



EMNES Policy Paper N° 002 / November, 2018

FEMALE LABOUR FORCE PARTICIPATION AND ENTREPRENEURSHIP: THE MISSING PILLAR FOR INCLUSIVE AND SUSTAINABLE ECONOMIC DEVELOPMENT IN MENA?

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November, 2018

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ABSTRACT

Despite substantial investment in women's education in the MENA region and a significant increase in their educational attainment, women's labour force participation remains very low. In 2017, Women's Labour Force Participation (LFP) was averaging 21% in the MENA region, well below the OECD average of 51%. In 2015, the rate of Total Entrepreneurial Activity (TEA) of women in MENA was equally low, compared to other regions average. Besides the underutilisation of skills acquired by educated women, low participation rates have additional consequences for individual women and their families, including a lack of financial autonomy and a degrading social status. After reviewing the constraints impeding women to fully participate in the labour market and to develop entrepreneurial activities, we put forward an action plan to raise female LFP and entrepreneurship in this region, in order to develop this missing pillar of inclusive and sustainable economic development in the MENA region.

This action plan must: 1) end all forms of economic gender discrimination by enacting legislative and administrative reforms to ensure women's equal rights to economic and productive resources; 2) adopt targeted actions to enhance female labour force participation, and 3) to further promote women entrepreneurship in the region via designing new financing mechanisms tailored for women.



WOMEN EMPOWERMENT AT THE FOREFRONT OF THE 2030 UNITED NATIONS (UN) AGENDA OF SUSTAINABLE DEVELOPMENT

There has been political momentum globally on gender equality since the adoption of the 2015 Sustainable Development Goals (SDG) of the UN, as part of the 2030 developmental policy agenda. An explicit commitment under SDG 5 is “to achieve gender equality and empower all women and girls”. More specifically, several targets were included to ensure equal opportunities and outcomes for women in the labour market, mainly:

- “To recognise and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate”;
- “To ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life”;
- “To undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and economic resources, in accordance with national laws”; and
- “To adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels”.

In the context of the Addis Ababa Conference, the UN Women launched an “Addis Ababa Action Plan on Transformative Financing for Gender Equality and Women’s Empowerment”¹ together with the Organisation for Economic Co-operation and Development (OECD). The Action Plan calls for “*accelerating the implementation of existing commitments in the Beijing Declaration² and Platform for Action*”.

In line with these important developments, gender equality and women’s empowerment is set as a clear priority in the Union for the Mediterranean (UfM) strategy. Several Ministerial Conferences and the UfM Roadmap³ reaffirmed the commitment to “*promote and strengthen the role of women in the*

¹<http://www.un.org/esa/ffd/ffd3/commitments/commitment/addis-ababa-action-plan-on-transformative-financing-for-gender-equality-and-womens-empowerment.html>

²<http://www.un.org/womenwatch/daw/beijing/platform/declar.htm>

³The Ministerial Conferences on Strengthening the Role of Women in Society (Istanbul 2006, Marrakech 2009, Paris 2013 and Cairo 2017) as well as the 3rd UfM Ministerial Conference on Employment and Labour (Jordan, 2016) and the UfM Roadmap for Action adopted by UfM Ministers in 2017.



society in terms of equal rights and opportunities as a key condition to foster regional stability and socio-economic development”.

Despite such explicit commitments at global and regional levels, women’s contribution in the economic life in the **Middle East and North Africa (MENA) region** is lagging behind, compared to other regions of the world. This is leading to an unfulfilled potential in economic development for the region.

This policy paper reviews the latest data about female labour force participation and entrepreneurship activity in the MENA region, explains the constraints facing women in fully participating in economic development and provides policy recommendations to tackle these challenges.

FEMALE LABOUR FORCE PARTICIPATION AND ENTREPRENEURIAL ACTIVITY IN THE MENA REGION: A BLEAK PICTURE

According to a recent survey by the World Bank, female Labour Force Participation (LFP) in the MENA region remains the lowest worldwide. It accounted for an average of 21% in 2017, compared to a 50% average in the European Union (and 51% average in the OECD countries). In Egypt, Tunisia and Morocco, women labour force participation ranges between 22.18% to 24.2% and 24.96 % respectively, whilst in Algeria and Jordan it is as low as 15.23% and 13.95% – with large differences between urban and rural areas. Women’s LFP rates are even lower in rural zones⁴ where there is a lack of opportunities and suitable formal⁵ jobs for women.

It is worth noting that in Sub-Saharan Africa, female LFP averaged more than 63% in 2017. Seemingly, the data shows that the women’s LFP is higher in low-income countries as compared to higher income countries (see Graph 1). This suggests that the level of economic development is not necessarily associated positively or negatively with higher women participation in the labour market and that other social, cultural and regional factors would possibly better explain the low level of labour force participation of women. Academic evidence showed a U-shaped relationship between female LFP and economic growth. In the United States, for example, Goldin (1995) finds that female LFP fell during initial stages of economic growth and began to rise subsequently⁶. In their paper, Tsani et al (2012)

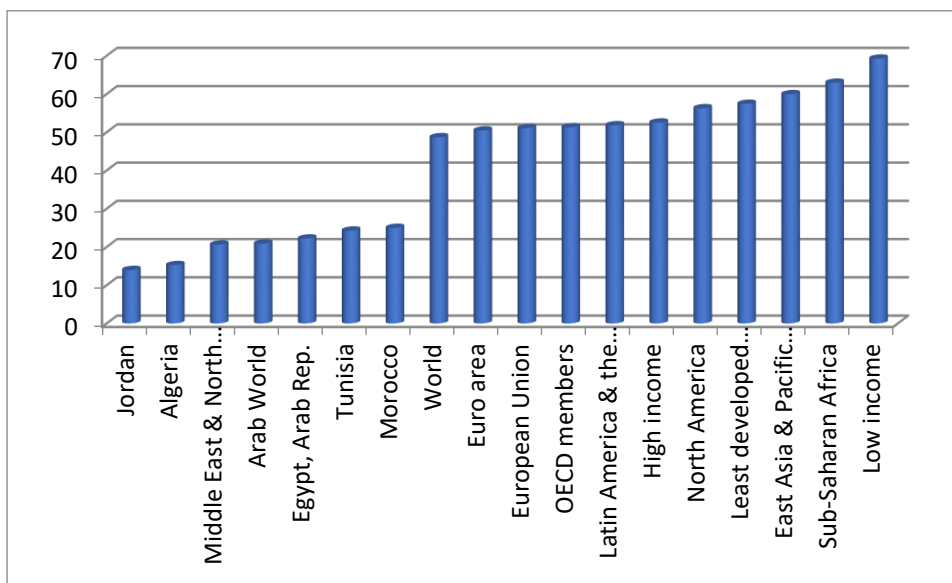
⁴For example, in Tunisia the women’s LFP rate dropped from 24% in urban areas to 20% in rural ones in 2014.

⁵The informal sector might offer precarious subsistence opportunities to women whilst leading to job insecurity and further underutilisation of the skills acquired by educated women, who were unsuccessful in securing formal work.

⁶The theory of time allocation (Becker (1965)) suggests that the decision to participate in the labour force is a result of a collective

confirm the U-shaped relationship between female LFP and economic growth in North African countries.

Graph 1: Women's Labour Force Participation in 2017 (in % of Population age female 15+)



Source: World Bank

Over long periods of time, since the independence of the countries in the MENA region, many efforts were deployed at policy and civil society levels to enhance the role of women in society. Substantial investment in the education of women in MENA countries led to a significant increase in women's educational attainment. Tunisia pioneered these developments, resulting in a more than seven-fold increase of the number of women over 25 having completed tertiary education between 1985 to 2010⁷

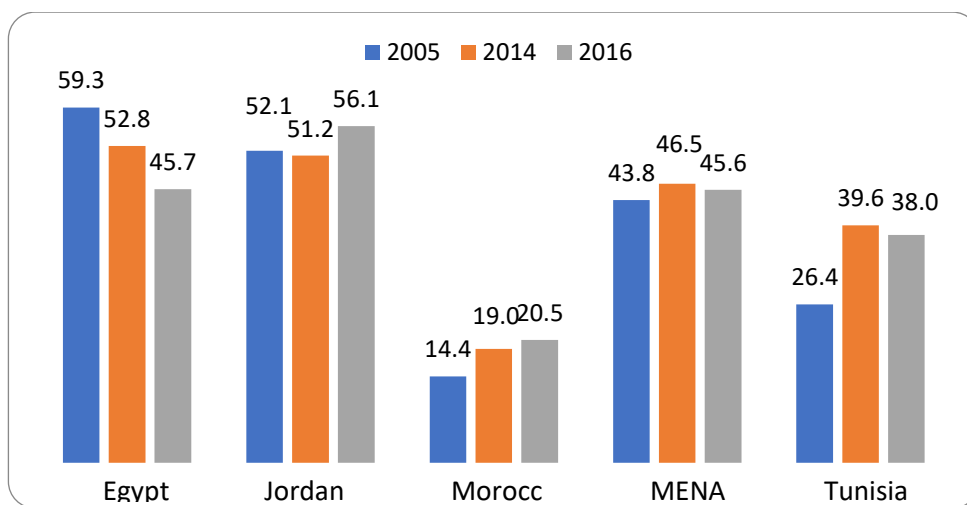
decision in a household. The household maximises a combined utility function subject to the constraints it faces from homework, childbearing, paid work and leisure. The time allocated to paid work is a function of personal (education, skills), household (wealth, income) characteristics and overall economic and labour market characteristics (economic growth, unemployment rates, urbanisation levels, social norms...). Such a decision is cyclical and might be more gender sensitive.

⁷ World Bank data from Barro and Lee (www.barrolee.com) on the percentage of female population aged 25 and + with tertiary schooling completed. From 1985 to 2010 numbers have increased for all following countries: Jordan from 1.79% to 2.78%, Morocco from 1.03% to 4.32%, Egypt from 1.16% to 4.56%, Algeria from 0.51% to 6.60% and finally Tunisia with the highest increase from 0.83% to 7.20%.

(year of the Arab revolts). For instance, in 2016, the net enrolment ratio and number of female graduates exceeded that of Tunisian males (EMNES (2018)).

Despite these efforts, women’s LFP remains paradoxically low, while double-digit unemployment rates for women in all MENA countries (See Graph 2) point at low return on educational investment and underutilisation of acquired skills by educated women.

Graph 2: Unemployment, female (% of total labour force)



Source: EMNES (2018) – Data OCDE

Besides the underutilisation of skills of educated women and the potential loss in terms of income and economic growth, low labour participation rates have additional consequences for individual women and their families, including the lack of financial autonomy and the degrading social status of women, lowering family incomes and welfare and increasing poverty.

The picture is equally discouraging when looking at the entrepreneurial activity of women in the region. The rate of Total Entrepreneurial Activity (TEA) of women in 2017 in Morocco and Tunisia was 4.7% and 5.3% respectively using data from the Global entrepreneurship monitoring, as compared to 6.1% in Europe, 12.8% in North America and up to 36.8% in Senegal. The gap between male and female was also significant in these countries.

Table 1: Total Early-stage entrepreneurial activity in 2017 (% of 18-64 years)⁸

	Asian Countries	Latin American Countries	North America	Europe	Africa	South Africa	Senegal (2015)	Egypt	Morocco	Tunisia (2015)
Female	11.5	16.7	12.8	6.1	10.5	9	36.8	7.5	4.7	5.3
					17 (2015)			3.7 (2015)	2.8 (2015)	
Male	14.5	20.3	19.6	10.	6.9	13	40.5	18.8	12.9	15
					22.7 (2015)			11.1 (2015)	6.1 (2015)	
Gap	1.26	1.21	1.53	1.63	1.6	1.,44	1.1	2.5	2.74	2.83
					1.65 (2015)			3 (2015)	2.1 (2015)	

Global Entrepreneurship Monitoring (GEM)

WHAT ARE THE CONSTRAINTS IMPEDING WOMEN FROM CONTRIBUTING TO SUSTAINABLE ECONOMIC DEVELOPMENT?

Many studies tried to understand the reasons behind this low female LFP. Added to economic factors, many socio-cultural constraints and conservative norms are responsible for these low participation rates. Tsani et al (2012) finds that women's childbearing role and social conventions have negative implications for female LFP, whilst education (as measured by enrolment for primary, secondary and tertiary education) has a positive impact. The results also confirm that these countries recorded relatively lower female LFP when compared to other developed and developing regions, which might reflect the additional impact of traditionalistic family structure and legal and social codes that further hamper females from actively participating in the labour force. Finally, the paper confirms that lower female LFP leads to marginally lower economic growth in the region.

⁸ Total early-stage entrepreneurial activity (TEA). The percentage of the adult population aged 18–64 years who are in the process of starting a business (a nascent entrepreneur) or started a business less than 42 months old before the survey took place (owner-manager of a new business).



Country surveys and studies on female LFP in Tunisia and Egypt suggested that marriage is a constraint for female LFP. The LFP drops at the childbearing age (over 30 years) in Tunisia and Egypt. Women are often entirely responsible for the household activities (housework, childbearing and care work) and, thus, they find it challenging to balance between family and work in mostly patriarchal societies. Household responsibilities are mentioned as the main constraints to female participation in the surveys conducted by the ERF⁹ on labour markets in Tunisia, Jordan and Egypt. Family and household responsibilities remain mainly the responsibility of women under North African country social norms, whilst men are responsible for working, income generating and budgeting. Consequently, a large proportion of women remain financially dependent on men, particularly after getting married.

In rural areas, this situation is even more pronounced, with fewer suitable opportunities for educated women. They are often driven to the informal sector or simply become inactive. Moreover, transport quality and the unavailability of accommodation make mobility from rural to richer urban employment areas difficult for women. These mobility constraints push them to stop searching for a job.

Women, especially educated women, have a preference for being employed in the “family friendly” public sector, which they consider more secure, more generous in terms of maternity leave and with shorter workdays than in the private sector. Women are highly present in the governmental sectors of social services, education and health. However, the saturation of the public sector, added to the public finance difficulties in North African countries over the last decade, caused a decline in public sector hiring and limited opportunities for women. In their paper, Assad et al (2017) find that the decline in the probability of public sector employment for women with higher education is associated either with an increase in unemployment or a decline in participation. They explain that the private sector does not contribute to absorb the differential.

Female entrepreneurship is found to be hindered by the same constraints exposed earlier, adding to other factors such as lack of experience, self confidence and risk aversion, underdeveloped social capital, limited business networks, financial dependence and access to finance.

Financial dependence is a result of inherited inequality of rights. The lack of equal division that often characterises family property and the low access of spouses to housing ownership (only 12% of individual houses belong to women in Tunisia) mean that women have fewer assets to be offered as guarantees for loans (Mouelhi and Naccache 2015).

⁹ <http://erf.org.eg/labor-market-panel-surveys-lmps/>



These factors are hindering the participation of females in the labour markets in the MENA region and, hence, it is important to think of introducing effective policies at a national level along with national and regional initiatives to tackle this problem.

HOW TO ENHANCE FEMALE LABOUR FORCE PARTICIPATION AND ENTREPRENEURSHIP ACTIVITY IN THE MENA REGION?

A targeted action plan to end gender discrimination and to empower women economically in the MENA countries is crucial. This action plan, inspired by the “Addis Ababa Action Plan on Transformative Financing for Gender Equality and Women’s Empowerment” must ensure there is an enabling environment for women’s economic empowerment and promote targeted actions to end all forms of economic gender discrimination.

First and foremost, it is essential to end the economic dependence of women on the grounds of backward social norms anchored in traditionalistic patriarchal societies. This can be tackled by promoting and enacting legislative and administrative reforms to ensure women’s equal rights to economic and productive resources, including to equal inheritance and access to control over and/or ownership of land and other property, credit and other financial services, as well as information and communication technologies and other forms of technology together with building capacity to utilise and maximise the potential of these services/assets.

TO IMPROVE FEMALE LFP, THE FOLLOWING TARGETED SPECIFIC ACTIONS, BASED ON THE CONSTRAINTS IDENTIFIED PREVIOUSLY, ARE RECOMMENDED:

- Enforce core labour standards and anti-discrimination laws for decent work, including ensuring minimum wage legislation and equal pay for work of equal value.
- Providing more flexible employment opportunities for women in public and private sectors, such as part-time jobs, longer maternity and paternity leave, more telework opportunities,

etc. In this context, the experience of some European Nordic countries is relevant and could be useful.

- Improving the availability and the quality of early childhood services to encourage young mothers to return to the labour market after maternity, especially in rural areas. This could encourage women to participate in the labour force by creating a better work-life balance. According to a simulation analysis¹⁰, an increase in the coverage rate for day-nurseries and for nursery schools in the various governorates in Tunisia would increase women's LFP by 10% and even more in some governorates. Moreover, this would have positive effects on personal development and the awakening of early childhood and, later on, their academic performance and human capital. Hence, this could generate new job opportunities for women.
- Ensure women's equal rights, access to and opportunities for leadership and decision-making in all sectors.

To support women's entrepreneurship: In order to boost women's entrepreneurship, which could provide more flexible and more adaptable jobs for women, financing mechanisms must be adopted to reduce the constraints on women entrepreneurs and foster their integration into business networks by:

- Developing loan guarantee schemes, guarantee funds to address the problem of lack of guarantees, especially for women without assets. This will facilitate their access to finance;
- Promoting investment funds and « private equity finance », participative finance dedicated to women, to address the problem of lack of equity and guarantees with an accompanying educative approach, and assistance in start-up and project management. A close relationship with the company, to reduce transaction costs and the risk of default. EU assistance programmes and financing mechanisms should be aimed more at female entrepreneurship in North African countries.
- Supporting the development of micro finance adapted to micro-enterprises, and dedicated to female initiatives, by lowering the cost of micro-credits and adopting a local monitoring and proximity approach.

Beyond these targeted actions, regional initiatives (i.e. promoted by the Union for the Mediterranean and others) must continue, to reverse the bleak picture of low female LFP in the MENA region.

¹⁰ Amara Mohamed (2018).



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EMNES areas of research include the role of institutions and institutional reforms, macro-economic policies, private sector and micro, small and medium sized enterprises and employment creation, role of education, innovation, skill mismatch and migration, finance, regulation and the real economy and regional integration.

EMNES will produce books, studies, scientific and policy papers and will disseminate through the organization of annual conferences, and workshop meetings in the region bringing together leading senior and junior researchers, academics, policy makers and representatives of the civil society to discuss and debate optimal policies for the future of the region.

EMNES is built on four core principles: independence, excellence, policy relevance and deep knowledge on Euro-Mediterranean affairs.

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EMNES FUNDING: European Commission and EMNES partners.

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