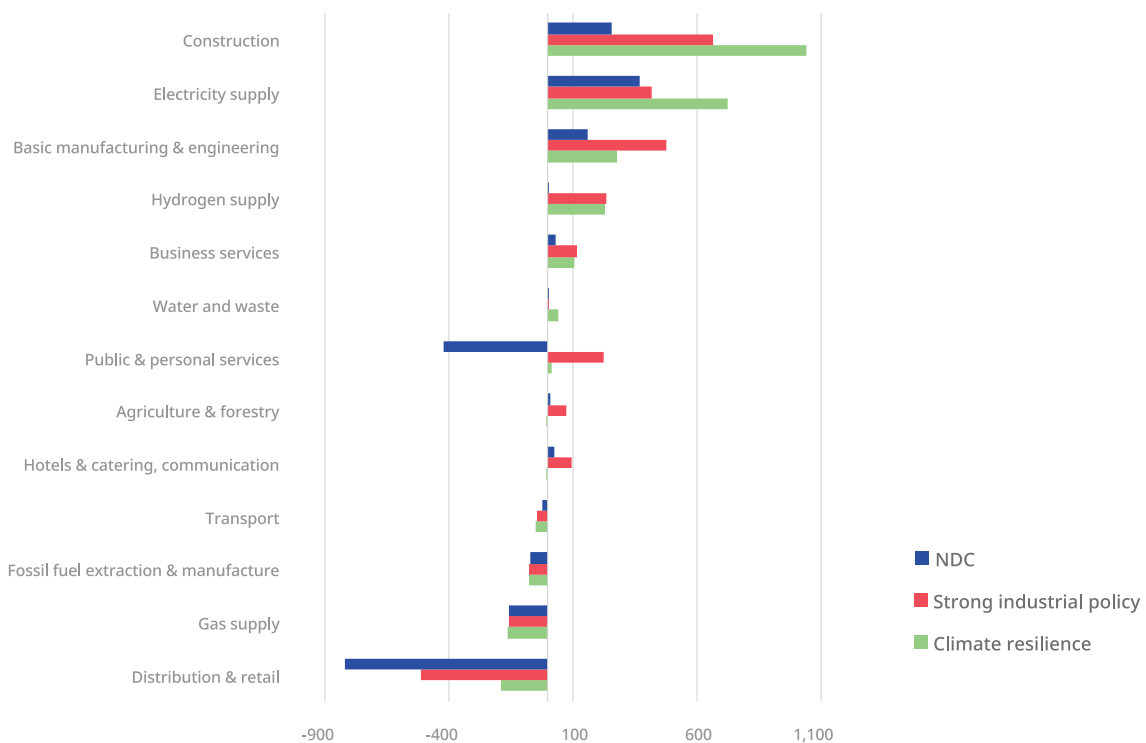
Source: ILO, based on modelling by Cambridge Econometrics.

These findings underscore the benefits of proactive policies that go beyond decarbonization to foster economic diversification and drive investments in low-carbon sectors, catalysing an expansion of employment. Even when more ambitious targets than current NDC commitments are set, the substantial employment losses in the fossil fuel industry and associated supply chains can be counterbalanced by employment opportunities arising from strategic industrial policies and focused investment in emerging green sectors with high employment potential. Identifying these sectors is key to shaping informed policies. The following section attempts to provide a detailed analysis, offering a sectoral breakdown of projected employment shifts.

3.2.2. Sectoral employment shifts: Job gains and losses

Across the three what-if scenarios, similar trends are observed for several sectors, indicating that the projections consistently lead to either more job opportunities or job losses compared with the baseline, albeit with variations in magnitude relative to the level of policy ambition and the industrial policies supporting each scenario. Figure 30 provides a comprehensive visualization of these employment shifts by sector aggregates for the year 2050.²⁷

► **Figure 30. Projected employment by scenario and sector, relative to baseline ('000s), 2050**



Source: ILO, based on modelling by Cambridge Econometrics.

27. Results for 2030 and 2050 at a more detailed sectoral level under the three scenarios are presented in Annex III.

Unsurprisingly, employment is anticipated to fall in gas supply and fossil fuel extraction and manufacture, with 160,000 and 76,000 fewer jobs, respectively, by 2050, for all three scenarios compared with the baseline. Such declines are the direct repercussions of decarbonization policies at both the regional and international levels and the associated reduction in demand for fossil fuels. Substantial employment reductions are also projected in the distribution and retail sector, with hundreds of thousands of jobs fewer than the baseline across the three scenarios, largely as a result of indirect supply chain implications or induced effects stemming from broader economic shifts.

Delving into the details of this aggregate, two contrasting trends emerge (see Annex V). The retail sector exhibits declining employment across the scenarios, registering losses of 298,000, 209,000 and 374,000 jobs for the NDC, strong industrial policy, and climate resilience scenarios, respectively. The reductions in such a sector hinging on household consumption are mostly driven by rising prices that diminish real incomes, despite job creation boosting nominal income (ILO and ISDB 2023). On the other hand, the distribution sector will see a decreasing trend in job losses, shifting from 524,000 and 306,000 jobs, respectively, under the first two scenarios, before remarkably pivoting to a gain of 185,000 jobs under the most proactive climate resilience scenario. This trend offers an insightful perspective into the transformative nature of shifting economic strategies. The reduced job losses in distribution can be attributed to heightened efforts to diversify the economy through investments in renewables, hydrogen and electric vehicles. As these sectors develop, they foster new supply chains that generate job opportunities, helping to counterbalance the employment decline tied to oil and gas supply chains.

These diversification initiatives translate into greater job prospects for the construction, electricity supply and basic manufacturing and engineering sectors. As policy ambition and supporting policies increase, these sectors consistently anticipate an increase in job opportunities.

The growth in the electricity supply sector, with job increases of 368,000, 418,000 and 723,000 for each scenario, respectively, compared with the baseline, reflects the escalating emphasis on renewables, especially solar-based electricity. As renewables are inherently more labour-intensive, the shift towards renewable power systems coupled with increased levels of electrification will expand employment opportunities in this sector.

The construction sector registers net employment gains of up to 1.04 million jobs in the most ambitious scenario. This sector exhibits the most pronounced employment surge in both the strong industrial policy and climate resilience scenarios. Growth in employment is fuelled by the broader deployment of renewables, necessitating the construction of new infrastructure and the adaptation, or upgrading, of existing facilities.

As for the basic manufacturing and engineering sector, sectoral trends suggest that the net employment gains across all three scenarios in comparison with the baseline, are shaped by gains in certain subsectors, effectively offsetting losses in others. For instance, under the climate resilience scenario, rubber and plastics experiences the highest loss in employment while electronics and mechanical engineering are among the subsectors projected to create the highest numbers of jobs by 2025.²⁸

Diversification efforts have the potential to drive further employment, particularly within the hydrogen supply sector. Under the strong industrial policy and climate resilience scenarios, which factor in investments to foster domestic green hydrogen production and exports, job projections are estimated to surpass 220,000 by 2050. Other promising sectors, in terms of job creation, include business services, which witnesses a significant overall growth across all scenarios, with over 100,000 jobs under the two most ambitious scenarios. This growth can be attributed to indirect and induced effects from transitions in other sectors, bolstering demand in professional and financial services.

28. Annex V presents more detailed information about the different subsectors and their projected employment gains and losses under the different scenarios.

Figure 31 shows stark differences across scenarios in public and personal services, with jobs ranging from a loss of 421,000 in the NDC scenario to a gain of 227,000 in the strong industrial policy scenario. The deep employment decline in the NDC scenario is largely driven by significant job cuts in public administration, defence and education due to reduced government spending as a result of reduced oil revenues. However, assuming international support to compensate for stranded assets and lost oil revenues, in the strong industrial policy and climate resilience scenarios government finances stabilize, preserving funding and jobs in these sectors.

Overall, these results show that proactive diversification strategies can serve as a buffer against job losses stemming from decarbonization policies. By divesting from oil and gas and channelling funds into low-carbon sectors, these measures not only contribute directly to the creation of green jobs but also stimulate indirect and induced jobs throughout the supply chain and the broader economy. Complementing climate policies with targeted industrial policies can thus go beyond mitigating job losses to expanding the employment landscape, with projections suggesting an addition of over 1.5 million jobs above

baseline. In the most progressive scenario, including policies that reinforce climate resilience, the net jobs gain could approach 2 million. In addition to the ripple effects of enhanced recycling in this scenario, other climate mitigation and adaptation initiatives, such as seawater desalination and reforestation, further amplify job growth in water supply and forestry.

By simulating potential employment outcomes, this modelling exercise helps to identify the interventions required to prepare the workforce for the expected shifts in the employment landscape. They suggest that targeted training is going to be essential in order to meet the expected demand for skills in electronics, mechanical engineering, water desalination and renewable infrastructure design and development. These emerging industries and technologies are expected to drive demand for a skilled workforce in the region, emphasizing the need for training and equipping young students through technical and vocational education. Moreover, anticipated job reductions in the oil and gas sector, as well as in retail, among others, underscore the need for reskilling workers and implementing adequate social protection measures to ease the transitions between jobs.

► 3.3. Challenges and risks in the green and just transition

3.3.1. The uneven risks of job losses and the challenges of workforce reallocation

The green transition will create jobs, but there is also a significant risk of job losses. Both GCC and non-GCC nations face considerable employment risks in sectors involved with traditional power generation, energy-intensive industries (e.g. heavy manufacturing, cement production, and petrochemicals) and other high-emission sectors such as transportation, construction, waste management and agriculture.

While such losses are anticipated to be more than offset by job creation on a global scale (ILO 2018b; IRENA 2022), realizing this net gain over the coming decades will not be straightforward. It will involve navigating various frictions

and misalignments as old jobs disappear, new ones emerge and others transform. These misalignments fall into four main categories (IRENA 2020; IRENA and ILO 2021):

- **Temporal misalignments.** These refer to when job losses and new jobs do not align on the same time scale. For instance, the closure or downsizing of traditional fossil fuel operations might happen more quickly than the development and expansion of renewable energy sectors, which might take several years.
- **Spatial misalignments.** This challenge arises when new jobs emerge in different communities, regions or countries from where the primary job losses occur, particularly in locations lacking economic diversification. An example could be the establishment of a solar energy hub in a technologically advanced city, while

traditional oil and gas jobs are lost in more remote or less economically diversified areas. Such a shift can create challenges for workers who may have the necessary skills but are tied to their original locations because of family, financial or property commitments, making relocation to work in a green job a significant obstacle.

- ▶ **Sectoral misalignments.** These are caused by changes in supply chains during transition. Traditional fuel extraction and energy generation rely on a specific set of suppliers, manufacturers, transporters and other related industries. Shifting to renewable energy requires different inputs, suppliers and manufacturing processes, leading to changes in supporting sectors. These sectors might have different levels of labour productivity, meaning that the number of jobs lost in declining sectors may not align with those created in new supporting sectors. If the new supply chain relies heavily on imports, job impacts might even move outside the country.
- ▶ **Educational misalignments.** These occur as the skills associated with the jobs lost (in both core declining industries and supporting sectors) do not necessarily match the skills required for the new occupations in emerging industries. For example, the emergence of advanced renewable energy technologies, such as wind or solar energy management, require specific engineering or technical skills that were not needed in traditional oil-based economies. As the region shifts from relying on fossil fuels to renewable energy sources, the education system might not be prepared to provide the workforce with the new skills and knowledge required.

These potential misalignments highlight the complexity of the green transition and underscore the necessity for just transition policies to ensure that the most vulnerable workers, firms and communities are not left behind in the shift. Specifically, low-skilled workers may find it especially challenging to transition to new roles. Highly skilled workers, especially those specialized in fossil fuel sectors, might face difficulties as well, given that their niche expertise might not be directly transferable to emerging green sectors. While both need retraining and re-skilling, the latter often possess a foundational knowledge base that can facilitate their transition. Older workers, irrespective of their skill

level, who might have less flexibility and time to retrain or adapt to new technologies, can also be at a higher risk of prolonged unemployment or early retirement.

Marginalized groups, such as women, youth, persons with disabilities, informal workers, migrants and refugees, might also be disadvantaged. As the transition to greener economies offers enhanced job opportunities, it is vital to ensure that these groups can fully participate and reap the benefits. This not only fosters an equitable transition, but also harnesses their collective potential to advance the green agenda.

Policy efforts to enhance the participation of these groups in the green economy will be even more critical given the risk that the transition could intensify existing labour market disparities. A report (OECD 2023) exploring the impact of the green transition within local labour markets in Organisation for Economic Co-operation and Development (OECD) countries underscores the possibility of deepening existing divides, particularly related to gender, education and skill levels. The report points to a clear gender disparity in green job markets. Across OECD regions, women account for only 28 per cent of all green jobs, while women and men make up roughly equal shares of non-green jobs. On the other hand, men will be the most affected by the decline in polluting jobs.

In the Arab States, several countries explicitly reference support for vulnerable groups in their NDCs. Within the GCC, only the UAE emphasized the importance of strengthening women's and young people's roles in climate action and decision-making, but not in access to green jobs. Among non-GCC states, Lebanon, OPT and Jordan highlighted the need for a gender-responsive transition and a focus on youth. Iraq and Jordan mentioned initiatives to support rural workers. The Arab States should place a heightened emphasis on these and other vulnerable groups when developing their climate policies. It is essential that strategies and plans provide detailed and actionable measures to assist these populations, rather than offering broad, general statements.

Beyond workers, enterprises also face different levels of risks, with smaller and informal firms facing a pronounced disadvantage. Entrepreneurs and small enterprises often lack essential resources, capital and skills required

to transition to low-carbon energy products or adopt green processes. A firm's size and scale will play a crucial role in shaping its adaptability and resilience during the green transition. For example, smaller companies may struggle to meet the increasing demands for environmental standards. Similarly, informal enterprises face a unique set of challenges in the context of the green transition. These businesses often operate in the informal economy outside the purview of government regulations and support structures. This lack of formality can limit their access to resources, financing and technical assistance, making it even more

difficult for them to adapt to low-carbon practices. Furthermore, informal enterprises may struggle to demonstrate their commitment to sustainability, which is increasingly important for accessing green markets and attracting environmentally conscious consumers and investors. Just transition policies can use green finance and other regulations to further incentivise formalization of smaller businesses. Therefore, addressing the specific needs of both small and informal businesses will be necessary to ensure a more equitable and inclusive green transition.

► 3.4. Policies for a just and inclusive green transition

While industrial policies are central to spurring economic diversification and job creation, they represent just one of the nine policy areas outlined in the ILO Guidelines for a just transition towards environmentally sustainable economies and societies for all (ILO, 2015). For a truly inclusive and sustainable future, these strategies must be combined with measures that aim for an equitable distribution of employment benefits and ensure protection and support for those most impacted by both the transition and the worsening effects of climate change.

3.4.1. Skills development

Navigating the green transition while addressing existing and emerging vulnerabilities will require a focus on skills development. Without tailored skills policies, workers in high-emission industries and related sectors will be at risk of long-term unemployment, hindering any reallocation of the workforce to green jobs. Marginalized groups may miss the opportunity to participate meaningfully and sustainably in the growing green economy. Skills development, however, is not only a key pathway to a just transition whereby all groups are empowered to survive or thrive in the transition. Targeted and well-designed skills development programmes are fundamental to prevent potential green skills deficits, which could hold back the green transition and hamper the achievement of climate goals. After all, both technical- and soft skills are the

building blocks of green jobs and the speed and scale of the transition hinges on the pace at which the workforce can acquire such skills. Education, training, reskilling and upskilling are among the most immediate steps required to pursue just transition planning.

Amid rapid labour market changes, governments also need to intensify efforts to anticipate skills demands and develop educational and training programmes adapted to people's needs to equip them to seize green employment opportunities. They also need to enact and implement skills policies swiftly to keep up with climate policies and the ensuing rising demand for green skills.

Identifying and anticipating skills needs

Anticipating the skills required is important for aligning the workforce with the evolving demands of green economies. Countries should base their forecasts on the expected creation of green jobs stemming from their climate commitments and policies and their broader economic strategies. Jobs in the growing renewable energy sector require skills in planning, installing, maintaining and operating new modes of energy production. These cover different levels and types of skills, such as advanced technical knowledge for solar panel design, managerial competencies needed to oversee a wind farm, or foundational skills for maintenance and operations.

New skills will be needed for jobs beyond the energy sector and throughout the economy.

Construction workers must be retrained on eco-friendly materials, automotive workers will have to be reskilled for electric vehicle manufacturing and farmers should learn sustainable techniques. New skills are also needed for jobs in supporting sectors along the value chain.

Many of the skills acquired by workers in their former jobs can be re-used in green jobs, increasing their employability and facilitating job reallocation. These include soft skills (e.g. communication, problem-solving, teamwork, innovation, environmental awareness) and technical skills that are transferable within occupations, from declining to growing industries (e.g. engineering, product development, road construction, vehicle maintenance, heating, ventilation). Still, some new technical skills are industry-specific and will require skills upgrading and specialized training (ILO 2019a).

Skills anticipation systems are essential to forecast the evolving skill demands, analyse the gaps between existing skills and future needs, and identify areas where interventions, such as training or education programmes, might be required. Such systems are not widespread or well-established in the Arab States. Most countries in the region lack comprehensive labour market data and have limited technical capacity. In non-GCC countries, financial limitations further compound the challenge. The Arab States are thus ill-equipped to systematically estimate general labour supply and demand, let alone specify gaps and shortages in skills for green jobs.

The role of education, training and reskilling

As governments endeavour to promote a just transition, reforming established educational institutions and supporting emerging flexible learning and validation mechanisms become key. Major skills development strategies will involve:

- ▶ **TVET.** Modernizing TVET institutions' programmes and incorporating curricula and courses that offer training in green and supporting sectors will be key. TVET plays a pivotal role in skills development for green jobs because of its practical focus on hands-on training, making it especially suited for immediate application in green industries. It also offers pathways for individuals who might not have access to higher education, helping traditionally vulnerable groups to participate in the green economy.
- ▶ **Higher education.** Integrating sustainability and green principles across a range of disciplines in higher education institutions, particularly universities, is pivotal for skills development. This is not just limited to environmental sciences or renewable energy studies. Engineering faculties and business schools can teach sustainable principles and practices, while social sciences and humanities departments can explore the economic effects and socio-cultural aspects of a green transition.
- ▶ **The private sector.** Public-private partnerships can play a crucial role in advancing skills development for green jobs. Partnerships can facilitate internships, apprenticeships and on-the-job training opportunities for students, providing them with hands-on experience and a clearer understanding of industry expectations. Partnerships also enable the dynamic adaptation of training programmes, ensuring they stay relevant in the face of an ever-evolving green economy.
- ▶ **Targeted retraining programmes.** Tailoring retraining programmes to the needs of those most impacted by the transition – unemployed workers or workers at risk of unemployment – is paramount to ensuring the most vulnerable groups are not left behind. Such programmes differ from traditional educational and TVET programmes as they are typically short-term, industry-specific and designed for rapid integration into new roles or sectors. While government-funded, such programmes require the collaboration of diverse stakeholders, including the private sector, unions, educational institutions and NGOs.
- ▶ **Mechanisms for recognition of prior learning.** RPL is a promising tool to validate and support an individual's employability, especially in green skills. These mechanisms, also known as recognition, validation and accreditation (RVA), identify, document, assess and certify the non-formal and informal learning outcomes against standards used in formal education and training (ILO 2018a; UNESCO 2012). The RPL process encompasses a preliminary assessment, targeted training to bridge skills gaps and a final assessment. This approach offers individuals both horizontal and vertical pathways for acquiring new skills, paving the way for enhanced employment, and earning prospects. For employers, NGOs and governmental bodies, this approach fosters

a more flexible, tailored and cost-effective means of teaching green skills (Pavlova and Singh 2022).

Skills policies deficits in the Arab States

Globally, systematic and comprehensive national policies on skills for green jobs are still lacking in most countries and the Arab States are no exception. This might be attributed, in part, to a persistent lack of coordination between governmental bodies and social partners. While green policies engage multiple ministries, those responsible for education and training or labour are often overlooked in the Arab States. Additionally, the engagement of social partners can enhance alignment between transition strategies and skills policies, supporting effective planning. However, in the Arab States, the involvement of social partners such as workers' unions, employers' associations and educational institutions has traditionally been limited. As decarbonization unfolds, there is a pressing need for countries to adopt a collaborative and inclusive approach where stakeholders share their insights and expertise with government and actively participate in policymaking and implementation. Based on an analysis of 32 countries, the ILO (2019a) found that weak engagement of social partners often negatively impacts skills development for green jobs, and stressed the need for coordinated policy efforts and strong political will.

Many countries have adopted decentralized approaches and incorporated employment and skills for green jobs at sectoral, regional or project levels. These bottom-up initiatives can fill the policy gaps at the national level and have the potential of developing into systematic, integrated policies. According to the ILO (2019a), a blend of top-down coordinated policymaking and bottom-up initiatives can offer more sustainable and effective support for the green transition. An example of regional action can be seen in the UAE, where individual emirates are independently adopting green transition policies.

3.4.2. Social protection: A lifeline for vulnerable populations

For those whose livelihoods are at risk because of climate action or climate change, social protection is vital not only to build their resilience but also to support them so that they are able to

benefit from the transition. Without universal, comprehensive, adequate and sustainable social protection systems, climate adaptation and mitigation efforts may leave vulnerable people behind (ILO 2023i). Universal protection means that all in need should have access to social protection. Comprehensive means ensuring coverage for medical care, sickness benefits, unemployment, old age, employment injury, maternity and invalidity, as well as risks related to climate change. Adequate refers to alleviating and preventing poverty and vulnerability. Sustainability is about ensuring that the social protection system is financially, fiscally and economically sustainable in the long term.

Unemployment benefits can provide income security for workers at risk of job loss during the transition. They also help bridge the gap between misalignments in the labour market, helping individuals to secure more decent and productive employment opportunities through skills development and job-matching. At a macroeconomic level, such measures support structural change.

However, unemployment protection measures are often lacking or insufficient in the Arab States. A mere 10 per cent of the unemployed population in these countries had access to unemployment benefits prior to the COVID-19 pandemic (ILO 2021e). While some countries (Jordan and GCC countries) have some form of unemployment insurance, they are far from comprehensive. Migrant workers do not usually have access to unemployment benefits, and even in Bahrain and Jordan, their access remains restricted. Those in non-standard forms of employment are completely excluded (ILO 2021e; 2023j).

Aside from unemployment protection, other key social protection instruments have the potential to support people throughout the transition (ILO 2023i), including:

- ▶ health protection against risks associated with climate change or policies;
- ▶ pensions, which typically provide income security to the elderly, individuals with disabilities and surviving dependents.

Developing national just transition strategies will require integrating social protection and climate policies. As recommended by ILO just

transition guidelines (2015; 2023i), social protection policies should be developed and implemented through inclusive social dialogue that ensures participation from social partners and which recognizes the risks associated with both the transition and climate change.

3.4.3. Occupational safety and health

Higher temperatures in the region pose significant OSH threats, which, in certain cases, hamper workers' physical abilities and overall productivity. Exposure to excessive heat can result in heatstroke, which can be fatal. While this affects workers across various sectors, some occupations are particularly vulnerable because of their physical demands or outdoor location of the job.

By 2030, heat stress is expected to reduce working hours by 1 per cent in the Arab States – the equivalent of 618,000 full-time jobs (ILO 2019b). Countries where workers are more exposed to the economic consequences of heat stress tend to have higher levels of working poverty, informal employment and reliance on subsistence agriculture. This is the case for many non-GCC countries. Workers in vulnerable employment situations are especially at risk of bearing the consequences of reduced work hours as they lack decent work, including adequate social protection. Beyond reduced wages and incomes, these workers are often without health insurance, leaving them ill-equipped to

handle health complications arising from exposure to excessive temperatures. In the GCC countries, heightened risks are associated with the construction sector, which is estimated to contribute to 40 per cent of the total loss in working hours due to heat stress. The majority of the workforce in this sector includes migrant workers, who face a heightened risk of occupational injuries (Wells 2018).

OSH measures are vital for the protection of workers. The main approaches include adjustments to working hours, mandatory breaks, and information and monitoring campaigns. The GCC countries have all implemented a midday work ban, prohibiting outdoor activities during the peak heat of summer days. Non-compliance can lead to penalties, ranging from fines to shutting down the violating businesses.

Beyond supporting those at risk of climate change, OSH measures will be significant as workers transition to new industries, use new equipment and materials, and are exposed to new processes and practices. Policies should take into account emerging risks associated with the adoption of green processes and should outline suitable preventive and protective measures to effectively address workers' safety and health concerns. Training initiatives for employers and workers engaged in green industries are also key to ensuring their safety and wellbeing (ILO 2023k).

► 4. Conclusions and policy implications

► Conclusions

Persistent labour market challenges have cast a shadow over the Arab States' economic and social development. Exacerbated by years of conflict, instability and economic hardship, the consequences are acute, with persistently high levels of labour underutilization coinciding with an expanding labour force.

Shaped by the unique structures of their economies and their different demographic characteristics, available resources and institutional frameworks, GCC and non-GCC states have distinct challenges that differ in nature and magnitude. However, a common thread runs through all Arab States: the need for inclusivity in their labour markets, the promotion of social justice and decent and productive work opportunities for all.

Across the region, the labour market quandary extends beyond sheer numbers. The shortage of jobs is evident, but the quality of available employment is equally concerning. Informal employment and jobs in the informal sector, often characterized by poor working conditions, predominate, raising concerns about workers' productivity, their potential contribution to structural transformation and the overall quality of life they can provide for themselves and their families. The high prevalence of poor-quality employment is also disconcerting as it perpetuates economic instability and deepens the vulnerability of large numbers of workers.

Women, youth, migrant workers and refugees are disproportionately affected. These vulnerable

populations encounter a myriad of hurdles when attempting to access meaningful and productive employment, underscoring the need for targeted and tailored support. As of 2023, gender-based wage gaps persist and opportunities for women, including in managerial positions, remain limited. A significant portion of refugees and migrant workers also grapple with systemic barriers that impede their ability to secure employment that matches their skills and aspirations. Consequently, they often find themselves trapped in informal, low-productivity and low-wage jobs that fail to provide a sustainable livelihood for themselves and their families. Young people in the region are likewise disproportionately affected by the scarcity of decent employment opportunities, with alarmingly high rates of labour underutilization that dampen their prospects for the future.

These challenges and disparities not only impede individual progress but also act as barriers to broader economic and social advancement, and underscore the urgency to advance social justice and foster a more equitable and prosperous society. With the profound changes and megatrends shaping global labour markets, the region cannot afford to remain on the sidelines. Several Arab States have acknowledged the potential advantages of transitioning towards greener economies, and commendable progress has been achieved in this regard. However, there persists a pressing demand for a transition that emphasizes social justice and leaves no one behind.

► Policy recommendations

Effective policy solutions will require developing a comprehensive framework that not only acknowledges the interconnected and complex nature of the challenges faced by workers and employers in the labour market, but also emphasizes the need for coordinated action and inclusiveness. In this context, national employment policies emerge as a pivotal instrument. By definition, these policies are comprehensive policies that look at all social,

economic and labour market policies that affect the supply and demand sides of the labour market, as well as the intermediation between them. Effective employment policies should be crafted through robust tripartite social dialogue, involving governments, employers, workers and representatives of specific groups, such as women and youth. Including diverse stakeholders in the policymaking process ensures that the perspectives, needs and

concerns of all relevant segments of society are taken into account, creating a more inclusive and equitable policy framework. Investing in the capacities of the social partners to engage in meaningful dialogue is an important prerequisite.

Effective and evidence-based policy development requires a comprehensive approach based on accurate and up-to-date labour market information. The following 13 policy recommendations are aimed at cultivating fairer and more inclusive labour markets in the region. Ideally, these recommendations should be integrated into national employment policies to ensure their coherence and complementarity.

1. Design and implement pro-employment and inclusive macroeconomic and sectoral policies

As the Arab States strive to create more and better jobs to accommodate a growing labour force, structural transformation and private sector development need to be priorities for both GCC and non-GCC states. Despite years of robust economic growth in many Arab States, the unemployment challenge remains unaddressed, with the region failing to provide the quantity and quality of jobs needed for an increasingly educated labour force.

It is important to recognize that macroeconomic policies are essential tools for creating decent employment. Such policies act not only as economic stabilizers, but should also have clear employment objectives with preferably some explicit focus on gender equality, youth employment and the employment of other vulnerable groups. Fiscal policies – public spending and taxation – play a critical role. Public investments in physical and digital infrastructure are key and need to intersect with well-targeted active labour market policies (ALMPs). Adequate resources need to be also allocated towards passive labour market policies and social protection programmes, including to increase coverage of those currently unprotected. Preferential taxation policies designed to support small and medium-sized enterprises, as well as young entrepreneurs and those operating in promising sectors, are other useful fiscal tools that can stimulate job creation and promote social justice in the region.

Pro-employment monetary policies are equally essential. These should ensure an ample supply of credit for small and young enterprises, including

those led by women, and improve the financial inclusion of vulnerable groups. Channelling credit towards priority sectors and industries, including in the green, digital or care economies, is also critical, as this can not only stimulate job creation but also promote structural transformation and economic diversification. Importantly, promising sectors and industries – those with substantial potential for decent job creation and extensive backward and forward linkages – should be identified through research and inclusive dialogue. These sectors can then be bolstered through a range of complementary policies and measures, including not only macroeconomic strategies but also social protection, skills development, trade and labour market policies, among others.

As governments attempt to design and implement pro-employment and inclusive macroeconomic and sectoral policies, it is imperative to recognize the significant issue of geographic disparity. Policies should extend their focus beyond urban centres to include rural regions and marginalized communities. Policymakers should aim to alleviate regional imbalances, making economic opportunities accessible to all individuals, regardless of their location within the Arab States.

In view of the varying challenges between low-income and high-income countries within the region, it is also vital that macroeconomic and sectoral policies are thoughtfully tailored to the specific circumstances of each country. Low-income countries, including conflict-affected countries such as Yemen and Syria, may require targeted investments in basic infrastructure and skills development to kick-start their economies and create jobs in the formal economy. In contrast, high-income countries, such as those in the Gulf subregion, may benefit from a greater emphasis on innovation, entrepreneurship and environmentally responsible practices. Importantly, in navigating these distinct challenges, regional cooperation and support will prove indispensable.

2. Enable factors for manufacturing growth

The region's failure to industrialize has led to missed opportunities to develop high-productivity activities. Nonetheless, promoting growth in manufacturing still represents a potent avenue for generating formal and productive jobs. To harness this potential, a multi-pronged approach is imperative, entailing, first and foremost, adequate investment

in modern infrastructure and technology, including transportation networks, energy supply and digital connectivity. Research and development (R&D) can be encouraged through innovation hubs, grants for R&D projects and partnerships between universities and industry players.

Policy and legislative frameworks that promote ease of doing business, reduce bureaucratic hurdles and provide incentives for investors and entrepreneurs are also critical for attracting domestic and foreign investments in the manufacturing sector. Special support should be provided to small and medium-sized enterprises (SMEs), which often form the backbone of a vibrant manufacturing sector. Other enabling factors include trade and export promotion and the development of trade policies aimed at reducing trade barriers, improving trade logistics and participating in regional and global trade agreements.

In addition, green manufacturing in the context of sustainable economic development should be emphasized. By integrating environmentally responsible approaches into manufacturing processes, the Arab States can not only enhance the sector's competitiveness, but also foster job creation in the burgeoning green economy. This approach promotes the development of clean technologies, renewable energy solutions and resource-efficient production methods, which can open up new avenues for businesses and entrepreneurs. Moreover, it aligns with international sustainability goals, making Arab-manufactured products more appealing to global markets and positioning the region as a responsible player in the international economic landscape.

Again, to fully realize the potential of green manufacturing, it is essential to implement an integrated package of policies and incentives that facilitate, support and encourage the adoption of sustainable practices. Recognizing the changing global economic landscape and the rapid shift toward high value-added services, Arab countries need to strategically combine efforts to enhance the manufacturing sector and concurrently promote high-value added services fuelled by digital technology and artificial intelligence. This dual strategy is critical to foster competitiveness, resilience, and sustainability in a rapidly evolving world of work.

3. Improve the skills and education system and promote lifelong learning

Structural transformation cannot be achieved through greater investments in specific sectors alone, but requires concurrent attention to the development of human capital and skills. Education, skills development and lifelong learning policies need to seamlessly align with other economic, employment and labour market strategies. This alignment can be attained through collaborative efforts between relevant national tripartite stakeholders, fostering a comprehensive approach to policy formulation. In particular, the active engagement of employers and private sector representatives is essential for shaping skills development and education policies, programmes and curricula that genuinely reflect the evolving needs of employers, including in emerging industries.

In order to identify and anticipate the kinds of skills required, robust labour market information systems and inclusive social dialogue are also key. Together, these should help training and education programmes and curricula to adjust to evolving labour market demands and individuals' aspirations. They should also help identify and anticipate skills required in growing and promising sectors.

Importantly, as the world of work evolves, education needs to shift away from rote memorization and prioritize critical thinking, problem-solving and creativity. Soft skills, including communication, teamwork and emotional intelligence, need to be taught in the early years of schooling. Additionally, students need digital skills to navigate an increasingly technology-driven job market, and green skills should be incorporated into core curricula.

Technical and vocational skills are also critical as economies diversify into new sectors and industries. However, Arab youth remain reluctant to enrol in TVET courses, because of perceptions that favour traditional academic pathways over vocational options. Addressing this negative perception associated with TVET should be a top priority, to be complemented with improving the relevance of TVET outcomes to employers. This means investing in teacher training and ongoing professional development to equip educators with modern teaching tools and methods, while facilitating pathways between different vocational and academic routes.

Over and above, inclusive skills development and lifelong learning are key to advancing social justice. Individuals, irrespective of their sex, age, nationality, religion or economic and social background, should have equal access to education, lifelong learning and reskilling and upskilling opportunities. Universal access to lifelong learning acts as a safeguard during transitional phases, whether individuals are moving towards green jobs, digital jobs, formal employment or any other new industries emerging through structural transformation (ILO, forthcoming).

4. Address informality and promote the transition from the informal to the formal economy

Informality stands as a pervasive challenge, impacting a significant portion of both workers and employers. Workers in informal jobs typically lack access to labour protections, social security and benefits, leaving them vulnerable to exploitation and economic instability. Equally concerning is the number of enterprises or economic units in the informal sector facing barriers to growth and competitiveness, hindered by limited access to formal financing and market opportunities.

A comprehensive and integrated policy framework is required to tackle challenges on both the demand and supply sides of the labour market, as well as in the interactions between them. In accordance with Recommendation No. 204, formalization entails: (a) facilitating the transition of workers and economic units from the informal to the formal economy; (b) promoting the creation, preservation and sustainability of enterprises and decent jobs in the formal economy; and (c) preventing the informalization of formal economy jobs.

Importantly, most of the recommendations outlined in this section of the report are key to addressing informality. These include stimulating formal labour demand through relevant macro-economic, sectoral and investment policies, enhancing skills and education, protecting workers' rights, eliminating discriminatory practices and promoting social dialogue.

In addition, and with the lack of social protection coverage being a main determinant of informal employment, governments of the Arab States should strive to develop social protection floors

and achieve universal social protection coverage, encompassing all workers, including those in the informal economy.

Beyond employment formalization, streamlining and simplifying regulatory procedures are also critical to support businesses to formalize. Reducing bureaucratic hurdles, lowering entry barriers and minimizing compliance costs can incentivize informal businesses to transition to the formal sector. Coupled with supportive measures like improved access to finance, training opportunities and enhanced infrastructure, legal frameworks that emphasize decent work and formalization are also indispensable.

In addition to the aforementioned considerations, strengthening enforcement mechanisms and labour inspection and the imposition of penalties, prove effective in tackling non-compliance and promoting fostering a culture of adherence to formal labour standards.

5. Promote women's participation in the labour force and bridge the gender gap

Advancing gender equality and enhancing women's participation in the labour force will require comprehensive measures across various sectors. Investments need to be made in the care economy while improving accessibility to affordable, high-quality childcare services. Such investment should not only alleviate the disproportionate burden of caregiving responsibilities on women but also facilitate their entry or re-entry into the workforce. Importantly, bolstering the care sector generates employment opportunities, predominantly benefiting women and contributing substantially to economic expansion.

Concurrently, family-friendly policies, including paid parental leave, flexible working hours and job-sharing, along with remote work arrangements, empower women and help them balance their professional and familial obligations.

Equally important are initiatives that target equal pay and wage transparency and address occupational and sectoral segregation. Promoting equal pay for work of equal value and encouraging organizations to establish transparent wage structures can help close the gender pay gap in the region. Other measures that advocate for gender-neutral recruitment practices and foster

diversity in industries traditionally dominated by men are also key. At the same time, efforts should be exerted to create pathways for men to enter sectors typically dominated by women, effectively dismantling ingrained gender stereotypes.

In addition to promoting women's participation in formal, decent and productive paid employment opportunities, fostering women's entrepreneurship and economic empowerment will enhance their self-reliance. This will entail facilitating their access to financial resources, providing them with comprehensive training and mentorship programmes and actively promoting their engagement in business networks.

Over and above, addressing stereotypes and cultural barriers that limit women's career choices is key. This requires raising awareness regarding women's potential contributions to the economy, as well as fostering a cultural shift that acknowledges the value of gender diversity within the workplace. The growing number of educated women in the region implies the need for actively promoting their participation in leadership and managerial roles.

6. Address inequalities and protect workers' rights in all forms of work

Advancing social justice requires addressing inequalities in the world of work. In the Arab States, discrepancies in labour rights, employment prospects and opportunities are shaped by a range of factors, that extend beyond gender and include age, nationality and form of employment (standard or non-standard). The prevalence of informality in the region is another major source of inequality.

To address such inequalities, a comprehensive set of policies and measures must be implemented, including measures to stimulate inclusive economic growth, ensure universal access to education and lifelong learning, and strengthen labour institutions to ensure comprehensive coverage for those in need.

Among the various groups grappling with significant challenges and inequalities in the Arab labour markets, migrant workers stand out prominently. This issue is especially pronounced in the Gulf states, where concerns about working conditions continue to mount. To address this, efforts to institute fair migration processes and grant migrant workers access to information and support

services throughout the migration cycle are key. Legal reforms should also be implemented to eliminate workplace discrimination between nationals and migrants, covering various facets of decent work, such as access to social protection, minimum wage coverage and the right to organize, among others.

Improving the labour conditions of migrant workers and fostering a level playing field between them and their national counterparts are not only imperative from a rights-based approach but also with respect to advancing nationalization initiatives and facilitating employment opportunities for nationals within the private sector.

Much like migrant workers, refugees and internally displaced people also encounter discriminatory practices in the labour market, necessitating legal safeguards and support to enhance their employment prospects and ensure their equitable access to decent and productive employment. Beyond legal coverage and reforms, information campaigns can combat social stigma and xenophobia, while emphasizing the positive contributions of migrants and refugees. Additionally, law enforcement agencies must be equipped to address evolving human trafficking patterns. Governments should enhance their capacity to detect, penalize and combat any form of trafficking, including forced labour. Strengthening existing complaint and feedback mechanisms, including language-appropriate hotlines, is equally essential.

Beyond migrants, refugees and IDPs, platform workers and those in non-standard forms of employment also face a myriad of inequalities in the labour market, and are often subject to poor working conditions. These include a lack of employment benefits, precarious income and job insecurity, limited legal protections, inadequate access to social protection, lack of collective bargaining power and other forms of discrimination and exploitation.

Addressing these inequalities will require comprehensive labour market reforms that aim to strike a balance between flexibility and fairness in the platform economy. This will entail legal reforms to safeguard platform workers, enabling gig workers to join labour unions or associations, and expanding social protection coverage to ensure workers in all types of employment situations are included.

Intensified efforts should be devoted to gathering and analysing data concerning platform workers to gain deeper insights into their needs, challenges and contributions to the economy. Educating platform workers about their rights, responsibilities and available support services is equally critical to help them navigate the gig economy.

7. Establish robust labour market information systems and support improved capacity for data collection and analysis

Arab countries, despite their diverse and dynamic labour markets, have often struggled with collecting, analysing and disseminating comprehensive and up-to-date labour market data and statistics. This has given rise to a substantial data deficit, hindering efforts to develop evidence-based policies and strategies. A lack of data has also hampered efforts to monitor and evaluate the outcomes of policies, making it difficult to gauge their effectiveness accurately.

Technological advancements, globalization and climate change are now impacting labour markets at an unprecedented pace, increasing the urgency to collect reliable, comprehensive and up-to-date information. Data on both the supply and demand sides of the labour market are essential for making well-informed decisions. Data collection methods and tools also need to evolve as the world of work evolves. As non-standard forms of employment become increasingly prevalent across various sectors, data collection mechanisms should be designed to capture the full spectrum of employment in order to accurately reflect the whole labour market. Governments should prioritize the establishment of robust and modern labour market information systems to collect, analyse and disseminate data for improved policy development and evidence-based decision-making.

8. Promote tripartism and strengthen social dialogue institutions

To date, social dialogue and workers' and employers' representation in the region remain weak, limiting the effectiveness and inclusiveness of labour market policies and strategies. The limited representation of youth, women, people with disabilities and migrant workers, among others, is of particular concern.

To address this, governments, employers and workers need an environment where they can engage in genuine, open and respectful dialogue. While social dialogue institutions and structures exist in all the Arab States, it is essential to expand coverage and ensure the active involvement of all relevant stakeholders, including vulnerable groups and workers in non-standard forms of employment. These groups can best express their own challenges and concerns and contribute to crafting solutions that respond to their needs.

To achieve meaningful social dialogue, it is essential to guarantee the independence of workers' and employer's organizations, build their capacities and support their access to accurate and timely information. Workers' and employers' organizations require capacity-building and technical support to enable them to engage on an equal footing with governments in constructive policy discussions.

Social dialogue can bring diverse voices together to make decisions in an inclusive, equitable and informed manner. By including vulnerable groups, nurturing strong institutions and building the capacities of workers' and employers' organizations, more effective, sustainable and humane labour market and employment policies can be developed to advance the principles of social justice.

Specific thematic recommendations to encourage a just transition

The concept of a green and just transition should be viewed as a cross-cutting priority that permeates a wide spectrum of policy approaches to macroeconomics, skills and industry, among others. This holistic approach ensures that environmental sustainability and social equity are not treated as separate, isolated goals but as intertwined pillars of the same comprehensive strategy. By integrating just transition principles into various policy areas, including those presented above, Arab States can effectively address climate change, create sustainable jobs and foster economic resilience in a socially just manner. This approach recognizes the interconnectedness of environmental and social challenges and underscores the need for coordinated, multifaceted solutions to build a more sustainable and inclusive future. The following recommendations complement those presented above, focusing on specific actions and policies needed to promote green and just transition.

9. Develop a comprehensive and integrated policy framework, encompassing cohesive policies across environmental, economic, social, educational and labour dimensions

A job-rich and inclusive green economy requires a country-specific mix of: (1) macroeconomic, industrial and sectoral policies that channel investments into green sectors and activities with high-growth and job-creation potential; and (2) labour market and just transition measures to protect and prepare the workforce to reap the benefits of the shift. Crafting such comprehensive and integrated policy frameworks requires accurate and timely data, essential for labour market planning in a transitioning economy. Where supportive national statistical frameworks are lacking, macroeconomic modelling or the use of proxies may become necessary to estimate green job growth potential. Based on the assessment of their unique situation, each Arab State needs to craft industrial policies that resonate with their economic landscapes and which amplify opportunities for long-term growth and job creation. Industrial strategies should (re) define sectors ripe for green growth, steering both public and private investments via incentive schemes that stimulate enterprise development and innovation. While doing so, Governments should also identify vulnerable groups and potential risks paving the way for targeted interventions.

Beyond the actual creation of green jobs, some key policy areas for a just transition include:

- ▶ **OSH.** Update or create standards for new technologies and work processes associated with the transition, and risks from climate change.
- ▶ **Social protection.** Reform social protection systems to enhance universality, comprehensiveness, adequacy and sustainability, with an emphasis on unemployment protection.
- ▶ **Skills development.** Strategically align with climate policies to anticipate green skills gaps, promote synergy between ministries, the private sector, educational institutions and social partners. Holistic curriculum revamps, integrating not only technical skills but also soft skills, and affordable lifelong learning opportunities are essential. In tandem, labour market policies such as job-matching and targeted subsidies to facilitate skill acquisition are needed to bolster employability and ensure that individuals are well-equipped to thrive in an evolving job market.

10. Promote sustainable funding mechanisms for implementing the framework

Although the green transition can significantly boost global youth employment by 2030, gains in youth employment in the Arab States are projected to be the lowest. To spur growth in green sectors and catalyse job creation, increased investments in green technologies and infrastructure will be essential. The private sector can and should play a key role in financing the green transition. This requires consistent long-term strategies and regulatory frameworks that incentivize private investment in green sectors, such as tax incentives or streamlined licensing processes for green businesses. Moreover, public-private partnerships offer a collaborative approach whereby governments provide initial funding and guarantees, and the private sector brings technical expertise and efficiency. Instruments like sovereign green bonds or sharia-compliant green sukuk could further expand financing avenues.

Concurrently, fiscal reforms must expand capacity to finance the just transition and provide support of vulnerable groups. Prioritizing reforms, such as the elimination of energy subsidies, can also encourage sustainable energy consumption, thus leading to mitigation co-benefits. For non-GCC

countries, it is vital to foster collaborations with international organizations, development banks and specific funds like the Clean Technology Fund, Green Climate Fund and Global Environment Facility. Although these climate funds operate in the MENA region, 60 per cent of their financing is concentrated in Morocco and Egypt (UN ESCWA 2022; UNFCCC, n.d.). Securing green climate fund accreditations could enhance non-GCC states' access to funding.

11. Raise awareness on the risks of climate change and the opportunities and challenges associated with the green transition

Beyond environmental awareness and climate education, emphasizing the urgency of climate action is crucial for mobilizing public and institutional momentum. Through regular campaigns, governments must communicate the impacts, challenges and opportunities as the world shifts to a low-carbon trajectory, and commit to an inclusive and just transition. Raising such awareness ensures that citizens are not only supportive but are proactively engaged in the collective journey towards a greener economy and sustainable future.

Communications need to be clear and targeted at vulnerable groups. For those at risk of job loss because of the transition, receiving timely information about potential decarbonization plans in their industry, and pathways for reskilling, upskilling or transitioning to emerging sectors within the green economy is essential. Knowledge mitigates fear and uncertainty, but also empowers individuals to proactively seek and capitalize on new opportunities. Similarly, marginalized groups (e.g. youth, women and migrants), who often confront barriers in the job market, can be more proactively guided and informed about the prospects offered by the green transition, enabling them to fully harness its advantages.

Targeted awareness-raising campaigns on climate risks and OSH standards are of paramount importance as well. Heat exposure, especially prevalent in GCC countries, represents a frequent concern. Given that it affects predominantly migrant workers who often communicate in languages other than English or Arabic, it is imperative that awareness-raising campaigns are tailored to be linguistically inclusive. Offering information in the languages most frequently spoken by these workers not only ensures clear understanding but

also underscores a commitment to their wellbeing and safety. By adopting such an approach, governments and employers can effectively mitigate risks and protect these vulnerable groups.

12. Strengthen institutional coordination and social dialogue around a just transition

Integrated policy formulation requires the active involvement of all relevant governmental bodies to ensure that policies are coherent and contradictions and overlaps are minimized. Ministries of environment and climate change are the major actors in most Arab States, especially with respect to adaptation policies. Ministries responsible for energy, industry, transportation, waste management, agriculture and tourism play pivotal roles in the development and implementation of mitigation and green policies in many Arab States. However, given the broader impact of climate policies on the economy and the labour market, it is imperative to engage the ministries of economy, labour and employment, and education and training. Collaboration across all sectors, departments and levels of government is vital.

Workers' and employers' organizations should also be included in the conceptualization and the planning process, ensuring the effective implementation and outcomes of just transition policies. An effective social dialogue should cover all relevant policy areas from economic and sectoral policies to OSH and social protection, to skills development. Social partners should also participate in the development of NDCs and national policies related to climate action, given the interrelation of these policies with employment and the need for an inclusive and just approach. Moreover, engaging the private sector, academia, TVET institutions and civil society is also important. Such consultations can help gauge employment and skill requirements, as well as the environmental concerns of these stakeholders.

Strengthening the institutional and technical capacities of government entities and social partners is essential for jointly shaping integrated and coherent strategies and policies. As planning for a just transition is a novel task for Arab governments and stakeholders, there's a pressing need to invest in knowledge and capacity enhancement across organizations. Moreover, capacity-building is required to improve access to climate funding, especially for the non-GCC states. These countries often face challenges in accessing funds because

of complex accreditation mechanisms and lengthy project development and approval procedures (UN ESCWA, 2022).

13. Foster regional cooperation

Cooperation between the Arab States offers many benefits in terms of shaping their collective climate response. Key aspects of such cooperation would encompass:

- ▶ harnessing the power of regional networks and platforms to strengthen collaboration and support, and ensure that no state is left behind;
- ▶ pooling knowledge and sharing expertise and practices across countries, which could result in economies of scale and facilitate harmonization and rapid policy development;
- ▶ leveraging collective financing to support climate initiatives by strengthening intra-regional financial mechanisms and improving access to international climate funding sources;
- ▶ establishing a regional just transition fund akin to the European Union's Just Transition Fund, which aims to provide targeted support to regions and sectors in those EU Member States that are most affected by the transition towards a green economy;
- ▶ developing joint strategies to combat climate risks such as desertification, water scarcity and extreme weather events, and sharing infrastructure and solutions for climate-related challenges;
- ▶ consolidating a unified stance in global climate negotiations, ensuring representation of collective concerns and challenges in global forums;
- ▶ developing shared solutions for cross-border labour and climate-induced migration to support mobility, employability and protection of displaced persons;
- ▶ establishing a comprehensive online database that consolidates all climate action and transition-related policies, organized by country, theme, sector, type and status (e.g. Climate Watch,²⁹ IEA Policies database,³⁰ and the Climate Policy Database,³¹ as well as other databases such as NATLEX³² and FAOLEX³³);
- ▶ building on existing regional initiatives (e.g. RICCAR,³⁴ Middle East Green Initiatives³⁵) dedicated to assessing climate change impacts in the region by including the employment dimension of climate change and climate action.
- ▶ assessing and promoting the creation of decent jobs arising out of climate policies, for example by creating an Arab regional network of the Green Jobs Assessment Institutions Network (GAIN).³⁶

29. <https://www.climatewatchdata.org/>

30. <https://www.iea.org/policies>

31. <https://www.climatepolicydatabase.org/>

32. https://www.ilo.org/dyn/natlex/natlex4.home?p_lang=en

33. <https://www.fao.org/faolex/background/en/>

34. <https://riccar.org/>

35. <https://www.greeninitiatives.gov.sa/>

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► Annex I. National sources: List of household surveys

| Country/territory | Latest year | Survey name |
|--------------------------------|-------------|------------------------------------|
| Bahrain | 2020 | Census |
| Iraq | 2021 | Labour Force Survey |
| Jordan | 2022 | Employment and Unemployment Survey |
| Kuwait | 2016/17 | Labour Force Survey |
| Lebanon | 2022 | Follow-up Labour Force Survey |
| Occupied Palestinian Territory | 2022 | Labour Force Survey |
| Oman | 2020 | n.a. – official estimates |
| Qatar | 2021 | Labour Force Sample Survey |
| Kingdom of Saudi Arabia | 2022 | Labour Force Survey |
| Syrian Arab Republic | 2021 | Labour Force Survey |
| United Arab Emirates | 2019 | Labour Force Survey |
| Yemen | 2013/14 | Labour Force Survey |

Note: Saudi Arabia conducts quarterly labour force surveys. Yearly indicators are calculated as the averages of the respective quarterly indicators.

► Annex II. Definitions of labour underutilization and jobs gap indicators

Forms and measures of labour underutilization

Labour underutilization includes, but may not be restricted to:

- a. unemployment, reflecting an active job search by persons not in employment who are available for work;
- b. time-related underemployment, when the working time of persons in employment is insufficient in relation to alternative employment situations for which they would be willing and available to engage; and
- c. the potential labour force, referring to persons not in employment but who express an interest in working if not for conditions that limit their active job search or their availability.

Based on the above, the four measures of labour underutilization include:

- LU1: Unemployment rate = $\frac{\text{persons in unemployment}}{\text{labour force}} \times 100$
- LU2: Combined rate of time-related underemployment and unemployment = $\frac{[(\text{persons in time-related underemployment} + \text{persons in unemployment})/\text{labour force}]}{\text{labour force}} \times 100$
- LU3: Combined rate of unemployment and potential labour force = $\frac{[(\text{persons in unemployment} + \text{potential labour force})/\text{extended labour force}]}{\text{extended labour force}} \times 100$
- LU4: Composite measure of labour underutilization = $\frac{[(\text{persons in time-related underemployment} + \text{persons in unemployment} + \text{potential labour force})/\text{extended labour force}]}{\text{extended labour force}} \times 100$

The extended labour force can be defined as the sum of the labour force and the potential labour force.

ILO's new indicator on the jobs gap

A new indicator aims to capture all those who are not employed but who want to work, irrespective of whether or not they meet the search and availability criteria usually associated with unemployment.

The *jobs gap* is defined as:

the sum of the unemployed, the potential labour force and willing non-jobseekers, where willing non-jobseekers are defined as those who are not working, have not recently searched for a job and are not available to work within a short reference period, but who want employment.

The *jobs gap rate* =

$\frac{[\text{unemployed} + \text{potential labour force} + \text{willing non-jobseekers}]}{[\text{labour force} + \text{potential labour force} + \text{willing non-jobseekers}]} \times 100$

► Annex III. Green and just transition policy elements in the NDCs of GCC and non-GCC countries

► **Table A1. Green and just transition policy elements in the NDCs of GCC countries**

| NDC references | Bahrain | Kuwait | Oman | Qatar | Saudi Arabia | UAE |
|--|--|---|---|---|---|--|
| GHG emissions reduction | 6% reduction of energy consumption by 2025 | 7.4% by 2035 relative to business as usual (BAU) | 7% by 2030 relative to BAU Net zero by 2050 | 25% reduction by 2030 relative to 2019 | Reduction of 278MT of CO ₂ (equivalent) annually by 2030 | 40% reduction by 2030 relative to BAU (19% reduction relative to 2019) Net zero by 2050 |
| Renewable energy | Solar, wind, and biogas | - | Solar, photovoltaic (PV) and wind | Solar and hydrogen | Solar PV, concentrated solar power (CSP), wind, geothermal energy, waste to energy, and green hydrogen | Solar PV, CSP, nuclear energy and hydrogen |
| Economic strategy or sectoral plan | National Energy Efficiency Action Plan; National Renewable Energy Action Plan | New Kuwait 2035 | Oman Vision 2040; National Energy Strategy | Qatar's National Vision 2030; National Development Strategy | Vision 2030; National Renewable Energy Program; Saudi Energy Efficiency Program; National Hydrogen Strategy. | UAE Green Agenda 2015–2030; National Climate Change Plan 2017–2050; UAE Energy Strategy 2050; UAE Net Zero 2050 Strategic Initiative; Circular Economy Policy 2031 |
| Priority sectors for greening economies | Financial services, information and communication technology (ICT), industry, logistics, tourism and oil | Energy, industrial processes and product use (IPPU), agriculture, forestry and land use | Tourism, financial services and port logistics | Oil and gas, power and water, transportation, building and industry, R&D, education, tourism. | Manufacturing, energy, energy-related derivatives, mining, tourism, logistics and IT industries. Energy efficiency in industry, building and land transportation. | Renewable energy, oil and gas, industry, transport, buildings, waste management, water management, agriculture |
| Just transition | No | No | General mention ^a | No | No | General mention ^b |
| Skills development for green jobs | No | No | No | No | General mention ^c | General mention ^d |
| OSH related to climate | No | No | No | No | No | One aspect ^e |

| | | | | | | |
|--|----|----|------------------------------|----|----|-------------------------|
| Social protection | No | No | General mention ^f | No | No | One aspect ^g |
| Workers at risk of unemployment | No | No | No | No | No | No |
| ALMPs for greening | No | No | No | No | No | No |
| Social dialogue | No | No | No | No | No | No |

Notes:

a. The Oman NDC mentions “just transition” in two general contexts: (1) “[...] co-benefits would reduce air pollutants, create jobs, and lay the ground for the just transition to a climate-resilient economy and society”; and (2) “Mobilizing climate finance [...] to cope with climate change in a context of a fast, fair and just transition to a resilient, low-carbon economy.”

b. The UAE NDC mentions “Just transitions” in a general way: “The UAE also pursues a just energy transition ensuring that no one is left behind. This includes engaging vulnerable parts of the population (such as youth, women, and people of determination) in climate action and supporting more vulnerable countries in their climate transition.”

c. The Saudi Arabia NDC indicates that: “The Human Capability Development Program officially launched in 2021 was created to develop citizens’ capabilities to participate effectively in the ongoing local economic, social and cultural developments.”

d. The UAE NDC indicates that: “Appropriate upskilling and capability-building is needed to maximize local employment and the job-creation opportunities that the climate transition presents.”

e. The UAE NDC indicates that: “A ministerial decree has been issued that requires employers to provide outdoor workers with a break during the peak summer to avoid heat-related illnesses.”

f. The Oman NDC indicates that: “[...] the Sultanate of Oman has activated a social protection system for fuels, electricity and water to support eligible families.”

g. The UAE NDC references climate risk insurance and indicates that the National Climate Change Adaptation Program is currently being reviewed and updated, most notably to include insurance as a new sector.

Source: Author’s compilation from the following NDCs of GCC countries:

| | | | |
|--------------|--------------------------------|------|---|
| Bahrain | First NDC (updated submission) | 2021 | https://unfccc.int/sites/default/files/NDC/2022-06/NDC%20of%20the%20Kingdom%20of%20Bahrain%20under%20UNFCCC.pdf |
| Kuwait | First NDC (updated submission) | 2021 | https://unfccc.int/sites/default/files/NDC/2022-06/Kuwait%20updating%20the%20first%20NDC-arabic.pdf |
| Oman | Second NDC | 2021 | https://unfccc.int/sites/default/files/NDC/2022-06/Second%20NDC%20Report%20Oman.pdf |
| Qatar | First NDC (updated submission) | 2021 | https://faolex.fao.org/docs/pdf/qat206235E.pdf |
| Saudi Arabia | First NDC (updated submission) | 2021 | https://unfccc.int/sites/default/files/resource/202203111154---KSA%20NDC%202021.pdf |
| UAE | Third update of NDC | 2023 | https://unfccc.int/sites/default/files/NDC/2023-07/Third%20Update%20of%20Second%20NDC%20for%20the%20UAE_v15.pdf |

►Table A2. Green and just transition policy elements in the NDCs of non-GCC countries

| NDC references | Iraq | Jordan | Lebanon | OPT | Syria | Yemen |
|--|---|---|--|---|---|--|
| GHG emissions reduction | Conditional: 15% reduction by 2030 Unconditional: 1–2% reduction | 31% reduction by 2030 relative to BAU Unconditional: 5% Conditional: 26% | Unconditional: 20% reduction by 2030 relative to BAU Conditional: 31% | 17.5% reduction by 2040 relative to BAU If independence is achieved: 26.6% | - | 14% reduction by 2030 relative to BAU Unconditional: 1% Conditional: 13% |
| Renewable energy | Solar and wind | Solar, wind and hydrogen | Hydropower, onshore wind and solar power ^a | Solar | Solar, wind and hydropower | Solar and wind |
| Economic strategy or sectoral plan | - | National Green Growth Plan; Green Growth National Action Plan; NDC Action Plan; National Energy Sector Strategy | CEDRE-CIP; Lebanon Economic Vision; Government Financial Recovery Plan | National Development Plan | - | National Strategy for Renewable Energy and Energy Efficiency; |
| Priority sectors for greening economies | Oil, gas, electricity, industry, trade, agriculture, transport, waste and housing | Energy, | Tourism, financial services and port logistics | Oil and gas, power and water, transportation, building and industry, R&D, education, tourism. | Manufacturing, energy, energy-related derivatives, mining, tourism, logistics and IT industries. Energy efficiency in industry, building and land transportation. | Renewable energy, oil and gas, industry, transport, buildings, waste management, water management, agriculture |
| Just transition | No | No | General mention ^b | General mention ^c | No | No |
| Skills development for green jobs | No | No | No | No | No | No |
| OSH related to climate | No | No | No | No | No | No |
| Social protection | No | General mention ^d | No | No | No | No |
| Workers at risk of unemployment | No | General mention ^e | No | No | No | No |
| ALMPs for greening | No | No | No | No | No | No |
| Social dialogue | No | No | No | No | No | No |

Notes:

a. Not explicitly mentioned in NDC. However, these renewable energy options are indicated in the *2020 IRENA Renewable Energy Outlook: Lebanon*, which considers the NDC together with other plans and reports to “form Lebanon’s international commitment”.

b. The Lebanon NDC mentions “just transition” in this context: “Lebanon prioritizes a just transition through the consideration of the socio-economic status of the most vulnerable, adopting a gender-responsive approach.”

c. The OPT NDC mentions “just transition” in this context: “At the UNFCCC’s 25th Conference of the Parties in 2019 [...] noting that gender-responsive implementation of climate policy and action can raise ambition, enhance gender equality, and promote a just transition of the workforce.”

d. The Jordan NDC mentions: “Integrating climate adaptation into national poverty reduction policies and improving the existing social protection system to cope with climate change consequences and serve Jordanian segments of society [...]”

e. The Jordan NDC mentions: “With a huge increase of unemployment among Jordanian youth and refugees the main priority for the economy is to generate new jobs. Linking NDC implementation with creating new green jobs will empower NDC implementation to serve national economic and social priorities [...]”

Source: Author’s compilation from the following NDCs of non-GCC countries:

| | | | |
|---------|--------------------------------|------|---|
| Iraq | First NDC | 2021 | https://unfccc.int/NDCREG |
| Jordan | First NDC (updated submission) | 2021 | https://unfccc.int/sites/default/files/NDC/2022-06/UPDATED%20SUBMISSION%20OF%20JORDANS.pdf |
| Lebanon | First NDC (updated submission) | 2021 | https://unfccc.int/sites/default/files/NDC/2022-06/Lebanon%27s%202020%20Nationally%20Determined%20Contribution%20Update.pdf |
| OPT | First NDC (updated submission) | 2021 | https://unfccc.int/sites/default/files/NDC/2022-06/Updated%20NDC_%20State%20of%20Palestine_2021_FINAL.pdf |
| Syria | First NDC | 2021 | https://unfccc.int/sites/default/files/NDC/2022-06/First%20NDC_Syrian%20Arab%20Republic.pdf |
| Yemen | Intended NDC | 2021 | www4.unfccc.int/sites/submissions/INDC/Published Documents/Yemen/1/Yemen INDC 21 Nov. 2015.pdf |

► Annex IV. Description of the E3ME model of Cambridge Econometrics and assumptions

E3ME is a macroeconomic model that integrates a range of social and environmental processes. The two-way linkages between the economy, wider society and the environment are a key feature of the model. E3ME is designed to address national and global economic and economy–environment policy challenges but can be applied to other policy areas because of its in-built adaptability. The model has been used in policy areas as diverse as climate change, gender equality and Brexit.

E3ME strengths

Its strengths include:

- A high level of disaggregation enables detailed analysis of sectoral and country-level effects from a wide range of scenarios. Social impacts (including unemployment levels and distributional effects across income groups) are important model outcomes.
- The model addresses concerns about conventional macroeconomic models and provides a strong empirical basis for analysis. The model can fully assess both short and long-term impacts and is not limited by many of the restrictive assumptions common to computable general equilibrium (CGE) models.
- It integrates its treatment of the world's economies, energy systems, emissions and material demands. This enables E3ME to capture two-way linkages and feedbacks between each of these components.
- E3ME covers 61 global regions, with a detailed sectoral disaggregation in each one, and projects forwards annually up to 2050.
- It captures individual country dynamics and their interaction with the global economy.
- Its empirically robust econometric foundation means that the model is not reliant on restrictive assumptions common to CGE models.
- It is suitable for the assessment of short-, medium- and longer-term trends.

- It is capable of accounting for various climate policy instruments, from regulations and taxes to tariffs and subsidies, especially for the major emitters like power, steel, road transport and residential buildings.
- Instead of merely determining least-cost policy paths, it proactively identifies potential opportunities and trade-offs inherent in decarbonization.

E3ME limitations

Like all modelling tools, E3ME abstracts from reality, relying on a set of assumptions. While its assumptions tend to be relatively less restrictive in comparison with other macroeconomic models, this approach still has limitations.

Gaps in the data and an inability to predict the future both contribute to uncertainty in the model results. Given the diverse characteristics of the economy and energy systems, it is not technically possible to account precisely for every possible energy source and technology in each sector. For example, in the Arab States the model accounts for seasonal variations, implied demand for backup generation and storage and technological constraints to determine the technology mix, but it does not fully capture detailed power grid balancing requirements (which can only be accounted for using real time hourly data).

The quality of the data used in the modelling is very important. Substantial resources are invested in maintaining the E3ME database and filling gaps in the data. However, particularly in the Arab States, the results are uncertain because of uncertainty in the data used. In addition, there is uncertainty about the target assumptions used in the scenarios, which are formed outside of the model and based on the best available information in the public domain. The modelling results, therefore, are simulations that estimate the range of possible economic outcomes associated with modelled policies or changes in the economy, rather than precise forecasts of likely scenarios.

Another limitation of the analysis is that it focuses on evaluating the socio-economic impacts of

increased climate action with some consideration for costs, savings and trade-offs. It does not quantify avoided climate-related physical damages (the cost of inaction) and co-benefits (from improved environmental outcomes), both of which would provide greater incentive to accelerate transition to a low-carbon economy.

Off-model process

The off-model estimations involve the following processes:

- ▶ Historical data on GDP and employment (both total and by sector) is taken to determine the share of the Arab States represented in the countries included in the E3ME model.
- ▶ This share is assumed to be constant across all scenarios and throughout the modelled period.
- ▶ This share is applied to the results for the E3ME countries to estimate total GDP and employment for all Arab States.
- ▶ Sectoral distribution of employment is used to disaggregate employment estimations by sector.

Off-model data

Off-model estimations use external data as follows:

- ▶ GDP data are sourced from the World Bank and shares are calculated for the most recent year in which data are available for all Arab States (2021).
- ▶ Total employment and employment by sector are obtained from ILO Labour Force Statistics (LFS) and modelled estimates. Similar to GDP figures, the most recent year available for all Arab States (2021) is used for the evaluation of shares.
- ▶ Countries for which data are not available from the LFS dataset for 2021 are adjusted using the modelled estimates (by aggregate sector) for the most recent year.

▶ Sectoral employment data are extracted according to the International Standard Industrial Classification of All Economic Activities (ISIC) 4 and 3 classifications. The broader sectoral classifications are used when ILO sector classifications consist of multiple E3ME sectors.

▶ The data consider paid employment (whether at work or with a job but not at work) and self-employment (whether at work or with an enterprise but not at work).

Off-model limitations

The assumption of maintaining a fixed proportion across scenarios and over time introduces several limitations, or at least necessitates some caution in interpreting the results. It implies that the transition or other future economic trends do not introduce economic shifts (such as specialization/concentration of certain industries) between countries within the Arab States to the extent that the proportions of the region's GDP or employment attributed to countries represented in E3ME would be altered in future years and across scenarios. It also assumes that the countries included in the E3ME model are a fair representation of decarbonization targets and expected transition responses across the entire region.

► **Table A3. List of Arab States and their coverage in the E3ME**

| List of Arab States | Arab States explicitly modelled in E3ME | Corresponding E3ME region |
|---------------------|---|--|
| Bahrain | | Rest of world (83 countries, 8 of which are Arab States) |
| Iraq | x | Rest of OPEC (Iran, Iraq and Kuwait combined) |
| Jordan | | Rest of world |
| Kuwait | x | Rest of OPEC |
| Lebanon | | Rest of world |
| OPT | | Rest of world |
| Oman | | Rest of world |
| Qatar | | Rest of world |
| Saudi Arabia | x | Saudi Arabia |
| Syria | | Rest of world |
| UAE | x | UAE |
| Yemen | | Rest of world |

► **Table A4. Description of the three what-if scenarios**

| NDC scenario |
|---|
| Arab States deliver their unconditional NDC targets by 2030 |
| <p>This is achieved by incorporating the policies included in the NDC into the E3ME. However, if policy details are not sufficiently provided in the NDC, a package of standard E3ME policies are used to mimic the level of effort.</p> <p>If policy choices need to be defined outside of available documents, the following policies are combined as they are widely deployed as decarbonization measures: carbon pricing in energy-intensive industries; fossil fuel phase-out; renewable subsidies in the power sector; and energy efficiency investments.</p> <p>All policies are assumed to continue having an effect after 2030, although no new policy will be introduced after that point. In some regions, this means there will be continued effort towards long-term net-zero emissions targets beyond 2030, but such net-zero targets are not achieved.</p> |
| Strong industrial policy scenario |
| <p>Net-zero emissions by 2050 by scaling up all policies in the NDC scenario and adding stronger measures.</p> <p>To achieve net-zero emissions, Arab States need to overshoot their NDC targets and together implement stronger policies immediately. The full package of standard E3ME policy instruments is used to complement existing and NDC policies. These include phasing out fossil fuels in end-use sectors, expanding carbon pricing to all sectors of the economy, increased innovation to deploy new low-carbon technologies to market (including carbon capture and storage, power grid management and storage solutions and domestic production of green hydrogen).</p> <p>The region aims to diversify and replace export revenues from oil and gas with low-carbon exports, including solar-based electricity, green hydrogen and electric vehicles. This goal relies on investment in the relevant industries to build domestic capacity, which supports investment in other sectors.</p> <p>The region will depend on international financing for some of the required investments and need to address incidents of stranded assets. Financing is assumed to be made available for:</p> <ul style="list-style-type: none"> ► compensating lost oil royalties and power sector profits from stranded assets (specifically local fossil fuel reserves and fossil fuel power plants forced by regulation to close before their end of life); ► investing in reskilling and relocation programmes (for fossil fuel supply workers, who are likely displaced by the transition, for the workforce to adapt to new low-carbon technologies and practices, and for young people to participate effectively in the labour market); ► all other policy costs and investments (i.e. renewable subsidies, investment in grid and storage systems, green hydrogen production) are financed domestically by carbon revenues and other tax-raising mechanisms. |
| Climate resilience scenario |
| Strong industrial policy, with the addition of policies to build a climate-resilient economy |
| <p>Additional policies include:</p> <ul style="list-style-type: none"> ► enhanced waste management facilities to improve circular economy across all sectors; ► increased recycling rates for plastics (thus reducing demand for virgin oil inputs); ► climate mitigation and adaptation measures, including desalinating seawater and reforestation; ► waste management and recycling policies will be financed domestically, in the same way as decarbonization policies in the strong industrial policy scenario. <p>To finance climate mitigation policies, a regional fund will be established. This fund will be funded partly by the international community and partly by the countries in the region themselves. The distribution of funding across MENA countries will correspond to their GDP per capita, whereas their share of benefits will be driven by their level of climate vulnerability.</p> |

► **Table A5. Overview of key green policies assumed under the three scenarios**

| Key policies | NDC scenario | Strong industrial policy scenario | Climate resilience scenario |
|--|--------------|-----------------------------------|-----------------------------|
| Energy policies | | | |
| Carbon pricing | ✓ | ✓ | ✓ |
| Investment in economy-wide energy efficiency | ✓ | ✓ | ✓ |
| Investment in grid improvements and (battery and hydrogen) storage solutions | ✓ | ✓ | ✓ |
| Investment in renewable power generation, especially wind and solar, to replace fossil fuels-based generation | ✓ | ✓ | ✓ |
| Government subsidies for renewable and low-carbon technologies in power generation (wind and carbon capture and storage (CCS)) and steel production (electricity, hydrogen and CCS applications) | ✓ | ✓ | ✓ |
| Regulation to phase out fossil fuels and replace with electricity or biofuels in the rest of the economy | | | |
| Energy substitution regulation | | ✓ | ✓ |
| Biofuel blending mandate | ✓ | ✓ | ✓ |
| Phase out regulation of internal combustion engine vehicles | ✓ | ✓ | ✓ |
| Phase out regulation of new capacity in power generation | ✓ | ✓ | ✓ |
| Phase out regulation of existing stock in power generation | | ✓ | ✓ |
| Industrial policies | | | |
| Investment in domestic production and export of green hydrogen and solar-based electricity, to offset lost revenues in oil and gas | | ✓ | ✓ |
| Investment in domestic manufacturing and export of electric vehicles | | ✓ | ✓ |
| Labour market policies | | | |
| Workforce reskilling and upskilling | | ✓ | ✓ |
| Social and adaptation policies | | | |
| Investment in recycling and waste management | | | ✓ |
| Investment in water desalination | | | ✓ |
| Reforestation | | | ✓ |
| Financing mechanisms | | | |

| | | | |
|---|---|---|---|
| Recycling of carbon revenues to fund transition-related investments and policy costs borne by governments, with excess revenue distributed to firms and households and shortfall in revenues covered by increases in same tax instruments | ✓ | ✓ | ✓ |
| Private financing, from industries within each country and outside of the region | ✓ | ✓ | ✓ |
| International support: | | | |
| Training | | ✓ | ✓ |
| Stranded asset compensation | | ✓ | ✓ |
| Oil royalty compensation | | ✓ | ✓ |
| Water desalination | | | ✓ |
| Reforestation | | | ✓ |

Source: Modelling by Cambridge Econometrics.

► Annex V. Detailed sectoral employment impacts by scenario and year

| | NDC | | Strong industrial policy | | Climate resilience | | NDC | | Strong industrial policy | | Climate resilience | |
|---|--|--------------|--------------------------|--------------|--------------------|--------------|---|---------------|--------------------------|---------------|--------------------|---------------|
| | 2030 | 2050 | 2030 | 2050 | 2030 | 2050 | 2030 | 2050 | 2030 | 2050 | 2030 | 2050 |
| | Absolute differences from baseline (thousand jobs) | | | | | | Percentage differences relative to baseline | | | | | |
| Agriculture | -2.8 | 10.4 | 29.0 | 75.0 | 14.3 | -76.1 | -0.1% | 0.3% | 1.0% | 2.2% | 0.5% | -2.2% |
| Forestry | -0.4 | -0.2 | -0.8 | 0.4 | 32.0 | 75.4 | -0.7% | -0.4% | -1.4% | 0.7% | 57.1% | 135.1% |
| Agriculture and forestry | -3.2 | 10.2 | 28.2 | 75.4 | 46.3 | -0.7 | -0.1% | 0.3% | 1.0% | 2.2% | 1.6% | 0.0% |
| Coal | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Oil and Gas | -7.9 | -19.5 | -11.0 | -22.9 | -11.1 | -23.3 | -2.5% | -5.9% | -3.5% | -6.9% | -3.6% | -7.0% |
| Manufacture of Fuels | -19.7 | -53.4 | -29.6 | -53.4 | -29.6 | -53.4 | -47.7% | -99.1% | -71.7% | -99.1% | -71.7% | -99.1% |
| Fossil fuel extraction and manufacturing | -27.6 | -72.9 | -40.6 | -76.3 | -40.7 | -76.7 | -7.9% | -18.9% | -11.6% | -19.8% | -11.6% | -19.9% |
| Other mining | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Food, drink and tobacco | -4.1 | 10.7 | -9.5 | 35.1 | -9.4 | -12.2 | -0.9% | 1.4% | -2.0% | 4.5% | -2.0% | -1.6% |
| Textiles, clothing and leather | 0.2 | 3.1 | 0.5 | 5.9 | -3.1 | -8 | 0.1% | 0.5% | 0.1% | 1.0% | -0.8% | -1.3% |
| Wood and paper | 0.4 | -7.5 | 0.5 | 8.2 | -1.3 | -14.2 | 0.1% | -1.6% | 0.2% | 1.7% | -0.5% | -3.0% |
| Printing and publishing | 0.8 | 6.7 | -2.1 | -9.1 | -2.8 | -4.9 | 0.3% | 1.1% | -0.7% | -1.6% | -0.9% | -0.8% |
| Pharmaceuticals | 0.9 | -2.1 | -0.1 | -2.2 | -0.5 | -7.2 | 1.2% | -1.8% | -0.1% | -1.8% | -0.7% | -6.0% |
| Chemicals | -0.4 | -0.5 | 3.2 | 18.6 | 0.4 | 3.3 | -0.2% | -0.1% | 1.4% | 4.4% | 0.2% | 0.8% |
| Rubber and plastics | -105.4 | 25.5 | 27.6 | 89.0 | -90.1 | -330.3 | -26.3% | 3.3% | 6.9% | 11.6% | -22.4% | -42.9% |
| Non-metallic mineral products | 1.8 | 13.2 | 4.1 | 30.1 | 2.3 | 0.6 | 0.6% | 2.6% | 1.4% | 5.8% | 0.8% | 0.1% |
| Basic metals | 50.8 | 7.1 | 61.2 | 6.3 | 65.6 | -1.3 | 49.6% | 3.1% | 59.8% | 2.8% | 64.1% | -0.6% |
| Metal goods | 7.0 | 8.8 | 11.2 | 29.9 | 12.8 | 47.8 | 1.8% | 1.4% | 2.8% | 4.7% | 3.2% | 7.6% |
| Mechanical engineering | -2.6 | -3.8 | -3.3 | 8.7 | -1.7 | 101.9 | -0.5% | -0.4% | -0.6% | 1.0% | -0.3% | 12.0% |

| | | | | | | | | | | | | |
|--|--------------|---------------|--------------|---------------|--------------|--------------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Electronics | 78.7 | 72.8 | 133.4 | 202.2 | 195.7 | 436.8 | 28.5% | 16.8% | 48.2% | 46.6% | 70.8% | 100.6% |
| Electrical engineering and instruments | 0.8 | 7.0 | -25.3 | -53.5 | -23.6 | -47.3 | 0.6% | 2.6% | -18.4% | -20.2% | -17.2% | -17.8% |
| Motor vehicles | 1.1 | 1.5 | -1.7 | 23.5 | -3.2 | 31.6 | 0.2% | 0.2% | -0.3% | 2.9% | -0.6% | 3.9% |
| Other transport equipment | 0.0 | 0.1 | 0.1 | 1.3 | -0.1 | 0.9 | 0.0% | 0.1% | 0.3% | 1.9% | -0.3% | 1.3% |
| Manufacture not elsewhere specified | 6.5 | 18.1 | 15.1 | 84.9 | 13.1 | 79.4 | 1.4% | 2.4% | 3.3% | 11.5% | 2.9% | 10.7% |
| Basic manufacturing and engineering | 36.5 | 160.7 | 214.9 | 478.9 | 154.1 | 276.9 | 0.7% | 1.9% | 4.4% | 5.8% | 3.2% | 3.3% |
| Electricity supply | 89.3 | 367.6 | 154.6 | 418.0 | 179.9 | 722.5 | 16.5% | 52.1% | 28.6% | 59.3% | 33.3% | 102.5% |
| Gas supply | -96.8 | -160.0 | -123.5 | -160.1 | -124.0 | -160.9 | -64.7% | -83.9% | -82.6% | -84.0% | -82.9% | -84.4% |
| Hydrogen supply | 0.2 | 0.3 | 0.7 | 236.1 | 0.7 | 228.8 | 18.2% | 27.3% | 63.6% | 21 463.6% | 63.6% | 20 800.0% |
| Water supply | 0.8 | 2.4 | 3.5 | 0.4 | 36.7 | 41.4 | 1.2% | 2.0% | 5.4% | 0.3% | 56.3% | 34.9% |
| Construction | 547.9 | 255.6 | 808.1 | 665.2 | 978.1 | 1 040.3 | 7.9% | 5.8% | 11.6% | 15.1% | 14.0% | 23.6% |
| Distribution | -58.1 | -524.4 | 28.9 | -306.3 | 250.8 | 184.9 | -1.8% | -14.1% | 0.9% | -8.2% | 7.9% | 5.0% |
| Retailing | -49.9 | -297.5 | 3.2 | -208.8 | -33.3 | -374.4 | -1.3% | -9.5% | 0.1% | -6.6% | -0.9% | -11.9% |
| Distribution and retail | -108 | -821.9 | 32.1 | -515.1 | 217.5 | -189.5 | -1.6% | -12.0% | 0.5% | -7.5% | 3.2% | -2.8% |
| Land transport | 8.8 | -65.8 | 83.8 | -60.5 | 79.2 | -59.2 | 0.4% | -2.5% | 3.8% | -2.3% | 3.6% | -2.2% |
| Water transport | -1.1 | -3.6 | 13.3 | -3.9 | 11.6 | -10.5 | -0.9% | -1.4% | 11.4% | -1.5% | 9.9% | -4.1% |
| Air transport | -3.0 | 44.1 | 5.7 | 21.5 | 4.8 | 20.6 | -0.6% | 5.5% | 1.2% | 2.7% | 1.0% | 2.6% |
| Transport | 4.7 | -25.3 | 102.8 | -42.9 | 95.6 | -49.1 | 0.2% | -0.7% | 3.7% | -1.2% | 3.4% | -1.3% |
| Hotels and catering | 5.7 | 21.3 | 30.5 | 72.9 | -20.0 | -15.4 | 0.3% | 0.9% | 1.5% | 3.0% | -1.0% | -0.6% |
| Communications | -1.5 | 4.3 | 3.0 | 21.4 | 2.0 | 10.4 | -0.2% | 0.4% | 0.5% | 2.1% | 0.3% | 1.0% |
| Hotels and catering, communication | 4.2 | 25.6 | 33.5 | 94.3 | -18 | -5 | 0.2% | 0.8% | 1.2% | 2.8% | -0.7% | -0.1% |
| Banking and finance | -1.2 | 1.8 | 1.6 | 12.1 | 0.9 | 11.7 | -0.3% | 0.3% | 0.4% | 1.7% | 0.2% | 1.7% |
| Insurance | -6.3 | 15.2 | -6.7 | 23.3 | -18.3 | 15.6 | -1.8% | 2.7% | -1.9% | 4.1% | -5.2% | 2.8% |

| | | | | | | | | | | | | |
|-------------------------------------|---------------|---------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|-------------|--------------|-------------|
| Computing services | 0.3 | 0.6 | 0.7 | 2.1 | 0.9 | 3.3 | 0.8% | 1.0% | 1.9% | 3.5% | 2.5% | 5.5% |
| Professional services | 40.4 | 16.9 | 67.1 | 76.7 | 90.6 | 100.4 | 2.6% | 1.0% | 4.4% | 4.4% | 5.9% | 5.8% |
| Other Business services | -1.1 | -5.2 | 9.2 | 3.5 | 9.0 | -23.3 | -0.1% | -0.3% | 0.6% | 0.2% | 0.6% | -1.3% |
| Business services | 32.1 | 29.3 | 71.9 | 117.7 | 83.1 | 107.7 | 0.8% | 0.6% | 1.9% | 2.4% | 2.2% | 2.2% |
| Public administration and defence | -105.2 | -181.3 | 17.7 | 26.3 | 17.0 | 19.8 | -1.8% | -4.0% | 0.3% | 0.6% | 0.3% | 0.4% |
| Education | -103.7 | -211.6 | 1.4 | 14.5 | -3.7 | 2.3 | -2.6% | -6.6% | 0.0% | 0.4% | -0.1% | 0.1% |
| Health and social work | 0.5 | 31.3 | 28.2 | 81.2 | 23.8 | 38.8 | 0.0% | 1.2% | 1.2% | 3.2% | 1.0% | 1.5% |
| Miscellaneous services | -227.1 | -59.7 | -142.4 | 104.9 | -274.7 | -48.6 | -3.9% | -1.4% | -2.4% | 2.5% | -4.7% | -1.1% |
| Public and personal services | -435.5 | -421.3 | -95.1 | 226.9 | -237.6 | 12.3 | -2.4% | -2.9% | -0.5% | 1.6% | -1.3% | 0.1% |

Source: Modelling by Cambridge Econometrics.

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