

**MEETING OF THE SOCIALIST INTERNATIONAL COMMITTEE ON
ECONOMIC POLICY, LABOUR AND NATIONAL RESOURCES
RABAT, MOROCCO, 9-10 JANUARY 2012**

Welfare Statehood in the Arab States –
The Alternative of the Socialist International to Social Irresponsibility

Global Welfare Statehood is the Socialist International's alternative to social irresponsibility. Welfare Statehood means that the democratic state is responsible for the social integration of the society and the social security and protection of its citizens. Global welfare statehood means that on the global level the community of states and their global institutions have this common responsibility.

It has been social irresponsibility which has underpinned neoliberal policy as well as exploitative authoritarian regimes – interwoven as these are with each other through uncontrolled financial markets.

At its 23rd Congress held in Athens in 2008, the SI inaugurated the political notion of Global Welfare Statehood to serve as the foundation for a global order without social exclusion in a resolution "setting the Global Economy on a New Path". At its council meeting held in Paris in November 2010, the SI approved a document of this Committee on "Global Welfare Statehood". Welfare Statehood is a socio-political strategy for all the regions of the world, in particular less developed ones.

As 2012 begins, the time is ripe to elevate Welfare Statehood to perhaps the decisive socio-political strategy for the Arab states – as the social democratic response to the desires and hopes which have risen with the uprisings there since 2011.

The idea of Global Welfare Statehood also encompasses human and social ways of dealing with the increasingly global mobility of capital and human beings. Millions of people throughout the world are migrants. They have the same human rights as everybody else. This especially applies with regard to a very current issue: relations between the Arab and European states. Migration from the Arab states to Europe can be of mutual benefit to both regions if it is shaped in a manner which is compatible with principles of human dignity and the welfare statehood. This is the only way to overcome problems from racist thinking.

1. The socio-economic situation in the Arab states – the uprisings in Arab states

The SI views the deeper roots underlying the uprisings in Arab states with concern. These uprisings have many common causes. Structural impediments to equitable growth and social justice have exacerbated poverty, unemployment, inequality, and exclusion, themselves the results of a long-term deficit of democratic governance, essential freedoms and social dialogue.

The SI is aligning itself behind a basic analysis of these causes submitted by the International Labour Office (ILO), headed by the Chilean Social Democrat Juan Somavía.

Central to the crisis is unemployment. Recent economic growth has either not created enough jobs to absorb the new labour market entrants, or has fostered only low quality jobs, some of which have been taken by migrant labour.

The labour market challenges are structural rather than cyclical, and in particular the youth employment challenge persists: there is no comprehensive approach to integrating young women and men into the labour market, nor are efforts in this regard normally linked to a state's job-centred economic framework, and there is limited policy coordination and coherence between the governments of Arab states and international agencies.

Social justice and decent work are important to the demands of the current uprisings; employment needs to be placed at the core of socio-economic policies and strategies. The measures meeting the immediate challenges have to address the structural issues that require medium to long-term responses and should entail policy and downstream support to re-examine structural aspects of unemployment, low productivity and limited access to decent work opportunities and social protection as well as respect for rights at work.

In all Arab states there are major local or regional disparities in the degrees of poverty. Progress made at the national level by some states masks severe disparities at the local or regional level. Lack of infrastructure, limited access to services and education and unequal access to information technologies are some of the causes of such inequality. Disadvantaged states are caught in a vicious cycle: their situation hinders improvements in productivity and output, leaving no room for income increases, thus exacerbating their weakness. More generally, the Arab states also face problems in such areas as trade, migration, and climate change patterns.

The Arab states have low employment-to-population ratios and high unemployment rates, especially for young people and women and across all levels of education. The employment-to-population ratio for North Africa and the Middle East stood at 46.6 and 45.4 per cent respectively in 2010 - compared to a world average of 61.1 per cent. This means that out of 100 people that could work, not even half of them do. Levels of unemployment stood at 9.8 per cent in North Africa and 10.1 per cent in the Middle East in 2010, with high figures especially for women - 15.0 and 17.0 per cent in North Africa and the Middle East, respectively, compared to a world average of 6.5 per cent.

Unemployment among Arab youth is the highest in the world - 23.6 per cent in North Africa and 25.1 per cent in the Middle East - compared to a world average of 12.6 per cent. Young people's risk of unemployment is four times higher than that for adults.

Significant levels of under-employment and poverty persist: the absence of employment opportunities in the formal sector and under-employment often push individuals into the informal economy, which is large. The lack of high-quality jobs means that more than four out of ten people have a vulnerable job, working either as own-account workers or as unpaid contributing family workers, the share is considerably higher for women than for men –the Arab states were alone in the past decade in witnessing an increase in women's agricultural employment, mainly as vulnerable workers. Some 70% and 60% of young working men and women respectively in several states are not covered by an employment contract.

In many Arab countries unemployment of 15-35 year olds is a result of high birth rates 20 years ago, and will be overcome after 2020. Due to an insufficient education and training system many have been trained in a way which is not in demand by the market.

Public employment services are chronically understaffed and do not have the means or the expertise to provide good services. The absence of a regulated framework for private employment agencies is also a problem.

There is a lack of an environment conducive to the growth of micro, small and medium-sized enterprises, the result of a weak entrepreneurship culture and insufficient knowledge of how to start and run a business, and of an environment that does not encourage business start-ups.

The increase in productivity levels has been minimal in recent years, since most of the jobs created have been low productivity jobs in the informal sector, and increases in productivity are usually capital-intensive, despite achievements in education.

There are large differences in the quality of education. Schools, universities, and vocational education and training institutions are turning out graduates lacking the skills that are needed in competitive labour markets. The percentage of young people – 60 percent -, who are both out of school and out of work, is higher in Arab states than in any other less developed region.

Arab states have established pension schemes and the related institutions in recent decades, but few have developed a coherent national social security policy encompassing social insurance and non-contributory transfers and services.

An effective social protection floor is lacking.

Many migrants in the Arab states end up with poor quality jobs, no social protection and no respect for their rights. This is the result of poor migration policies and insufficient or defective migration management systems.

Weaknesses in social dialogue are a manifestation of broader weaknesses in governance, respect for the rule of law, and development of a space and role for civil society. Key actors are largely unable to play effective roles in social dialogue institutions or processes. Organisations of employers and workers remain weak, and the role of the State in promoting and participating in social dialogue is relatively little understood. Functioning national institutions for social dialogue are few.

There are problems with labour standards in all Arab states, although most of the Arab states have ratified the most important ILO Conventions.

2. Responses to the socio-economic crisis

The SI is aware of the challenges faced by the Arab states. On 29 October its Special Committee on the Arab World issued a call for equal opportunities for all with regard to social and economic rights including decent jobs, health systems, education and efficient public services. This is in line with the wide-ranging responses of the ILO. These are guided by the 2008 ILO Declaration on Social Justice for Fair Globalization.

The response of the ILO focuses on promoting employment opportunities through the increased use of local resources, labour-intensive investment and environmental protection-related jobs, enhancing the capacity of the Arab states to reduce vulnerability, and building on the existing coping strategies of social and employment safety networks to ensure implementation of the concept of the social protection floor. The response of the ILO includes strengthening and broadening social dialogue - to ensure a democratic transformation process in the Arab states - and strengthening the rule of law.

The ILO Declaration on Social Justice for Fair Globalization and the concept of social protection floors are contributions to a policy of Global Welfare Statehood as postulated by the SI.

3. Welfare Statehood for the Arab states

Global Welfare Statehood is a product of the prospects for global sustainable development as elaborated by the North-South Commission of the UN under the chair of Willy Brandt and the UN Commission for Sustainable Development under the chair of Gro Harlem Brundtland.

This strategy of Welfare Statehood together with human security and democracy can better be realised now in the Arab states since the toppling of irresponsible regimes there. The foundations of such a policy for the Arab states have been under discussion by the UNDP in the Arab Human Development Reports since 2002. The main input in all of these reports came from Arab scholars. 2002 Creating Opportunities for Future Generations, 2003 Building a Knowledge Society, 2004 Towards Freedom in the Arab World, 2005 Towards the Rise of Woman in the Arab World, 2009 Challenges to Human Security in the Arab Countries, and the Arab Knowledge Report 2009 offer a wealth of strategies for sustainable democratic policies in every Arab state.

The drafting of new constitutions in Arab states offers an opportunity to enshrine the principles of Welfare Statehood in these constitutions.

These Welfare State principles are secure work for everyone, redistribution and public goods. These form the basis for an order without social exclusion. By the same token:

- work for everyone needs a legal framework which can be implemented in a sustainable, effective manner;
- redistribution has to be socially just
- public goods must be available for everyone.

4. Legal claim to social security

The Social Democratic strategy of global welfare statehood posits that every human being has a legal claim to social security guaranteed by the state. Social Democrats have to help spell out this strategy in specific terms for the Arab states and put it into practice. The SI is definitely aware of the differences in social relations in the Arab states in comparison to Europe and North America. These differences mainly are caused by traditional economic structures, first of all in the cultural sector and by the lack of effective

social security guaranteed by the state. The role of families and social responsibility of religious convictions and religious groups cannot substitute social policies. This also includes different socio-cultural conditions, which Social Democrats recognise and take into account in their strategy of socio-political responsibility. Social Democrats in Arab states work together with all political parties and movements which seek to improve the living conditions and security of human beings.

5. The normative foundations of Global Welfare Statehood

The normative foundations for the strategy of Global Welfare State were laid at the end of the Second World War and the founding of the United Nations. These foundations include the Universal Declaration of Human Rights, the 1966 International Covenant on Economic, Social and Cultural Rights and the conventions of the International Labour Organisation (ILO). The Arab states have also signed these international agreements. The International Covenant on Economic, Social and Cultural Rights constitutes binding international law, ratified in the name of the overwhelming majority of the world's human beings, including around 350 million people in the Arab states.

Social security has become an obligatory human right by virtue of these covenants. Especially salient here are Articles 6 and 9 of the Covenant on Economic, Social and Cultural Rights. The right to work is set out in Article 6 – and in no other region of the world is this being violated so much as in many Arab states. Article 9 recognises the right of each and every individual to social security. This cannot be achieved in most Arab states without better employment.

The Covenant on Economic, Social and Cultural Rights takes into account that not all states are in a position to establish and safeguard the necessary social order. This requires international, i.e. global solidarity. Article 2(1) stipulates: "Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures."

More developed states, especially neighbouring European ones, now have an obligation towards most of the Arab states to meet Article 2(1) through international aid. This also goes for relations among Arab states.

Only a liberal and social democracy will implement all human rights. In relation to its neighbours in the south, European policy is concentrated mainly on liberal rights and not effectively on social rights.

6. Different levels of economic development in Arab states

The richer Arab states, particularly Gulf States have to support less developed states in solidarity with their membership in the Arab League. Human rights are indivisible, and all states in the Arab region are obliged to implement all human rights. On the one side freedom of speech and religion, on the other freedom from want and need. Authoritarian regimes violate both.

Levels of economic development vary greatly among Arab states. Of the 22 member states of the Arab League, three of them – the United Arab Emirates, Qatar and Bahrain – are among the group of 47 states on the UNDP Human Development Index with very high levels of human development. Qatar is the state with the greatest Gross National Income (GNI) per capita in constant 2005 purchasing power parity at \$ 107,727. Seven states - Saudi Arabia, Kuwait, Libya, Lebanon, Oman and Tunisia - have high levels of human development, seven medium levels of human development - Jordan, Algeria, Egypt, Palestine, Syria, Morocco and Iraq – and five low levels of human development - Yemen, Mauritania, Comoros, Djibouti and Sudan. Somalia cannot be measured. Per capital GNI in Yemen, by comparison, is \$ 2,213, in Mauritania it is \$ 1,859, in Comoros \$ 1,079, in Djibouti \$ 2,335 and in the Sudan \$ 1,894. But Tunisia, Jordan, Algeria, Egypt, Palestine, Syria, Morocco and Iraq also have a per capital GNI of less than \$8,000, with the average in the Arab states being \$ 8,554. The world average is \$ 10,082, with \$ 43,017 in the US, \$ 32,295 in Japan, \$ 34,854 in Germany, \$33,296 in Great Britain, \$30,462 in France, \$ 26,508 in Spain and \$ 26,484 in Italy.

7. International support

The Deauville Partnership launched at the G8 Summit in May 2011 and the Joint Declaration of the International Financial Institutions launched in Marseille, September 10, 2011 are necessary steps to implement Article 2(1) of the Covenant on Economic, Social and Cultural Rights.

International financial institutions have responded to the historical changes taking place in the Middle East and North African states (MENA). These are providing these states – first Egypt, Jordan, Morocco and Tunisia, then later Libya - with a framework for partnership based on

- a political process to support democratic transition,
- an economic framework for transparent, accountable government as well as sustainable and inclusive growth.

The economic framework of the Deauville Partnership will support each state's economic program in the following areas: 1) governance, transparency and accountability of economic activities, 2) social and economic inclusion, 3) economic modernisation and job creation, 4) private-sector-led economic growth, and 5) regional and global integration. By the same token, the SI considers social and economic inclusion to be especially important.

The Deauville Partnership is necessary because the situation in the Arab region, risk perceptions and global financial conditions are complicating access to external finance. Appropriate domestic policies and international support will therefore be critical to building confidence and enabling these states to cope with these challenges. International support should include not only development aid but also enhanced access to developed states' markets for MENA products and labour; this will be critical to avoiding aid dependency, building human capital, and increasing the role of the private sector. In such an environment, the sustainability and impact of IFI support will be maximised.

The Deauville Partnership is built on the cooperation of global and Arab institutions. Concrete measures include the following: the World Bank, the Islamic Development Bank (IsDB), the International Finance Corporation (IFC) and other partners are establishing an Arab Financing Facility for Infrastructure (AFFI). The Cross-Border Trade Facilitation and Infrastructure programme involving the World Bank, the IsDB, the Arab Fund for Economic and Social Development (AFESD), the African Development Bank (AfDB), the European Investment Bank (EIB), the Agence Française du Développement (AFD) and the Arab Trade Financing Program (ATFP) are all making progress. The OPEC Fund for International Development (OFID) has also shown interest in these initiatives.

The International Monetary Fund IMF has been assisting these states in assessing the macro-economic impact of recent developments and how best to preserve economic and financial stability and promote inclusive growth. Going forward, it stands ready to respond to requests for financial support to facilitate the external financing needs of the transition and to enhance its technical assistance to the region.

The Arab Monetary Fund (AMF) is also ready to provide financing to the states in the region to help them meet their balance of payments' needs.

The European Bank for Reconstruction and Development (EBRD) has made significant progress on the institutional steps required to allow it to start operations in the Eastern and Southern Mediterranean region. On 27 July 2011 the EBRD's Board of Directors made a formal recommendation to the Board of Governors that the geographical scope of its operations should be extended.

The aid pledged in these agreements is planned to total \$ 38 billion for Egypt, Jordan, Morocco and Tunisia by 2013.

8. Welfare Statehood is possible in all the regions of the world

It is true that it has been possible to establish Welfare Statehood in Europe thanks to its high level of development. It is wrong, on the other hand, to merely view this achievement as a result of competitive economic strength and argue that welfare statehood is consequently only possible in more developed states. In a world which is endeavouring to mitigate differences in levels of development, the political principles of Welfare Statehood can be introduced and implemented in all the states and regions of the world. There are many examples of this in numerous states of the world – Japan and Korea have been

practicing it for many decades, for instance. In the less developed Arab states this has also become possible in the wake of the fall of exploitative regimes. Thus far there have been few examples of success along this path in Arab states, however.

On the other hand it has become increasingly evident over the last twenty years that the technical and societal processes which spearheaded development in Western Europe and North America since the end of the 19th century became global in the 20th century. These processes are also shaping and constraining development, political movements and prospects in the Arab states. Industrial production is also possible here and the level of development has been rising steadily.

The number of children per woman has declined in some Arab states and with this trend the traditional family and its role of providing social security has diminished in importance. In Tunisia there are only 1.9 children per woman, while in Algeria the figure is 2.1, in Morocco 2.2, in Egypt 2.6, in Syria 2.8, in Jordan 2.9, while in Palestine it is 4.3 and in Iraq 4.5. Violent conflicts, it would appear, are a barrier to sustainable development.

Life expectancy is generally on the rise, and as a result the need for state old-age pensions and medical care is also mounting. Life expectancy in Tunisia is 74.5. Among those states with medium levels of human development the figure for Jordan is 73.4, for Algeria 73.1, Egypt 73.2, Palestine 72.8, Syria 75.9, Morocco 72.2 and Iraq 69.0. Nor has the figure for the USA – 78.5 – surmounted the mark of 80 years yet.

These trends make the strategy of Welfare Statehood a global challenge, including in and for the Arab states. Welfare Statehood is at the same time not only a challenge. It also holds out enormous opportunities and offers benefits. Greater social security boosts productivity, reduces poverty more quickly and along with it economic disparity and political instability.

The great majority of people in Arab states at present lack a level of social protection which would enable them to achieve their human right to social security. Under human rights conventions and treaties there is a need and obligation to offer these people a basic level of social protection and hence a dignified life – many are fighting for mere survival.

At the level of global policy, the Social Protection Floor initiative of the International Labour Organisation (ILO) is seeking to attain this objective. The Social Protection Floor emphasises the need for a comprehensive, uniform and coordinated policy for employment and social security which guarantees social benefits and social transfers in every phase of life. It seeks to promote access to social transfers and social benefits in the areas of health, water and hygiene, education, nutrition, living, quality of life and savings. By the same token, it affords special attention to groups requiring protection.

9. Socio-economic strategies in the Arab states based on social democratic values

9.1 Knowledge and awareness of the basic values of the socially responsible welfare state are the first step in the direction of political concepts and strategies which have a positive impact on development in Arab states. The most important challenge is to clearly communicate the interrelationship between the launch of properly functioning social protection, social integration, equal opportunities and just taxation.

9.2 Social states are founded upon the values of social justice, solidarity and full employment. These values do not contradict or oppose dynamic economic growth or sustainable development. Social states exist in a democratic market economy with private ownership.

9.3 In the social state there are seven social bridges for people to be socially integrated during their lifetime: education for all young people, vocational training, integration into the labour market after finishing education, lifelong learning, health security, reintegration into working life in case of unemployment, and a secure pension system for elderly people. Most important in the Arab states in the present time is the integration of young people in societies. It will greatly depend upon an improvement of the social state. Social bridges help create a flexible, dynamic society.

Gender equality, including equal wages, is a crucial element of social justice and human rights and hence an indispensable component of the social state. An important aspect of this is a policy which makes it easier for women and men to combine work, parenthood and private lives through good public childcare

and parental leave from work for mothers and fathers. Such a social system helps ensure gender equality, thereby attaining a high level of employment. Gender equality fosters the self-assertiveness of women.

9.4 Informal work and informal social security stand in opposition to the strategy of welfare statehood in most Arab states. Many employer-employee relationships are based on informal work. Informal employment has various forms, but they all share one feature: they are not officially recognised, which means that employees are not afforded social protection by law. This problem above all afflicts the weakest part of society – young people, children and migrants. Social transfers are in some cases difficult to introduce because the overwhelming portion of employment is to be found in the informal economy. There are different solutions for overcoming informal work.

There is a legal aspect with a view to labour law and human rights: legal arrangements are decisive measures over the long term with which the situation of informal employees can be improved. Established labour law can help informal employees organise themselves and ultimately fight for their right to social security. What is important, however, is implementation, which is where civil society and in particular trade unions come in as they can offer a substitute for state support.

9.5 A higher level of employment needs more jobs in the private sector, mainly in small and medium enterprises. The public sector cannot offer the necessary additional jobs. Workers in the private sector need a labour market with a strong, independent trade union movement and solid collective agreements.

Additional considerations on minimum wages are useful. Minimum wages in Arab states should not be lower than USD 250 per month. Minimum wages should increase in parallel with GDP per capita, and increase compatible with the development in productivity.

The strengthening of purchasing power by price subsidy remains unavoidable. In the long run this should be substituted with a more sustainable policy.

9.6 Health care for everyone should be based on a health insurance system, financed by employers, employees and the State. The State should pay the contribution for the unemployed. Health insurance should finance the full costs of medical care. Integration into the health insurance system would be obligatory.

The pension system should be financed partially by private or state employers and partially by their employees. To build confidence in these social protection systems their effective, transparent and honest administration is a precondition.

9.7 The founding of small and medium enterprises should be supported by tax reductions.

9.8 Investors in private enterprises in goods and services in particular tourism should accept social conditions similar to those they accept at home. The request of Arab states to liberalise access to the EU market for agricultural products and services is acceptable. This is also beneficial to Europeans as social protection will duly increase in Arab states.

9.9 A stable and more effective public sector is important, which has to be responsible for health, education and training, focussed on general infrastructure requirements and available to everyone.

9.10 The social state needs stable public finances, which can provide the foundations for a properly functioning economy with low inflation and high growth rates in real income. There is the task to make open macro economies less susceptible to crises.

The general tax level is higher in more developed states with functioning social integration than in lesser developed ones with a lack of social security. The Arab states must try to achieve a more equitable distribution of income. A viable and fair tax level and an effective system of taxation are the best means of avoiding budget deficits.

It is necessary to convince citizens that publically financed social security is of benefit to everyone. Though tax laws and the collection of taxes pose a real and understandable problem, more effective collection of

taxes is indispensable. A more equitable distribution means more taxes of high incomes, which are not reinvested in purposes, which contribute to economic growth.

9.11 The Arab states should regulate their banking systems in such a way that high-risk investments on the global financial markets will be avoided and the banks remain able to effectively finance the real economy in their states.
