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LABOUR MARKET SEGMENTATION AND FORMALISING INFORMALITY IN MENA COUNTRIES

Abstract:

We tackle the problems of labour market segmentation and low occupational mobility in MENA countries in relation to prospective formalisation policies. First, we provide an overview of the informal economy in its taxonomy, coverage and stylised facts, and drivers, across six MENA countries. Second, using longitudinal microdata from Labor Market Panel Surveys and COVID-19 MENA Monitors, we apply transition matrices and multinomial logistic regressions to analyse workers' occupational mobility according to their pre-existing status, age cohort, gender and other demographics. We find persistent segmentation and weak occupational mobility in all countries, suggesting that informal employment is not driven by choice on the labour supply side but by structural constraints on the demand side. Third, assessing the existing formalisation policies encapsulating distinct stick and carrot strategies, and business versus worker targeting, we find rather modest impacts. We submit that promoting social and solidarity enterprises, and extending microfinance to informal enterprises holds a promise for the creation of formal, decent jobs.

Keywords:

Formalisation policies; Informal employment; Segmentation; Transition matrices; Youth unemployment; Female labour force participation

JEL Classification: E26, J46, O17