United Nations
Economic Commission for Africa

Labour markets in North Africa: structural challenges, the impact of coronavirus disease (COVID-19), and a roadmap for the post-COVID-19 period

A.21-00540

Acknowledgements

The present report, entitled “Labour markets in North Africa: structural challenges, the impact of coronavirus disease (COVID-19), and a roadmap for the post-COVID-19 period”, was commissioned by the Economic Commission for Africa (ECA) Subregional Office for North Africa. It was written by Aomar Ibourk, a professor at Cadi Ayyad University, Marrakech, Morocco and a consultant at the Subregional Office, under the supervision of Khaled Hussein, interim Director of the Subregional Office for North Africa. The study was coordinated by Amal Elbeshbishi, Head of the Employment and Skills for Balanced Development Section at the Subregional Office and was drafted in the light of the discussions, outcomes, and recommendations of a webinar entitled “Labour Markets in North Africa: structural challenges, COVID-19 impact and roadmap to cope with post COVID-19”, convened by the Subregional Office in Rabat on 23 February 2021.

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Summary

The COVID-19 pandemic has affected labour markets in the North Africa subregion in a variety of ways and through several mechanisms. All countries in the subregion have imposed restrictions on production inputs and on domestic and international trade.

The various measures enacted coupled with uncertainties as to how long the health crisis will continue have disrupted labour markets in the North Africa subregion, severely affecting domestic and external economic paradigms in certain sectors. Domestically, local supply chains, overall business activity, and attitudes toward risk and investment have been particularly affected, with repercussions on hours worked, wages and worker benefits. In the absence of adequate social safety nets, there has been an impact on consumer spending and savings. Economic shocks have, moreover, affected supply and demand in international markets, and thus payments for exports and imports of finished goods for final consumption and of semi-finished goods for intermediate use. Tourism and business travel have also collapsed. Below we provide an overview of the numerous ways in which the economic shocks stemming from the COVID-19 pandemic have affected the economy.

The vulnerability of markets in the subregion therefore depends on their exposure to the various shocks outlined above. That exposure depends, in principle on numerous factors. These include production and employment patterns, the quality of jobs (as expressed as the proportion of vulnerable jobs and jobs in the informal economy and the share of low-paid work and workers on permanent contracts), and the capacity of governments to provide relief to businesses and workers, particularly in the event of income losses that can increase their vulnerability and reduce them to poverty.

An assessment of the impact on various business sectors, as defined by the International Labour Organization (ILO), shows that the sectors most affected have been those that rely on the mobility of people, gatherings of individuals, and/or procurement (and delivery) links within global value chains.

Economic sectors such as agriculture and the food industry should not be directly affected by COVID-19, as restrictions are not usually placed on their activities. Nonetheless, indirect repercussions, including increased costs, are envisaged. As for shipping and fisheries, restrictions and reduced international demand could have a significant impact on production and employment. The risk for the financial and insurance sectors and for extractive industries is likely to remain modest over the medium term, although prices may remain low, potentially affecting growth in resource-rich countries such as Algeria. Risks are particularly low in the public sector, the education sector, and especially in the health and social services spheres.

A review of the countries of the subregion, again using the sectoral classification framework developed by ILO, reveals that approximately half of production and growth in the countries in the subregion is generated in high-risk or medium-to-high-risk sectors. Indeed, high-risk and medium-to-high-risk sectors generate a substantial proportion of value added (between 40 per cent and just over half). On the other hand, 30 per cent or a third of value added is generated by low-risk sectors, including agriculture and extractive industries (some of which are vulnerable to price shocks, such as is the case with hydrocarbon sector in Algeria). “Core” sectors such as public administration, education, and health contribute about 10 per cent of value added in Egypt, Mauritania, and Morocco, approximately one fifth in Algeria and Tunisia, and only 5 per cent in the Sudan.

Given these sectoral profiles and uncertainties regarding domestic and external demand, a number of experts expect growth rates in the subregion to decline. With the exception of Egypt, where economic activity appears to have improved somewhat in recent months after a 1.7 per cent year-on-year contraction in the second quarter, forecasts are sharply negative for all countries in the subregion. In that regard, the overall increase in non-oil private sector activity, the relatively few numbers of new COVID-19 cases, and ongoing government spending are likely to spur an increase in business activity in Egypt in the third and fourth quarters of this year.

In Algeria, the economy has been negatively affected by pandemic-induced restrictions coupled with a fall in oil revenues. This has undermined public finances and the government spending. In August and September, oil production was at its lowest level in two decades.

In Morocco, the economy contracted by nearly 15 per cent in the second quarter and 9 per cent in the third quarter on an annual basis due to the underperformance of agriculture (agricultural output is, however, expected to increase in the second half of the year), ongoing contractions in the industrial and service sectors, and a tourism sector that has been severely hit by the crisis. This underperformance could be exacerbated a sense of mistrust and a wait-and-see attitude.

In Tunisia, the economy was severely affected by a sharp pandemic-induced contraction in activity in the second quarter. The tourism sector was also hit hard while the mining and energy sectors suffered significant repercussions as a result of the slowdown in demand in international markets. Domestic demand has also fallen drastically.

In the Sudan, real gross domestic product (GDP) fell by some 2.5 per cent in 2019, as a result in a slowdown in the services sector and falling investment in real estate and business services. GDP was expected to contract by a further 8.4 per cent in 2020 due to weak domestic consumption and investment, including in the private sector as a result of political uncertainty and a weak business environment. This has dampened confidence and productivity in manufacturing and construction, and negatively affected agriculture because of a shortage of inputs.

In Mauritania, the economy is expected to contract by some 3.2 per cent according to data provided by the International Monetary Fund (IMF). That forecast stems from the Mauritanian authorities' downward revision of planned public investment for 2020, from 10.6 per cent to 7.7 per cent of GDP. Economic growth has also been affected by the contraction in global demand for iron and copper, which has reduced revenues in addition to foreign direct investment inflows, which are expected to fall by third, with only $594 million instead of the anticipated $937 million likely to be received.

At the same time, the pandemic has created a series of challenges for subregional labour markets. It has hit business activity hard, destroyed jobs, and highlighted the social costs associated with the low quality of a significant proportion of jobs. In addition to job losses, which have mainly been in high-risk and medium-to-high-risk sectors, the pandemic has helped draw attention to the vulnerability of certain sectors of the population within subregional labour markets and has reduced many of them to poverty and exacerbated their marginalization.

Based on the ILO classification, high- and medium-to-high risk sectors account for 60 per cent of jobs in Tunisia, around half of employment in Algeria and Egypt (54 per cent and 53 per cent, respectively), 47 per cent in Mauritania, 33 per cent in Morocco, and 44 per cent in the Sudan. Trade, which has been severely affected by the restrictions and falling demand in the Arab subregion, provides a large share of employment, accounting from between 13 per cent of jobs in Egypt to some 16 per cent in Mauritania and Algeria. Employment in industry in Tunisia is concentrated in manufacturing, which accounted for some 19 per cent of jobs in 2019. In the other countries, manufacturing provides around 10 per cent of jobs and, in Algeria, is dominated by manufacturing linked to the hydrocarbon ecosystem. Transport, accommodation and catering make up a significant proportion of the service sector in subregional economies and account for 12 per cent of employment in Tunisia, 11 per cent in Egypt and the Sudan, 8 per cent in Mauritania and Algeria, and 5 per cent in Morocco.

Official figures also suggest improvements in the labour market in Egypt, with an unemployment rate of around 8.3 per cent in 2020, down from 8.6 per cent in 2019, in parallel with economic growth of around 3.5 per cent. In Algeria, the unemployment rate is expected to exceed 14 per cent in 2020, up from 11.3 per cent in 2019. An increase in the unemployment rate to 14.1 per cent in 2020 and a worsening to 14.3 per cent in 2021 are expected. The Algerian National Employment Agency reported a drastic decline in the demand for and supply of jobs between January 2019 and April 2020. Demand fell from 87,104 to 8,579 jobs, while job offers fell from 45,348 to a mere 5,423. A survey conducted by the Ministry of Labour on the impact of the COVID-19 pandemic revealed that some 50,000 jobs had been lost either temporarily or permanently. In Morocco, IMF expects the unemployment rate to rise in 2020 to approximately 12.5 per cent, up from 9.2 per cent in 2019. An indication of the situation was provided by the High Commission for Planning, which has reported that, overall, some 600,000 jobs (including 300 salaried jobs) were lost between the second quarter of 2019 and the second quarter of the current year, equivalent to some 5 per cent of jobs but to more than half of the hours worked in the non-agricultural sectors of the economy. More than 360,000 of those in employment are actually underemployed, while some 1,482,000 Moroccans are currently unemployed. Tunisia estimates that some 200,000 jobs have been lost during the current health crisis. According to the National Institute of Statistics, the unemployment rate, which rose from 15 to 18 per cent in the first half of 2020, could reach 21.6 per cent by year end. The number of unemployed people is therefore expected to increase by about 274,500 over the whole of 2020. In the Sudan, the pandemic is, as mentioned earlier, expected to undermine economic growth and the jobs market, with growth expected to contract by more than 8 per cent and unemployment expected to rise to 25 per cent in 2020, up from 22.1 per cent in 2019. No significant improvement in that situation is expected over the next few years.

Young people, women and individuals on low pay are those considered most at risk from the expected increase in unemployment across the subregion. Indeed, a review of the particular situation of workers and the nature of employment makes clear that women, young people and those in informal employment are disproportionately affected.

As is the case in other parts of the world, young people at risk because they may find it difficult to accumulate human capital because of the imposition of social distancing measures– necessary to limit the spread of COVID-19, but for which the countries of the subregion were ill-prepared. Experts are increasingly concerned about the long-term effects on learning, especially in developing countries, given that they are less well equipped than other countries in terms of technological and communication infrastructure. Young people also face a variety of challenges when seeking to enter the labour force. These include uncertainties about internship and job opportunities, especially for recent graduates, and the risk of layoffs for low-skilled workers, as evidence suggests that, during periods of crisis, businesses tend to lay off low-skilled workers who are unable to contribute specific rather than general human capital. They are also less likely to be covered by social protection mechanisms, particularly in what are known as “atypical forms of employment”, including part-time work, informal sector work, and vulnerable employment. Indeed, a large proportion of young people in North Africa are in so-called vulnerable employment, such as caregiving jobs and self-employment. In Morocco and the Sudan more than 60 per cent of young workers are in such employment, while in Mauritania the figure stands at 53 per cent. In other countries in the subregion, the figure is between 20 and 30 per cent of young people.

Furthermore, women make up a disproportionate share of those working in vulnerable employment. In Egypt 34 per cent of those in vulnerable employment are women, in Mauritania the figure is 68 per cent, in Morocco it is 61 per cent and in the Sudan, it is 65 per cent. The proportion of women in vulnerable employment is relatively low in Algeria (23 per cent) and Tunisia (14 per cent).

In addition to the risk of losing their jobs and of working in “atypical forms of employment”, women are now over-represented in hazardous work, including in sectors that are the first line of defence against the pandemic, namely the health and social outreach sectors. According to figures compiled by ILO, the percentage of women employed in those sectors far exceeds the proportion of women in employment at the national level, In Algeria, for example, 31 per cent of those jobs are held by women, even though they comprise only 10 per cent of the workforce nationally.

Despite the insecure nature of youth and women’s employment, a significant proportion of jobs are “vulnerable” during the present health crisis. Own-account workers and family caregivers account for approximately half of all those employed in Mauritania, Morocco and the Sudan, one third of all those employed in Algeria, and one fifth of all those employed in Egypt and Tunisia. Those workers tend to earn low incomes and are rarely covered by social protection mechanisms. They are therefore highly vulnerable and at high risk of being reduced to poverty if they lose their jobs and incomes.

Furthermore, a significant proportion of those in employment earn less than $5.50/day (at purchasing power parity (PPP)). Some 50 per cent of workers are classified as poor and vulnerable in Egypt, Morocco, and the Sudan. That percentage drops to approximately 20 per cent in Algeria and Mauritania, and to less than 10 per cent in Tunisia. This is a significant challenge in times of crisis as only some 38.4 per cent of formal sector workers in North Africa are covered by unemployment insurance schemes, and only three countries have established mandatory public social insurance or social assistance schemes, namely Algeria Egypt and Morocco. In those three countries, between one and two thirds of workers are covered by unemployment insurance and social assistance schemes. In Tunisia, only social assistance is provided.

An immediate consequence of this combination of low social coverage and growing inequality, as highlighted by a fall in median income, is, potentially, an increase in poverty and vulnerability levels. According to estimates formulated for the subregion by World Institute for Development Economics Research (UNU/WIDER), poverty is expected to rise by some 0.8 per cent on average (assuming a uniform increase in poverty rates across the Middle East and North Africa) as a result of a 5 per cent contraction in per capita income (or consumption). As a consequence, the proportion of people living below the $1.90/day threshold in the Middle East and North Africa will reach approximately 8 per cent, with 3 million people reduced to extreme poverty, 9 million people falling below the $3.20/day threshold, and 16 million falling below the $5.50/day threshold.

A number of strategies have been implemented in the light of these developments with a view to mitigating the impact of COVID-19 in North Africa. In principle, those strategies are cyclical in nature and aim to protect people's health and lives and support business and demand, including social protection measures. However, those strategies should be carefully tailored to current circumstances. A number of key structural challenges must, moreover, be addressed if countries are to establish productive economies and labour markets capable of creating decent jobs.

The crisis spurred by the COVID-19 pandemic has prompted the adoption of short-term measures to support businesses and social measures to help households, and has also highlighted the need for longer-term structural measures to promote decent jobs and foster the emergence of more resilient economies. The crisis has, moreover, given rise to several macroeconomic risks that must be monitored, including with respect to public finances and fiscal space. Those risks may be reflected in key indicators, including those pertaining to government budgets and countries' domestic and external obligations, but also the overall position of North African economies in global markets.

The health crisis has, moreover, helped draw attention to the need to address a number of structural challenges. Primarily this means accelerating the structural transformation of economies in order to provide an adequate number of high-quality jobs for the millions of people entering labour markets in the subregion every year. Structural transformation is, however, hampered by structural inflexibility, an unfavourable business climate and an inadequately trained labour force, which impedes rapid and inexpensive labour mobility within and among economic sectors.

Structural inflexibility stems, inter alia, from operational challenges impeding the operation of labour markets in the North Africa subregion, in addition to challenges related to excess supply and inadequate economic potential to absorb that excess supply, both in terms of quantity and quality. Indeed, the markets in question fail to match workers with jobs in an efficient and appropriate manner, while institutions and adopted policies fail to promote the efficient allocation of labour, which facilitates quantitative and qualitative gains and maximizes the productive use of human capital.

With few exceptions, such as Mauritania with respect to cooperation in labour-management relations and redundancy costs, or Morocco with respect to flexibility when determining wages, labour markets in North African countries are extremely rigid. As a result, countries have very limited scope to promote more productive and/or emerging economic sectors or to help the workforce adapt to the requirements of new sectors. Given the lack of an effective vocational training and lifelong learning framework, and the provision of moderate unemployment benefits, (which may increase the likelihood that workers will find appropriate employment even though they can, potentially, increasing unemployment rates and the duration of unemployment (Acemoglu and Shimer, 2000)), particularly in the private sector, flexibility in the countries of the subregion remains limited.

As for the efficient allocation of labour and talent, considerable efforts are needed to ensure that labour markets in the North Africa subregion facilitate the accumulation of human capital and the full use of relevant skills. Focus should be placed, inter alia, on the establishment of dual vocational training systems, on strengthening employers' willingness and incentives to provide training to employees, and on strengthening women's participation in the labour market

Moving beyond purely labour market issues, a number of challenges and market distortions continue to undermine the overall efficiency of the economies of the North Africa subregion. According to the 2020 Index of Economic Freedom, those challenges affect markets first and foremost, including markets for goods and services, money and capital, but they also have an impact on foreign exchange markets. Indeed, the countries of the subregion are categorized as "mostly unfree" or, more often, "unfree". Algeria is categorized as a "repressed". Only Morocco is classified as a moderately free economy, thanks to the strength of its property rights, and to the degree of business, investment and monetary freedom in the country. Nonetheless, according to data from 2020, the labour market in Morocco, is still categorized as "repressed", and, in that regard, Morocco is among the least free countries. This is illustrated in table 15 in section III of the present report.

With regard to the adoption and use of technology, the economies of the North Africa subregion continue to lag significantly behind other countries. Only Morocco appears to be approaching international standards in terms of the availability of innovative technology and the adoption and transfer of technology at the individual business level. The use of technology is still poorly developed in Mauritania and at early stages of development in the rest of the subregion.

On the other hand, despite the increase in educational attainment among young people in the North Africa subregion, people's basic skills and the quality of vocational training both remain particularly weak.

Gaps in terms of human capital development, in addition to other institutional challenges, the low quality of scientific research institutions, and market failures, together constitute obstacles to innovation, a catalyst for enhanced productivity, competitiveness, and growth. In that regard, innovative capacity and incentives for innovation in the countries of the subregion remain particularly weak and underdeveloped. This is underscored by research and development companies, the nature of the collaboration among industrial stakeholders and universities in research and development, and the priority given to the public procurement of high-tech products.

COVID-19 has thus given rise to number of challenges, but also useful lessons regarding labour markets in North Africa. First and foremost, a number of health challenges could have a long-term impact on human capital. Another risk is posed by the sharp fall in the number of jobs available in certain sectors, which is likely to exacerbate the vulnerability of certain groups, including young people, women, and those in low-paid jobs and increase the risk that they will be reduced to poverty. A structural challenge is to be able to create sufficient numbers of high-quality jobs to meet growing labour market demand. Another challenge is posed by the need to manage the economy when the private sector remains weak, there is growing pressure on the balance of payments of countries, and there is limited scope for leveraging financial resources to address the labour market crisis and promote development. Lastly, action is needed to prepare for innovative technological developments and the emergence of new business models. Steps must be taken to bridge the gap between the supply of, and the demand for, training and skills, and to encourage lifelong learning. Otherwise, it will prove impossible to seize the opportunities offered by the fourth industrial revolution, as they can only be fully exploited with access to and through the application of technology, including, in particular, cutting-edge technologies, which remain rare in North Africa as a result of infrastructure constraints and the limited capacity of populations to use those technologies effectively.

Background

As a result of the crisis stemming from the COVID-19 pandemic, the global economy has contracted to levels not witnessed since the Second World War. This has exacerbated the challenges faced by a global economy that was already struggling to recover from the 2008 financial crisis. Indeed, in its most recent forecasts, the United Nations Department of Economic and Social Affairs (DESA), estimates that the global economy will contract by 3.2 per cent in 2020, with only a timid recovery expected the following year. Beyond its impact on human health (in terms of increased morbidity and mortality), COVID-19 continues to severely affect the global economy as a direct result of lower economic activity due to containment measures and movement restrictions, and indirectly through disruptions of global value chains (which account for nearly half of global trade) in a highly interconnected global economy.

The United Nations foresees growth in the North Africa subregion falling to -1.8 per cent in 2020, a reduction of more than 5.4 percentage points from the previous forecast issued in January of that year.[1]

According to the Department of Economic and Social Affairs, in a worst-case scenario, North African economies will contract by 5.4 per cent in 2020, while in a best-case scenario, North Africa will grow by just 0.3 per cent.

The consequence will be a significant increase in underemployment and unemployment. As of April 2020, partial lockdowns have affected nearly 2.7 billion workers, or about 81 per cent of the global workforce (ILO, 2020). Indeed, according to global estimates issued by ILO on 1 April, working hours would decline by 6.7 per cent in the second quarter of 2020, equivalent to 195 million full-time workers. As many as 5 million full-time equivalent jobs could be lost in North Africa in 2020.

In social terms, the loss of jobs and income is expected have the greatest impact on those who are particularly vulnerable, namely those working in the informal sector, low-skilled, low-paid workers, young people and women, thereby exacerbating inequality throughout the North Africa subregion. Workers in the informal sector have seen their incomes fall as a result of containment measures. This has left millions of families destitute and dependent on public financial support. For example, 4.3 million Moroccan households are eligible for financial support from the recently established Special Fund for the Management and Response to COVID-19.

COVID-19 has further aggravated the critical employment situation in the North Africa subregion. The subregion already has a high structural unemployment rate, (which, according to ILO estimates, stood at 11.8 per cent in 2019), one of the lowest employment-to-population ratios on the continent (41.3 per cent, compared to a continental average of 59.3 per cent in 2017), low labour market participation, particularly for women, and one of the highest youth unemployment rates in the world. According to ILO, the youth unemployment rate in North Africa in 2017 was 29.5 per cent, compared to a global average of 13 per cent. Furthermore, the gap between male and female unemployment rates remains high across the entire subregion, for both adults and young people, with female youth unemployment standing at some 41 per cent. Economic growth and the investments in production during the decade starting in 2010

[1] This baseline scenario is based on two assumptions: firstly, that containment measures will significantly slow the spread of the virus by the end of the second quarter; and secondly, that most countries will begin to reopen their economies gradually after an initial period of four to eight weeks, while implementing some form of social distancing.

were insufficient to fully absorb inflows into the labour market. The private sector remains underdeveloped and the capacity of the public sector to meet demand for employment is limited due to budgetary constraints.

In addition, as in other subregions of the continent, a large proportion of workers are in precarious employment, characterized primarily by the predominance of informal settlements, low incomes, and low levels of social protection. This situation is critical because North Africa is the African subregion that will experience the fastest rate of population aging. The share of the population over 60 years old is expected to double in just over 20 years in the subregion, which will pose significant challenges with regard to the provision of basic social services.

Furthermore, North African countries deprive themselves of a large part of their human resources because of the low participation of women in the economy. The ratio of women's participation rate to the participation rate for men shows the extent to which women participate in the economy and therefore their degree of financial autonomy. That ratio for North Africa is among the lowest in the world, and recent trends suggest that the situation is unlikely to improve in the near future.

There are also territorial inequalities within each country in the North Africa subregion in terms of the incidence of poverty and the creation of decent jobs. This stems from regional development schemes that are often very unbalanced, to the detriment of rural and inland areas.

In that context, the Subregional Office for North Africa is undertaking an analysis of the impact of COVID-19 on employment in North Africa and formulating a roadmap for the post-COVID-19 period. The results of this analysis will provide a factual basis that can be used by governments to design specific public policies in line with that post-COVID-19 roadmap.

Introduction

This paper provides a brief overview of key supply and demand trends in North African labour markets. In particular, it focuses on those trends and shortcomings that have become more pronounced during the pandemic. The paper considers the issue of employment, including with regard to both the quantity and quality of jobs, which will be a key challenge for the North Africa subregion in the years ahead. It also looks at the supply of jobs, which, when considered in tandem with demand dynamics, including growth, job creation and its sectoral drivers, underscores the demographic challenges facing the subregion. A consideration of these issues highlights a number of quantitative and qualitative challenges, including three key imbalances, namely: unemployment, particularly among young people, recent graduates and women; discouragement and inactivity; and the emergence of what may be dubbed a “neither-nor” generation, namely young people who are neither in employment nor in education or training. The paper then considers several aspects of the labour market, production and consumption with a view to identifying some of the root causes of the aforementioned challenges in North African labour markets.

The paper then examines the impact of the pandemic on the economies of the North Africa subregion, particularly in terms of growth and employment, but also in terms of economic oversight, structural reforms and risks to be monitored in the short and medium term.

The analysis of growth will focus on sectoral effects and on disruptions and uncertainties that have influenced the behaviour of resident and non-resident economic agents, particularly business enterprises. As regards the analysis of the impact on those who supply labour, the paper reviews the impact on specific categories of workers, including young people, women and those in low-paid jobs.

With regard to economic oversight, the crisis associated with the COVID-19 pandemic, which has prompted economic measures to support businesses and social measures to help households, has also given rise to a number of macroeconomic risks that must be monitored, including with respect to public finances and fiscal space. Those risks may be reflected in key indicators, including those pertaining to government budgets and countries’ domestic and external obligations, but also the overall position of North African economies in global markets.

The crisis has also highlighted the need for longer-term structural measures to promote decent jobs and foster the emergence of more resilient economies. Four key response priorities are discussed, namely: accelerating growth and ensuring that it promotes economic structural transformation; addressing the challenges posed by human capital, innovation and mismatches; improving the business climate, particularly with regard to access to and mobility of productive inputs; and information systems, which must be restructured as a matter of priority in order to enhance understanding of labour markets and foster skills development in line with current and anticipated business needs.

To that end, this paper comprises three main sections. Section I provides an overview of labour markets within the subregion and the key challenges they face. In Section II, the author assesses the impact of the pandemic on production, jobs and different categories of workers, while in Section III the author sets forth a number of guidelines for the post-COVID-19 period.

I. The labour market in North Africa: key trends and major challenges

This section provides a brief overview of key supply and demand trends in North African labour markets. An analysis of those trends highlights a number of quantitative and qualitative gaps and challenges, including three key imbalances, namely: unemployment, particularly among young people, recent graduates and women; discouragement and inactivity; and the emergence of what may be dubbed a "neither-nor" generation, namely young people who are neither in employment nor in education or training. The paper then considers several aspects of the labour market and of production and consumption, which reveal the shortcomings of certain institutions and current policies, which appear neither to have facilitated the efficient allocation of labour and quantitative and qualitative skills matching, nor increased productivity, or at least the more efficient use of human capital.

1. The labour supply in North Africa

The subregion is in a phase of advanced demographic transition. Naturally, that transition is taking place in tandem with increasing urbanization, growing demands for access to basic social services, including to education and healthcare, and vocal demands within society for decent employment. However, the achievement of those aspirations will not be automatic and depends on countries' capacity to implement reforms to strengthen human capital, in turn boosting labour productivity. In that regard, action must be taken to promote:

- Education and skills acquisition;
- Health and well-being;
- The quality of institutions;
- Youth inclusion;
- The economic integration of women.

An analysis of the supply of labour in North Africa reveals the following key themes:

- A failure to exploit fully the demographic dividend, both quantitatively and qualitatively;
- Demographic trends that mean that the number of job seekers continues to rise;
- An ongoing decline in labour market participation, which remains weak, particularly by women and young people;
- The weak skills sets of job seekers, despite improvements in their qualifications.

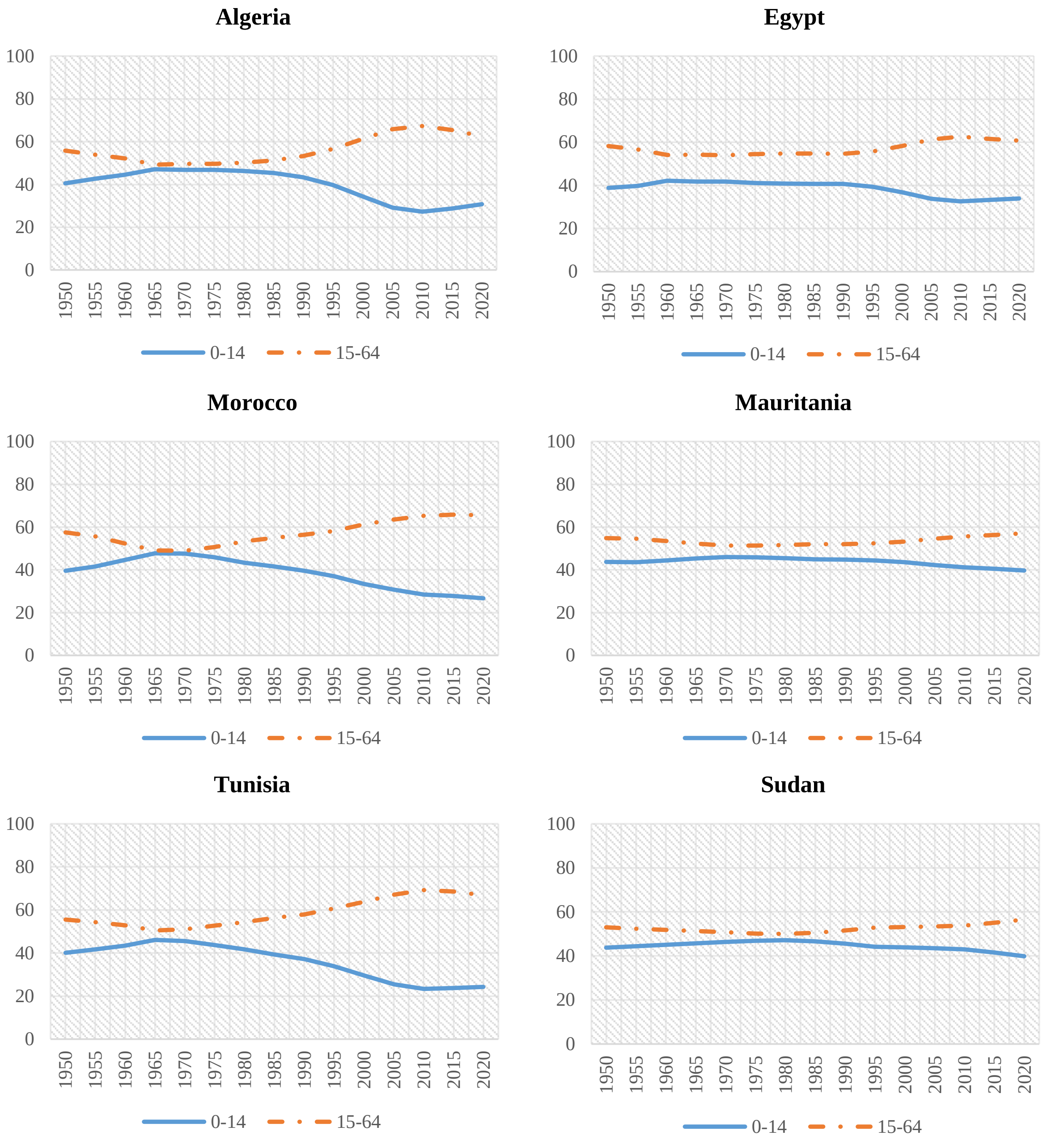
A. Demographic trends that result in an ever-increasing number of job seekers

The North Africa subregion comprises seven countries, namely Algeria, Egypt, Libya, Mauritania, Morocco, the Sudan and Tunisia. Libya is not included in this study. According to data compiled by the United Nations Population Division, the six countries in North Africa considered in this study had a combined population of some 240 million people in 2019. Egypt is the most populous country in the subregion, with a population of more than 100 million people, accounting for some 42 per cent of the subregion's total population. At the other end of the spectrum, Mauritania, with a population of 4.5 million, is the least populous country in the subregion, and accounts for approximately 2 per cent of the population of North Africa. As for the other countries, Tunisia has about 11.7 million inhabitants (5 per cent of the subregion's population), Morocco has a population of some 36.5 million (15 per cent), the Sudan has a population of approximately 42.8 million (18 per cent), and Algeria has a population of some 43 million (18 per cent).

As illustrated in figure 1, persons of working age, namely those between the ages of 15 and 64, account for roughly 60 per cent of the population of the subregion. While the working-age population should be seen as a driving force to promote socioeconomic development, it also exerts significant demographic pressure on the labour market, and is contributing to an increase in the population of job seekers. It is expected that the number of job seekers will continue to rise, as persons under 15 years of age account for between one quarter and two fifths of the population, depending on the country (between 24 per cent in Tunisia and 40 per cent in Mauritania). Moreover, a "youth bulge" will persist for at least two decades (see Annex 1 to the present report), as nearly 17 per cent of the region's population is in the 15–24 age bracket and nearly 25 per cent is between 15 and 30 years of age.

Figure 1

Demographics are fuelling an increase in the numbers of individuals seeking employment: demographic pressures are putting employment challenges front and centre



Source: DESA, 2020.

B. Challenges related to quality of supply, despite improvements in qualifications

Our brief quantitative analysis of job offers in North African labour markets indicates that there is a significant potential for employment in the subregion. There is a risk, however, that that potential will not be fully realized over the coming two decades, in turn fuelling further demand for jobs in the region’s labour markets.

With respect to the quality of the potential labour supply, an initial analysis reveals an improvement in adult literacy over 10 years, with literacy improving to different degrees in the various countries of the subregion. As illustrated in table 1, the adult literacy rate now ranges from 53.5 per cent in Mauritania (2017 data) to 81.4 per cent in Algeria (data from 2018), whereas it previously stood at between 45.5 per cent in Mauritania (according to 2007 data) and 74.3 per cent in Tunisia (2004 data). This trend of improving adult literacy rates is expected to continue, due to improvements among younger members of society in recent years. For example, in 2018, more than 97 per cent of 15 to 24 year olds in Morocco and 73 per cent in the Sudan were literate, compared with only 74 per cent and 60 per cent of adults, respectively.

The improvement in skills related to the supply of jobs offered in North Africa also stems from widespread, positive (but varying) improvements in secondary school enrolment rates. Indeed, since 2001, enrolment rates have increased from 68 per cent to 100 per cent in Algeria, from 83 per cent to 86 per cent in Egypt, from 20 per cent to 32 per cent in Mauritania, from 40 per cent to 80 per cent in Morocco, from 34 per cent to 46 per cent in the Sudan, and from 76 per cent to 93 per cent in Tunisia.

Table 1

Literacy rates among adults and young people (per cent, data as of the year in brackets)

	Algeria	**Egypt**	**Mauritania**	**Morocco**	**Sudan**	**Tunisia**
Adults (15 years of age or above)	69.87 (2001)	67.33 (2005)	45.50 (2007)	52.30 (2004)	53.51 (2008)	74.29 (2004)
	81.40 (2018)	71.16 (2017)	53.49 (2017)	73.75 (2018)	60.69 (2018)	79.03 (2014)
Young people (between 15 and 24 years of age)	97.42 (2018)	88.19 (2017)	63.94 (2017)	97.73 (2018)	73.00 (2018)	96.20 (2014)

Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), 2020.

Although there has been an improvement in skills, the average number of years of schooling remains somewhat limited, as made clear by upper secondary and tertiary education enrolment rates. Those rates remain particularly low in Mauritania and the Sudan. For example, the tertiary enrolment rate is only about 5.6 per cent in Mauritania and 17 per cent in the Sudan. In the other countries of the subregion, the rate is around one-third. At the upper secondary level, the gross enrolment rate is about two thirds in Algeria, Egypt, and Tunisia. It is 55 per cent in Morocco, 40 per cent in the Sudan, and only 21 per cent in Mauritania.

Table 2

Enrolment in secondary and higher education in North Africa (per cent, data as of the year in brackets)

	Algeria	**Egypt**	**Mauritania**	**Morocco**	**Sudan**	**Tunisia**
Gross enrolment rate in higher education (2015)	36.78 (2011)	35.02	5.61	28.40 (2012)	16.91	35.19
Gross enrolment rate in higher education (girls and women)	45.05	34.33	3.73	27.78	17.06	44.07
Gross enrolment rate in secondary education (2015)	62.50 (2011)	67.28	21.50	55.01 (2012)	39.21	77.94
Gross enrolment rate in secondary education (girls)	72.79	66.51	20.01	52.47	40.28	89.79

Source: UNESCO, 2020.

Apart from the fact that enrolment rates tend to decline as children and young adults move from one stage of education to the next, the countries in the region also lag considerably behind countries in other parts of the world in terms of the quality of learning. The Human Capital Index, published by the World Bank, draws attention to that phenomenon. A review of the achievements of North African countries reveals that improvements in the conditions for human capital accumulation, namely improvements in health and education, would facilitate productivity gains and growth in all countries of the subregion. Under current conditions, newborn children would be half as productive as children enjoying reference health and education conditions (a healthy life expectancy of 60 years, some 14 years of education, and a zero learning poverty rate).

Table 3

Human Capital Index for North African countries and learning poverty rates (per cent, data as of the year in brackets)

	Algeria	**Egypt**	**Mauritania**	**Morocco**	**Sudan**	**Tunisia**
Human Capital Index (2020)	0.5	0.5	0.4	0.5	0.4	0.5
Learning poverty rate	68 (2007)	70 (2016)	–	66 (2016)	–	65 (2016)

Source: World Bank, 2020.

Human Capital Index

The Index is formulated on the basis of a standardized measurement of human capital per worker as follows:

$$h_i = e^{\emptyset s_i + \gamma z_i}$$

- h_i : Human capital of individual i
- s_i : years of school of individual i
- z_i : latent health of individual i (mapped against stunting, anticipated survival rate to adulthood)
- $\emptyset, \gamma$: "return" on education and health, respectively

The Index is expressed relative to the benchmark of complete education ($s*$) and full health ($p*$, $z*$):

$$\text{Index} = \frac{p}{p^*} \times e^{\emptyset(s_{NG} - s*)} \times e^{\gamma(z_{NG} - z*)} \text{ (where NG is the next generation of workers)}$$

The Index therefore measures the expected productivity as a future worker of a child born today relative to the benchmark of complete education ($s*$) and full health ($p*$, $z*$) and is expressed as a fraction between 0 and 1.

2. Labour demand in North Africa

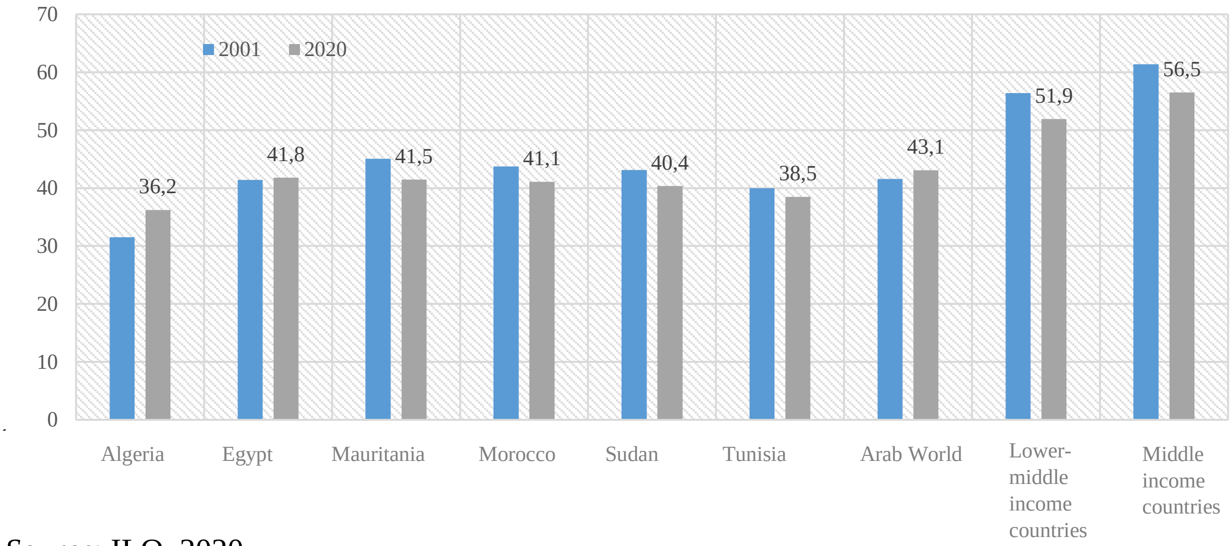
An analysis of labour demand in the North Africa subregion reveals three key findings. The first is that, in the context of the subregion's demographic dividend, demand is not sufficient to absorb the number of job seekers. The second finding is that a high proportion of jobs are of only low quality, as reflected by the job status of the active populations of the countries studied. A third finding concerns productivity, in that there is a concentration of labour in low-productivity sectors.

A. Insufficient numbers of jobs, many of which are of low quality

A review of employment rates between 2000 and 2020 in the countries of the subregion shows that there are an insufficient number of jobs and that the number of jobs is growing at only a modest rate. Employment rates for those aged 15 and over remained practically stable between 2000 and 2020, with only between 36 per cent (Algeria) and 42 per cent (Egypt) of those in that age bracket in employment. Although those rates are comparable to average rates for the Arab region as a whole, they are far lower than the average for lower-middle income countries (52 per cent) and middle income countries (56 per cent). In terms of the working age population (15–64 years), employment rates are significantly different only in the Sudan (50 per cent instead of 40 per cent in 2020). In the other countries, the change is not significant, as at least 90 per cent of the population aged 15 and older forms part of the working age population. (That figure reaches 98 per cent in Tunisia).

Figure 2

Employment rates (percentage of the population aged 15 and over in employment), North African countries, with comparable figures for Arab World, lower-middle income and middle income countries



Source: ILO, 2020.

Aside from the quantitative shortfall in jobs, reflected in low employment rates, many jobs are of low quality, as reflected in high informal sector and vulnerable employment rates. Work in the informal economy is often associated with low income, poverty, and vulnerability (Organization for Economic Cooperation and Development (OECD)/ILO, 2019).[2] In reality, informal jobs account for about 40 per cent of all non-agricultural employment in Algeria,

[2] For further information, see: doi.org/10.1787/939b7bcd-en.

Morocco and Tunisia. Informal jobs account for more than 50 per cent of non-agricultural employment in the other three countries, and the figure is particularly high in the Sudan and Mauritania: in the former, 65 per cent of workers aged between 25 and 54 are employed in the informal sector (ILO, 2014).[3] In Mauritania, the main provider of employment is the informal sector, with more than 63 per cent of the working population in informal jobs (and with more than half of those jobs in the informal non-agricultural sector).

In addition to informality, data show that around half of all jobs in Mauritania, Morocco, and the Sudan are particularly vulnerable, and that women tend to comprise the majority of those in vulnerable employment, except in Algeria and Tunisia.

It should also be noted that social protection is far from universal, and that unemployment protection schemes are very limited in terms of the services and coverage they offer. For example, no unemployment protection programme is mandated by law in the Sudan, while in Algeria, Egypt and Tunisia, unemployment protection programmes only cover between one third and two thirds of the working population, (ILO, 2017).[4]

Table 4

Job quality indicators for North African countries (data as of the year in brackets)

	Informal employment (as a percentage of total non-agricultural employment)	**Percentage of total population covered by social protection systems**	**Vulnerable employment (as a percentage of total employment)**	**Percentage of women in employment who are in vulnerable employment**
Algeria	38 (2014)	64 (2010)	27.05	23.31
Egypt	54	37 (2016)	21.12	34.00
Mauritania	91[5] (2017)	No data available	52.82	68.21
Morocco	40 (2014)	61 (2017)	48.10	61.02
Sudan	77 (2011)	No data available	50.04	64.66
Tunisia	40 (2014)	54 (2017)	20.08	14.45

Source: World Bank (2020) and separate job surveys.

B. Sectoral changes are taking place slowly but are enhancing productivity growth

As stated above, there is a quantitative and qualitative shortfall in labour demand in the countries studied. This section will shed light on the impact of the structure of employment on the productivity and competitiveness of the subregion’s economies, which is an indicator of employment sustainability (World Bank, 2016).[6]

[3] For further information, see: www.ilo.org/wcmsp5/groups/public/- - - africa/- - - ro- abidjan/- - - sro- cairo/documents/publication/wcms_334878.pdf.

[4] For further information, see: www.ilo.org/wcmsp5/groups/public/- - - dgreports/- - - dcomm/- - - publ/documents/publication/wcms_604882.pdf.

[5] This figure refers to those employed in the private non-agricultural sector, according to data provided by the Mauritanian National Statistical Office.

[6] For further information, see: ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/industry-com petitiveness-and-jobs.pdf.

The analysis set out in this section allow us to group the countries in the study into two categories: in the first category, apparent labour productivity has improved steadily, reflecting the mobility of labour toward more productive sectors; in the second category, which includes Algeria, Mauritania, and the Sudan, productivity has stagnated at various times in the period spanning from 1996 to 2019.

In Algeria, labour demand, approximated by the number of actual job matches, is largely in the non-agricultural sector. According to ILO, agriculture contributed only 9 per cent of total employment in 2019 and employment in the agricultural sector has fallen steadily 2000, when some 21 per cent of jobs were in agriculture. That reduction reflects an improvement in productivity in a sector that has seen almost no change in its share of value added (around 10 per cent). Apart from agriculture, comparative data for 2001 make clear that there have been only minor changes in the contributions to employment of the various sectors of the economy. In contrast, the changes observed in terms of value added show a reduction in the share of value added generated by the service sector and an increase in the share generated by industry. The latter has become more productive while productivity in the service sector has deteriorated, inter alia, because of the huge impact of the public administration. Apparent labour productivity has, nevertheless, increased sharply since 2014, whereas it had remained almost stagnant since the early 1990s.

By subsector, the majority of jobs are provided by the manufacturing, public administration, education and health sectors. In 2019, one third of jobs were in public administration, education, and health. Manufacturing is the second largest contributor, accounting for some 11 per cent of employment. This is followed by construction (17 per cent), and then by wholesale trade, the food and beverage industry, and hospitality (15 per cent).

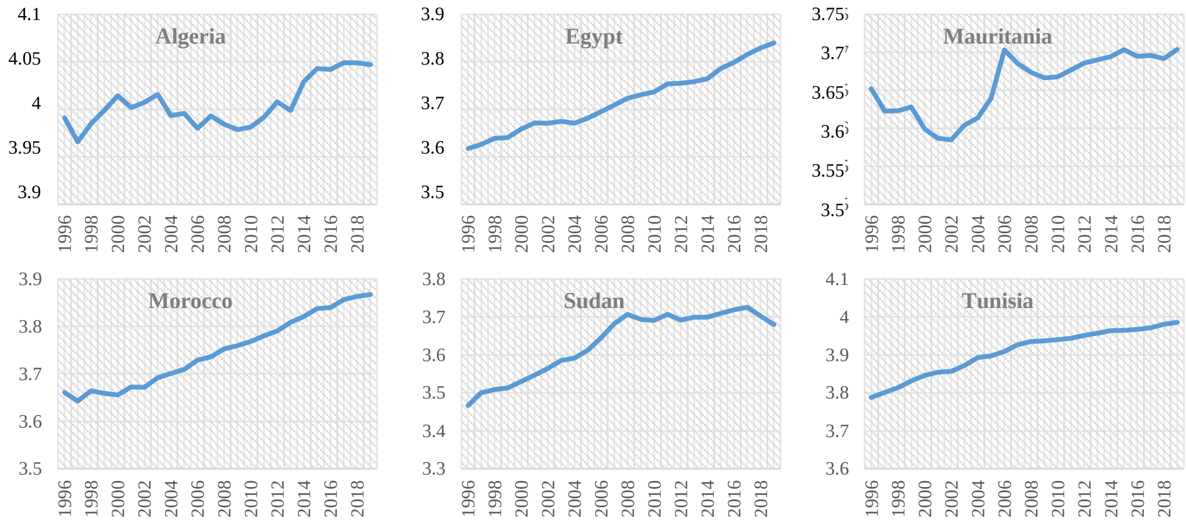
In Mauritania, two main productivity trends are apparent: the first was in the period prior to 2007, during which productivity improved, while the second trend has been apparent in the post-2007 period, during which productivity has remained almost stagnant. Nevertheless, apparent labour productivity increased slightly in Mauritania between 1996 and 2019 (and also between 2001 and 2019).

Despite the changing structure of employment and value added in Mauritania, the majority of jobs are still in agriculture in employment, while most value added is generated in the services sector. Indeed, the contribution of agriculture to employment and of services to value added changed little between 2001 and 2010, while improving productivity were driven by industry (including construction).

In the Sudan, after a period of ongoing improvements that started in 1996, apparent labour productivity has stagnated since 2008. As for trends in employment and value added, improvements have taken place in tandem with an increase in the share of value added generated by industry (while employment in that sector has remained relatively stable at some 14 per cent), and a decline in employment in agriculture, which fell from around 51 per cent to some 40 per cent between 2001 and 2019.

Figure 3

Apparent labour productivity in selected North African countries, 1996–2019 (logarithmic scale)



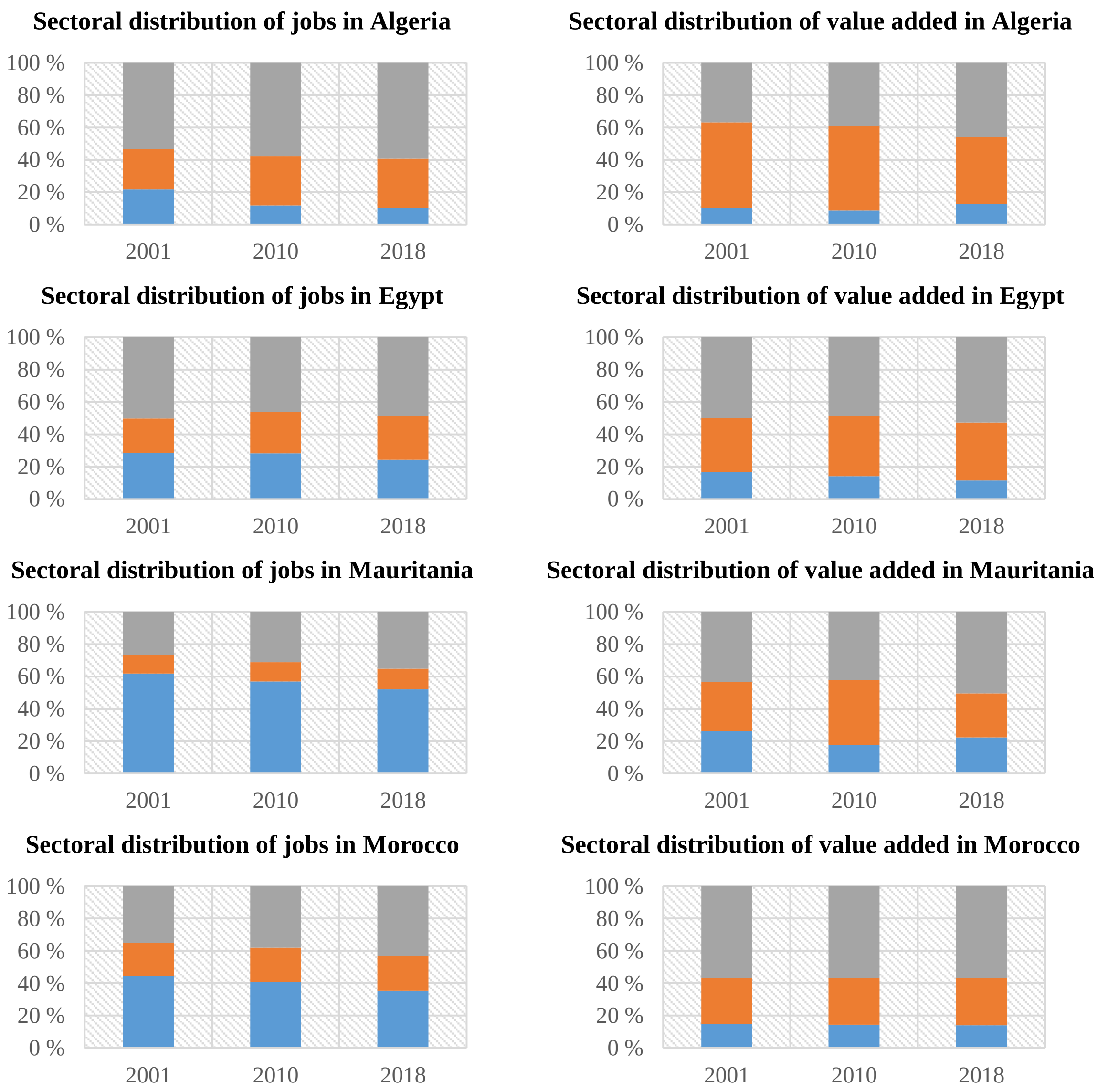
Source: World Bank, 2020.

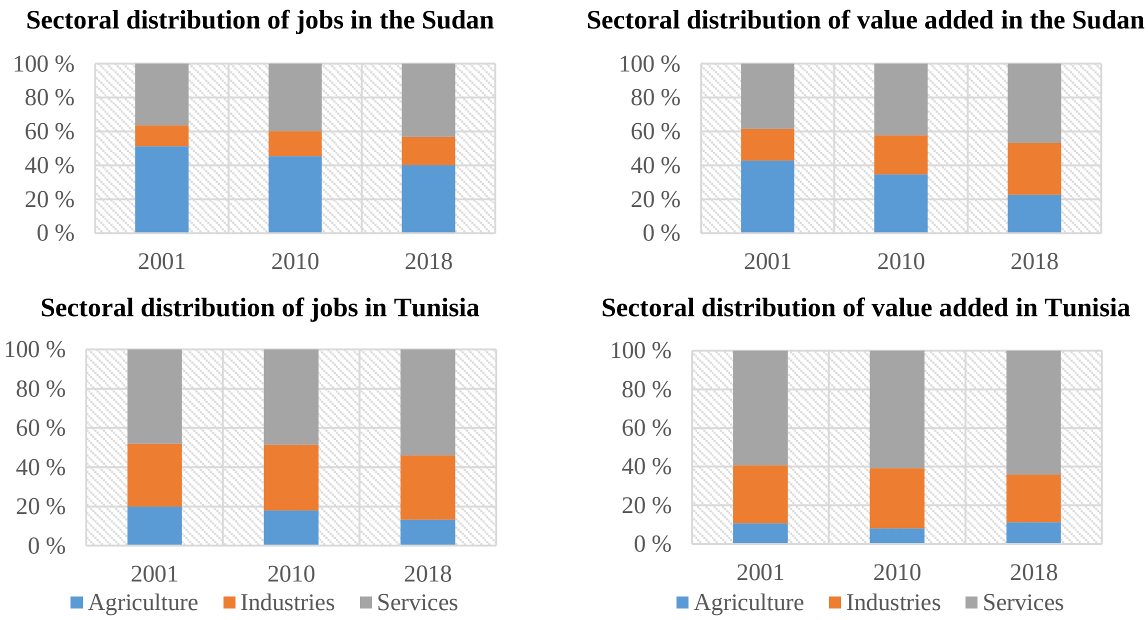
In Egypt, agriculture accounted for 23 per cent of employment in 2019 (and 31 per cent of female employment). Over some 20 years, that contribution has declined by about 5.5 per cent, and stood at 28.5 per cent in 2001. The share of value added generated by agriculture has fallen from approximately 15 per cent in 2001 to 11 per cent in 2018, reflecting near-stability in productivity, as estimated by the ratio of the contribution of the sector to value added to its contribution to jobs. Outside agriculture, manufacturing, public administration, education, and health are the leading job providers, and provided some 17 per cent of employment in 2019. The wholesale trade, food and beverage and hospitality sector is the second largest contributor, generating some 16 per cent of jobs. Overall, the services sector dominates total employment, providing almost half of all jobs. Industrial employment in Egypt is driven by manufacturing (13 per cent of total employment) and construction (14 per cent of total employment). In 2019, industry, including construction, accounted for 30 per cent of employment and created 35 per cent of value added.

Over the last 20 years in Morocco, the agricultural sector, which now provides some 35 per cent of jobs, has lost its position as the primary provider of employment to the services sector, which now provides 43 per cent. This change reflects an improvement in agricultural productivity and of the economy as a whole, and has resulted in changes in the structure of employment and value added, over a period in which the proportions of jobs and value added generated by industry have remained almost unchanged. Underutilization remains a challenge in Morocco, however, with more than 35 per cent of the Moroccan labour force employed in agriculture and nearly 42 per cent engaged in unpaid work, suggesting a significant productivity penalty. By sector, manufacturing (11 per cent of total employment) and construction (10 per cent of total employment) accounted for the bulk of industrial employment in 2019. In the services sector, jobs are primarily in trade, food services, and hotels (20 per cent of total jobs) and public administration (10 per cent of total jobs).

Tunisia has also witnessed ongoing improvements in apparent labour productivity. This is due to changes in the structure of employment and value added with shifts towards more productive sectors. Between 2001 and 2018, productivity gains were driven by an improvement in the productivity of the agricultural and services sectors. Indeed, the share of employment generated by the agricultural sector fell from around 20 per cent to 13 per cent over that period, while its contribution to value added remained virtually unchanged at around 10 per cent. Meanwhile, the share of employment generated by the services sector increased from 48 per cent to 53 per cent over the same period, while its share of value added increased from 52 per cent to 59 per cent. By subsector, changes in the structure of employment were driven, primarily, by a decline in the contribution of agriculture and manufacturing (-1.6 per cent), compared with an increase in the contribution of trade, catering and hotels (+1.9 per cent), the transport, warehousing and communications sector (+1.5 per cent), and the finance, real estate and business services sector (+1.6 per cent). The top job providers are public administration, education and health (20 per cent), followed by manufacturing (18 per cent) and trade, restaurants and hotels (17 per cent).

Figure 4
Sectoral distribution of jobs and value added in North African countries





Source: World Bank, 2020.

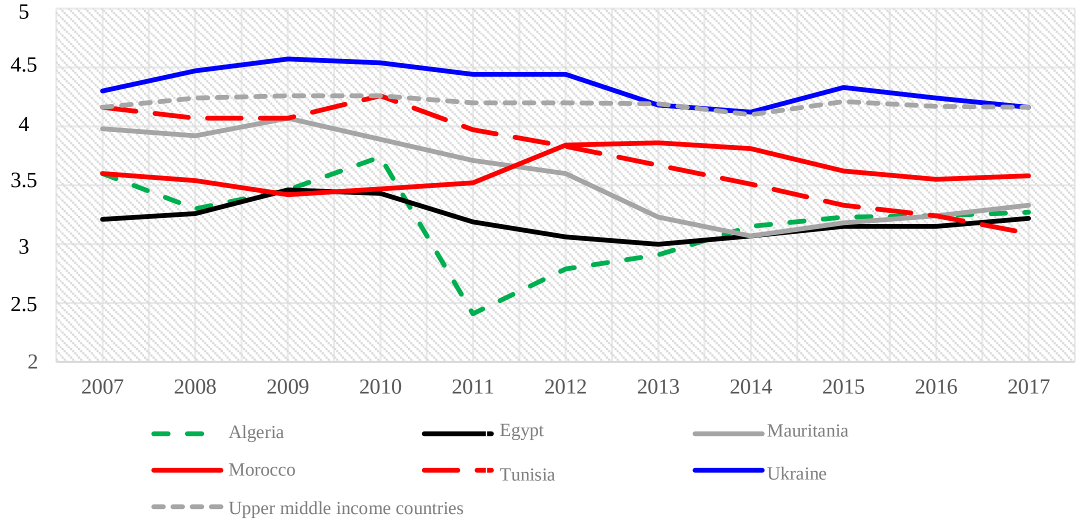
3. Challenges impeding the smooth operation of labour markets in North Africa

Several operational challenges continue to impede the smooth functioning of labour markets in the North Africa subregion. Policies adopted and institutions in the subregion are notably inflexible (African Development Bank, 2014; ILO, 2017; ECA, 2019) and often impede the efficient allocation of labour, quantitative and qualitative jobs and skills matching, and productivity gains.

In 2018, the World Economic Forum indicator on labour market efficiency showed that, on a scale of 1 to 7, countries in the North African subregion were characterized by low levels of efficiency. Market efficiency scores in the subregion were, in fact, below the average for upper-middle income countries, falling into the bottom quartile, and North African countries ranked 119th or below out of the 137 countries surveyed. This illustrates that there is a high degree of rigidity (as opposed to flexibility) and low levels of efficiency in terms of labour and talent allocation in the countries concerned.

Figure 5

Labour market efficiency in North African countries: efficiency indictor (2007–2017)



Sources: IMF; World Economic Forum Global Competitiveness Index.

Flexibility is assessed through five key elements: the degree of cooperation in relations between employers and workers; hiring and firing practices and severance costs as indicators of the fluidity between supply and demand; flexibility in wage determination; and the effect of taxation on the preferences of labour market participants. The assessments reported in the table below reveal notable shortcomings, especially in the areas of cooperation between employers and workers, flexibility, and hiring and firing practices, as reflected in the ranking of the countries of the region.

With few exceptions, such as Mauritania with respect to cooperation in labour-management relations and severance costs, and Morocco with respect to flexibility in wage determination, labour markets in North African countries are very rigid compared with the benchmark. This means that countries have limited capacity to reallocate production to more productive and/or emerging economic fields, and to enhance the labour force so that workers have the skills needed by emerging economic sectors. Furthermore, given the lack of effective vocational training and lifelong learning mechanisms and modest unemployment benefits (which, as argued by Acemoglu and Shimer (2000), are likely to support a voluntary increase in the levels and duration of unemployment but facilitate more efficient jobs and skills matching), particularly in the private sector, flexibility in the countries of the subregion remains far from ideal.

The Global Competitiveness Report assesses the efficient use of talent on the basis of five main dimensions, namely: the degree to which pay correlates with productivity and performance (for productivity, close correlation has proven benefits)[7]; reliance on professional management; country capacity to attract talent; country capacity to retain talent; and the rate of female participation in the labour force. The assessments reveal that significant efforts are required to ensure that labour markets in the North Africa subregion promote human capital accumulation and utilize talent to its full potential. Actions that should be taken include the promotion of dual vocational training systems, encouraging employers to provide training to employees, including by offering them incentives to do so, and facilitating women's participation in the labour market. The scale of the challenges that must be addressed by North

[7]For further information, see: www.aeaweb.org/articles?id=10.1257/aer.90.5.1346.

African countries in that regard is reflected in their low Index rankings: of the 137 countries assessed, North African countries are ranked in 127th place (Morocco) or lower.

Table 5
World Economic Forum indicator on labour market efficiency, 2018

		Algeria	Egypt	Mauritania	Morocco	Tunisia
Cooperation in labour-employee relations (1 being the worst score and 7 the best)	Score	3.93	3.98	4.69	3.79	3.66
	Rank	107	104	44	115	123
Hiring and firing practices (1 being the worst score and 7 the best)	Score	3.34	3.74	3.31	3.30	2.68
	Rank	104	70	107	109	130
Flexibility of wage determination (1 being the worst score and 7 the best)	Score	4.57	4.55	4.71	5.37	3.69
	Rank	94	98	82	36	128
Effect of taxation on incentives to work (1 being the worst score and 7 the best)	Score	3.67	4.13	4.19	4.18	3.66
	Rank	85	55	51	52	87
Redundancy costs (in weeks' salary)	Score	17.33	36.83	10.47	20.69	21.57
	Rank	74	129	37	88	92
Flexibility	**Score**	**4.24**	**3.86**	**4.71**	**4.37**	**3.75**
	Rank	**93**	**122**	**45**	**79**	**126**
Pay and productivity (1 being the worst score and 7 the best)	Score	3.33	3.44	2.42	3.55	3.07
	Rank	116	107	137	96	126
Reliance on professional management (1 being the worst score and 7 the best)	Score	2.90	3.87	2.10	4.03	3.91
	Rank	132	92	137	79	88
Country capacity to retain talent (1 being the worst score and 7 the best)	Score	2.46	2.95	2.64	3.15	2.68
	Rank	123	103	113	90	111
Country capacity to attract talent (1 being the worst score and 7 the best)	Score	2.05	2.40	2.05	3.30	2.31
	Rank	127	116	126	69	119
Female participation in the labour force	Score	0.24	0.31	0.46	0.34	0.36
	Rank	134	131	122	130	125
Efficient use of talent	**Score**	**2.29**	**2.59**	**1.95**	**2.80**	**2.43**
	Rank	**135**	**131**	**137**	**127**	**134**
Labour market efficiency	**Score**	**3.27**	**3.22**	**3.33**	**3.58**	**3.09**
	Rank	**133**	**134**	**129**	**120**	**135**

Sources: IMF; World Economic Forum Global Competitiveness Index.

4. Key imbalances: unemployment, discouragement/inactivity, and the emergence of the "neither-nor" generation

Given the demographic pressures on labour markets, structural rigidities and weak demand dynamics, job rationing naturally occurs in the countries studied. This has led to high levels of unemployment. In this section, an attempt is made to briefly present three of the main labour market imbalances observed in North African countries, namely: unemployment, discouragement and inactivity, and the emergence of what may be dubbed a "neither-nor" generation, namely young people who are neither in employment nor in education or training.

A. Persistent high unemployment versus low job content growth

Unemployment is one of the most important imbalances in North African labour markets

In 2019, national unemployment rates were around 10 per cent in Algeria, Egypt, Mauritania, and Morocco. In the Sudan and Tunisia, unemployment rates were higher, at around 16 per cent. In sum, the rates observed in the subregion remain relatively high compared to those of most middle and lower-middle income countries.

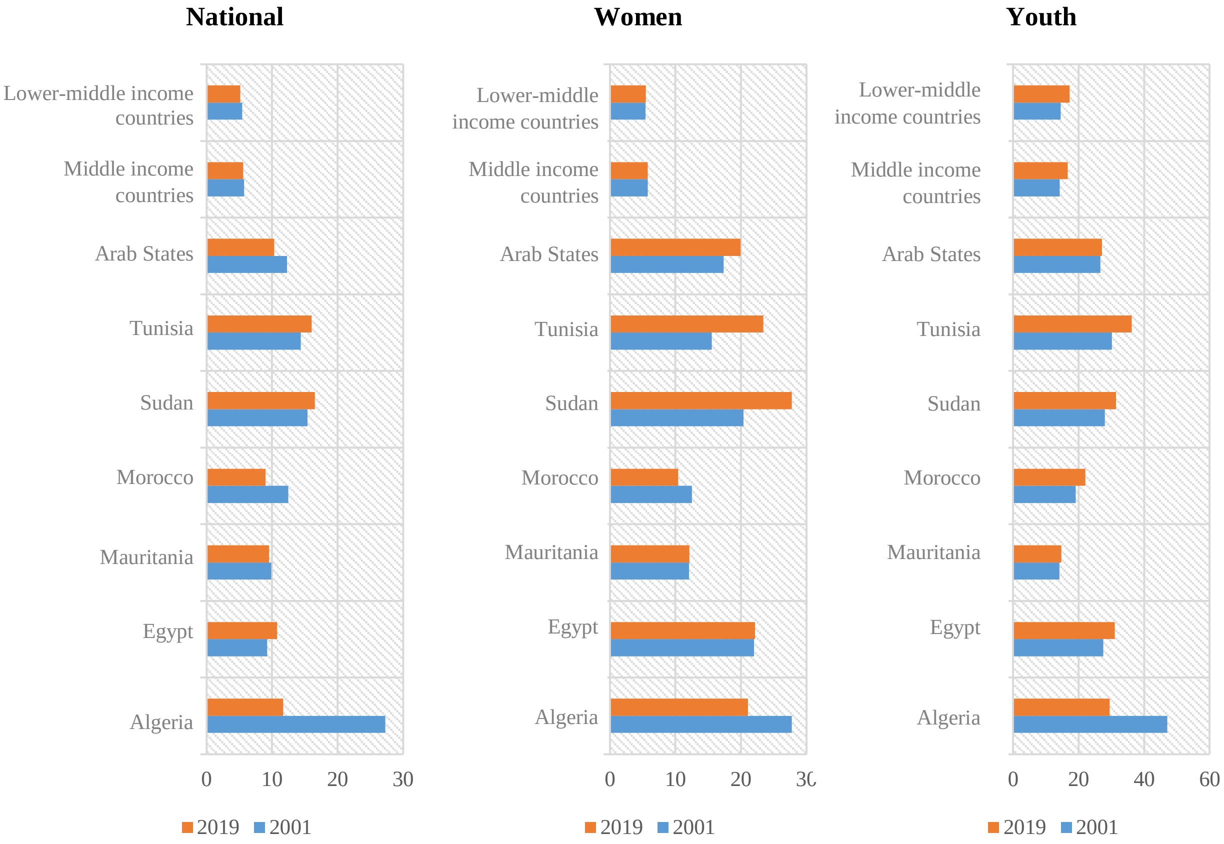
Moreover, unemployment rates in North Africa remained stubbornly steady between 2001 and 2019. Indeed, with the exception of Algeria, where the unemployment rate fell dramatically from 27 per cent in 2001 to 11 per cent in 2019, unemployment rates have remained broadly stable across the subregion.

Unemployment rates among young people, who now constitute a significant share of the population, are some of the highest in the world (ILO, 2017a). With the exception of Mauritania, where the rate was 14 per cent, youth unemployment rates exceeded 20 per cent in the countries of the subregion in 2019, and were as high as 30 per cent in Egypt, the Sudan and Tunisia.

Women's unemployment rates are lower than youth unemployment rates and, in 2019, were between 11 per cent (Morocco) and 28 per cent (the Sudan). Women's unemployment rates are still far higher, however, than the average rates for middle and lower-middle-income countries. With the exception of Morocco and Mauritania, where the rate was 12 per cent, the female unemployment rate exceeded 20 per cent in all of the surveyed countries in 2019.

Figure 6

National, women's and youth unemployment rates for countries in North Africa and corresponding rates for Arab States and for lower-middle and middle income countries (per cent), 2001 and 2019

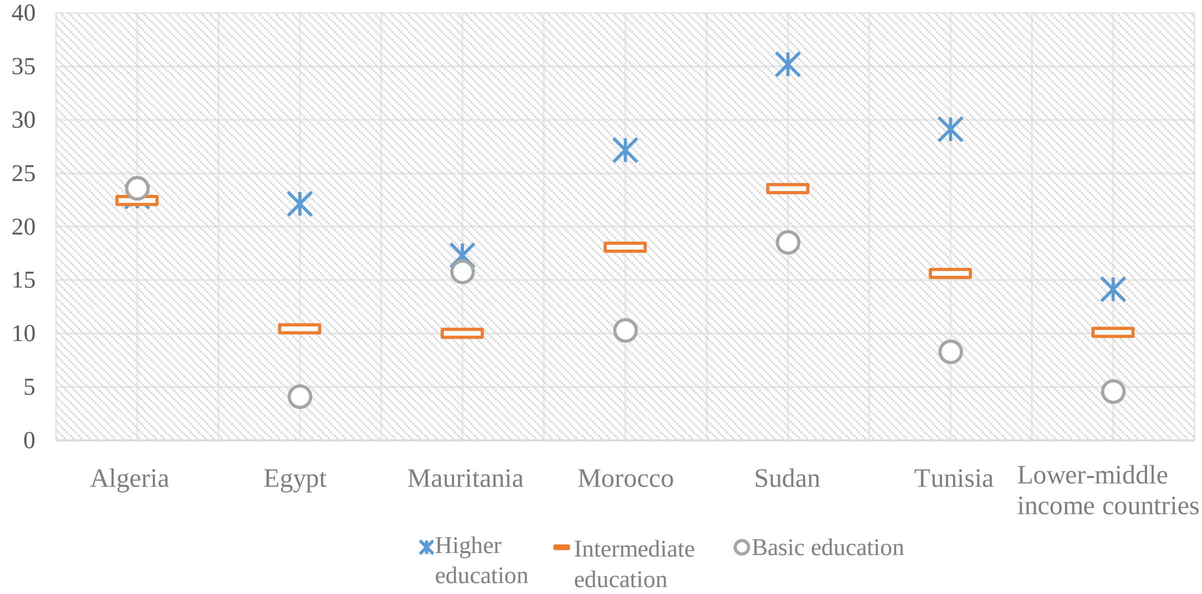


Source: ILO, 2020.

Unemployment in North Africa is particularly high among graduates. This may be due to the difficulties that graduates encounter when seeking to integrate into the labour force (ILO, 2017). This is particularly the case in Egypt, Morocco, the Sudan and Tunisia. There is a greater disparity in unemployment rates among different categories of job seeker in those countries than in most lower-middle income countries. Although there is little disparity in unemployment rates among different categories of job seeker in Algeria and Mauritania, a significant disparity is apparent if rates for higher education graduates are compared with those for individuals with only basic education.

Figure 7

Unemployment rates by level of education completed (per cent)



Source: ILO, 2020.

A further observation that may be made concerning unemployment rates in North Africa is that are relatively unaffected by economic growth. Several research studies have concluded that Okun's law is valid in North African countries.

With regard to Algeria, however, a number of researchers have concluded that Okun's law does not apply (Keller and Nabil, 2002; Moosa, 2008; Yousefat, 2011; Driouche, 2013) and have underscored that there is no correlation between unemployment and growth, attributing changes in unemployment in Algeria to other variables such as the predominance of economic activity related to the oil and gas sector (which, according to the country's national statistics, generated some 53 per cent of value added in 2011) or to inflexible labour markets (Furceri, 2012). Indeed, mining and oil extraction is capital intensive and generally a low-growth activity in terms of employment. Furthermore, labour market rigidity can, inter alia, negatively impact factor mobility, business activity and labour demand.

In the case of Morocco, it seems that growth and unemployment are negatively correlated. In general, however, Okun's law is not particularly valid. To explain the weak relationship between unemployment and growth in Morocco, many analysts point to the mismatch between labour supply and demand structures at a time when the structure of employment in the country is changing significantly and there is a lack of particular skills (Moosa, 2008; Masood and others, 2012; CESE-Morocco, 2013; World Bank, 2013; Bougroum and others, 2014). Others emphasize the rigidity of the labour market (Agénor and El Aynaoui, 2003; World Bank, 2014; Bougroum and others, 2014). Ibourk and El Aynaoui (2016) also draw attention to volatility of growth in the 1990s as a factor explaining the weak correlation between unemployment rates and economic growth in Morocco.

There is as yet no consensus with regard to the situation in Tunisia. For example, Ibourk and El Aynoui (2016) show that Okun's law holds for Tunisia in four specific areas, with the Okun coefficient estimated at between -0.26 and -0.75. Those estimates are comparable to those reported by Bouaziz and Andari (2015), although the latter are derived from quarterly data. Conversely, Moosa (2008) contradicts the assertion that Okun's law is valid in Tunisia. The results of Moosa (2008) may be of limited use, however, because of two interrelated considerations. The first is the period of study: Moosa (2008) makes use of data for the period 1990–2005. The second is that the correlation between unemployment and growth has become stronger in Tunisia since 2000.

In Egypt, the correlation holds under a range of conditions. Ibourk and El Aynaoui (2016) estimate the Okun coefficient for Egypt to be between -0.95 and -1, consistent with previous studies on Okun's law in that country (Moosa, 2008; Elshamy, 2013; World Bank, 2014; Alhdiy and others, 2015). There is, however, no consensus regarding whether unemployment is influenced by growth rates over the long term. (Elshamy, 2013; World Bank, 2014; Alhdiy and others 2015).

Table 6
Selected studies on Okun's Law in North Africa

Authors	Specification and research methodology	Sample	Main results
North Africa			
Furceri (2012)	Output-gap modeling. Regression in static panel (MCO) and dynamic panel (GMM)	Algeria 1980-2008	Validity of the law, but weakness in the Okun's coefficient (-0.05). The dominance of low growth-jobs sectors and the rigidity of labour market institutions have a great impact on unemployment and its reaction to growth.
Driouche (2013)	Output-gap and differences modeling. Analysis of the cointegration (ECM)	Algeria 1980-2011	Lack of a cointegrating relationship between the unemployment rate and the growth rate.
Elshamy (2013)	Output-gap modeling. Analysis of the cointegration (ECM)	Egypt 1970-2010	The Okun's coefficient is negative and statistically significant with regard to the long and short term.
The World Bank (2014)	Output-gap and differences modeling.	Egypt 2013q1-2013q1	Growth has a negative impact on the national and female unemployment rate. For men, the relationship is negative but not significant.
Alhdiy et al. (2015)	Differences modeling. Analysis of the cointegration (ECM)	Egypt 2006q1-2013q2	The lack of long-term relationship between growth and unemployment is attributed to the dominance of capital-intensive sectors.
Ezzahidi and El Alaoui (2014)	Differences modeling.	Morocco 1999-2009	An additional point of growth makes decrease the rate of unemployment by 0.14%.
Bouaziz and El Andari (2015)	Output-gap modeling. Analysis of the cointegration (ECM)	Tunisia 1990q1-2014q1	The Okun's law is valid in Tunisia, with a coefficient that is around -0.7.
Moosa (2008)	Output-gap modeling. Analysis of the cointegration (ARDL)	Algeria/Egypt/ Morocco/Tunisia 1990-2005	The Okun's law is invalid for three reasons: the mismatch between labour supply and demand, the rigidity of the labour market institutions, and the dominance of public, oil and gas and mining sectors.

Source: Ibourk and El Aynaoui, *Policy Lessons from Okun's Law for African Countries*, 2016.

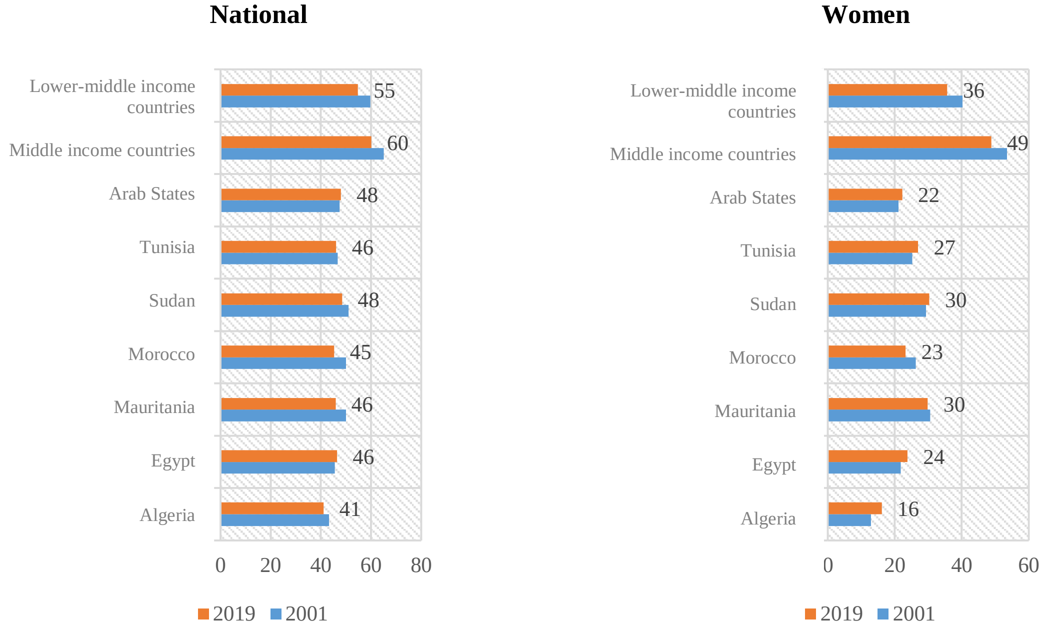
B. A decline in labour force participation that primarily affects young people and women

A corollary of unemployment and lack of economic opportunity is discouragement from participating in the labour market. Although a variety of factors come into play in the decision to participate in the labour market, including wage rates, geographic mobility (transportation, rents, etc.), and family negotiations or production structures, a lack of economic opportunity is the main reason for declining labour market participation in North Africa, with participation rates in the subregion now below the average rates for middle and lower-middle income countries.

Some categories of worker, such as young people and women, still have significantly lower than average labour force participation rates. For women, participation is between 20 and 30 per cent lower than national averages, while the participation gap between women and men is higher in the subregion than in any other part of the world. As for Arab States as a whole, the gender gap decreased from approximately 60 per cent in 1995 to some 58 per cent in 2015. This is still higher than the global average, which stands at approximately 27 per cent. Several factors account for women's low economic participation rates, including traditional gender roles within the household, rising female school enrolment rates and longer schooling for girls, and their marital status, with married women particularly affected.

Figure 8

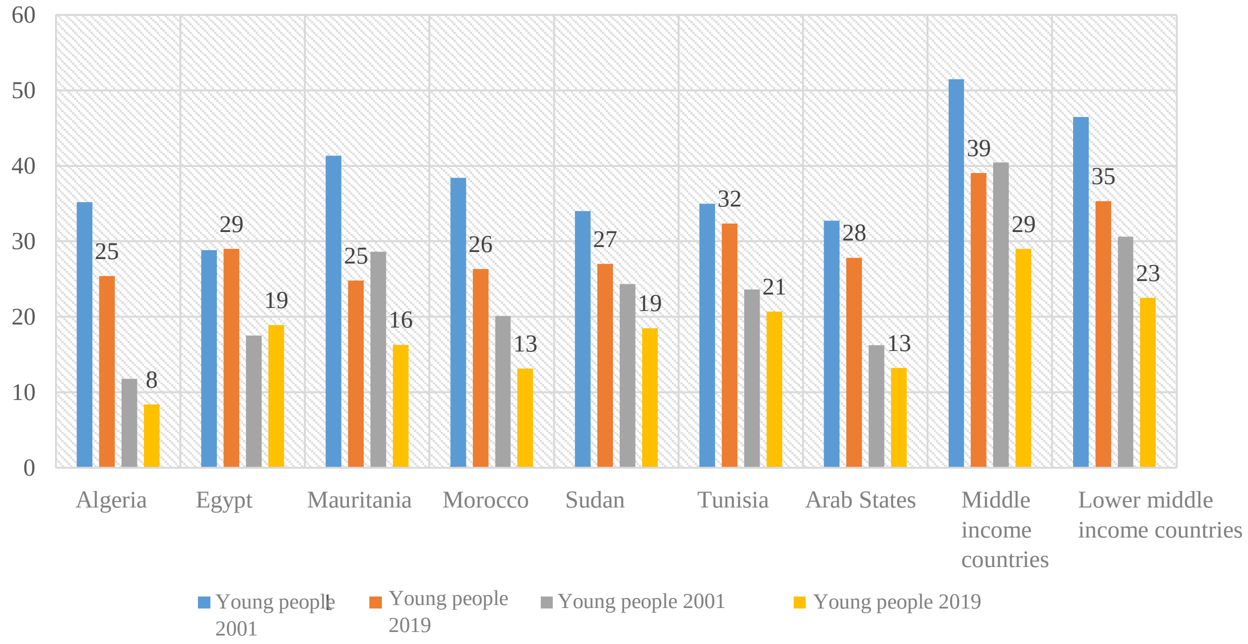
National and women's labour force participation rates, North Africa countries, Arab States and lower-middle and middle income countries (per cent)



Source: ILO, 2020.

In addition to low labour force participation rates for women in North African countries, participation rates are also low for young people, and particularly among young women. In all the countries surveyed, labour force participation declined between 2001 and 2019 among individuals aged 15 to 24. That decline was due, inter alia, to the fact that young people are staying in school for longer and to a lack of economic opportunities. Enrolment rates in higher education do not exceed 40 per cent, however (and the rate was a mere 5 per cent in Mauritania in 2015). Furthermore, participation rates for young women are some 50 per cent lower than the rates for young people overall. With the exception of Tunisia, where the participation rate for young women is 21 per cent, the other countries in the subregion have participation rates below 20 per cent for young women.

Figure 9
Youth labour force participation rate, North African countries (per cent)



Source: ILO, 2020.

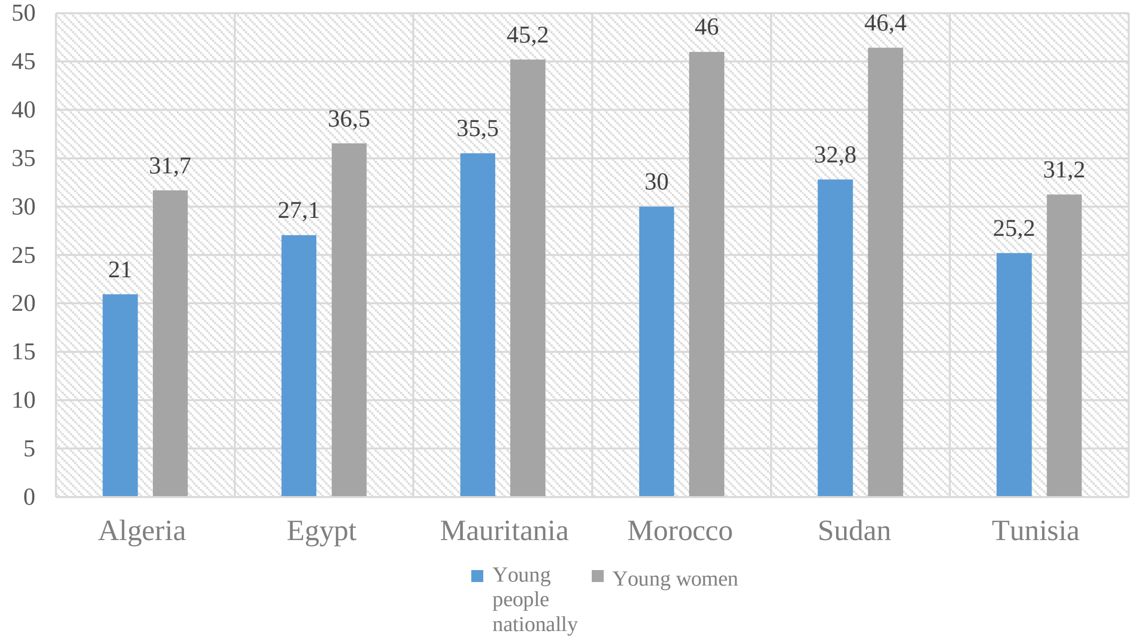
C. A high proportion of young people are neither in employment nor in education or training

In light of the data on unemployment, labour force participation and economic opportunities, it is understandable that large numbers of young people will be neither in employment nor in education nor training.

This phenomenon can be expressed as the so-called youth "neither-nor" rate, namely the percentage of discouraged young people who cannot find a job in the labour market and lack the opportunities or motivation to improve their skills through training and education.

According to World Bank data for the period 2005–2019 on young people aged 15–24, the rate is particularly high among young women and among those who have completed only primary and intermediate education. For females, it is about 46 per cent in Mauritania, Morocco, and the Sudan, and between 30 and 40 per cent in Algeria, Egypt, and Tunisia. At the national level, "neither-nor" young people are around a quarter of all young people in Algeria, Egypt and Tunisia, and around a third in Mauritania, Morocco and the Sudan. The number of "neither-nor" young people is higher in the Middle East and North Africa than in any other global region.

Figure 10
Proportion of young people nationally and young women in North African countries who are neither in education nor in employment or training (per cent)



Source: ILO, 2020.

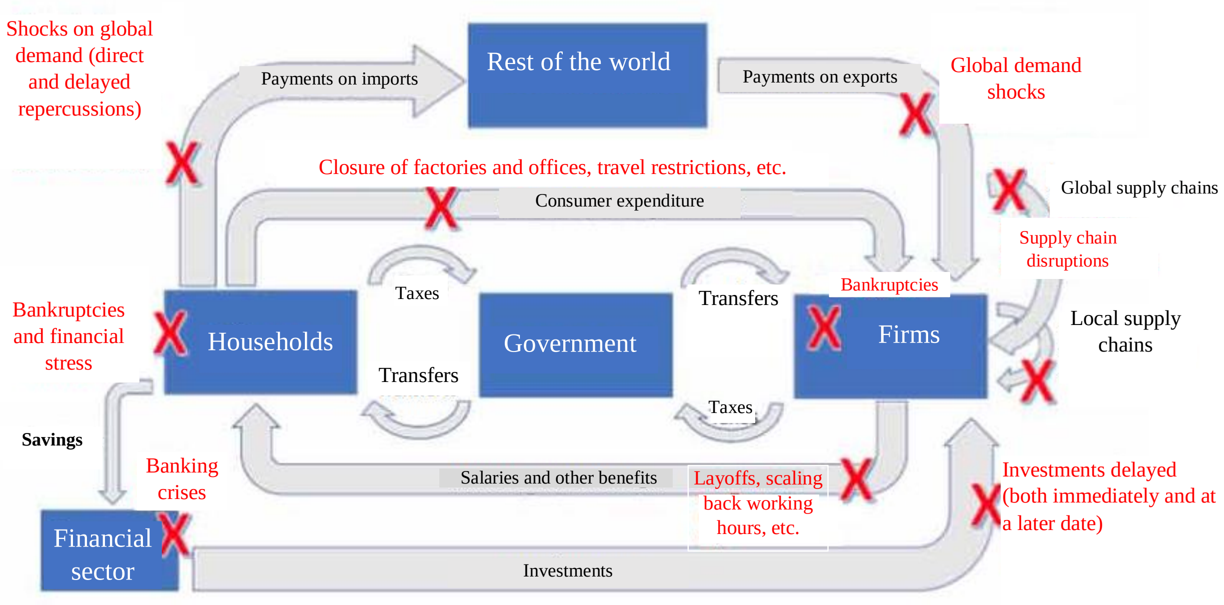
II. The labour market in North Africa in the context of COVID-19

1. Closure resulting in quarantining of factors of production

The onset of COVID-19 has adversely affected labour markets in the North African subregion in different ways and through various channels. The entirety of the countries of the subregion, imposed restrictions[8] on the factors of production as well as on domestic and external trading operations.

Labour markets across North Africa were thrown off balance by the ensuing set of measures, compounded by an atmosphere of uncertainty in regard to the public-health crisis, with serious stresses on at least certain sectors of the domestic front. These shocks predominantly hit local supply chains, the operations of businesses as a whole and attitudes to risk and investment. There was thus an impact on working hours, remuneration and other employee benefits. In the absence of adequate social safety nets, consumer spending and saving are affected. Additionally, there are other shocks relating to global supply and demand, and thus payments for exports and imports of goods destined for final consumption and semi-finished goods for intermediate use, not to mention a virtual halt in tourism and business travel. The following flow chart gives a snapshot of the various channels of transmission of COVID-19 related shocks within the economic circuit.

Figure 11
COVID-19: an unprecedented economic shock



Source: Baldwin, R. 2020. Keeping the lights on: Economic medicine for a medical shock.

It is noteworthy that the precariousness of the labour markets across North Africa is contingent on the degree to which each of them is exposed to a set of shocks as described below; and the pertinent vulnerability basically emanates from factors such as the productive and

[8] As has been the case in many other countries and regions, North African countries had restaurants shops, schools and universities closed, as well as roads and international travel. Curfews have also been put in place.

labour structure, the qualitative dimension of the labour force as reflected in the share of precarious employment options and informal-sector occupations, the relative number of people working in low-paid jobs and those with permanent contract, as well as capabilities at the level of governments to come to the aid of firms and workers, and especially those that may have lost their earnings to the extent of being prone to vulnerability and destitution.

2. Impact on demand: production and operation of firms

A. A preliminary analysis of the sectoral impact of the pandemic

The pandemic has hit different sectors of economy in varying ways. Among the hardest hit were those that rely on human mobility, on gatherings and/or on supply lines (and routes) connected to global value chains. As such, the picture in North Africa, from many points of view, suggests that the sectors most at risk are trading and maintenance operations, manufacturing, real estate, tourism, transportation, as well as other services such as entertainment and cultural activities. Sectors such as agriculture and foodstuffs were not expected to be directly impacted by COVID-19 because there have been no explicit restrictions in that regard. In regard to maritime transport and fishing, restrictions, coupled with declining demand on the global scene may somewhat affect production and employment. The risk will be low to medium in regard to the financial and insurance sectors, and the same applies to the extractive industries, except that low prices should in principle impinge on growth in resource-rich countries such as Algeria. The risk will be low in the public sector and education, but also in the area of public health and social services.

Continuation of food/agribusiness and retail operations, and uncertainty in maritime transport and fishing

Owing to diminished demand for and consumption of some goods, both in the domestic and external spheres, as a result of lockdown measures, workers in the retail trade were hard hit. The trading operations (and workers) concerned with foodstuffs and other basic necessities, however, saw their operations remain stable or expand (ILO, 2020).[9]

It was high labour-intensive sectors which proved indispensable for food security but also for economic survival. Indeed, and notwithstanding the fact that retail trade and groceries as well as services and cleaning operations remained stable, this is a category of low-skilled and low-paid workers and modest social-security benefits[10] (ILO, 2020).

The maritime transport and fishing sector

Though an important supplier of foodstuffs, the maritime transport and fishing sector again came under the impact of measures that had the effect of preventing seagoing vessels from leaving ports (i.e. travel restrictions and quarantine for international sailors, restrictions on going ashore for medical treatment, restrictions on delivery onto ships of essential medical supplies, fuel, water, spare parts and provisions, etc.) (ILO, 2020).[11] Thus, millions of jobs were suddenly faced with the risk of temporary or permanent shutdown.

[9] For further information, see: www.ilo.org/sector/Resources/publications/WCMS_741342/lang--en/index.htm.
[10] Ibid.
[11] For further information, see: www.ilo.org/sector/Resources/publications/WCMS_742026/lang--en/index.htm.

A preliminary country profile comprising the North African subregion may be derived from an understanding of actual and potential supply-side risks, in line with the following ranking of sectors by degree of exposure.

In **Algeria**, for example, high- and medium-to-high-risk sectors accounted for around 27 per cent of value added, and extractive industries, which made up some 30 per cent of GDP, experienced downward pressures on price levels. At the same time, the share of public administration, education and health was in the range of 20 per cent, while agriculture accounted for around 12 per cent.

In **Egypt**, a little over one third of value added in 2019 emanated from high- and medium-to- high-risk sectors. The extractive industries made up around 26 per cent of value added. The least risky sectors, such as public administration, education and health, accounted for less than 11 per cent of value added. The services sector comprised telecommunications, financial services, and wholesale and retail trade). Agriculture accounted for around 12 per cent.

In **Mauritania**, high- and medium-risk sectors amounted generated more than 28 per cent of value added. A fifth of value added was drawn from extractive industries, and one quarter came from agricultural activities. Public administration, education and health accounted for less than 11 per cent of value added.

In Morocco, high-risk and medium-to-high-risk sectors account for some 31 per cent of value added, while low-risk sectors, including public administration, education, health and social services account for around 10 per cent. Agriculture accounts for about 13 per cent and mining and quarrying accounts for about one fifth of total value added.

Impact on the manufacturing sector: the example of the automotive and textile industries

Automotive industry:

The pandemic has resulted in a sharp decline in demand and investment, with repercussions for the automotive industry. The sudden and widespread cessation of economic activity and the disruption of supply chains contributed to the reduction of employment in the sector, but also in related sectors (through backward and forward linkages). In a country such as Morocco, where the automotive industry is an important engine of economic growth, and recently of employment, many small and medium-sized enterprises, which account for most upstream employment, have been affected (ILO, 2020).[12]

Textile, clothing, leather and footwear industries:

Store closures and the fact that consumers have been asked to stay home have resulted in sharp declines in sales in the textile, apparel, leather, and footwear industries. The impact of COVID-19 has been felt through the decline in the prices of all major brands since the start of the crisis (ILO, 2020).[13] In response, industry operators have resorted to tactics such as online commerce, free shipping and promotions. However, increasing uncertainty and reduced incomes, due to rising unemployment, are likely to put further pressure on the those industries.

[12] For further information see: www.ilo.org/sector/Resources/publications/WCMS_741343/lang--en/index.htm.
[13] Ibid.

In **the Sudan**, one-third of value added comes from two low-risk sectors, namely agriculture (23 per cent) and mining and quarrying (10 per cent). Public administration, education, health, and social services account for about 5 per cent. High- and medium-to-high-risk sectors account for around 50 per cent of value added, with some 20 per cent generated by trade, 13 per cent by the transport sector, and around 15 per cent by the services sector (excluding those areas mentioned at the beginning of the paragraph).

In **Tunisia**, public administration, education, health and social services account for about 20 per cent of value added. One third is generated by other low- and medium-risk sectors, namely agriculture (9 per cent), mining (18 per cent), and construction (4 per cent). High- and medium-to-high risk sectors account for approximately 36.5 per cent.

Figure 12
Value added breakdown by sector, 2019

	Risk	Algeria	Egypt	Mauritania	Morocco	Sudan	Tunisia
Other occupations	Low	21.4%	23.5%	24.6%	32.4%	22.2%	32.4%
Agriculture, hunting, forestry and fishing	Low-to-Medium	12%	9.9%	22.3%	11.8%	23.1%	9%
Extractive industries, manufacturing, electricity, gas and water production	Medium	28.5%	25.7%	19.1%	19.8%	9.3%	18.3%
Construction	Medium	11.1%	5.1%	5.7%	5.2%	3.7%	3.8%
Transportation, warehousing and communications	Medium-to-high	10,6%	7.7%	6.2%	5.6%	13.1%	10.1%
Wholesale and retail trade, hotels and restaurants	High	12.1%	13.9%	14.6%	10.1%	21.6%	12.5%
Manufacturing industries	High	4.3%	14.3%	7.4%	15.1%	6.9%	13.8%
Share of high-risk sectors		16.4%	28.2%	22%	25.3%	28.5%	26.3%
Share of precarious production		26.9%	35.9%	28.3%	30.9%	41.6%	36.5%

Source: United Nations Conference on Trade and Development (UNCTAD), 2020.

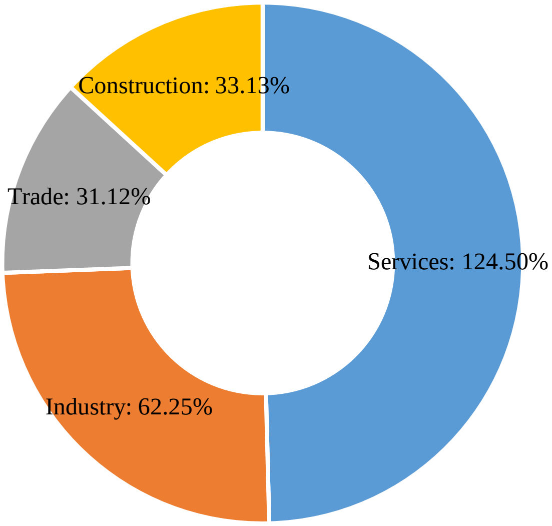
B. Impact on business operations

Following the onset of COVID-19 in North Africa, several steps were taken in a bid to curb the spread of the virus, including temporary or permanent closure of assembly points, stoppage or restrictions of international travel, encouraging telecommuting, and so on. The measures taken in response to COVID-19 threatened the very survival and operations of firms.

Algeria: The lockdown, compounded by a drop in fuel prices, forced the Algerian government to postpone many of its outgoings and projects, which affected the viability of firms across the country, and especially microbusinesses. A survey conducted by the Consortium of Algerian Manufactures in collaboration with governmental agencies indicated that around 60 per cent of businesses virtually came to a halt in April of that year. Many other firms were directly or indirectly affected by the onset of COVID-19. The National Business and Artisans Organization estimates that these number up to one million business outfits, among which many are on the verge of bankruptcy.

A study conducted in April 2020 on a sample of 250 Algerian businesses by Evidencia, a consultancy firm, in collaboration with the Chamber of Commerce and Industry, demonstrated the dire situation confronting business entities in the wake of COVID-19 and its repercussions such as lockdowns; 50 per cent of the firms covered by the study are in the services sector (excluding trade), 25 per cent in industry, 13 per cent in the construction sector, and 12 per cent in trade.

Figure 13
Breakdown of the sample by sector



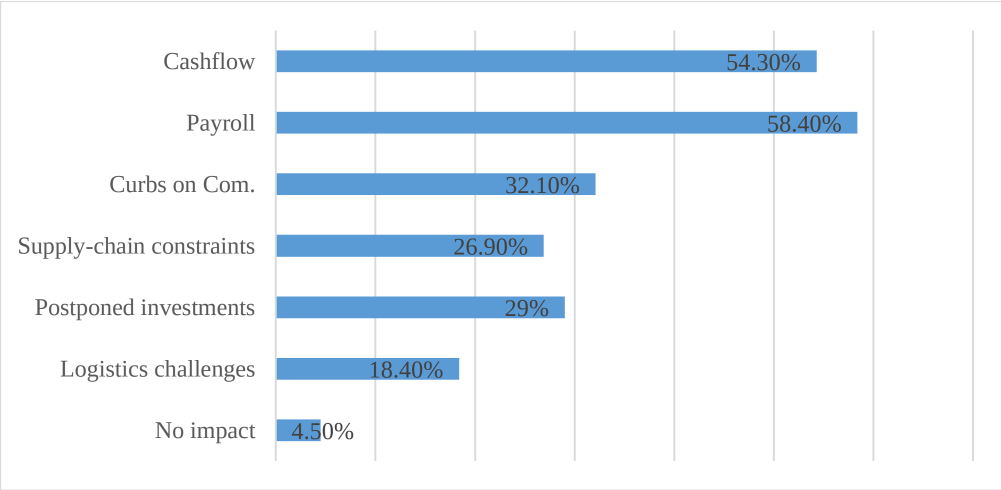
Source: Evidencia, Economic impact of COVID-19 on Algerian business enterprises, April 2020.

On the basis of that study, we can derive an outline of companies' operational status, the impact on sales and jobs, risk factors and measures envisaged as well as those already under way, and adjustment measures adopted by business entities in Algeria at the onset of the pandemic.

In regard to operations, only 4.5 per cent of the businesses reported no impact. However, a sizeable proportion of them reported having encountered problems at various levels including logistics, supply chains, investment plans, communications, disbursement of salaries and cashflow requirements. Over half of the businesses reported having encountered problems at the last mentioned two levels; one third of the firms were obliged to cut back on their communications activities, 29 per cent had to postpone their investments, 25 per cent faced supply constraints and 18 per cent had to contend with logistics challenges.

Figure 14

Impact on the operations of the Algerian business sector

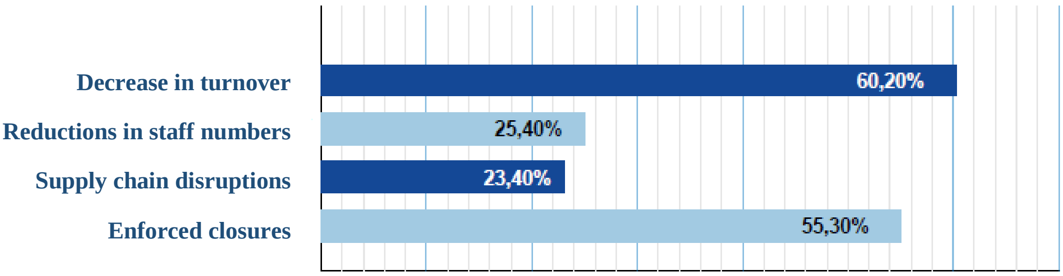


Source: Evidencia, Economic impact of COVID-19 on Algerian business enterprises, April 2020.

In addition, the Evidencia study revealed that closures were imposed on approximately 55 per cent of companies, and that some 60 per cent experienced a drop in sales. A quarter of companies have experienced supply chain disruptions and the same percentage have reduced staff numbers.

Figure 15

Impact on the activities of Algerian businesses (proportion of businesses affected)



Source: Evidencia, Economic impact of COVID-19 on Algerian business enterprises, April 2020.

Steps taken in **Egypt** to mitigate the spread of the virus include the imposition of curfews, temporary and/or permanent closures of public gatherings, restrictions on international travel, the establishment of screening centres, and encouraging people to telecommute.

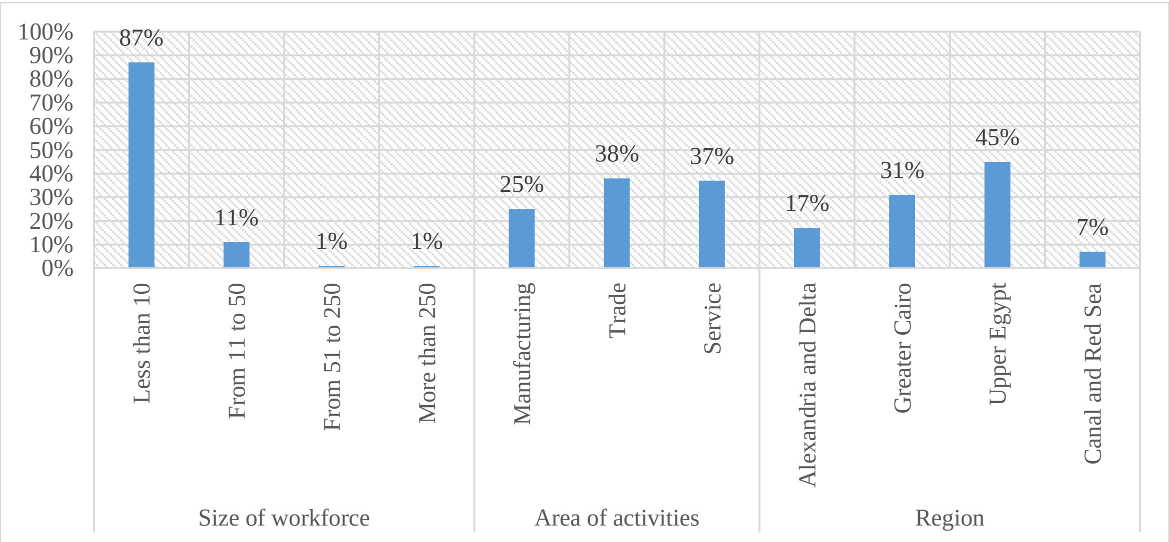
On 30 April 2020, the Government announced its intention to draw up a long-term plan for managing the impact of the COVID-19 virus. Economic activity resumed gradually, (on a reduced capacity or part-time basis), in supermarkets, shops, restaurants and hotels.

The inevitable socioeconomic impact of the pandemic is linked to several factors, notably the contraction of the tourism sector, diminishing remittances, reduced seaborne trade, and a slump in global demand.

Many employers in the private sector have already resorted to layoffs and compulsory leave without pay owing to serious liquidity constraints. This is particularly true for small businesses. These businesses, generally with not more than 50 employees apiece, represent around 98 per cent of the non-agricultural private sector, employ 75 per cent of workers engaged in the sector, and account for around 80 per cent of GDP and 90 per cent of the capital formation, according to the National Institute of Planning. Moreover, official data suggest that around 8.2 million people are employed in the small and medium-sized enterprises, of which 68 per cent are in the informal sector, 22 per cent in the formal sector, and 10 per cent are owned by single individuals

A study conducted by Global Communities of 283 Egyptian small and medium-sized enterprises with the characteristics shown in the figure below, demonstrates the overall impact that type of business enterprise.

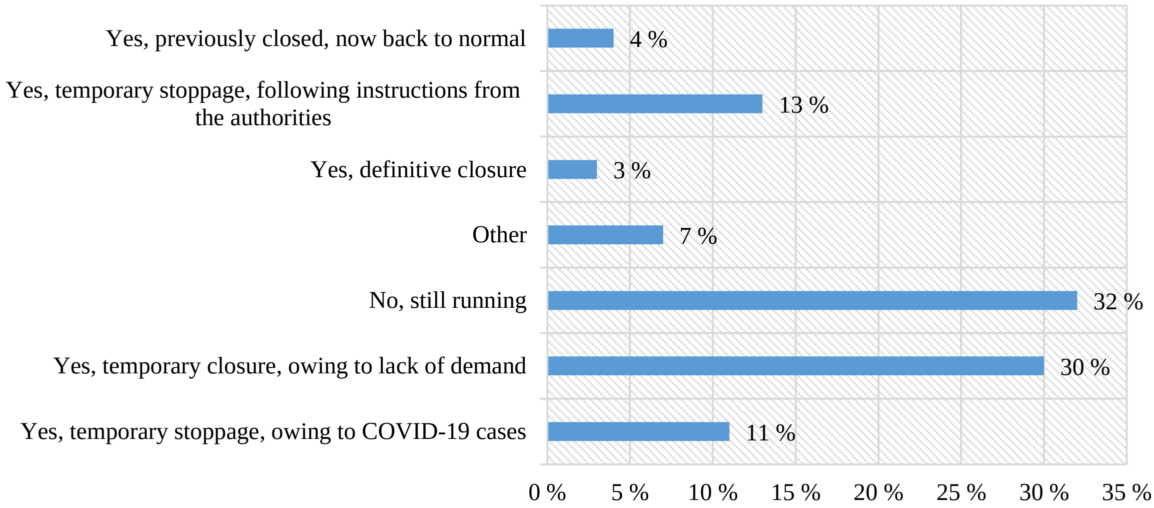
Figure 16
Sample features



Source: Global Communities, COVID-19 Impact on Performance of Micro- and Small Businesses in Egypt, May 2020.

The survey shows that around 32 per cent of the respondent firms remained operational, notwithstanding the pandemic. In contrast, some 61 per cent of small and medium-sized enterprises reported having resorted to closures (thus, 4 per cent of these had closed down prior to May, but had resumed normal operations by the time of the survey).

Figure 17
Operational status of Algerian small and medium-sized enterprises (mid-May 2020)



Source: Global Communities, COVID-19 Impact on Performance of Micro- and Small Businesses in Egypt, May 2020.

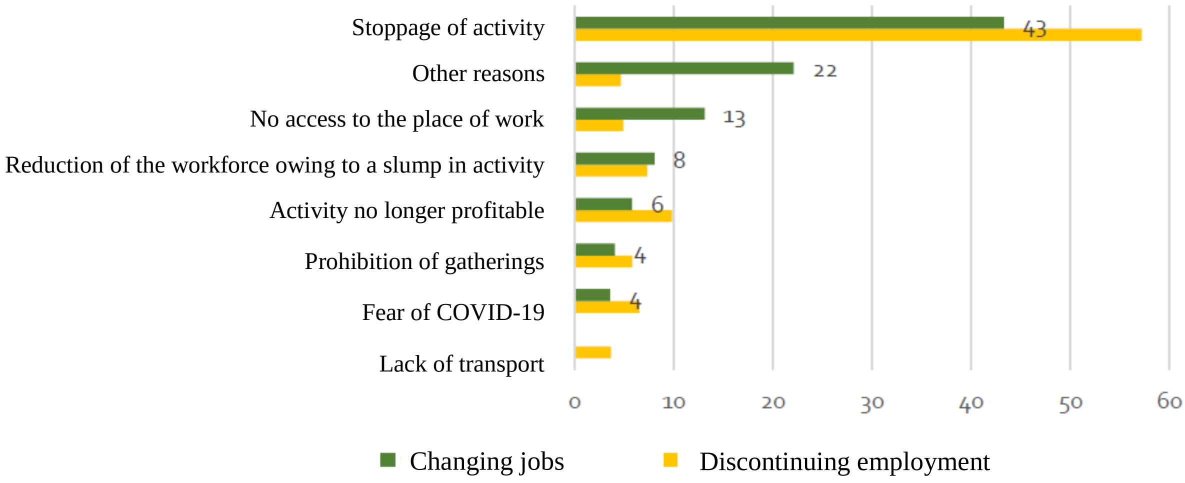
Mauritania: in the wake of the pandemic, the government of Mauritania imposed restrictions on economic activity and mobility in a bit to limit the spread of the virus, including on restaurants and cafés, schools and universities, as well as on non-essential commercial activities, a temporary hold on non-essential interregional travel, and border closures save for the transportation of goods.

A gradual relaxation of those restrictions began on 7 May 2020, enabling the loosening of curfew restrictions coupled with clear guidelines on social distancing and the wearing of masks as well as the reopening of most business entities. With effect from 10 September 2020, the curfew was lifted entirely, the interregional movement of persons and domestic flights could also resume, and restaurants and cafes were re-opened.

The steps taken by the Government had a direct impact on the activity of businesses, as shown in data from a follow-up survey[14] on the impact of COVID-19 on 1,204 households that was conducted by the National Statistical Office in collaboration with the World Bank. This follow-up survey showed that a quarter of the workforce had to change their jobs, and that 11 per cent stopped working. The most frequently cited cause in regard to stoppage or change pertained to business activity (i.e. 43 per cent of those who changed jobs and 57 per cent of those who stopped working).

[14] The results were derived from a high-frequency follow-up survey designed to assess the impact of COVID-19. A sub-sample of 1,204 households of the Permanent Survey on Household Living Conditions (2019) was conducted by telephone between 11 and 22 September 2020.

Figure 18
Reason for changing jobs or discontinuing employment

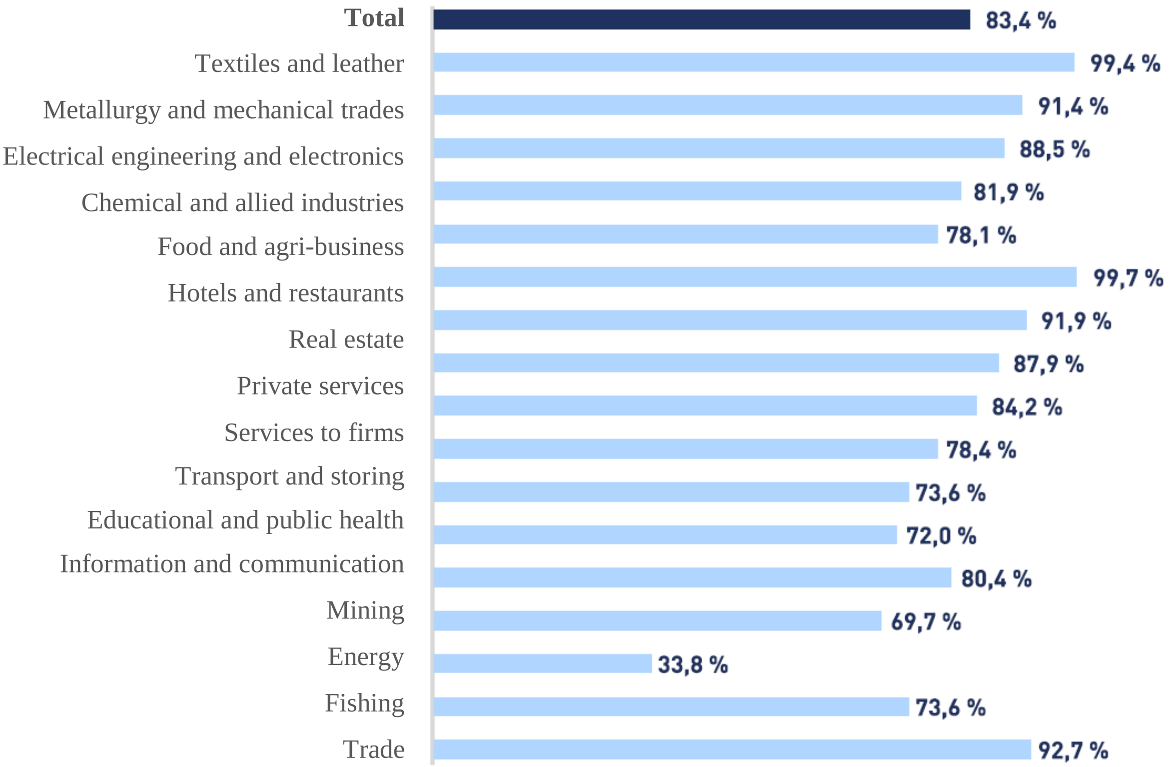


Source: National Statistical Office, Mauritania: Follow-up survey on the impact of COVID-19, 2020.

Morocco: After the announcement in March of the first confirmed case, Morocco declared a public health state of emergency and adopted lockdown measures such as quarantines, prohibition of gatherings, restrictions on movement, border closures and closures of universities, restaurants and cafes.

The measures taken in response to the COVID-19 pandemic are a constraint to economic activity and to the long-term health of the business sector. This is reflected in the temporary or perpetual closure of operations during the lockdown. Indeed, the share of firms that had ceased operations was around 83.4 per cent countrywide, according to a survey conducted in July 2020 by the High Commission for Planning, the government planning body. Broken down by sector, the survey showed that the crisis was most keenly felt in the accommodation and catering sector, where 98 per cent of the businesses were closed, followed by textiles and leather; construction and metallurgy and machine tools with 99 per cent, 93 per cent and 91 per cent of these sectors being closed, respectively.

Figure 19
Share of firms that discontinued operations, by sector



Source: High Commission for Planning, 2020.

With effect from 11 June, partial re-opening measures were introduced. Many activities resumed, and restrictions on mobility in most of rural areas and small towns were relaxed. Most businesses were allowed to resume their operations, including restaurants and cafes, as well as theatres and hammams. The ban on large gatherings remained in place and international boundaries were reopened for Moroccan nationals. The state of emergency remains in force as a precaution against any future developments.

In terms of business operations, around 32.4 per cent of businesses countrywide had completely returned to normalcy (High Commission for Planning, 2020), whilst 52.2 per cent had partially gone back to work and some 15.4 per cent were still closed as of July 2020. By sector, stoppages predominated in the transport and warehousing sectors (32 per cent), real estate (30.9 per cent) and hotels and restaurants (28.7 per cent). Some 45 per cent of businesses in the chemicals and related industries had resumed operations, in tandem with 47 per cent in commerce, 44 per cent in the energy sector and 42 per cent in textiles and leather. Return to normalcy was less frequent in the tourism sector, at just 18 per cent.

Table 7
Share of firms that resumed operations, by sector (per cent)

Sector	Normal	Partial	Still inactive
Fishing	54.5	40.9	4.5
Mining	29.2	46.9	24
Food and agribusinesses	33.6	47.7	18.7
Textiles and leather	41.5	55	3.5
Chemicals and related industries	44.7	53	2.3
Electrical engineering and electronics	14.9	85.1	0
Metallurgy and mechanical trades	41.1	47.1	11.8
Energy	43.4	53.7	2.8
Construction	26.3	59.4	14.3
Trade	46.6	44.7	8.7
Transport and warehousing	22	45.8	32.2
Hotels and restaurants	18.2	53.1	28.7
Information and communications	26	49.9	24.1
Real estate	23.1	46	30.9
Services to firms	29.6	52.6	17.8
Education and public health	34.6	54.7	10.7
Private services	25.3	63.8	10.9
Total	**32.4**	**52.2**	**15.4**

Source: High Commission for Planning, 2020.

Thus, there was a noticeable decrease in the number of business failures as at the end of August. According to data provided by Inforisk, the number of business failures diminished by 37 per cent compared with the same period in 2019: a total of 3,247 businesses failed in the first eight months of 2020, compared to 5,168 in the same period in 2019. However, that does not mean that there were fewer firms in difficult situations, because there was a lull in activity at the level of business tribunals during the lockdown, and the reopening in July was interrupted by the judicial holiday in August.

Euler Hermes, none the less, predicted a 14 per cent increase in the number of business failures (6 per cent up from 2019), reflecting the dire financial situation besetting the business sector and the impact of the pandemic on the national economy as a whole. There may consequently be a spike in business closures, given that around 99 per cent of business failures in Morocco in 2019 were actually bankruptcies.

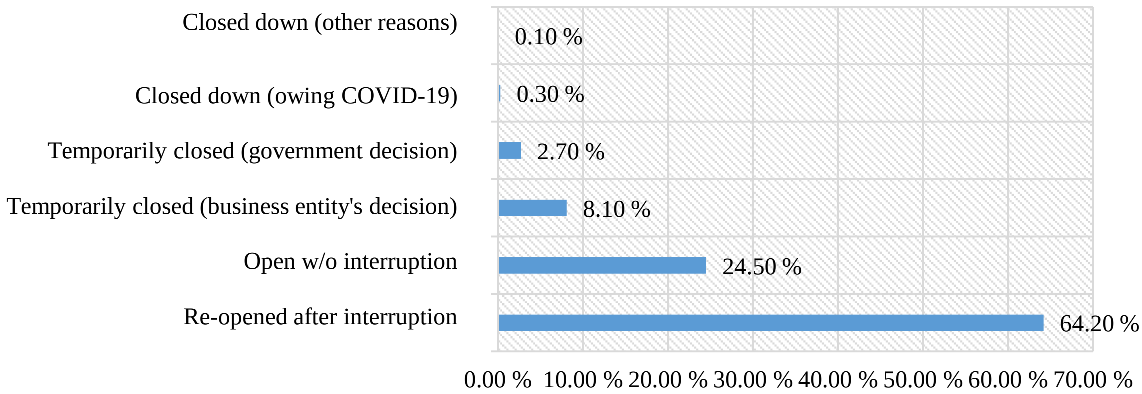
Tunisia: Starting on 2 March 2020, Tunisia, in line with the region and the rest of the world adopted public health measures designed to thwart the spread of the pandemic, including the declaration of a countrywide curfew, curbing gatherings and mobility, and the closure of schools, colleges, shops and highways.

Further down the road, Tunisia embarked on a gradual re-opening of business with effect from 4 June 2020, and reopened its borders. Economic restrictions were relaxed in accordance with a three-phase plan, by sector, starting with the hardest-hit sectors, with the adoption of mandatory distancing and mask-wearing measures. Supermarkets, cafes and restaurants resumed their activities at reduced capacity.

Against that backdrop, a survey[15] conducted by the National Statistical Office, in collaboration with the World Bank, indicated that the Tunisian private sector has experienced a tumultuous period because of COVID-19. Nevertheless, most firms had bounced back to normal operations by 30 June. The survey showed that there was no interruption of activity for 24.5 per cent of business establishments, whilst 64.2 per cent of businesses had re-opened after a hiatus. By 30 June, 88.7 per cent of firms were open.

For the rest, 10.8 per cent of businesses were temporarily closed (of which, 2.7 per cent pursuant to a governmental order, and 8.1 per cent in line with a decision at the level of the business entity itself, and 0.4 per cent closed permanently owing to COVID-19 (0.3 per cent) or for another reason (0.1 per cent).

Figure 20
Operational status of Tunisian businesses as of 30 June 2020



Source: National Statistical Office and World Bank: Impact of COVID-19 on the private sector, July 2020.

Concerning temporary closures, the survey results indicate that the least affected sectors were health, computing and telecommunications, followed by chemicals and pharmaceuticals. Relative to size, sole proprietorships and small and medium-sized enterprises were hit by closures during the lockdown, the respective percentages being 72.3 per cent and 59.9 per cent respectively. Conversely, 58.9 per cent of large businesses remained open throughout the month of April.

The second leg of the survey reveals a sharp increase in permanent closures of private-sector entities during the third quarter. In fact, 5.4 per cent of business were permanently closed in the third quarter, compared to 0.3 per cent in the second quarter, and 3.9 per cent for some other reason, as compared to 0.1 per cent in the second quarter.

Perpetual closures of businesses were mostly concentrated in the services sector, and more particularly hospitality, restaurants and cafes (11.1 per cent, including 5.6 per cent owing to COVID-19), in chemicals and pharmaceuticals (6.3 per cent, of which 5.0 per cent was

[15] The survey comprises two phases: (i) an assessment of the impact of COVID-19 crisis on the private sector, published in July 2020; (ii) an assessment of impact of COVID-19 on the formal private sector, published in December 2020. The June 2020 phase of the survey was conducted at 2,500 private-sector businesses and encompassed all economic sectors in the Tunisian economy. The responses pertaining to the second phase of this survey were collected between September and October 2020 and are refer to the month of July.

attributable to COVID-19) and the commercial sector (5.2 per cent, with 0.8 per cent being COVID-19 related). Relative to size, 95.4 per cent of the small and medium-sized enterprises and 89 per cent of sole proprietors averred that they had been operational in the third quarter, and the same applies to 99.5 per cent of large firms.

C. A disproportionate impact on sectoral employment

Over and above the impact on output and growth, COVID-19 has plunged the labour markets across North Africa into a whole set of challenges. The availability of jobs has been hard hit. The situation has also highlighted the social costs of qualitative failures and inadequacies in terms of employment slots. Apart from job losses, which have mostly blighted high-risk and medium-to-high-risk sectors, the pandemic has demonstrated the susceptibilities of the labour markets of the subregion and may spawn turbulence in others under social stress, including poverty, criminality, mental instability, instability in the family setting, and so on.

ILO studies have discerned a real risk of losses in the above-mentioned sectors. The preponderance of these sectors varies from one economy to another, but there are similarities in terms of the share of the total labour force. The trade sector, which has been severely affected by restrictions and a contraction in demand in Arab countries, accounts for significant shares of employment in the North Africa subregion, ranging from 13 per cent in Egypt to some 16 per cent in Mauritania and Algeria. Employment in industry in Tunisia is dominated by manufacturing, whose share of total employment in that country was around 19 per cent in 2019, and some 10 per cent in the other North African countries, where manufacturing is heavily reliant on hydrocarbon outputs in Algeria. Transport and accommodation and restaurants account for a significant proportion of market services in subregional economies, accounting for 12 per cent of employment in Tunisia, 11 per cent in Egypt and the Sudan, 8 per cent in Mauritania and Algeria, and 5 per cent in Morocco. Together, high- and medium-high-risk sectors account for 60 per cent of employment in Tunisia, 54 per cent in Algeria, 53 per cent in Egypt, 47 per cent in Mauritania, 33 per cent in Morocco, and 44 per cent in the Sudan.

Table 8
Employment in North Africa by economic sector (per cent), 2019

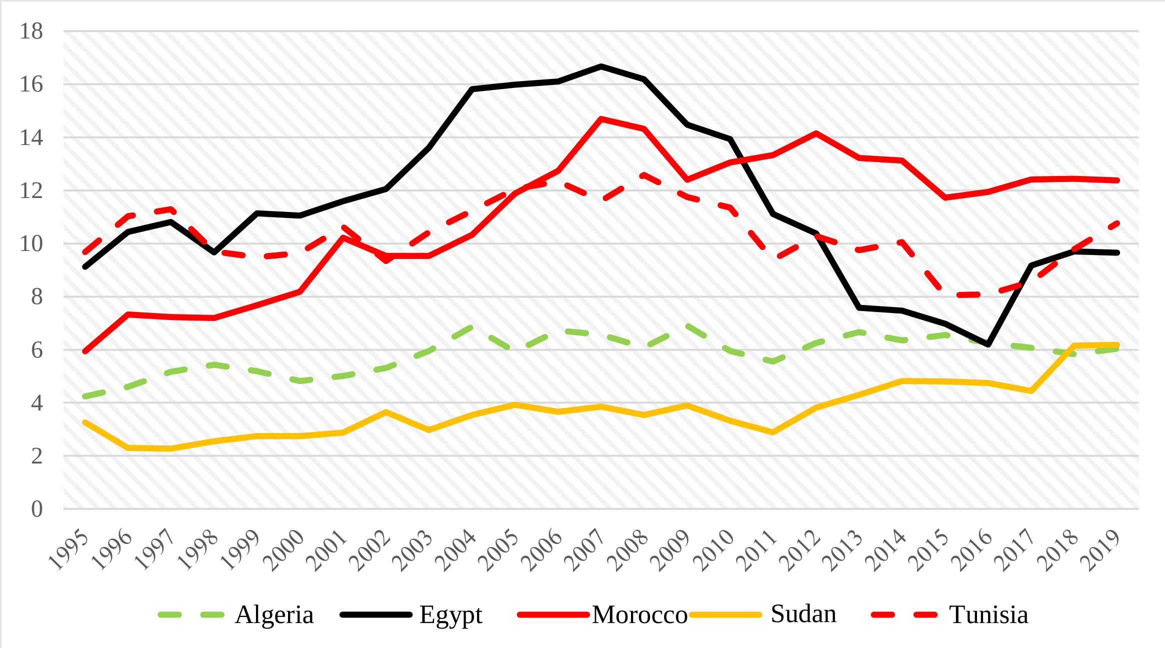
	Risk level	Algeria	Egypt	Mauritania	Morocco	Sudan	Tunisia
Education	Low	10.31	7.93	3.90	3.50	4.72	8.21
Health care and social services	Low	3.56	2.96	1.06	1.50	1.96	3.01
Public administration, defence and obligatory social security	Low	15.81	6.00	5.05	2.72	5.47	9.99
Public services	Low	1.76	1.49	0.39	0.47	0.24	0.66
Agriculture, silviculture and fisheries	Low-to-medium	9.86	23.79	34.69	51.27	39.94	13.03
Construction	Medium	17.03	13.65	10.11	3.37	6.35	12.19
Finance and insurance	Medium	0.66	0.66	0.93	0.49	0.33	0.97
Extractive industries	Medium	1.56	0.15	0.69	1.01	1.58	0.61
Other services	Medium-to-high	2.98	4.11	6.19	6.42	1.24	3.33
Transport; warehousing and communications	Medium-to-high	6.49	8.67	4.99	3.29	10.15	8.51
Medium-risk sectors		9.47	12.78	11.18	9.71	11.39	11.84
Hotels and restaurants	High	2.16	2.81	3.10	1.93	1.08	4.17
Real estate; commercial and administrative activities	High	1.71	2.54	2.13	1.74	3.92	3.09
Manufacturing	High	10.39	12.40	10.52	8.09	8.04	19.09
Wholesale and retail; automobile and motorcycle servicing	High	15.73	12.85	16.26	14.21	14.96	13.14
High-risk sectors		29.99	30.60	32.01	25.97	28.00	29.49
Vulnerable economic sectors		39.46	43.38	43.19	35.68	39.39	51.33

Source: ILO, 2020.

Collapse of employment in the tourism sector in North Africa

The tourism sector in several countries in the subregion has been severely affected. In addition to external demand shocks, the collapse of tourism and business travel has put more than 10 per cent of direct and indirect employment under stress in Egypt, Morocco, and Tunisia, and about 6 per cent in Algeria and the Sudan.

Figure 21
Direct and indirect employment in the tourism sector in selected North African countries as a percentage of total employment



Source: World Travel and Tourism Council, 2020.

Apart from estimates based on ILO assessments, official data indicate a significant impact on certain economic sectors in the countries of the region.

In Algeria, there was a wide-ranging decline in employment in April 2020. That slowdown was particularly pronounced in construction, both in terms of job offers and placements. On average, job offers declined by 85.6 per cent while job placements declined by 84.3 per cent.

Table 9

Labour market dynamics in Algeria and the impact of COVID-19 pandemic on different economic sectors (figures for April 2019 and April 2020)

	Job offers in April 2019	Job offers in April 2020	Decrease
Industry	11 982 (32%)	1 650 (30%)	86.2 %
Construction	10 811 (29%)	1 055 (19%)	90.2 %
Agriculture	1 146 (3%)	145 (3%)	87.3 %
Services	13 693 (36%)	2 573 (47%)	81.2 %
Total	37 632	5 423	85.6 %
	Job placements in April 2019	Job placements in April 2019	Decrease
Industry	9 056 (32%)	1 358 (31%)	85.0%
Construction	8 329 (30%)	980 (22%)	88.2%
Agriculture	670 (2%)	126 (3%)	81.2%
Services	9 878 (35%)	1 919 (44%)	80.6%
Total	27 933	4 383	84.3%
	In April 2019	In April 2020	Decrease
Job seekers	67 293	8 579	87.3%

Source: Algerian National Employment Agency (ANEM), 2019 and 2020.

The labour market scene in Algeria rallied in September 2020. Job offers declined by only around 15 per cent between September 2019 and September 2020, with a 19 per cent increase in job offers emanating from the agricultural sector, year-on-year. Outside agriculture, the improvement was more pronounced in industry, followed by construction, and then services.

Table 10

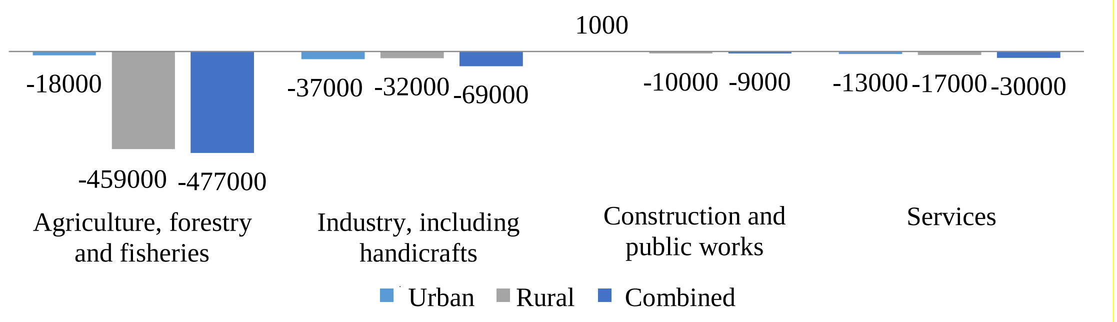
Labour-market dynamics in Algeria by sector, under COVID-19 conditions (September)

	Job offers made during September 2019	Job offers made during September 2020	Relative variation
Industry	11 877 (33%)	10 830 (35%)	-9%
Construction	9 399 (26%)	7 994 (26%)	-15%
Agriculture	1 258 (3%)	1 492 (5%)	19%
Services	13 501 (37%)	10 304 (34%)	-24%
Total	36 035	30 620	-15%
	Hiring made during September 2019	Hiring made during September 2020	Relative variation
Industrie	8 594 (32%)	7 000 (33%)	-19%
Construction	7 211 (27%)	6 017 (28%)	-17%
Agriculture	990 (4%)	732 (3%)	-26%
Services	9 933 (37%)	7 606 (36%)	-23%
Total	26 728	21 355	-20%
	During the month of September 2019	During the month of September 2020	Relative variation
No. of job seekers absorbed	69 491	66 007	-5%

Source: Algerian National Employment Agency (ANEM), 2019 and 2020.

In **Morocco**, the High Commission for Planning reported that net job losses were widespread. Between the second quarter of 2019 and the second quarter of 2020, 447,000 jobs were lost in agriculture, in part due to weather conditions. In addition, industries, including handicrafts, lost 69,000 jobs, services lost 30,000, while construction recorded 9,000 net losses.

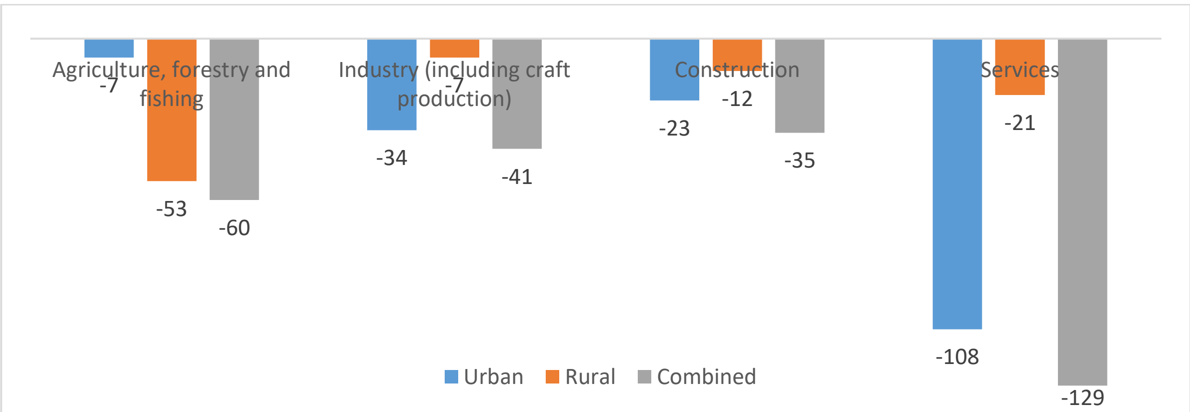
Figure 22
Net job losses between the second quarter of 2019 and the second quarter of 2020 by place of residence (urban/rural)



Source: High Commission for Planning, 2020.

The decline in the total number of hours worked per week affected all sectors, but particularly construction (71 per cent), industry, including handicrafts (63 per cent) and services (54 per cent).

Figure 23
Variation of the total working hours between the second quarter of 2019 and that of 2020 by sector of economic activity (in millions of hours)



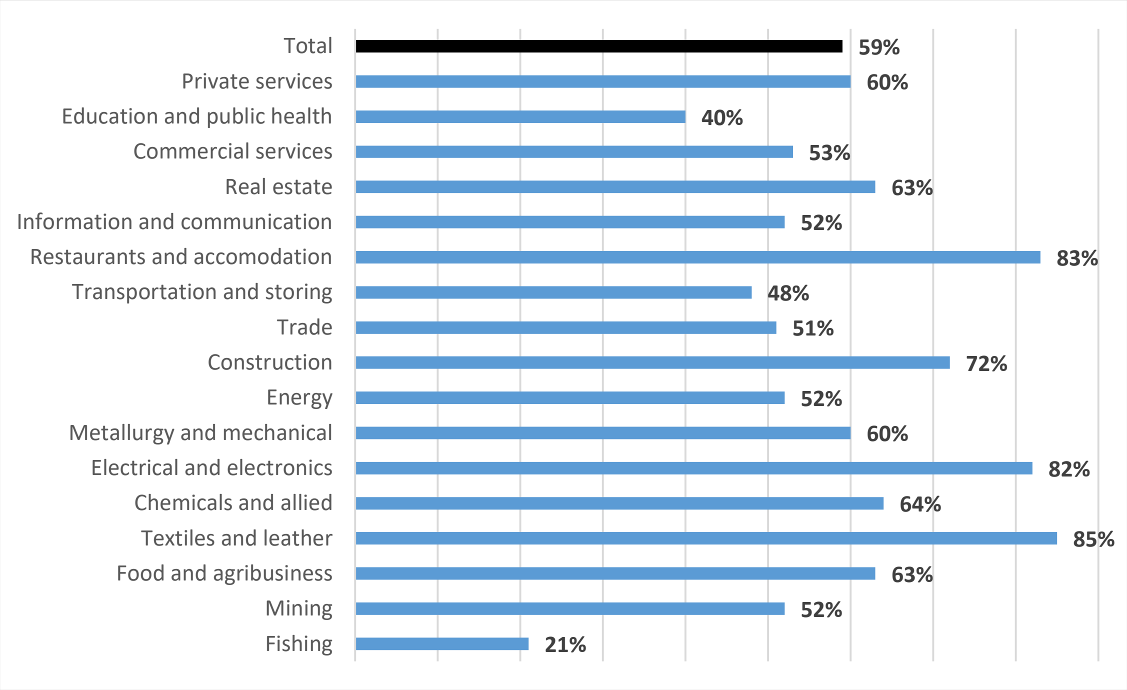
Source: High Commission for Planning, 2020.

According to a survey conducted in July 2020 by the High Commission for Planning,[16] firms in the textile and leather sector (85 per cent), electrical and mechanical sector (82 per cent), and the hospitality and restaurant sector (82 per cent), were the hardest hit by the workforce reductions.

[16] Second survey on the impact of COVID-19 on business activity.

Figure 24

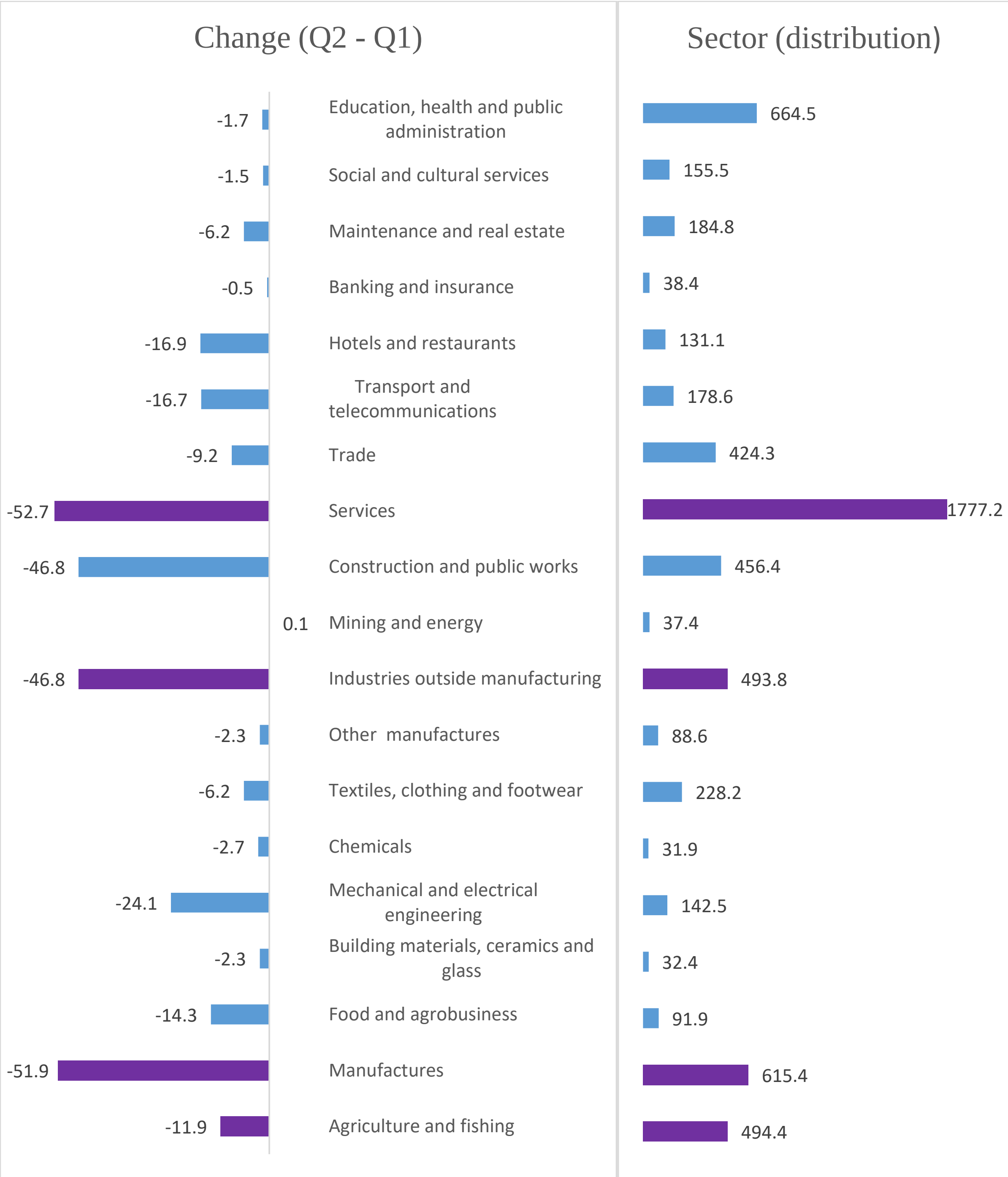
Share, by sector, of firms that had reduced their workforce



Source: High Commission for Planning, 2020.

In **Tunisia**, there was a decrease in the workforce virtually across the board. Nonetheless, the downward trend was more pronounced in the services and manufacturing sectors, which shrank, respectively, by 52,700 and 51,900 employees. Industries outside manufacturing lost 46,800 employees, as did construction and public works. The agricultural sector experienced a workforce reduction amounting to 11,900 employees compared with the first quarter of 2020, as did the mining and energy, banks and insurance sectors.

Figure 25
Distribution of the workforce by sector, second quarter of 2020



Source: National Statistical Office, Tunisia, 2020: Supply-side impacts: higher unemployment, less working time, lower income – and social problems on horizon.

D. Impact of the COVID-19 pandemic on the labour market in North Africa

Algeria: In the face of the conditions occasioned by COVID-19, besides the fall in the price of petrol, several Algerian businesses were constrained to resort to strategies that run counter to labour-market dynamics, such as suspension of hiring, layoffs, redundancies and dismissals. Emploitic, one of the leading on-line agencies, experienced a sharp (70 per cent) drop in its recruitment operations between April 2019 and April 2020.

In regard to official sources of information on the labour market, by December 2020, the National Statistical Office had not yet conducted a survey on the impact of COVID-19 on the labour market in Algeria. Apart from the Evidencia study, which was conducted in collaboration with the Algero-Spanish Chamber of Commerce and Industry, the only data available concerning the impact of COVID-19 on the labour market are those of the Ministry of Labour.

By reference to April 2019, several reports published by the Algerian National Employment Agency (ANEM), reveal a downward trend, reflecting a slowdown in the labour-market profile countrywide. This applies to the labour supply and demand position as well as to actual hirings. In April 2020, ANEM recorded 5,400 job offers and 8,600 applications, with 4,400 hirings. These figures are significantly below those collected by the Agency in January 2019, when 37,000 job offers, 67,300 applications and 27,900 postings were registered.

The downswing in the Algerian labour market, as observed in April 2020 compared to exactly a year earlier, was very pronounced and affected all sectors of economic activity, but it was more ardent in the construction sector, both in terms of supply and investments. On average, offers dropped by 85 per cent, investments slumped by 84.3 per cent and demand by 87.3 per cent.

Table 11

Job market dynamics in Algeria, by sector, during the COVID-19 pandemic (April)

	Job offers made during the month of April 2019	Job offers made during the month of April 2020	Relative decline
Industry	11 982 (32%)	1 650 (30%)	86.2%
Construction and public works	10 811 (29%)	1 055 (19%)	90.2%
Agriculture	1 146 (3%)	145 (3%)	87.3%
Services	13 693 (36%)	2 573 (47%)	81.2%
Total	37 632	5 423	85.6 %
	Investments made during the month of April 2019	Investments made during the month of April 2020	Relative decline
Industry	9 056 (32%)	1 358 (31%)	85.0%
Construction and public works	8 329 (30%)	980 (22%)	88.2%
Agriculture	670 (2%)	126 (3%)	81.2%
Services	9 878 (35%)	1 919 (44%)	80.6%
Total	27 933	4 383	84.3%
	During the month of April 2019	During the month of April 2020	Relative decline
No. of job seekers absorbed	67 293	8 579	87.3%

Source: Algerian National Employment Agency (ANEM), 2019 and 2020.

At the same time, 50,000 individuals lost their jobs during the lockdown, or 12 per cent of workers, according to the survey conducted by the Ministry of Labour on a sample of 3,600 business entities employing 440,171 workers on the impact of the COVID-19 health crisis on the labour market. According to the same survey, 72 per cent of employees benefited from paid leave, 75.6 per cent saw their business reduced, 7.5 per cent were working part time and 1.6 per cent were forced into short-term work. Furthermore, the survey revealed that some 180,000 salaried employees, equivalent to 44 per cent of that cohort, had suffered a delay in payment of their wages.

According to ANEM, the labour market scenario appeared to have improved by September 2020, in comparison with a drastic deterioration – between April 2019 and April 2020 – by around 80 per cent in terms of offer, investment and demand. The decline in job vacancies only amounted to around 15 per cent in September 2019 to September 2020 with, indeed, a 19 per cent increase in job vacancies coming from the agricultural sector, year-on-year. In relative terms, the decrease in investments amounted to 20 per cent, year-on-year, in September 2020, in comparison with an 84 per cent drop, year-on-year, in April 2020. Only 5 per cent of job applications were rejected.

Table 12

Job market dynamics in Algeria, by sector, during the COVID-19 pandemic (September)

	Job offers made during the month of September 2019	Job offers made during the month of September 2020	Relative variation
Industry	11 877 (33 %)	10 830 (35 %)	-9 %
Construction and public works	9 399 (26 %)	7 994 (26 %)	-15 %
Agriculture	1 258 (3 %)	1 492 (5 %)	19 %
Services	13 501 (37 %)	10 304 (34 %)	-24 %
Total	36 035	30 620	-15 %
	Investments made during the month of September 2019	Investments made during the month of September 2020	Relative variation
Industry	8 594 (32 %)	7 000 (33 %)	-19 %
Construction and public works	7 211 (27 %)	6 017 (28 %)	-17 %
Agriculture	990 (4 %)	732 (3 %)	-26 %
Services	9 933 (37 %)	7 606 (36 %)	-23 %
Total	26 728	21 355	-20 %
	During the month of September 2019	During the month of September 2020	Relative variation
No. of job seekers absorbed	69 491	66 007	-5 %

Source: Algerian National Employment Agency (ANEM), 2019 and 2020.

In the scenario, the unemployment rate was expected to increase to over 14 per cent in 2020, in comparison with 11.3 per cent in 2019. IMF, in its World Economic Outlook, projects a 14.1 per cent increase in the unemployment rate in 2020, and this is expected to exacerbate, to 14.3 per cent in 2021.

Egypt: some employers have resorted to redundancies and compulsory leave without pay, due to their plight in the wake of the pandemic, including an acute lack of cash, with small businesses being the hardest hit.

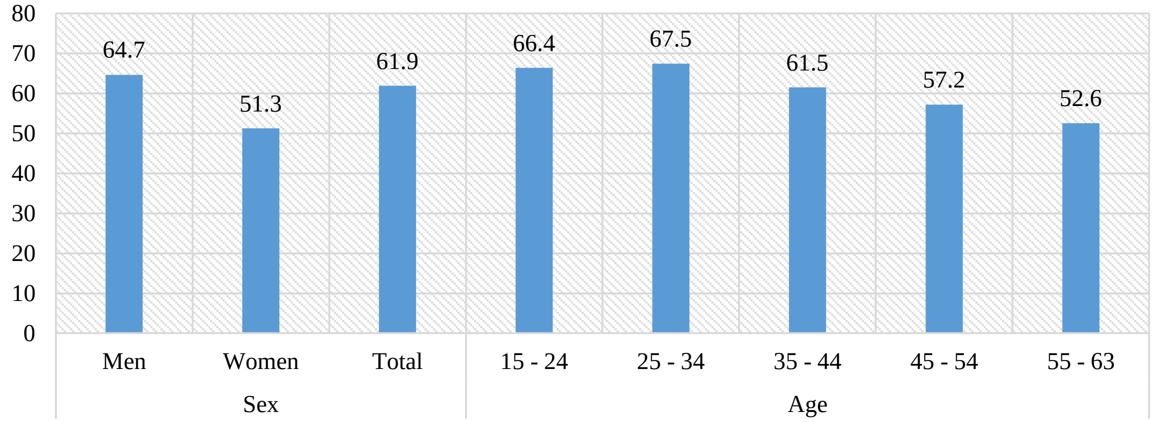
Labour market dynamics in Egypt have resulted in a deterioration in the indicators on participation, employment and joblessness. As a matter of fact, the size of the workforce across the country declined from 28 million in the second quarter of 2019 to 26.7 million in the second quarter of 2020, which translates into a decrease of around 18 per cent. Women bore the brunt of this downward trend, whereby 1.1 million of them withdrew from the labour market altogether. Another key indicator is that of the actively employed population. It dipped from around 26 million in the second quarter of 2019 to around 24.1 million in the second quarter of 2020, an 8.8 per cent decrease. Conversely, the number of unemployed soared by around 500,000 between the second quarter of 2019 and the corresponding period in 2020. The employment rate rose from 7.5 per cent to around 9.6 per cent between the second quarter of 2019 and the same period in 2020 (Labour force bulletin, April–June).

The pandemic had a significant effect on the labour market in Egypt. IMF forecasts, however, indicate an improvement in the labour market situation, with unemployment at around 8.3 per cent in 2020, in comparison with 8.6 per cent in 2019, and, simultaneously, a positive growth forecast at around 3.5 per cent.

A study conducted by the Central Agency for Public Mobilization and Statistics, with the objective of assessing the impact of the pandemic on the lives of Egyptian families, revealed that the conditions of 62 per cent of the families on the labour market had changed prior to May 2020. The study indicated that women were less affected by the change as compared to men (51 per cent and 63 per cent, respectively), and that young people aged 15 to 24 were the most affected. According to the survey data, the change in the situation in the labour market was, until May 2020, negatively correlated with age ranges.

Figure 26

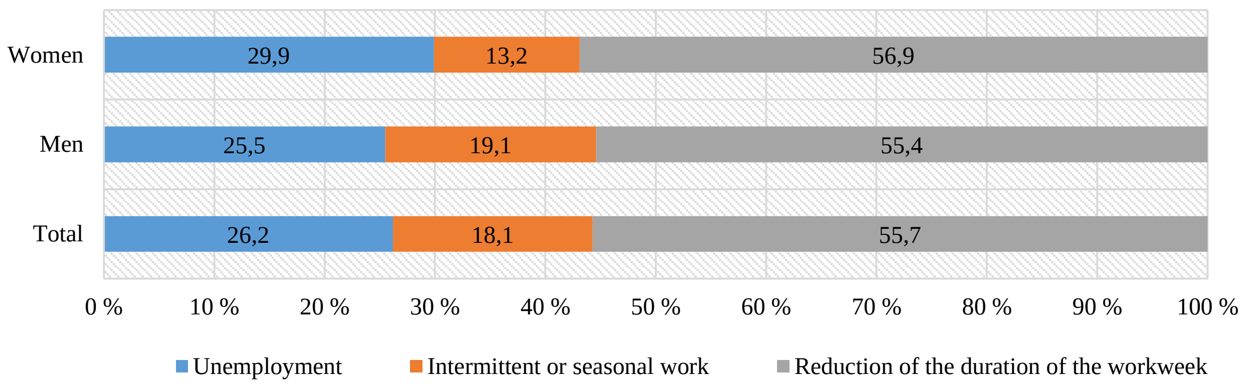
Proportion of workers whose conditions in the labour market had changed since the beginning of the pandemic



Source: Government of Egypt, Central Agency for Public Mobilization and Statistics, May 2020.

It also appeared from the study that the change in labour market conditions comprised three aspects, namely unemployment, decline in working hours and decline in earnings. Indeed, 26 per cent of the respondents reported having become unemployed and 55 per cent were working reduced hours. These proportions are comparable depending on place and gender. The study indicated that the proportion of respondents who had reported having become unemployed was inversely correlated to the age brackets. Young people were the most affected by the lapse into unemployment, with a proportion of about 31 per cent, compared to 21 per cent for persons between the ages of 55 and 64.

Figure 27
Distribution according to the status change in the labour market

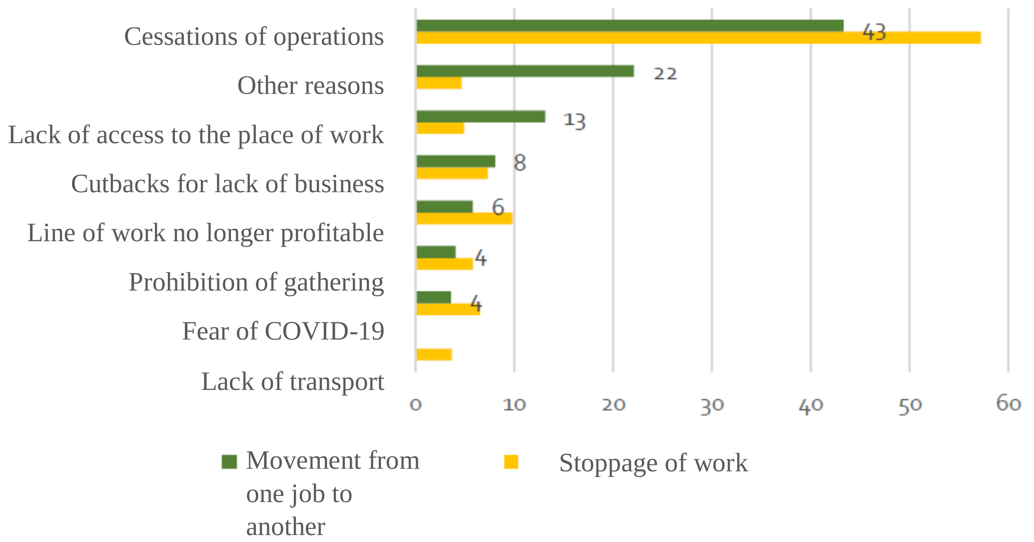


Source: Government of Egypt, Central Agency for Public Mobilization and Statistics, May 2020.

In regard to income, the survey revealed a reduction affecting three quarters of the respondents (73.5 per cent) from the end of February 2020 until the end of May of that year. The main reasons cited for the decrease were: containment measures (60.3 per cent), unemployment (35.5 per cent), reduced demand and activity (31.5 per cent), the decline in wages (14.5 per cent), the temporary suspension of a period (12.9 per cent) and the stoppage of charitable interventions (2.2 per cent). Moreover, one third of Egyptian families lacked an adequate income to meet their basic needs (34.3 per cent in the rural areas and 31.8 per cent in urban areas).

Mauritania: According to follow-up survey data on the impact of COVID-19 compiled by the National Statistical Office in collaboration with the World Bank, with panel data from 1,204 households (see preceding section), almost one quarter of the working population has had to change occupation or sector since the onset of the COVID-19 pandemic, whilst around 11 per cent stopped working. There are several reasons for these shifts and terminations. Among the most frequently mentioned were: cessation of activity by the business entity (43 per cent of those who switched jobs and 57 per cent of those who stopped working). Otherwise, reductions in staff was the cause of some 8 per cent of job changes and stoppages. Further, around 6 per cent cited the lack of profitability of the present line of business as the reason for switching jobs and 10 per cent mentioned that same point as the reason for stopping work altogether. Lack of transport was cited as the reason for 6 per cent of the cases of quitting.

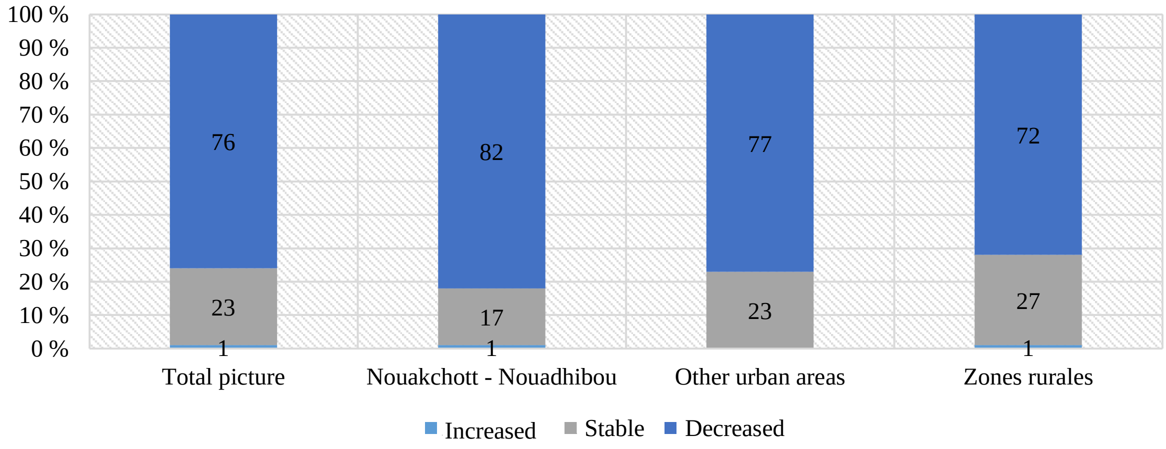
Figure 28
COVID-19 related motivations for work stoppages (per cent)



Source: National Statistical Office, Mauritania: Follow-up survey on the impact of COVID-19, 2020.

The decline in labour-market dynamism in Mauritania has occasioned a significant impact on household incomes, given that 76 per cent of households affirm having suffered reductions in wages. Workers in the Nouakchott and Nouadhibou conglomerations were the most adversely affected by that decrease, with a rate in the range of 82 per cent.

Figure 29
Income variation of household members since the start of COVID-19 pandemic (per cent)

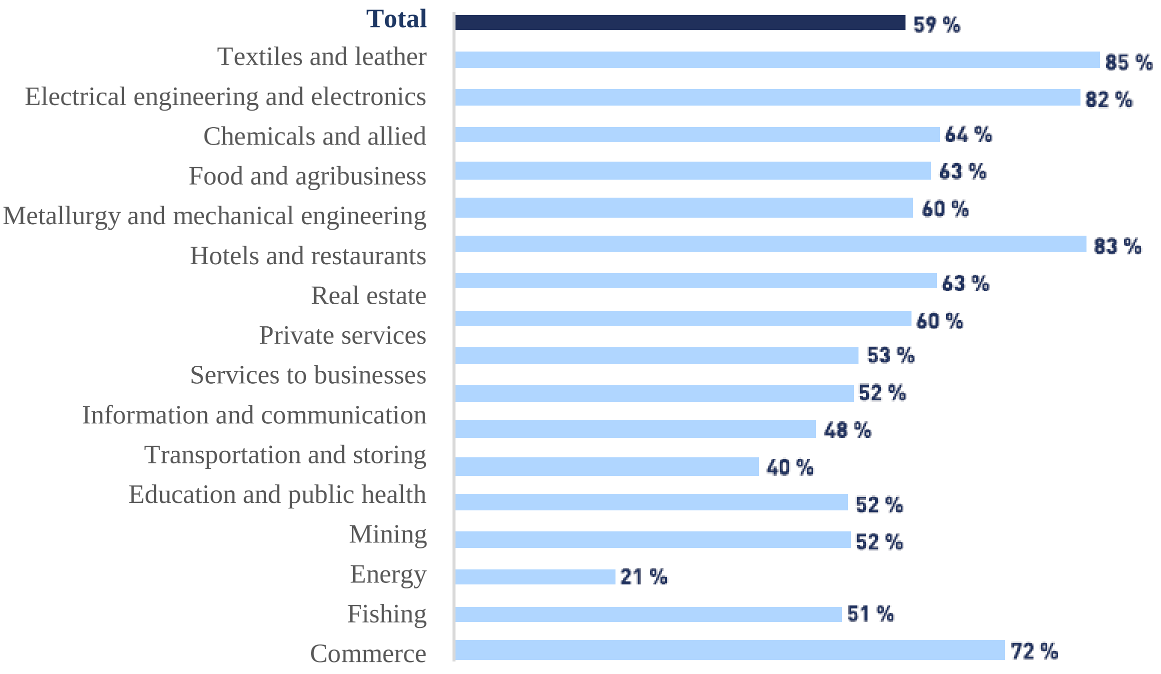


Source: National Statistical Office, Mauritania: Follow-up survey on the impact of COVID-19, 2020.

Morocco: The labour market in Morocco has been hit by partial or total cessation of activity during the lockdown. Around 59 per cent of the businesses surveyed by the High

Commission for Planning[17] in July 2020 had trimmed down their staff. The hardest hit were sectors such as textiles and leather (85 per cent) and hotels and restaurants (83 per cent).

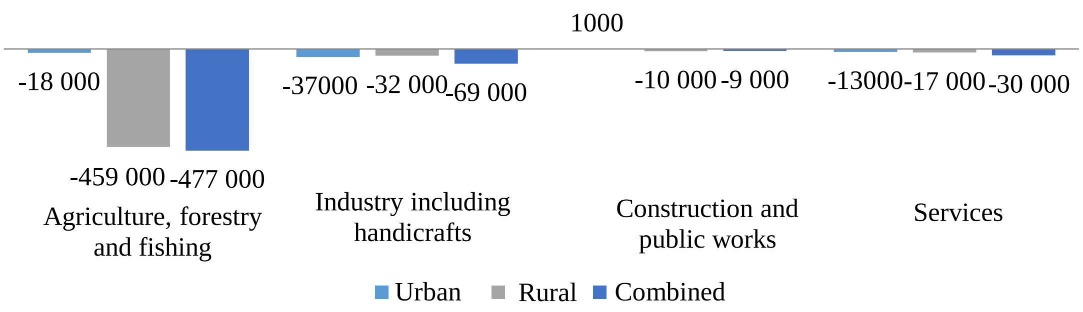
Figure 30
Share of workforce reductions by businesses in various sectors



Source: High Commission for Planning, 2020.

In other words, the pandemic has exacerbated long-existing imbalances such as unemployment and systemic failures, including underemployment and precarity. For example, the High Commission for Planning reports that around 600,000 workers overall, and 300 salaried workers had lost their jobs between the second quarter of 2019 and the second quarter of 2020, which amounts to around 5 per cent of the workforce, but also over half (53 per cent) of the labour supply in non-agricultural sectors. Thus, over 360,000 workers joined the ranks of the underemployed between the second quarter of 2019 and the second quarter of 2020.

Figure 31
Net job losses between the second quarter of 2019 and the second quarter of 2020, by residential area

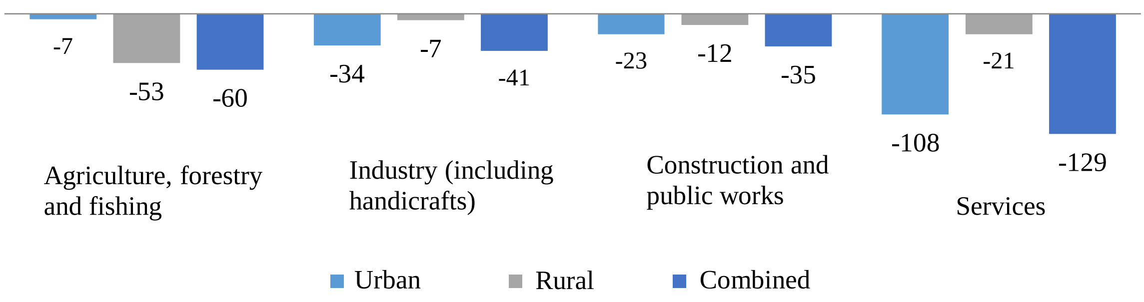


Source: High Commission for Planning, 2020.

[17] Second survey on the impact of COVID-19 on business activity, July 2020.

The fall in the total hours worked per week has affected all sectors, but in particular construction (71 per cent), industry, including handicrafts (63 per cent) and services (54 per cent).

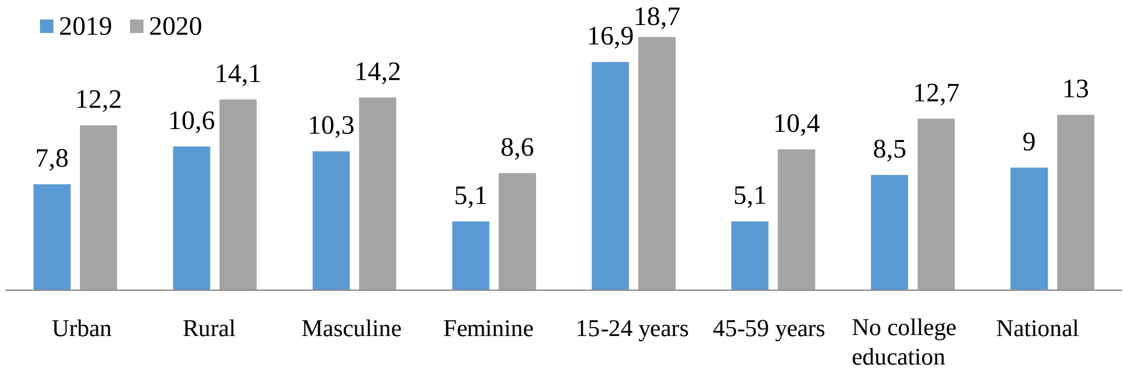
Figure 32
Variation of the volume of labour input per week between the second quarter of 2019 and the second quarter of 2020 by sector of economic activity (in millions of hours)



Source: High Commission for Planning, 2020.

The rate of underemployment thus surged from 3.1 per cent to 9.1 per cent. The cohort most affected by this were the 45 to 59 year age bracket (+5.3 percentage points), persons with no college diploma (+4.2 points) and men (+4 points).

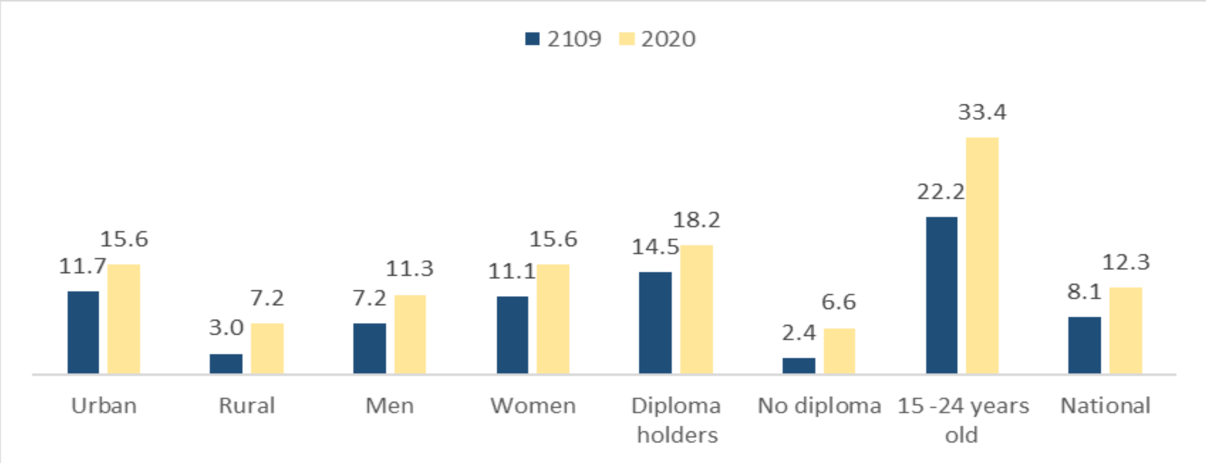
Figure 33
Profile of the rate of underemployment between the second quarter of 2019 and the second quarter of 2020 among certain categories of the active workforce (per cent)



Source: High Commission for Planning, 2020.

The employment rate rose from 8.1 per cent to 12.3 per cent between Q2 of 2019 and Q2 of 2020, or in other words an additional 496,000 individuals which is 50.6 per cent became unemployed (i.e. from 981,000 to 1,477,000 unemployed persons). This was an increase across the board but was more pronounced among young people, whose unemployment rate rose from 22.2 per cent to 33.4 per cent over that period. The unemployment rate among diploma holders rose from 14.5 per cent to 18.2 per cent. – "*the surge was more pronounced among those with special skills (+ 11.7 points and a rate of 37 per cent), basic education certificates (+ 4.6 points and a rate of 14.9 per cent) certificates of professional qualifications (+ 3.8 points and a rate of 20.3 per cent)*" (High Commission for Planning, 2020).

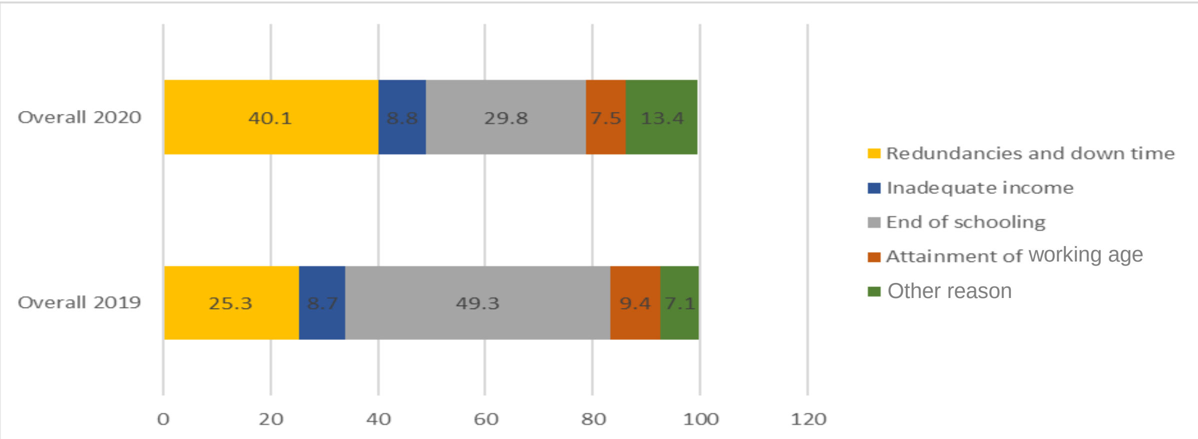
Figure 34
Profile of unemployment rates between Q2, 2019 and Q2, 2020, for certain categories of the population (per cent)



Source: High Commission for Planning, 2020.

The HCP observed a 15.8 per cent to 29.7 per cent increase in the number of unemployed persons over a period of less than four months. Among these newly unemployed, 76 per cent were in that situation as a result of redundancies and down time. Thus, the proportion of unemployed had increased from 25 per cent to 40 per cent between Q2 of 2019 and Q2 of 2020.

Figure 35
Profile of those unemployed by cause of unemployment status, between Q2 of 2019 and Q2 of 2020 (per cent)



Source: High Commission for Planning, 2020.

There was no respite in the unemployment rate in the third quarter, even with the partial or complete return to normal activity (High Commission for Planning, 2020). It rose from 12.3 per cent in Q2 of 2020 to 12.7 per cent in Q3.

Tunisia: The survey conducted in April 2020 by the National Statistical Office, in collaboration with the World Bank, on the impact of the COVID-19 pandemic, revealed that there was a modest effect on formal employment. In contrast, the survey conducted in July 2020 showed that the businesses that resorted to redundancies had been more numerous in April. At the same time, data issued by the National Statistical Office reveal that there were 161,000 fewer persons working in Q2 of 2020.

In the formal sector, 50.1 per cent of businesses did not make adjustments and in most cases where adjustments were made, it was in the form of short-leave arrangements or pay cuts. Around 18.7 per cent of firms resorted to paid leave, some 9.6 per cent to leave without pay, 11 per cent to pay cuts and 4.3 per cent to reduced working hours. Only 4.5 per cent of businesses effected redundancies, whilst 1.2 per cent actually recruited workers. By sector, most of the employment-related adjustments were observed in building and construction, mechanical industries and electronics.

The effect was more acute in July 2020 when some 59 per cent of businesses reported having effected labour-related adjustments. A greater number, though, resorted to redundancies. Around 17.7 per cent of businesses that were operational effected redundancies, in comparison with 8 per cent in April. There was also less recourse to paid leave and unpaid leave with instances decreasing, respectively, to 18.2 per cent and 7.2 per cent in July, in comparison with 27.7 per cent and 14.3 per cent in April. At the same time, some 10.9 per cent of businesses resorted to pay cuts in July (against 13.3 per cent in April). By sector, most of the employment-related adjustments were effected by hotels, restaurants and cafes (around 30.5 per cent resorted to redundancies, 22.1 per cent to paid leave, 21.5 per cent to reduced working hours, and 21.2 per cent to unpaid leave).

Data from the National Statistical Office show that the profile of Tunisian labour market dynamic declined whilst there was also a drop in the size of the workforce, with unemployment soaring and declining participation. The total workforce had reached 3,404,500 by the second quarter of 2020, down from 3,565500 in Q1 of the same year. At 3,341,100 in April, the total workforce reflected the steepest decline during the second quarter of 2020 (-224,400 by reference to the average for Q1). The hardest hit were salaried employees, 131,800 of whom lost their jobs; also affected by the losses were 12,000 self-employed individuals and 17,200 home helps. There was a renewed upward trend in the workforce in May and June, reaching 3,391,200 and 3,481,300, respectively. The workforce had reached 3,511,600 by the third quarter of 2020.

The unemployment rate had risen from 15.1 per cent in the first quarter to 18 per cent in the second quarter of 2020. Thus, the number of unemployed had reached 746,400 out of the total workforce, in comparison with 634,800 as of Q1 of 2020. The unemployment rate dropped in the third quarter to 16.2 per cent, with an estimated 676,600 unemployed.

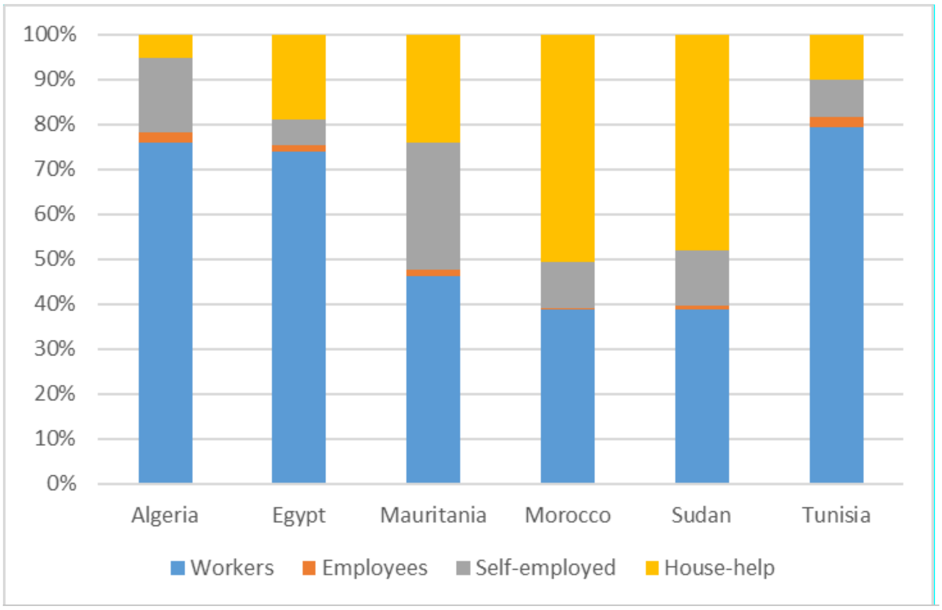
The participation rate declined by 0.6 per cent, from 48 per cent to 47.4 per cent, in the second quarter of 2020. This represents a diminution of 0.1 percentage points. The active population thus declined to 4,151,000, from 4,200,300 in Q1 of 2020. In the third quarter of 2020, the participation rate increased to around 47.7 per cent, equivalent to an active population of around 4,188,200 people.

E. The prospect of heightened poverty levels

Traditionally, the categories of young people, women and the lowly paid were (or were considered to be) the most vulnerable to the ricochet of unemployment rates in the subregion. A closer look at the specificities of work and workers makes it clear that women, young people and people employed in the informal sector are disproportionately affected.

As is the case elsewhere around the world, young people are exposed to risks in terms of what constitutes human capital whereas social distancing, for which the countries of the subregion are less prepared, has been viewed as a necessary strategy for minimizing the spread of COVID-19. Experts are increasingly concerned, however, as to the long-term effect on the learning curve, and in particular so far as the developing countries are concerned, given that the latter are not very well equipped in terms of technological and communications infrastructure. In terms of integration into the job market, young people are faced with a number of challenges, including uncertainty regarding the range of training and employment opportunities, particularly for people coming straight from training institutions, the risk of redundancy for low-skilled workers (past experience shows that firms tend to sacrifice low-skilled workers in difficult times). Moreover, there are risks pertaining to a lack of social protection, especially in regard to “atypical job groups”, such as part-time, informal-sector and precarious jobs. A significant proportion of young people in North Africa are indeed engaged in jobs considered precarious, such as domestic work and self-employment. These categories are particularly sizeable in Morocco (over 60 per cent), the Sudan (60 per cent) and Mauritania (53 per cent) and are in the range of 20 to 30 per cent in the other countries of the subregion.

Figure 36
Breakdown of the youth workforce by status, 2019



Source: ILO, 2020.

Women account for a very large proportion of the total cluster of precarious lines of work in Egypt (34 per cent), Mauritania (68 per cent), Morocco (61 per cent) and the Sudan (65 per cent). Their share in this line of work is relatively lower in Algeria (23 per cent) and Tunisia (14 per cent).

Table 13
Selected indicators of employment categories in North Africa, 2019

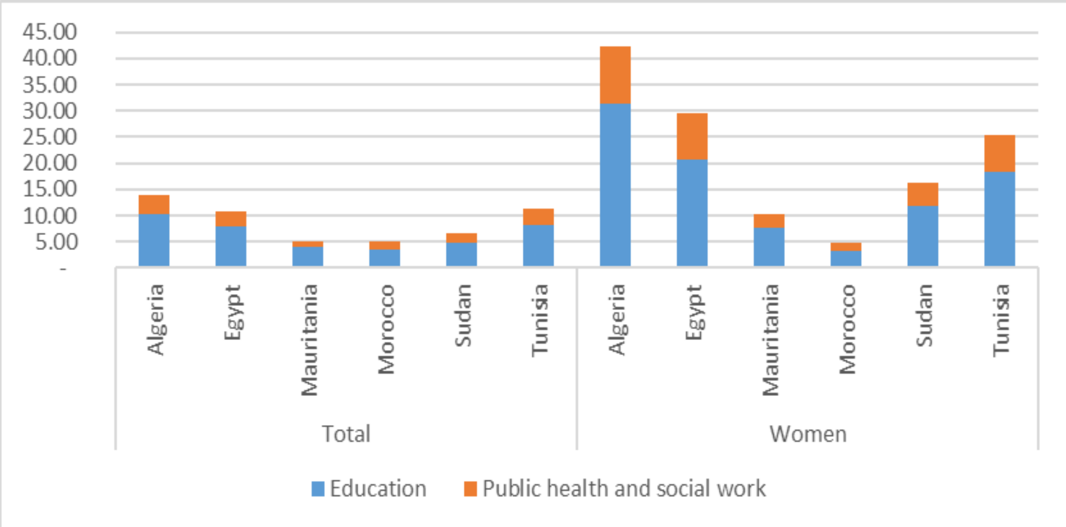
	Informal work (% total work other than agriculture)	Proportion of population covered by social security systems	Precarious jobs, total (% of total workforce)	Precarious jobs, women (% of women in employment)
Algeria	38 (2014)	64 (2010)	27.05	23.31
Egypt	54	37 (2016)	21.12	34.00
Mauritania	91[18] (2017)	ND	52.82	68.21
Morocco	40 (2014)	61 (2017)	48.10	61.02
Sudan	77 (2011)	ND	50.04	64.66
Tunisia	40 (2014)	54 (2017)	20.08	14.45

Sources: World Bank (2020) and separate job surveys.

Apart from the risk of losing their jobs and engagement in “atypical lines of work”, women are in the present climate overrepresented in perilous jobs, especially in sectors constituting the first line of defence against the pandemic, such as public health and social work. According to ILO data, the proportion of women working in those jobs exceeds the proportion of women in the national workforce. This is particularly true in Algeria, where education accounts for 31 per cent of working women, in comparison to just 10 per cent at the national level.

[18] This figure relates to workers employed in the non-agricultural private sector. (data provided by the National Statistical Office, Mauritania).

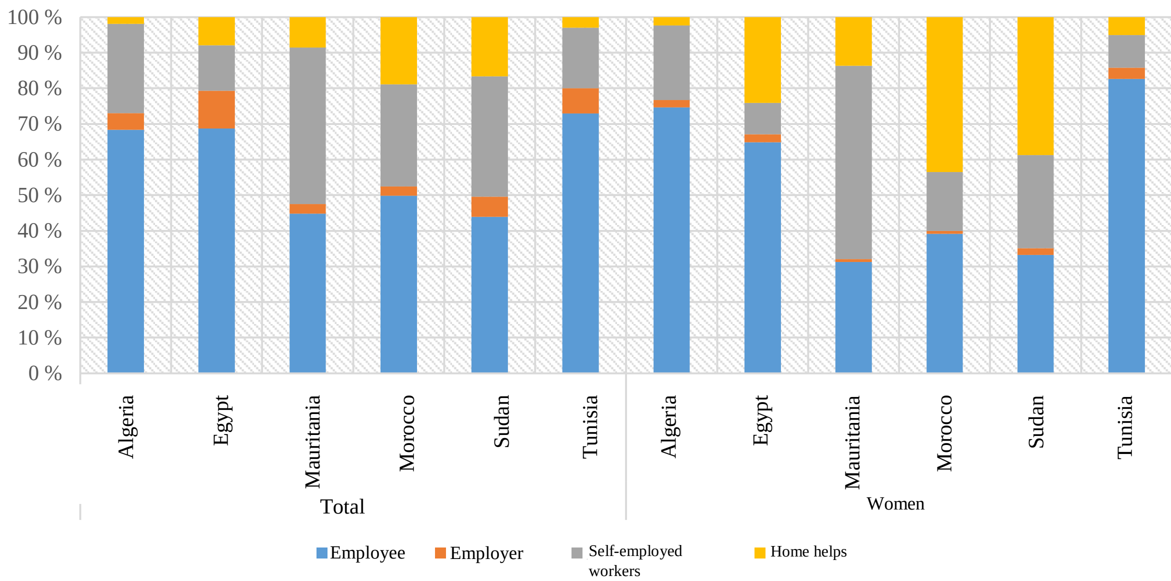
Figure 37
Overrepresentation of women in education and health



Source: ILO, 2020.

Despite the precariousness of youth and women's employment, most people working as couples do so in a climate of vulnerability in the context of the public health crisis. Self-employed workers and home helps account for around a half of the workforce in Mauritania, Morocco and the Sudan. They comprise one third of the workforce in Algeria, and one fifth in Egypt and Tunisia. These workers generally earn low incomes and, as a rule, enjoy no social security coverage. Consequently, they are particularly exposed to the risk of poverty and insecurity in the event of loss of employment and consequently, loss of income.

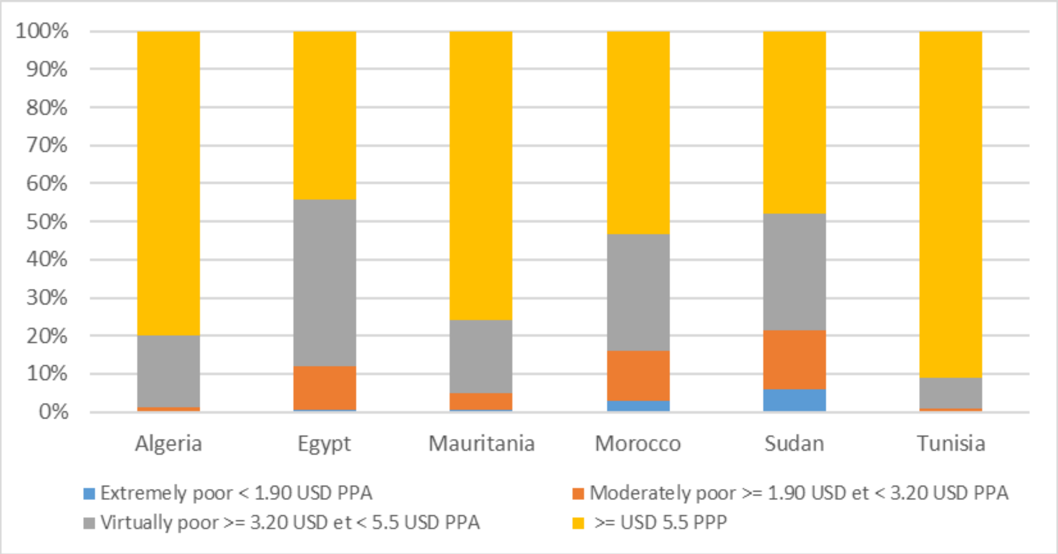
Figure 38
Breakdown of the workforce, 2019



Source: ILO, 2020.

Furthermore, a significant proportion of those in employment earn incomes of less than $5.50 per day (at purchasing power parity (PPP)). As a result, those workers are classified as poor and vulnerable. It should be noted that half of all workers in Egypt, Morocco and the Sudan, 20 per cent of workers in Algeria and Mauritania and less than 10 per cent of workers in Tunisia are categorized as poor and vulnerable.

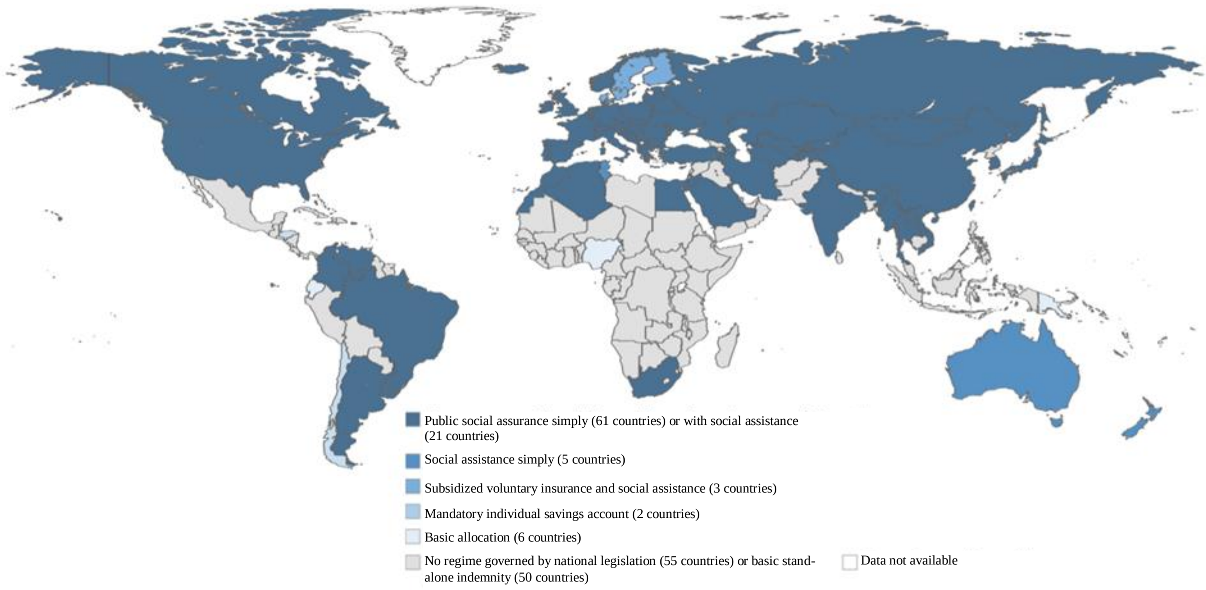
Figure 39
Breakdown of working population, by income bracket, 2019



Source: ILO, 2020.

In regard to social-security regimes covering the risk of joblessness for workers in the formal sector, legal cover is available to around 38.5 per cent of the workforce in North Africa. Three countries, namely Algeria, Egypt and Morocco have a public social assurance regime singly or with social assistance. In those three countries, between one third and two thirds of the workforce is covered by social security mechanisms against unemployment. In Tunisia, only social assistance is available.

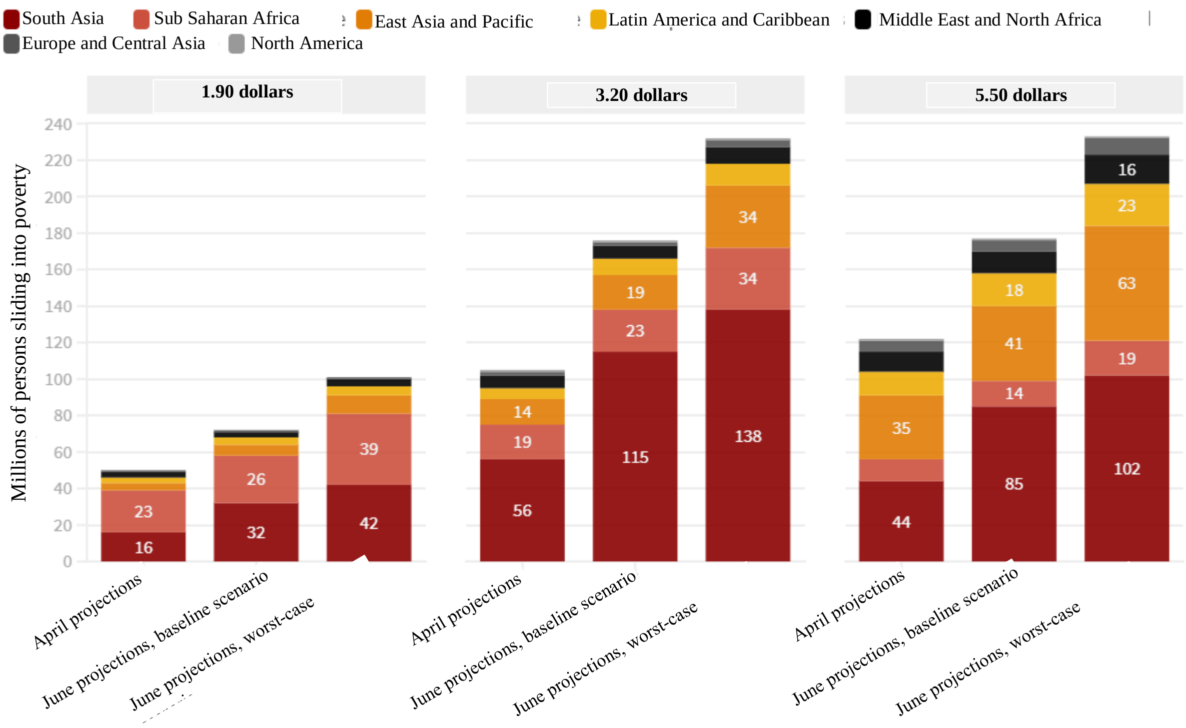
Figure 40
Insurance mechanisms against unemployment, by category of regime, 2015 or latest available data



Source: ILO, World Report on Social Protection, 2017–2019.

An immediate consequence of this combination of low social insurance coverage and growing inequality, as highlighted by a fall in median income, is, potentially, an increase in poverty and vulnerability levels. According to estimates formulated for the subregion by World Institute for Development Economics Research (UNU/WIDER), poverty is expected to rise by some 0.8 per cent on average (assuming a uniform increase in poverty rates across the Middle East and North Africa) as a result of a 5 per cent contraction in per capita income (or consumption). As a consequence, the proportion of people living below the $1.90/day threshold in the Middle East and North Africa will reach approximately 8 per cent, with 3 million people reduced to extreme poverty, 9 million people falling below the $3.20/day threshold, and 16 million falling below the $5.50/day threshold.

Figure 41
Regional distribution of the newly impoverished as a result of COVID-19



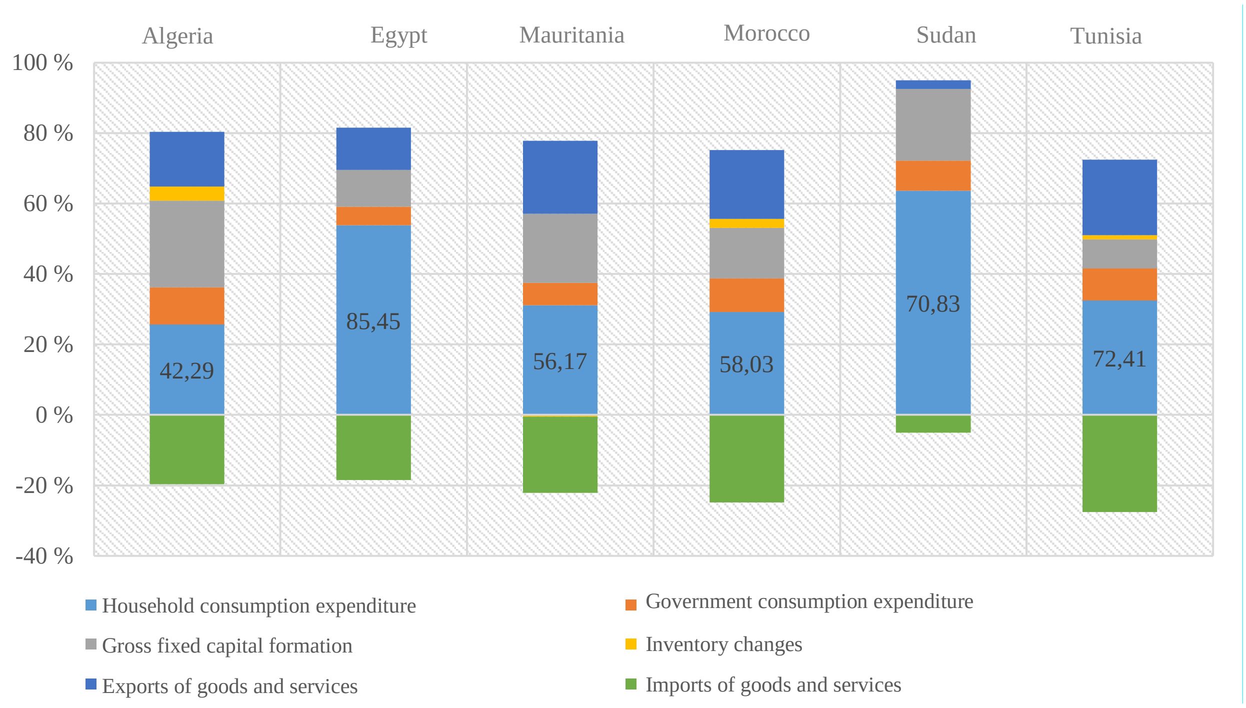
Source: World Bank; Lakner and others, 2020 PovcalNet, World Economic Prospects.

3. Growth and labour market prospects

A. Growth prospects to the year 2022

An analysis of GDP patterns in North African economies, according to the expenditure-based approach, shows a preponderance of domestic demand, particularly in regard to public-investment and household-consumption expenditure. The latter contributed around 70 per cent of GDP in Egypt, the Sudan and Tunisia, in comparison with corresponding shares of about a half in the other countries. At the same time, significant proportions in terms of investment in GDP were observed in Algeria (41 per cent), Mauritania (35 per cent) and Morocco (28 per cent). For the rest, these parts vary by a quarter in the Sudan (23 per cent), by one fifth in Tunisia (19 per cent), and one sixth in Egypt (17 per cent). In terms of trade in goods and services with other countries, Tunisia demonstrates a rate of openness (the sum of exports and imports, posted to GDP) exceeding 100 per cent, this rate is around 90 per cent in Morocco, one half in Algeria and Egypt, two thirds in Mauritania, and is very low, at under 10 per cent, in the Sudan.

Figure 42
Distribution of GDP by main areas of expenditure, 2019



Source: UNCTAD, 2020.

Against the backdrop of the sectoral profiles and sources of growth in North African countries, various experts expect growth rates to decline, in large measure because of fears linked to the coronavirus pandemic, the slump in consumption and investment expenditure, as well as setbacks in the agricultural sector, as is the case in Morocco, and with the prices of raw materials in Algeria for example.

Except in the case of **Egypt** where economic activity appears to have rallied somewhat over the past few months, after a 1.7 per cent contraction year-on-year in the second quarter, forecasts in regard to most economies of the subregion are dire. The global uptick in activity of the non-oil private sector, the relative mildness of new COVID-19 cases, and ongoing public expenditure efforts appear to favour increased activity in the third and fourth quarters.

In **Algeria**, the economy was in throes of the two-pronged impact of pandemic, namely imposed restrictions and falling oil prices, which weigh on public finances and expenditure capabilities. (In August and September, oil production had been at its lowest levels in two decades).

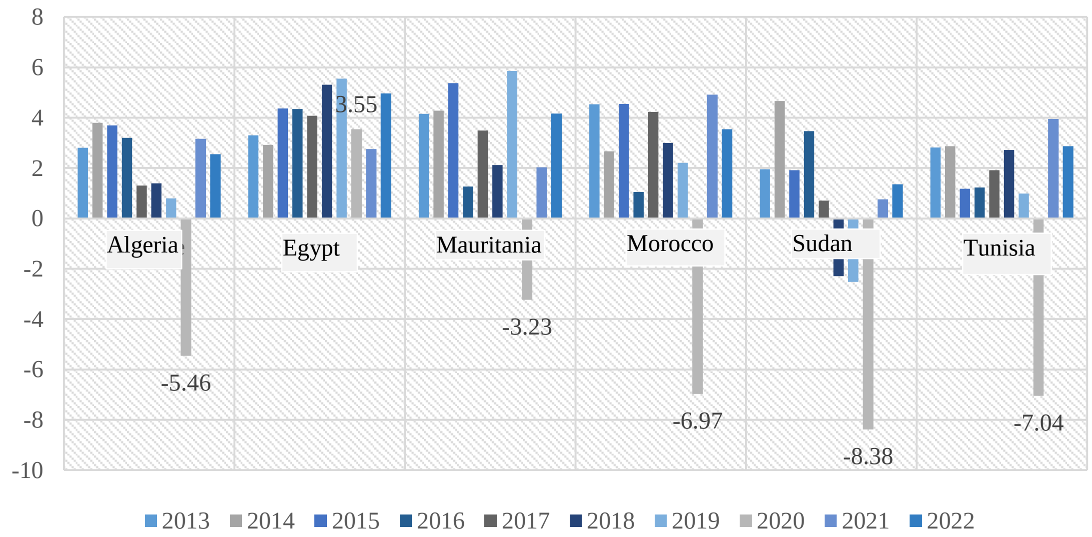
In **Morocco**, the economy contracted by around 15.1 per cent in the second quarter and by 9.0 per cent in the third quarter, year-on-year, owing to setbacks in the agricultural sector (although production was expected to pick up during the second half of the year), and persistent contractions in the industrial and services sectors, compounded by a tourism sector that was hard hit by the crisis. Furthermore, there was a sense of mistrust on the part of consumers and a cautious approach to public expenditure.

In **Tunisia**, a redoubtable pandemic-induced contraction of activity in Q2 caused a significant impact on the economy. The tourism sector in particular was hard hit, and the mining and energy sectors were adversely affected by the slump in demand in international markets. This overall climate triggered an evaporation of domestic demand.

In **the Sudan**, real GDP shrank by around 2.5 per cent in 2019 on the back of a contraction in the services sector, investment in real estate and services to firms. GDP was projected to further shrink by around 8.4 per cent in 2020, owing to weak domestic demand for consumption and investments, and in particular, investment in sectors blighted by political uncertainty and a lackluster business environment. Consequently, confidence and productivity have suffered in regard to the manufacturing sector and construction, and has adversely affected agriculture because of a lack of inputs.

In **Mauritania**, economic activity was expected to contract by around 3.2 per cent, according to IMF data. The backdrop to this forecast is the downward revision of public investments envisaged in 2020 from 10.6 per cent to 7.7 per cent of GDP, according to the Mauritanian authorities. Economic growth has also been hampered by a lull in global demand for iron and copper, a contraction that has adversely affected incomes as well as foreign direct investment, whereby only two thirds of foreign direct investment (amounting to $594 million) was expected to be received, rather than the $937 million originally envisaged.

Figure 43
Gross domestic product, at constant prices (rate of growth)



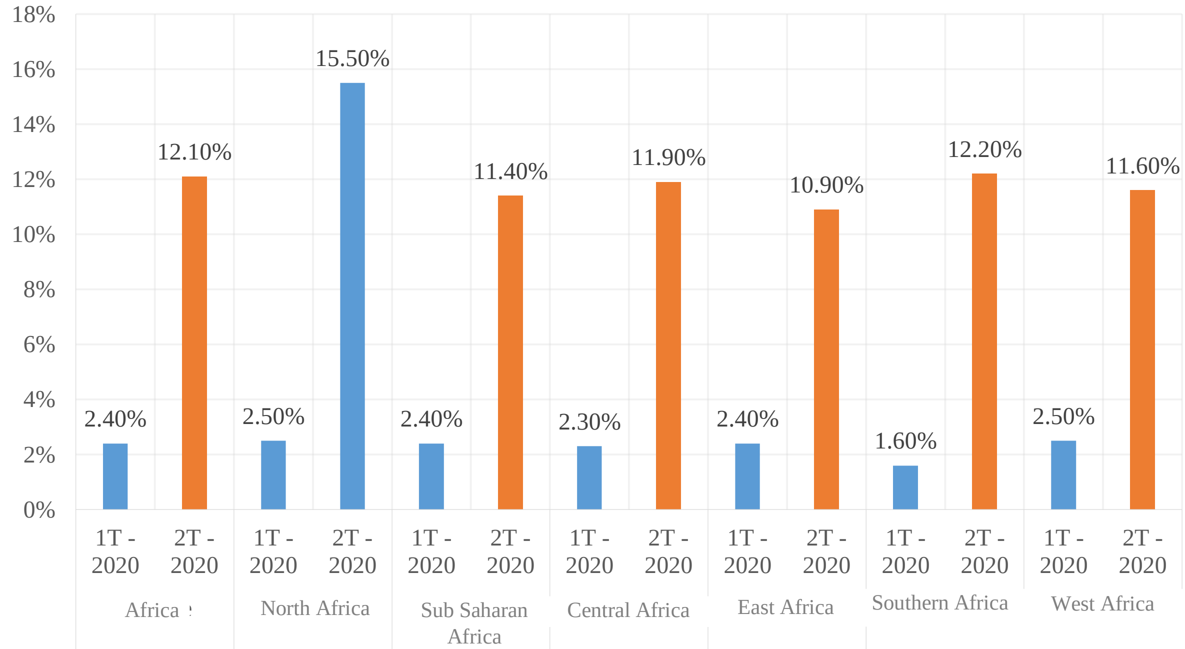
Source: International Monetary Fund, Database on Global Economic Prospects, October 2020.

B. Labour-market prospects to the year 2022

ILO estimates for North Africa indicate a loss in hours worked of about 2.5 per cent in the first quarter, or the equivalent of 2 million full-time jobs (each equivalent to 48 hours per week), while the closures only took effect in the second half of March. For the second quarter, and with the closures ramping up, the loss in hours worked was estimated to be about 15.5 per cent, or the equivalent of 9 million full-time jobs. The impact on employment in North Africa in the second quarter is the largest, in relative terms, among the continent’s subregions.

ILO has estimated that North Africa countries experienced a 2.5 per cent loss of hours worked in Q1, (equivalent to some 2 million full-time jobs with each job accounting for an average of 48 hours per week), even though closures did not come into effect until the second half of March. In regard to the second quarter, and with closures ongoing, losses in actual hours worked was estimates at around 15.5 per cent, or the equivalent of 9 million full-time jobs (of 48 hours a week). The impact on the working week in Q2 was greatest in relative terms in North Africa, compared to the situation in the rest of the continent. More jobs were estimated to have been lost in East and West Africa in the first quarter, with losses of about 3 million full-time jobs each, representing a relative reduction in hours worked of about 2.4 per cent for the former subregion and 2.5 per cent for the latter. In Central Africa, losses were estimated at one million full-time jobs, or 2.3 per cent of hours worked in the subregion, bringing the estimated loss to 7 million full-time jobs in sub-Saharan Africa, or 2.4 per cent of hours worked. In sub-Saharan Africa, losses were estimated at 35 million full-time jobs in Q2, or 11.4 per cent of hours worked. Among the sub-Saharan subregions, East Africa was expected to experience the largest job losses, namely 15 million full-time jobs or 10.9 per cent of hours worked. With 13 million full-time jobs or 11.6 per cent of hours worked, West Africa was expected to be the second largest loser in sub-Saharan Africa. Losses in Central and Southern Africa are estimated at about 6 million (11.9 per cent of hours worked) and 2 million (12.2 per cent of hours worked), respectively.

Figure 44
Losses in working hours in Q1 and Q2, across the continent



Source: ILO, 2020.

Official figures reveal an improvement in the labour market conditions in **Egypt**, where, according to IMF, the unemployment rate is expected to fall to approximately 8.3 per cent in 2020, down from 8.6 per cent in 2019, while growth is expected to turn positive and reach approximately 3.5 per cent.

In Algeria, the unemployment rate is expected to exceed 14 per cent in 2020, up from 11.3 per cent in 2019. According to figures contained in the World Economic Outlook report, IMF expects unemployment to reach 14.1 per cent in 2020, and expects that figure to worsen to around 14.3 per cent in 2021. Furthermore, the National Employment Agency announced a drastic decrease in labour demand and supply between January 2019 and April 2020. Demand fell from 87,104 to 8,579, while supply dropped from 45,348 to a mere 5,423. A survey conducted by the Ministry of Labour, on the impact of the coronavirus pandemic, reported that around 50,000 jobs have been lost, either temporarily and permanently.

In **Morocco**, IMF expects the unemployment rate to increase in 2020 to stabilize at around 12.5 per cent, from 9.2 per cent in 2019. For example, High Commission for Planning reported that around 600,000 jobs, including 300 salaried jobs, had disappeared between Q2 of 2019 and Q2 of 2020, equivalent to some 5 per cent of the labour supply, but also to more than half of the hours worked in the non-agricultural sectors of the economy. This means that over 360,000 workers were underemployed, and 1,482 million Moroccans are currently jobless.

The estimated number of jobs lost in Tunisia in the context of the public-health crisis was in the region of 200,000. The unemployment rate, which had risen from 15 to 18 per cent in the first half of 2020, was set to reach 21.6 per cent by year end, according to the National Institute of Statistics. The ranks of the jobless was therefore set to increase by 274,500 over the figure for 2020.

In **the Sudan**, the impact of the pandemic was set to further compound a plethora of stresses on growth and the labour market, whereby unemployment was expected to worsen to 25 per cent in 2020, in comparison with 22.1 per cent in 2019. Moreover, there appears to be no prospect of any tangible improvement in the situation in the coming years.

Table 14
Unemployment forecasts (per cent)

	Algeria	Egypt	Mauritania	Morocco	Sudan	Tunisia
2019	11.3	8.6	–	9.2	22.1	n/a
2020	14.1	8.3	–	12.5	25	n/a
2021	14.3	9.7	–	10.5	22	n/a
2022	14.7	9.7	–	9.7	19.9	n/a

Source: IMF, World Economic Prospects database (latest available data).

III. A roadmap for the post-COVID-19 period in North Africa

In this section, the author presents an overview of the main COVID-19 mitigation policies enacted in North Africa. Those policies are basically cyclical in nature, aimed at protecting health and lives and providing economic support to businesses and demand, including social protection measures. A review is then made of some of the main structural challenges that must be addressed in order to promote productive, competitive economies and labour markets that are conducive to the creation of more and better jobs. Finally, the section outlines a number of macroeconomic risks that need to be monitored and managed, particularly with respect to fiscal space and the sustainability of public finances.

1. Short-term recommendations

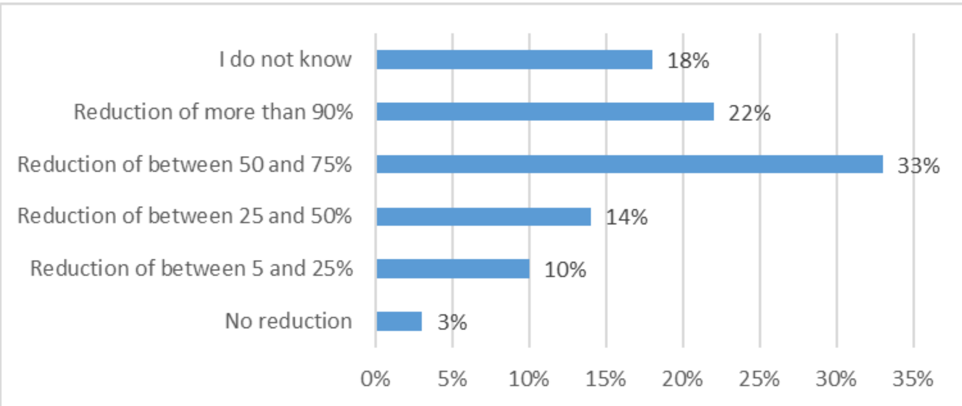
A. Supporting businesses and preserving jobs

The pandemic has forced numerous companies in the region to close or implement staff layoffs; other businesses may be forced to do the same in the light of financial risks and low revenue projections.

Factors undermining business activity

In **Algeria**, more than 50 per cent of the companies took part in a business survey conducted by Evidencia during the first month of the crisis said they expected to lose more than 50 per cent of revenue. Estimates of losses ranged from 5 to 50 per cent for 24 per cent of respondents, and only 3 per cent of respondents did not foresee a decrease in revenue.

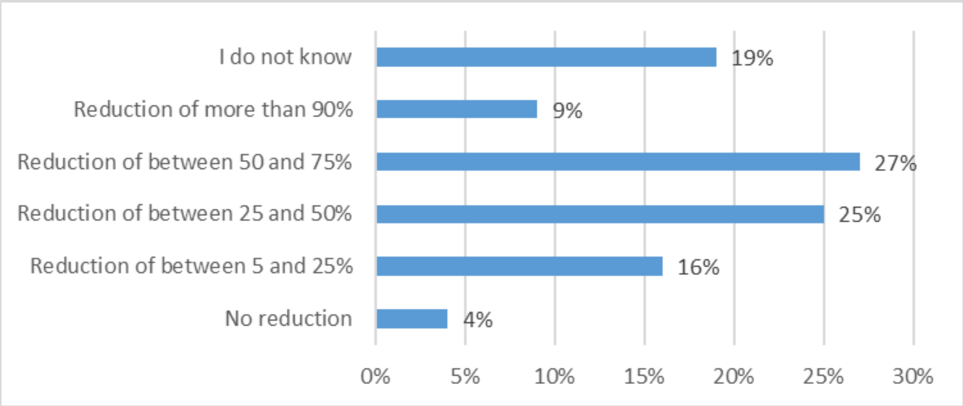
Figure 45
Expected impact on revenue, first month of the crisis



Source: Evidencia, Economic impact of COVID-19 on Algerian business enterprises, April 2020.

Looking ahead to 2020 as a whole, responding companies were more optimistic. Some 36 per cent of companies expected revenue losses of more than 50 per cent; some 41 per cent of companies expected losses of between 5 and 50 per cent, while 4 per cent of companies did not expect a decline in revenue.

Figure 46
Expected impact on revenue in 2020

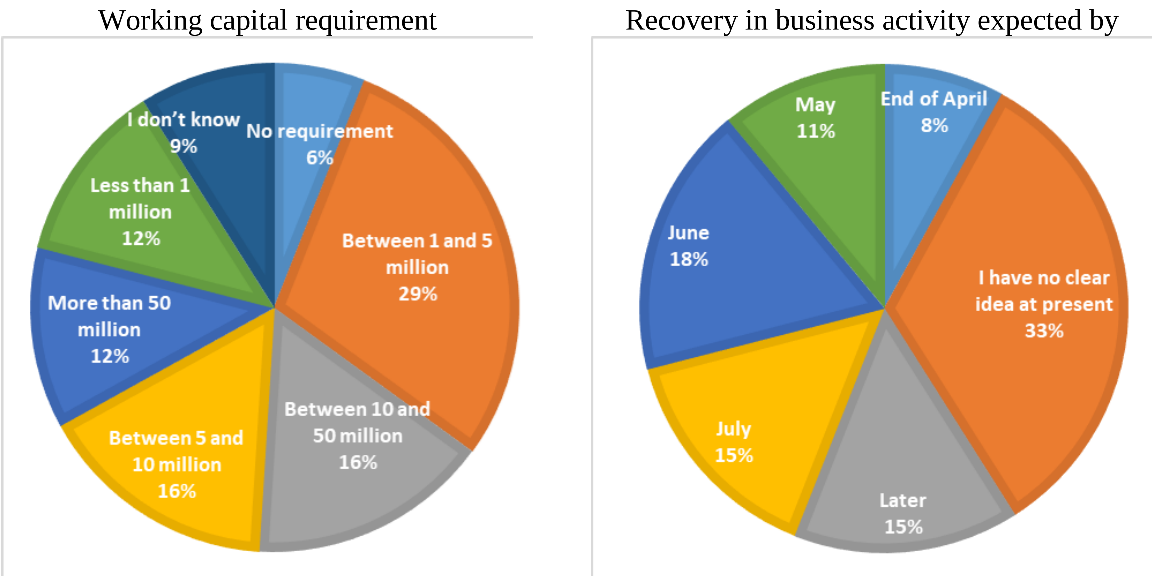


Source: Evidencia, Economic impact of COVID-19 on Algerian business enterprises, April 2020.

The impact on business activity has given rise to financial risks, as reflected by the percentage of business enterprises voicing concerns with regard to salary payments and cash flow. In the light of the difficulties they faced in terms of short-term commitments, a quarter of companies reported that they had a working capital requirement (WCR) of between 1 and 5 million dinars (1 dinar = $0.0078); 16 per cent had a WCR of between 5 and 10 million dinars; 10 per cent had a WCR of between 10 and 50 million dinars; and 12 per cent had a WCR of more than 1 million dinars.

In addition, 33 per cent of companies had no clear idea of when there would be a recovery in business activity; 37 per cent expected to recover in the second quarter and 15 per cent in July.

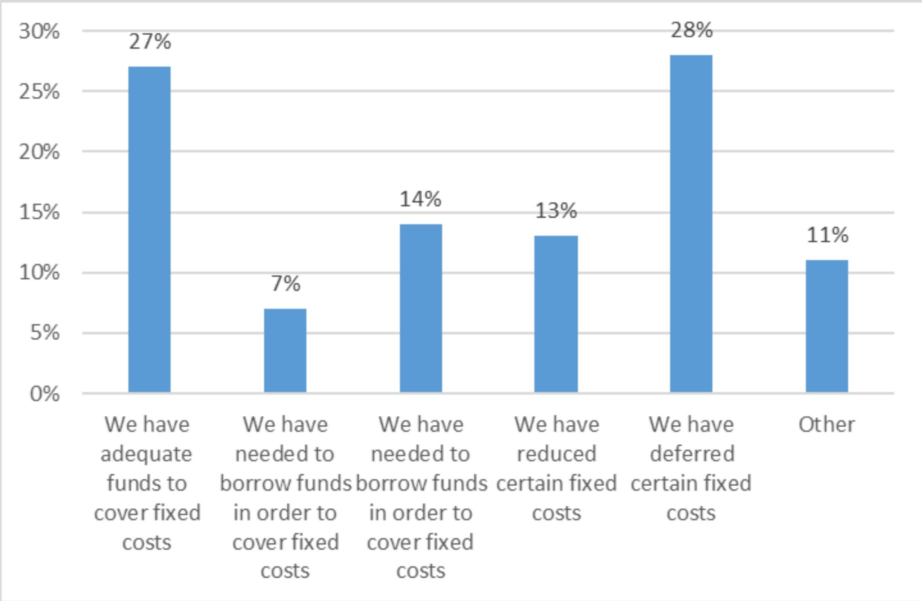
Figure 47
Financial status and risk of permanent closure



Source: Evidencia, Economic impact of COVID-19 on Algerian business enterprises, April 2020.

There has also been an impact on the ability of companies to address their fixed costs. Twenty-eight per cent had deferred some fixed costs, 14 per cent had reduced them and 13 per cent were unable to cover their fixed costs.

Figure 48
Impact on the capacity of businesses to cover fixed costs



Source: Evidencia, Economic impact of COVID-19 on Algerian business enterprises, April 2020.

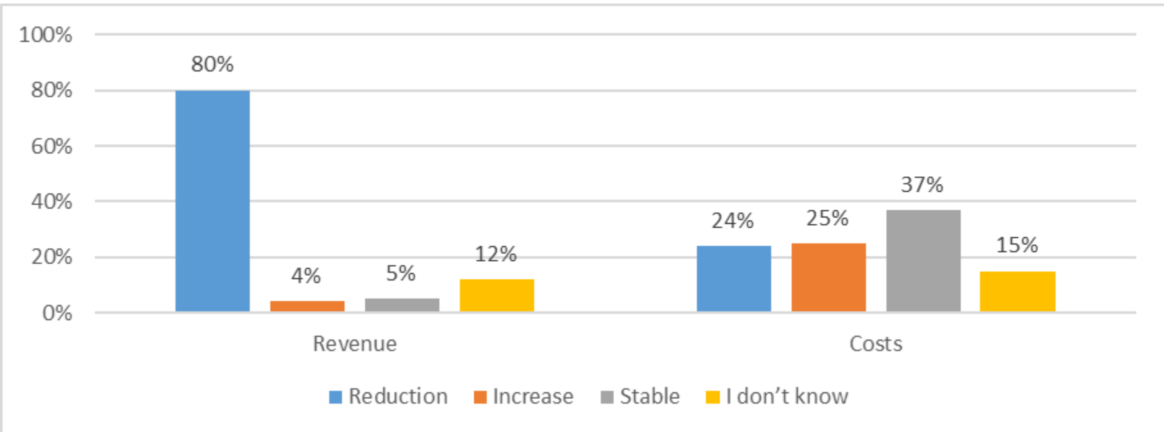
Unable to cover their fixed costs, some companies were already on the verge of closure; 11 per cent of business enterprises reported said they would not be able to survive, while 28 per cent believed they would survive but would emerge from the crisis heavily in debt. Some 14 per cent of business leaders believe that loan repayments will have to be staggered in order to survive. Only 32 per cent were confident that their companies would survive the COVID-19 crisis.

Figure 49
Business survival prospects during the crisis

Source: Evidencia, Economic impact of COVID-19 on Algerian business enterprises, April 2020.

In **Egypt**, 80 per cent of responding companies said that they expected decreases in revenues in the first month of the crisis, and a total of 9 per cent of companies said that revenues were stable (5 per cent) or had increased (4 per cent). On the other hand, a quarter of responding companies had experienced cost increases, while 61 per cent reported declining (24 per cent) or stable (37 per cent) costs.

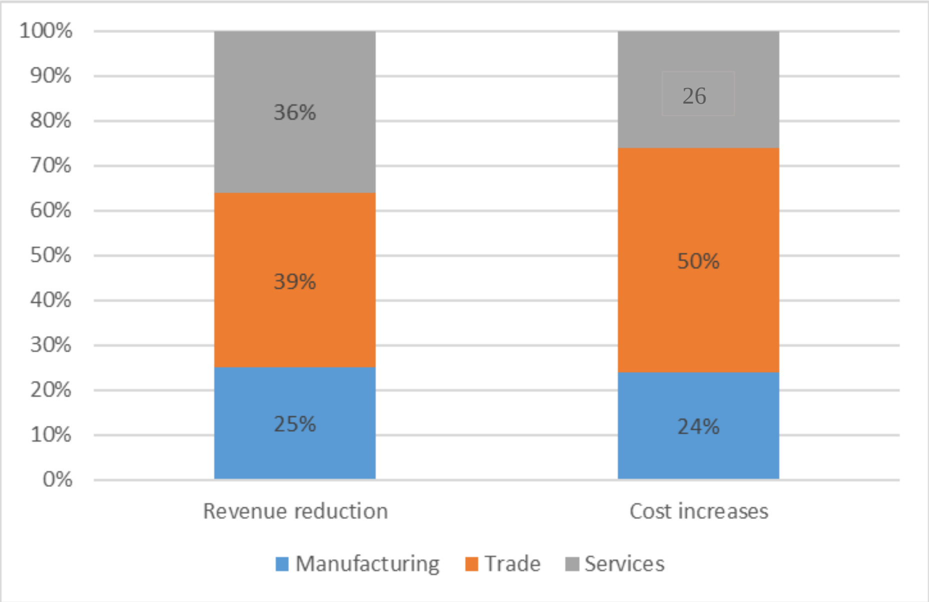
Figure 50
Impact on revenue and costs, first month of the crisis



Source: Global Communities, COVID-19 Impact on Performance of Micro- and Small Businesses in Egypt, May 2020.

By sector, companies involved in trade have been most affected, with 39 per cent of firms experiencing revenue declines and 50 per cent facing cost increases. Services and manufacturing have almost the same proportions of firms affected by cost increases (24 per cent and 25 per cent, respectively); revenue declines are more pronounced among services firms than among companies involved in manufacturing (declines of 36 per cent and 26 per cent, respectively).

Figure 51
Impact on revenue and costs in various business sectors, first month of the crisis



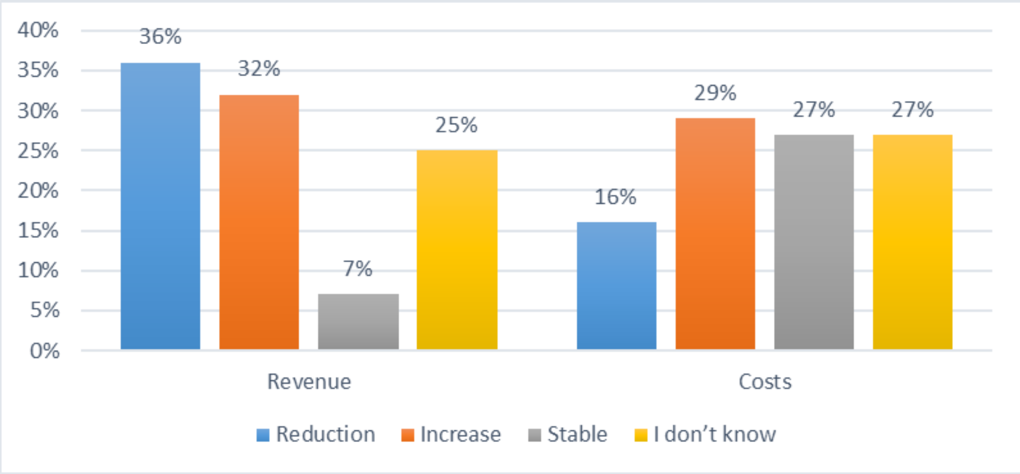
Source: Global Communities, COVID-19 Impact on Performance of Micro- and Small Businesses in Egypt, May 2020.

Against this backdrop, 46 per cent of responding companies said that they would not be able to cover their costs for the following three months (from early June 2020).

For the year 2020 as a whole, the responding companies were more optimistic, with 36 per cent expecting revenue loses compared to 80 per cent in the first month; some 32 per cent of companies expected revenue increases in 2020. On the cost side, 16 per cent of companies expected decreases over 2020 as a whole (as opposed to 24 per cent of companies in the first month), but 29 per cent expected costs to increase (as opposed to 25 per cent in the first month).

Figure 52

Expected impact on revenue and costs, 2020

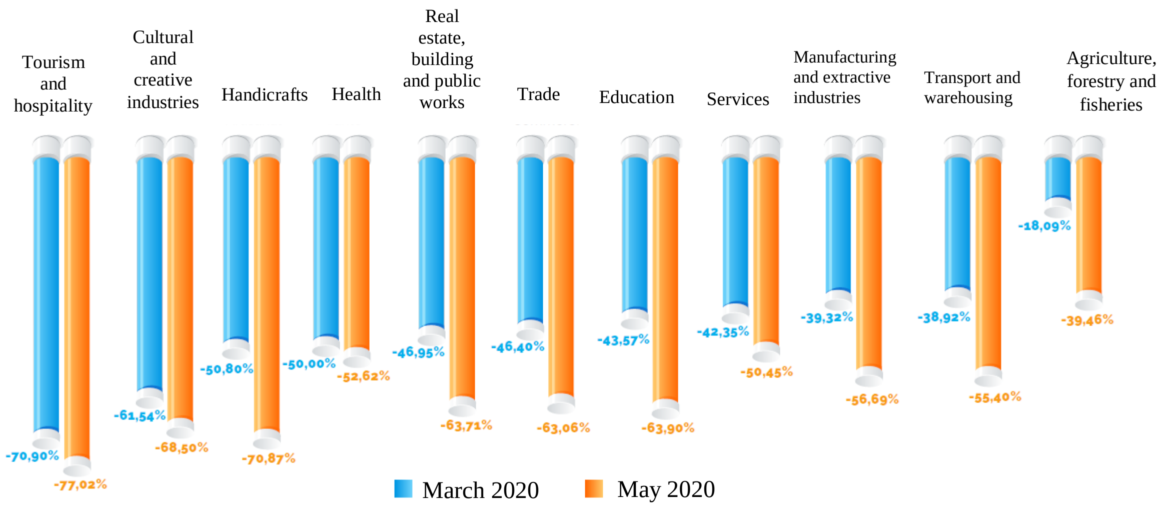


Source: Global Communities, COVID-19 Impact on Performance of Micro- and Small Businesses in Egypt, May 2020.

In Morocco, a survey conducted by the General Confederation of Moroccan Enterprises[19] revealed a significant fall in business revenue at the end of May. Indeed, with the exception of companies operating in agriculture, forestry and fisheries, revenue had deteriorated across the board by more than 50 per cent by the end of May.

Figure 53

Impact on revenue at the end of March and at the end of May 2020 by economic sector.

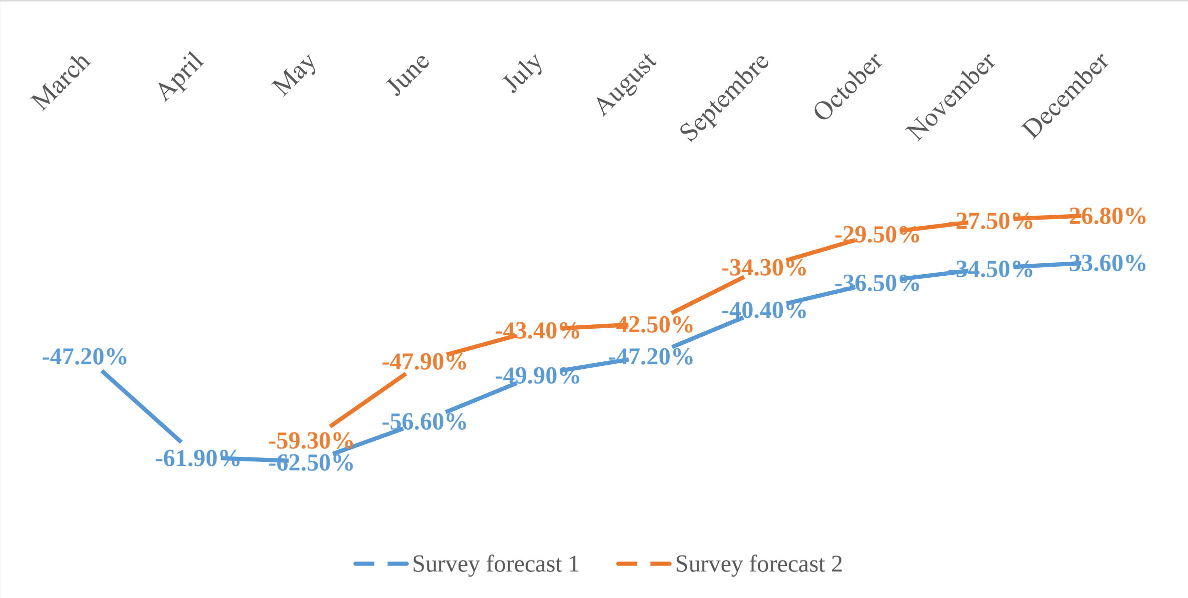


Source: General Confederation of Moroccan Enterprises, 2020.

Forecasts by companies for the remainder of the year display a degree of optimism, despite the significant declines in revenue registered at the end of May 2020.

[19] The survey was conducted with the support of the High Commission for Planning, and involved a total of 3,304 businesses, 88.7 per cent of which were micro-, small and medium-sized enterprises.

Figure 54
Impact on revenues – forecasts for the remainder of 2020



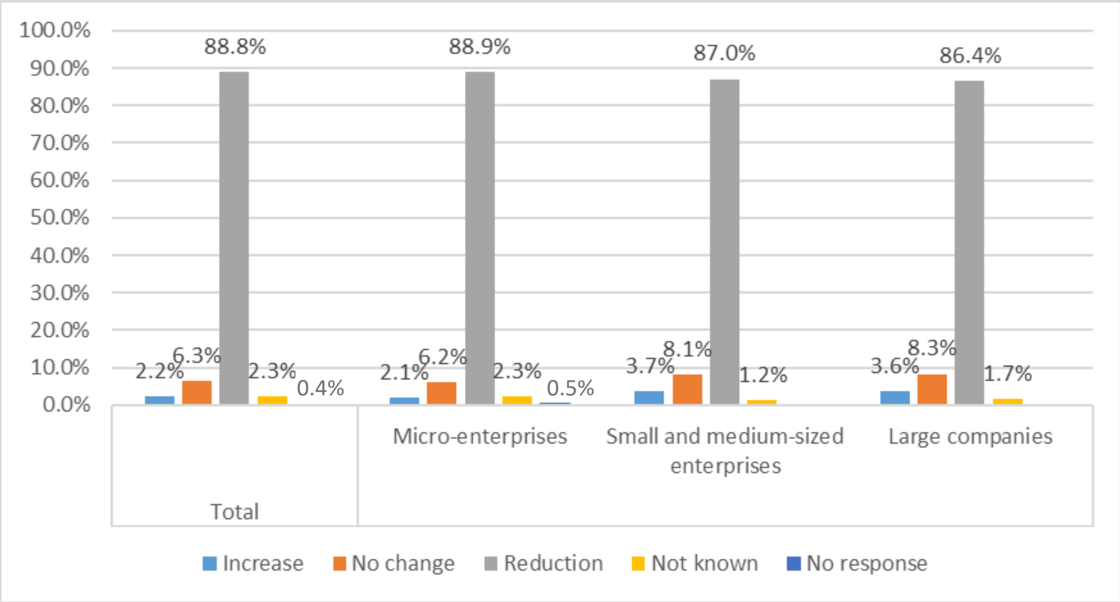
Source: General Confederation of Moroccan Enterprises, 2020.

Despite partial or permanent closures of businesses and declines in revenue, there was a drop in the number of Moroccan business failures at the end of August 2020. According to data provided by Inforisk, that figure decreased by 37 per cent compared to the same period in 2019: there were 3,247 business failures in the first eight months of 2020, compared to 5,168 in the same period in 2019. That doesn't mean there are fewer companies in trouble, however, as there was a slowdown in commercial court activity during the lockdown, and the recovery in July was followed by the August court recess.

Euler Hermes forecasts that, given the financial health of companies and the impact of the pandemic on the country's economy, there will be a 14 per cent increase in business failures in 2020, equivalent to 9,620 businesses (some 6 higher than in 2019). Business failures may therefore increase sharply, as 99 per cent of business failures in Morocco were liquidations in 2019.

In **Tunisia**, 88.8 per cent of private businesses open in April 2020 had experienced a decrease in revenue. Another 6.3 per cent reported no change and only 2.2 per cent had experienced an increase in revenue.

Figure 55
Impact on business revenue in April 2020 and April 2019

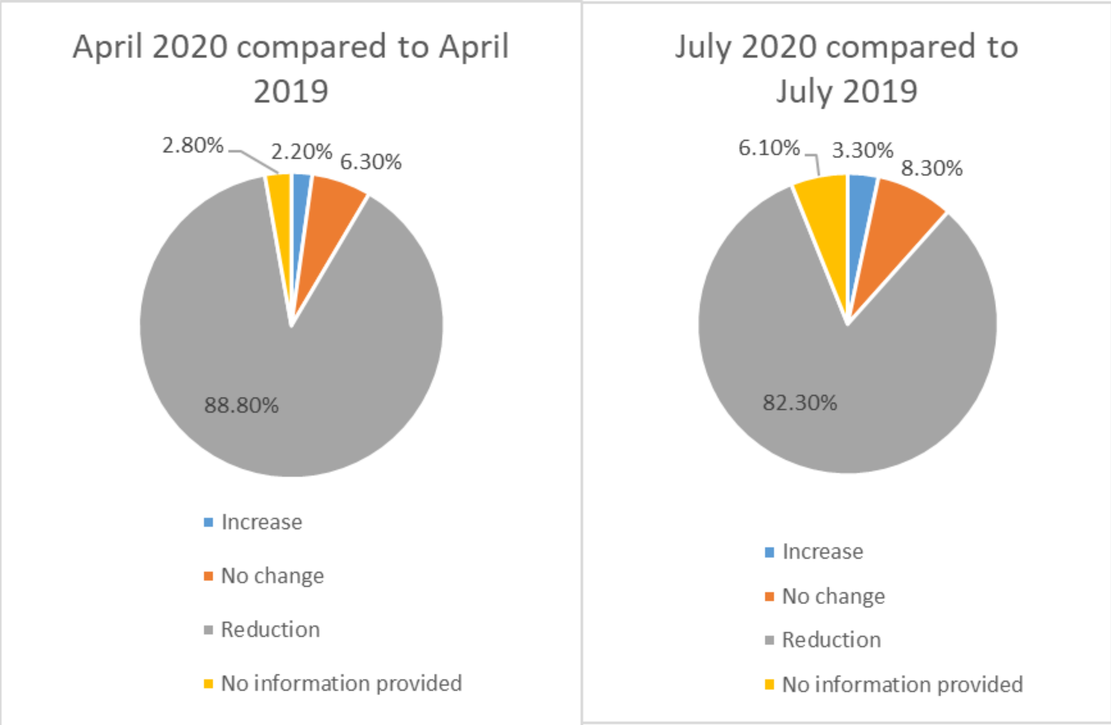


Source: National Institute of Statistics and World Bank, Impact of the COVID-19 crisis on the private sector, July 2020.

The crisis has had a negative impact on all sectors with the exception of the chemical and pharmaceutical industry, in which 14.8 per cent of companies recorded an increase in sales. By size, there were no major differences in terms of revenue declines in April 2020: an 88.9 per cent decline for micro-enterprises, an 87 per cent decline for small and medium-sized enterprises, and a decline of 86.4 per cent for large enterprises.

In the third quarter of 2020, the impact was still significant, despite a slight attenuation. Indeed, the proportion of firms reporting a decline in annual revenue fell to 82.3 per cent in July from 88.8 per cent in April. Despite a decrease of about 7 percentage points in July compared to April, micro-enterprises (82.7 percent) and small and medium-sized enterprises (79.5 per cent) continued to be the companies most affected by revenue declines. Conversely, 10.2 per cent of firms in the chemical and pharmaceutical industries recorded an increase in revenue between April and July 2020.

Figure 56
Changes in revenue (percentage of business enterprises)



Source: National Institute of Statistics and World Bank, Impact of the COVID-19 crisis on the private sector, July 2020.

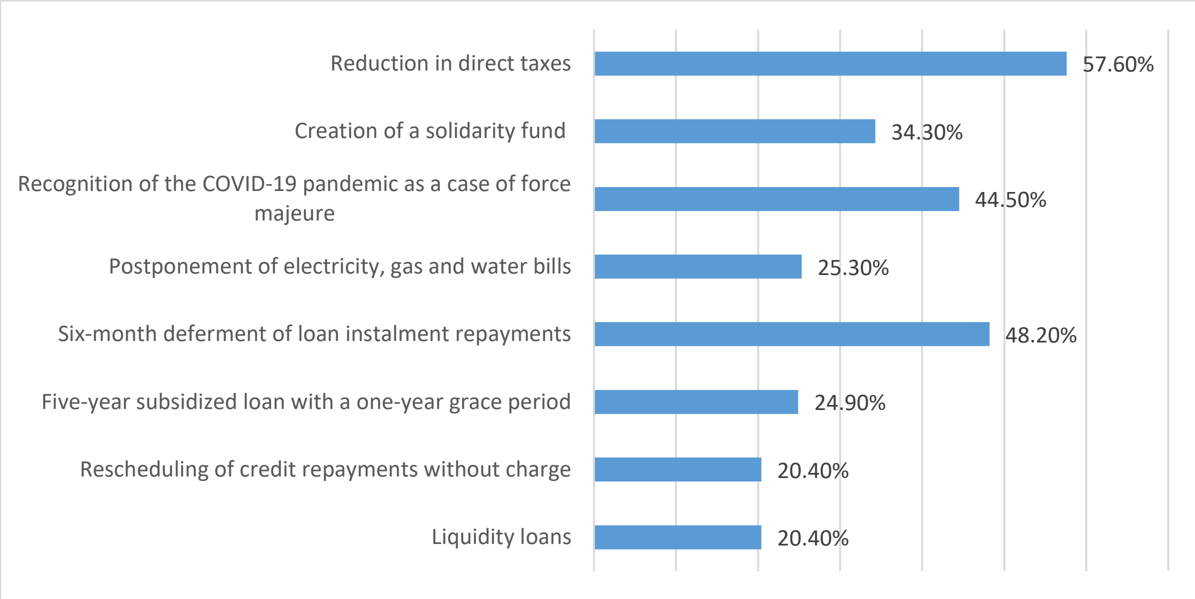
In addition to revenue, other factors are likely to affect the activity and viability of Tunisian firms, including declining cash flows, declining domestic and international demand, difficulty in sourcing raw materials, and difficulty accessing financial services. In April, declines in cash flow affected 78.2 per cent of firms, while 70.1 per cent experienced a decline in demand, 50.6 per cent experienced difficulties in sourcing raw materials, and 61.1 per cent of firms experienced difficulties in accessing financial services.

In July, ongoing cash-flow declines affected 87.4 per cent of companies, while 79.8 per cent of companies reported a decline in demand, 52 per cent had difficulties in sourcing raw materials, and 59.9 per cent reported difficulties accessing financial services.

Support needed

In this context, most Algerian companies responding to the relevant survey said that they required State support in order to meet their short- and medium-term commitments. Indeed, 57 per cent hoped for a reduction in direct taxes, 48 per cent hoped for a six-month deferment of loan instalment repayments and 20 per cent hoped that credit repayments would be rescheduled without charge. Support, relief and/or postponement measures are all requested by Algerian business leaders, including the postponement of bill payments (25 per cent), the recognition of the pandemic as a case of force majeure (44 per cent), the creation of solidarity funds (34 per cent) and more favourable terms for those wishing to take out loans, including liquidity loans.

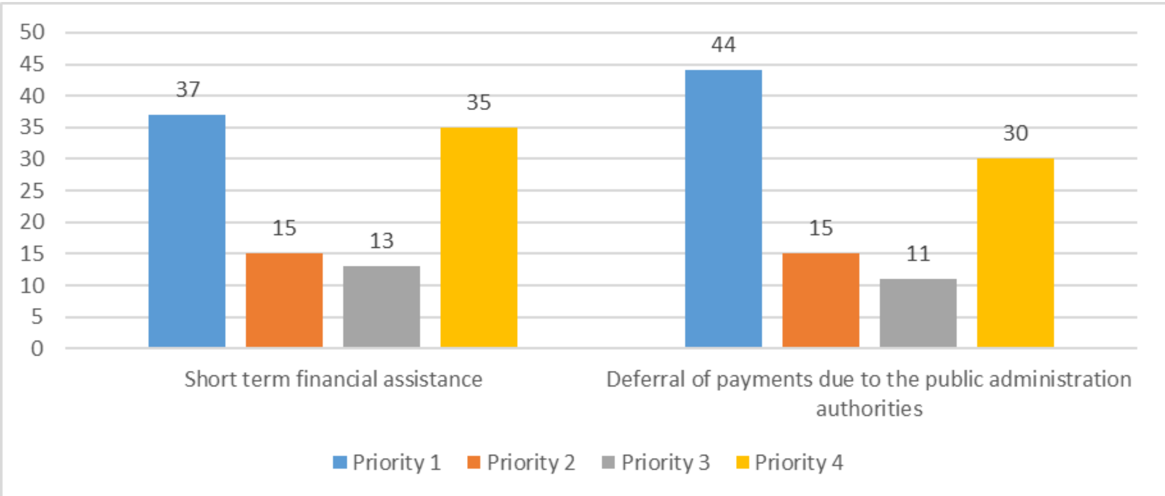
Figure 57
Support required by businesses enterprises



Source: Evidencia, Economic impact of COVID-19 on Algerian business enterprises, April 2020.

In **Egypt**, short-term financing and the deferral of payments due to the Government were the priority support actions for 37 per cent and 44 per cent of companies, respectively.

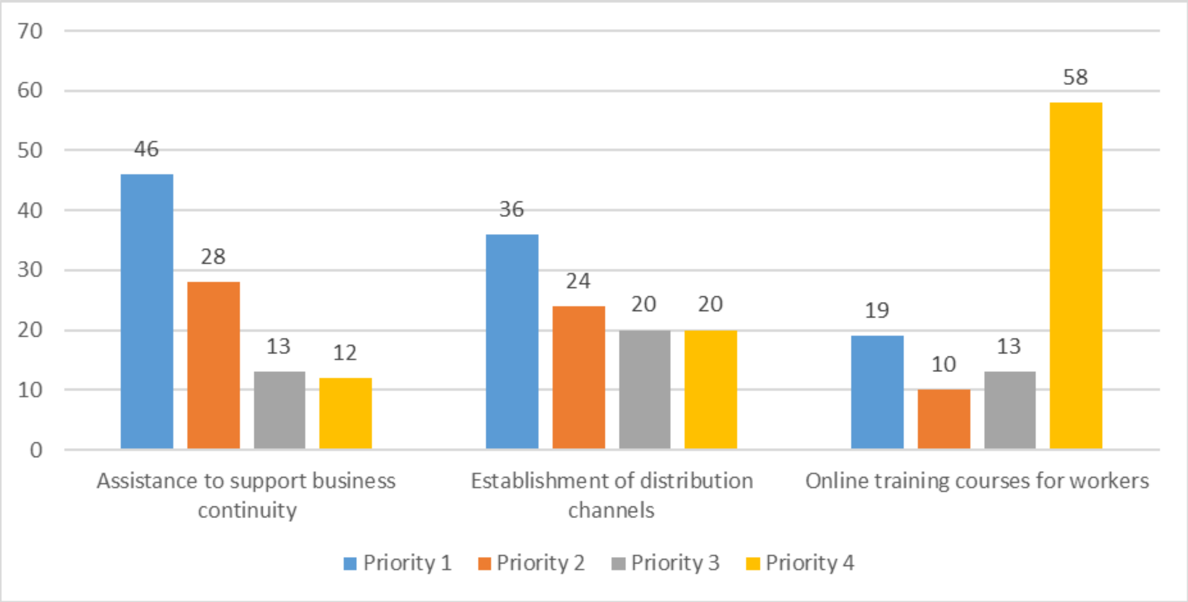
Figure 58
Support required by businesses enterprises (percentage of companies responding)



Source: Global Communities, COVID-19 Impact on Performance of Micro- and Small Businesses in Egypt, May 2020.

Egyptian business respondents also expressed a need for assistance to facilitate their efforts to build resilience and facilitate their development. This included online training courses for workers, in addition to assistance to support business continuity (46 per cent) and to establish distribution channels and facilitate business expansion (36 per cent).

Figure 59
Assistance needed to build resilience and facilitate business development (percentage of companies responding)



Source: Global Communities, COVID-19 Impact on Performance of Micro- and Small Businesses in Egypt, May 2020.

In Tunisia, the support policies most desired by business enterprises are:

– Tax exemptions/reductions (43.7 per cent);

– Direct injections of liquidity (40.7 per cent);

– Tax deferrals (36.6 per cent).

One exception is the construction industry, where 61.4 per cent of firms called, first and foremost, for loans at preferential rates.

The list of support measured desired did not change significantly in the third quarter of 2020, when the most desired support policies were the following:

– Tax exemptions/reductions (42.7 per cent);

– Direct injections of liquidity (37.6 per cent);

– Tax deferrals (27.9 per cent).

The three aforementioned measures were the most popular among Tunisian businesses, regardless of when they had been established, their size or their export status.

Actions by governments to support business enterprises

In order to assist businesses, governments in the region have mobilized various support instruments to address, inter alia, the business climate, commitments by the authorities, medium- and long-term support, and the safeguarding of employees' jobs and wages. Below, we provide an overview of small and medium-sized enterprise support measures put in place by the Algerian Government in response to the COVID-19 pandemic, as reported by the World Bank.

Business climate:

- Easing restrictions on imports (NTBs, duties) on intermediate goods;
- Costs: reductions or waivers on administrative and government fees;
- Amendments to bankruptcy, business closure, insolvency and business restructuring regulations.

Debt financing:

- Capital reserve protection requirements on bank and central bank transactions to encourage commercial banks to increase lending to small and medium-sized enterprises, including lowering capital requirements;
- Deferral, restructuring and rescheduling of payments;
- Rapid approval/dispersal provisions, low/no fees and the cancelling of fees/penalties;
- Loans with reduced or zero interest and/or lower collateral requirements;
- New loans on favourable terms;
- Credit guarantees: new credit mechanisms and more generous guarantee levels;
- Rapid approval/dispersal provisions, low/no fees and the cancelling of fees/penalties (e.g. for overdrafts).

Demand:

- Targeted spending programmes (for specific sectors or regions);
- Public procurement: increase purchases from small and medium-sized enterprises and/or increase the margin offered for products from those enterprises, streamlined procurement procedures;
- Support for the manufacture of COVID-19-related products, including health-care products (grants, facilitated procurement mechanisms) in order to build new capacity or enhance existing capacity.

Employment:

- Wage subsidies (both wide ranging in scope and targeted (e.g. for apprentices) as an alternative to direct payments to individuals;
- Support for informal or self-employed workers.

Other financial support:

- Grants;
- Support for companies that have been obliged to close or reduce their activities.

Taxes:

- Corporate taxes – tax reductions, credits, waivers and/or deferrals;
- Payroll/social security/VAT/property taxes – tax reductions, credits, waivers and/or deferrals;
- Administrative and governmental fee reductions or waivers;
- Accelerated tax refunds;
- Other taxes.

Recommendations

Personalize assistance and coordinate implementation

The mapping of the business wish list to the list of measures adopted by governments to support business shows that the latter have addressed all dimensions of risk, including short- and medium-term business commitments, demand, and the overall business climate. However, those measures should be tailored to the sector, size, age, and cost structure of business enterprises. The tailoring of support should focus on the nature of the commitments and funding should be made available in line with the potential scope of its impact.

A special focus on young people and small businesses would be conducive to supporting employment, as numerous studies have highlighted how the latter create a significant number of jobs.

Coordinating the actions of governmental and non-governmental actors, at the central and local levels, can facilitate the efficient management of public resources while also broadening the beneficiary base.

The provision of business consultancy services and support along the entire business chain (from procurement and access to factors of production to the sale of goods and services) can also support business activity and allow stakeholders to monitor implementation of measures taken.

In tandem with the measures taken and to be taken, certain financial conditions should also be imposed, including with regard to current business operations (cash flow and working capital requirements), financial autonomy, financing capacity, productivity, and the creation of value added and jobs.

Identify alternative sources of financing

Given the magnitude of the current crisis, supporting businesses and job creation will require the mobilization of significant resources that governments alone will be unable to provide on a sustainable basis. It is therefore essential to consider alternative sustainable financing mechanisms with a view to increasing the sources of funding.

In particular, institutional frameworks could be formulated to promote alternative modes of financing and solidarity-based entrepreneurship to enable these to become effective tools for professional integration and the creation of added value and employment, and for funding projects by vulnerable populations, young people and small and micro-enterprises.

Another recommendation would be to promote employee shareholding schemes. Not only could this help to leverage alternative sources of financing, it would also reconcile the interests of companies and their workers during the current crisis and beyond.

Establishing a third financial market with innovative barriers to entry, taking into consideration the nature of primary and secondary markets, could help raising funds for certain companies. A key feature of that market would be the range of share capital required for market entry.

Easing the financing requirements of microfinance institutions could also make an important contribution in that regard.

Furthermore, facilitating the procedures for receiving remittances from North Africans abroad could encourage the mobilization of funds from diaspora communities, thereby supporting consumption, investment, production and employment.

Make training a tool for bolstering resilience

The current crisis has highlighted the need for a degree of workforce adaptability at companies. Moreover, the crisis has highlighted the need for an approach to flexibility and security that reflects the particular characteristics of the region’s economies. A key aspect of that approach is to strike an appropriate balance among labour flexibility, social protection, active labour market policies and workforce training, particularly within the context of lifelong learning, with a view, inter alia, to promoting mobility and retraining.

Workforce training and retraining should thus play a central role in supporting business activities and employment. The scope and scale of employment programmes should therefore be extended, while vocational education and training courses should be updated in order to improve quality and broaden access and delivery. Vocational education and training should also be flexible, with multiple points at which students can enrol and obtain a qualification. Students should be able to participate in training in various ways, from enrolling in short courses on a specific area of competence to enrolling on courses that lead to a full qualification. Courses should also have flexible age requirements for participants. There is also a need to consider the many different ways that the skills needed for business development and resilience can be acquired, and how individuals can acquire the skills they need to enter the labour market for the first time, re-enter the workforce, re-skill or retrain for a new job, or to upgrade their skills in line with the requirements of their current jobs.

Improve the business climate

Moving beyond the issues addressed by the measures described above, a number of challenges and market distortions continue to undermine the overall efficiency of the economies of the North Africa subregion (ECA, 2019). According to the 2020 Index of Economic Freedom, those challenges affect markets first and foremost, including markets for goods and services, money and capital, but they also have an impact on foreign exchange markets. Indeed, the countries of the subregion are categorized as “mostly unfree” or, more often, “unfree”. Algeria is categorized as a “repressed”. Only Morocco is classified as a moderately free economy, thanks to the strength of its property rights, and to the degree of business, investment and monetary freedom in the country. Nonetheless, according to data from 2020, the labour market in Morocco, is still categorized as “repressed”, and, in that regard, Morocco is among the least free countries. This is illustrated in the table below.

Table 15
Assessment of economic freedom in North African countries, 2020

	Algeria	Egypt	Mauritania	Morocco	Sudan	Tunisia
Global ranking	169	142	130	78.0	173	128
Overall score in 2020	46.9	54.0	55.3	63.3	45.0	55,8
Labour freedom	50.5	51.5	51.3	33.0	60.0	49.8
Monetary freedom	76.2	61.3	79.6	77.0	77.0	73.9
Investment freedom	30.0	60.0	50.0	65.0	5.0	45.0
Trade freedom	63.0	62.0	61.7	70.4	53.5	78.1
Property rights	37.9	48.5	32.5	66.3	33.7	56.4
Judicial effectiveness	35.0	51.2	20.8	48.0	20.8	43.6

Source: The Heritage Foundation, 2020 Index of Economic Freedom.

B. Supporting vulnerable populations

Another corollary of this situation is the deterioration of the purchasing power of thousands of households, particularly when a large proportion of workers are not entitled to any form of unemployment benefit. In that regard, private sector workers, including those in the informal sector, are particularly at risk.

Deteriorating well-being of North African households

According to the Algerian National Statistical Office, 6.95 million Algerians work for a private-sector employer, equivalent to 63 per cent of all active workers in the country, and more than 35 per cent of the active working population is in precarious employment. Furthermore, the National Association of Algerian Traders and Craftsmen estimates that more than 500,000 Algerian families could find themselves in a precarious situation as a result of the pandemic. There is therefore a risk that the economic crisis will have significant social repercussions

A survey conducted by the Egyptian Central Agency for Public Mobilization and Statistics to assess the impact of the pandemic on the lives of Egyptian families revealed that three quarters of respondents (73.5 per cent) had experienced a reduction in income between the end of February and the end of May. The main reasons given for the decline were containment measures (60.3 per cent), unemployment (35.5 per cent), decreased demand and business activity (31.5 per cent), decreased wages (14.5 per cent), temporary suspension of a project (12.9 per cent), and the cessation of charitable assistance (2.2 per cent). In addition, one third of Egyptian families (33.2 per cent) had insufficient income to meet their needs (34.3 per cent in rural areas, compared to 31.8 per cent in urban areas).

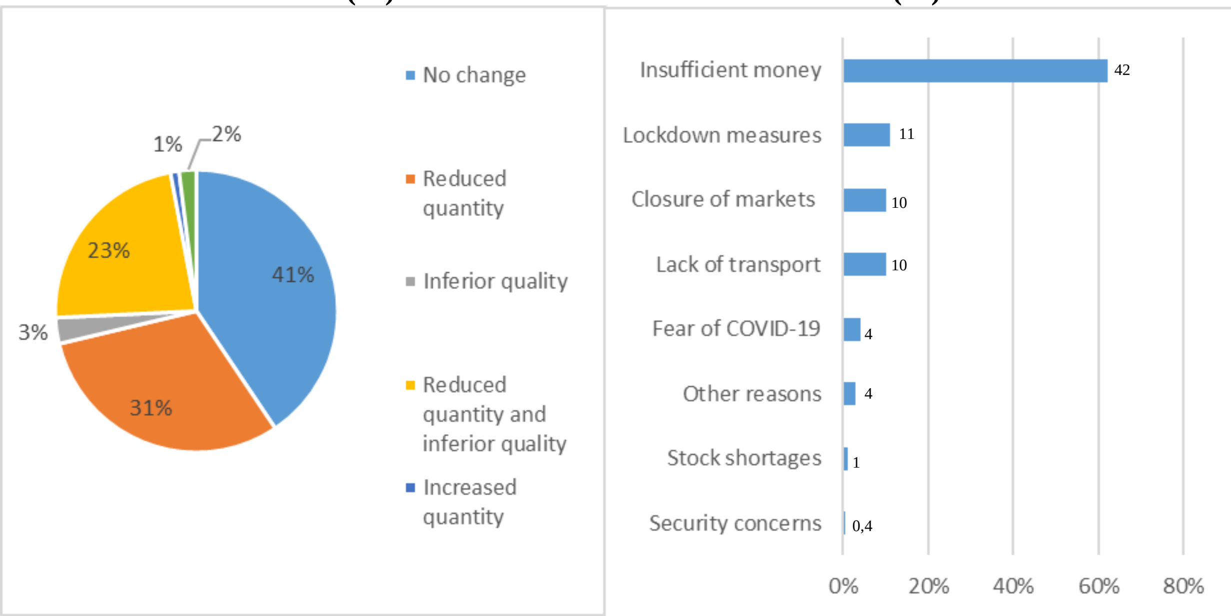
Another study conducted by the Central Agency for Public Mobilization and Statistics to assess the impact of the pandemic, this time through September 2020, revealed a slight improvement compared with the findings of the study conducted through May 2020.

According to data collated by the Agency, of the 25.7 million workers in the country, 11.85 million workers are in irregular employment and therefore do not have health insurance, the right to a pension, or a regular salary. Some of these workers are likely to find themselves between the anvil of unemployment and the hammer of poverty. Indeed, according to assessments by the National Institute of Planning the number of poor people in Egypt is expected to increase from 32 million to 40.1 million, an increase of some 8.1 million, due to the impact of the recent economic crisis.

The Mauritanian household welfare impact monitoring survey revealed that 76 per cent of households in that country have experienced income declines since the start of the COVID-19 pandemic. This seems to be having an impact on the availability of basic necessities for Mauritanian households, with over half of households reporting that their procurement of basic necessities has deteriorated in quantity and quality since March 2020. Furthermore, reduced incomes are cited as the key reason why households have altered their consumption of basic necessities.

Figure 60
Household procurement of basic necessities: impact and causes

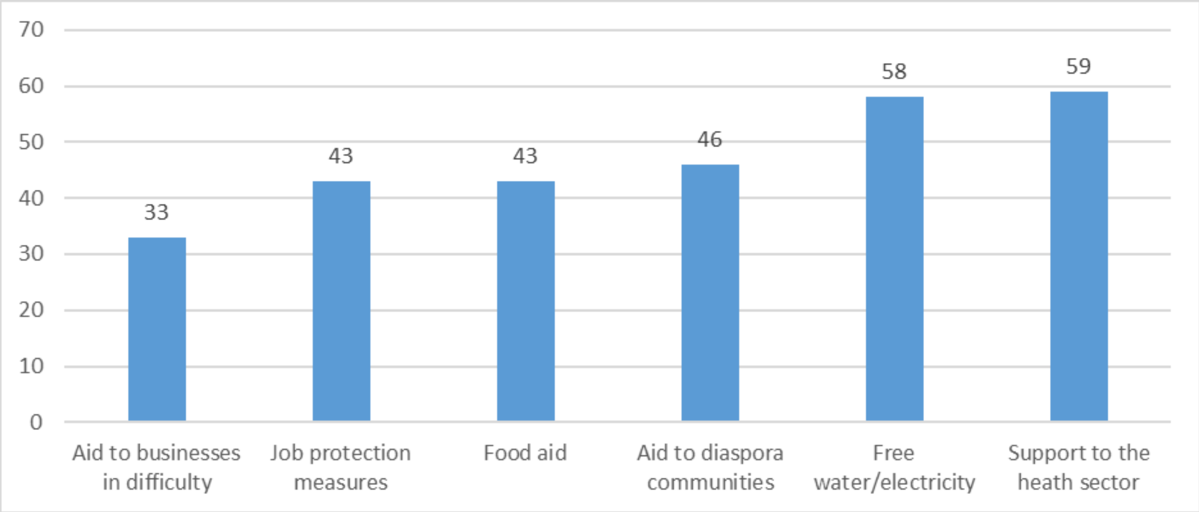
Changes in household procurement of basic necessities (%) | **Reasons for changing procurement patterns (%)**



Source: Mauritanian National Statistical Office: Survey on the impact of COVID-19, 2020.

The survey also revealed a deterioration in the subjective well-being of 75 per cent of Mauritanian households between the pre-COVID-19 period and August 2020. Indeed, 40 per cent of respondents believed that their well-being had deteriorated slightly, while 35 per cent believed that it had deteriorated significantly. Some 59 per cent of households were uncertain how to describe their well-being 12 months after the start of the COVID-19 pandemic. Furthermore, 59 per cent of households expressed a degree of satisfaction with the support provided to the health sector, while 58 per cent expressed satisfaction with the provision of free water and electricity. In contrast, support for businesses, job protection measures, food aid, and assistance to the diaspora was less well appreciated.

Figure 61
Household satisfaction with measures implemented by the Government (per cent)

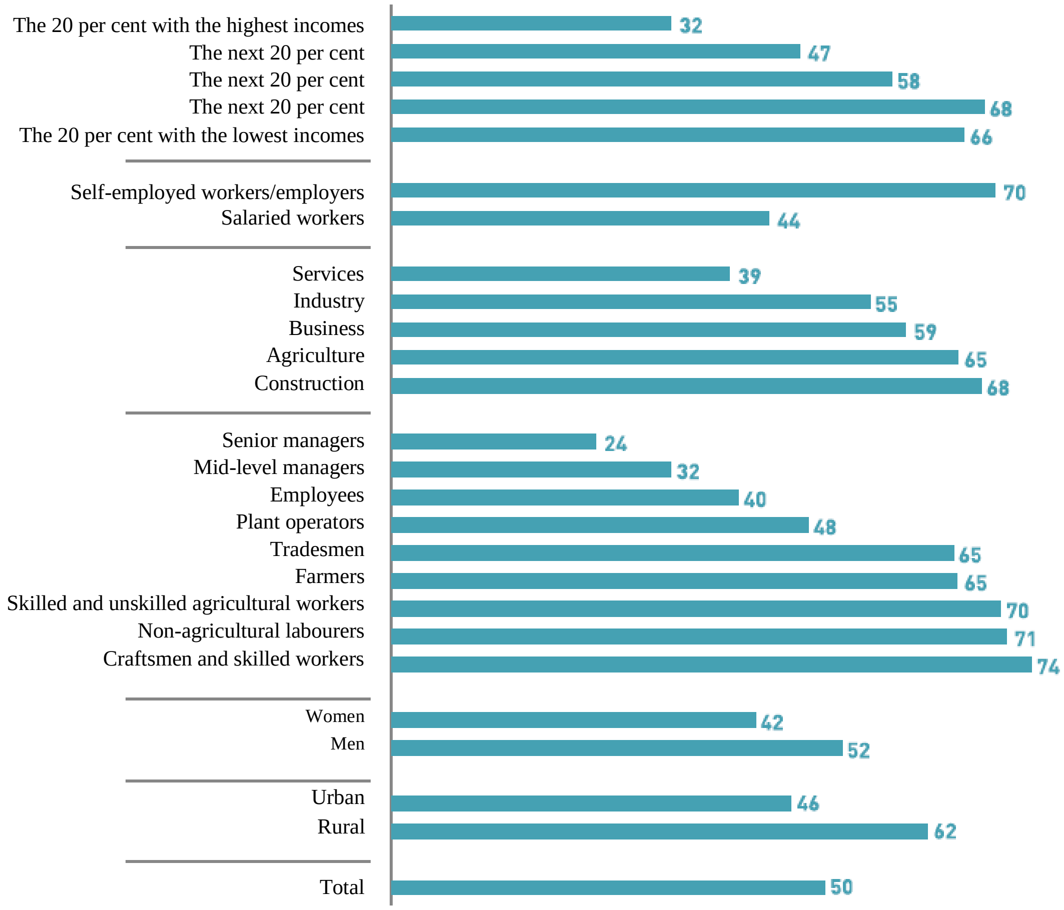


Source: Mauritanian National Statistical Office: Survey on the impact of COVID-19, 2020.

In Morocco, there has been a 50 per cent decline in the average monthly incomes of those in employment compared with average incomes prior to the imposition of lockdown measures. The decline has been more pronounced in rural areas, where incomes have fallen by an average of 62 per cent, compared to a reduction of 46 per cent in cities. People working in construction (-68 per cent) were the most affected by sector, while the self-employed were the most affected by job status (-70 per cent). By socio-professional category, the decline in average monthly income was 74 per cent among craftsmen and skilled workers, 71 per cent among non-agricultural labourers and 70 per cent among agricultural workers and unskilled labourers. On the other hand, the most disadvantaged sectors of society experienced the largest decreases in average monthly income (a decline of 66 per cent for the poorest 20 per cent, and a decline of 68 per cent for the next 20 per cent).

Figure 62

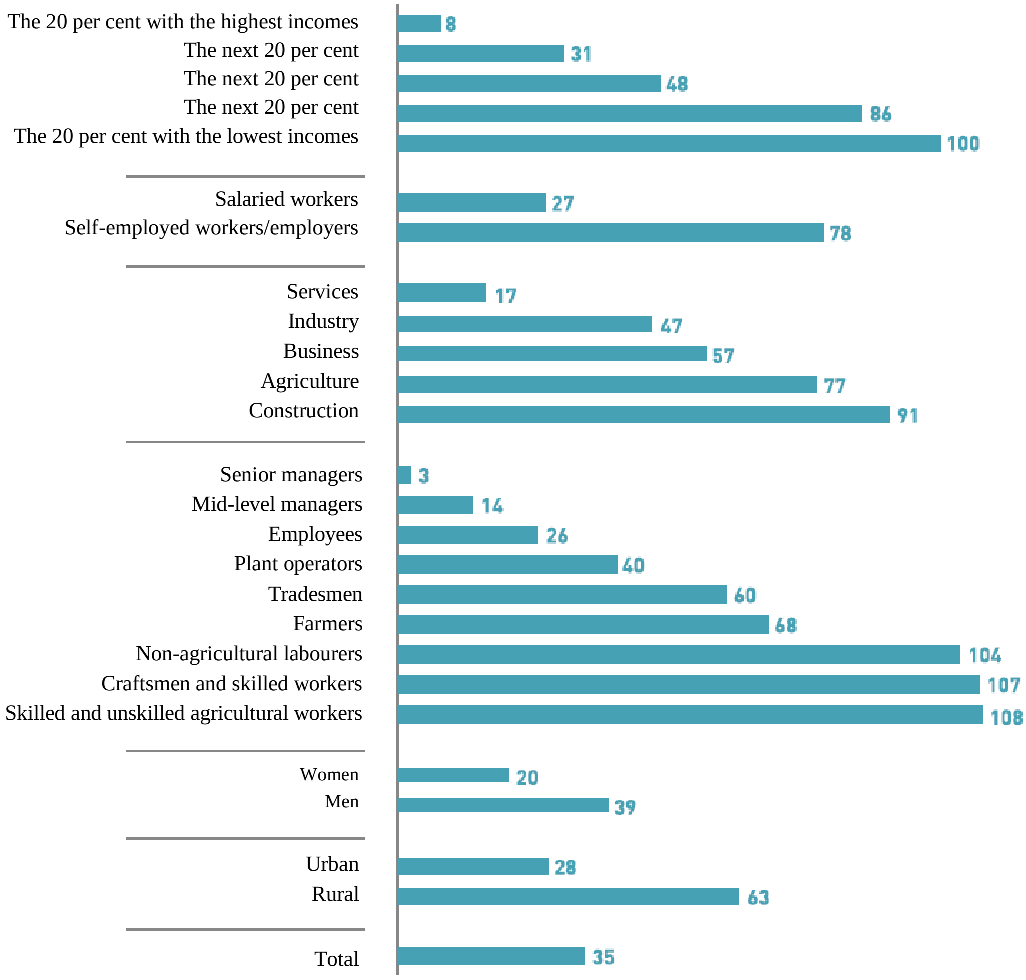
Decline in business income during the lockdown period (per cent)



Source: High Commission for Planning, Second panel meeting on COVID-19.

National support programmes for workers who lost jobs in the private sector, both in the formal and informal sectors, compensated those workers for 35 per cent of their income losses in April, May and June 2020. Compensation was paid, primarily, to those workers most affected by the decline in average monthly incomes during the lockdown period, namely: craftsmen and skilled workers, non-agricultural labourers, skilled and unskilled agricultural workers and the poorest 20 per cent of the population. Individuals in the last category were compensated fully for their loss of earnings. In contrast, the losses of the wealthiest 20 per cent and senior managers were only marginally compensated. On average, salaried employees received 27 per cent of their previous earnings, with those employed in the services sector receiving 17 per cent.

Figure 63
Proportion of lost earnings covered by government compensation schemes (per cent)



Source: High Commission for Planning, Second panel meeting on COVID-19.

It should be noted that assistance and income compensation was only provided for the months of April, May and June. After June, business activity should, in theory, have generated resources and income. However, business activity is far from returning to normal. Indeed, according to an economic report issued by the High Commission for Planning in October 2020, business activity contracted in the third quarter of 2020 and was expected to contract again in the fourth quarter. Job and income losses could lead to an increase in the number of poor and vulnerable people. A joint study by the High Commission for Planning, United Nations agencies in Morocco and the World Bank determined that the incidence of poverty could reach 6.6 per cent in 2020, and that the number of people categorized as "vulnerable to poverty" and/or "poor" could increase in 2020 by 1,058,000 people, equivalent to 19.87 per cent of the population, up from 17.1 per cent of the population in 2019.

The Sudan is suffering from multiple health, economic and political crises. The World Food Programme estimates that, between June and September 2020, approximately 9.6 million people will be severely food insecure. In addition, the Sudan continues to face persistently high levels of malnutrition and stunting, a major public health concern.

Climate shocks and low productivity mean that the food crisis is particularly severe in a country whose economy is heavily dependent on agriculture and where two thirds of the population live in rural areas. Furthermore, high inflation continues to erode household purchasing power while the negative economic repercussions of the COVID-19 pandemic could further exacerbate the socioeconomic situation in the country.

In Tunisia, the number of unemployed workers stood at 746,400 in the second quarter of 2020, compared to 634,800 in the first quarter, and those who kept their jobs were forced to take temporary leaves of absence or accept pay cuts (18.7 per cent of firms offered workers paid time off, 9.6 imposed leave without pay, 11.5 per cent imposed pay cuts, and 4.3 per cent reduced employees' working hours).

In the third quarter, the number of unemployed workers was 676,600, a reduction of some 70,000 compared with the second quarter of 2020. Firms offered less paid time off and leave without pay, which fell to 18.2 per cent and 7.2 per cent, respectively, in July (from 27.7 per cent and 14.3 per cent, respectively, in April), while 10.9 per cent of firms imposed pay cuts in July, compared with 13.3 per cent in April.

On another note, the proportion of workers in the informal sector was about 46.4 per cent of the total employed, or 1,630,000 informal jobs out of a total of 3,511,600 jobs. Excluding agriculture, the share of jobs in the informal sector was about 39.9 per cent.

Labourers, the unemployed, especially those who tend to find employment in the informal sector, and other workers who are not currently part of the labour force, are likely to be those most affected by income declines in the wake of the COVID-19 pandemic. A study conducted by the National Institute of Statistics, in collaboration with the United Nations Development Programme, confirmed that hypothesis, and stressed that, without government mitigation measures, the income poverty rate could increase from the 15.2 per cent recorded prior to the pandemic to 19.2 per cent.

Table 16

Monetary and extreme poverty rates by the socio-professional category of the head of household

	Proportion of total population (%)	Monetary poverty prior to the COVID-19 crisis	Monetary poverty following the COVID-19 crisis	Extreme poverty prior to the COVId-19 crisis	Extreme poverty following the COVID-19 crisis
Executives and senior professionals	9.89	2.85	4.27	0.16	0.34
Mid-level managers and professionals	3.67	4.52	6.55	0.57	0.91
Other employees	14.02	13.12	17.16	1.81	2.88
Owners of small industrial enterprises	2.09	4.65	7.77	0.35	0.56
Craftsmen and independent small business owners	3.99	9.24	12.88	1.81	2.25
Non-agricultural labourers	23.10	21.81	27.30	3.71	5.18
Farmers	7.61	21.42	26.79	4.78	6.30
Agricultural labourers	1.65	38.30	45.11	9.55	13.71
Unemployed	2.86	35.59	41.68	11.70	16.37
Retired	14.51	5.79	7.86	0.69	0.84
Other workers not in the labour force	16.60	19.50	24.5	4.15	5.60
National totals	**100**	**15.15**	**19.23**	**2.87**	**3.99**

Source: National Institute of Statistics and United Nations Development Programme.

According to the same study, two factors have led to a deterioration in the situation: (i) a decline in consumer spending by households; and (ii) an increase in the prices of basic food staples.

Recommendations

Promote the formalization of the economy

The prevention of informal working arrangements is critical in the current crisis context. An institutional framework conducive to the formalization of business activities, which takes into consideration the specific characteristics of North African economies and businesses, is needed. In particular, steps should be taken to simplify administrative procedures, while also respecting the rights of workers.

Equally important is the promotion of decent and productive employment through accelerated transformation of the region's economies, which should be built on coherent macroeconomic, employment, social protection and other social policies.

A key aspect of that approach is to strike an appropriate balance among labour flexibility, social protection, active labour market policies and workforce training, particularly within the context of lifelong learning, with a view, inter alia, to promoting mobility and retraining.

Increase membership of social insurance schemes

Broadening the membership base of social insurance schemes would strengthen the viability and sustainability of those schemes by increasing the ratio of taxpayers to beneficiaries and would provide support to the as yet uncovered employed population. Increased membership would ease the long-term pressure on public finances and have a positive impact on the incomes of the unemployed and older persons, and enhance their well-being and that of their families.

Encouraging the payment of severance pay

The payment of severance pay would have various socioeconomic affects. It would, for example, smooth consumption and thus support demand and the well-being of the unemployed and their families. It would encourage workers to take up jobs that are important to the economy, despite the risk of layoffs. It could also cover the costs of job searches for those who have lost their jobs.

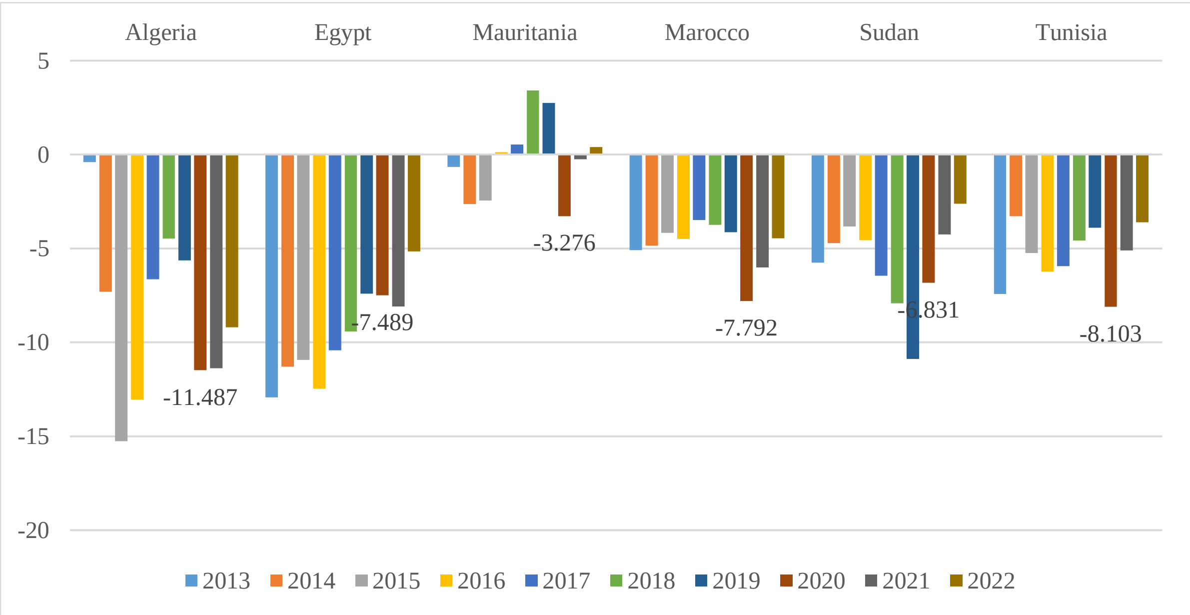
It is possible, however, that financial compensation would act as a disincentive, discouraging the unemployed from searching for work, and would thus increase the duration of unemployment, with negative repercussions for pensions, human capital, and expected longer-term welfare support. In addition, benefits financed by payroll taxes could significantly increase layoffs in some industries while high income taxes are likely to have leakage effects from the formal to the informal sector, especially if tax regimes are administratively complex.

C. Monitoring macroeconomic risks

The crisis stemming from the COVID-19 pandemic has prompted the adoption of economic measures to support businesses and social measures to help households, and has also highlighted the need for long-term structural measures to promote decent jobs and foster the emergence of more resilient economies. The crisis has, moreover, given rise to several macroeconomic risks that must be monitored, including with respect to public finances and fiscal space. Those risks may be reflected in key indicators, including those pertaining to government budgets and countries’ domestic and external obligations, but also the overall position of North African economies in global markets.

A key indicator of shrinking fiscal space in the countries surveyed is the widening of budget deficits, in part due to government support efforts. With the notable exception of Egypt and the Sudan, budget deficits are expected to increase significantly in most of the countries surveyed. In Egypt, the deficit is expected to remain stable relative to GDP. In the Sudan, the deficit is expected to decline by 4 per cent, from 10.8 per cent to 6.8 per cent. Mauritania, which registered a budget surplus of some 2.75 per cent in 2019, is expected to register a budget deficit of some 3.3 per cent in 2020.

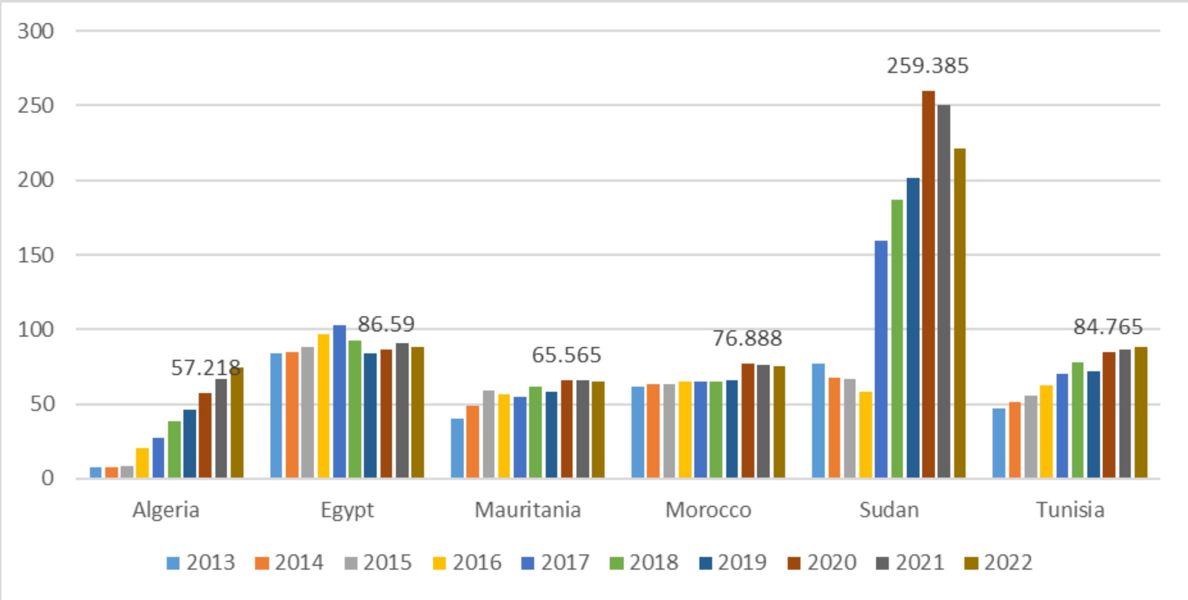
Figure 64
Government budget deficits 2013–2022 (as a percentage of GDP)



Source: IMF, World Economic Outlook, October 2020.

IMF foresees an increase in public debt ratios in the North Africa subregion in 2020, before modest declines in subsequent years. With the exception of Egypt and Mauritania, public debt ratios are expected to increase by more than 10 per cent. In the Sudan, despite a reduction in the fiscal deficit, the gross public debt ratio is expected to increase from approximately 200 per cent in 2019 to 260 per cent in 2020, and to decline by only 10 per cent in 2021, to approximately 250 per cent.

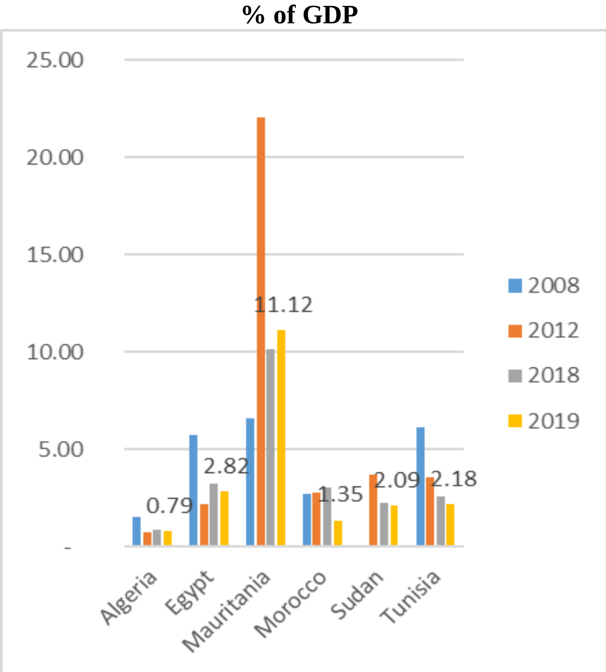
Figure 65
Gross public debt (as a percentage of GDP)

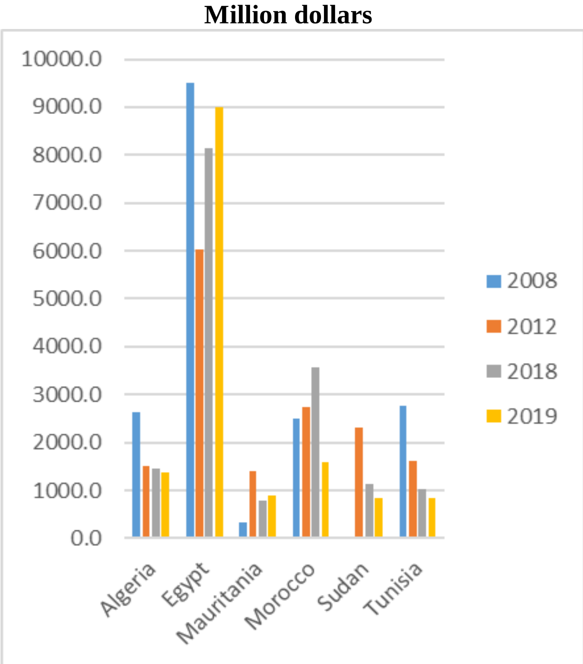


Source: IMF, World Economic Outlook, October 2020.

In parallel with the reduction in budgetary leeway, foreign direct investment, which has been a lever for investment in several countries in the region, particularly Mauritania, and in key sectors, is also expected to decline significantly in 2020 compared to 2019.

Figure 66
Foreign direct investment: annual inflows





Source: UNCTAD, 2020.

Furthermore, remittances to North African countries are expected to decline in all countries in the subregion. In relative terms, the decline is expected to be particularly notable in Tunisia, the Sudan, and Egypt, countries in which remittances make up a relatively high proportion of GDP. Indeed, remittances account for 6.7 per cent of GDP in Egypt, 4.5 per cent in Tunisia, and 3 per cent in the Sudan. Morocco, where the contribution of remittances is some 5.7 per cent of GDP, is expected to experience a decline of approximately 5.2 per cent.

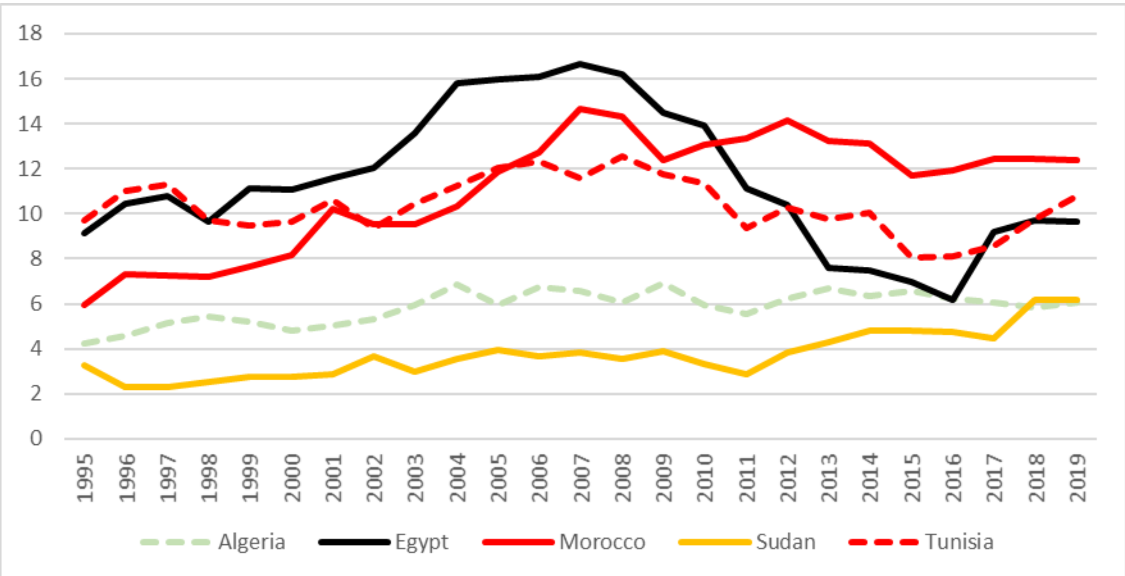
Table 17
Migrant remittances to North African countries ($ million)

	2010	2015	2019	2020 estimated	2019–2020	% of GDP (2020)
Algeria	196.6	1 997.4	1 791.7	1 643.2	-8.3%	1.1%
Egypt	12 453.1	18 325.4	26 781.4	24 381.1	-9.0%	6.7%
Mauritania	Data unavailable	Data unavailable	64.5	61.3	-4.9%	0.8%
Morocco	6 422.5	6 903.5	6 735.5	6 382.5	-5.2%	5.7%
Sudan	1 455.5	151.4	425.2	369.5	-13.1%	2.0%
Tunisia	2 063.3	1 971.4	2 049.7	1 747.0	-14.8%	4.5%

Source: World Bank, 2020.

Tourism, another important source of foreign exchange and GDP, has been hit hard by the restrictions imposed in the context of the pandemic. This has had a significant impact on the finances of a number of North African countries, including Egypt, Morocco and Tunisia, in addition to a significant impact on employment.

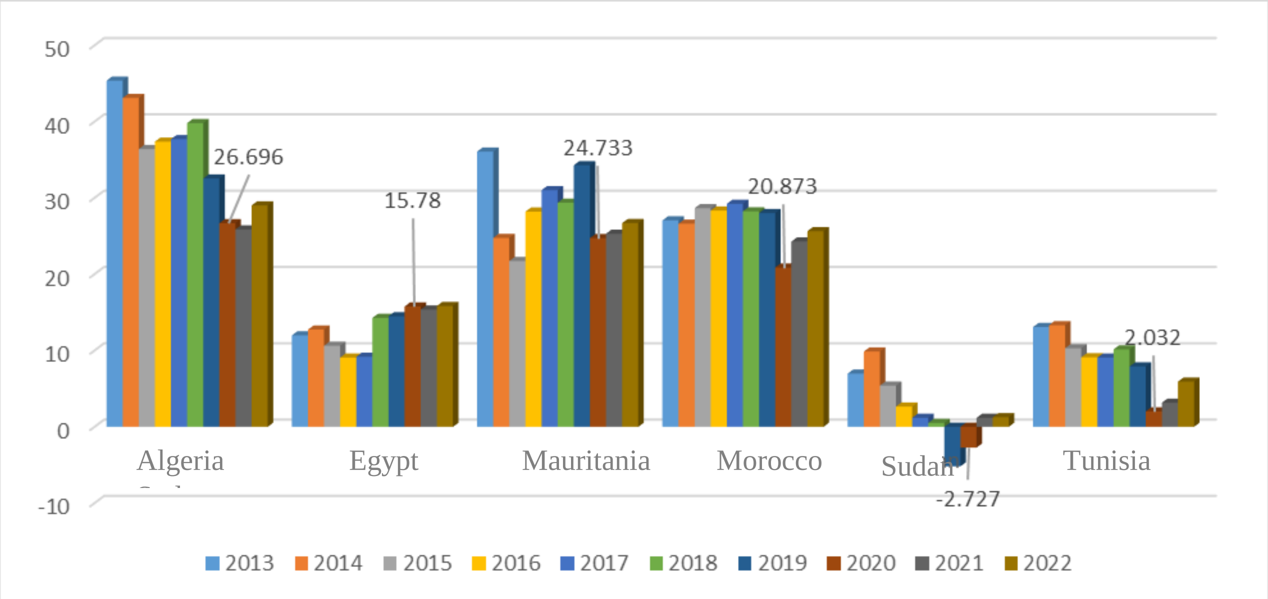
Figure 67
Proportion of GDP generated both directly and indirectly by tourism in North African countries



Source: World Travel and Tourism Council, 2020.

As a result of the aforementioned changes, certain countries in the North Africa subregion could be obliged to borrow on unfavourable terms. In recent years, there has been a decline in national savings rates, particularly in the Sudan and Tunisia, while the economies of all North African countries have been downgraded. However, certain countries including Algeria, Mauritania and Morocco could mobilize savings worth between 20 and 25 per cent of GDP to partially cover their financing needs.

Figure 68
Gross national savings (as a percentage of GDP)



Source: IMF, World Economic Outlook, October 2020.

2. Medium- and long-term recommendations: accelerating economic transformation in the subregion

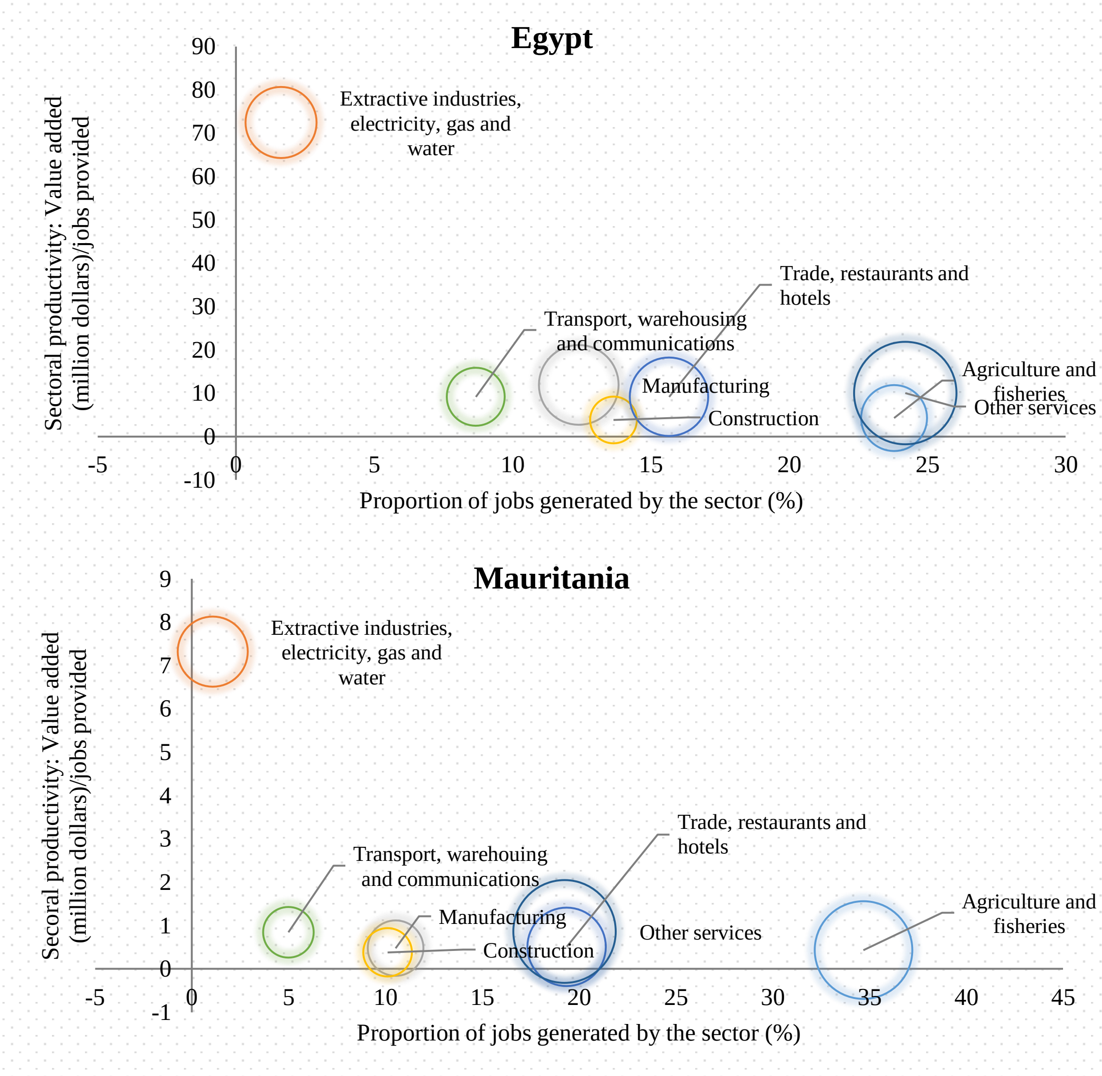
A. The structure of subregional economies is not conducive to the creation of adequate numbers of jobs

The health crisis has helped draw attention to the need to address a number of structural challenges in order to strengthen the relationship between productive and decent employment on the one hand and social safety nets on the other. Indeed, accelerating economic transformation is necessary in order to provide an adequate number of high-quality jobs for the millions of people entering labour markets in the subregion every year.

The current structure of subregional economies, which has remained relatively unaltered for the past 15 to 20 years, is characterized by a concentration of work in the least productive sectors and, in some cases, by significant contractions in employment, as has occurred in the agricultural sector in Morocco in recent years.

Figure 69

Productivity of, and proportion of jobs provided by key economic sectors in Egypt and Mauritania, 2018

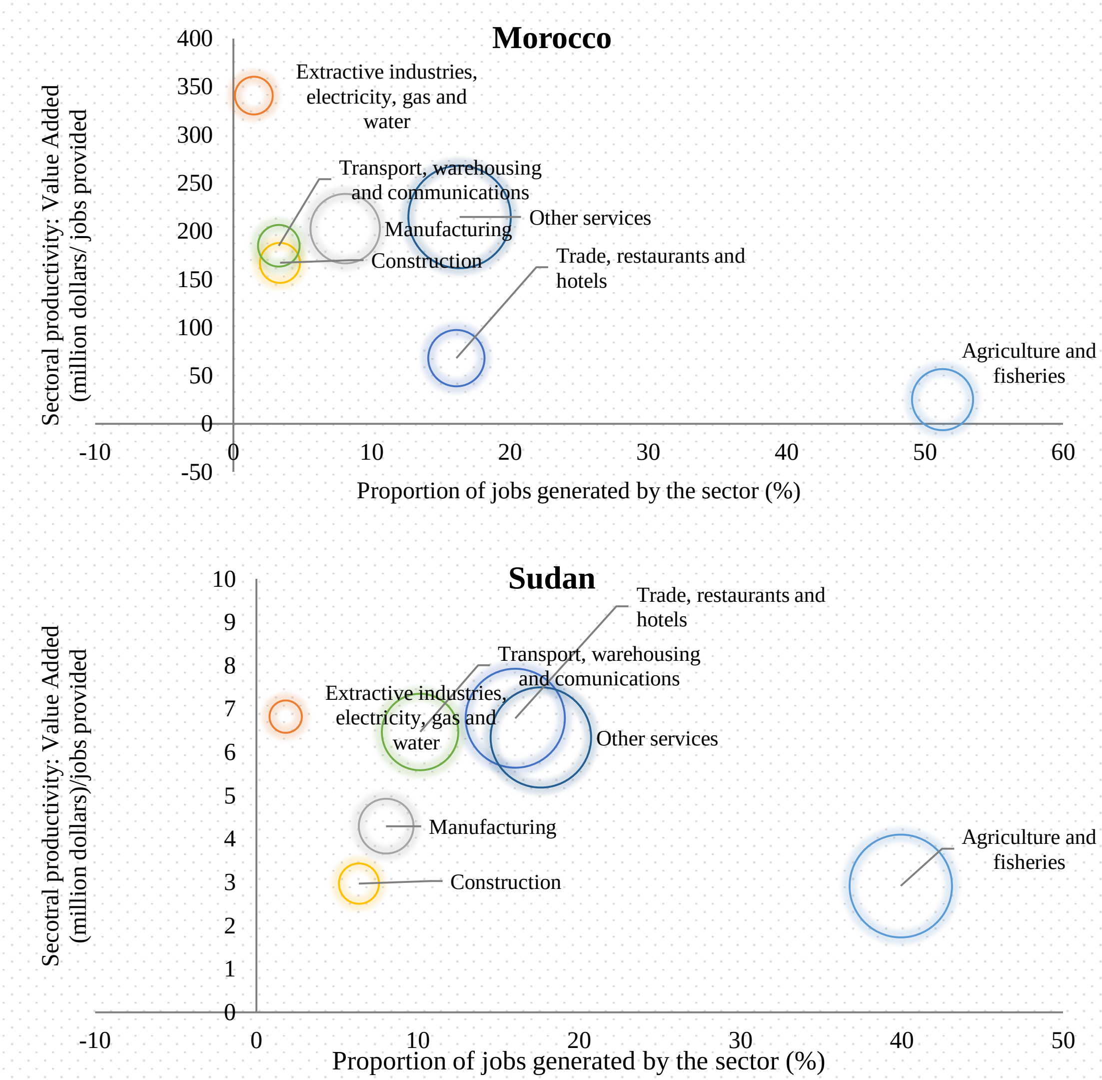


Source: ILO, UNCTAD and calculations by author.

It is imperative that sectors such as agriculture, which remain important in terms of labour demand, modernize and free up labour that can be assigned to more productive and higher-pay sectors; however, modernization of the economy means that the share of employment provided by agriculture will decrease, thereby increasing labour market pressures.

Figure 70

Productivity of, and proportion of jobs provided by key economic sectors, Morocco and the Sudan, 2018

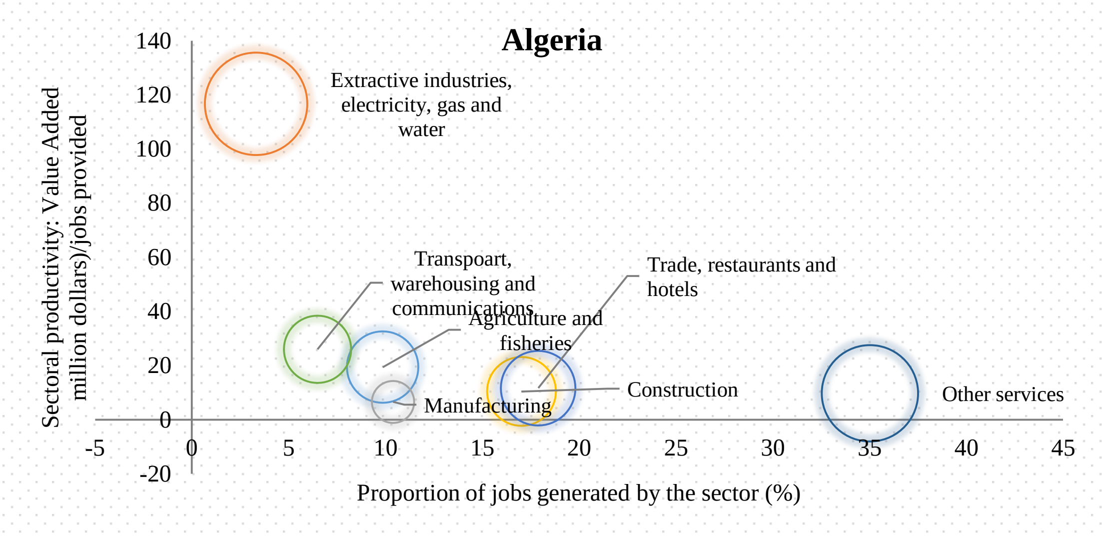


Source: ILO, UNCTAD and calculations by author.

In countries with a large mining and/or oil sector, challenges are posed by the sector's low labour intensity and limited economic diversification. In Algeria, for example, extractive industries are a major source of national income (as indicated by the size of the relevant circle in figure 71) and investment capital, but contribute relatively little to employment (3.3 per cent). Moreover, the profitability of extractive industries depends to a large degree on price fluctuations in international markets.

Figure 71

Productivity of, and proportion of jobs provided by key economic sectors, Algeria, 2018

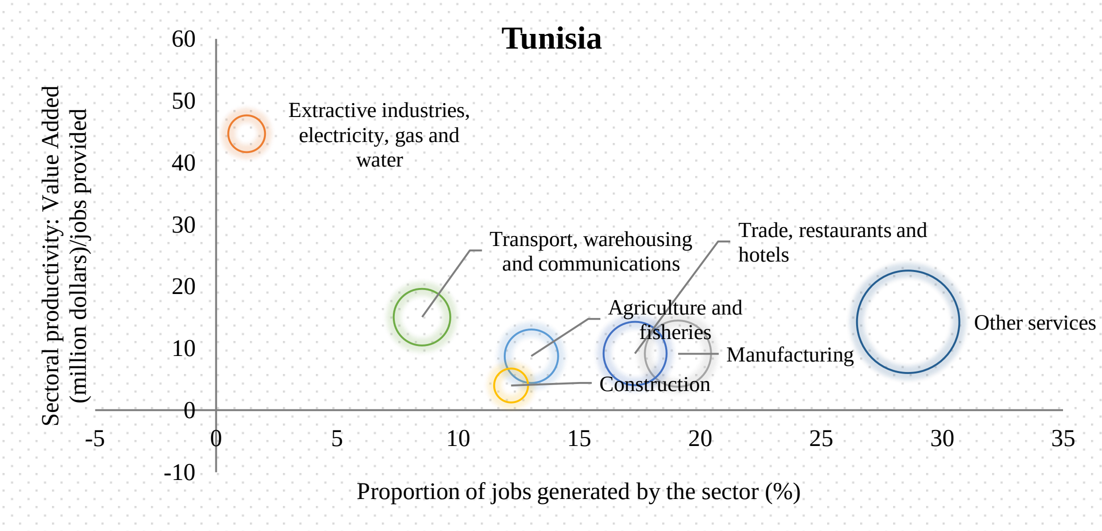


Source: ILO, UNCTAD and calculations by author.

In countries such as Tunisia, the public sector remains a major employer (over 40 per cent in Algeria and over 20 per cent in Egypt), yet it remains relatively unproductive compared to other sectors of the economy. This limits growth in general, and the growth of a strong and competitive private sector in those countries: the public sector, which is one of the main employers, is not a vector for growth.

Figure 72

Productivity of, and proportion of jobs provided by key economic sectors in Tunisia, 2018



Source: ILO, UNCTAD and calculations by author.

There is therefore a pressing need to accelerate structural transformation and to promote economic diversification, which would pave the way for job-creating growth, increase resilience to commodity price volatility, and improve prospects for future generations. Structural transformation is, however, hampered by structural inflexibility, an unfavourable business climate and an inadequately trained labour force, which impedes rapid and inexpensive labour mobility within and among economic sectors.

B. Promoting structural change while addressing structural inflexibility and market inefficiencies

Although investors, including those from abroad, are not subject to any formal discriminatory practices, and despite the fact that no restrictions are placed on their activities, a number of reports, including those issued by the World Economic Forum, have drawn attention to the fact that certain aspects of the business environment in the subregion continue to impede factor mobility and investment. While the relevance of that observation was discussed in the first section of the present report, further details regarding those aspects of the business environment are provided in table 18.

Table 18
Global Competitiveness Index, North African countries, 2017–2018

		Algeria	Egypt	Mauritania	Morocco	Tunisia
Institutions	Score	3.63	3.94	2.93	4.20	3.78
	Rank	88	64	132	49	80
Infrastructure	Score	3.56	4.13	2.10	4.42	3.83
	Rank	93	71	131	54	82
Macroeconomic environment	Score	4.63	2.59	4.64	4.91	3.94
	Rank	71	132	69	55	109
Health and primary education	Score	5.77	5.54	4.16	5.63	5.95
	Rank	71	87	128	81	58
Higher education and training	Score	3.95	3.60	1.90	3.58	4.09
	Rank	92	100	137	101	82
Goods market efficiency	Score	3.64	4.15	3.11	4.43	3.95
	Rank	129	90	134	58	112
Labour market efficiency	Score	3.27	3.22	3.33	3.58	3.09
	Rank	133	134	129	120	135
Financial market development	Score	3.06	3.89	2.13	3.93	3.39
	Rank	125	77	137	72	110
Technological readiness	Score	3.36	3.45	2.24	3.81	3.73
	Rank	98	94	132	82	85
Business sophistication	Score	3.32	3.79	2.71	3.99	3.67
	Rank	122	84	136	69	98
Innovation	Score	2.94	2.92	2.32	3.14	3.07
	Rank	104	109	136	94	99
Innovation and sophistication factors	Score	3.13	3.35	2.52	3.56	3.37
	Rank	118	101	136	74	97
Global Competitiveness Index	**Overall score**	**4.07**	**3.90**	**3.09**	**4.24**	**3.93**

Sources: IMF; World Economic Forum Global Competitiveness Index, 2017–2018.

Table 18 makes clear the degree to which the countries of the subregion continue to lag behind other countries in terms of economic competitiveness and the overall business climate. In terms of the efficiency of their labour and their goods and services markets, and their financial market development, the countries of the subregion are among the least developed in the world. Out of the 137 countries surveyed, only the financial market development and the goods and services markets of Egypt and Morocco are at intermediate levels of efficiency, compared with the benchmarks. As for institutions, progress has been made but remains insufficient, with Mauritania ranking 132nd out of 137 countries, and Algeria and Tunisia ranking towards the bottom of the third quartile.

In terms of technological readiness, the countries of the North African subregion still lag significantly behind other countries. As for the availability of the latest technologies and firm-level technology absorption, only Morocco is close to the benchmark. The adoption of technology in Mauritania is still in its initial stages and proceeding very slowly in the other countries reviewed in this study.

Table 19
Technological readiness, North African countries, 2017–2018

		Algeria	**Egypt**	**Mauritania**	**Morocco**	**Tunisia**
Availability of the latest technologies, 1–7 (1 being the worst score and 7 the best)	Score	3.78	4.33	3.37	5.07	4.58
	Rank	119	91	128	50	76
Firm-level technology absorption, 1–7 (1 being the worst score and 7 the best)	Score	3.77	4.13	2.59	4.52	3.96
	Rank	121	100	137	62	111
Foreign direct investment and technology transfer, 1–7 (1 being the worst score and 7 the best)	Score	3.66	4.30	2.14	4.61	4.15
	Rank	114	75	137	52	85
A. Adoption of technology	Score	3.74	4.26	2.70	4.73	4.23
	Rank	120	86	136	52	89
Internet users, % of population	Score	42.95	39.21	18.00	58.27	50.88
	Rank	90	93	122	71	83
Fixed-broadband Internet subscriptions /100 population.	Score	6.92	5.20	0.25	3.65	5.65
	Rank	80	88	118	93	86
Internet bandwidth, kb/s/user	Score	40.01	17.19	4.48	25.70	31.17
	Rank	81	100	122	89	86
Mobile-broadband subscriptions /100 population	Score	46.81	52.60	30.21	46.00	62.97
	Rank	87	77	104	91	64
B. Use of ICT	Score	2.98	2.65	1.78	2.89	3.22
	Rank	91	97	115	94	81
Technological readiness	Score	3.36	3.45	2.24	3.81	3.73
	Rank	98	94	132	82	85

Sources: IMF; World Economic Forum Global Competitiveness Index, 2017–2018.

On the other hand, and despite the increase in the level of education of young people in the North African subregion, there is still a marked weakness in terms of mastery of basic skills, and also in terms of the quality of vocational training. Indeed, the rankings of the countries in the subregion in the Global Competitiveness Index show that educational systems are poor and that maths and science education, management schools, and workplace training all remain weak.

Table 20
Quality of teaching and training, North African countries, 2017–2018

		Algeria	**Egypt**	**Mauritania**	**Morocco**	**Tunisia**
Secondary education enrolment rate, gross %	Score	99,86	86,10	30,60	69,06	88,20
	Rank	47	84	132	100	81
Tertiary education enrolment rate, gross %	Score	36.92	36.23	5.34	28.14	34.61
	Rank	74	76	124	85	79
A. Quantity of education	Score	5.02	4.78	1.00	3.52	4.83
	Rank	69	76	133	100	75
Quality of the education system, 1–7 (1 being the worst score and 7 the best)	Score	3.21	2.46	1.85	2.71	3.08
	Rank	97	130	137	120	103
Quality of maths and science education, 1–7 (1 being the worst score and 7 the best)	Score	3.62	2.77	2.65	3.82	4.56
	Rank	92	122	127	80	44
Quality of management schools, 1–7 (1 being the worst score and 7 the best)	Score	3.56	3.19	2.58	4.01	4.02
	Rank	112	124	137	86	83
Internet access in schools, 1–7 (1 being the worst score and 7 the best)	Score	3.28	3.20	2.38	3.38	3.54
	Rank	114	119	134	111	106
B. Quality of education	Score	3.42	2.91	2.37	3.48	3.80
	Rank	105	129	136	104	78
Local availability of specialized training services, 1–7 (1 being the worst score and 7 the best)	Score	3.64	2.85	2.39	4.12	3.78
	Rank	119	135	137	86	110
Extent of staff training, 1–7 (1 being the worst score and 7 the best)	Score	3.19	3.36	2.29	3,35	3.50
	Rank	129	116	137	117	106
C. On-the-job training	Score	3.42	3.10	2.34	3.74	3.64
	Rank	124	133	137	106	112
Higher education and training	Score	3.95	3.60	1.90	3.58	4.09
	Rank	92	100	137	101	82

Sources: IMF; World Economic Forum Global Competitiveness Index, 2017–2018.

Furthermore, international university rankings, such as the Shanghai and the Times rankings, list few universities from the subregion, while all countries in the subregion score below the international benchmark of 500 in the Trends in International Mathematics and Science Study (TIMSS) assessment.

Shortcomings in terms of human capital development, other institutional shortcomings, the low quality of scientific research institutions and market failures all constitute obstacles to innovation, a key vector for productivity, competitiveness, and growth. In that regard, the capacity for innovation of the countries of the subregion remains extremely low, with Algeria, Egypt and Mauritania ranking 110th or below out of 137 countries. Little action is taken to encourage innovation, as indicated by the amount spent by firms on research and development, university-industry collaboration in research and development, and government procurement of advanced technology products.

Table 21

Table 21
Innovation environment in North African countries 2017–2018

		Algeria	**Egypt**	**Mauritania**	**Morocco**	**Tunisia**
Capacity for innovation, 1–7 (1 being the worst score and 7 the best)	Score	3.63	3.40	2.16	3.92	3.79
	Rank	111	123	137	83	93
Quality of scientific research institutions, 1–7 (1 being the worst score and 7 the best)	Score	3.31	2.78	2.62	3.03	3.34
	Rank	99	121	129	111	96
Company spending on research and development, 1–7 (1 being the worst score and 7 the best)	Score	2.91	2.92	1.94	3.02	2.94
	Rank	104	103	136	93	100
University-industry collaboration in research and development, 1–7 (1 being the worst score and 7 the best)	Score	2.62	2.75	2.68	3.01	2.97
	Rank	125	117	122	105	106
Government procurement of advanced technology products, 1–7 (1 being the worst score and 7 the best)	Score	3.01	3.39	3.32	3.25	2.63
	Rank	94	61	69	75	122
Availability of scientists and engineers, 1–7 (1 being the worst score and 7 the best)	Score	3.74	4.12	2.20	4.08	4.40
	Rank	83	55	137	60	43
PCT patents, applications/million population	Score	0.18	0.86	0.02	1.68	0.98
	Rank	95	73	113	64	71
Innovation	Score	2.94	2.92	2.32	3.14	3.07
	Rank	104	109	136	94	99

Sources: IMF; World Economic Forum Global Competitiveness Index, 2017–2018.

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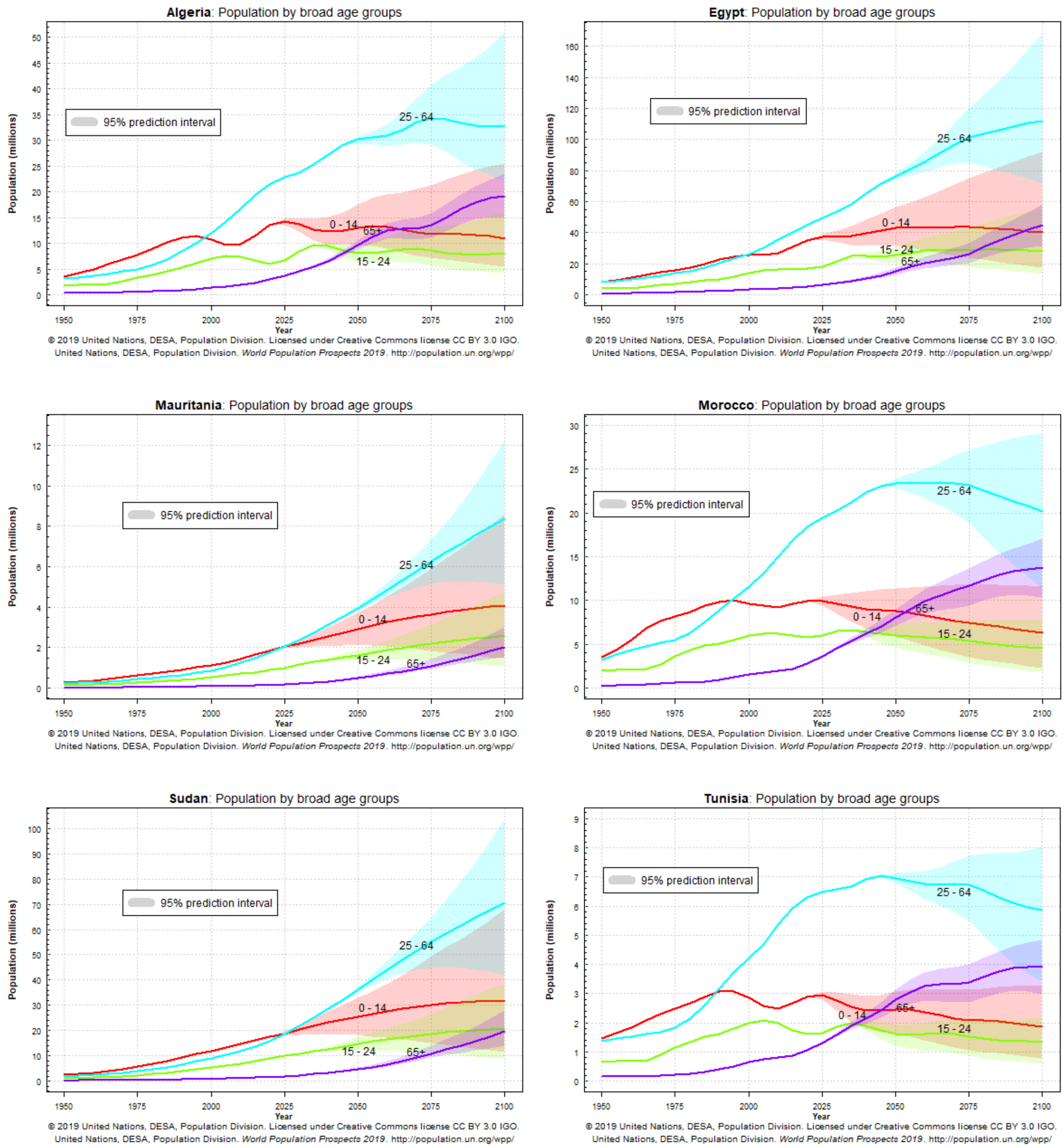
Annexes

Annex 1

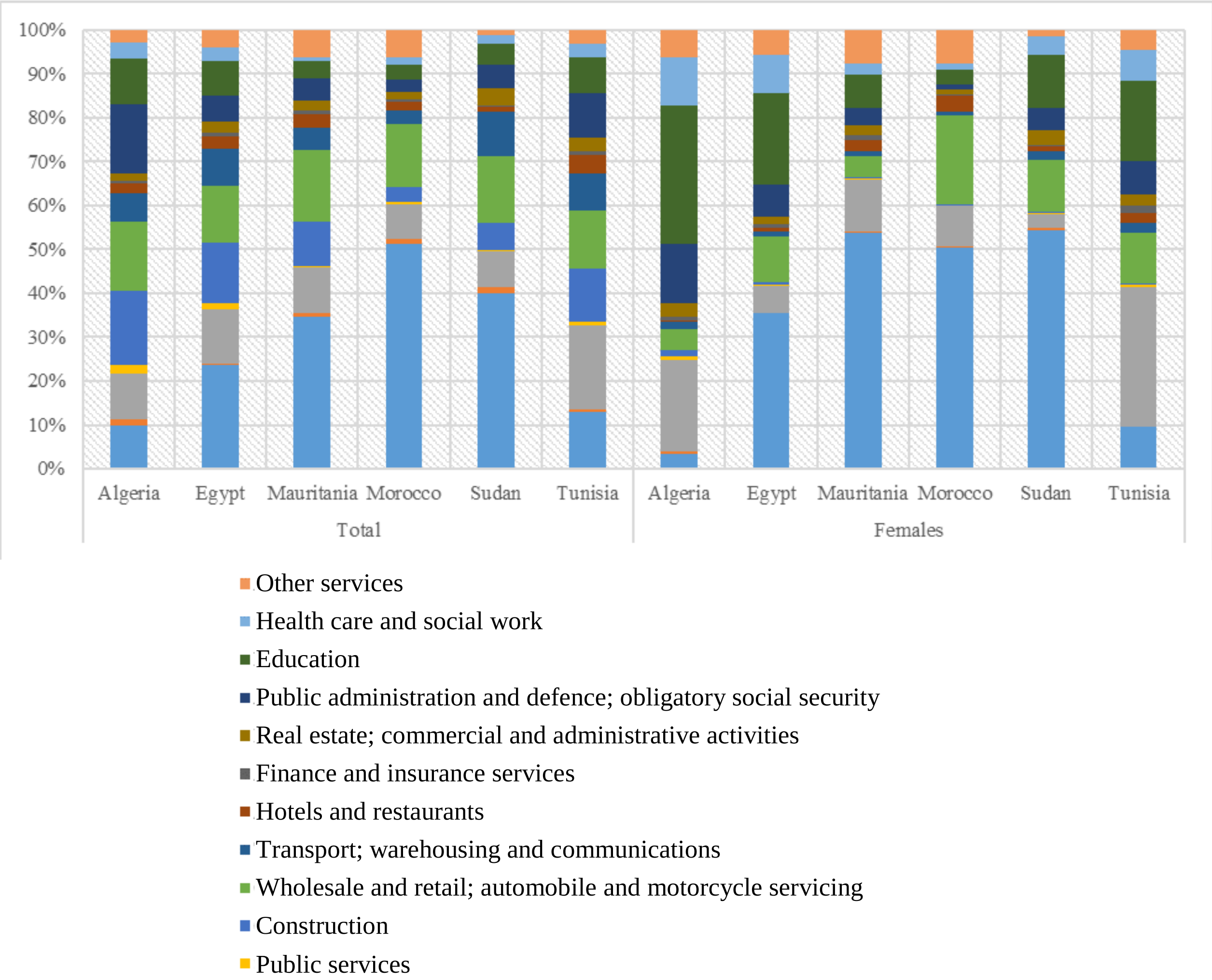
Youth demographic explosion in North African countries



Source: DESA, 2020.

Annex 2

Sectoral distribution of jobs in North African countries



Source: ILO, 2020.

Annex 3
Key COVID-19 mitigation policies adopted in North Africa

A. Algeria: context and main policy responses

Algeria has been affected by two main shocks, namely the spread of COVID-19 and a sharp decline in global oil prices.

As in other parts of the world, the approach adopted by the country is based on three key themes, namely safeguarding people's health and lives, providing economic support to businesses and supporting demand, including through the adoption of social protection measures.

Containment measures were imposed in early February. These included the cancellation of public and private events, including demonstrations and certain religious celebrations, the closure of domestic and international transport services, the closure of schools, universities, restaurants and shops, obliging half of all public and private sector employees to take mandatory leaves of absence on full pay and the complete isolation of a number of affected cities and districts, including Algiers.

The relaxation of containment measures began in early June. Curfews and store closures were gradually lifted and replaced by social distancing measures and mask mandates. Further restrictions on people's movement and economic activities were imposed on 29 June in several provinces that had witnessed a resurgence in the number of COVID-19 cases. Although the authorities plan to reopen schools, the country's international borders remain closed.

To mitigate the economic impact of the containment measures imposed during the health crisis, the Algerian authorities have focused on two main objectives, namely to help households, and to save businesses and jobs. To that end, the following steps have been taken:

- The postponement of tax return submissions and payments for individuals and businesses, except for large companies;

- The easing of contractual deadlines and suspension of penalties for delays in the fulfilment of public contracts;

- The promulgation on 4 June of a complementary finance law, providing for:

    - The allocation of 70 billion dinars to mitigate the health and economic repercussions of the COVID-19 crisis;

    - The allocation of 20 billion dinars to provide assistance to those who have lost their jobs as a result of the COVID-19 crisis, and 11.5 billion dinars for the provision of cash transfers to poor households;

    - A reduction in current and capital expenditure of 5.7 per cent (equivalent to 2.2 per cent of GDP in 2019) compared to the expenditure envisaged in the initial 2020 budget law, reflecting the current low oil price environment.

– The holding of discussions on 18 and 19 August concerning a national socioeconomic recovery plan that would facilitate the achievement of the following objectives:

  - Ensuring food and pharmaceutical safety;

  - Promoting a favourable business climate;

  - Facilitating the development of high-value-added sectors and promoting foreign direct investment and international trade.

– The adoption of measures to reduce imports by at least $10 billion (equivalent to some 6 per cent of GDP);

– The imposition of a ban on the export of a number of key products, including foodstuffs and medical and sanitary products.

In terms of monetary and macro-financial policy, the Central Bank of Algeria has:

– Repeatedly lowered bank reserve requirements and its key lending rate;

– Eased solvency, liquidity and non-performing loan ratios for banks in addition to certain prudential requirements;

– Allowed banks to automatically extend repayments on certain loans;

– Reduced haircuts on Government securities used in refinancing operations;

– Activated open market operations for a period of one month as of 14 September.

B. Egypt: context and main policy responses

Following the announcement of the first COVID-19 infections in Egypt on 14 February 2020, a number of measures were taken to limit the spread of the virus, including the imposition of a curfew, temporary and/or permanent closures of gathering places, the suspension of international travel, the establishment of testing centres and the promotion of telecommuting.

On 30 April 2020, the Government announced that it would allow the country to reopen and that it would formulate strategies that would enable Egyptian society to manage the virus over the long term. Business activity has gradually resumed (at partial capacity or reduced hours), including in shopping centres, shops, restaurants and hotels.

The pandemic is expected to have a socioeconomic impact for several reasons, including a slowdown in the tourism sector, and a significant reduction in workers' remittances, maritime traffic, and global demand.

To address the crisis, the Egyptian authorities have implemented a number of key economic and social measures, including:

– The allocation of 8 billion Egyptian pounds (LE) for the procurement of urgent medical supplies and to cover medical staff costs;

- The granting of stipends equivalent to 75 per cent of staff salaries to support health care professionals;

- The adoption of a $6.13 billion stimulus package, equivalent to 1.8 per cent of GDP;

- A 14 per cent increase in pension benefit payments;

- An expansion of the coverage offered by the Takaful and Darama targeted social cash transfer programmes with a view to providing assistance to a larger number of families;

- The payment of a monthly LE 500 subsidy for three months to some 1.6 million irregular workers in sectors that have been particularly affected by the pandemic;

- The provision of low-interest consumer loans, with interest rate reductions of between 10 and 25 per cent. A new guarantee fund has been established for that purpose;

- The adoption of a stimulus package of some LE 50 billion to support the tourism sector;

- The extension for two years of the moratorium issued in connection with the agricultural land tax law;

- A reduction in the stamp duty payable on transactions and dividend taxes;

- The deferral of capital gains tax payments;

- The imposition of a "coronavirus tax" of 1 per cent on all public and private sector salaries and 0.5 per cent on State pensions in order to mobilize funds that can be used to support sectors and small and medium-sized enterprises that have been particularly affected by the pandemic.

In terms of monetary and macro-financial policy, the Central Bank of Egypt has:

- Reduced its key interest rate and the preferential interest rate offered on loans to the tourism, industrial, agricultural and construction sectors and for the provision of low-income and middle-class housing. A governmental guarantee fund has been established for that purpose;

- Made loans available to aviation sector companies with a two-year grace period for repayments;

- Made short-term loans available to small projects, particularly in industrial and labour-intensive sectors that have been particularly affected by the COVID-19 pandemic, (to be repaid within one year);

- Urged microlenders to consider reducing monthly repayments by up to 50 per cent for clients in difficulty, with repayment plans to be decided on a case-by-case basis;

- Eased certain banking requirements, suspended blacklists of customers that have failed to comply with rules and regulations and dropped legal action taken against defaulting customers;

- Launched an LE 20 billion share purchase programme;

- Imposed a temporary daily limit on cash deposits and withdrawals by individuals and businesses.

C. Mauritania: context and main policy responses

As part of its response to the pandemic, the Mauritanian government imposed restrictions on economic activity and movement in order to limit the spread of the virus. Those restrictions included the closure of restaurants and cafes, schools and universities, and all non-essential businesses, the suspension of the interregional movement of non-essential personnel, and the closure of the country’s borders, except for the transportation of goods.

Staring on 7 May 2020, the restrictions were gradually relaxed. That process included the lifting of curfews, provided that social distancing measures were respected and mask worn, and the opening of most businesses. The curfews were completely lifted on 10 September 10, 2020, when the interregional movement of people and domestic flights resumed and restaurants and cafes reopened.

To mitigate the economic and social repercussions of the pandemic, Mauritania has implemented the following key measures:

- The creation of an emergency fund worth approximately $80 million, equivalent to some 1.1 per cent of GDP, for the urgent purchase of medical supplies and equipment;

- The provision of subsidies to 30,000 poor households;

- The provision of financial support to small entrepreneurial firms;

- The elimination of customs duties and taxes on imports of essential goods;

- The provision of $260 million, equivalent to some 3.9 per cent of GDP, to cover costs associated with health care, the procurement of medical supplies, social protection measures, the provision of support to small and medium-sized enterprises, the procurement of food stocks and security measures;

- Securing approximately $130 million in emergency funding under the IMF Rapid Credit Facility with a view to supporting health and social protection programmes;

- Securing approximately $95 million in funding through the World Bank Debt Service Suspension Initiative;

– Easing liquidity requirements and providing financial support to the economy, notably by reducing the key lending rate and bank reserve requirements.

D. Morocco: context and main policy responses

Following confirmation of the country's first COVID-19 case in March, Morocco declared a state of health emergency and adopted containment measures, including quarantines, prohibitions on large gatherings, restrictions on movement, and the closure of border crossings, schools and universities, restaurants and cafes.

Partial reopening measures were introduced on 11 June. Certain activities have now resumed, and restrictions on movement in most rural areas and small towns have been eased.

The economy has re-opened and the authorities have implemented partial reopening measures. Most businesses, including cafes and restaurants, theatres and hammams have been allowed to resume operations. The authorities have eased restrictions in most rural areas and small towns, public transport operations have resumed and traffic and travel restrictions have been lifted, including on domestic flights. Large gatherings are still prohibited, but the country's international borders have been reopened for Moroccan nationals. A state of emergency has been maintained to facilitate efforts to address potential developments.

As the global COVID-19 pandemic evolved, Morocco quickly adopted a number of social, economic, and security measures to limit the spread of the COVID-19 virus and support households and the economy. Those measures included:

– Imposing price controls and monitoring supply chains used in the distribution of masks and hydroalcoholic gel;

– Establishing a special fund, worth approximately 3 per cent of GDP and funded through tax-deductible voluntary contributions from public and private-sector entities, to facilitate the response to the pandemic, inter alia, by:

  o Modernizing medical facilities;

  o Providing support to businesses and households affected by the pandemic;

– Allowing companies with fewer than 500 employees that have suspended their operations on a temporary basis and have experienced a reduction in turnover of more than 50 per cent to defer payment of their social security contributions

– Deferring loan repayments by employees who have been made temporarily redundant and who are enrolled in the national pension scheme;

– Paying a stipend of 2,000 dirhams per month to employees who have been made temporarily redundant and who are enrolled in the national pension scheme;

– Allowing businesses and households to defer income tax payments;

- Accelerating payments to companies providing services to the Government in order to support businesses;

- Facilitating social transfers in order to support employees who have been made temporarily redundant;

- Deferring the payment of social security contributions in certain economic sectors;

- Providing support to households employed in the informal sector of the economy through monthly mobile payments of between 800 and 1200 dirhams (between $80 and $120). Assistance was provided to some 85 per cent of eligible households in the informal sector;

- Extending the deadline for filing personal income tax returns;

- Exempting from tax any additional remuneration paid by companies to employees in the formal sector, up to a limit of 50 per cent of the employee’s average net monthly salary;

- Authorizing an increase in external borrowing beyond the ceiling approved in the 2020 budget law.

In addition, the Government is granting interest-free loans of up to 15,000 dirhams to those who are self-employed, with repayments to be made over a period of three years and a grace period of one year;

- Establishing a 120 billion dirham recovery plan, which will be used to:

    - finance investment projects, including within the context of public-private partnerships;
    - Provide financial support to companies that require an injection of capital in order to develop their business activities.

With regard to monetary and macro-financial policy, the Central Bank of Morocco and the Moroccan Capital Market Authority have:

- Reduced interest rates, expanded the range of collateral accepted in the context of repurchase agreements and credit guarantees, extended the scope of refinancing operations, and granted swap contracts to domestic banks;

- Suspended loan payments for small and medium-sized enterprises and the self-employed;

- Lowered the maximum variation thresholds applicable to financial instruments listed on the stock market in order to reduce volatility;

- suspended funding requirements for loans with a temporary payment moratorium;

- Requested banks to suspend dividend payments for the 2019 budgetary year;

- Established the Damane Oxygène loan financing facility, through which loans are provided to small and medium-sized enterprises, and suspended collateral requirements in order to facilitate access to loans by those enterprises;

- With the assistance of the Government, cancelled capitalized interest on mortgage and consumer loans accrued between March and June 2020 for all households experiencing income losses;

- Established the Damane Relance post-crisis credit facility, at a subsidized interest rate, to cover businesses' working capital needs;

- Extended a 95 per cent sovereign guarantee to small and medium-sized enterprises of up to 10 per cent of annual turnover;

- Extended a sovereign guarantee to large companies of between 80 and 90 per cent of outstanding loans. The sovereign guarantee is to be capped at one month's turnover in most sectors;

- Allowed companies seven years to repay loans, with a two-year grace period;

- Decided that the Government will guarantee loans taken out by State enterprises in order to ensure payments are made to suppliers.

- Launched the Damane Relance Promotion Immobilière financing mechanism to provide support to real estate companies;

- Purchased all available resources under the precautionary and liquidity line (valued at some $3 billion, equivalent to some 3 per cent of GDP).

E. The Sudan: context and main policy responses

Sudan announced its first case of COVID-19 on 14 March 2020. Restrictions and other measures were consequently adopted to contain the pandemic. These included lockdown measures, the closure of schools, universities and businesses, prohibitions on large gatherings, airport screenings and the quarantining of air passengers. A significant increase in COVID-19 cases in late October underscored the potential risk of a second wave of infections.

From April onwards, previously implemented restrictions, including curfews, border closures and other containment measures were eased. However, nearly six months of lockdown measures have been enough to cause price increases, especially for basic foodstuffs, and a worsening of the country's macroeconomic and social conditions.

The revised and approved 2020 budget responded to the challenges stemming from the pandemic. New policy measures were adopted, including:

- The elimination of petrol and diesel subsidies;

- Exchange rate reforms;

- Increased domestic revenue mobilization;
- Securing $1.8 billion in support from the international community for a broad macroeconomic reform programme;
- Securing humanitarian assistance;
- Mobilizing funds for a Sudanese family support programme that provides for the payment of direct cash transfers to 80 per cent of the population;
- Allowing moratoriums on loan repayments for up to three months to ease pressures on the private sector.

F. Tunisia: context and main policy responses

As was the case in other countries in the subregion and the world, Tunisia put in place a series of restrictions and health measures shortly after 2 March 2020 to thwart the spread of the pandemic. These included declaring a national state of emergency, limiting gatherings and movement, and closing schools, universities, shops and roads.

On 4 June 2020, Tunisia started to lift the lockdown measures and reopen its borders. Restrictions on economic activity were eased according to a three-phase plan, starting with the most affected sectors, while individuals were required to continue to comply with social distance and mask wearing measures. Supermarkets, cafes and restaurants have, moreover, reopened but at reduced capacity.

The economic repercussions of the COVID-19 pandemic were felt at a time when Tunisia was already struggling with persistent macroeconomic imbalances. In response to the pandemic, Tunisia adopted an emergency plan of 2.5 billion dinars, equivalent to some 1.8 percent of GDP. The plan provides for:

- Increasing the health-care budget;
- The establishment of a 100 million dinar fund for the purchase of equipment by public hospitals;
- Deferred payment of income tax, other taxes and social security contributions;
- VAT exemptions and accelerated VAT refund procedures;
- Rescheduling of taxes and customs arrears;
- Providing additional liquidity for the private sector with a view to limiting the number of layoffs and protecting the most vulnerable workers, particularly in the informal sector;
- The provision of financial support to poor families and vulnerable members of society (a total of 150 million dinars) in the form of cash transfers for low-income households, persons with disabilities and the homeless (450 million dinars for three months);

- The creation of a 300 million dinar fund to provide assistance to furloughed workers;

- The provision of financial assistance to workers furloughed because of the COVID-19 pandemic (300 million dinars);

- The creation of a 700 million dinar investment fund to support businesses affected by the crisis;

- The creation of a 500 million credit guarantee fund;

With regard to monetary and macro-financial policy, the Central Bank and the Government of Tunisia have:

- Reduced the Central Bank policy rate and decided on a further reduction;

- Asked banks to defer repayments on loans and suspend all fees for electronic payments and withdrawals;

- Asked banks to defer repayments on employee loans for a period of three to six months, depending on employees' net income levels;

- Extended the deferral of loan repayments for businesses operating in the tourism sector

- Announced the creation of a 600 million dinar investment fund;

- Announced the allocation of 1.5 billion dinars to provide State guarantees for new loans;

- Announced the launch of mechanism that allows the Government to cover the difference between the policy rate and the effective interest rate on investment loans (up to a difference of 3 percentage points).