



## Rencontre Valmer

# “Employment and Social Protection in the MENA region, Paving the Way for a New Social Contract”

November 27, 2012

### Background

Unlocking the potential for job creation and renewing the social contract are among the most pressing challenges the MENA region is currently facing. Virtually every country suffers from high unemployment, which mostly affects the young, the educated, and women – and the revolutions across the region were a reminder that jobs are about bread as much as they are about freedom and human dignity.

The Rencontre Valmer on Employment and Social Protection (SP) convened international experts and high-level decision makers and practitioners from both rims of the Mediterranean to discuss diagnostics<sup>1</sup> as well as to propose concrete ways to advance the employment and SP agenda and help lay the ground for a renewed social contract which reconsiders both social redistribution and employment policies, in the short and long terms.

The key messages on diagnostics and needs were:

- The rules and the incentives that govern labor markets in MENA countries have led to inefficient outcomes on the economic standpoint (such as high unemployment), and to inequitable outcomes across individuals (even effort and education do not guarantee success).
- The social contract had rested on safety nets in the form of untargeted public subsidies to staple food, water, energy and housing, covering basic needs of populations; while recruitment of most if not all graduates has been into the public sector.
- Recent trends have undermined existing redistributive models with population growth exceeding GDP implying that the demographic dividend is not realized, while rises in energy and commodities prices and growing budget constraints imply that the public sector can no longer a reliable job provider, and public subsidies model is challenged.

Hence the urgent needs were to:

- Change the formal and informal rules governing the private sector to create a dynamic economy that capitalizes on the full range of the region’s human potential.
- Let skills flow into productive private sector jobs by removing artificial public employment perks.
- Lower the barriers holding back women who want to work and create safe and appropriate working environments.
- Make young people more employable by closing information gaps, building employability skills, improving the quality of education, and partnering with the private sector in training.
- Use short-term interventions to respond to immediate needs while building the credibility and consensus for medium-term, game-changing reforms.

### Main areas of discussion

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<sup>1</sup> Please refer to e.g. the latest flagship publications by the World Bank (2012): *Free to prosper : jobs in the Middle East and North Africa* (<http://documents.worldbank.org/curated/en/2012/01/16800191/free-prosper-jobs-middle-east-north-africa-overview>) or *Inclusion and Resilience - The Way Forward for Social Safety Nets in the Middle East and North Africa* (<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/0,,contentMDK:23316694~pagePK:146736~piPK:146830~theSitePK:256299,00.html>)

The participants discussed the need to first define holistic approaches to envisage real and deep changes in the social and developmental models of Southern Mediterranean countries. Once these have been clarified, countries could turn to sectoral approaches to reform public policies in the areas of employment creation, training and SP. The event discussed the role of regional cooperation – and of the CMI more particularly – in defining shared solutions, and potentially visions, to try to tackle the social challenges in the Euro-Mediterranean region. Here are the main messages of the rich discussions that emerged during the Rencontre Valmer:

## **I. Change and inclusion: Revisiting the development model in Southern Mediterranean countries**

- **Away from rent-seeking economies – towards a rights-based approach to structural reforms:** The structural reforms needed to change the development model will require both breaking the vested interest groups that had historically seized the rents and captured state assets, and improving access to basic rights for all. Structural growth reforms should make MENA societies more equal in terms of access to economic opportunities for all and therefore promote access to education, health, public services, finance, etc. Such an inclusive rights-based approach would provide a new normative referential for Southern Mediterranean societies.
- **Public-private partnerships and civil society participation:** The new growth model will also have to leverage public-private partnerships to enhance service delivery (e.g. labor intermediation and training services). Civil society can also contribute to the creation of jobs at the local level and rights-enhancing activities in the areas of social services, education, self-employment, etc. should be supported.
- **Donors** such as AFD are reflecting the changing paradigm by focusing on three main objectives: promoting a balanced and inclusive growth targeted on job creation, maintaining social cohesion especially through social protection schemes, ensuring quality of life especially by securing energy supply and sound management of the Mediterranean's unique natural capital.

## **II. Empowerment, innovation and relevance: Reforming sectoral approaches in education, labor markets and SP**

- **The education system:** The current primary and secondary education system in Southern Mediterranean countries does not promote individual initiative, risk-taking and creativity. At the post-secondary education level, graduates are biased towards (limited) public sector employment and therefore ill-equipped to compete for jobs in the labor market (skills mismatch – both in terms of relevance and quality). This calls for a radical overhaul of the education system aimed at closing information gaps, at building employability skills, and at opening up to dialogues – or even cooperation – with the private sector to ensure its relevance.
- **Active labor market policies and public schemes for job creation and self-employment:** Faced by the high unemployment rate, especially among young university graduates, countries such as Tunisia are experimenting with new programs to try to unlock the potential for job creation. These include measures aimed at (i) linking active labor market policies to training programs and incentives for firms to hire young unemployed, (ii) fostering innovation, entrepreneurship and self-employment, (iii) creating a level-playing field for private companies to compete, invest and generate jobs.
- **Social safety nets:** The current generalized subsidy programs need to be transformed to accommodate better and stronger social safety net programs targeted at the poor. While this is both urgent and necessary, it will face opposition from vested interest groups and from the people dependent on subsidy to stay out of poverty. Despite these obstacles, building safe and

reliable social protection systems is an essential condition to build human capital and empower citizens in Southern Mediterranean countries. The lessons learned from the European experiences with the creation and reforms of welfare states could prove particularly useful in this regards.

- **Emigration as a long term investment strategy for households:** Emigration has long been a strategy for individuals and households in Southern Mediterranean countries to improve their life prospects by seeking opportunities abroad. In countries such as Lebanon for instance, households are investing in higher education to seek a return through employment abroad, in industrialized countries or in the Gulf. The key issue today is how labor-sending countries can set-up the right institutions and incentive schemes to better take advantage of temporary labor outflows for their own employment and human development goals.

### III. Needs, possible solutions at the regional level, and the role of the CMI

- **A strong need for knowledge transfer and external expertise:** Southern Mediterranean countries need foreign expertise more than ever. At the same time, the international community and European partners must develop responses in tune with local approaches and the ongoing institutional changes.
- **Building a coordinated answer:** The international community has often struggled to provide a coherent and coordinated approach to the challenges Southern Mediterranean countries are facing. Ex ante coordination is key to minimize transaction costs and minimize complexity.
- **Trade-offs and consistency between short term (re)actions and long term planning:** In light of the current pressing social needs, quick fixes should be avoided and the short term policy challenges should be seen as a window of opportunity to implement long-term, exhaustive, reforms in the areas of employment, training and SP. The booming of social expenditures after the revolutions could be used to restructure welfare systems to support growth and inclusiveness. The same reasoning could be applied to the long-needed reform of education systems.
- **Sharing practical solutions and building a common strategic vision at the CMI:** The CMI provides a space to exchange lessons learned from concrete policy experiments but also to open up a dialogue with new partners such as civil society organizations involved in employment and social reforms. Such a neutral, inclusive, dialogue can help partners on both shores of the Mediterranean share and design pragmatic solutions to common public policy challenges and ultimately develop a shared strategic vision going forward.



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Paving the way for a  
new social contract”

*November 27, 2012*

*15.00 – 18:00*

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### “Employment and Social Protection in the MENA region, Paving the Way for a New Social Contract”

*November 27, 2012*

#### Background

The "Rencontre Valmer" series of events aims to bring together a community of decision makers, experts and journalists from both rims of the Mediterranean to discuss and reflect on the economic and social implications of MENA's transformation, and ultimately to contribute to the region's long term development and integration. The agenda includes some 3 to 5 such conferences to take place each year at the CMI.

#### Presentation

The Arab Spring translated into momentous political transformations but, today more than ever, it is the economic and social challenges that are center stage. **Jobs** are the core of citizens' needs and aspirations and the main driver to restore economic opportunity and to secure the well-being of the MENA region's populations. Equally critical, embedding **social protection** in economic reform program is key so that individual freedom, social trust and cohesion and competitive economic policies reinforce each other. Social justice must therefore be at the heart of the new social contract for the MENA region.

Unlocking the potential for job creation and renewing the social contract are among the most pressing challenges that the economies and societies of the MENA region are facing. Every country suffers from high unemployment, which mostly affects the young, the educated, and women. High unemployment and rapid labor force growth imply the need to create more than 40 million new jobs in the next decade, a doubling of the current level of employment.

The decision makers and stakeholders of the MENA region are fully aware that there is a need for a broad-based transformation of its economies to strengthen the core drivers of economic growth and to create viable prospects for job creation in order to absorb the tens of millions of men and women that will enter the work force. It also necessarily entails to negotiate the transition to new types of employment and social protection strategies i.e. the need for a new social contract.

#### Structure

The Rencontre Valmer on Employment and Social Protection will include a brief presentation of the findings as well as interventions from high-level "practitioners" from the South of the Mediterranean. Stakeholders are seeking effective mechanisms to reduce social pressure and enable an environment conducive to job creation. It entails laying the ground for a renewed social contract which reconsiders



both social redistribution and employment policies, in the short and long terms. Consequently, the event will also discuss concrete ways and means to take forward the employment and social protection agenda.

## **Participants**

Participants include high level decision makers from countries bordering the Southern and Northern rims of the Mediterranean, experts and researchers, journalists, and civil society representatives.

## **Program, November 27, 2012**

### **15:00 – 18:00: Conference**

- **Welcome:** Inger Andersen, Vice President, MENA Region, World Bank; **Keynote presentations:**
  - Steen Lau Jorgensen, Sector Director, Human Development, MENA region, World Bank
  - Christian Barrier, Director of Human Development, AFD
  
- **Laying the ground for a new social contract; Views from Southern stakeholders:**
  - H.E. Alaya Bettaieb, State Secretary, Tunisia
  - Mr. Alain Bifani, Director General, Ministry of Finance, Lebanon

#### Discussants:

- Dr. Hassan Y. Aly, President of the Middle East Economic Association, Advisor to the Minister of Planning and International Cooperation, Egypt
  - David Margolis, Research Director in Economics, Centre d’Economie de la Sorbonne
  - Olivier Ray, Conseiller Diplomatique, Ministère de la Santé et des Affaires Sociales
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- **Open Discussion**
  
  - **Concluding Statement:**
    - Mr. Mats Karlsson, Director, CMI