

STRUCTURAL ADJUSTMENT, COMPETITIVENESS, AND WOMEN'S EMPLOYMENT IN THE MIDDLE EAST AND NORTH AFRICA (MENA)

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Introduction

Since the early 1980s the majority of countries in the MENA region, facing severe foreign exchange shortages, have had to adopt policies directed toward stabilization and structural adjustment of their economies. New development strategies based on greater market orientation, trade liberalization and reduction of centralized state controls are being implemented at varying degrees amongst all the countries in the region. As a consequence, the question of employment generation and conditions of work in general, as well as those specific to women's employment, are closely tied to the nature of the adjustment policies being implemented and their success in bringing about the structural changes necessary for the resumption of investment and output growth in the economy. I argue that attention to gender is indispensable to an understanding of the evolution of labor markets in the MENA region, and that increasing women's labor-force participation in non-agricultural occupations is key to the success of structural adjustment and to the international competitiveness of MENA countries.

Approaches to Women and Structural Adjustment

The dominant analytical framework in the existing literature on female employment and adjustment consists of a mapping between the structural changes which structural adjustment is supposed to bring about in the economy and the nature of gender segregation in the labor market of the economy in question. The framework is shared by feminist economists (e.g., Elson; Palmer; Stewart) and by conventional economists (e.g., Collier; Haddad, et.al). In the conventional approach, the adjustment policies by changing relative prices and removing quantitative restrictions are supposed to lead to a restructuring of the economy towards the expansion of the traded-goods sectors and a simultaneous squeeze on

the non-traded goods sectors, thus reinstating internal and external equilibrium and providing the conditions for the sustainable growth of the economy. Women workers can be adversely affected by the adjustment program if they are initially concentrated in the non-traded sectors, and/or due to labor-market segmentation along gender lines there are barriers to their mobility across the sectors. Depending on their initial distribution across the sectors, women laborers can also be adversely affected during the transition period irrespective of the constraints on their mobility. For example, if women are initially concentrated in the non-traded goods sectors such as social and community services, they would be adversely affected in the transition period when the non-traded goods sectors are being squeezed and resources being shifted to traded goods sectors. In addition, if there are barriers to their moving into new export-oriented traded goods sectors, the deterioration of real wages and conditions of work for women can be prolonged and even persist in the final equilibrium when the economy has fully adjusted to the relative price changes resulting from the liberalization program. Another example is that if women are concentrated in the lower rungs of the occupational ladder in state-owned enterprises undergoing restructuring, the result could be greater redundancies among women relative to men.

The lack of mobility of female labor resulting from discriminatory practices can also have debilitating effects for the effectiveness of the adjustment program. However, since labor shortages do not seem to be a major constraint on the growth of traded-goods sectors in the developing countries, this latter effect is less emphasized in the literature. It is more the adverse effects of the adjustment programs on female labor under the conditions of limited mobility, that has formed the main object of empirical research in this field.

The feminist approach has included elements of the above but has tended to concentrate on the functions of women within the family, the implications of intrahousehold inequalities, and the likely effects of the adjustment program on women in their reproductive role rather than their role as direct laborers. If the adjustment program leads to cuts in government social expenditures on health, education and other social services, to increases in the price of food, or a squeeze on real household income, this could intensify women's work within the household, and force them to engage in income-generating activities to supplement the household budget. Feminist economists also point out that structural adjustment can adversely affect the access of girls to education within poor households. This effect can be further strengthened if adjustment policy also leads to increased need for adult women to work outside home, e.g., in commercial agriculture, hence increasing the need for younger girls to attend to domestic work.

The feminist and conventional approaches have formed the main analytical bases for most of the empirical investigations of the impact of adjustment on women. Two criticisms of them may be made. Firstly, women's role in the labor market and discriminatory practices against them are themselves subject to transformation depending on the strategy of development and the patterns of structural change in the economy. Secondly, the participation of women and their position in the formal labor market can have crucial implications for the success of the structural adjustment program in the first place. Such implications in the conventional literature have been discussed in terms of possible inefficiencies that the lack

of mobility of women can create in the final post-adjustment equilibrium situation. These inefficiencies, however, are not significant enough to endanger the adjustment program, and hence gender issues remain marginal to the workings of the adjustment process according to the conventional view. This view is particularly reinforced in the case of the Middle East and North Africa (MENA) region by the fact that, as noted above, labor shortages do not seem to be a major constraint on the growth of the traded-goods sectors.

It would be helpful to recall the processes whereby the adjustment program according to the conventional view is believed to restore the growth of the economy on a sustainable basis. As noted above, relative price changes resulting from the liberalization program are the central mechanisms of structural change and the restoration of sustainable growth in the economy. One of the critical relative prices in the economy whose behavior is central to the adjustment program is the real wage. Given the production inefficiencies in the MENA region economies, combined with the role of women within the patriarchal social and family structures in the region, there may not exist a real wage which could restore competitiveness while at the same time maintaining the traditional role of women in the economy.

Required Adjustments in the MENA Region

The MENA countries achieved high rates of growth of GDP and rapid structural change during the 1960s and the 1970s. During these two decades the MENA region exhibited some of the fastest rates of growth in the world economy. This applied to output growth rates in all the main sectors of the economy in almost all the individual countries in the region as well as the average growth rates for the region as a whole. Rapid rates of growth of oil and other primary commodity exports constituted the engine of growth during these years. The availability of ample foreign exchange revenues in this way allowed strong import-substitution industrialization policies to be followed by the governments which led to fast rates of growth of industrial investment and output in the economies in the region. Major investments were undertaken in industry and agriculture in all the economies in the region in this period, and the overall growth of investment and the growth of traded goods such as industry and agriculture in this period were amongst the highest in the world economy. The major problems which came to haunt the economies of the region in the post oil boom era were rather associated with the production inefficiencies which resulted from the inward orientation of the industrialization strategy. With the end of the oil era from the early 1980s, the productive assets which were created during the earlier period became a liability, in the sense of being a considerable net foreign-exchange drain with high recurrent import requirements and without being competitive enough to export.

The other important factor facilitating the rapid industrial growth of the 1960s and 1970s was the availability of abundant supply of labor in the region. During the early 1960s, in the MENA region as a whole, more than 60 per cent of the labor force was engaged in the agricultural sector. Though by 1980 substantial changes in the structure of employment had taken place, the share of the agricultural labor force in the region as a whole was still as high as 45 per cent. The relatively large shift of labor out of the agricultural sector together with high natural rates of growth of population, ensured an abundant supply of labor force during

the high growth period of the 1960s and the 1970s decades. The MENA region exhibits the highest rates of growth of labor force amongst the developing countries. Combined with the rapid shift of surplus labor out of the agricultural sector, this has implied rates of growth of labor supply for the non-agricultural sector of above 5 to 6 per cent per annum in most of the countries in the region.

During the oil boom years, the high rates of investment and rapid rates of growth in the MENA region ensured a sufficient rate of growth of employment to prevent mounting unemployment and underemployment of labor. The remarkable degree of mobility of (male) labor across the different countries in the MENA region also ensured the availability of labor for the small oil surplus economies as well as alleviating the mismatches between the supply and demand for different types of labor within individual countries. With the end of this period of rapid growth, in the post-oil boom era, labor demand has lagged behind the fast rates of increase in labor supply, giving rise to growing unemployment and underemployment of labor.

A further important structural feature of the MENA economies, inherited from the experience of rapid growth and structural change during the oil boom era, is that the quality of the labor force in terms of skills, training, and education is well below that implied by the level of income and structure of production in these economies. While in terms of per capita income levels and the structure of output and employment most of the MENA region countries by the early 1980s fell within the category of the World Bank's middle income country grouping, and many belonged to the higher middle income bracket, in terms of the educational attainment of the adult population the region seems to lag far behind the middle income countries. The rate of adult illiteracy in the MENA region is more than twice as high as the average for the middle income countries, and indeed it is even well below the average for the low income countries. Adult illiteracy amongst the female population is particularly high in the MENA region by any standards. Given that the larger share of the labor force in the MENA region are either engaged in traditional agriculture or are first generation migrants from the rural areas, and considering the young age structure of the labor force, the existing stock of industrial skills in these economies is likely to be relatively even lower than that suggested by the data on the rates of illiteracy amongst the adult population.

The level of skills and industrial know-how in the MENA economies should be considered relative to the level of incomes that such skills are required to sustain, and in comparison to relative skill/income levels in other developing countries. This is particularly important in the post oil boom era, when the MENA economies have had to develop alternative sources of foreign exchange earnings by developing non-oil exports in competition with other newly industrializing countries. A comparison with Asian countries in this respect would be instructive. Up to the late 1970s the MENA economies managed to sustain relatively high per capita income levels, well above the average for the newly industrializing countries in Asia and East Asia. With the end of the oil era, however, these rapid rates of growth were no longer sustainable. In the ensuing period, the MENA economies developed substantial external and internal imbalances, and per capita incomes have been following a long declining trend. By the early 1990s, East Asia had surpassed the MENA region in per

capita income terms and Asia as a whole had considerably narrowed its income gap. Of course the different MENA economies have varied in terms of the timing and the intensity of economic retrogression in the post oil era. Iran, Iraq, Syria, Jordan, Egypt and Algeria have witnessed declining per capita incomes since the early 1980s. Tunisia, Turkey and Morocco have shown moderate growth rates, but even in these countries the trend growth rates are well below those achieved in the earlier periods. Moreover, there has been a remarkable collapse of the investment process in these economies as compared to the earlier periods.

By now almost all MENA region countries have taken far-reaching measures to restructure their economies, render them more competitive and create the conditions for the resumption of investment and growth in an outward-oriented environment. International competitiveness and growth of non-oil exports is central to any successful structural adjustment in the economies of the region in post oil era. The relatively low levels of skills and industrial efficiency in the region may imply that a pre-requisite for this is some degree of real wage reduction in the region which has been already taking place. Since beyond a certain limit real wage reductions can be counterproductive, in the sense of exacerbating production inefficiencies and discouraging private investment by creating social tension and uncertainty, the success of the adjustment program crucially depends on the ability to improve competitiveness without undue pressures on the standard of living of the workers. Such an adjustment process is therefore much more complex than a mere shift of labor between the non-traded and the traded goods sectors which a real devaluation of the exchange rate or sufficient reduction in real wages could bring about.

Two basic issues need to be addressed. The first one relates to the build-up of skills through education and training and the improvement of the productive efficiency within the economic sectors, particularly those of industry and agriculture. Improved competitiveness resulting from efficiency gains within the traded goods sectors, especially in non-traditional manufacturing, is necessary for the resumption of growth without exacerbating the external imbalances which have emerged in the post oil boom economies in the region. The second essential requirement is the resumption of investment growth in the region at a rate which would be adequate to address the problems of growing unemployment and underemployment of labor and the inadequacies of human capital formation. The resources made available through efficiency gains, as well as lower real wage and consumption levels, may help to finance the required rates of investment growth. However, depending on the level of industrial development and the existing capital stock in the economy, external finance may be needed to a higher or lesser degree to supplement domestic resources in order to achieve an adequate rate of investment in the different economies. Though labor-market flexibility can play an important role in the process of structural adjustment, to rely 'excessively' on real wage reductions and casualization of labor can hinder this process by reducing work effort and learning, alleviating the pressure on the firms to improve efficiency, and reducing investment incentives.

The role of women's employment in the adjustment process should be viewed in relation to these complex processes rather than the possible barriers to the mobility of women between the traded and the non-traded goods sectors. In particular, women's role in the

economy and society is closely related to real wage determination and can particularly play an important part in the determination of what is deemed as 'excessive' real wage compression in the adjustment process.

Competitiveness and Women's Labor-Force Participation

As Val Moghadam shows in various studies and in a forthcoming book, an important feature of the labor markets in the MENA countries, with the exception of Tunisia and Morocco, is the extremely low rates of female labor-force participation in the non-agricultural activities and in salaried employment. The share of female workers in the total workforce in all the non-agricultural activities, and particularly in paid employment, is much below those in the East Asia, where women's share of non-agricultural employment is about 40 per cent. The share of unpaid family labor is relatively high, although most of this is in agriculture. It also appears that the trends of female participation in non-agriculture in the MENA region are either stagnant or declining (except in Morocco and Tunisia), in contrast with the rapidly increasing trends in the East Asia. The decline in this share in the case of Iran since the early 1980s particularly stands out. The data suggest that while in the case of East Asian countries the majority of non-agricultural workers belong to families with two breadwinners, in the case of the MENA region countries (except Tunisia and Morocco) the majority belong to one wage earner families.

The single-breadwinner phenomenon in the MENA economies is related to the fact that these were relatively high-wage economies, which made the absence of women from market activities and paid employment affordable to the workers. By contrast, in the industrial countries as well as in East Asia, given the consumption norms, a single wage earner family is hardly sustainable. The MENA region economies during the oil era seem to have locked themselves into family structures which do not conform to the stage of their development. In the post-oil boom era, however, and with the deterioration of real wages, female non-participation inefficient. Thus, increasing women's participation in the labor force and encouraging the creation of two-income earning families, is the key to successful structural change in the region.