

Cooperation Priorities in Promoting Job Creation and Inclusive Economies

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Introduction

The paper reviews selected results from the survey “*Towards more social justice and inclusiveness in the Mediterranean*” conducted by the European Institute of the Mediterranean (IEMed) in 2022. Following the seminal meeting in Barcelona 25 years ago and more than 10 years after the Euro crisis and the Arab Spring, the time is ripe for reviewing the developments that have taken place since, in view of the emerging twin green and digital transitions and in order to highlight the untapped potential of the shared region between South and North Mediterranean countries. The Covid-19 crisis was simply a reminder that systemic shocks call for cooperative approaches, and short-term adversities should not distract from longer term goals.

Though this is easily said, in the real-world policy makers and citizens see the issues and priorities in different ways. Accordingly, the aim of the survey was to solicit the views of different actors on the social dimension of the New Agenda for the Mediterranean and on inclusiveness in Southern Mediterranean Countries (SMCs).²

The respondents included male and female policymakers, experts, and civil society representatives from the EU and SMCs whose answers shed light on how they assess what factors affect socio-economic inclusiveness and job creation in the SMCs,

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1. The authors would like to thank Aimilios Chatzinikolaou, Ishac Diwan and Mary Kawar for their comments.

2. The New Agenda aims for a green, digital, resilient and just recovery, guided by the 2030 Agenda for Sustainable Development, the Paris Agreement and the European Green Deal (European Commission, 2022).

as well as what the cooperation priorities between the EU and SMCs on key policy areas should be. This paper presents and puts into perspective the answers to the several questions posed to the 369 participants in the survey.³

More specifically, we summarise the answers to the following questions:

- (Q1) What factors do you consider that affect socio-economic inclusiveness in SMCs?
- (Q7) What should be the main EU-SMCs cooperation priority in promoting inclusive economies?
- (Q8) What should be the main EU-SMCs cooperation priority to promote job creation?
- (Q8b) What should be the EU cooperation priority for job creation for migrants and refugees in SMCs?
- (Q9) To what extent is it important to strengthen social economy actors as a key agent for social and economic reconstruction?
- (Q10) What measure should the main EU-SMCs cooperation priority be in promoting the social economy?⁴

In two-thirds of the answers provided by the 185 EU respondents and their 172 SMCs counterparts, the differences were not statistically significant. We discuss the areas of agreement in the next section and then we present areas where opinions differ. The paper concludes by presenting separately the views of female and male respondents.⁵

There is Broad Agreement in General, and in Many Specific Areas

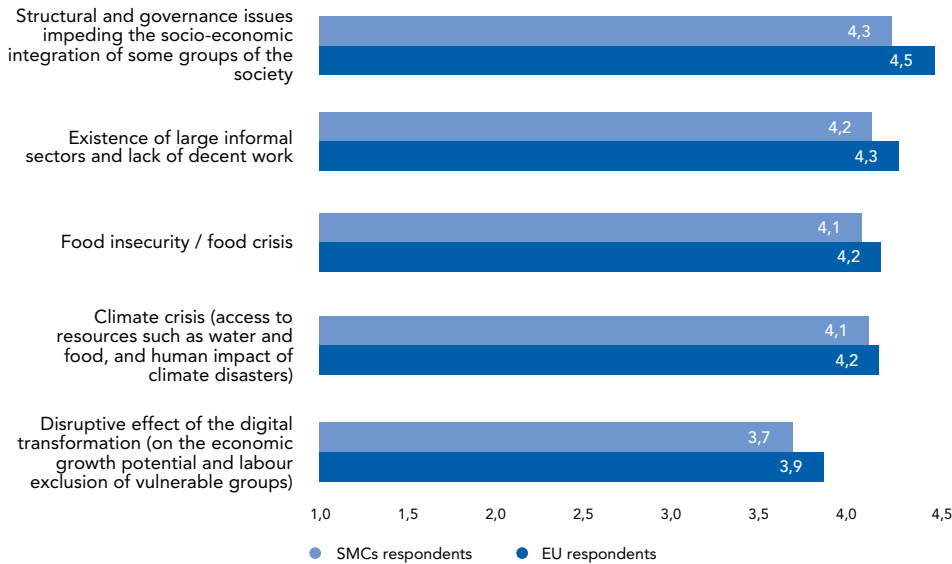
Both from EU countries and the SMCs countries, the respondents agreed on the importance of factors that affect socio-economic inclusiveness in the SMCs. For all rankings (1 lowest to 5 highest), the EU average is higher than those from SMCs, but the difference is negligible (0.1 points) (see graph 1). Structural factors and informality were signalled as the most important factors, followed very closely by food insecurity and climate crisis. The least, but still significant, factor was digitalisation, probably being considered as a means for addressing the four other issues.

3. For a full description of the objectives and methodology of the survey, see IEMed, 2022.

4. If the answer to Q.9 was “high” or “very high”.

5. The respondents were from 18 EU countries (Belgium, Bulgaria, Croatia, Cyprus, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Spain, Sweden and the Netherlands), Albania, Israel, and the United Kingdom, as well as the following Arab countries: Egypt, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia.

Graph 1: Q.1 To what extent do you consider that the following factors affect socio-economic inclusiveness in Southern Mediterranean Countries? (Mean 1-very low, 5-very high)



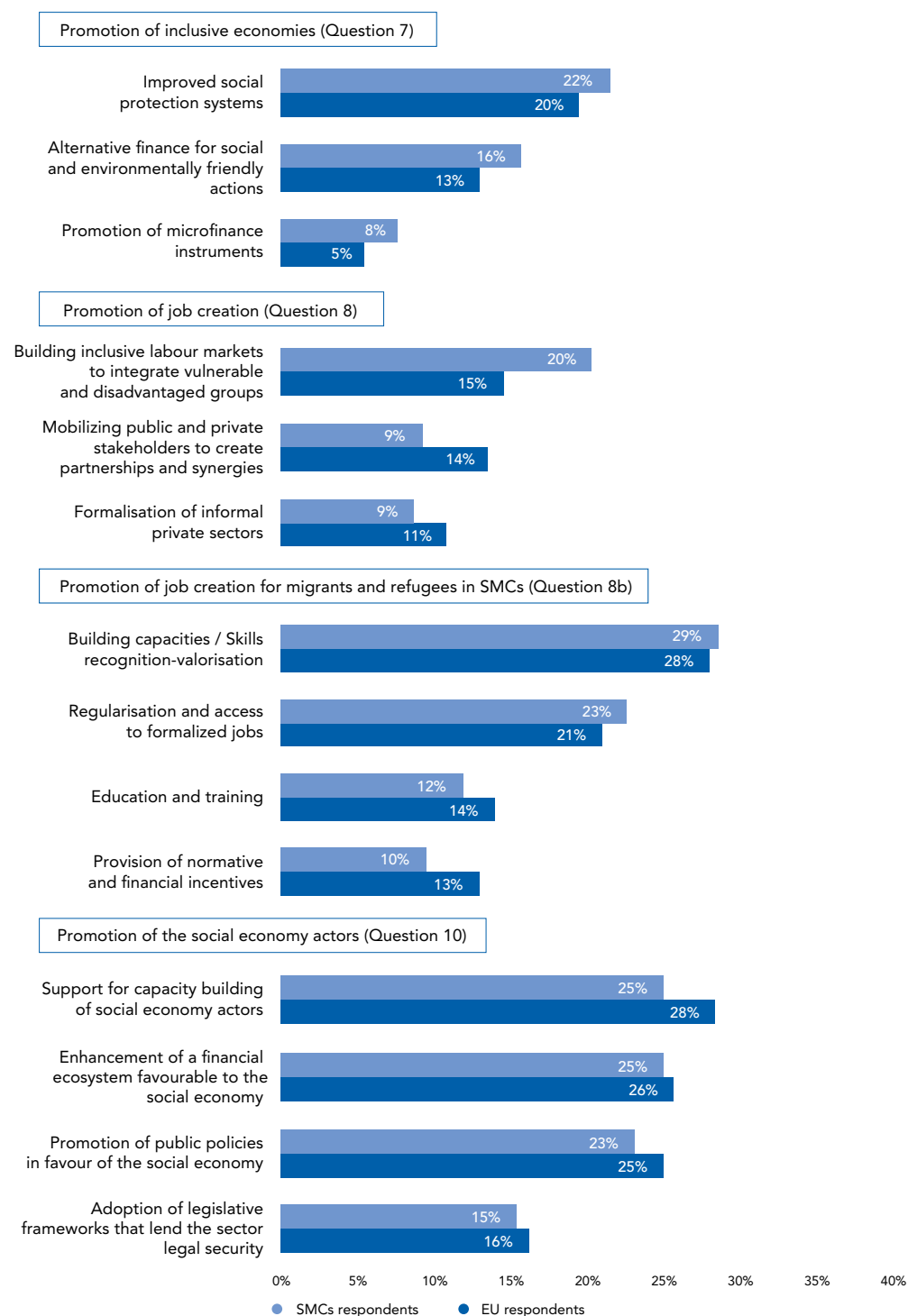
The high support for capacity building of social economy actors, can be explained because financial sector serves more its own interests than the needs of the real economy.

Source: Compiled by the IEMed based on the results of the 13th Euromed Survey

With respect to specific priority areas to pursue to address the above five issues, the answers given by the EU and SMCs respondents were similar in 14 of the 22 priority areas covered by the survey (see graph 2).

The agreement was highest for prioritising areas that promote the social economy. This issue attracted a positive response from around 25% of respondents. At the top among them was the support to build capacity for social actors and in the second, but not too distant, places, were having a financial ecosystem and public policies to promote the social economy. This can be assumed to refer to the justified feeling that the financial sector serves more its own interests than the needs of the real economy. Legislative changes received relatively fewer answers, but not by much. This may broadly be because respondents saw it as a means rather than an objective in itself.

Graph 2: Cooperation priority areas with low SMCs-EU divergence



Source: Compiled by the IEMed based on the results of the 13th Euromed Survey

Somewhat predictably, attention to the vulnerable and disadvantaged groups came as the top priority within the cluster of job creation – who can argue against it? The relatively high ranking of public/private partnerships is in line with the aforementioned 24% assigned to public policies for social inclusion. Last, and the second lowest share of respondents, came the formalisation of the informal economy. This may suggest that respondents felt that job creation as such is more important than reducing informality.

In fact, improving social protection systems is probably seen as more important than reducing informality – a question included under “inclusive economies”. The latter can be considered an unfortunate by-product of market forces, especially under the pressure of globalisation, for which not much can be done at least in the short-run with the recent rise in the gig economy, short-term contracts, freelancers, contingent workers, platform workers, or independent contractors in temporary and part-time jobs (even though they are effectively employees for all intents and purposes).

A rather surprising result is the low, in fact lowest, priority assigned to microfinance. The EU and SMCs respondents did not seem to share the rather widespread support to microfinance by many domestic and international organisations, including European ones.⁶ Citing market failures that “can cause a mismatch between (potential) demand for microfinance and the supply of it coming from financial institutions”, the EU is rather enthusiastic about its benefits and at least 450 institutions offer or facilitate the disbursement of microloans in Europe”.⁷ Similarly, the World Bank with its heavy presence in the SMCs, also considers microfinance “a way to fix credit markets and unleash the productive capacities of poor people who are dependent on self-employment”.⁸

Against the lowest priority assigned to microfinance stands the highest priority related to building capacity for migrants and refugees and recognising their skills (valorisation). This area attracted 28% of the respondents’ answers. Not far behind was the case of regularisation and the access of migrants and refugees to the formal economy. This is a welcome sign indicating both humanitarian concerns and economic rationality against the oft quoted “fortress Europe” and rising xenophobic feelings.

But Views Differ in Several Other Areas

The respondents assigned different values to the remaining eight priorities. Those from the SMCs gave higher priority to four of them while those from the EU to the other four (see graph 3).

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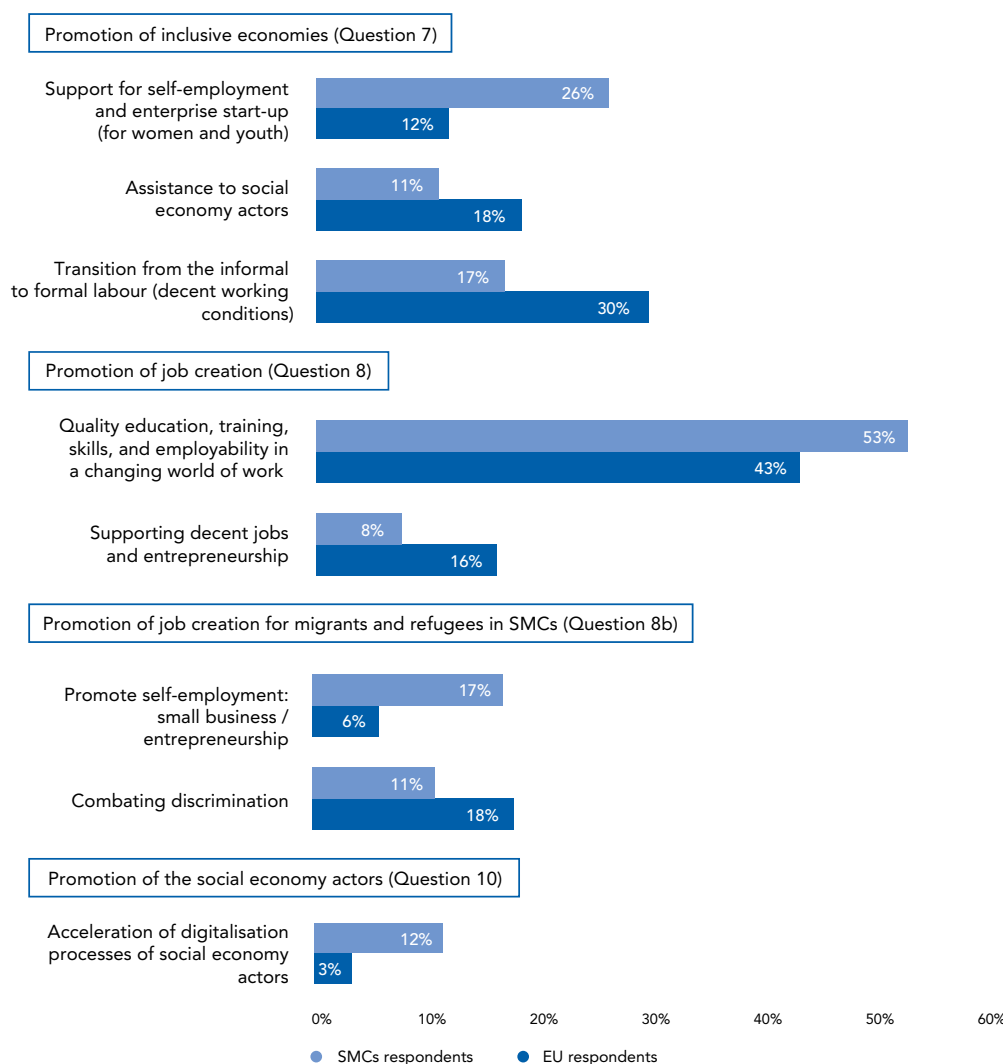
Improving social protection systems is probably seen as more important than reducing informality that can be considered as an unfortunate by-product of market forces.

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6. It is offered by specialised units of commercial banks, cooperative banks, non-bank financial institutions (NBFIs), credit unions and cooperatives, guarantee-granting institutions, public support and development banks, non-governmental organisations (NGOs), and non-bank providers known as microfinance institutions (MFIs).

7. European Commission, 2020.

8. Morduch and Cull, 2022.

Graph 3: Cooperation priority areas with high SMCs-EU divergence

Source: Compiled by the IEMed based on the results of the 13th Euromed Survey

The difference was twice as much in the case of support to self-employment and enterprise start-up (for women and youth) with 26.2% of respondents from the SMCs selecting this priority compared to only 11.9% among those from the EU). The focus on women and youth is in line with the high unemployment rates women and youth face in the SMCs.⁹ The same applies to the promotion of self-employment and small business (for all). The respective shares of respondents are 17% for the SMCs and

9. However, the majority of the unemployed in the SMCs are men and adults (Tzannatos, 2022).

6% for the EU. These two priorities sum up to 43% for the SMCs but less than 18% for the EU. These differences are expected as youth and gender issues are more prominent in the SMCs, while a much larger share of employment in the SMCs takes the form of self-employment and/or is informal.

The opposite is true with respect to support for decent jobs and entrepreneurship: those from the EU agreeing to this were twice as many as those from the SMCs (16.2% compared to 7.6%). The same applies to the transition from the informal to formal labour (decent working conditions). The respective shares of respondents are 16.9% for the SMCs and 29.7% for the EU. These two priorities sum up to 24.5% for the SMCs but 45.9% for the EU.

These differences are likely to reflect the differences in the nature of jobs between these two regions. In the EU, informal jobs are not generally “decent” in terms of wage levels, employment conditions and benefits and transition for the formal economy is much sought after. In the SMCs, the formal sector is small and makes it more realistic to desire support for entering self-employment as this appears to be a feasible option, especially among women and youth whose unemployment rates are among the highest in the world.

With respect to other priorities, the SMCs put more emphasis on what they are aware that they lag behind, such as investments in quality education and training, and the extent of digitalisation of their social economy.

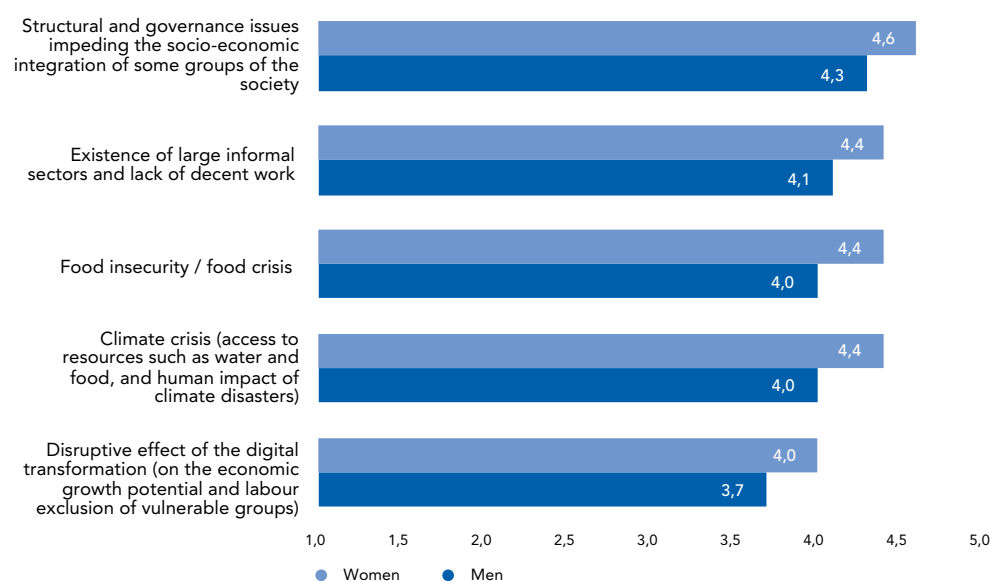
The EU respondents put more emphasis, first, on assistance to social economy actors, probably reflecting their more liberal and decentralised societies. Second, and in line with the previous finding regarding priorities for migrants and refugees, on combating discrimination. The latter may well reflect that, on the one hand, there are many more migrants in the EU than the SMCs and, on the other hand, the respondents recognised that discrimination does take place.

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Differences Between Female and Male Respondents

Male and female respondents ranked the factors affecting socio-economic inclusiveness in the SMCs in the same order as those grouped in the EU and in the SMCs countries (see graph 4). However, the gender differences are statistically significant and in all cases women ranked all factors higher than men (see graph 4).

Graph 4: Q.1 To what extent do you consider that the following factors affect socio-economic inclusiveness in Southern Mediterranean Countries? (Mean 1-very low, 5-very high)



Source: Compiled by the IEMed based on the results of the 13th Euromed Survey

These results may be related to the fact that structural and governance issues have been taken as a proxy for institutional factors affecting the position of women in public and private life in the SMCs (as these women have lower rights).

For the four top factors, this may be related to the fact that structural and governance issues have been taken as a proxy for institutional factors affecting the position of women in public and private life in the SMCs (as these women have lower rights),¹⁰ informal employment is more characteristic of female employment, and women are in a better position to assess their families' need for food that in turn is affected by the climate crisis.

Women's higher valuation of the disruptive effect of digital transformation on economic growth and labour exclusion of vulnerable groups may reflect the fact that, at present they are less in a position to take advantage of the introduction of new technologies, for example, as evidenced from their lower enrolments in science, technology, engineering and mathematics (STEM).¹¹

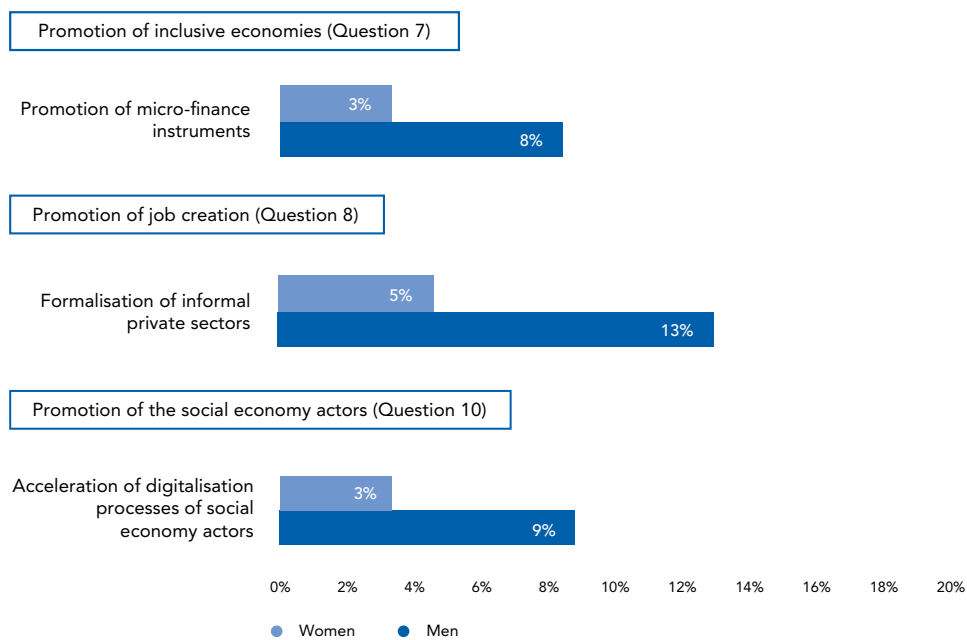
10. World Bank, 2022a.

11. International Labour Organization. 2019; UNESCO, 2017. For example, 35% of students enrolled in STEM-related fields are female and only 28% of all of the world's researchers are women.

There were no significant differences among the responses provided by women and men, with three exceptions in all of which the share of men was higher than the share of women (see graph 5). The biggest difference is with respect to formalisation with men assigning it a much higher value than women (13% and 4.6%). Digitalisation attracted only 2.6% of female respondents compared to more than double that figure among males (8.8%). However, the most notable fact probably is the difference in the case of microfinance. This is so because targeted microfinance support to women is a big component of international assistance to women in the SMCs.

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Graph 5: Gender differences in priority areas for cooperation



Source: Compiled by the IEMed based on the results of the 13th Euromed Survey

Qualifications and Conclusions

The results of the survey provided several insights into how the respondents from the EU and the SMCs see the priorities of cooperation. However, the survey was addressed to a selected and rather small group of key informers. Thus, the results may not necessarily be reliable for confidently designing future cooperation between the EU and the SMCs and the policies that SMCs should focus on. However, they provide an initial base for generating first-hand data and evidence on European Neighbourhood Policy (ENP) related policies and priorities that can be useful for policy-makers and other stakeholders, and can therefore be considered as a first step toward evidence-based research. For example, future surveys can ask some more specific and less generic questions, thereby allowing responses to be better differentiated across issues of cooperation.

Nevertheless, there seems to be general agreement in several areas, while differences between the views of EU and SMCs respondents are not that unexpected. For example, the respondents from the SMCs do not consider combatting discrimination against migrants and refugees a priority, as this is an issue for receiving countries. And those from the EU are more concerned about decent employment, while those from the SMUs seem to prioritise any kind of employment.

The only area that was somewhat unexpected was the low value attached to microfinance. At face value, microfinance attracted the least number of responses from both the EU and SMCs respondents (6.2%: graph 2).¹² Yet it is an area that receives considerable support from donors, including the EU¹³ and international organisations, for example the World Bank, and it mainly targets women and youth.¹⁴ Probably this reflects the way questions were asked and under what priority group they were included – such as under inclusive societies or job creation. For example, “support for self-employment and enterprise start-up (for women and youth)” received very high ratings from the SMCs (26.2%: graph 3). One can legitimately question whether microfinance is not implicitly included in such a support.

This brings back the issue of how questions are phrased and who is asked to respond. The current survey is a promising start and, perhaps, future surveys can target a broader group of respondents from individual countries, present selected comments from the SMCs and suggest that key informants from different countries have different perspectives and concerns. Taking them into account will enhance the EU-SMCs cooperation by tailoring priorities and policies to specific country contexts that vary significantly among the SMCs, from those located in North Africa to those in the Middle East and those from stable to fragile and in conflict economies and societies.

Taking results into account (particularly comments from SMCs respondents) they would enhance the EU-SMCs cooperation by tailoring priorities and policies to specific country contexts that vary significantly among the SMCs.

12. In addition to answering the questions, the respondents made more than 600 comments. Of these comments only four respondents mentioned microfinance (two from Morocco and one each from Egypt and Spain). Most of the comments related to migrants and refugees.

13. The EU considers microfinance to be a potent tool to help address unemployment and to promote entrepreneurship and social inclusion. A range of institutions provide financial and support services to micro-enterprises and vulnerable people who cannot access traditional sources of financing. They do so to facilitate self-employment, create jobs and increase productivity, which in turn offers advantages for public budgets. At an individual level, loans for healthcare, education or the improvement of living conditions can also promote social integration” (European Commission, 2020).

14. The World Bank group provides support to microfinance in North Africa mainly through the International Finance Corporation (IFC: its private sector arm), and the Global Partnership for Financial Inclusion (GPII). It does so by providing funding, technical assistance to build capacity and improve the regulatory and policy environment, and resources to microfinance institutions (MFIs) aiming to expand access to finance focusing on women, the youth, poor people and marginalised populations. Most (80%) MFI borrowers are female, and 65% are located in rural areas. (World Bank, 2022b).

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