Globalization and Labor Protection in Oil-Poor Arab Countries

Racing to the Bottom?

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ABSTRACT The 'compensation hypothesis' holds that voter pressures have prevented democratic governments from repealing popular forms of social protection during globalization. Can a similar dynamic shield workers in globalizing authoritarian countries from increasing economic insecurity? This article examines four authoritarian countries undergoing structural adjustment: Egypt, Tunisia, Morocco and Jordan. In each, the government sector has provided the bulk of formal-sector employment, while populist labor laws ensured that these jobs remained secure through retirement. I examine the consequences of privatization for public sector workers, and review corresponding efforts to achieve labor market flexibility through revisions to labor codes. The findings indicate that authoritarian rulers have been constrained from implementing market reforms as extensively and rapidly as multilateral lenders have sought. Nevertheless, there is reason for normative concern, as stable private-sector employment opportunities have proved inadequate, and the implementation of alternative systems of social protection lags behind the dismantling of the old models.

KEYWORDS *globalization, labor, Middle East, Privitization, social protection*

Introduction

To many observers it is axiomatic that globalization will have harmful effects on workers, at least in the short run. In what Garrett (1998, 1999) and others label the 'efficiency hypothesis', the increasing international

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SAGE Publications (London, Thousand Oaks, CA and New Delhi)
vol. 3(3): 267–297. [1468-0181 (200312) 3:3; 267–297; 038080]

integration of markets in goods, services, and capital is expected to force firms to lower wages and benefits in order to maintain global competitiveness. At the same time, governments will face growing pressures to engage in 'social dumping', weakening safety nets so as to maintain a favorable investment climate. Some anticipate a 'race to the bottom' that will see rising income inequality and increasing economic insecurity among lower income families worldwide (see for example Tonelson, 2000). Other scholarship, however, has questioned these dire predictions. At least in the industrialized democracies, the 'compensation hypothesis' holds, pressures from voters committed to the modern welfare state have limited governments' ability to repeal popular forms of social protection. Globalization may even lead to increased government spending as politicians respond to citizens seeking to reduce their vulnerabilities in the new global economy (Garrett, 1998; Pierson, 2001).[1] To the degree that policy responses among industrialized democracies have diverged, institutional differences, particularly in their systems of industrial relations, are an important explanatory variable (Scharpf and Schmidt, 2000: 10).

But what, then, of less developed countries (LDCs)? Lagging in technology and often dependent on single-commodity exports, such countries are far more susceptible to the vicissitudes of the international marketplace than the industrialized powers, while accumulated external debt makes them vulnerable to the conditions imposed by multilateral lenders. Yet many LDCs also lack established democratic institutions through which their citizens can lobby for protection. Indeed, some neo-liberal reform advocates among both scholars and policy makers have argued that democratization in such countries should be delayed precisely because implementation of market-oriented reforms is more easily accomplished in an environment where policy makers are insulated from political pressures and opposition to reform can be suppressed.[2]

The empirical evidence on this score is mixed. While large-N studies by both Garrett (1999) and Rodrik (1997) found a compensation effect associated with greater trade openness among LDCs, Rudra (2002) showed globalization linked to declining levels of social spending; Taylor (2001), studying a smaller sample, identified cases of both increased and decreased spending. Among Latin American countries, Huber documented a decline in per capita social spending during the 1980s when structural adjustment was introduced, and Kaufman and Segura-Ubiergo (2001: 582) find 'the overwhelming weight of evidence' favoring the efficiency hypothesis. But while the non-democratic countries in Rudra's sample showed less likelihood to spend on social welfare, Kaufman and Seguero-Ubiergo reported no correlation between democracy and aggregate social expenditures, although democracies were more likely to spend on education and health.

Social spending statistics may, however, overlook some important safety net features in LDCs,[3] and may fail to capture an important part of the dire dynamic envisioned by critics of neo-liberalism: changes in employment conditions and job security. To anti-globalization forces, burgeoning unemployment is a key component of the engine driving competitor countries in the race to the bottom. It is anticipated to result, first of all, from the exposure of inefficient, formerly-protected industries to international competition, and second from privatization since, to varying degrees in different countries, the government sector has provided the main avenue of employment for high school and college graduates, while populist labor laws ensured that these jobs remained secure through retirement. Government employment generally also carries with it secure pensions and other forms of social insurance that may be unavailable to most private sector workers.[4] The vulnerabilities of workers resulting from job and insurance loss could, in turn, drive down wages and thereby lower living standards throughout the society. Indeed, there is little dispute by neo-liberal advocates that market reforms will initially hurt formal-sector urban workers, who are viewed as privileged relative to the rural poor, but market champions see this as 'transitional pain' that must be suffered only until the reforms succeed in elevating all economically weak sectors (Kanbur, 2001; World Bank, 1995). Thus, even if social spending were to increase with globalization, and rural poverty were to decline, it is possible that formal sector workers are suffering setbacks that could eventually ramify through the society if reform programs fail to live up to their optimistic promises. Though employment outcomes have received less attention in the literature than social spending, several recent studies have confirmed an association between globalization and rising unemployment (Rama, 2003; Taylor, 2001).

In this context, there are several reasons to suspect that an erosion of workers' welfare will not necessarily proceed more rapidly in authoritarian countries than in democracies. First, in the last decade or so the International financial institutions (IFIs) themselves have looked more favorably on safety net spending; especially noteworthy in this regard is the 1996 decision by the World Bank to fund severance packages for redundant public sector workers. While such compensation programs may, for some neo-liberal advocates, represent an expedient way to ameliorate potential opposition to reform rather than a departure from the view of government workers as privileged rent-holders, they are nevertheless an important means of cushioning the urban poor from the deleterious consequences of globalization.[5] Second, as noted by Geddes (1994), the public sector can provide a significant source of patronage for political incumbents, who will be especially reluctant to jeopardize the support of campaign workers critical to their re-election by depriving such loyalists of their sinecures. Though seemingly more relevant to democracies, Geddes suggests that this dynamic can also apply to party-based authoritarian systems. Third, despite not facing re-election pressures, authoritarian executives may nevertheless see their legitimacy tied to the preservation of existing welfare mechanisms for workers through a populist 'social contract' (Kaufman and Segura-Ubiergo, 2001: 560) or what I have elsewhere labeled a moral economy (Posusney 1997, 2002). Kaufman and Segura-Ubiergo found that both democratic and authoritarian presidents with a populist support base were less likely to cut pension spending than were democratic regimes overall.

This article explores these propositions by examining developments related to urban employment and job security in four authoritarian Arab countries: Egypt, Tunisia, Morocco, and Jordan. For each, I look at the pace of privatization, the steps taken to ameliorate job loss, and changes to the legal environment governing job security and insurance provision in the formal sector. The findings indicate that in these cases, the fears of the 'race to the bottom' theorists have been exaggerated: even where job security provisions have been eroded, privatization programs have been tempered by incumbents' hesitancy to aggravate unemployment, while redundant workers have typically received adequate to generous compensation packages. Nevertheless, there is reason for normative concern, as not enough stable private-sector employment opportunities have emerged to replace government jobs, and the implementation of alternative systems of social protection is lagging behind the dismantling of the old models.

Adjusting Arab Economies

Egypt, Tunisia, Morocco, and Jordan share a number of similarities that make them useful cases for assessing the effects of economic reform on formal-sector labor in authoritarian countries.[6] Economically, based on their per capita GNPs, all four countries fall into the World Bank's category of 'lower middle income' countries.[7] Although Egypt can be considered moderately oil dependent, none are major exporters of oil; they must rely mainly on merchandise and invisibles for export earnings. Nevertheless, remittances from labor migration within the region, and Arab aid, provided important sources of foreign exchange for all four in the 1970s and early 1980s. Thus, all were adversely affected by the downturn in the world oil market in the mid-1980s, and experienced serious balance of payments difficulties and mounting foreign debt.

All four entered the 1980s with economies in which the government played a major role; sizeable public sectors were created as a consequence of post-colonial nationalizations when statist development strategies were adopted. Public sector and civil service jobs, with their attendant benefits, were offered to high school and college graduates as a way to encourage education, and came to be viewed by students and their families as an entitlement.

In response to their external crises, all four turned to multilateral lending agencies, especially the IMF and the World Bank, in the 1980s and 1990s, and implemented stabilization and structural adjustment programs under their auspices. Because these programs brought them macroeconomic stability, all four countries have been considered 'success stories' by the IMF (Pfeifer, 1999). Nevertheless, multilateral lenders have continued to express reservations about the pace of reform in all of them.

All are generally considered to be authoritarian countries in which most power is vested in the executive branch, whose leader is not subject to popular choice; the press and opposition activity are restricted, to different degrees, in each (see for example Diamond, 2002). However, all have undergone limited political reforms roughly simultaneous with their economic adjustment programs. As summarized in Figure 1, Egypt and Tunisia are here defined as a 'ruling party states' – former single-party states that now, within limits, permit opposition parties to gain seats in legislative elections, but assure the continued domination of the president's party and his continued hold on the executive branch. Jordan and Morocco are monarchies that initiated or expanded multi-party contestation for parliamentary seats during the 1990s; they now have a greater diversity of legislative representation than the ruling party states. The democratization process has arguably gone furthest in Morocco where representatives of former opposition party now dominate the cabinet.[8] Morocco is also the only country of the sample, and indeed in the Arab world, to have competitive unionism, with two large confederations each linked to a

		Single Party Legislative Dominance	
		Yes	No
Union Competition	Yes		Morocco
	No	Tunisia Egypt	Jordan

FIGURE 1 *Party and union structures*

different, former opposition party, and a third that is independent. Egypt and Tunisia closely resemble a state corporatist system, with a single, hierarchical confederation whose leaders are carefully screened by the government and co-opted into the ruling party. Jordan, likewise, has only a single confederation widely described as subservient to the government, but not linked to it through any party apparatus.

Both political and economic liberalization in these countries has taken place in the context of the rise of militant political Islamic forces in the region. The governments' wariness about implementing reforms that might increase poverty and thereby fuel discontent, which the subsequent sections will illustrate, appears to stem in part from fear of enhancing the popularity of such groups. At the same time, this fear has also made the rulers cautious about extending political freedoms, including those affecting organizations representing workers, too far or too fast.

Privatization

As an essential component of the neo-liberal agenda, privatization poses a sharp threat to the present and future livelihoods of government workers. While governments in each country here committed to divestiture under IFI pressures, implementation was slowed by concerns over causing large-scale job loss. This section offers capsule sketches of the countries' privatization programs; thereafter, I trace their efforts to ameliorate the hardships of public sector reforms for workers.

EGYPT

Egypt was the first country in the region, and indeed among the first globally, to contemplate privatization; the first calls were heard in 1973 as then-president Anwar el-Sadat was initiating the *infitah* (economic opening).[9] However, although public sector hiring was liberalized in 1978 and state-owned enterprises (SOEs) were permitted to participate in joint ventures with foreign capital, there was little actual divestiture over the next 15 years. Leftist movements and the Egyptian Trade Union Federation (ETUF), Egypt's workers' confederation, spearheaded the campaign against privatization.

Coming to power in 1981, Husni Mubarak continued Sadat's *infitah* policies, but vowed that he would neither sell nor shrink the public sector. However, the regime was repeatedly pressed by the IFIs to implement further reforms, and the government committed itself to privatization in 1989, following the effective collapse of a standby agreement that Egypt had signed with the IMF in May 1987. In June 1991, the government enacted Law 203. In addition to paving the way for full or partial privatization of SOEs, it sought to make them operate more efficiently by grouping them into several dozen holding companies whose members would be appointed by the government, and who were expected to manage their portfolios according to market principles. The holding companies were empowered to divest themselves of a subsidiary partially or completely, or to close it down.

The pace of divestiture in the early 1990s was nevertheless rather slow. Privatization thus rose to the forefront of new negotiations with the IMF in 1996. Accordingly, the government announced plans for more extensive and rapid privatization that year, marking a turning point in the sell-off program.

The three years from 1997 through 1999 marked the peak of Egypt's divestiture efforts. At its end, the government reported that 137 of the 314 Law 203 SOEs had been fully or partially sold, and the IMF pronounced itself satisfied with the program's progress. However, after an economic downturn starting in mid-2000, the program slowed considerably. The government has since pledged to offer utilities, banks and insurance companies, maritime and telecommunications firms – all originally excluded from Law 203 – as well as prominent tourist hotels, but only 22 new sales were announced through fall 2002.[10]

TUNISIA

In 1983, before structural adjustment was initiated, Tunisia's public enterprise sector accounted for 31 percent of GDP and 29 percent of formal sector employment (Harik, 1992: 210–12; Saghir, 1993: 5) With the actual implementation of privatization in Egypt so long delayed, Tunisia emerged as the first country in the region to undertake a serious divestiture effort. Privatization was begun in the mid-1980s under the late President Habib Bourbuiba, and then continued under his successor, Ben Ali, who took office in 1987. The effort focused initially on small and medium-sized enterprises, and was aimed at Tunisian investors; sales were mainly to single owners or families. In 1989, the government revamped the privatization legislation, forming a new inter-ministerial agency (CAREPP) to supervise the effort. The 'public enterprise sector' was redefined at this juncture to include only the 175 firms, and another 14 with majority public ownership that were considered strategic; these 189 enterprises then became the focus of the privatization program. A United States Agency for International Development (USAID) study estimated that about 20 percent of the 150,000-odd workers in these companies were redundant (Harik, 1992: 215; Saghir, 1993: 1, 7, 12).

The government proceeded cautiously; most of the 48 companies sold through 1994 were small or medium-sized enterprises in the tourist or transport sectors, meaning that the large, industrial SOEs were not yet being threatened. With only another 12 firms divested through mid-1996, the World Bank faulted the regime for foot-dragging, and this held up negotiations over a new loan. Accordingly, the government expanded the privatization list and moved more rapidly; an additional 33 firms were divested in late 1996 and 1997, and the pace picked up further after that (Alexander, 1999: 4–5). Highlighting the last four years has seen the sale of several large cement works.

MOROCCO

Unlike its neighbors who more thoroughly embraced 'Arab socialism', Morocco has had an external orientation since independence in the 1950s. Nevertheless, a 'Moroccanization' drive initiated in 1970 resulted in increasing the number of enterprises with direct or indirect state participation. The public sector grew by roughly 75 percent in the following decade, reaching a total of about 620 companies by the end of 1985. The monarchy began to express concerns about its size towards the end of the 1970s, but the government backed off pursuing structural reforms when popular resistance to other adjustment measures enacted in the early 1980s became manifest.

Law 39 of 1989 authorized privatization of 112 firms to be completed by the end of 1995. The first sale did not occur until October 1992, however, and through the summer of 1996, 25 companies and 17 hotels were either completely or partially sold. At that point, Morocco led the Arab world in privatization proceeds; nevertheless, the original privatization deadline had expired with less than half of the planned sales having been completed. With multilateral lenders urging a stepped-up pace, the government extended the program until 1998 and moved to divest more strategic concerns; the announcements of new tenders came rapidly in 1996 and 1997 and included four of the largest state mines, the telephone service, several sugar facilities, and two oil refineries. The program encountered a variety of technical roadblocks, however, and through 1998, only 10 more companies had actually been sold.

In the meanwhile, the main opposition parties agreed, following the 1997 elections, to participate in the cabinet. Despite multilateral concerns that the government of former opposition leader Aberrahmane Youssoufi would halt the divestiture program, the parliament in 1999 approved legislation to extend the program for selling the remainder of firms on the list. While the Youssoufi government successfully carried out two telecom privatizations, plans to divest a 40 percent share of Royal Air Maroc have hit roadblocks. Rabat has pledged to sell tobacco, phosphates, transport, energy, and other infrastructural concerns, and has sought foreign advice on the sale of the state's portfolio of minority stakes (up to 20%), which includes some 287 enterprises. The total number of firms sold through June 2002, including hotels, stood at 87.

JORDAN

Jordan's relatively small number of SOEs are concentrated in five sectors – water, electricity, transport, telecommunications, and mining, where they mostly enjoy monopoly status. In 1990, according to official statistics, the public sector controlled 55 percent of industry, and fully state-owned enterprises held about 32 percent of total capital. The government also participates in equity shareholding, carried out through its investment arm, the Jordan Investment Corp (JIC) (Al-Qudat, 1998; Anani and Khalaf, 1993: 211; Investment Banking Unit, Export and Finance Bank, 1999: 26–7).

Jordan officially announced its intention to privatize in 1986, in the context of discussions with the IMF that resulted in a 1989 accord. With the resultant devaluations and subsidy cuts prompting severe bread riots, however, and then the 1990–1 Gulf War cutting off the flow of worker remittances and resulting in an influx of about 350,000 migrant workers needing jobs, Amman suspended its structural adjustment program for several years. Public sector hiring increased by more than 10 percent between 1992 and 1994, with spending on salaries and wages growing by 70 percent between 1991 and 1995 (Anani and Khalaf, 1993: 210; Daves, 1997: 13,19; Hollister and Goldstein, 1994: 69; Investment Banking Unit, Export and Finance Bank, 1999: 34–5; Kanaan, 1998; US Department of Labor, 1991: 4–5).

Thus, it was not until 1996 that privatization really began and, as elsewhere, the program proceeded more slowly than originally projected. Through 1999, most privatization took the form of share sales by the JIC; at the end of 1998, it held shares in around 20 companies, down from 31 in the mid-1980s (Investment Banking Unit, Export and Finance Bank, 1999: 27; Kanaan, 1998). The pace of the program picked up with the enactment of a privatization law in 2000. The Public Transportation Company was restructured and sold, and the government approved the offer of 40 percent of the shares of the Jordan Telecommunications Company to a strategic partner. Aqaba Railways Corporation was leased to foreign management and, as part of a restructuring program, several subsidiary companies were split off from Royal Jordanian Airlines (RJA) and put on the block.

The World Bank in 2000 gave Jordan's program a positive review, citing divestiture of 28 of 40 concerns in the initial program (World Bank, 2001). Nevertheless, economists, government officials, and political analysts I spoke with in January 2001 concurred that the program was still young; numerous prominent sales commitments that the cabinet made that year, while in various stages, have yet to be fully realized as of this writing. Ongoing transactions include the main mining companies – Jordan Phosphate Mines and Arab Potash – while electricity sector and postal services are being restructured prior to sale; the government is still seeking a strategic partner to buy a chunk of RJA.[11]

Thus, in all our cases, governments have yielded to multilateral pressures to pursue privatization and public sector reform, but despite complaints from their creditors, they been privatizing only gradually. The mechanism suggested by Geddes (1994), in which legislative incumbents resist privatizing because public sector positions serve as rewards for their election workers, is not a satisfactory explanation for this phenomenon. It seems unlikely that this dynamic was at play in Tunisia, which uses a party list electoral system in which the ruling party's slate is virtually assured of victory. Similarly, in Egypt during the 1980s, when resistance to privatization was at its height, legislative elections were conducted through a party-list proportional system, and the National Democratic Party (NDP) candidates were virtually assured of their seats. Conversely, the push toward privatization coincided with a shift toward single winner districts in which NDP loyalists who did not receive their party's backing competed as independents (Posusney, 2001). Rather, the gradualism witnessed here is better explained by the regimes' concerns for their legitimacy and longevity. As the next section will show, manifestations of popular opposition have surfaced in spite of authoritarian controls, and fueled fears of more serious upheavals if market liberalization proceeded too rapidly.

Privatization and Employment

While technical obstacles and other political factors come into play, a central reason for the slow pace of privatization shown here has been the regimes' disinclination to alienate public sector workers. This concern is evident in their efforts to win formal trade union support, restrictions on lay-offs due to divestiture, and special compensation programs for workers who did suffer job loss.

EGYPT

The Mubarak regime pressured or co-opted ETUF leaders into endorsing Law 203, but also took steps to assuage workers' concerns about privatization. No lay-off clauses were specified in the agreements to sell SOEs, portions of a new 'social fund' were earmarked for retraining redundant public sector workers who would be displaced by privatization; and employee share in ownership (ESOP) plans were vigorously promoted. Citing these measures, the regime now proclaimed that 'no worker would be hurt by privatization', and this also became the mantra of unionists explaining their support for Law 203. Those who remained recalcitrant were removed from their posts in the mid-1990s.

But although mass lay-offs were avoided in the early 1990s, public sector managers were under pressure to make their firms more profitable, and their first line of attack was often workers. Numerous firms that had earlier resorted to hiring temporary workers not subject to the job security laws now began to dismiss them. Other establishments simply declared that large numbers of their full-time, permanent employees were redundant, and therefore no longer entitled to the supplementary wages that often comprised about two thirds of workers' take-home pay. Such actions provided a basis for continued popular opposition to structural adjustment, with a major and bloody confrontation between workers and the government taking place in 1994.

When the privatization program took off in 1996, the number of workers threatened with job loss rose dramatically. At the outset of the 1990s, the workforce in the state-owned enterprises was roughly 1.4m, representing about 10 percent of total employment. The World Bank estimated that some 380,000 of these workers were redundant (Assaad, 1997: 60; Korayem, 1997: 21). Since the labor law still precluded mass lay-offs, the government endeavored to make the remaining SOEs more attractive to investors by streamlining the workforce prior to sale. An early retirement incentives program was the vehicle for this.

Participating workers receive a lump-sum payment from the company and a monthly pension through the social security system. The official rationale for the lump sum component is that recipients should invest in a small business, or in stocks, thus fostering economic growth. However, labor activists say that many workers instead spent the money on large-scale expenses, like those associated with marrying their children. Those who did, or whose investment schemes failed, suffered, because the monthly stipend may be less that half the pension they would have received at the legal retirement age. Early retiring workers lose access to government-provided health care and face possible eviction from cheap company housing complexes (Center for Trade Union and Workers Services, 1998).

Various accounts indicate that, while many workers may have welcomed the early retirement opportunity, program enrollment initially fell short of government targets. Labor activists charged that some workers were being pressured into enrolling under threat of wage cuts or transfer. By the end of 1998, however, the rate of acceptance had gone up dramatically. About 130,000 workers were discharged under the program through mid-1999 (Land Center for Human Rights, 1999), and official figures suggest that an additional 40,000 were added by the end of 2001, making the total about 12 percent of the pre-reform SOE workforce. Activists attributed the increase to workers' growing fear that once a new labor law was enacted (see next section), they would risk being fired with no compensation whatsoever, in a country that lacks a functioning unemployment insurance program,[12] and with an official unemployment rate (in 1998) of 11.7 percent (Assaad, 1999: 14). Recent accounts cite a 50 percent drop in workers still covered by Law 203 (i.e. in firms not yet, or only partially, privatized), from just over 1m in 1991 to just below 500,000 through spring 2003, but those figures would also include workers retiring at the legal age, as well as those whose status changed following privatization.

Wildcat protests have challenged the government's claim to be protecting SOE workers' interests. There have also been numerous cases of companies delaying early retirement payments to workers, or failing to pay them the promised amount. In some newly privatized firms, owners have resorted to laying off temporary employees, subjecting permanent workers to forced transfers, cutting back on bonuses and incentive pay, forcing workers to sign new contracts with a lower basic wage, and increased use of monetary penalties for lateness, absence, or poor job performance. Similar measures are also taken sometimes by public sector managers anticipating divestiture. Lacking the support of the trade union structure, incidents inspired by these occurrences are informal, often spontaneous, and short-lived, but they have occasionally won plant-level concessions for the workers. At the national level, with a reported 18 percent increase in official unemployment in 2002 (and some analysts suggested that the real numbers are higher), the government rushed an emergency unemployment fund proposal through parliament that summer (*Al-Ahram Weekly*, 18 April 2002; Egypt Quarterly Forecast Report, 2nd Quarter, 2003; Farag, 2002).

TUNISIA

In the mid-1980s, ESOPs were also attempted, but were not successful. Tunisia's trade union confederation, the Union generale Tunisienne du travail (UGTT), was hostile to the advent of structural adjustment. The UGTT's membership consisted mainly of SOE workers and, unlike in Egypt, salaries in the public sector were generally higher than those available outside it, so members feared that even if they were to maintain their jobs after divestiture, their income would decline. Seeking to tame labor opposition through repression, the Bourguiba regime installed a new leadership at the top while arresting many base militants. At the same time, the government cancelled the withholding of union dues from salaried workers and ended paid leave of absence from public sector employment for union work. Ben Ali, however, saw the unions as a potential counterweight to the Islamists, then growing in strength, and therefore moved to revive the confederation shortly after assuming the presidency. Union elections were permitted in 1989, and the new senior leadership initially took a vocal stand against the economic reforms. At the local level, privatization of at least two companies was delayed by plant-level protests (Alexander, 1996: 180–6; Harik, 1992: 219–20; Saghir, 1993: 24).

As in Egypt, the government also sought to ameliorate labor opposition by taking steps to minimize privatization's dislocations to workers. Purchasers were asked to agree to maintain the companies' existing labor force; where this could not be arranged, the government sought to find alternative employment for the workers, or arranged compensation packages. The Fond de Restructuration des Enterprises Publiques, established in 1987 and funded in part by privatization proceeds, financed severance pay to laid-off workers and covered any arrears from the divested company to the social security system. According to a CAREPP study, through June of 1990 about 6,500 workers from 26 public enterprises were affected by restructuring in preparation for, or just following, privatization. Of these, about 46 percent were kept on by the new owners, and another 8 percent were transferred to other positions. Many of the remainder accepted various retirement or compensation options; about 300 workers, or 4.5 percent of the total, were listed as being laid-off (Harik, 1992: 216; Saghir, 1993:16–19).

Also as in Egypt, by the early 1990s the government was able to pressure and co-opt the senior unionists into endorsing the reforms, although they complained about not being consulted over particular privatizations. The UGTT leadership, owing their positions to Ben Ali, cooperated with the regime in purging the confederation of Islamists, as well as leftists and other potential militants. Nevertheless, labor protest could not be eliminated at the base (Alexander, 1999, 2002).

During the mid-1990s, the unemployment situation worsened as a result of trade liberalization, which subjected Tunisian firms to greater competition especially from Europe; the textile sector was particularly hard hit. Reform of the labor laws (see next section) made it easier for private sector firms to dismiss workers, and officially reported joblessness rose to around 16 percent. Privatization was responsible for about 2,000 public sector workers annually losing their positions between 1996 and 1998 (Layachi, 1999: 4, 27–9; World Bank Sources). Though small in absolute terms, when added to the earlier retrenchments these numbers represent about 6 percent of the pre-privatization SOE workforce, and presumably increased with divestiture's recent acceleration. Informal interviews suggest that laid-off workers were having difficulty finding alternative employment and, as was suggested in Egypt, that family strains were increasing as a result.

Compensation packages for redundant public sector workers were negotiated between the UGTT and the Ministry of Social Affairs. Unionists say the latter is the more powerful actor, but that does not preclude severance packages in excess of the mandatory amounts specified in the labor codes. According to union sources, workers over the age of 50 were being encouraged to choose voluntary early retirement, combining severance indemnities with a low monthly pension and family health coverage. Younger workers are given larger lump sum packages and, under the terms of a 1996 law,[13] are entitled to receive their basic wage (less various supplements) and insurance coverage for their families for up to a year, unless other employment is found. The pensions and indemnities are being funded by the social security system and – according to confidential World Bank sources – have been placing a strain upon it. Tunisia's compensation program, unlike Egypt's, is not geared toward spawning new, worker-run businesses, but the government did recently launch a new program to train and assist laid-off workers seeking to establish a small enterprise.[14]

Until now, the government has been wary of implementing a formal unemployment insurance program, fearing that guaranteed support would discourage laid-off workers from seeking other employment (Youzbachi interview, June 2002).[15] However, the UGTT is now calling for such a system.[16] The continued symbiotic relationship between the senior unionists and the government, along with the ongoing repression of union dissidents, suggests that this demand is being raised at least with the regime's permission, if not at its urging. In the meanwhile, the government expanded the coverage of the 1996 law (Youzbachi interview, June 2002; Law 24 [February 2002]).

MOROCCO

Morocco's main labor unions were antagonistic to the abandonment of the public sector. Two of the main three labor confederations – the CDT and UGTM – are affiliated with the former opposition parties that now dominate the cabinet; these are also the confederations whose base lies in the public sector and civil service (Alexander, 2002; Catusse, 1998). These parties refused to join the government, following the 1993 elections, when the monarchy made this offer conditional on their agreement to continue IMF-mandated reforms.

Privatization opponents voiced fears that the program would aggravate the country's unemployment problem, but the trade unions in the early 1990s did not mobilize their memberships behind any specific campaigns against privatization. This in part reflects the fact that the goals of the main public sector workers' unions were subordinated to their affiliated parties' political strategies. But the government, following a wave of labor protest in 1989–90, took steps to ensure that the privatization program caused minimal social dislocation. One of the criteria for inclusion in the initial list of enterprises to be sold was lack of surplus labor; buyers were required to retain the inherited workforce for at least 5 years with no reduction in wages and benefits. By the mid-1990s, however, there were signs of a growing restiveness among workers as well, especially in enterprises facing financial difficulty and/or restructuring. A strike erupted in the ceramics sector in the spring of 1996 following a massive lay-off there, and reductions in salary and compensation generated a series of job actions in the textile sector (Alexander, 2002: 99; Ambaraka, 2000: 43; Catusse, 1998: 28–9).

The Youssoufi government enforced the privatization law's requirements of new owners vis-a-vis workers. The courts recently ordered the renationalization of one company that was sued by the government for violating these provisions, and a second such suit was under preparation in June 2002; in these instances the government assumed the responsibility for paying the affected workers while the cases are in litigation.[17] But the government was continuing with public sector rationalization, initiated along with privatization, despite the fact that it has restricted opportunities for new job seekers. USFP leaders admitted that they have been unable to reduce either poverty or the country's high unemployment; official statistics put the latter at 17 percent, but union and human rights activists said it might actually be double that number.[18] Factory closures were the second largest source of unemployment in the late 1990s; the textile sector alone lost 100 factories and at least 22,000 jobs in 2000 (Denoeux, 2001: 4, 8; *L'Economiste*, 11 December 1998).

In this climate, divestiture plans can only have made workers feel more vulnerable, while the political changes may have encouraged more public manifestations of discontent. The first half of 1999 saw 32 percent more strikes than the same period in 1998, with a 44 percent increase in the number of workers involved, and a 102 percent increase in workdays lost. One of these actions involved a week-long demonstration at the parliament building by IAM workers seeking to stop the privatization of their company. This unprecedented level of labor protest continued into the 2000s (Denoeux, 2001: 9, 11–12).

As the privatization program moved from more successful firms to those with significant over-employment, the government, with encouragement from the World Bank, has accepted the idea of targeted compensation to redundant workers. Early retirement programs have been implemented in the postal area, the mining sector, and Maroc Telecom, with many workers accepting. Bank sources indicate that the costs of these retrenchments are coming from privatization proceeds. As in Egypt, however, workers were reportedly spending their severance pay on family necessities, leaving insufficient amounts to sustain them through unemployment.[19] Meanwhile, tripartite discussions on initiating a western-style unemployment system were initiated in 2002.[20]

JORDAN

In Jordan as well, the government has been wary of privatization's potential impact on the country's social indicators, particularly unemployment. There was consensus that the public sector workforce was bloated, but that finding alternative sources of employment for redundant workers was a challenge (Al-Khouri, 1998: 1–2). Official figures show unemployment running in the teens during the 1990s, but several sources suggested that the official statistics severely understate the country's unemployment problem, with one unofficial study in 1996 suggesting a rate of 27 percent rather than the officially reported 12.1 percent for that year (Al-Khouri, 1998: 6; Center for Strategic Studies, 1996).

The monarchy hoped that privatization would generate new employment opportunities in expanding private sector firms, but thus far, this occurred only following the 2000 sale of Jordan Telecom, which quickly spawned numerous new Internet firms.[21] Accordingly, SOE sales agreements have been stipulating that buyers must keep workers for at least two years, and, when restructuring firms prior to sale, the regime's orientation has been to restrict new hiring, and to find alternative employment for redundant workers in enterprises up for sale or restructuring. The government claims success in this endeavor: 'no worker has been dispensed with. Instead they were all absorbed either in the privatized companies or in other appropriate workplaces, and their conditions improved' (Executive Privatization Unit, Jordan, 2000).

This strategy apparently took shape during negotiations over the privatization of Aqaba Railways, one of the first companies to face divestiture or leasing. According to one businessman familiar with the case, representatives of the prospective buyers who went to the company's headquarters to investigate labor productivity received death threats. Shortly thereafter, the king himself went to Aqaba and promised that there would be no lay-offs. Some 150 workers were later transferred to other government departments, and an unspecified number were absorbed by the Jordan Phosphate Mines Company (JPMC). Critics charge that this solution merely shifted the burden of redundancies to other agencies, and in particular that it contributed to a subsequent decline in the performance of the phosphate company.[22]

As elsewhere, the government's concern occurs in the context of the absence of any system of unemployment insurance, although Jordan does have a welfare agency charged with dispensing assistance to the country's poor (Al-Khouri, 1998: 7; Shteiwi and Hejoj, 1999). However, the Jordan Cement Company and the JPMC, both partly privately owned, each implemented an early retirement scheme at the company's own expense in preparation for sale of the government's shares. In both cases, the program places financial strains on the company;[23] at the JPMC, insufficient funding for the program was reportedly causing strains between workers and management[24] (Daves, 1997; Executive Privatization Unit, Jordan, 2000: 26–7).

While a concern for minimizing the potential for social dislocation from privatization does not distinguish the Jordanian regime from the other cases reviewed here, Jordan's particular demographic and political history may be causing the monarchy to proceed with greater caution. The regime has sought to build its social base among the country's Transjordanian population, much of which continues to be organized along tribal lines. It is commonly believed that Transjordanians make up the bulk of the parastatal and civil service workforce, with some of the major parastatals subject to divestiture, such as the Aqaba Railways and the phosphates mines, located in the south where the tribes are concentrated.[25] Thus, the prospect of mass lay-offs of public sector workers could jeopardize the very populations that have historically provided the monarchy's main pillar of support (Al-Khouri interview, 2001;[26] Daves, 1997: 2, 25).

All four cases have thus seen some degree of job loss due to privatization, and a marked slowdown in new public sector hiring. In the absence of established unemployment insurance systems, dismissed workers – with the support, if not the encouragement and assistance, of the IFIs – have been granted special severance packages intended to provide transitional support.

Though seemingly adequate for the short term, these compensation packages are not without harm for workers as, with the private sector proving unable to absorb all the redundant parastatal workers, they can result in lower living standards over time. Workers who remain in SOEs, or find alternative private sector employment, may also suffer setbacks in present and/or future income, as well as in social insurance and working conditions. This will depend on changing labor market conditions, to which we now turn.

Economic Reforms and Labor Law

Labor law provides only an imperfect indication of working conditions, job security, and benefits, because coverage may be limited, and the laws unevenly enforced. Nevertheless, what is codified does give workers both a sense of entitlement and a legal recourse to pursue violations. The laws thereby impact both on politics and on businessmen's investment decisions and behavior; in the context of globalization, they form part of the institutional framework under which multinational investment enters an LDC. Because foreign corporations are likely to have a higher profile than domestic firms, on the one hand, and less familiarity with the local law enforcement regime, on the other, they are apt to be more obliged to follow the letter of the law. As a consequence, laws that impose inflexibility in hiring and firing, wage setting, and job descriptions may serve as more of an impediment to foreign investors than to domestic entrepreneurs who are able to work around them.

All four of the countries under study here entered the 1990s with rigid labor codes. The extant laws typically required all hiring to be by written contract. These contracts can specify permanent or temporary work, but temporary contracts are rendered permanent upon renewal, and permanent workers can be fired only for grave fault. Mass lay-offs required government permission, which was not easily obtained; the codes also specified mandatory severance pay in the case of lay-offs, and a legal procedure for workers to challenge arbitrary firing. The government bureaucracies included labor offices charged with ensuring compliance with the law, and in some cases special labor courts to handle complaints.

In all our cases, workers have complained that many private sector employers routinely evaded the labor laws, with the tacit compliance of the government. The most common form of evasion is forcing workers to sign blank resignation letters at the time they are hired, falsely stating that they have received their severance entitlements; businessmen have also been known to bribe labor inspectors to under-report the number of their employees, thereby reducing their mandatory insurance contributions and possibly impeding unionization as well. The labor markets in these countries are therefore segmented between parastatal workers and civil servants, who have enjoyed the laws' legal protections, and private sector workers who have not; as noted in the previous section, this disparity between the public and private sectors has informed labor opposition to privatization. The IFIs, conversely, have viewed labor market rigidities as an obstacle to private sector expansion, and pressed for liberalization of the labor codes. At their urging, all four countries undertook to liberalize the labor laws as part of their structural adjustment processes.

EGYPT

The Egyptian regime established a committee to begin drafting new legislation in October 1991, shortly after the passage of the privatization law. It consisted of representatives from the ETUF, businessmen's organizations, the Ministry of Labour, the local legal community and the International Labour Organisation (ILO), which provided funding for the endeavor and sought to ensure that the new law did not contradict Egypt's participation in international agreements. Since Egypt's longstanding ban on strikes had already been proven to contradict Egypt's signature on the International Human Rights Agreement, the regime's consent to ILO participation signaled its willingness to consider legalizing strikes in some fashion as a quid pro quo to labor for liberalizing hiring, firing, and promotion regulations.

The committee's progress was slow. Union leaders, under the spotlight of the opposition press, resisted the retraction of job security or other traditional benefits enjoyed by public sector workers. The government and the businessmen sought to contain the right the strike, with the former apparently fearing that legalizing *any* form of collective protest could have a snowball effect in a time of generalized political tensions. The various parties involved in the negotiations finally agreed on a draft at the end of 1994, and the bill was expected to go to parliament in the spring of 1995, but its submission was repeatedly delayed. It was finally passed, after some minor modifications, in the spring of 2003.

The new legislation permits multiple renewals of temporary work contracts, effectively making it unlikely that any temporary worker will ever achieve the security of permanent status, or that any new worker will be hired indefinitely. While retaining the requirement that firms obtain government approval for any mass workforce reductions, it signals a sea change by stating explicitly that it is an employer's right to downsize, lower the contractual wage and/or require employees to perform different jobs than they were hired for, for economic reasons. While a 'grandfather clause' exempts current permanent workers from application of these provisions, workers who lose jobs due to privatization, and then find new employment, would lose this protection. This clause apparently contributed to the cabinet's reluctance to move the legislation until companies with excess workers had already been rationalized (*al-Wafd*, 19 July 2001).

The law contains provisions for legalizing strikes, but renders permissible work stoppages rare. By requiring that two thirds of a *federation*'s leadership endorse a walkout at individual plants, it denies decision-making power to the locals, where militants have been most successful at gaining influence. In addition, strikes are still prohibited while contracts are in effect, during mediation and arbitration, and in vital services. Labor activists and leftist opposition parties thus claim that the law does not really give workers the greater measure of freedom it grants to employers (Center for Trade Union and Workers Services, 2003).

Although these restrictions were endorsed, if not recommended, by the businessmen's representatives, some employers remained unenthusiastic about the law. Indeed, because smaller domestic entrepreneurs have historically evaded the labor laws, they stand to gain little from the right to strike/right to fire exchange. It increases their management prerogatives legally, but not actually, while they lose some claim to government assistance in suppressing labor protest.[27] At the same time, the repeated delays in issuing the law suggest that the regime itself was not anxious to legalize labor protest in even this limited manner. Ironically, then, the main domestic support for the new legislation has come from the ETUF's leadership, who gained increased power over the base with its enactment.

TUNISIA

Prior to reform, Tunisia's 1966 Labour Code permitted lay-offs for economic reasons, but only after a cumbersome approval process where government officials urged alternative solutions. Workers fired without official permission could appeal the cases in court, where judges sometimes imposed severance indemnities higher than those codified, and/or fined the employer (Alexander, 2001: 109–13; US Embassy in Tunis, 1991: 28).

The right to unionize is guaranteed in the Constitution. However, in the late 1980s some foreign firms were prohibiting unions, and the UGTT complained that domestic private sector employers were wrongfully dismissing workers for union activity. Strikes were permitted, but required to have the approval of the UGTT central office with 10 days advance notice. Also, the government reserved the right to order binding arbitration. In practice, most strikes fell outside of these guidelines, but during the early to mid-1990s, at least, the regime did not appear to be routinely prosecuting illegal strikers (Alexander, 2001).

Serious tripartite negotiations for a new labor law began in 1991. In Tunisia's case, though, the businessmen's association was eager to see reform, and had been pushing for it since the late 1980s. The employers' demands were for more flexibility in the retrenchment of workers and in the use of temporary contracts. Recognizing that maintaining its membership base in an era of market reforms would require expanding organizing efforts in the private sector, the UGTT argued for firmer guarantees of union rights and specific protections against the firing of labor activists (Alexander, 1996, 2001: 113, 116; Icon Group International, 2000: 53).

Reforms were enacted in 1994 and 1996. Among other things, they provided for greater wage flexibility by allowing for a component of wages to be tied to productivity (http://www.investintunisia.com). In the first set of changes, businessmen also achieved reduced latitude for the courts in setting fines for abusive (i.e. non-sanctioned) firings. However, owners were obligated to submit periodic reports on their companies' performance to these consultative bodies, and the UGTT believed this stipulation would make it more difficult for them to substantiate accusations against workers in future applications for dismissal permission. As well, the government agreed to limit its prerogatives in ordering binding arbitration to only essential services; the other restrictions on striking were kept intact (Alexander, 2001: 117–18).

The liberalization of work contracts happened in the 1996 reform, which allowed employers to limit permanent contracts to a four-year period, and eased the conditions under which shorter-term temporary contracts could be used. The law also shortened the period allowed for the processing of dismissal applications, and set a ceiling on severance payments (http://www.investintunisia.com; Alexander, 2001: 117–18). World Bank sources noted, however, that permission could still be denied, and severance costs, borne by the employer except in cases of bankruptcy, were increased. Private sector retrenchments in both 1997 and 1998 were higher than in 1996 as the new law took effect, and temporary hiring increased.

Bank sources indicate that the expansion of temporary hiring has meant that fewer workers are protected by the law, and suggest that a lowering of severance indemnities would help remedy the situation. UTICA, the businessmen's association, began pushing for this in the late 1990s as well. For its part, the UGTT leadership continues to complain of harassment of union organizers (Icon Group International, 2000: 53–4).

MOROCCO

Moroccan law requires employers who expand after downsizing to rehire laid-off workers before considering new applicants; it also specifies that bankrupt companies must meet their severance obligations to workers before paying suppliers.[28] A monthly stipend, until laid-off workers obtain other employment, is available as well, but unionists say it is insufficient to meet expenses. Paradoxically, if the government denies a lay-off petition and the company proceeds anyway, the courts can increase the workers' severance settlement. Thus, workers in firms facing financial difficulty may be better off if they are fired illegally.[29]

Although private sector unionization rates are high in Morocco relative to her neighbors, the majority of private sector workers are nevertheless unorganized, and thus unprotected by these laws. Moreover, while there is no single, state-sanctioned confederation in Morocco, the law does not provide any specific guarantees against persecution of union activists, and union organizers in the private sector have faced harassment and arbitrary dismissals. Although the courts can order employers to rehire workers who were fired unjustly, workers complain that such cases can be expensive and drawn out, and requirements that employers in these cases pay damages and back wages cannot be enforced (US Department of State, 1994, 2002).

Work stoppages are not illegal, except in some state-run services. Indeed, where public sector strikes are permitted, workers are legally entitled to be paid during job actions. However, in some sectors, such as railways, workers can also be penalized if the strike has less than 40 percent participation; coordination among rival unions is necessary for strikes to succeed in these cases.[30]

Discussions about enacting a more liberal labor code began in 1994, with unions resisting attempts to diminish the existing laws' job security protections. A tentative agreement reached in 1997 reflected a compromise that fell well short of investors' desires. On the one hand, it would have lessened the time allotted to the government to respond to mass dismissal requests, from the current three months to one. At the same, however, it made the requirements for submitting such applications more cumbersome. It also increased the severance pay for dismissed employees, more than doubling it for workers with more than five years of service (Ambaraka, 2000; World Bank, 1997: Vols 1, 2). This draft was criticized by western creditors, and the project was subsequently shelved.

During 2000 the Youssoufi cabinet revived the draft, and reached agreement on a modified version. In discussions in the upper chamber of parliament, however, union and business representatives have struggled over its provisions, with the former seeking stronger protections against arbitrary lay-offs and the latter resisting that, while simultaneously demanding limits on the right to strike (Deneoux, 2001: 13). Among the main confederations, the Union Marocaine des Travailleurs (UMT) appears to have the strongest reservations. The independent confederation charges that the draft would actually marginalize unions at the plant level, and put shackles on the right to strike by prohibiting demonstrations in factories and actions targeting different plant sections on different days. Moreover, they object to the fact that workers could be jailed for illegal striking, whereas employers resorting to arbitrary dismissals would suffer at worst punitive fines. Finally, as a means to restrict businessmen's evasion of the law, they are seeking a provision for local authorities to witness the signatures of both workers and employers on hiring contracts ('Abd al-Hamid and Benzekri interviews, 2002).[31] As of June 2002, the various parties had agreed to about 90 percent of the new law's provisions, but talks were suspended pending fall elections. Under the new cabinet of independent Driss Jettou, it appears that some of the agreed provisions will be issued piecemeal.

JORDAN

Jordan's 1960 labor code permitted worker dismissals only during the probation period, and allowed workers who successfully appealed a dismissal to return to work. The law also denied government employees the right to strike (Hollister and Goldstein, 1994: 65, 93; US Department of Labor, 1991: 4) The JFTU, Jordan's trade union confederation widely described as subservient to the government, was critical of the 1960 law for its lack of protections for trade union activity, but unable to win revisions to the code (Rashid interview, 2001).[32]

Consultations between the government and the unions over a new labor law began following the 1989 IMF accord, with the JFTU rejecting a 1991 draft because of its proposed changes to dismissal procedures. Negotiations continued thereafter, but the union representatives walked out after another dispute over the same issues. In 1996, the government promulgated a more liberal labor code without the support of the confederation (Rashid interview, 2001; US Department of Labor, 1991: 4).

The 1996 law embodies a 'right to strike/right to fire' trade-off similar to Egypt's. While the government must still be notified of dismissals, approval is no longer required. However, it does specify that current work contracts remain in effect even if a company is sold, and allows a worker to demand reinstatement if the economic reasons for his/her dismissal no longer obtain. Work stoppages are prohibited during arbitration or implementation of an arbitration agreement. In addition, workers are required to give an employer two weeks advance notice before striking, which is increased to 30 days in the case of public service employees. Even these limited freedoms can be suspended, moreover, since article 116 entitles the Minister of Labour to seek a court order disbanding a union if it is involved in a work stoppage or a workplace sit-in or demonstration (El-Mikawy and Posusney, 2002: 56–60; Jordan Ministry of Labour, 1997–8: 10, 12, 35, 40).

These new labor codes obviously make employment less secure for ongoing public sector workers, and may entail income and/or benefit loss as well. For private sector workers, whether vulnerability is increased depends on the extent of coverage before reform. Reform proponents anticipate that businessmen will move to formalize previously undocumented employment with the greater flexibility the new laws permit; this will be an important test of the neo-liberal doctrine. It is significant that the IFIs, while pressing for reforms that give employers far more leeway, have been notably silent about the restrictions on trade union freedoms the new laws contain. This imbalance exacerbates the distrust of the IFIs among human rights and labor activists.

Conclusions

Much of the debate about the potentially deleterious consequences of increased economic openness on vulnerable groups within countries, both industrialized and developing, has revolved around social spending. This study has focused more narrowly on the employment status of formal sector urban workers in LDCs – deemed as privileged in much of the neo-liberal economic discourse – whose fate may serve as a test of the degree to which the 'race to the bottom' dynamic is in effect. By exploring this question with regard to non-democratic countries, I also endeavored to elucidate how the politics of labor protection plays out in an authoritarian context.

The findings suggest that, in these four cases at least, the fears of the anti-globalization forces have been exaggerated. Despite persistent pressures from the IFIs, the incumbent executives in these countries have proceeded only gradually with reforms – especially privatization – that threaten the jobs and livelihoods of formal sector workers. This caution suggests that, in spite of their insulation from electoral pressures, these rulers see their legitimacy as linked with the preservation of formal employment opportunities. Where retrenchment has occurred, severance packages have cushioned its effect on redundant workers, and these programs have been supported, if not funded, by the IFIs. This multilateral position may reflect an expedient approach to neutralizing reform opponents rather than a departure from the view of parastatal workers as lazy and rent seeking. Nevertheless, the overall picture appears to be not one of a race to the bottom, but rather a slow march to some middle ground.

Among industrialized countries, differences in political institutions and labor market regimes have been explored as sources of variation in globalization's impact on safety nets. This article has focused on commonalities rather than differences among the four cases, but comparison among them suggests that institutional variations may matter here as here. The contrast is complicated by the difficulty of obtaining accurate data on retrenchments and/or real wage movements, a difficulty which itself testifies to the political sensitivities surrounding these issues. Still, we can observe that privatization-related lay-offs have gone farthest in Egypt, with at least 12 percent of parastatal workers laid off; Tunisia follows with an estimated 8 percent,[33] while Morocco and Jordan clearly lag behind with seemingly less that 4–5 percent. This raises the possibility that the greater political diversity reflected in the legislatures of the two monarchies might place more constraints on executive action than is enjoyed by presidents in ruling party states.[34]

Turning to labor codes, we saw that Tunisia and Jordan both acted in the mid-1990s, while Egypt's reforms dragged out until 2003 and Morocco's is still stalled. Given that the main constituency for labor law revision is foreign investors, the first observation may simply reflect the two countries' small domestic markets, which puts them at a disadvantage in competing for foreign investors. But that Morocco has not yet enacted a new law seems clearly related to the existence of competitive unionism there, and raises the possibility that democratic reforms in the other countries, if they extend to trade union freedoms, could empower workers to better defend themselves against liberalizing reforms.[35]

If the dire predictions of the anti-globalization forces have not proven true in these cases, there is nevertheless cause for normative concern. Thousands of workers are losing their livelihoods; alternative employment, if available, is less secure and likely to carry fewer benefits. Neither severance packages nor unemployment insurance will maintain workers' former income indefinitely, and prolonged unemployment is straining the bonds of family solidarity. There is therefore a need for continued debate on how social safety nets for workers should be designed and implemented. The maintenance of authoritarian rule, however, inhibits open discussion of these issues. The possibility that democracy could lead to better social protection in these cases has yet to be tested.

ACKNOWLEDGEMENT

Earlier versions of this article were presented at the 2002 annual meetings of the American Political Science Association (Boston, MA, 29 August–1 September), the International Studies Association (New Orleans, 23–7 March), and the workshop on 'Bringing the Middle East Back In ... To the Study of Political and Economic Reform', Yale University, 7–8 December 2001. Field research in Tunisia and Morocco, conducted in the summer of 2002, was funded by a grant from the American Institute for Maghreb Studies, supplemented by Bryant College; research in Jordan (January 2001) and Egypt (January 1999) was funded by Bryant College. I would like to thank Evelyne Huber, Karima Korayem, Robert Kaufman, Vicky Murillo, Dick Norton, and Barbara Geddes for helpful comments on earlier drafts, Colleen Anderson for research assistance, Ragui Assaad for assistance in interpreting Egypt's labor law, and Zafiris Tzannatos of the World Bank for assistance with documents, contacts, and for patient responses to my questions. Any errors are of course my own responsibility.

NOTES

1. It should be noted that this dichotomy reflects theoretical differences over how politics work and what political–economic processes *are* occurring, not normative preferences for what *should* occur. Thus the contending approaches described here are not identical to the pro- and anti-economic liberalization camps analyzed by Kanbur (2001), and subsequently labeled here as 'neo-liberals', 'market champions', or 'market optimists', on the one hand, and 'anti-globalization forces', 'race to the bottom theorists', or 'market pessimists', on the other.
2. Such arguments are summarized in Armijo et al. (1994); see also Diamond and Plattner (1995).
3. In many developing countries the principal form of social protection prior to structural adjustment was subsidies and price controls on food and other basic necessities – among the first targets of market reforms. Such subsidies, however, may not show up in social spending statistics. For many years in Egypt, for example, the cost of bread subsidies was masked by the overvalued exchange rate used to account for imported wheat.

4. While public sector employment thus constitutes only a limited form of social protection, the extended families of SOE workers also benefit from this access to a secure income stream. Planning to get one family member into a government job thus becomes part of family survival strategies. See Singerman (1995) and Hoodfar (1997).
5. For elaboration, see Rama (1999, 2003).
6. This economic discussion draws on Pfeifer and Posusney (2003).
7. They do differ in their domestic market size, however. Egypt, Morocco, and Jordan fall into the large, medium, and small categories, respectively. This difference can affect the relative ability of a country to attract foreign capital, which is a cornerstone of structural adjustment programs.
8. For details on these liberalization processes, see Posusney (2001).
9. In the sections entitled 'Privatization', 'Privatization and Employment', and 'Economic Reforms and Labour Law', material on Egypt is drawn largely from Posusney (1997, 1999, 2002), and on Morocco from El-Mikawy and Posusney (2002). For all four countries, I also drew on regular coverage from the following electronic resources: *Arabic News*; *MEED*; *Mining Journal*; *Business International*; *Business Today*; *Business Monthly*; *Financial Times*; *Middle East Newsfile*; *Africa News Service*; *Middle East Business Intelligence*, *Political Risk Service*, *Quest Economic Database*, *BBC*, *Euromoney*, and *Middle East Economic Review*. To save space, only additional references are cited here.
10. The government then cited a total of 191 companies privatized, but that figure includes 32 concerns that were actually liquidated, not sold.
11. Website of the Executive Privatization Commission, http://epc.gov.jo
12. Egypt technically does have an unemployment insurance system, to which formal sector workers contribute. But it applies only to workers laid-off following a court-ordered, final firm closure firm – a situation that rarely, if ever, has occurred. Thus there is no bureaucratic apparatus established to administer unemployment benefits (Assaad, 1996: 94).
13. Law 96–101 (18 November 1996) for the Social Protection of Workers (in Arabic).
14. Based on interviews conducted in Tunis in June 2002, with Moncef Youzbachi, General Manager of Human Resources, Ministry of the Economy, and Sami Bibi, a Tunisian economist.
15. See note 14.
16. Interview with Habib Besbes, secretary general of the Confederation of Arab-Maghreb Trade Unions, Tunis, June 2002.
17. Interview with Idriss Eleraqui, a senior advisor to the Minister of Economy, Finance, Privatization, and Tourism, Rabat, 17 June 2002.
18. Interviews conducted in June 2002, with Mohamed Karam, a USFP leader, Omar Benbada, an advisor to the CDT, both in Casablanca, and Abdelkhalek Benzekri, a member of the Moroccan Human Rights Association, in Rabat.
19. Interviews with Abdelaziz Nawdi, an official in the Ministry of Human Rights, Rabat, 12 June 2002, and with Omar Benbada (see note 17). However, Idriss Eleraqui, the ministry official, told me that e.r. plans there were still under discussion.
20. Karam and Benbada interviews (see note 18).
21. Interview with Mustafa Hamarneh, a Jordanian social scientist, Amman, January 2001.
22. Interviews in Amman with Riad al-Khouri, a business consultant, and Osman Bdeir, chairman of the Jordianian Chambers of Industry, Ammaan, January 2001.

23. Al-Khouri and Bdeir interviews, op. cit.; also interviews with Nader Mrayyan and Fayiz Suyyagh, both econonmists, and Sireen Hikmat, an official at the Executive Privatization Commission, all conducted in Amman, January 2001.
24. Interview with Haider Rashid, a Jordanian trade unionist, Amman, January 2001.
25. Mustafa Hamarneh noted, however, that the actual distribution of Palestinians and Transjordanians between the public and private sectors has not been documented.
26. See note 22.
27. See Assaad (2002b).
28. World Bank (1997: Vol. 1, iii; Vol. 2, Annex 5, 1–5); interview with Sion Assidon, a factory owner, Casablanca, 11 June 2002.
29. Interview with Mohamed Karam (see note 18) and Amin 'Abd al-Hamid, a leader of the UMT, Rabat, 17 June 2002.
30. Interviews with Karam and Benzekri (see note 18); and Youssef Sadik, a social scientist, Rabat, 14 June 2002.
31. See notes 29 and 18.
32. See note 24.
33. My estimation, based on the assumption that about 3,000 workers would have been retrenched since the 1998 numbers reported above.
34. For a general elaboration of this argument, see Lust-Okar (2003).
35. A new labour law was enacted in Morocco just as this issue was going to press.

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RÉSUMÉ

La Globalisation et la Protection Ouvrière au Pays Arabes Non-producteurs de Pétrole: Est-ce qu'on s'en va à vau-l'eau?

'L'hypothèse de compensation' maintient que les pressions exercées par les électeurs ont empêché les gouvernements démocratiques de pouvoir annuler les formes populaires de la protection sociale face à la globalisation. Est-t-il possible qu'une dynamique semblable puisse protéger les ouvriers/la main d'œuvre aux pays autoritaires qui sont en train de se globaliser de l'augmentation de l'insécurité économique?

Cet article considère quatre pays autoritaires qui sont en train de faire des changements structuraux: l'Egypte, la Tunisie, le Maroc, la Jordanie. En chaque pays, le secteur gouvernemental a fourni la grande partie de l'emploi au secteur officiel, pendant que les lois populistes de travail assurent que ces emplois restent assurés jusqu'à la retraite. J'examine le processus de la privatisation et les conséquences pour les ouvriers/la main d'œuvre du secteur publique, et je continue avec une revue des efforts qui correspondent à la cherche pour la flexibilité du marché de l'emploi par des révisions des règles de travail.

Les résultats indiquent que les chefs autoritaires non pas eu l'autorité pour réaliser l'implémentation des réformes du marché avec autant d'envergure et de vitesse comme aurait préféré les IFIs. Néanmoins, il existe une raison pour le concerne normatif, depuis que les possibilités d'emploi assuré au secteur privé ne soient pas suffisant, et l'implémentation de systèmes alternatifs de protection sociale reste en arrière du démontage des anciens modèles.

RESUMEN

La Globalización y la Protección de Trabajadores en los Países Árabes Non-Petróleos

La 'hipótesis de compensación' tiene que las presiones votantes han prevenido los gobiernos democráticos de revocar las formas populares de protección social ante la globalización. ¿Está posible que una dinámica parecida puede proteger a los trabajadores en los países autoritarios que están en medios de globalizarse de una situación económica que está cada vez más inseguro?

Este artículo estudia cuatro países autoritarios que experimentan una modificación estructural: Egipto, Túnez, Marruecos y Jordania. En cada país, el sector gubernamental ha facilitado la mayor parte del empleo en el sector-formal, mientras que las leyendas de empleo populistas han asegurado que estos trabajos siguen siendo seguros hasta el retiro. Examino el proceso de la privatización y las consecuencias por los trabajadores en el sector público, y sigo con un análisis de los esfuerzos correspondientes para realizar la flexibilidad en el mercado de trabajo por modificaciones de los códigos de trabajo.

Las conclusiones indican que los gobernantes autoritarios han sido impedidos de aplicar las reformas del mercado con tanta extensión y rapidez como harían preferido las IFIs. Sin embargo, existen motivos por preocupación normativa, puesto que las oportunidades de empleo estable en el sector privado han resultado insuficientes, y la implementación de sistemas de protección social alternativos se queda atrás con respecto al desmantelamiento de los antiguos modelos.

BIOGRAPHICAL NOTE

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