

## **Poverty in Western Asia: Some Social Considerations**

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### 1. Introduction: Global Approaches to Poverty Reduction

In the second half of the twentieth century, global and national approaches to poverty reduction oscillated between trickle-down mechanisms and redistributive policies.<sup>2</sup> Industrial development strategies in the post World War II period assumed that accelerated growth would trickle down to lower income groups through rising real wages. These development strategies were sometimes accompanied by the provision of subsidies for staple goods and some social services, though urban workers in the formal sector tended to gain more from those social policies than poorer segments employed in the urban informal sector or the agricultural sector.

The disappointing poverty reduction outcomes of trickle-down policies led to the emergence in the 1970s of a ‘redistribution-with-growth’ paradigm designed to tackle the “inadequate responses of policymakers to the growing problems of relative poverty and underemployment, and ... to provide them with analytical tools that are relevant to these problems.”<sup>3</sup> This new paradigm focused on policies to improve income distribution in the context of economic growth in developing countries. It was thus opposed to strategies based on a trade-off between economic growth and distributional objectives.

From a social development perspective, this path-breaking approach can be praised for its underlying emphasis on distributive justice, with a focus on channeling the increments of growth into social and economic investments which would benefit poorer social groups. Although it can be argued that the ILO global strategy for meeting basic needs – formulated in the mid-1970s – was a concrete example of a redistributive approach<sup>4</sup>, ‘redistribution-with-growth’ strategies were rarely incorporated into national development policy, especially after the debt crisis hit several developing countries in the early 1980s.

The debt crisis led to the emergence of the so-called *Washington Consensus*, a set of neoliberal reform policies promoted by the IMF and the World Bank – among other leading multilateral and bilateral development institutions – with a focus on fiscal discipline, reduction of the role of the State, financial and trade liberalization, privatization and economic deregulation. In this context, social subsidies and transfers were seen as financially unsustainable, market-distorting and leading to the inefficient delivery of social services. Privatization of such services and utility price rises would thus promote more efficient delivery, and reduce fiscal deficits and public debt. The Washington Consensus guided structural adjustment programmes introduced in many developing countries. There is plenty of evidence to show, however, that reforms promoted by structural adjustment programmes did not produce the desired economic growth and social progress, including poverty reduction.<sup>5</sup>

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<sup>2</sup> See *World Economic and Social Survey 2010*, United Nations, New York, 2010.

<sup>3</sup> H. Chenery *et al.*, *Redistribution with Growth*, Oxford University Press, Oxford, 1974.

<sup>4</sup> R. Jolly, “Rediscovering Redistribution with Growth for Poverty Reduction”, *IDS in Focus*, No. 11, October 2009.

<sup>5</sup> *World Economic and Social Survey 2010*, *op. cit.*

As a result, structural adjustment programmes also failed to address key socio-economic issues related to poverty reduction, such as inequality and redistribution. By the mid-1990s, there was a growing international recognition that poverty reduction strategies should be framed within several (economic and non-economic) dimensions other than lack of adequate income, including different forms of inequalities and social exclusion.<sup>6</sup> This multidimensional nature of poverty was placed at the centre of the international social development agenda by the *Programme of Action of the World Summit for Social Development*, held in Copenhagen in 1995. In the *Copenhagen Declaration on Social Development*, world leaders committed themselves “to the goal of eradicating poverty in the world, through decisive national actions and international cooperation”.<sup>7</sup>

It eventually became clear that an “augmented Washington Consensus” was required, particularly after the devastating social impacts of the 1997 Asian financial crisis.<sup>8</sup> This expanded Washington Consensus included some social safety nets and targeted poverty reduction strategies. The latter were probably best reflected in the introduction in the late 1990s of *Poverty Reduction Strategy Papers* (PRSPs) as the main social component of an international debt-relief strategy for poor developing countries. The PRSP approach was, however, undermined by the dominance of orthodox economic stabilization strategies, strict fiscal discipline and financial liberalization which, in turn, worked against poverty reduction, expanded access to social services and productive employment generation. According to a recent United Nations report, “PRSPs turned out to be more a set of compensatory social policies constrained by external pressures related to fiscal consolidation than examples of coherence over the broader range of development policies”.<sup>9</sup>

Social policy was thus pushed aside as a peripheral component in the national development strategies of heavily-indebted poor countries. This international approach to poverty reduction also tended to ignore the multidimensional nature of poverty strongly advocated by the *World Summit for Social Development*. In mid-2000, five years after the Copenhagen Social Summit, the twenty-fourth Special Session of the General Assembly discussed further initiatives for social development. The resolution adopted by representatives of United Nations Member States “pledged to eradicate poverty, promote full and productive employment, and foster social integration to achieve stable, safe and just societies for all.”<sup>10</sup> The Special Session thus reiterated the three pillars of international approaches to social development: poverty reduction, employment generation and social integration.

The beginning of the new millennium also saw the adoption of the *United Nations Millennium Declaration* by the General Assembly, on 8 September 2000, and the subsequent elaboration of the Millennium Development Goals (MDGs). In the *Declaration*, world leaders committed to “spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected.”<sup>11</sup> The MDGs brought poverty reduction and social development back to the centre of the international development agenda. The eight Goals and several accompanying targets have helped to reclaim the international development initiatives away from the *Washington Consensus* and into a new *New York Consensus*, based on development goals agreed by the international community at the United Nations.

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<sup>6</sup> See, for example, A. Sen, *Poverty and Famines: An Essay on Entitlement and Deprivation*, Clarendon, Oxford, 1982; and “Social Exclusion: Concept, Application, and Scrutiny”, *Social Development Paper No. 1*, ADB, Manila, June 2000.

<sup>7</sup> *The Copenhagen Declaration and Programme of Action – World Summit for Social Development*, United Nations, New York, 1995.

<sup>8</sup> See D. Rodrik, “Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank’s Economic Growth in the 1990s: Learning from a Decade of Reform”, *Journal of Economic Literature*, vol. XLIV, December 2006. In this review, Rodrik adds ten new items to the original ten components of the Washington Consensus.

<sup>9</sup> *World Economic and Social Survey 2010*, *op. cit.*

<sup>10</sup> A/RES/S-24/2 on *Further Initiatives for Social Development*.

<sup>11</sup> A/RES/55/2 on *United Nations Millennium Declaration*, paragraph 11.

The main target of the first MDG is to halve the proportion of people living in extreme poverty between 1990 and 2015. Poverty reduction is now an explicit and central international development goal, as opposed to the indirect approaches contained in trickle-down policies. Furthermore, poverty reduction is accompanied in the MDG agenda by other broad social development goals and objectives, such as improved health and education, employment generation and gender balance. Bearing in mind that the MDG agenda does not identify any policies or strategies for achieving its poverty and other key targets, it can be argued that the international development pendulum has oscillated back towards redistribution.

## 2. Current Poverty Trends in Western Asia

According to the 2010 Millennium Development Goals report, the number of people living in extreme poverty in developing country regions dropped from 1.8 billion in 1990 to 1.4 billion in 2005.<sup>12</sup> The proportion of people under a new international poverty line of USD 1.25 per person per day – in 2005 purchasing power parities<sup>13</sup> (PPPs) – dropped from 46 per cent to 27 per cent during the same period. Despite some shortcomings, this international poverty line has become the benchmark to monitor global poverty trends as it generally defines an income level that is needed in developing countries to purchase a few basic necessities and ensure the consumption of a minimum amount of calories.<sup>14</sup>

The global financial and economic crisis which began in 2008 is estimated to have left an additional 50 million in extreme poverty in 2009 and probably another 60 million in 2010, compared to a no-crisis scenario.<sup>15</sup> Nonetheless, the momentum of economic growth in developing countries in the medium run is expected to reduce the global poverty rate to as low as 15 per cent in 2015 (against the MDG target of 23 per cent). This indicates that the poverty target will be achieved at the global level, in terms of both incidence of poverty and total number of poor people.<sup>16</sup> It is estimated that 920 million people will be living under the international poverty line in 2015, or half the number in 1990.

However, progress in implementation has been very uneven at the regional level. As Figure 1 illustrates, much of the progress is accountable by the Eastern Asian region – notably China. Eastern Asia and South-Eastern Asia are the only developing country regions that have so far achieved the MDG poverty target. All the other regions have made insufficient progress and two of them – Central Asia and Western Asia<sup>17</sup> – actually recorded a considerable increase in the share of people living in extreme poverty over the period 1990-2005. The MDGs 2010 report forecasts that three developing country regions (including Western Asia) are unlikely to achieve the target of halving extreme poverty by 2015. This will not only take away some of the gloss of achieving that target at the global level, but also focus attention on corrective measures required to accelerate progress in implementation in lagging regions and countries.

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<sup>12</sup> *The Millennium Development Goals Report 2010*, United Nations, New York, 2010.

<sup>13</sup> Purchasing power parities (PPPs) are internationally comparable exchange rates made available by an International Comparison Programme (ICP) supported by UN agencies. The initial MDG-1 threshold for extreme poverty was USD 1 per person per day but this international poverty line was revised upwards to USD1.25 in 2008 (in 2005 PPPs) by the World Bank because new data revealed that the cost of living in the developing world had been higher than previously estimated.

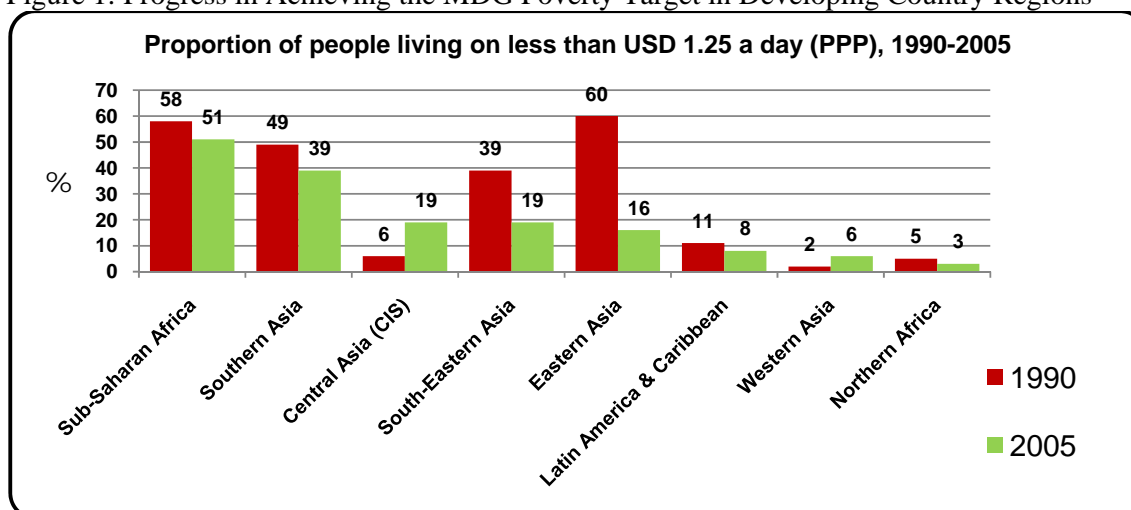
<sup>14</sup> Major shortcomings range from its inability to reflect multidimensional dimensions of poverty to the use of a common international income poverty threshold. See, in particular, *Rethinking Poverty – Report on the World Social Situation 2010*, United Nations, New York, 2009.

<sup>15</sup> *The Millennium Development Goals Report 2010*, *op. cit.*

<sup>16</sup> *Ibid.*

<sup>17</sup> There are a few differences between Western Asia for the purposes of MDG data collection, and the ESCWA region, including the fact that MDG data for two large ESCWA member countries (Egypt and Sudan) are actually reported in two different African sub-regions.

Figure 1: Progress in Achieving the MDG Poverty Target in Developing Country Regions



Source: *The Millennium Development Goals Report 2010*

As Figure 1 also shows, the proportion of people in Western Asia living in extreme poverty tripled between 1990 and 2005. Due to fast population growth, the numbers of extreme poor in the region almost quadrupled – from 3 to 11 million – over the same period. In addition, the MDG 2010 report also shows that the proportion of undernourished people in the region increased from 5 per cent in 1990-92 to 7 per cent in 2005-07, against the background of a drop from 20 per cent to 16 per cent in all developing regions during the same period. This indicator is used to monitor progress in achieving another key MDG-1 target – namely, to halve the proportion of people suffering from hunger between 1990 and 2015 – and is seen as another key dimension of poverty.

However, among developing country regions, the Arab countries have the lowest ratio of undernourished people to the total population.<sup>18</sup> The relatively low level of malnutrition in the Arab region as a whole, in comparison with other developing country regions, is due to the relatively high income levels of oil producing countries, food purchasing power sustained by worker remittances and/or to the food supply policies implemented by several governments in the region, including extensive food subsidy programmes.

Nonetheless, there are large disparities both among and within ESCWA member countries as some of them – as well as lower income segments of the population in many countries – tend to be highly vulnerable to food insecurity. Among ESCWA countries, Yemen has the highest proportion of undernourished people (38 per cent of the total population in the mid-2000s), followed by Sudan (26 per cent) and Palestine (16 per cent). But while this rate dropped in Sudan during the 1990s and 2000s, it increased in both Yemen and Palestine (primarily as a result of the conflict situation) during the same period.<sup>19</sup>

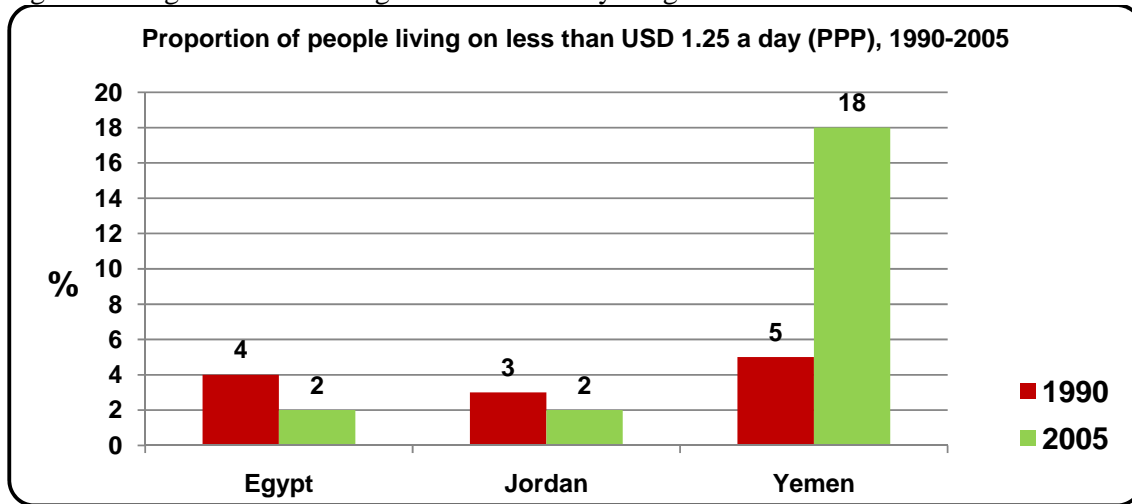
Similarly, the incidence of extreme poverty in Western Asia (and in Northern Africa) is very low when compared with other developing country regions, including Eastern Asia. This can be partly explained by the certain irrelevance of the international poverty line to high-income Gulf countries. However, poverty levels and trends also differ considerably between ESCWA countries, which range from high-income Gulf countries to least developed countries (Sudan and Yemen) and countries in conflict or post-conflict, such as Iraq and Palestine. As Figure 2 shows, while Egypt and

<sup>18</sup> See UNDP, *Arab Human Development Report 2009*, UNDP, New York, 2009.

<sup>19</sup> See ESCWA, *Charting the Progress of the Millennium Development Goals in the Arab Region – A Statistical Portrait*, E/ESCWA/SD/2009/Technical Paper.5, December 2009.

Jordan have low extreme poverty rates, this rate rose drastically to relatively high levels in Yemen between 1990 and 2005.

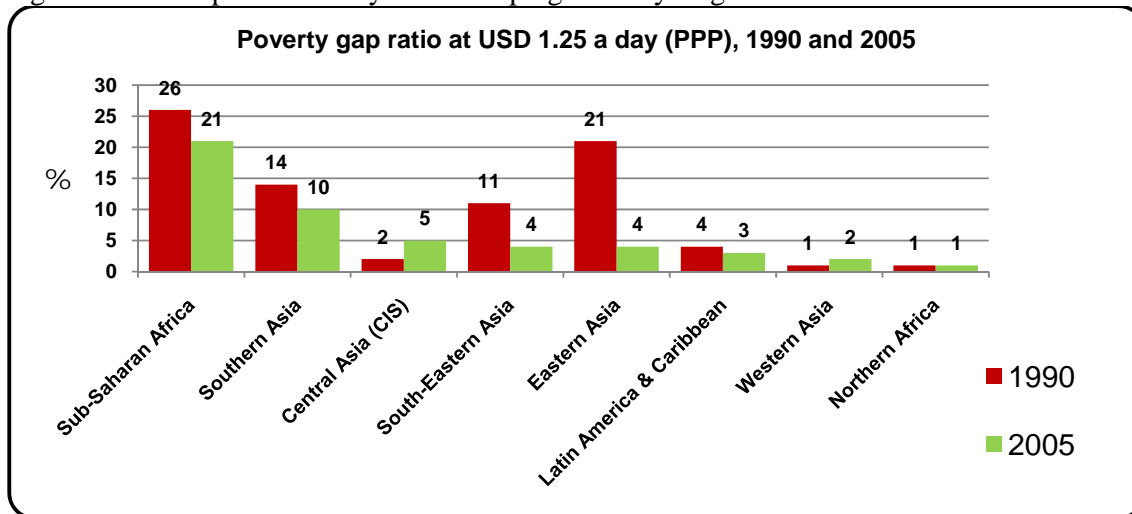
Figure 2: Progress in Achieving the MDG Poverty Target in Selected ESCWA Countries



Source: World Bank<sup>20</sup>

To make matters worse, the international poverty line does not provide an accurate picture of people who live *below* the poverty line, that is to say, on even less than USD 1.25 PPP a day! Suffice it to say that examining the depth of poverty below the extreme poverty line is critical from a social development perspective focused on the most vulnerable groups. This poverty gap can be measured through the shortfall in incomes of people living below the poverty line. As Figure 3 illustrates, between 1990 and 2005, the depth of poverty decreased in all developing country regions, except in Central Asia, Northern Africa and Western Asia, where it doubled, albeit at relatively low levels. As in the case of other poverty indicators, the poverty gap also varies significantly across the ESCWA region. As Figure 4 shows, while the poverty gap remained stable at 1 per cent in both Egypt and Jordan between 1990 and 2005, it quadrupled from 1 to 4 per cent in Yemen during the same period.

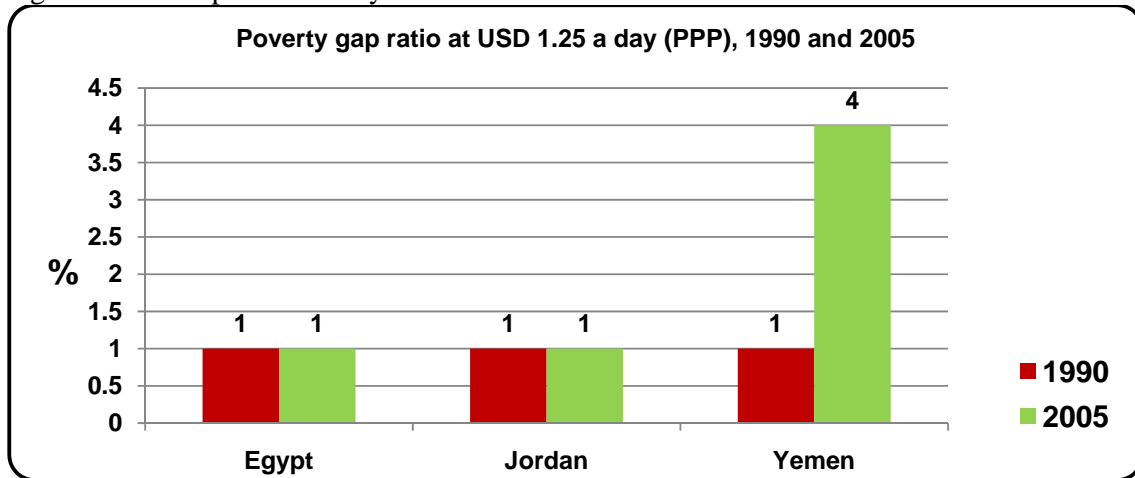
Figure 3: The Depth of Poverty in Developing Country Regions



Source: The Millennium Development Goals Report 2010

<sup>20</sup> Data obtained electronically from the World Bank's Global Data Monitoring Information System available at <http://ddp-ext.worldbank.org/ext/GMIS/gdmis.do?siteId=2&goalId=5&menuId=LNAV01GOAL1>

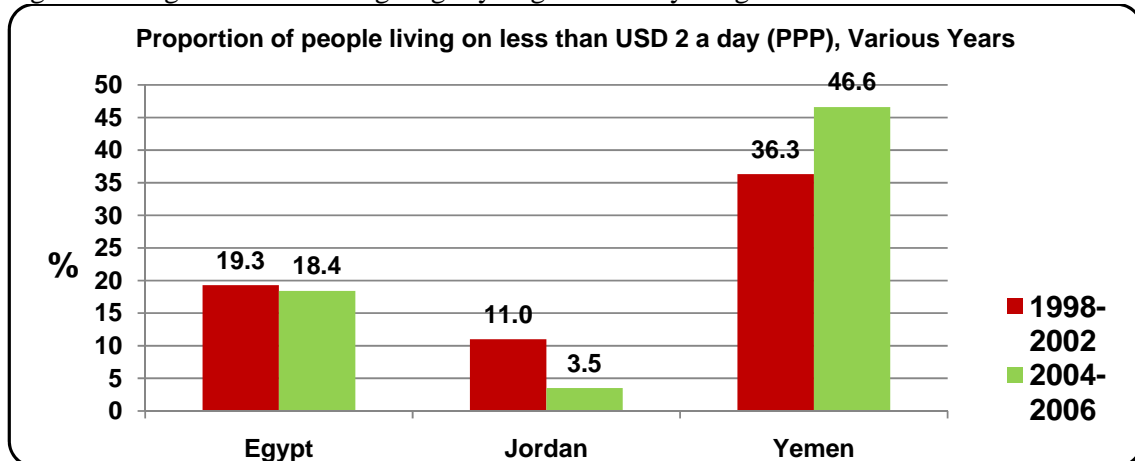
Figure 4: The Depth of Poverty in Selected ESCWA Countries



Source: World Bank (see Figure 2 above)

In addition, it is estimated that large numbers of vulnerable people lie on the edge of poverty – that is to say, just above the extreme poverty line – in the region. The incidence of poverty and the total number of the poor both rise significantly in several populous ESCWA countries, such as Egypt, Sudan and Yemen. As Figure 5 shows, when the income poverty threshold is raised slightly to USD 2 (PPP) per person per day, the proportion of poor people rises to almost half of the total population in Yemen and almost a fifth of the population in Egypt. Although there are no reliable or internationally comparable poverty data within the MDG framework for the whole Sudan, it is estimated that, in 2008, 50 percent of the population in northern Sudan and 90 per cent in southern Sudan lived in poverty.<sup>21</sup>

Figure 5: Progress in Achieving Slightly Higher Poverty Target in Three ESCWA Countries



Source: World Bank, World development Indicators 2010

Notes: The data for Egypt refers to 1999-00 and 2004-05 respectively; for Jordan, 2002-03 and 2006; and for Yemen 1998 and 2005.

For the Middle East and North Africa as a whole, in 2005, the numbers of people estimated to live on less than USD 2 PPP a day (51 million) was almost five times greater than those living under USD 1.25 a day (11 million).<sup>22</sup> It is estimated that there are currently some 35 million people living on less than USD 2 a day in the ESCWA region. This vast number of people living marginally above

<sup>21</sup> See “Status of MDGs in Sudan in 2008”, prepared by the UN Resident Coordinator’s Support Office in Khartoum and electronically available at [http://www.sd.undp.org/mdg\\_fact.htm](http://www.sd.undp.org/mdg_fact.htm)

<sup>22</sup> World Development Indicators 2010, World Bank, Washington, 2010.

the extreme poverty line shows the extent of vulnerability of low income groups in the region to negative income shocks, such as the recent global food, fuel and financial crises.

### 3. The Way Forward: Some Social Considerations

Future regional (and global) approaches to poverty reduction need to consider a number of key social development dimensions, including (i) the multidimensional nature of poverty; (ii) social inclusion; (iii) social protection; (vi) the integration of social and employment policies; and (v) data constraints; among other key issues.

#### 3.1 *The multidimensional nature of poverty*

Poverty income measurements based on international poverty lines are critical to monitor global poverty trends, create global partnerships for development, raise funds for corrective actions and galvanize all stakeholders, including poorer segments of the population to take ownership of the battle against poverty. However, the multidimensional nature of poverty goes well beyond the mere lack of adequate income and into social, political and environmental realms. As mentioned earlier, the *Programme of Action* of the 2005 World Summit for Social Development best articulated the views of the international community on the different manifestations of poverty.<sup>23</sup> These included (i) lack of adequate income and productive resources, (ii) hunger and malnutrition, (iii) ill health; (iv) lack of access to education and other basic services, (v) homelessness and inadequate housing, (vi) unsafe environments, (vii) social discrimination and exclusion, and (viii) lack of participation. The *Programme of Action* also paid special attention to the widespread existence of gender inequities.

Given that this multidimensional nature of poverty cannot be captured by MDG international poverty line approaches, it is particularly important to consider alternative approaches to measure and monitor the non-material dimensions of poverty at both global and national levels<sup>24</sup>. There is thus a strong case for formulating and implementing redistributive policies to address the various socio-economic dimensions of poverty. At the same time, these issues cannot be seen in isolation from sustained economic growth, the availability of employment opportunities and the ability to secure adequate income. At the end of the day, there is a need to ensure that the poor have equal access to productive resources, including land, microcredit, education, skills upgrading, technology and information. Investing in people is a key long-term national strategy in the ESCWA region to combat poverty, address social inequities and promote human development.<sup>25</sup>

#### 3.2 *Social inclusion*

Inclusive societies that successfully integrate all social groups into the development process are better equipped to maintain social cohesion during times of crisis, and to avoid social upheaval and decline into poverty in economic downturns. Social inclusion is thus an indispensable complement to the MDG agenda. National averages often conceal pockets of poverty and deprivation, which may result from a lack of solidarity, equality or social justice. As a recent ESCWA investigation concludes, “the income poverty approach ... masks different manifestations of deprivation, such as ... intra-household disparities and social exclusion.”<sup>26</sup> In addition, the ESCWA region faces important challenges regarding the integration of particular social groups, such as refugees displaced by conflicts – notably Iraqis and Palestinians – and foreign migrant workers.

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<sup>23</sup> *The Copenhagen Declaration and Programme of Action – World Summit for Social Development*, op. cit., p.57.

<sup>24</sup> UNDP and Oxford University have recently launched a Multidimensional Poverty Index (MPI) to replace the human poverty index in future editions of UNDP's *Human Development Report*. The MPI is based on the measurement of critical deprivations at the household level, including health and education.

<sup>25</sup> See ESCWA, *Integrated Social Policy Report III – Visions and strategies in the ESCWA Region*, ESCWA, Beirut 2009.

<sup>26</sup> ESCWA/SDD, *Achieving Social Justice for All*, Social Development Bulletin, Vol. 3, No. 1, 2010.

Inclusive social policies are critical to combat poverty in the ESCWA region, where an estimated 35 million people live under the US\$2 per day poverty line. ESCWA prepared a major report on social inclusion for the 2009 session of its *Committee on Social Development* with a view to providing policymakers with a broad understanding of the needs and challenges facing excluded groups, while also proposing policy options that could be integrated into national development planning.<sup>27</sup> Using the examples of street children in Egypt, foreign domestic workers in Lebanon and persons living with disabilities in Yemen, the report argues that inclusive policies targeting clearly-defined social groups are essential to complement poverty reduction strategies and thus promote more equitable patterns of human development in the region. A recent regional study concludes that the “conduct of social policy in the Middle East has been neither democratic nor socially inclusive, and its developmental role has been limited.”<sup>28</sup>

### 3.3 *Social protection*

Social protection is critical to improve the capacity of vulnerable people to manage livelihood risks associated with sharp reductions in or interruption of their income or consumption. Policy interventions to protect vulnerable people against livelihood risks can be divided into four main categories: (i) *social assistance* to provide immediate relief from poverty and deprivation, such as provision of essential social services, food aid and family allowances; (ii) *social insurance* schemes to cushion risks associated with unemployment, sickness, disability and old age; (iii) *measures to enhance economic opportunities*, such as income diversification strategies and better access to credit; and (iv) *transformative measures* to address the root causes of inequality, such as tax instruments of redistribution, improved access to land and other productive resources, and measures to combat exclusion, discrimination and disempowerment.<sup>29</sup>

Although the first two categories deal with traditional roles and the last two with more innovative ones, they are all characterized by a common goal to transfer income and assets to the poor in order to improve their capacity to cope with crises. In the aftermath of recent food, fuel and financial crises, policy makers in different ESCWA countries have been increasingly looking to move away from the charity-based approach to the welfare state towards more development-oriented approaches aimed to build resilience to cope with future crises. Such approaches include reform of public pension schemes, as well as a reconsideration of currently available social assistance and social security programmes, including conditional cash transfer (CCT) programmes.

The growing popularity of CCTs in many developing countries – including small scale programmes in several ESCWA countries, such as Egypt, Jordan and Yemen – has generated strong support for such programmes at both national and international levels, partly because of their ability to link poverty reduction to other key MDG targets in the areas of education and health. Their main advantages include (i) affordability for lower income countries, (ii) direct positive impact on poverty reduction, and (iii) investment in human development, given that cash transfers are often conditional on keeping children in school and the use of health services by children and their mothers. Potential drawbacks of CCTs include (i) lack of administrative capacity in poor countries to monitor such programmes; (ii) social stigma faced by targeted vulnerable groups; and (iii) their inability to tackle the root causes of inequality, such as unequal access to land and other productive resources. In addition, some studies show that poor countries are often unable to invest adequately in the supply of key services, such as health and education, to cope with increased demand generated by CCTs.<sup>30</sup>

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<sup>27</sup> “Follow-up on priority issues in the field of social development in the ESCWA region – Social Inclusion”, E/ESCWA/SDD/2009/IG.1/4(Part I), 31 July 2009.

<sup>28</sup> M. Karshenas and V. Moghadam, “Bringing social policy back in: a look at the Middle East and North Africa”, *International Journal of Social Welfare*, 2009:18:S52-S61.

<sup>29</sup> See M. Davies and J.A. McGregor, “Social protection responses to the financial crisis: What do we know”, *IDS in Focus*, No. 7, March 2009.

<sup>30</sup> S. Cecchini, “Do CCT Programmes Work in Low-Income Countries”, *One Pager*, No. 90, IPCIG, Brasilia, July 2009.



Proponents of universal social protection systems argue that they are more effective in reducing vulnerability and that “it is possible to implement such systems in most developing countries with a modest increase of budgetary resources.”<sup>31</sup> It is sometimes also argued that within the framework of universal social schemes, lower income groups can receive extra benefits to compensate for their relative disadvantage to more affluent social groups, which are also entitled to these schemes. This *targeting within universalism* can thus make such schemes more responsive to the needs of the poor.<sup>32</sup> In addition, universal social systems are thought to build even greater resilience among vulnerable groups to cope with the negative impact of major crises, not only among the extreme poor but also the considerable numbers of people in the region and elsewhere who find themselves just above the international poverty line.

One of the best articulated universal social strategies to respond to global crises is the *Social Protection Floor* (SPF) – a set of basic social guarantees comprising universal access to essential health services, income support and subsistence security, including assistance to the poor, unemployed, children and the elderly.<sup>33</sup> The SPF is strongly supported by organizations of the United Nations system and its implementation is estimated to cost as little as 1-2 per cent of GDP, which would thus be affordable to most ESCWA countries.<sup>34</sup> In fact, many ESCWA countries – notably in the Gulf – already have universal access to health and education for their citizens, including Oman, Qatar, Saudi Arabia and the United Arab Emirates. In higher income countries, some social security schemes can even be partly self-financing. For example, Bahrain became the first Gulf country to introduce an unemployment insurance scheme in 2007, based on equal contributions (one per cent of wages) paid by employees, employers and the government.

### 3.4 *Integration of social and employment policies*

Achieving pro-poor growth and more equal patterns of development require optimizing the development of national human resources, facilitating the inclusion of all segments of society in the labour market and ensuring decent employment. A comprehensive social development strategy should thus target job creation and enhance job quality, especially for vulnerable groups. This is particularly relevant as a policy response to economic crises or as a means to increase resilience to cope with future crises.

Unemployment and underemployment have remained a major socio-economic challenge in the ESCWA region. In Egypt, for instance, it is estimated that, as a result of the global economic crisis, the unemployment rate increased by one percent to almost 10 percent. In addition, vulnerable groups, such as the low-skilled, women and youth appear to have been hit particularly hard. In the twelve months following the beginning of the crisis in Egypt, the female unemployment rate increased from 18 to 23 percent.<sup>35</sup> Similarly, youth unemployment remains both a critical development challenge and a policy priority throughout the region. The youth unemployment rate is estimated to have been as high as 21 percent at the onset of the global economic crisis and is expected to have risen significantly as a result of the crisis.<sup>36</sup>

This calls for balanced national employment strategies aimed to achieve both social and economic objectives. However, recent socio-economic history shows that employment policy has often been polarized between a focus on industrial competitiveness on the one hand, and labour

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<sup>31</sup> *Rethinking Poverty – Report on the World Social Situation 2010, op. cit.*

<sup>32</sup> T. Mkandawire, “Targeting and Universalism in Poverty Reduction”, *Poverty in Focus*, June 2006.

<sup>33</sup> See “Responding to the crisis: Building a social floor”, *World of Work*, No. 67, December 2009. The Social Protection Floor (SPF) was adopted by the UN Chiefs Executive Board in April 2009 as a response to the global financial and economic crisis. The SPF was subsequently integrated into the *Global Jobs Pact* adopted by the ILO in 2009.

<sup>34</sup> ILO, *Role of Decent Work in Mobilizing Domestic Financial Resources Development*, 2008.

<sup>35</sup> ILO, *Global Employment Trends*, Geneva, January 2010.

<sup>36</sup> *Ibid.*

protection and rigid wages on the other.<sup>37</sup> Flexible labour market policies promoted by neoliberal macroeconomic strategies have often been accompanied by disappointing employment expansion, notably in economies characterized by underutilized labour resources and large informal sectors. But at the same time, labour legislation based on permanent employment and rigid wages – notably in the public and formal private sectors of several countries in the region – has often led to low labour productivity and lack of competitiveness.

Understanding the strains in labour markets in the ESCWA region and efficient policy responses are therefore essential for the development of an integrated socio-economic policy. This calls for balanced labour market strategies that effectively target key social and economic goals. A good mix of active and passive labour market policies should be carefully considered on a country by country basis, as there is no effective ‘one-size-fits-all’ strategy.<sup>38</sup> Active labour market policies should focus on the generation of direct employment (for example, through public works and the promotion of small and medium enterprises), skills upgrading and the promotion of efficient labour exchanges. Passive labour market policies are also critical from a social development perspective, given their focus on income support, unemployment insurance and labour standards. But the legislative framework should ensure a balance between labour protection and economic efficiency.

### 3.5 *The urgent need for reliable data*

There is a serious lack of reliable and internationally comparable poverty data throughout the ESCWA region, including poverty headcount ratio (at both USD 1.25 and USD 2 a day) and poverty gap. MDG databases kept by key international agencies, such as the World Bank and UNDP, only maintain reliable and international comparable time series for three countries: Egypt, Jordan and Yemen. Therefore and as a matter of urgency, the international community should improve data collection and analysis for the countries in Western Asia, and support or strengthen ongoing collaboration with national statistical offices and research institutions to improve poverty statistics. This includes strengthening collaboration to improve national poverty data collection, including inequality data. There is evidence to show that the extent to which poverty reduction strategies are successful is closely related to income distribution.<sup>39</sup>

At the national level, it is important to examine relative poverty trends, including those associated not only with income but also unequal access to employment, social services and productive resources. Inequality trends in the broader Middle East and North African region are often complex: on the one hand, the region presents one of the most equal income distribution distributions in the world; on the other, it has also recently experienced one of the highest wage inequality levels – compared with other developing country regions – in the manufacturing sector.<sup>40</sup> Gathering accurate and reliable poverty data is vital for (i) monitoring poverty trends and progress in implementation; (ii) ensuring accurate comparability across countries and regions over specific time periods; and (iii) formulating and implementing effective poverty reduction strategies. Last but not least, improved statistics would contribute to focus greater attention on the need to eradicate or drastically reduce poverty in the region.

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<sup>37</sup> See, for example, *World Economic and Social Survey 2010, op. cit.*

<sup>38</sup> In order to respond to these policy needs, the Social Development Division of ESCWA is embarking on a major research project on labour market policies in the region.

<sup>39</sup> *World Economic and Social Survey 2010, op. cit.*

<sup>40</sup> A. Angeli, “Economic and non-economic poverty in the MENA region”, *paper presented to ERF Workshop on Poverty Reduction, Growth and Inequality in the MENA Region*, Cairo, November 2009.