

Decent work and social protection in six countries: Umbrella paper

Executive Summary

India, Jordan, Morocco, Syria,
Thailand and Viet Nam

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Decent work and social protection in six countries. Umbrella Paper. Executive Summary. India, Jordan, Morocco, Syria, Thailand and Viet Nam

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Contents

	<i>Page</i>
1. Introduction.....	1
2. Decent work overview	3
3. Demographic factors	7
4. Labour market, skills and unemployment	9
5. Macro-economic context.....	13
6. The formal economy, agriculture and the informal economy	17
7. Social protection	21
8. A Minimum Package of Social Security Benefits.....	23

1. Introduction

In early 2008 the ILO commissioned six country papers – from India, Jordan, Morocco, Syria, Thailand and Viet Nam – both to describe social protection systems, relating them to the challenges that each country faces and to the Decent Work programmes being undertaken in cooperation with the ILO and also to broader UN Development Assistance Frameworks (UNDAF). The six papers therefore predate the current global financial crisis and its implications for future economic growth. This paper is the Executive Summary of a longer ‘Umbrella’ paper which synthesized the findings and key points of the six papers.

The six countries differ in size, social and economic structure and their insertion into the global economy. Their governments, however, share the common goal of sustained economic growth which they see as a precondition for extending Decent Work, especially its social protection pillar, to larger numbers of their citizens. They have all achieved moderate or even high rates of economic growth in recent years but they will all have to work hard to sustain growth in the context of volatility in the world economy.

Table 1. Key statistics at a glance

	Growth GDP per head % 2005-06 ¹	GNI per head 2006 (PPP US\$) ²	GNI per head 2006 (US\$) ³	Population growth % per year ⁴	GINI Coeff. ⁵	Population below poverty line % ⁶	Infant mortality rate ⁷ per 1,000 live births
India	7.7	3,800	820	1.40	36.5	23.0 (2004 - reducing at 0.74% p.a. 1993-2004)	127 (1970) 56 (2005)
Jordan	4.0	6,310	2,660	2.90	38.8	14.2 (2003) 21.3 (1997)	77 (1970) 22 (2005)
Morocco	6.0	5,000	1,900	1.20	39.5	19.0 (1998/99) 13.0 (1991) ⁸	119 (1970) 36 (2005)
Syria	2.6	3,930	1,570	2.58	...	11.39 (2003/4) 14.26 (1996/7)	90 (1970) 14 (2005)
Thailand	4.2	9,140	2,990	0.60	42.0	9.5 (2006) 16.0 (1999) 11.4 (1996)	74 (1970) 18 (2005)
Viet Nam	6.9	3,300	690	1.30	34.4	14.8 (2007)	55 (1970) 16 (2005)

¹ World Bank, World Development Report, 2008. ² World Bank, World Development Report 2008. ³ World Bank, World Development Report 2008. ⁴ From submitted reports. ⁵ UNDP, *Human Development Report 2007-2008*; Indicators, Table 15. ⁶ From submitted reports. ⁷ UNDP; *Human Development Report 2007-2008*; Indicators, Table 10. ⁸ In Annex 1, the Morocco paper document states “In the course of the last 20 years, poverty and vulnerability thresholds have seen a clear improvement. Between 1985 and 2004 absolute poverty was reduced from 12.5 per cent to 7.7 per cent [of the population], and relative poverty from 21 per cent to 14.2 per cent.

Each of the countries recognizes that appropriate education and training are needed in order to enable their citizens to access better remunerated employment and to strengthen their countries’ overall competitiveness in the global economy. The different governments recognize the informal economy as a long-term or permanent reality which has to be addressed constructively rather than a temporary aberration which will disappear with time. For this reason, the informal economy, in which households and workers are most vulnerable and have least access to education, health and social security, is a common concern. The extension of opportunities and social protection to people working in the informal economy is seen as particularly important. At the same time the informal economy is seen both as a safety net, providing livelihoods for workers who are unable to find employment in the formal sector, and an obstacle to economic and social progress, hindering positive engagement with global economy.

2. Decent Work overview

This section sets out in summary form the issues identified by national governments, the ILO and the UN Development Assistance Frameworks (UNDAF) and agreed priorities for action under Decent Work programmes. Four countries, India, Jordan, Syria and Viet Nam, have Decent Work programmes agreed or under discussion with the ILO. Morocco's earlier Decent Work programme took the form of a pilot project focused on the garment and textile industry in 2002-2005, and a second Decent Work programme is now in preparation. Thailand does not have a current agreement with the ILO but is working within a UN Partnership Framework (UNPAF) rather than a UN Development Assistance Framework (UNDAF).

2.1. India and Decent Work

Despite the rapid and sustained growth of the Indian economy in recent years and impressive advances in poverty reduction, 92 per cent of the workforce works in the informal economy. For this reason the Decent Work proposals concentrate entirely on the issues of upgrading support for and extending social protection to the informal sector.

2.2. Jordan and Decent Work

Jordan is a small, highly urbanized country, largely dependent on services. With a declining but still high birth rate, Jordan has the challenge of finding work every year for 50,000 new entrants to the labour market, a number which will grow in coming years. One of the major priorities of the Jordanian government's National Agenda, launched in November 2005, is job creation and skill development.

2.3. Morocco and Decent Work

Morocco has had moderate economic growth since 2000. The country faces the following problems: high unemployment (9.7 per cent on a national level), but particularly high rates for young people and graduates. The formation and qualifications provided by the higher education system do not fit large numbers of graduates for the world of work in a modern economy; rural poverty with nearly a quarter of the rural population living below the poverty line; a swollen informal economy; and a large and predominantly poor rural population.

2.4. Syria and Decent Work

Syria, like Jordan, has a high though slowing rate of population growth, faces the issues of youth unemployment, the challenge of absorbing 300,000 new entrants to the labour market every year, low female participation in the labour force, ineffective labour market institutions and a wasteful system of social protection. The informal sector has grown in recent years and child labour is also thought to have increased.

Syria's Decent Work Country Programme (2008-2010), agreed in February 2008, concluded that

“...the existing social security system needs to be adapted to the new economic reforms in order to guarantee future financial sustainability. A further challenge is the extension of social security to the ‘excluded majority’ in the rural sector and the informal economy. A

combination of policy instruments is needed: unemployment benefits for formal sector workers, public works and a minimum benefit package for all workers, including those in the informal economy.”¹

2.5. Thailand and Decent Work

Thailand has enjoyed strong economic growth in recent years which has brought the poverty rate down to 9.5 per cent. The target for the current tenth National Development Plan (2007-2011) is to reduce the poverty rate to 4 per cent. Thailand has a large informal sector, accounting for 60 per cent of the work force in 2007, which includes 10-11 million self-employed workers, mostly in commerce and agriculture and unpaid family workers.

Thailand does not have a current agreement with the ILO but is working within a UN Partnership Framework (UNPAF). Thailand’s Decent Work Country Program (DWCP), currently in preparation, will prioritize access to social protection for workers in the informal economy, including small farmers and agricultural workers, and sub-contracted and migrant workers.

2.6. Viet Nam and Decent Work

Viet Nam has experienced strong economic growth since 1990, averaging over 7 per cent per year, but this has not been reflected in the growth in employment, which has fluctuated between 2 and 2.5 per cent over the period. At the same time Viet Nam has made significant social progress, bringing down rates of infant mortality, increasing life expectancy, and increasing education enrolment rates. In terms of employment, Viet Nam faces the dual challenge of providing opportunities and work for over one million new entrants to the labour market every year as well as for the already jobless and those who are being made redundant by the dismantling of the state-enterprises sector.

The National Cooperation Framework on Promoting Decent Work in Viet Nam 2006-2010, based on the ILO’s strategies on Decent Work, sets out the following priorities:

1. the development of the labour market and the strengthening of labour institutions;
2. employment creation and poverty alleviation;
3. the extension of social security and occupational safety and health to the wider population;
4. supportive policies for the most vulnerable workers.

Common concerns for the six countries are:

- the informal economy and lack of social protection for people working within it and therefore the need to devise ways of extending social protection to the informal economy;
- the need for appropriate education and skills training at all levels to provide access to good quality employment and their importance for international competitiveness and the economy as a whole;

¹ Syrian Arab Republic, Decent Work Country Programme 2008-2010, February 2008, p. 16.

-
- the importance of efficient and effective labour market institutions for the two-way challenge of matching skills and qualifications to employment;
 - the need for gender sensitive approaches and institutions to ensure that women are not disadvantaged in the workforce.

3. Demographic factors

All six countries are experiencing slowing population growth and increasing life expectancy, reflected in dramatically reduced rates of infant mortality and larger numbers of older people. These trends are not uniform across countries – rural areas, for instance, have higher fertility rates than urban areas.

Birth rates are falling in all countries but this is a comparatively recent phenomenon and in some countries, particularly Jordan and Syria, they are still high. The consequence is that for the next decade or even longer there will be large numbers of young new entrants to the labour market, the majority of whom will not be able to find work in the formal sector. The possible exception to this is Thailand. The specific challenge of youth unemployment is mentioned in five of the six papers.

At the same time the number of people living beyond retirement age is increasing. Many of these will remain economically active, especially in the informal economy, but the numbers of those who are unable to work and who have no social insurance will also grow. This will begin to strain both informal safety nets and social assistance budgets of governments and other official bodies while, in the formal sector, pensions systems will come under strain as greater numbers of older people draw pensions systems and claim other benefits.

Table 2. Population, population growth and life expectancy

	Population (millions)	Rate of population Growth - % per year	Life expectancy at birth	Total fertility rate ¹ (births per woman)
India	1,095 (2005)	1.5 (2005)	63.6 (2005)	5.3 (1970-75)
		2.0 (1975-2000)		3.1 (2000-05)
Jordan	5.71 (2006 est.)	2.9 (2000-2005)	63.7 (1980-85)	7.8 (1970-75)
		5.9 (early 1990s)	71.3 (2000-05)	3.5 (2000-05)
Morocco	30.6 (2006 est.)	1.34 (1994-2006)	67.9 (1994)	6.9 (1970-75)
		2.1 (1982-1994)	72.8 (2006)	2.5 (2000-05)
Syria	10.37 (2006 est.)	2.5 (1995-2000) ²	67.9 (1994)	7.5 (1970-75)
		3.7 (1980-1985)	72.8 (2006)	3.5 (2000-05)
Thailand	64.3 (2005)	0.72 (2008)	60.5 (1970s)	5.0 (1970-75)
		2.65 (1970s)	72.9 (2005-10)	1.8 (2000-05)
Viet Nam ³	85.0 (2005)	1.3 (2005-15 projection)	73.7 (2005)	6.7 (1970-75)
		1.9 (1975-2000)		2.3 (2000-05)

¹ UNDP HDR, op. cit., Table 5. ² Population growth increased sharply in 2000-2005 to 2.7 per cent a year as a consequence of a large refugee influx. ³ UNDP HDR, op. cit., Table 5.

The changes in population structure resulting from increases in life expectancy and, for most countries, comparatively recent falls in total fertility rates, mean that they are experiencing higher old age dependency ratios and lower youth dependency ratios combined with large numbers of young people (over 15 years of age) currently entering the labour market. While the reduced youth dependency ratio is seen as a “demographic dividend”, the benefits will only be fully realized insofar as new entrants to the labour market are able to access high quality jobs and are therefore able themselves to contribute

to social protection both through their own contributions to social security funds and directly to their own family members.

Given the lack of social protection for old age, there is a high proportion of the over-60s in the work force in developing countries, rising to 70 or 80 per cent in some sub-Saharan African countries, but still around 50 per cent in middle-income countries.

India expects 10 million new entrants to the labour force each year; Jordan – 50,000; Morocco – 400,000; Syria – 300,000; Thailand – 800,000; Viet Nam – 1.3 million. In Jordan, moreover, the workforce is projected to grow even faster in the future – about 4 per cent per year within 10 years.²

² European Training Foundation (ETF): Technical and vocational Education in Jordan: Areas for Development Cooperation. Report prepared for the European Commission in Amman, February 2006. Quoted in *ILO Decent Work Country Programme; Hashemite Kingdom of Jordan*; August 2006. p. 3.

4. Labour market, skills and unemployment

In addition to creating jobs for new entrants to the labour market, jobs have to be found for people of working age who are currently unemployed or underemployed. Although the formal sector provides the dynamism which has enabled these countries to achieve moderate or high rates of economic growth, it absorbs only a small proportion of new entrants to the work force and, in terms of employment, grows more slowly than the rate of growth of the economy as a whole. There is no one reason for this but a combination of factors – the formal sector tends to use capital- rather than labour-intensive technologies; for many job seekers the specific skills needed by employers in the formal sector are a serious obstacle in their search for employment; secondary school leavers and university graduates find that their qualifications, especially in humanities disciplines, often do not match the requirements of employers; and there is a growing ‘informalization’ of the formal sector as a consequence of increasing use by business of outsourcing and contract working.

As a consequence, despite its relative lack of dynamism, the number of workers in the informal economy is growing more quickly than in the formal sector. In reality, the informal economy performs the important function of acting an employment ‘safety net’ for the majority of the workforce.

Governments of the six countries in this study are aware of these trends and are keen to reform and improve their labour market institutions and educational and training systems in order to match the skills of young people to the needs of employers.

In *India* unemployment is running at 7.2 per cent. Between 1999-2000 and 2004-05 total employment in the economy increased from 397 to 458 million. India’s high growth rates have not created large numbers of new, high quality jobs, so all this increase has been in the informal sector which accounts for 395 million workers. The proportion of non-agricultural workers in the informal sector grew from 32 to 36 per cent between 1999-2000 and 2004-05.

Labour force participation rates for men are high in both the urban and rural sectors, running at well over 90 per cent for most age groups, but women’s participation is low, half that of men in the rural sector, and even lower in urban employment, running at around 23 per cent for the 20-59 age group.

In *Jordan*, despite improved economic performance in recent years, unemployment remains obstinately high and stood at 15.7 per cent in 2006. The Jordan paper suggests that young people emerging from the educational system do not have the skills now required by employers:

“... labour demand, both locally and regionally, has been shifting towards more educated participants.” One of the objectives of the National Agenda is that “Jordanians will be prepared for lifelong learning and will work progressively in higher-value added occupations.” This will be accomplished by “raising the employability of the work force and provision of training based on market needs ... and increasing employment of the disabled and women and formalizing the informal economy.”³

³ ILO Decent Work Country Programme; Hashemite Kingdom of Jordan; August 2006. Page 5.

In **Morocco**, nationally the rate of unemployment is 9.7 per cent but this rises to 15.5 per cent in urban areas (2006). The paper notes high rates of unemployment for young people: 31.7 per cent for the 15-24 age group and 21.2 per cent for 25-34 age group in urban areas in 2006. Overall the 15-34 age group accounted for 80 per cent of all urban unemployment in 2006.⁴

High unemployment is blamed on the country's modest rate of economic growth and also on the failure of the education system to prepare young people for the world of work. "General education has been privileged at the expense of professional and technical training. This preference for higher education has led to a shortage of intermediate skills." Graduate unemployment is an indicator of a mismatch between the educational system and the productive economy. As in other Middle East and North African countries, women's participation in the labour market is low (28.4 per cent in 2004, up from 21.5 per cent in 2004) and women's rates of unemployment for women are higher than those of men.

In **Syria** "... high unemployment rates have been one of the features that characterized the Syrian labour market. The most recent figure estimated it at 14.8 percent of the labour force for 2003, with significantly higher rates for female participants estimated at 28.3 percent of the female labour force, compared with 9 percent of the male labour force." In addition the highest unemployment rates are those of young people with secondary education (10.5 per cent male and 42.5 per cent female). The difference between the male and female rates of unemployment is ascribed to the fact that traditional urban employment for women is in administration, health and education, which require post-secondary education.

Unemployment in **Thailand** is currently about 2 per cent (2002-2007) and is not seen as a problem. Indeed, it is significantly lower than the average for OECD countries. However, concern for the future dynamism of the Thai economy means that the current Tenth National Development Plan calls, among other things, for "expanding the skilled, secondary and tertiary labour forces; increasing and distributing knowledge centres in the productive sector and in communities; increasing labour productivity, by using and improving communities' know-how for local development."

Unemployment in **Viet Nam** has been falling steadily from 6.9 per cent in 1998 to its present level (2007) of 4.64 per cent. As well as the growing size of the labour force in Viet Nam (45.6 million, with 1.3 million new entrants every year), the big challenge is its low quality. The proportion of educated and trained workers in the labour force has increased rapidly from 21 per cent in 2003 to 30 per cent in 2007 but this is still too far below the 2010 target of 40 per cent. The quality of the training which is provided is also important: there is currently an imbalance between vocational training and college/university education, with the consequence that there is a shortage of highly skilled workers and an over-supply of students and graduates and many young people have been forced to accept jobs which do not match their educational attainments.

There is a high overall rate of female participation in the labour market (85 per cent) but this hides significant differences between male and female employment. Only 24 per cent of women are in waged employment, compared to 39 per cent of men, which is an indicator of lower rates of employment in the formal sector. Girls tend to leave school earlier than boys and, in general women are less skilled than men. As a consequence women mostly do unskilled work, in difficult working conditions, with low productivity and wages, mainly in agriculture, the informal sector and self-employment.

⁴ The 2006 rate of unemployment rate for urban youth, 15-24 yrs old, was 31.7 per cent; for 25-34 yrs age group it was 21.2 per cent.

Finally, the paper notes that “insufficient attention has been given to the role of labour market institutions, resulting in weak labour market institutions and enforcement and limited social dialogue.”

Table 3. Male and female labour market participation rates

	Total labour force	Male participation (%)	Female participation (%)
India	457,000,000		34.0 (2005 - from HDR) ¹
Jordan	1,911,000 (2006)	79.9	29.9
Morocco	11,000,000 (2006)	76.4	27.2
Syria	6,400,000	92.0 (approx)	40.5
Thailand	37,000,000	89.0	72.0
Viet Nam	45,600,000 (2006)		72.2 (2005 - from HDR) ²

¹ UNDP Human Development Report 2007/08 – Indicators: Table 31: Female Economic Activity 2005. ² UNDP Human Development Report 2007/08 – Indicators: Table 31: Female Economic Activity 2005.

This section brings together the themes of demographic growth, unemployment, education and the labour market. All six countries, with the exception of Thailand, highlight the issue of youth unemployment. This is seen as a consequence of the large numbers of young people entering the labour force each year; of the failure of education and training institutions to prepare them for the world of work; and of the failure of labour market institutions to match the needs of employers and of people seeking work, especially those who are seeking work for the first time.

All six countries recognize that investing in the knowledge and skills of their workforce is essential to being able to respond successfully to the continuing challenge of globalization. Some countries will have to look critically at academic traditions and disciplines which are increasingly out of step with the demands of the labour market. Jordan, Morocco, India and Viet Nam talk explicitly about a mismatch between education and training systems and the productive economy.

In all six countries the rates of female participation in the labour force are lower than those of men. In Jordan, Morocco and Syria, however, the gap between men and women is wide, with participation rates for men being more than twice that of women, rising to three times in Morocco. The gap tends to be wider in cities with men dominating in the formal economy and in waged labour in general. In Syria, for example, “... almost two out of three working females and one out of two working males in rural areas are unpaid or self-employed (compared with one out of nine and one out of three, for urban working female and male, respectively).” In Jordan, Morocco and Syria, women with secondary and tertiary education experience much greater difficulty in finding work than their male counterparts and this is reflected in much higher unemployment rates. It appears that employers in some countries discriminate against young female jobseekers because they would have to meet the additional costs of maternity if their employees became pregnant. In India, Thailand and Viet Nam where the majority of the population is still rural, overall female participation rates are higher because a high proportion of women work in agriculture as unpaid family labourers or casual labour.

5. Macro-economic context

Globalization and the liberalization of international trade are a unifying theme for all six countries – but at the same time there are significant differences between them. All six countries have enjoyed moderate to high rates of economic growth in recent years. Manufactured exports from the formal sector of the economy are a key element in the growth of India, Jordan, Morocco, Thailand and Viet Nam. The first priority for governments is to maintain and enhance the competitiveness of this sector and they are considering ways to achieve this directly through education and labour market reforms and indirectly through health expenditure. Natural resources play an important but diminishing role in the economies of Morocco and Syria. In each country, with the exception of Jordan, under-capitalized smallholdings coexist with modern agriculture supplying domestic or foreign markets. Remittances from citizens working in other countries are significant for Jordan (16.9 per cent of GDP in 2005), Morocco (9.5 per cent of GDP in 2007); Viet Nam (7.9 per cent of GDP in 2006), Syria (2.3 per cent of GDP in 2006) and India (2.8 per cent of GDP in 2006). All these figures are underestimates since a significant proportion of remittances are sent through unofficial channels and are not recorded.

5.1. India

The Indian economy has witnessed impressive and steady economic growth in recent years, which is expected to continue. The structure of the economy has undergone significant changes during the past two decades, with an increasing share of trade and services, declining share of agriculture and progressive trade liberalization. Agriculture contributes only 18 per cent of GDP and its growth has not kept pace with other sectors of the Indian economy. Since agriculture provides livelihoods for two thirds of India's population, this relative decline will have a direct impact on rural households, especially those of agricultural labourers. Unemployment among agricultural workers has increased sharply, from 9.5 per cent in 1993-94 to 15.3 per cent in 2004-05.

As a consequence of high levels of government borrowing, there is little fiscal space for the investments and recurrent expenditures, such as skills training, that are needed to provide gainful employment to the working age population. The allocation to the social sector was expected to be only 8.6 per cent of total expenditure in 2008-09. The paper comments: "In other words, the inclusive growth emphasized in the 11th Five Year Plan is not visible in terms of the actual allocation of the government's expenditure. Hence, how to create more fiscal space, as well as allocating resources efficiently, are fundamental challenges for India."

5.2. Jordan

The Jordanian economy is dominated by services (70 per cent of GDP) but efforts are being made to shift towards export led growth. Jordan has created new export processing zones (Qualified Industrial Zones - QIZs) which have increased exports from USD 150 million in 2001 to USD 1,396.8 million in 2006, accounting for more than a third of domestic exports.

Remittances, mainly from Jordanians working in the Gulf region, play an important part in the economy, and were estimated at 16.9 per cent of GDP in 2005. Foreign aid is also

important, accounting for about 5.5 per cent of GDP.⁵ Employment in the QIZs is dominated by foreign workers, mostly from Asia, who make up 66 per cent of their workforce.⁶

5.3. Morocco

The Moroccan economy has grown at an average rate of 5 per cent a year since 2001. GDP per head is USD 4,959 (2006).⁷ Savings are running at 26 per cent of GDP thanks mainly to remittances from Moroccans working abroad, totalling USD 5,454 million in 2006, 9.5 per cent of GDP.⁸ Inflation is moderate to low as is external indebtedness.

Morocco is the world's biggest exporter of phosphates which accounts for one third of Moroccan exports. The textile and clothing industry is responsible for 28 per cent of GDP and employs 200,000 workers (42 per cent of the industrial workforce) of whom more than 70 per cent are women. At the same time Morocco is diversifying its industrial base with investments in chemicals, paper, electronics and information technology. Tourism accounts for 7.8 per cent of GDP.

5.4. Syria

Syria is in the process of moving from a centralized, state-controlled to a social market economy and is developing the policy instruments and the institutions needed to facilitate this. For instance, Syria's Decent Work Country Programme points to the need for thorough reform of the country's employment services which are failing both job-seekers and employers.

The Syrian economy grew at just under 5 per cent year from 2004 to 2006, recovering from a period of low growth (less than 2 per cent a year) between 1999 and 2003, resulting from regional factors and a sharp fall in oil production which still accounts for 24 per cent of GDP. Oil's share of GDP is projected to fall to less than 12 per cent by 2015 and Syria will become a net oil importer by 2010-2015. The proceeds from net oil exports will swing from a surplus of 3.5 per cent of GDP (2006) to deficit of 10 per cent in 2015. The fall in receipts from oil is a threat to the future stability of the government's budget.

It also observes that "Social protection and social safety nets to protect the vulnerable are not targeting the needed population. The existing social safety net is costly and inefficient. It cannot manage the poverty risks deriving from the country's economic transition process. It is recognized that reforms and the reduction or elimination of subsidies on goods and services may affect some segments of the population adversely, especially in the short-term. The social security system, which is the oldest in the Arab region and which covers public and private sector employees for pensions and work injury, is facing severe

⁵ No year given in paper for this. According to HDR 2007/08, foreign aid to Jordan was 4.9 per cent of GDP in 2005.

⁶ ILO Decent Work Country Programme; Hashemite Kingdom of Jordan; August 2006, p. 4.

⁷ The World Bank figure for GNI (PPP equivalent) , not GDP per head, in 2006 is \$5,000.

⁸ World Bank, Migration and Remittances Factbook 2008, available at:
<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:21352016~isCURL:Y~menuPK:3145470~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html>

challenges that will compromise its medium-term viability. Any reform needs to address the current short comings but also to take into account the country's transformation from a central market economy to a social market economy.”⁹

5.5. Thailand

Thailand has already been identified as a successful, high-growth economy. The paper points out that government expenditure, currently running at 17.5 per cent of GDP (up from 15.3 per cent before the crisis of 1997/8), is below the OECD average. The Thai government customarily runs a budget surplus. The structure of government expenditure has changed in recent years: before the crisis half of government spending was capital expenditure was spent on infrastructure – now (2003) it has declined to 17 per cent, while subsidies and transfers have risen from under 10 per cent in 1996 to 24 per cent. Over the past 30 years Thailand has moved from being predominantly agricultural to an economy in which industry accounts for approximately 40 per cent of GDP and commerce and services a further 38 per cent.

5.6. Viet Nam

The economy has been growing strongly since 1997, averaging GDP growth 6.8 per cent annual growth from 1997 to 2004 and is currently growing at over 8 per cent a year. The government of Viet Nam has reaffirmed its commitment to economic liberalization and international integration.

The structure of the economy is changing: the proportion of the workforce employed in agriculture decreased from 73 per cent in 1990 to 54.6 per cent in 2007, while the proportion employed in industry and services has increased over the same period, from 11.2 to 19.6 per cent for industry and from 15.7 to 25.9 per cent for services. Employment in state-owned enterprises represented only 9 per cent in 2007 compared with 11.6 per cent in 1990.

Viet Nam's strong export-led growth has attracted foreign investment has led to a growth in the money supply and has fuelled inflation which in early 2008 was now running at over 12 per cent a year. As a consequence the government has announced a stabilization package involving cuts in government expenditure and stopping inefficient public investment projects, postponing new ones and allowing greater flexibility in the exchange rate. The high rate of inflation has had an impact on real wages which had also been growing strongly since 2000.

⁹ Syria Decent Work Country Programme – February 2008, p.3.

6. The formal economy, agriculture and the informal economy

In all six countries with the exception of Jordan and Syria, a substantial proportion of the workforce is occupied in agriculture. At the same time agriculture makes a relatively small contribution to GDP and rural dwellers are poorer, sometimes much poorer, than their urban counterparts. This constitutes a challenge for poverty reduction and for proposals to extend social protection to the rural population, which accounts for a significant proportion of employment in the informal economy. Only in Syria, where agriculture is heavily subsidized, is its contribution to GDP greater than the proportion of the workforce occupied in agriculture. In all countries the informal sector has an important urban dimension, correspondingly greater in the more urbanized countries such as Jordan, Morocco and Syria. Table 4 gives an indication of the difference in poverty levels between the urban and rural sectors and Table 5 shows the proportion of the labour force occupied in agriculture and the proportion of GDP generated by agriculture.

Table 4. Rural and urban populations and poverty rates¹⁰

	India	Jordan	Morocco	Syria	Thailand	Viet Nam
Total population ¹	1,110,000,000	6,000,000	30,000,000	19,000,000	65,000,000	84,000,000
Urban (%) ¹	28.5	81.9	58.0	50.5	32.1	26
Urban population ¹	316,350,000	4,914,000	17,400,000	9,595,000	20,865,000	21,840,000
Urban poverty rate	17.5 ²	12.9 ³	7.9 ⁴	8.0 ⁵	4.86 ⁶	7.7 ⁷
No. of urban poor	55,361,250 ²	633,906 ³	1,374,600 ⁴	767,600 ⁵	1,014,040 ⁶	1,680,000 ⁷
Rural (%) ¹	71.5	18.1	42.0	49.5	67.9	74.0
Rural population ¹	793,650,000	1,086,000	12,600,000	9,405,000	44,135,000	62,160,000
Rural poverty rate	23 ²	18.7 ³	22.0 ⁴	15.0 ⁵	14.26 ⁶	24.3 ⁷
No. of rural poor	182,539,500 ²	203,082 ³	2,772,000 ⁴	1,410,750 ⁵	6,293,650 ⁶	15,120,000 ⁷

¹ Population figures for 2006 – World Bank, World Development Report 2008. Table 1 Urban and rural populations 2003– World Bank, World Development Report 2008. Table A1. ² India: A Case Study – ILO/EU/India/R.37: Total poverty (extremely poor + poor). Page 16. India: division of poverty between urban and rural: “approx. 75 per cent of poor are in rural areas” (preliminary draft – DWCP India – page 1). ³ Jordan: A Case Study: ILO/EU/Jordan/R.13: page 14. ⁴ Morocco: OIT/EU/Maroc/R.27: Rural and urban poverty rates, page 40. ⁵ Syria: rural and urban poverty rates calculated from bar chart Figure 6.1.1 page 32. ⁶ Thailand: “Poverty in Thailand” - Knowledge Management and Poverty Reduction Policy Unit, Community Economic Development and Income Distribution Office, Office of the National Economic and Social Development Board. Socio Economic Survey, NSO, Compiled by NESDB – 2004. Page 3. ⁷ Viet Nam; ILO/EU/Viet Nam/R.33; page 8: “77 per cent of the population and 90 per cent of the poor currently live in rural areas and 70 per cent of income comes from agricultural activities.” Page 21: “About 17 million people (20 per cent of the population) are poor.” Rural and urban poverty rates calculated on basis of above statements and WDR population figures.

¹⁰ Please note that these statistics are necessarily very approximate. They are shown in order to illustrate the very large difference between the rates of rural and urban poverty and the numbers involved.

Table 5. Labour force and GDP by sectors

	Labour force (millions)	Agriculture	Industry		Services		
		Labour force ¹ (%)	GDP (2006) ² (%)	Labour force (%)	GDP (2006) ³ (%)	Labour force (%)	GDP (2006) ³ (%)
India	516,400,000	60.0	18	12.0	28	28.0 (2003)	55
Jordan	3,441,000	5.0	3	12.5	32	82.5 (2001 est)	68
Morocco	11,050,000	40.0	17	15.0	29	45.0 (2003 est)	54
Syria	5,462,000	19.2	25	14.5	33	66.3 (2006 est)	42
Thailand*	37,122,000	41.8	10	20.4	46	37.8	44
Viet Nam**	45,600,000	54.6	21	19.6	41	25.9	38

* Thailand labour force data are contained in the Thailand paper. Based on Labour Force Survey, Quarter 3, 2007. Industry category is industry + construction.

** Viet Nam labour force data are contained in the Viet Nam paper.

¹ Labour force data 2007 from CFB for India, Jordan, Morocco and Syria. ² World Bank, World Development Report 2008. ³ CFB.

In **India**, of the total employed population of 457 million (the total workforce may be as high as 516 million), ¹¹, 395 million are in the “unorganized sector”. Agriculture provides livelihoods for two thirds of India’s population, employing 253 million people. For this reason India’s Decent Work efforts are directed towards the informal sector. The paper recognizes “the need to provide adequate and reliable social security to unorganized sector workers as an entitlement and that, further, there is a need to shift the focus from employment-based social security benefits to universal provision.”

Jordan is highly urbanized, with 78 per cent of the population classified as urban and 38 per cent concentrated in the capital city, Amman. Agriculture plays only a small part in the economy, accounting for 3.5 per cent of GDP and 5.0 per cent of the labour force. ¹² There are no data on the size of the informal economy but it is likely to be substantial. “As much as 94 per cent of the private sector has 4 or fewer workers. It is estimated that the number of persons employed in these micro enterprises account for 46 per cent of total private sector employment ...” ¹³ Only 42 per cent of the labour force is covered by the Jordanian social security system. ¹⁴

In **Morocco**, agriculture accounts for 14.5 per cent of GDP but employs 43.3 per cent of the workforce. People working in agriculture make up 57 per cent of the poor in Morocco. The paper says “[The informal economy] allows for a certain flexibility with regard to assets and remuneration of labour because reward margins can [easily] be reduced and family labour and apprentices, paid little or nothing, can be mobilized. The informal economy acts as a palliative for unemployment in an environment of crisis in which the state and the modern sector offer ever fewer possibilities of employment.”

In **Syria**, around 40 per cent of the work force works in the informal economy which is said to be growing and expanding. Agriculture is an important and strategic sector,

¹¹ CFB.

¹² CFB.

¹³ ILO Decent Work Country Programme; Hashemite Kingdom of Jordan; August 2006, p. 4.

¹⁴ *ibid.* p 3.

employing 19.2 per cent of the labour force and contributing 23.6 per cent of GDP. Key agricultural sectors, cereals and cotton, are subsidized.

In *Thailand*, in 2007, agriculture employed 15.5 million people, 42.8 per cent of the total work force of 37 million but accounted for just 8 per cent of GDP. Overall, the informal sector employed between 20 and 22.5 million of whom between 6 and 7 million were unpaid family workers.

In *Viet Nam*, the expanding informal economy and the micro-enterprise sector provide jobs and incomes but often at the expense of working conditions, wages, social security and the general quality of the work they create.” About 50 per cent of the whole economically active population in Viet Nam works in the informal economy which has 7–8 million workers. It is estimated that 70 per cent of the female workforce are employed in the informal sector. The paper makes the important point that the informal economy provides additional income for many people, such as teachers and service workers, whose formal employment does not enable them to support their families. Bringing informal workers into the framework of social protection is seen as essential for sustainability.

7. Social protection

In each of the six countries coverage of existing social security schemes is restricted to the formal economy and is incomplete in terms of the categories of employees who are covered, in terms of the contingencies which are covered and in terms of the quality of the benefits to which the insured are entitled. In each country the systems provide a patchwork of different schemes introduced at different times for different categories of employee. In the informal economy workers have to rely on extended family networks, small NGO-run schemes and government-funded social assistance programmes which are very limited in terms of their scope and provision. Table 6 shows that only a proportion – not more than two thirds – of the employees in the formal economy are covered by social security and only a minority of the total workforce.

Table 6. Proportion of workforce covered by social security

	% formal economy workforce covered by social security	% total workforce covered by social security
India	66	9
Jordan	56 (est)	42
Morocco	60.1	23.4
Syria	28 (est)	21.5
Thailand	64.8	29.8
Viet Nam	63	25

Old age and disability pensions: in Jordan, Morocco and Syria old age pensions are funded solely by employees and employers, whereas in Thailand the state makes an important contribution to pension funds. The long-term solvency of old age pension schemes is threatened in some cases (Jordan and Morocco) by contributions at their present rate not keeping pace with future pension obligations. Moreover, the solvency of contributory schemes will be at risk if governments are not successful in reducing rates of unemployment generally, but especially in introducing reforms in education and labour institutions in order to facilitate the integration of the expected large numbers of new entrants into good quality employment. The unpalatable alternatives would be to introduce a level of government subsidy into contributions (which would further bias social security in favour of relatively well-off formal sector employees) or to raise contributions to high (and unacceptable) levels.

Both India and Viet Nam call for the inclusion in social insurance schemes of people working outside the formal economy.

Health: formal sector employees are for the most part covered by employee- and employer-financed insurance schemes for injury and sickness. The quality of coverage varies from scheme to scheme. Syria and Thailand have universal government-funded health systems. Where coverage has been extended to non-insured persons, as in Thailand and Morocco, treatment regimes are inferior in quality to those available to people covered by insurance. In Jordan and Syria out-of-pocket expenditure for health, made by poor as well as richer citizens, accounts for a substantial proportion of total health expenditure, 39 per cent and 50 per cent respectively. The health insurance system in Viet Nam is heavily subsidized by the government but is not designed as a universal health care system and this threatens its long term financial sustainability.

In all countries social assistance schemes are seen as patchy and poorly targeted, reaching only a fraction of those who would be potentially eligible. Their outreach is determined

more by the budget available than consistent criteria based on objective assessments of need. As a consequence social assistance budgets are very small in relation to the needs which they are intended to address. Some examples in five of the six countries of the small budgets assigned to social assistance and of limited impact are provided in Table 7. While subsidies have a real impact on poverty, they are a notoriously expensive and inaccurate way of providing social assistance. Syria, with subsidies for food and fuel provides an extreme example of the cost and inefficiency of subsidies.

Table 7. Some examples of social assistance budgets and schemes

India	there are 7 million non-contributory beneficiaries of the old age pension scheme, each receiving the equivalent of US\$8 a month (2005/06)
Jordan	in 2006, the National Assistance Fund, the body charged with delivering social assistance to the poorest, received 0.52 per cent of the national budget
Morocco	cost of public works (providing work for the unemployed) – 0.2 per cent GDP; cash transfers – 0.1 per cent GDP; food subsidies – 1.6 per cent GDP ¹
Thailand	social assistance expenditure in 2000 was 0.26 per cent of GDP ²
Viet Nam	government expenditure on social assistance is 05 per cent of GDP ³

¹ Michal Rutkowski; *Challenges for Social Protection in the MENA region* (World Bank – Yemen Social Protection Workshop, Sana'a, May 14-16, 2006), http://info.worldbank.org/etools/docs/library/234257/YemenSocial_per_cent20protectionMichal.pdf ² Suwattana Thadaniti; *Urban Poverty and Social Safety Nets in Thailand* – <http://www.eadn.org/reports/urbanweb/u06.pdf> ³ Baulch, B.; J. Wood and A. Weber (2005). *Developing a social protection index for committed poverty reduction in Asia*, mimeo, Brighton: Institute of Development Studies

In all countries, with the exception of Syria, with its massive expenditure on food and fuel subsidies, social assistance represents a tiny proportion of government budget, and only a small share of total expenditure on social protection. These findings from the six countries under review are supplemented by further evidence from other studies covering Latin America and additional Asian countries.

8. A Minimum Package of Social Security Benefits

The Minimum Package consists of the following four elements:

1. Universal guarantee of access to basic health benefits.
2. Guaranteed income security for all children through family/child benefits aimed to facilitate access to basic social services: education, health, housing.
3. Guaranteed access to basic means tested/self targeting social assistance for the poor and unemployed in active age groups.
4. Guaranteed income security for people in old age, invalidity and survivors through basic pensions.¹⁵

The case for the Minimum Package is made on the basis that basic social security provision, besides being recognized as a human right, is effective in reducing poverty, delivers tangible social and economic benefits to the countries implementing it, and is affordable. In other words, it addresses the deficiencies set out at length in the six country studies.

There is plentiful evidence to show that implementing the Minimum Package will not create disincentives to work but will supplement and reinforce the poor in their efforts to provide for their own families and to participate productively in their countries' economies. Old age pensions have particular multiplier effects in that they are often invested in the nutrition, health and schooling of grandchildren; they support older people in meeting the costs of caring for children in high HIV prevalence countries; they assist those of job seeking age in looking for work; they have multiplier effects in local economies; and they relieve some of the costs of households which include older family members.

The Minimum Package is flexible because it does not impose a fixed prescription on each country. It includes all four components but these can be put in place over time. As income rises, thresholds, categories and levels of service can also rise. Two of the six countries in this study, Syria and Thailand, already provide a universal health service, while Morocco is moving in that direction. Universal education is not a component of the Minimum Package but clearly is a fundamental building block for development and growth. The component about which there is least consensus is that of guaranteed income.

Elements of the Minimum Package are affordable even in the poorest countries: in Senegal a basic old age and disability pension of 70 per cent of the value of the food poverty line would cost the equivalent of 1.2 per cent of GDP in 2006 values. A child benefit for children of school age would be 2.1 per cent of GDP. For Tanzania the equivalent figures are 1.1 per cent of GDP for the old age pension and 2.1 per cent of GDP for the child allowance.¹⁶ Such figures must be set against the wasteful expenditure seen in the six country studies which frequently skews benefits in favour of the non-poor and even the

¹⁵ M. Cichon (Social Security Department, ILO); *Building the case for a Global Social Floor*; Presentation, New York, 7 February 2008.

¹⁶ F. Gassman and C. Behrendt, *Cash benefits in low-income countries: simulating the effects on poverty reduction for Senegal and Tanzania*. ILO – Issues in Social Protection, Discussion Paper 15; August 2006. p.20.

well off. This is expenditure which, if used more efficiently, could deliver far greater social benefits.

Examples of different components now operating in other countries deliver proven nutritional, health, educational and economic benefits. They do not create welfare dependency. The Minimum Package is a foundation for building more inclusive, cohesive and less conflict-prone societies.

Governments accept the reality and permanence of the informal economy; are dissatisfied with the most wasteful and inefficient aspects of their current social security systems; and wish to extend social security to people working within the informal economy. Social assistance programmes already in place pursue similar objectives but are wasteful and badly targeted.

The six countries have already made or are making many key social sector investments and are budgeting for the necessary recurrent expenditures, especially in health, which is a key component of the Minimum Package. The incremental cost of social grants (old age pensions, disability and child allowances) may be relatively small, especially if they were accompanied by the reform or elimination of some of the more wasteful and costly schemes now in place. This official dissatisfaction with existing programmes provides an opportunity for the staged introduction of social security systems which, by guaranteeing a very basic income to all, have been shown to have much wider societal benefits.

George Gelber

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