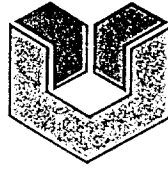




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**PRIVATIZATION AND EMPLOYMENT IN THE ESCWA REGION
A COMPARATIVE STUDY OF EGYPT AND JORDAN**

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economic viability, their capital stock and their management. Fiscal privatization is about selling firms to the highest bidders in order to increase public revenues. Finally, in economic privatization the government, or a government agency, manages the restructuring and negotiates clauses on employment, social benefits, training and redundancies with potential private entrepreneurs. Whereas some countries in transition in Eastern Europe have experienced political privatization, developing countries, including Arab countries of Western Asia, have only experienced fiscal and economic privatization. All these processes, however, are political in the sense that they are undertaken in the framework of broader structural adjustment or economic reform programmes. Privatization is often used as a signal to domestic and international actors that a new political economic structural is about to be established.

For many developing countries, in the general climate of stabilization and adjustment policies and programmes aimed at decreasing their debt burden and redressing their internal and external deficits, privatization was seen as conducive to the realization of several objectives. It could reduce the budget deficit by obviating subsidies to public enterprises, decrease debt by writing down the proceeds received from the sale of public enterprises, stimulate investment by the private sector, signal a new political climate and increase the efficiency of former state owned enterprises.

Privatization is widely expected to promote productivity and efficiency. This is undoubtedly an important research subject with important implications for employment in the long term. However, this paper focuses on issues of employment more directly related to the carrying out of the privatization process. These issues are those of the employment consequences of the process, the attitudes adopted in its respect by workers' organizations, i.e. trade unions, and the employment policy responses to the consequences of privatization. The first two issues are potential constraints on privatization. The third is concerned with means for facilitating it. All three are determinants of the pace with which the process is carried out.

The employment consequences of privatization are determined by the relative share of employment in public enterprises in total employment, the number of lay-offs expected just before or after privatization, and the potential of the economy to generate employment for those who have been laid-off and for new entrants to the labour market. Of course, many of these factors are not dependent on the privatization process per se but on general economic and social policies.

Any attempt to assess its employment effects needs to separate the impact of privatization measures from other policy changes that occurred at the same time. This is particularly problematic when privatization forms part of a more general process of economic reform. In addition, considering the longer-term effects of privatization requires data sets that make it possible to assess the significance of the various factors associated with privatization. Unfortunately, these data sets are generally not available. Only tentative conclusions may therefore be drawn from the study of one or more specific cases. Without an improved database for systematic analysis, the question of whether or not the employment-generating potential of the economy will be increased by a transfer of ownership will remain difficult to answer. This is all the more complicated by the fact that economic theory is generally agnostic about ownership.

Where employment in public enterprises is modest, as is the case in most developing countries, the effects of privatization on total employment will be small. They will have to be tackled with measures of labour market policies, applicable in normal restructuring processes. However, in some developing countries, as much as in countries of Eastern Europe, public enterprises were the backbone of the economy and responsible for a large share of total output. Under soft budget constraints, they tended to hoard much more labour than they actually needed to meet production targets. Because of the sheer size of public enterprises and the high level of labour surpluses, it is clear that the employment effects of privatization cannot be dealt with by normal or additional labour market policies. A larger social, economic and political action has to tackle its direct and indirect effects. The fear of the social and political consequences of privatization may thus slow down its pace in these countries. This fear is usually compounded by a low absorptive capacity of labour markets, due to high levels of unemployment or low rates of growth in modern sector employment. These countries are also often characterized by weak private enterprise development, and by overstaffing in a public sector which acted, until then, as the principal provider and guarantor of wage

employment. The recessionary character of the structural adjustment programmes does not make things any easier.

Workers of public enterprises often oppose privatization because they fear loss of employment and deterioration in industrial relations. Their organizations may thus set up resistance to the process. As such, the attitudes of workers' organizations will constrain the behaviour of the government. However, in realistically assessing the impact of these attitudes, the nature of the relationship between the government and these organizations must be taken into account. Where the latter lack autonomy in the political system, their incidence on decision-making will be faint and they will not represent real constraints on the government's action.

In international experience, three different groups of measures may be identified as employment policy responses to the employment consequences of privatization. The first group consists of measures aimed at delaying employment reduction or spread it over a longer period after privatization. Freezing of recruitment and early retirement are also measures used to minimize the number of redundancies and ease the transition.

Privatization may include arrangements to protect employment in a privatized enterprise for a specific period after the change in ownership. Subsidized short-time working is another measure used. All such arrangements have helped to smooth the implementation of privatization, in the hope that a more favourable economic environment may have emerged by the time they have expired. The main disadvantages of such measures are that they tend to slow down employment adjustment and might involve a financial burden on the State and the employers concerned. A question of importance, related to the implementation of this first group of measures, is that of the working conditions and seniority and other rights of workers retained at the privatized enterprises.

The second group of policy measures relates to severance payment regulations and a system of early warning of mass lay-offs. Payments to laid-off employees have varied from the legally required severance pay to more generous ad-hoc compensation. Another form of compensatory measures involves the payment of bonuses for employees who resign voluntarily instead of severance pay for retrenched workers. This sort of measures, however, may entail considerable costs to the government. It also can backfire on the enterprises as generous bonuses may encourage the most productive workers to quit, leaving relatively less productive workers with the firm. The allocation of a proportion of the shares of privatized enterprises to employees at preferential terms, including the distribution of free shares, discounted share prices or other special share conditions, can also be included in this second group of measures.

The third group of policy measures aims to facilitate the reintegration of laid-off workers into other forms of employment. Such measures have included job search and mobility assistance, retraining or vocational training, and job-creation schemes. The development of business advisory services and credit facilities has enhanced the mobility of some groups of laid-off employees, while public works programmes have provided temporary employment opportunities for those threatened by long-term unemployment. Counseling and support mechanisms for the general promotion of entrepreneurship, the enhancement of productivity growth and the development of micro, small and medium-size enterprises can also play an important role in generating new jobs.

This third group of measures is associated with the establishment of special institutions aimed at absorbing the employment and social consequences of privatization and reform. The institutions finance the implementation of these measures. The larger employment in public enterprises is on the eve of privatization, the more important these institutions will be, and the larger the financial support they will receive from external donors.

Egypt and Jordan have been chosen as the focus of this comparative study of the employment issues related to privatization in the ESCWA region, because they represent two opposite poles on the continuum of employment in public enterprises. Egypt's large such public employment is characteristic of countries

which have followed, since the 1960s, a path of central planning to development. Jordan's volume of public enterprise employment is closer to that of the market economy countries. It is representative of the labour surplus, middle-income countries, among them, as opposed to the oil-exporting, high-income and labour deficit countries. The hypothesis in this paper is that where employment in public enterprises is large and workers' opposition to privatization declared, policy responses to employment consequences will be varied and they will enjoy wide international financial support. All the same, privatization will be slowed down, when employment and poverty situations are unsatisfactory and policy responses not sufficiently effective. Thus, in Egypt the employment policy responses to privatization were much more diversified, and received a far greater financial support from multilateral and financial donors, than in Jordan. Yet, the process was slow in the two countries. The explanation for this slow pace lies in the employment and poverty situations. Opposition by workers' organizations is not considered to have slowed down privatization, because of their lack of autonomy in respect of governments. A significant consequence, for research purposes, of the different magnitudes of privatization and their employment policy responses in the two countries, is the greater availability of information and research on Egypt than on Jordan.

After this introduction, the paper will approach its topic by first examining, in Section 2, the evolution of employment in the two countries from the 1960s to the 1980s. In so doing, it will shed light particularly on the evolution of employment in public enterprises. It will also attempt to relate the situation of employment in the two countries to the evolution of the regional political economy. Section 3 will review the broad lines of the economic crises of the 1980s and the structural adjustment programmes that the two countries have implemented in order to defuse them, reduce their debt servicing burden and remedy their internal and external deficits. It will also briefly consider how the two countries approached privatization and the progress they have achieved in carrying it out. Section 4 will be dedicated to the employment situations in which privatization takes place. It will also review the poverty situations in the two countries. Section 6 will take up the attitudes of trade unions towards privatization and their incidence on governmental decisions in its respect. In Section 7, the paper will review the employment policy responses to the consequences of privatization. Section 8 will draw up some conclusions and make suggestions on possible action aimed at facilitating the implementation of the declared privatization policy, by effectively facing up to its possible employment consequences.

The evolution of employment: from the 1960s to the 1990s.

The object of this section is to trace the evolution of employment in Egypt and Jordan from the 1960s to the 1990s. The contention is that this evolution was closely related to the environment, represented by the regional and world economy. This is in no way meant to ignore the consequences of political decisions to follow a central planning path to development or to set up a free enterprise market economy. Privatization takes place against the background of the employment situation, as it has evolved over the last three decades.

In the 1960s and early 1970s, in order to meet the basic livelihood needs of their populations, like other Arab countries of the ESCWA region and beyond, Egypt and Jordan emphasized the redistributive functions of their political systems. Employment policy became one of the main tools for carrying out these functions. Because their economies could not generate sufficient employment, recruitment in public sectors, including governments and public enterprises, was resorted to. These could be financed because, like other developing countries, they achieved relatively high growth rates, had high exports proceeds and their economies were protected behind internationally accepted national barriers. A country of chronic labour surplus, Jordan was struggling, through this policy, to keep its unemployment rates at relatively manageable levels. Egypt's unemployment rates were low, even if low productivity, rural, employment was large.

As of 1974, revenues accruing to Egypt and Jordan from external labour migration, pursuant to the rise in labour demand in oil-exporting Gulf countries, and to the former from its own oil exports, allowed them to proceed with, and even expand, the same policies. In conjunction with labour migration, these policies thus

contributed to reducing pressures on labour markets in the late 1970s. The rate of unemployment in Egypt was kept at a manageable 7.7 per cent level in 1976. In Jordan, unemployment declined from 14 per cent in the early 1970s to 2 per cent in the second half of the decade. But, when labour demand in the Gulf countries receded and their growth rates slackened, as oil prices decreased starting in 1983, the two countries persisted in recruitment for public employment. In fact, employment policy was used to make up for the fall in regional and domestic labour demand. This was one of the origins of the economic crises they experienced later in the decade.

In 1986, the government was the third largest employer in Egypt, after agriculture and the urban informal sector, with 21.3 per cent of total employment. Employment in public enterprises represented 10.8 per cent of total employment. By 1992, government employment had reached 24.1 per cent of total employment, but the share of public enterprises had been reduced to 9.9 per cent (Said, 1995). In fact, the obligation upon public enterprises to employ graduates of the education system had been relaxed since 1978. The evolution of the share of the public sector, including the government and public enterprises, in female employment is important to point out. It represented 71.1 per cent and 33.2 per cent of total female employment in 1986 and 1992 respectively. The share of the government from 59.6 per cent to 29.0 per cent, and that of public enterprises from 11.5 per cent to 4.2 per cent (Said, 1995). This steep fall over just a few years is most alarming.

In Jordan, it is specifically the government which is the largest employer. It accounted for 40.9 per cent and 43.5 per cent of employment in 1987 and 1991. The share of public enterprises in total employment is very small, a logical consequence of the market economy system adopted by Jordan. This share only amounted to 3.8 per cent and 3.5 per cent of total employment in 1987 and 1991 respectively. It represented roughly one third of the share of employment in public enterprises in Egypt. This difference is at the origin of the far greater social and political implications of privatization in Egypt. In Jordan, much like in Egypt, the public sector in its entirety is selective of women: in 1987 it absorbed 53.7 per cent of female employment compared to 43.7 per cent for males (Said, 1995).

Wages may be seen as indicators of terms and conditions of employment. Their comparison in the private and public sectors can thus point out the changes, in these terms and conditions that may result from privatization. In Egypt, between 1986-87 and 1991-92, employment in the private and public sectors grew 17.33 per cent and 10.72 per cent respectively. Wage bills, however, registered a growth of 40.49 per cent in the former and 82.76 per cent in the latter. Annual average wages increased from LE 910.80 to LE 1866.78 in the private sector and from LE 2264.46 to 3737.60 in the public sector. Obviously, public employment is better paid than private employment. Of course, the latter also includes employment in the informal sector.

In spite of expanded public employment, unemployment kept rising. In Egypt, between 1984 and 1993, unemployment rose at an annual rate of 7.0 per cent, corresponding to a little more than 100,000 job seekers. In Jordan, the unemployment rate constantly rose from 6.5 per cent in 1983, to 14.8 per cent in 1987, to 16.8 per cent in 1990 and to 17.1 per cent in 1991.

The economic crises of the 1980s, economic reform and privatization

Around the mid-1980s, the two countries started experiencing severe economic crises that manifested themselves in internal and external deficits, and mounting foreign debt and debt servicing. As previously mentioned, Egypt was affected by the reduced demand on migrant labour in regional labour markets and by the decreased price of its oil exports. The deficit of its balance on current account thus increased by 78 per cent between 1978 and 1985. After its spectacular fall to 6.4 per cent of GDP in 1981, the budget deficit grew again to reach 10.9 per cent of GDP. However, the most alarming development was the mounting external debt. Between 1980 and 1988, total debt stocks increased by 230 per cent, from US

\$19,131 to US \$44,159. The debt service ratio increased from 13.4 per cent to 21.0 per cent. In 1988, total debt stocks represented 143.3 per cent of GNP (IMF, 1996; The World Bank, 1996).

In Jordan, the deficit on current account grew by 904 per cent between 1981 and 1987. Relative to GDP, the budget deficit also increased. However, like in Egypt, foreign debt was the source of the most serious preoccupation. Between 1980 and 1990, total debt stocks grew by 370 per cent, from US \$ 1,971 to US \$ 7,297, representing 201.7 per cent of GNP. The debt service ratio increased from 8.4 per cent to 19.5 per cent, having reached a peak of 30.9 per cent in 1988 (IMF, 1996; The World Bank, 1996).

It was against this background that the two countries sought to reschedule the servicing of their foreign debts. This required them to enter negotiations, and conclude economic reform agreements, with the international financial institutions. Egypt reached a first agreement in 1987, but could not carry it out. A second agreement, the Economic Reform and Structural Adjustment Programme (ERSAP), was concluded with the International Monetary Fund (IMF) and the World Bank in 1991. In the meantime, Jordan had arrived to an agreement with the IMF in 1989.

The components of Egypt's and Jordan's agreements are similar to those of all stabilization and structural adjustment programmes concluded by the IMF with developing countries with debt servicing, and internal and external balances problems. A brief review of these components will reveal that privatization is but one element of a package that, as a whole, affects the level of employment. These components are related to fiscal policies, monetary policies, exchange rate policies, foreign trade policies and privatization and deregulation policies. Price readjustments are a further component of these programmes. In general terms, it may be said that the objective of fiscal policies is to reduce budget deficits in relation to GDP. On the expenditures side, fiscal policies aim at reducing subsidies, public investments and public employment and at keeping low rates of growth of real wages. On the revenues side, fiscal policies intend to reform tax structures, to improve tax collection, to raise tax rates and to add new taxes. Monetary policies are used as instruments for devaluation, for exchange rates stabilization and for reduction of inflation. Interest rate policies mean to encourage savings and to combat inflation. The aim of trade policies is to reduce deficits in the balances on current account by increasing exports and restricting imports. Privatization, per se, seeks improved efficiency of enterprises and, at the same time, to reduce the burden of public wage bills. Both objectives are realized by shifting capital and labour to the private sector. Deregulation is intended to achieve greater flexibility in labour markets. Employment may be supported by some measures, related to monetary and trade policies, intended to promote exports. However, on the whole, this package is clearly recessionary and has an immediate adverse impact on employment.

In addition to these components, ERSAP provided for the creation of a Social Fund for Development (SFD), the objective of which was to help absorb the employment and social consequences of structural adjustment. In contrast, the Jordanian SAP did not create any such institution, even though a Development and Employment Fund (DEF) was later set up.

The two countries have been implemented the different measures of economic reform. Satisfactory results in terms of internal and external balances, inflation and growth rates have been achieved in the last years. However, one component of the packages of economic reform, privatization, has proved resistant to change. Egypt and Jordan are not different in this respect from the other countries of the Middle East, including members of ESCWA. In mid-1995, privatization was considered to have provided more promises than solid deals. Its record was seen as unimpressive, most of the sales involving just four countries, of which only two, Egypt and Kuwait, are ESCWA members (MEED, 1995). In Egypt, the process can be considered as one of economic privatization, while in Jordan it can be described as fiscal privatization. The different weights accorded to the employment consequences of privatization in the two countries, as will be seen later, justify this suggested categorization.

In Egypt, the first step taken was the enacting of the Public Business Sector Law (No. 203) in October 1991. The law provided for the restructuring of public enterprises and privatization. It created the post of Minister of the Public Business Sector and a Public Enterprise Office, established state-owned Holding Companies, organized along sectors, to administer and manage the privatization of Affiliated

Companies. The government listed 314 companies for privatization, and announced its intention to sell 125 companies over the five following years. It also declared the sale of its shares in 23 joint venture banks. After the end of Phase I of the privatization programme, little had been achieved, however. Concern for labour and employment was considered behind the slow implementation of the programme. The government's attempts to play down the social costs of the programme, and to assert the primacy of workers' interests, were seen by some as having created uncertainties in the minds of potential investors. Phase II started in early 1996, with the appointment of a new government which, more decidedly, embarked on a reinvigorated privatization programme. As a result, privatization activity increased significantly in the first three quarters of that year. The proceeds of privatization in these three quarters thus amounted to almost half those of the previous five-year phase (Government of Egypt, 1993; The American Chamber of Commerce in Egypt, 1997).

In Jordan, to the difference of Egypt, public assets to be sold to the public were grouped in a portfolio held by one institution, the Jordan Investment Corporation (JIC) (MEED, 1995). The original book value of JIC amounted to US\$ 173 million, and its market value was estimated at US\$ 960 million in industrial and service companies. Allowing for the considerable difference between Egypt's and Jordan's GDPs, this figure indicates the modesty of the privatization effort in the latter, compared to the former. Although little was achieved during the 1991-1995 phase in Egypt, the proceeds of privatization in this period had amounted to US\$ 1,656 million. In Jordan, commitment to privatization has been reiterated since 1985, well before the adoption of the SAP. One of the solid arguments for privatization was that the rate of return on government investments, at 2 per cent in 1987, was much lower than the interests the government paid to maintain them and pay the wage bill (Anani, 1990). In the 1990s, interest in privatization increased. A special unit, reporting to the Prime Minister, responsible for following up on privatization and overseeing it, was set up. However, little has effectively taken place so far. Planned divestitures were announced but not carried out. These did not only concern public enterprises but extended to natural monopolies, such as the government-run public transportation, electricity and telecommunications organizations. Before they are privatized, these concerns are converted into commercial ventures. Thus, a law on telecommunications was enacted in 1995, whereby the regulatory functions were vested in an Agency for the Regulation of the Communications Sector, administered by a Board, presided over by the Minister of Post and Communications. At the same time, the former telecommunications organization was transformed into a corporation, the shares of which are fully owned by the state. However, there are few identifiable instances of privatization to have taken place effectively up to the present time. These are mainly in the hotel industry, where the JIA sold, totally or partially, the government's shares in five hotels or hotel companies. The JIA has also sold its shares in a bank and a tobacco company (Al-Ahmed, 1997). Government reluctance to implement privatization was attributed to pressures not to relinquish control over areas of strategic importance and to fear of the negative impact that might ensue on employment (Economist Intelligence Unit, 1997).

The employment background of privatization

As mentioned above, the package of economic reform, adopted by the two countries, is clearly recessionary and should have an adverse immediate impact on employment. It does so both by providing for a reduction in the current level of employment, through privatization and deregulation, and by reducing disposable income, and hence the levels of aggregate demand and employment. Focusing on retrenchments directly resulting from privatization is, therefore, insufficient to grasp all the dimensions of the employment problem that the economy could experience. In fact, privatization should result not only in laying-off workers, but also in foregoing the recruitment of additional workers that could have taken place under the old economic and employment policies. Obviously, this does not mean that these old policies should have been necessarily maintained. Often, rather than causing unemployment, privatization only reveals the extent of its existence in the economy (UNCTAD, 1995). In this light, the unemployment effects of privatization cannot be separated from those resulting from the other components of the package.

It is also important to underline that in studying the impact of privatization, or of all structural adjustment measures, on the level of employment, open unemployment is far from being the only indicator

to take account of. In countries lacking unemployment benefits and adequate social security systems, like Egypt and Jordan, the laid-off employees and the new entrants to labour markets are more likely to join urban informal sectors than to inflate the ranks of the unemployed. In fact, an expansion of informal sectors has been witnessed in all developing countries undergoing structural adjustment, including privatization. Analytically, informal sectors are directly related to underemployment and poverty. Thus, a study of the relation between employment and privatization should encompass open unemployment as well as the informal sector, underemployment, and poverty. However, the lack of information on the immediate impact of privatization on employment should be underlined. The main concern of this section, therefore, will be with presenting the broad lines of the employment situation within which privatization, and the whole structural adjustment package, take place. This is all the more justified by the fact that effective instances of privatization have been, so far, quite limited. The two issues identified are the variables that should be followed as privatization proceeds and its pace gains momentum. The review of their evolution, since the implementation of structural adjustment, does not show any improvement in comparison with the previous years. In fact, there is a deterioration in some respects. This background has most probably stood in the way of a livelier pace of privatization.

Privatization and open unemployment

As already pointed out, lay-offs resulting from privatization, have a limited relevance for the general employment situation. However, even focusing on this variable alone is problematic, because neither the number of laid-off workers in already privatized enterprises, nor that of redundant labour in all public enterprises, are available. If any, there are only very rough estimates of the total number of workers that might lose their jobs as a result of privatization. In Egypt, the World Bank has estimated, in the early 1990s, that between 100,000 and 200,000 workers should lose their jobs when public enterprises are privatized, thus raising the unemployment rate by around 2 per cent (Aly, 1994). These estimated redundant workers represent 7 to 14 per cent of employment in public enterprises. Chairmen of holding companies made an estimate of 185,000 redundant workers (Institute of National Planning, 1996). Yet another estimate put redundant labour at 250,000 workers (Ibrahim, n. d.). No estimates are available in Jordan of the possible retrenchments resulting from privatization.

Estimates for Egypt should not be taken, however, as indicative of the number of retrenchments that would actually take place. In fact, barring the payment of appropriate compensation for laid-off workers, the government has made the sale of public enterprises conditional on the maintenance of their current levels of employment. This should reduce the expected rise in the unemployment rate. However, this raises the question of the necessary monitoring of the respect by privatized enterprises of their commitment to maintain the level of employment, as well as the seniority and other workers' rights, after privatization has been carried out. Two important interrelated issues arise in this respect. They concern the efficiency of workers inherited by, and the prices potential buyers pay for, the privatized enterprises. In fact, since the late 1970s, these enterprises have not been required to recruit the outputs of the educational system, as they would have been expected to do by the scheme of guaranteed employment. This positive measure, from a fiscal point of view, has resulted in an aged labour force structure in these enterprises. The resulting reduced efficiency expected by potential buyers of these enterprises should depress the prices they pay for their acquisition. If fiscal objectives are pursued by privatization, then it would have been affected by an employment consideration. Thus, it is not only privatization that affects employment, but the opposite is also true.

In Egypt, the only available information does not bear on the number of workers unemployed as an immediate result of privatization, but on those who have benefited from the different schemes drawn-up for laid-off workers. Section 5 will review these schemes put in place and administered by the SFD since 1995. Suffice it here to point out that they were intended to benefit 50,000 workers, barely one fifth to one half of the estimated redundant workers. As the rate of open unemployment is not only affected by lay-offs, but also by foregone opportunities of employment, it is useful to review its evolution in the recent past. However, as previously mentioned, the whole picture of the employment situation, within which

privatization is taking place and to which it is tied, will not be complete before the evolution of both underemployment and poverty are also taken up.

In 1988, before the adoption and implementation of ERSAP, the rate of unemployment amounted to 9.9 per cent. It reached 12.06 per cent in May 1993. It was higher in urban areas, with 12.06 per cent, than in rural areas, with 8.82 per cent. The rate was almost three times higher for women than for men, with 20.37 per cent for the former and 7.24 per cent for the latter.

It is noteworthy that unemployment rose at an annual rate of 7.0 per cent between 1984 and 1993. This period starts before the implementation of economic reform, but follows the unofficial suspension of recruitment by public enterprises (CAPMAS, 1994). In 1995, official estimates show that unemployment has remained at the same level of 1993. The overall rate has barely moved to 10.8 per cent. The difficulty of the context in which privatization, and the whole structural adjustment package, take place become evident when youth unemployment rates enter the picture. In fact, when recruitment for employment in public enterprises officially comes to an end, the unemployment rates of this category of job seekers is extremely alarming. They are at 25.5 per cent, 39.4 per cent and 20.3 per cent in 1995 for the age groups 15-19, 20-24 and 25-29 years respectively (CAPMAS and ILO, 1996). Even if already quite high, these rates had only amounted to 22.5 per cent, 34.7 per cent and 13.7 per cent in 1986 (Said, 1995). This difficulty is all the more apparent when first-time job-seekers are taken into account. In 1995, in these three age groups, first-time job-seekers represented 97.3 per cent, 97.8 per cent and 95.3 per cent of the unemployed. Open unemployment is particularly dismal for the educated job-seekers. Whereas the lowest rate, 0.4 per cent, is for the illiterate, the highest, 33.3 per cent, is for job-seekers with intermediate education. The rate then declines for above-intermediate education job-seekers to 19.4 per cent, and for university and higher level graduates to 11.8 per cent.

It should be underlined that rates of unemployment are much higher for women than for men in all age groups and at all educational levels. It is, however, more pronounced, among women of the intermediate, secondary and university and above educational levels. This is particularly important at a time where recruitment of women for public employment has drastically fallen, as shown by the volume of female employment in public enterprises referred to in Section 2 above. This recruitment was logically made from among these same educated women. It should then be expected to witness, either a rise in female open unemployment and/or an expansion of female informal sector employment, with a concomitant fall in their income and rise in female poverty. Of course, this is unless an expansion of modern private sector employment takes place.

In Jordan, numbers of possibly laid-off workers, as a result of privatization, are not available. In view of the limited instances of privatization to have effectively taken place, they must not be very numerous. As was the case with Egypt then, it is useful to shed light on the situation within which privatization is supposed to take place. This situation is similar to that obtaining in Egypt. The overall unemployment rate rose from 6.5 per cent and 14.8 per cent in 1983 and 1987 respectively, before economic reform, to 16.8 per cent in 1990 and 17.1 per cent in 1991. Admittedly, in addition to the decline in regional demand for labour, the rise in the latter year also reflects the dramatic effects of the Gulf war. The unemployment rate for males stood at 14.5 per cent, but reached as high as 34.2 per cent for women. The rates were at 20.6 per cent and 23.6 per cent for the age groups 15-19 years and 20-29 years respectively. For women, these rates reached 53.7 per cent and 45.3 per cent (Said, 1995). Unemployment rates increased with educational levels, the highest, 14.4 per cent and 21.5 per cent, being for the secondary and the university and above levels of job-seekers. Except for the illiterate and the barely literate job-seekers, unemployment is higher for women than for men. Gender differentials in unemployment increase with the rise in educational levels (Shaban et al., 1993). Findings of the 1996 Survey on Employment, Unemployment and Income Survey show that the unemployment rate has decreased. From 17.1 per cent in 1991, it fell to 12.0 per cent. This rate is even lower than those registered in 1987 and 1990, before the Gulf war. It may be considered that, in the late 1980s, the economy had not yet adjusted to the effects of the shrinkage in regional labour demand and of return migration. In contrast, ten years later, the economy seems to have partially adjusted to both as well as to the unforeseen, shock consequences of the Gulf war.

This notwithstanding, the open unemployment rate remains high by all standards, especially in a country with a very high rate labour force growth rate. Compared to the one obtaining in 1991, the profile of unemployment has not changed. The rate for women, 21.1 per cent, is double that for men, 10.7 per cent. New entrants to the labour market account for 42.2 per cent of the unemployed. Job seekers aged less than 25 years represent 51.8 per cent of the unemployed. The rates for job seekers with a secondary and a university and above (including the so-called community colleges) education amounted to 14.8 per cent and 32.4 per cent (Jordan, 1996).

As with Egypt, women's very high rates of unemployment bear special stressing. It has been pointed out above that employment in the Jordanian public sector, government and public enterprises included, is selective of women. Unless adequate measures are adopted, therefore, women may bear the brunt of the contraction in public employment and of shifting production to the private sector. This should further aggravate the present alarming rates of female unemployment.

Informal sectors, underemployment and poverty

Rates of open unemployment are much more indicative of deficits in employment in developed countries than they are in developing ones. Job seekers unable to find employment in the modern sector, public and private, turn to the informal sector. Easier to enter, this provides them with opportunities to work and earn a living. However, these opportunities are mostly for shorter periods of time than the workers would have been willing and ready to work. They sometimes also are in temporary or casual employment. Alternatively, they often are for jobs at lower levels of qualification than those of the job seekers. Both are situations of underemployment, visible and invisible. The result is an insufficient level of income and poverty. Since privatization, through lay-offs and reduced recruitment, should lead, at least in the short-term, to a contraction in modern sector employment, special attention should be paid to the resulting underemployment and poverty that might ensue.

Information on informal sectors, underemployment and poverty in Arab countries is scarce. Available data on Egypt and Jordan will be reviewed so as to bring out the precariousness into which redundant workers and new entrants to labour markets may fall, if effective employment and social policy measures are not in place.

In Egypt, in 1986, in all non-farm activities, the shares of the informal sector in total employment and in private employment were estimated at 39.7 per cent and at 82.7 per cent. (Diwan, 1995). Available data from the 1995 Labour force Sample Survey (LFSS) indicate the share of the informal sector in total employment, but not in non-farm activities. However, using the Ministry of Planning data on the distribution of employment serves in identifying the share of agriculture in total employment. By applying this share to the LFSS data, a rough idea about the share of the informal sector in non-farm activities may be made. In this way, it appears that while the informal sector represented 23.6 per cent of total employment, its share in all non-farm activities had reached 46.5 per cent in 1995. Available figures do not permit an estimation of the share of the informal sector in private non-farm activities. However, it is quite clear that its share in total non-farm employment has markedly increased over the years of the economic crisis, in the late 1980s, and those of structural adjustment, in the early 1990s.

There are no available data on the evolution of incomes in the informal sector. But in the whole economy, they must have been depressed as a result of the expansion in the informal sector. Wages in the modern sector may be a good indicator in this respect, because they can be assumed to move in the same direction of incomes in the informal sector.

Since the 1980s, the trend in real wages has been declining. In 1994-95, real wages were only two-thirds of the 1985-86 level. The fall in real wages was common to both the public and private sectors. In the latter, average annual real wages amounted, in 1991-92 to 55.6 per cent of their 1982-83 level (World Bank, 1994a, 1997).

Discussions on poverty in Egypt corroborate these findings. Evidence suggests that the trend in poverty has been worsening. The results of the 1995-96 Household Income and Expenditure Survey show that average incomes and expenditures, in real terms, have declined over the period 1990-91 to 1995-96, by 18.9 per cent for the former and 23.1 per cent for the latter. This is further borne out by data from national statistics which indicate that, in 1990 dollars, real per capita GDP has declined from US\$ 620 in 1990 to US\$ 528 in 1995. The decline in incomes and expenditures has resulted in an erosion of purchasing power and an increase in the incidence of poverty to approximately 44 per cent in 1995-96 (UNDP/ILO, 1997).

Some features of the poverty profile are of interest to the subject of this paper. Poverty is highest among the illiterate, with 62 per cent. This means that despite their very low unemployment rate, they must be employed in low-productivity, low-income jobs in the informal sector. Poverty also affects 12 per cent of university and post-university graduates. This is almost equivalent to the rate of unemployment at this educational level. Both these observations are corroborated by findings indicating that poverty is the highest among the unemployed and the self-employed, especially individuals working alone, which means those working at the lowest level of the informal sector (ILO/UNDP, 1997). Certainly, the compression of state expenditures, and the resulting reduced public services, have compounded the vulnerability of the poor.

The contention made at the beginning of this sub-section, that the informal sector, underemployment and poverty are necessary indicators for the employment deficit, was borne out by research findings in Jordan. The unemployed poor were found to be more willing to accept unsuitable employment than the non-poor. Hence, the former were unemployed for shorter periods of time, 21.1 months, than the latter, 22.4 months (ESCWA, 1996). Very recent information on the evolution of poverty is not available. However, a study covering the period 1986-1992, has shown that, regardless of measures or surveys, poverty has grown broader and deeper over this period. For example, in one measure, poverty rose from three per cent to 15 per cent, and the gap between the average poor family's expenditures and the poverty line widened from 0.3 per cent to 3.7 per cent. Expenditures fell at an average of 27 per cent, but the average fall was 36 per cent, for the lowest quintile. Although it has dramatically increased in just six years, poverty in Jordan remains at a much lower level than in Egypt.

Although unemployed adults are more likely to be poor than other adults, the unemployed constitute less than six per cent of the poor. Poverty, then, seems to be more a problem of low wages, or low income, than of unemployment. Among the employed, workers in the private sector are more likely to be poor than those workers in the public sector. Research has indicated that women's wages per se are about equal in the public and private sectors. It has also showed that men in the private sector are paid, on average, 10 per cent more than in the public sector, government and public enterprises included. If this is so, those employed individuals in the private sector, who are more likely to be poor than those employed in the public sector, cannot but be working in the informal segment of the private sector. The privileged sectors, for workers, have been identified as the government, independent government bodies, unionized sectors and modern establishments (World Bank, 1994). This leaves the rural and urban informal sectors as unprivileged. This is where a good part of retrenched labour, as a result of privatization, and of unemployed new entrants to labour markets, may find a necessary income.

Like public sector employment in Egypt and Jordan, informal sectors everywhere have been found to be selective of women. If workers shed-off from public sectors, or the unemployed new entrants to labour markets, are rather expected to join the informal sector, females are even more likely to do so than males. Because of poor working conditions and low wages in the sector, particular attention should be paid to the fate of working women in periods of privatization and economic reform. This should be done not only because of considerations of legalistic gender equality. In fact, estimates of female-headed households range between 16 per cent and 22 per cent of all households (El Laithy, 1996). A survey conducted for the 1996 Egypt Human Development Report also showed that whereas female-headed households represented 10 per cent of non-poor households, they accounted for 14 per cent of the poor ones (Institute of National Planning, 1996).

The objective pursued by examining the attitudes of trade unions is to determine whether they have been a constraint on the implementation of privatization. These attitudes bore on two facets of privatization. First is the transfer to the private sector of publicly-owned assets. This was seen, by many, as a loss for the general welfare and, at times, as a source of threats to national security. The second facet is that of the employment consequences of privatization. As representatives of organized labour, unions are the social actors most concerned with the question. In reviewing unions' attitudes, emphasis will be given to those concerning the second facet of privatization. Research is focused on the leadership of trade unions. The contention in this section is that the governments' implementation of privatization was not affected, to any significant degree, by the attitudes of unions. The explanation lies in the nature of their relationships with organized labour. These relationships are far from being confrontational. The governments' self-restraint in carrying out privatization, for fear of its employment consequences, obviously also obviates the need for trade unions to adopt strong positions.

In Egypt, the lack of autonomy of organized labour is a key to understanding its limited effectiveness in influencing decision-making processes⁷. The presence of the EGTUF leadership at the higher echelons of the ruling party and Parliament also enables the government to secure the trade union movement's acceptance of its policies, and hence to expand its freedom of action (Awad, 1991). Therefore, organized labour cannot be expected to halt the implementation of policies, if the government is determined to carry them out.

The epitome of Egyptian trade unions' attitudes can be found in its responses to the first signs of the new open door economic policy, as early as in 1975. In a conference on labour economics, the Egyptian General Federation of Trade Union (EGTUF), while still using much of the rhetoric of the previous years, just called for the open door policy to be placed at the service of development plans. A review of the evolving attitudes of trade unions in Egypt towards privatization will bring out their limited impact on policy-making.

The initial declared position of the EGFTU was one of objection to the sale of the public sector, considered as the main foundation of economic structure and total development and as the guarantee of social equilibrium and stability. For organized labour, raising the efficiency of the public sector, not its sale, was the question at hand. Thus, in 1976, in its statement before a conference on wages and prices, the EGFTU underlined the pioneering and leading role of the public sector. It rejected the idea of setting up holding companies when it was first raised, because it considered it led to selling the public sector and to undermining workers' rights to management and profits. When it became clear that the idea was going ahead anyway, the General Union of Electrical, Metallurgical and Engineering Industries (GUEMEI) called on the government to put off the submission to Parliament of the draft law it had prepared in this respect. It stressed that this was in contradiction with the Constitution which provided for the preservation of public property, on the one hand, and that it undermined workers' rights as established by law, on the other. The GUEMEI considered that the draft law threatened social stability and ignored the provisions of the 1976 Trade Unions Law which called on the government to seek the views of trade unions on legislation affecting workers. When the futility of the opposition to the law became apparent, the EGFTU focused on the defense of workers' rights and conditions of work under the new situation. It drew up an alternative draft law on the employees of affiliated companies where, contrary to the government's draft, it emphasized the maintenance of workers' rights to wages, holidays and social security. The EGFTU draft also called for boards of companies and unions to jointly draw up personnel statutes and wage structures. However, this draft was ignored by the government. A compromise was reached that only provided for the participation of unions in the process (Roman, 1996). In 1997, the EGFTU agreed to a government-proposed table providing for the amounts of compensation for early retired workers in privatized companies. The table was considered a joint document of the government and organized labour.

In Jordan, social partners have traditionally maintained relations of peaceful coexistence. Industrial disputes have been minimal. This is explained by some as a result of the strong control the government has exerted over the Jordan Federation of Trade Unions (JFTU). Others see it as the consequence of the unions' heavy reliance on government support (World Bank, 1994b). The smooth relationship between the unions and the government, on the one hand, and the few actual instances of privatization, on the other, can thus account for the absence of a declared opposition to the process by Jordanian organized labour. In fact, the employment consequences have not been as prominent as in Egypt in debates over privatization, which can be explained by the small size of employment in public enterprises in Jordan.

This is borne out by research on the attitudes towards privatization of members of the Lower House of Parliament and of the Cabinet (Zoubi, 1996). Questions contained in the questionnaire, drawn up for the purpose, bore on the relationship between the private sector's efficiency in producing goods and services and the form of privatization, i.e. divestiture or the privatization of management. In general terms, the hypotheses were that respondents favoured privatization, and that preferred forms of privatization were related to the nature of goods and services produced. Most hypotheses were validated. The findings confirmed the positive attitudes of respondents towards privatization, since 94 per cent from among them acknowledged the private sector's greater efficiency, compared to the public sector's, in producing goods and services.

It is noteworthy that the employment consequences of privatization was not mentioned at all, either in relation to the attitude toward privatization or to the form of the latter. The validity of this observation may be contested because the survey did not include questions on employment. However, before sending it to all members of the Lower House and Cabinet, the questionnaire was pretested and modified by six members, from the two groups, selected at random. It is fair to consider that, had the employment consequences of privatization been a primary concern on their minds, these six members would not have failed to introduce it as a variable in the questionnaire. In any given political system, parties and other groups to which Parliament members belong, aggregate the interests and concerns articulated by interest groups, such as trade unions. The absence of the employment consequences of privatization, in the design of the questionnaire, is most probably due, at least partially, to the fact that trade unions have not articulated strong attitudes in their respect.

The employment policy responses to privatization

The use of the three groups of employment policy measures identified above is a function of the expected disruption in employment caused by privatization. At the risk of repeating what has already been said, in addition to insufficient labour demand, during the implementation of structural adjustment, this disruption is, in turn, determined by the volume of employment in public enterprises. This explains the wider use made of, and the publicity given to, these measures in Egypt. In contrast, in Jordan, reference can hardly be made to employment policy measures adopted in response to privatization and other policies of economic reform.

In Egypt, not all employment policy responses were used but, in broad terms, the three groups of measures were resorted to. Some privatization contracts provided for the protection of the level of employment in the privatized company and for the preservation of workers' rights as stipulated in Egyptian laws⁸. Early retirement was also used as a means of mitigating the employment consequences of privatization. Uniform rules were established for workers, in all public enterprises candidate for privatization, wishing to benefit from compensation for such retirement. Male workers of 50-58 years of age and female workers of 45-58 years of age, having worked for at least 20 years, are entitled to this early retirement with compensation. Maximum and minimum amounts of compensation are set⁹. These early retired workers are also entitled to the end of service payment, equivalent to wages of 10 months, due at the normal age of retirement. Holding companies determine a period for the submission of applications, after which workers lose their right to benefit from the system. For older and younger workers wishing to take advantage of early retirement compensation, rules are set by holding companies, affiliated companies and

trade unions (Minister of Public Business Sector, n.d.). Subsidized employment for a specific period, after the change in ownership, has not been resorted to. In respect of this first group of measures, the freezing of recruitment in public enterprises, for the last two decades, must be emphasized. It has certainly reduced the employment consequences that have to be shouldered now. However, a question remains as to the wisdom, for the efficiency of enterprises, of adopting this measure such a long time before privatization.

From among the measures belonging to the second group, the allocation of shares of privatized enterprises to workers, at preferential terms, has been resorted to in several cases. The Financial Market Law No. 95/1992 has provided for the creation of Employees Shareholders' Associations (ESAs), with recognized legal personality, which can own or acquire, on behalf of workers, shares registered or traded in the financial market. The executive regulations of this law indicate that these associations distribute, to their members, the profits of the shares they hold (Ratib, 1997). It is noteworthy that Law No. 95/1992 was enacted in conjunction with the economic reform process. Up to the end of 1996, 39 companies had been privatized. From among these, 95 per cent of the shares of 10 land reclamation and other public works companies had been sold to ESAs. In an additional, engineering, company, 40 per cent of the shares were sold to an ESA. Shares were sold to ESAs at a 20 per cent discount price, the total amount being paid over a 10-year period. Purchased shares are kept by the holding company as a guarantee for the payment of all the amount. The Ministry of Public Business Sector was behind the creation of an association, bringing together business people, public figures and representatives of the EGFTU, the aim of which is to provide training and assist in the management of privatized companies purchased by ESAs (American Chamber of Commerce, 1997).

The payment of bonuses for employees who resign voluntarily was included among the employment policy measures contemplated by the government in the System of Compensation for the Termination of Service Before the Age of Sixty. In fact, in addition to the rules described above, the ministerial decision leaves it to the holding and affiliated companies and to unions to examine the rules of compensating workers, above the age of 58 and below 45 or 50, wishing to voluntarily terminate their services. For the former group, it is a question of early retirement, but for the latter it is obviously one of voluntary resignation¹⁰.

The third group of measures is the most substantial in terms of remedying the disruptive effects of privatization and structural adjustment on employment. Logically, these measures will be more wide-ranging, the larger employment in public enterprises is. Hence, Egypt implemented much more varied measures from this third group than Jordan. It also set up an institution explicitly aimed at mitigating such effects, and received generous funds from external donors to finance its activities. By contrast, the institution created in Jordan was modest in terms of funds and forms of intervention. The financial support it received was far less important and varied than the one provided to the Egyptian institution. If the first two groups of measures are clearly targeted on redundant labour in public enterprises, this one aims at all workers suffering from the contraction in labour demand resulting economic reform. The difficulty of dissociating the consequences of privatization from those of the other structural adjustment policies is particularly clear here.

In Egypt, ERSAP provided, at the time it was concluded in 1991, for the creation of SFD. Its objective was to support employment creation and human capital formation projects, so as to mitigate the negative effects on employment of privatization and other ERSAP policies. While it is not the objective of this section to assess the performance of the SFD, it will be useful to review the ways in which it contributes to absorbing the employment consequences of privatization. The SFD works through five programmes: the Public Works Programme (PWP), the Community Development Programme (CDP), the Enterprise Development Programme (EDP), the Employment and Retraining Programme and the Institutional Development Programme. Obviously, the ERP is the one more directly targeted on redundant workers. An example of its activities is the complete financing of the training programme for refreshing and upgrading skills, and for facilitating mobility, designed by Alexandria Shipyard, in the framework of its pre-privatization labour restructuring. Unfortunately, however, the ERP has achieved little. The numbers of temporary and permanent employment opportunities it has created amount to 2,947 and 2,172

respectively. These represent 2.7 per cent and 0.8 per cent of all temporary and permanent jobs created by the SFD. Clearly, redundant labour at public enterprises can also benefit, along with other job seekers, from the EDP, which aims at creating employment opportunities through the establishment of new enterprises and providing technical and financial support to existing ones. The PWP and the CDP are intended to help face up to the effects of structural adjustment on unskilled workers and the poor. As such, they can contribute to absorbing some of the social consequences of privatization. In fact, the PWP funds labour intensive social and economic infrastructure, mainly in rural areas. In financing projects under this programme, creating the largest possible number of work opportunities, whether permanent or temporary, is the declared prime concern of the Fund. As for the CDP, it is geared towards the poor. Activities financed under the programme are primarily in the fields of health, education and elimination of illiteracy. Most of the beneficiaries from this programme are women. Since its establishment in 1991, and until the end of 1996, the SFD has reported the creation of 109,616 and 251,065 temporary and permanent jobs respectively (Government of Egypt, 1995; Kheir-El-Din, 1997). These figures show that the SFD has gone some way in dealing with the employment question in Egypt. However, when it is recalled that the economy is expected to create 500,000 to 600,000 jobs a year over the coming decade to absorb new entrants to the labour market and the backlog of unemployment, on the one hand, and that it has effectively created an annual average of 370,000 between 1989-90 and 1994-95, on the other, it becomes apparent that the employment question is still far from having been solved. The unwillingness of the government to further aggravate it, and to increase the incidence of poverty, may then explain the slow pace of privatization. Therefore, a correlation can safely be assumed between the effectiveness of employment policy and privatization. Put differently, more than the potential volume of retrenched labour, it is the absence of effective employment policy that may slow down privatization. The question is all the more complicated by the contractionary structural adjustment policies that hamper growth. In fact, the employment consequences of privatization should be more easily absorbed in periods of economic growth. In this light, it may be conjectured that the reinvigorated privatization drive is related to resumed growth, since 1993, at an average rate of 4.3 per cent of GDP.

In Jordan, the DEF, a much more modest institution, was established in 1990. At the beginning of its activities in 1991 it provided funding to collective projects in local communities, but then shifted to a policy of direct loans to individuals. Between 1992 and 1994, it was financed through the state budget only, because the World Bank and other external donors disapproved of the change in policy. When a compromise was reached that allowed for the two forms of loans, international financing was resumed. Until 1994, the DEF had financed 1,400 small individual productive projects. Total financing of these projects amounted to JD 7 million¹¹. Financing for local communities, provided through NGOs, reached JD one million (Al-Natour, 1996). The effort of the DEF, and its financial means, certainly appear modest. In comparison, until April 1994, the Egyptian SFD was reported to have created 102,200 permanent and 19,185 temporary jobs. The value of the projects contracted by the SFD, in 1994 alone, amounted to 1,412 million Egyptian pounds. This difference between the two institutions can easily be explained by the large financial support provided by external donors to the Egyptian SFD. As of 30 November 1996, 16 donors and the Egyptian government had pledged US\$ 746.4 million, out of which US\$ 425 million were grants. Disbursements reached US\$ 664.1 million. The Egyptian government's share amounted to US\$ 59.7 million only (Kheir-El-Din 1997). This large external support can be explained by the large employment in public enterprises, and the desire to see the Egyptian economy restructured, away from central planning. In Jordan, employment in public enterprises being small, the apprehension from the effects of privatization and restructuring did not exist. In addition, Jordan already had a market economy. Hence, the absence of substantial external support. Of course, the analysis of external actors did not keep the Jordanian government from adopting a conservative attitude towards the actual carrying out of privatization.

Conclusions and Suggestions

Privatization has been increasingly emphasized since the early 1980s, as a means of restructuring economies away from state control. It was a component of economic reform packages, advocated by

international financial institutions, in responses to crises faced by a greater number of developing countries. The shift to systems of market economy sought to achieve a greater efficiency in the use of productive resources. However, two questions were raised by many in opposition to privatization. One was related to an assumed loss for general welfare. In conjunction with this first question, considerations of national security were sometimes referred to. The second cause of opposition to privatization stemmed from the adverse consequences on employment it was expected to produce. This paper has dealt with issues related to this second question in Egypt and Jordan. In undertaking its comparative study of the two countries, it has focused on privatization of public enterprises.

The hypothesis formulated in the introduction has been, to a great extent, validated. With a much larger public employment, Egypt responded to the possible consequences of privatization with a far more varied response than Jordan. The creation of an institution geared to wards absorbing these consequences was expressly provided for in the economic agreement concluded by Egypt with the IMF and the World Bank. This was not the case of Jordan. Moreover, the Egyptian effort enjoyed a substantial international financial support from a great number of bilateral and multilateral donors. The wish to assist in the metamorphosis of a centrally-planned economy can also account for the difference in external backing. Jordan's had never strayed from the market course.

Two constraints, related to employment, faced privatization: its employment consequences and the attitudes of trade unions. The latter were also mainly motivated by the expected employment consequences of privatization. Research shows that the second constraint does not apply, to any significant extent, to Egypt and Jordan. Workers' organizations are not autonomous with regard to governments in the two countries. Therefore, the latter enjoy sufficient freedom of action in policies affecting workers and employment. This does not imply, however, that labour and public preoccupation over the employment consequences of privatization have been the same in the two countries. In fact, it could not be but proportionate with the share of public enterprises in total employment. A more visible debate of the issue took place, therefore, in Egypt. However, it does not seem that it has decisively influenced the government's course of action.

In contrast, the possible employment consequences seem to have been a serious constraint on the implementation of privatization. They must have been at the origin of the slow pace given by the two governments to their respective processes. This has certainly been so, irrespective of any attitudes adopted by social actors. The fears of the two countries' governments did not stem particularly from the number of expected lay-offs. In fact, estimates of redundant labour are, very rough in Egypt, and non-existent in Jordan. They are rather due to unsatisfactory employment situations and to poverty. Labour absorption in the two countries is inadequate, and social policies have been adversely affected by economic reform. In these conditions, governments have not wished to further aggravate open unemployment and poverty.

The absence of a substantial effort to face up to the employment consequences of privatization in Jordan may be considered a justification of its government's conservative attitude towards the process. In Egypt, however, varied and generously-financed measures have been undertaken. Hence, it is their limited effectiveness that must explain its government's attitude. Therefore, policy responses have to be even more sophisticated, and their effectiveness should be reinforced.

Recruitment in public enterprises was an important measure of employment policy, rather than a mere response to the needs of the public sector. Therefore, it is through employment policy that the employment consequences of privatization should be tackled. This is all the more so because the first victims of the employment situation are the young, new entrants to labour markets. Privatization has been declared a policy objective. But, for it to go ahead smoothly, its employment situation background has to improve first.

Special institutions, like the Egyptian SFD, are necessary. However, they are not sufficient. Employment policy should be drawn up, and implemented, by institutions specifically concerned with

labour forces and labour markets. The analysis of the latter should be the basis for employment policy measures. The concerned institutions should be reinforced, with specialists in different relevant disciplines, so as to better perform their roles. Industrial policy should also be resorted to. Research on industrial and services activities likely to productively absorb job seekers should be undertaken. These activities should be promoted by fiscal, monetary and foreign trade policy measures. In this regard, it should be mentioned that the gradual relaxation of the recessionary structural adjustment measures should help promote growth and, hence, increase labour demand. Education and training policies should be adapted to the requirements of employment and industrial policies.

The implementation of the early retirement provisions should meet no problems. However, the respect of the rights as well as the working conditions, of those workers retained in privatized enterprises, should be carefully followed up so as to ascertain that the terms of privatization contracts are observed.

In the framework of employment policy, special attention should be paid to women and to the young, new entrants to labour markets. The former are privileged victims of privatization. The latter have lost the benefit of old employment policies. The informal sector should also receive particular consideration, since it absorbs all residual labour, unable to find jobs in the modern sector, in periods of privatization and economic reform. Action intended for women and youth could include measures geared toward the promotion of self-employment and small-scale enterprise development. They should aim, *inter alia*, at improving access to credit, management, training, raw material and other productive resources; at the elimination of detrimental policies and regulations; enhancing the on-job training capacity; and at reinforcing their organizational and negotiating abilities. Action in respect of the informal sector should meet the challenge of maximizing its employment creating potential while, at the same time, raising the degree of social protection and regulation extended to it.

Privatization was used in Egypt and Jordan to signal radical changes in economic policies and structures and to herald the advent of a new era. Its processes were, however, slowed down for fear of their employment consequences, in times of shrinking labour demand. So, to make good on privatization promises, employment situations have to be remedied. This is achievable. Resumed economic growth and, especially, a new, far reaching employment policy should be the means to this end.

This introduction has drawn from Van der Hoeven and Sziraczki (1997), UNCTAD (1995) and El-Naggat (1989).

According to Killick and Commander (1988), '...while mainstream economic theory does point to preferability of competition, it is actually silent on the ownership issue' (Van der Hoeven and Sziraczki, 1997)

Marking the end of the so-called 'Golden-Age', irrespective of the economic systems and policies they adopted, countries at all stages of economic development experienced growth in the 1960s and early 1970s. From 1965 to 1980, lower-middle-income countries, to which Jordan and Egypt belong, registered an average GDP annual growth rate of 6.5 per cent (World Bank, 1990).

The contribution of labour migration to the reduction in pressures on the two countries' labour markets is indicated by the volume of outflows and the stock of migrant workers. In Egypt, net outflows absorbed 42 per cent and 49 per cent of the annual growth in the labour force in 1982 and 1987 respectively. It was estimated that migrant workers represented 12 per cent of the Egyptian labour force in 1986. In Jordan, it was estimated that the volume of emigrant labour had grown from 103,000 in 1970 to 339,000 by the end of the 1980s (Awad, 1992).

These rates have been considered underestimates. The corrected overall unemployment rate is not significantly higher, at 13.53 per cent, and rates for urban and rural areas were estimated at 14.01 per cent and 12.60 per cent respectively. However, the rate for women reached 23.84 per cent, up from 20.37 per cent in the official estimates. The corrected rate of women unemployment in urban areas rose to as high as 30.20 per cent (Fergany, 1995).

Obviously, it is not the contention here that poverty is only related to underemployment and the informal sector. As the 1994 Jordan Survey of Employment and Unemployment has shown, unemployment rates

were extremely high amongst the poor as compared to the non-poor. They increased dramatically for individuals classified as being in abject poverty (ESCWA, 1996).

7 The lack of autonomy of organized labour results, to a large extent, from the legal framework by which it is governed. Thus, Law No. 33-1978 and Law No. 95-1980 grant the Socialist Prosecutor the authority to refuse candidatures to the governing bodies of trade unions. According to the latter law, decisions of the Socialist Prosecutor are binding. The Ministry of Manpower also has prerogatives in respect of organized labour. However, there have been complaints from workers transfers to different production plants, unpaid overtime work and other violations of rights (Meqbel, 1997).

9 The maximum and minimum amounts are 35,000 and 12,500-15,000 Egyptian pounds, according to the duration of service and the worker's job and grade or the difference between his/her last wage and the retirement pension at age 60. The exchange rate of the Egyptian currency is US\$ 1 = 3.4 Egyptian pounds.

10 Alexandria Shipyard has resorted to this measure in its Pre-privatization Labor Restructuring Program. Male workers below 50 and female workers below 45 were the beneficiaries. However, the 20 years of service condition was retained (Abouraya, 1997).

11 JD 1 = US\$ 1.4

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