



Mathurin Hybrid Initiative

Global Advisory Report

Informal Economies in
the MENA region: A web
of informality, domestic
work, and human
trafficking in the United
Arab Emirates.

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12/10/2023

MENA and Informality

The informal economic sector in the Middle East and North Africa amounts to, on average, nearly one-quarter of official GDP. There is, of course, acute diversity in levels of informality across the region. It is most prevalent in non-GCC economies, young populations, the agricultural workforce, and female populations. Wide heterogeneity is tightly linked to regional economic structures, governance climate, low private sector vibrancy, and restricted economic diversification.

Over the past two decades, employment informality in MENA has remained high, especially amongst lower-skilled workers and young populations, posing a challenge to joboriented growth and slowing the transition to a diversified economic structure. The persistent nature of informality in the MENA region is linked to long-standing economic structural issues, including dependence on oil, limited private sector growth, low labour mobility, and overall lack of economic diversification. Informal sectors are often associated with lower productivity, low wages, and non-inclusive growth opportunities. While informality can provide employment when the formal sector may be distorted and governance poor, the structural and institutional features which incubate informality hinder regional economic diversification while also reducing its reliance on commodity production and the public sector. Indicators revealing low institutional quality compound with poor public services and an over-complicated regulatory environment, driving up operating costs in the formal sector. Furthermore, conflict, lower productivity, and restricted access to the market all create an atmosphere ripe for a thriving informal sector.

While informality can present avenues of employment it also presents a source of income vulnerability for women – the wage gap between formal and informal work is higher for women than for men. This is especially damaging considering informality rates are higher among women. The past two decades have seen a global rise in female migration, especially among the Gulf countries. Many migrate for semi-formal domestic and care work while some move into the informal sphere of commercial sex work. However, what is particularly interesting to note is that domestic and care workers – although seeking to migrate into the formal labour economy through legal channels – are finding employment instead in the informal economy. This is due to poor working conditions, the impact of global trafficking and migration policies, and the regional responses to these policies and discourses.

Labour Regulations

Female domestic and care workers are held under the restrictive labour regulations of the sponsorship system for migrant workers in Gulf countries, yet they fall outside of the protection of labour laws in the UAE. Anyone migrating into formal sectors of labour must do so through this system, which prioritises the interests of the employer/sponsor over that of the employee. The system merges the employer and the employed into one category, meaning a labour dispute ending in termination automatically leads to the employee becoming an illegal or undocumented worker. Resoundingly close to forms of modern slavery, the threat of deportation unpins the reality of the migrant workforce in the Gulf.

For female domestic and care workers, this system creates distinct precarity. Residence in the country is dependent on the sponsor, who is also the employer. They are completely dependent on this person for access to essential services and shelter. Article 3 of the general provision of the labour law excludes domestic servants employed in private households from

protection yet they must abide by the sponsor procedures, leaving them entirely at the mercy of the employee/sponsor.

International pressures

Global policies aiming to tackle human trafficking have restricted female migration and tightened borders for women specifically. However, the demand for female labour and the number of women seeking to migrate for work remains the same. Thus, demands for mobility in migrant-receiving countries, coupled with stringent immigration policies result in irregular migration patterns that may lead to exploitative situations. In the UAE, increasingly large amounts of migrating women are seeking unlicensed intermediaries to secure employment in the Gulf. In a context where options for income generation at home are limited, many women are choosing to migrate to countries where they work illegally and informally. Global initiatives, such as the TIP reports, and protectionist migration laws enacted from international pressures attempt to regulate female migration. In reality, however, they fail to reduce the probability of women encountering abusive situations and increase levels of informality, damaging region development.

A combination of international policies, local labour laws, the government and economy of the home country, and the need to support a family all affect women's decision to migrate. Global rhetoric surrounding human trafficking, especially its fixation on female sex work, is actually pushing more people into precarious and, at times, unwanted employment in the informal sector due to the challenges of migration into the formal economy. Global reaction to the US Department of State's TIP reports and policies based on cultural bias – such as bilateral agreements preventing unmarried or underage women from leaving their home countries – are making matters worse. Such policies mitigate the simple reality that migrants *need* to move to make a living and will do whatever is necessary to do so. Yet, international recommendations

regarding trafficking are empty of dialogue on the reformation of labour laws to protect women wishing to join the formal economy. For the UAE especially, the lack of protective labour laws and a stringent sponsor system means women in the formal labour market are structurally marginalized by systems of governance and policy which lack situational nuance and a deeper understanding of real-life impact. As a result, women currently in the formal sector are likely to become informal workers in the future.

Summary

The informal sector in the Middle East stifles diverse economic growth for a manner of reasons. As is evident through the UAE example, the persistence of informality is tied to long-standing structural issues. In particular, informality creates vulnerability for women. Conversely, global policies aiming to tackle human trafficking have created exploitative situations for women, increasing the likelihood of employment in the informal sector and damaging formal sector growth and economic diversification.

Reference material

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