Inequality in Arab Countries

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Why Do We Measure Inequality?

Issues concerning levels of inequality, its changes and their determinants remain at the heart of the development agenda both in the theoretical debate and policy decisions.

Human development cannot be built on exploitation of some groups by others or on greater access to resources and power by some groups. Inequitable development is not human development.

the overall degree of inequality in a country, region, group, is critical to determine its political stability.
Outline

• Level of inequality: income, spatial, human development and job opportunities.

• Factors contributed to Arab uprising.

• Perception of inequality, satisfaction and Public policies
Data Issues

• The starting point to derive an indicator is Data
• Although data availability and its quality in Arab countries is far from being perfect, we cannot overlook the huge progress achieved,
• Challenges ahead started from a challenge of data collection to the challenge of managing the hugely increasing quantity of available data, integrate them in the planning and development process, make the best use of resources and monitor and compare the progress achieved at the national and international level.
Data Issues, cont.,

• Household data collection is highly restricted process in Arab countries, due to legal and administrative constraints;

• Comparisons between Arab countries and over time cannot be easily achieved due to absence of unified definitions and methodologies.

• Data dissemination is often subject to the political will, especially in the fields of unemployment and poverty,

• Worldwide, household surveys do not include the very poor and very rich.
1-Income inequality

• Consumption or expenditure is usually used.
• Conventional measures of income inequality such as the Gini coefficient, do not reflect the wide disparity in wealth and access to social services of which every person is ever so conscious.
• Income inequality is only part of the story of inequality.
• Country specific Gini coefficient fluctuated but it fell always between 0.30 and 0.41. Slightly change in the distribution of expenditure was detected for the majority of the Arab countries over the period from 1990 to 2005-2009.
• The median value of Gini coefficient among 11 countries was 0.36,
• The question is whether income inequality is low and fairly stable, as data shows, or high and rising as observed by eye
But Does improvements in Inequality reflect improvements in living standards

- Should we care only for inequality and its trends? Or we should also care about level of indicator at the lower end of its distribution.
- It has always been observed that during economic contraction, or negative growth, inequality decreases. The consumption level of the poor may be very low and there is a little room for it to fall further, so the rate of change (negative) is smaller compared to other percentiles and hence inequality decreases, that is what happened in Egypt during 2005-2008 period.
- Is it suffice to measure income inequality in times of contraction.
Growth Incidence Curves

• GIC shows the rate of change in real consumption at different points in the distribution. The horizontal axis shows the expenditure group arranged in percentile increments from poorest to richest. The vertical axis shows growth in expenditures, in percent, for the particular expenditure group between two particular dates.

• In both countries, inequality had declined, but in Syria the poor benefit more from economic growth.

• In Egypt all expenditure groups experienced deterioration and hence no improvements in living standards are observed.

• In fact this explains the discontent of Egyptians while income inequality fell.
But following changes in consumption for the same household showed different results.
2-Regional disparities

• There are always disparities between regions not only in the distribution of income and wealth but also in most development indicators.

• Egypt’s experience confirms the existence of large intra-regional disparities with respect to both money metric and multi dimensional poverty,
• Rural areas have higher multidimensional poverty.
• The headcount ratio in urban areas in Syria is about more than four times the ratio in urban areas. In Egypt, disparities between rural and urban areas is much less (accounting for 2.5 times). Multi-Dimensional poverty risk, for rural residence, in Yemen is 1.5 times the risk in urban counterpart.
• Individuals in the first per capita expenditure quintiles are the most deprived
• In Syria, the risk to poverty for the lowest quintile is 4 times that in the richest quintile. For Egypt, it is 3 times as much, while in Yemen it is only 1.6 times.
3-Inequality in Human Development for Arab Countries

• In November 2010, the Human Development Report (HDR) highlighted the achievements of six Middle Eastern countries in human development by placing them in the list of the top-ten countries with fastest improvement in their Human Development Index (HDI) over forty years.

• HDI Measures development achievements in three dimensions; health, education and living standards.

• Within weeks of these important recognitions, Tunisia, one of the best performer was in full-scale popular revolt. In light of Tunisia’s undeniable success in education, health, and economic growth, the three pillars of HDI calculus, inequality was one of the reasons behind this uprising.
Inequality in Human Development

• HDR 2010 introduced an adjusted HDI that takes into account inequality in each dimension.
• All Arab countries suffer from declining HDI due to inequality, exceeding 10 percent losses because of substantial inequality across all three dimensions.
• Average loss in the HDI due to inequality in all Arab countries is about 20 percent. Losses range from 19 percent (Jordan) to 28.1 percent (Morocco). Morocco, Egypt and Tunisia lost more than 25 percent.

Egypt and Tunisia lost 7 and 6, respectively, positions due to inequality in human development dimensions. In these two countries, human development index was reduced by 17 percentage points due to inequality.
Unemployment is a major source of economic insecurity in most Arab countries.

Data from the Arab Labour Organization (ALO) show that the overall average unemployment rate for the Arab countries was about 14.4 per cent of the labour force compared to 6.3 per cent for the world at large.

While national unemployment rates vary considerably, ranging from about 2 per cent in Qatar and Kuwait to about 22 per cent in Mauritania, youth unemployment is a serious challenge common to many Arab countries.

ALO estimates show that youth unemployment rates in the region vary from a high of about 46 per cent in Algeria to a low of 6.3 per cent in the United Arab Emirates. With the exception of the latter, high income Arab countries suffer from double digit youth unemployment rates.

Overall, the unemployment rate among the young in the Arab countries is nearly double that in the world at large.
# Unemployment rate

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The state of unemployment, cont.

- Unemployment figures may not fully capture the seriousness of decent employment in countries where citizens seize on any means of making a living when they cannot find decent and permanent jobs.
- The rate and size of employment in the informal sector are also large, where workers lack contracts and benefits. The most recent UNDP figures available show that Algeria, Egypt, Morocco and Tunisia have very large informal sectors, comprised between 40 per cent and 50 per cent of the nonagricultural employment.
The state of unemployment, cont.

• Only 30 per cent of the region’s labour force is currently enrolled in some pension schemes, in Egypt only 34 per cent of employed persons are covered by social insurance (some on voluntary basis).

• Unemployment wears a female face. Unemployment rates for Arab women are higher than those for Arab men, and among the highest in the world; 25 per cent of the youth male labour force compared to 31.2 percent for females.
Countries experienced revolution suffer from corruption, bad governance, unequal opportunities, lack of freedom, violation of human rights as well as high level of unemployment especially among youth.
Factors contributed to Arab Uprise

• The Arab street has made clear that it is no longer willing to accept substandard public services and a private sector made up of politically well-connected businessmen.
• Economists have attributed this regional movement to people’s dissatisfaction with their standard of living, high unemployment, and growing inequalities.
• Poor public accountability of the state
• Increasing concentration of political and economic power in the hands of a few.
• Information on corruption was made available in Media and internet
• Egyptians were given more space to protest and oppose
• Do statistical measures reflect these alarming signals?
Youth played a central role in sparking Arab Uprising

• There are a number of reasons for this. Young people in the Middle East, especially the growing urban youth population, have been hurt by low wages, high unemployment and high food prices that have increased their existing discontent.

• Just as significant, this generation’s global interconnection through media and technology has exposed them to images of possibilities besides their current governments.

• These factors, among other conditions, combined to give youth both the will and the vision to lead the cause for change.

They demand for dignity, social justice and freedom, all these are dimensions of equity
Can we rely on people’s Perception of inequality

• One can observe the mismatch between inequality measures and inequality as perceived by individuals.

• This may partly be related to unreliable data that fail to completely measure well-being in the region.

• Another indication of a numbers mismatch is that people’s satisfaction with living standards as measured by perception-based survey polls.

• It is interesting to note that the results reveal the predominant cultural attitude among Egyptians, when the majority of answers reflect the acceptance of conditions as given by God, irrespective of their being good or bad.
Most of perception indicators reflects a sort of inequality

<table>
<thead>
<tr>
<th>REGION</th>
<th>Objective poverty</th>
<th>Subjective poverty</th>
<th>Gini Coefficient</th>
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</thead>
<tbody>
<tr>
<td>Metropolitan</td>
<td>5.72</td>
<td>42.53</td>
<td>0.416</td>
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<tr>
<td>Lower Urban</td>
<td>9.81</td>
<td>33.69</td>
<td>0.288</td>
</tr>
<tr>
<td>Lower Rural</td>
<td>16.57</td>
<td>30.69</td>
<td>0.248</td>
</tr>
<tr>
<td>Upper Urban</td>
<td>19.19</td>
<td>36.13</td>
<td>0.396</td>
</tr>
<tr>
<td>Upper Rural</td>
<td>34.87</td>
<td>23.32</td>
<td>0.273</td>
</tr>
<tr>
<td>Total</td>
<td>20.4</td>
<td>31.82</td>
<td>0.358</td>
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Subjective poverty is highly correlated to inequality, where regions exhibited higher inequality have higher subjective poverty.
• Do perception-based survey polls provide right signals; in spite of their limitations concerning timing and sample size.

• Surveys in many Arab countries showed that satisfaction with living standards has fallen in most Arab countries in recent years, especially in Bahrain, Egypt, Libya.

• Egyptian WVS 2008 showed that 73.5 percent are quite happy, and 9.7 percent are very happy, while 14.8 percent are not happy, and 2.03 percent are not at all happy. They also show that 47 percent are dissatisfied, and 53 percent are satisfied.

• It is worth mentioning that 60.2 percent of the individuals who reported as happy are satisfied.

• Perception of individuals on inequality and satisfaction depend on environment he was exposed during short period of time;

• Most people see inequality as violation of fairness or social justice.
Public Policies

• Public policies are much concerned about reducing feelings of poverty, deprivation and marginalization rather than actual poverty and hence reduce their opposition to government policies. This is a dominant issue in the minds of many policymakers for political sustainability of any economic and social policies.

• Empirical results showed that fine targeting –even if it reaches the poor-undermines political support for the program and hence threatens program sustainability.

• Sustainable development depends on having broad political support, which can be at odds with objective measures of inequality.