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# Arab Youth Employment:

Economic, Social and Institutional Exclusion and  
its Impact on Γ

Draft

By

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# Arab Youth Employment:

## Economic, Social and Institutional Exclusion and its Impact on Employment

By

Samir Radwan\*

### Introduction

The objective of this study is to investigate the factors that curtail economic participation by youth with focus on employment as one of the major determinants of social and economic inclusion. In a previous paper, we have addressed in detail the issue of youth unemployment<sup>1</sup>. The main point was that unemployment rate in the Middle East and North Africa (MENA) was higher than any other region worldwide; and that the majority of the unemployed were youth. An attempt was made to outline the profile of youth unemployment and provide some explanation of the phenomena with particular reference to the relationship between economic growth and employment creation. The present task broadens the analysis to look into the socio-economic factors that influence the participation of youth in economic life. The concept of “exclusion” is evoked in order to address these issues. The underlying assumption is that growth is a necessary but by no means a sufficient condition for employment creation. Experience has shown that a host of factors partly economic, partly social and partly institutional combine together to limit the employment of youth, and /or to fail in creating “good jobs”, i.e. jobs that are productive and remunerative.

This endeavor is all the more important in view of two major observations. First, despite sincere efforts by the different Arab countries to promote growth and include youth in the labor market, large segments of Arab youth continue to be unemployed and operate outside the realm of main stream economic and social life. Patterns of development over the last few decades seem to have fallen short of finding a decisive solution for this problem. Arab economies, whether capital-surplus oil producers, diversified population-surplus economies, or less developed marginalized ones appear to share this phenomena. The question then arises as to what needs to be done to correct this situation. Secondly, the global financial and economic crisis that has been unfolding

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\*Assisted by Dina Shaaban

<sup>1</sup> Samir Radwan et. al., Confronting Problems of Youth Employment in the ESCWA region, ESCWA, 24<sup>th</sup> Session, E/ESCWA/24/4 (Part 2), 19 April 2006.

particularly since the summer of 2008, threaten to exacerbate the problems of youth employment and exclusion. The solutions that are being contemplated to respond to the global crisis may need to have as an explicit objective the maximization of youth employment. Thus, the solutions that were appropriate in the past, may need careful reconsideration. In fact, the shaping of the post-crisis economies must go beyond traditional recommendations towards innovative strategies, policies and institutions that can put an end to the phenomena of youth exclusion. This is underscored by the fact that failure in coming up with nontraditional solutions may have far-reaching social effects that inflict a high cost on the societies of the region. To echo Martin Luther King, “True peace is not merrily the absence of tension; it is the presence of justice”.

The paper will, thus, start by a brief definition of the concept of exclusion (Part I). The objective will not be to provide a thorough discussion of the historical and philosophical underpinnings of this concept, it would be to explain the relevance of exclusion in understanding the serious implications of unemployment as a major determinant of exclusion youth from social and economic life. In Part II an attempt will be made to delineate the determinants of exclusion by looking at both the supply and demand sides; the former defined by the demographics of youth employment as well as the dynamics of the labor market, and the latter as defined by macro-economic conditions. The paper will conclude (Part III) by suggesting some policy orientations for both the short-and-long runs.

## Part I: On the Issue of Exclusion

### I.1 The Concept of Exclusion and Economic and Social Realities of Arab Youth

There is a consensus that large segments of Arab youth are not adequately included in the economic and social spheres of their societies. One can speak of a process of exclusion of these groups. The concept of social exclusion has been the subject of debate by classical philosophers (e.g. Thomas Hobbs) as well as contemporary social scientists<sup>2</sup>. Exclusion has been at the heart of the concept of justice. As Rawls has pointed out, denial of justice results from unequal access to institutions and opportunities. Those who have little or no power are usually deprived of justice<sup>3</sup>. It has been argued that “access to justice is a basic human right as well as an indispensable means to combat poverty and to prevent and resolve conflicts. Empowering the poor and disadvantaged to seek remedies for injustice, strengthening linkages between formal and informal structures, and countering biases inherent in both systems can provide access to justice for those who would otherwise be excluded”<sup>4</sup>

The term “exclusion” has become part of the political vocabulary in Europe. The European Commission used the term as an organizing concept for its social policies. The Commission has been concerned with the exclusion of groups and individuals from rights, livelihood, and sources of well being to which all should have access (i.e. exclusion of “part of the population” from economic and social life and from their share of the general prosperity)<sup>5</sup>. Interest in social exclusion has been growing mainly in response to rising rates of unemployment, increasing international migration, and the dismantling or cutting back, of welfare states. The currency of the concept reflects an attempt to conceptualize social disadvantage in the face of major economic and social transformations. Given the multiple meanings that the term “social exclusion” suggests, it may lead to misunderstanding. But as a conceptualization of social disadvantage it should not be an abstract concept. By linking poverty, productive employment and social integration policy makers in Western Europe were able to provide responses to the new situation which emphasize integration and insertion in the labor market rather than welfare insurance. The concept of exclusion gained grounds in the Latin American debate about increased poverty and unequal distribution and the need to address the issue of “social debt” by providing means for including the excluded<sup>6</sup>.

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<sup>2</sup> Gerry Rodgers et. al.(eds), *Social Exclusion: Rhetoric, Reality, Responses*, International Labor Organization, 1995

<sup>3</sup> John Rawls, *A Theory of Justice*, Harvard University Press, 2005

<sup>4</sup> Ismail Serageldin, *Access to Justice and Social Progress: Concept Paper*, Bibliotheca Alexandrina, Alexandria, 2008.

<sup>5</sup> Commission of the European Communities (CEC), *Towards a Europe of Solidarity: Intensifying the Fight against Social Exclusion, Fostering Integration*, Brussels, 1993, p7.

<sup>6</sup> Ricardo Infante (ed.), *Social Debt: The Challenge of Equity*, PREALC, ILO, 1993

It was Amartya Sen who gave content to the concept of exclusion<sup>7</sup>. His “entitlement approach”, provided an innovative and effective tool to understand the genesis of deprivation, the method of measuring it and the policy implications for the eradication of poverty. Sen explained deprivation in terms of shortage of exchange entitlement, i.e. the ability of the individual to exchange assets at his/her disposal in the market place. Thus, a famine for instance does not necessarily result from a shortage in total food production, but rather from the failure of certain groups to have sufficient entitlement to buy their needs of food. Sen therefore warns against the danger of generalization by using national averages in favor of classifying individuals or groups in terms of their entitlement. In our present context the general rate of employment masks significant differences between groups. It is well established that, youth has a much higher incidence of unemployment than the national average, and thus their deprivation and the possibility of their exclusion are much more pronounced than for other groups. The policy implication is evident: to fight deprivation would require a clear definition of its sources and the identification of those who are subjected to it. It is erroneous to lump the different segments of population in one category masked by a national average such as the average rate of GDP growth or the average rate of unemployment. Distinction should be made between categories according to the distribution of income or their burden of unemployment. Similarly, measurement tools should be so refined as to measure the shortfall of certain groups from the norm. For Amartya Sen therefore, differential access to employment by different groups is a crucial determinant of their entitlement<sup>8</sup>.

Exclusion can lead to explosive results as witnessed by conflict situations. Dany Rodrick has developed the interpretation of conflict as a consistent attempt by a dominant group to exclude a certain minority and deprive them of access to productive resources, sources of employment and livelihood<sup>9</sup>. Conflict settlement often neglects this fact by focusing on political solutions only without addressing the underlining causes of conflict, i.e. exclusion. In his pioneering work, Paul Collier has addressed this particular problem with special reference to Africa<sup>10</sup>. He argued that in failed states, the pattern of development has often denied access to certain groups on ethnic, religious or regional basis by the dominant national power, which resulted in a breakdown in governance and the eruption of civil strife. Traditional approaches to post-conflict reconstruction have often neglected this fact, and even foreign aid went to consolidate the power of the dominant group thus continuing the exclusion of the minority.

In addressing the issues of exclusion and social justice in their relevance to the world of work, the ILO has launched the concept of “Decent Work” in the 1990s<sup>11</sup>. Decent work has been

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<sup>7</sup> A.K.Sen, Poverty and Famines: An Essay on Entitlement and Deprivation, Oxford University Press, 1981.

<sup>8</sup> Amartya, K., Sen, Employment, Technology & Development, Oxford University Press, 1975

<sup>9</sup> Dany Rodrik, Where Did all the Growth Go? External Shocks, Social Conflict, and Growth Collapses, Harvard University Press, August 1998. For an application to Sudan see : Ali Abdel Gadir Ali, . "On Financing Post-Conflict Development in Sudan," Working Paper Series 0404, Arab Planning Institute - Kuwait,

<sup>10</sup> Paul Collier, The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done about It, Oxford University Press, December 31, 1999

<sup>11</sup> ILO, Decent Work, Report of the Director General, Geneva, 1999

defined as “work which is carried out in conditions of freedom, equity, security and human dignity”. Decent is seen as the synthesis of four strategic objectives:

- Achieving universal respect for fundamental principles and rights at work;
- The creation of greater employment and income opportunities for women and men;
- Extending social protection; and,
- Promoting social dialogue.

This concept presupposes that the objective economic policies is to create jobs; productive and remunerative jobs. It is argued that in the age of globalization, decent work is an effective way of guarding against the negative aspects and promoting support for equitable globalization. Measurement of shortfalls in achieving these objectives have been qualified as the “Decent Work Deficit”. Unemployment for young men and women represent an extreme case of denial of their right to decent work. Similarly, pushing young men and women to accept bad jobs i.e. not decent jobs, is tantamount to such a deficit.

Finally, the present global financial and economic crisis has revived the Keynesian emphasis on “full employment” as the objective of macroeconomic policies. For Keynes, the ability to consume and not the motive to save is the main driver of investment and therefore employment. He argued that economies that fail in creating jobs are demand-deficient economies, and that to maintain effective demand would require the achievement of full employment and the income that it generates<sup>12</sup>.

The revolutionary thought was that people could be unemployed due to a lack of effective demand and not because they had priced themselves out of jobs. The implications of Keynes’ General Theory is that economic policies should avoid exclusion as it most certainly leads to a deficit in effective demand.

No matter what the content of the concept of exclusion might be, the fact remains that large, and growing segments of Arab youth have been at the receiving end of this phenomena. Seen from a historical perspective, a general explanation of the present situation lies in the nature of development approaches applied by different Arab countries to the issues of growth and employment creation. Looking at the past forty to fifty years, which is the span of the post colonial state, we can distinguish among three different stages of development strategies:

First, is the populist phase where nationalist governments launched radical redistribution programs and directed most investments to job creation but in the government and public sectors. The sources of growth differed where in oil producing countries it was income from oil exports, and in the diversified economies from squeezing agriculture and promoting import-substitution industrialization. That was the stage when increasing waves of youth were brought into the

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<sup>12</sup> For an interpretation of Keynes’ General Theory see Robert Skidelsky, John Maynard Keynes: The Economist as Savior, 1920-1937, London 1992

educational system, and found guaranteed employment in the public sector. A second stage could be identified during the 1970s and the early 1980s when this model of development began to encounter serious problems. The public sector was saturated and the lack of technical progress and the integration in the world economy made it difficult to open employment opportunities in the private sector. The result was the accumulation of disguised unemployment i.e. employment in low productivity public sector jobs and low returns. A third stage began with the so called “open door policy” which attempted to stimulate investment, both domestic and foreign. There was undeniable improvement in the growth performance, but on the whole GDP growth was not matched by employment growth. It was at this conjuncture that the “youth crisis” started to appear.

Youth unemployment, which is at least three times that of adults, is a problem that has been confronting *all* Arab economies. Certainly there are variations on the causes and the dimensions of the problem. In the oil producing countries, youth unemployment is essentially a supply problem as the products of the educational and training systems do not respond to the needs of the labor market, and thus the flow of non-nationals that represent a great proportion of labor supply. In the diversified, population-surplus economies however, the basic problem is a shortage of demand due to a shortfall in growth or a non-employment-friendly pattern of growth. But, here also, there is a supply problem resulting from the mismatch between the quality of labor and the requirements of the emerging private sector.

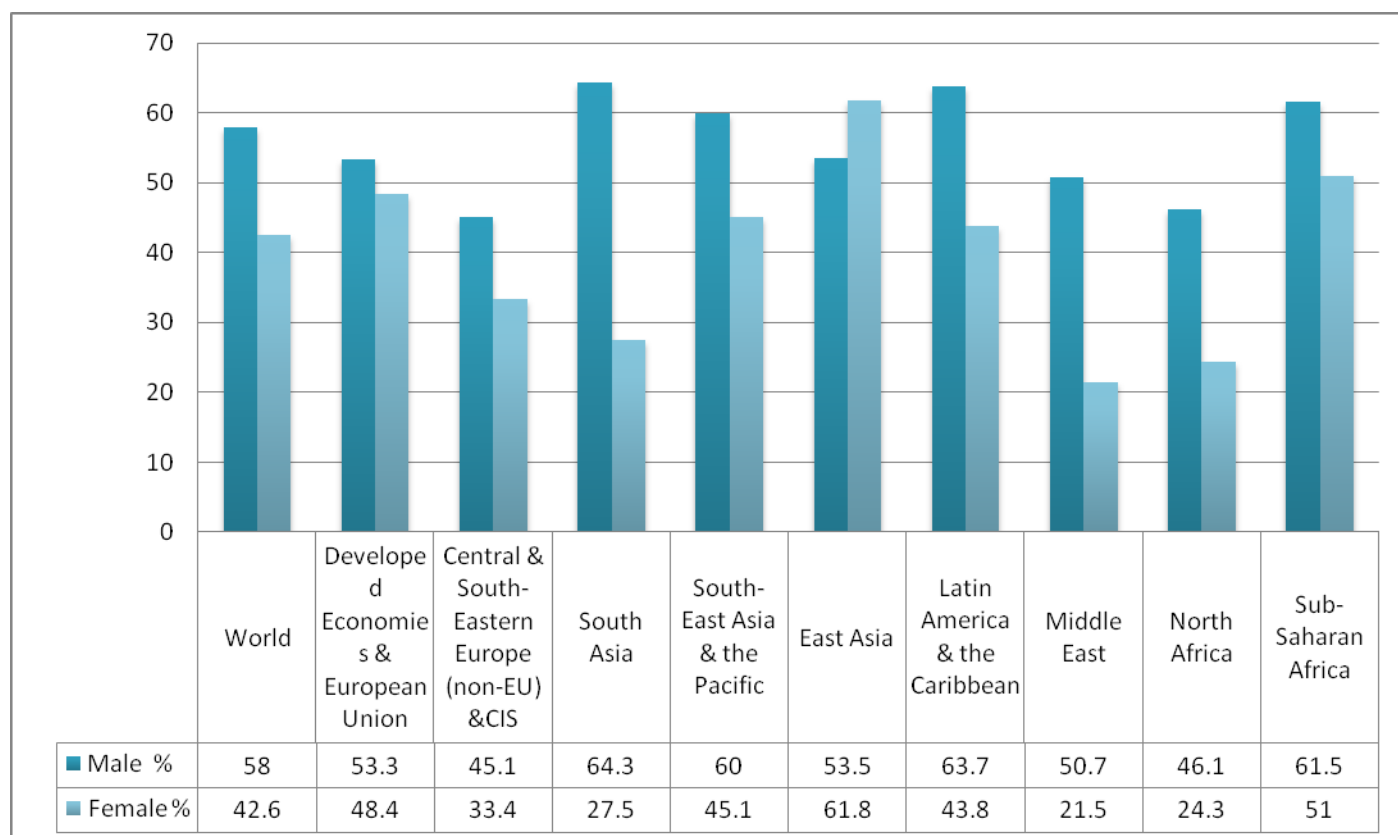


## I.2 Profiles of Exclusion

In drawing a profile of youth exclusion, caution against generalization may be in order. The causes and manifestations of exclusion are certainly different between youth in the rural and in the urban areas. Similarly, the depth of exclusion can be related to gender differences. And finally the special position of youth in conflict situations is certainly different from their counterparts living under normal circumstances.

The roots of exclusion emanating from gender differentials appear to be a common feature in the MENA region. A key to understanding this exclusion no doubt resides in historical and cultural norms. However, the position of men and women in the labor market reflects the unfavorable situation of women in participating in economic life. Figure 1 shows that female participation rates in the Middle East and North Africa are the lowest compared to other regions of the world; developed and developing.

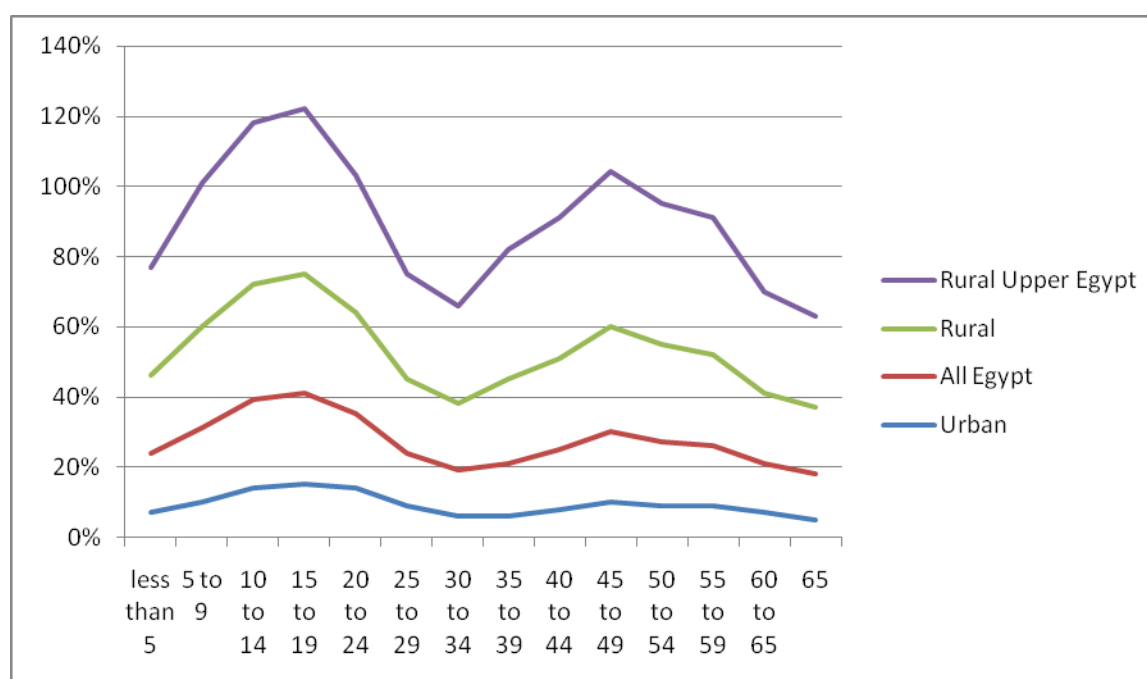
**Figure 1: Youth labor force participation by gender, 2007**



Source: International Labor Organization (ILO), Global Employment Trends for Youth October 2008, Geneva 2008, Table A4, p.53

Other manifestations of exclusion relate to the rural-urban divide which characterizes most of the MENA economies (with the exclusion of the GCC countries). In the absence of data for the region as a whole, this point could be illustrated by reference to the largest economy; Egypt. Figure 2 shows clearly that the incidence of poverty is greater in the rural areas of upper and lower Egypt than in urban areas. What is more significant perhaps is the distribution of poverty incidence during the life cycle. It is clear that the peak of poverty is concentrated in the age groups 15 – 19 and 20 – 24. Moreover, the Figure underscores another phenomena and that is the prevalence of child poverty this partly explains the transmission of poverty from childhood to adults.

**Figure 2: Poverty Risk in Egypt over the Life-Cycle, by Region**



Source: World Bank, Arab Republic of Egypt Poverty Assessment Update, Volume 1, September 2007, p31

Another facet of exclusion is due to formal-informal differentiation. The majority of urban-non-agricultural labor force in diversified Arab economies are employed in the informal sector; a phenomena which is shared with other developing regions (Table 1). On the whole, almost half the non agricultural labor force find employment in low-productivity, low-income occupations, and this phenomena is shared by males and females alike. Access to modern sector jobs which may provide a passage out of exclusion is extremely limited.

**Table 1: Informal Sector Employment**

	Informal employment as a % of non-agricultural employment		
	<b>Total</b>	<b>Female</b>	<b>Male</b>
Latin America	<b>51</b>	<b>58</b>	<b>48</b>
Asia	<b>65</b>	<b>65</b>	<b>65</b>
Sub-Saharan Africa	<b>72</b>	<b>84</b>	<b>63</b>
North Africa	<b>48</b>	<b>43</b>	<b>49</b>
Algeria	<b>43</b>	<b>41</b>	<b>43</b>
Morocco	<b>45</b>	<b>47</b>	<b>44</b>
Tunisia	<b>50</b>	<b>39</b>	<b>53</b>
Egypt	<b>55</b>	<b>46</b>	<b>57</b>
Syria	<b>42</b>	<b>35</b>	<b>43</b>

Source: Arab Labor Organization, First Arab Report on Employment and Unemployment in the Arab Countries: Towards Effective Policies and Mechanisms, Cairo 2008, p245

Finally, a characteristic of conflict situations resulting from wars and civil strife is the exclusion of large sections of the population from normal economic life. In explaining the position of the “The Bottom Billion”, Paul Collier argues that government policies as well as erroneous aid efforts may lead to large numbers of the population especially young adults being excluded<sup>13</sup>. This phenomena reaches illustrative limits in the case of young combatants who drift in joining armed conflict, and find it difficult to be inserted in normal economic life in the post conflict situation.

<sup>13</sup> Paul Collier, op.cit., pp. 3-8.

## **Part II: Mechanisms of Youth Exclusion**

In this section, stylized facts will be used to outline the statistical profile of youth employment<sup>14</sup>. This will be followed by an analysis of the factors at work that result in the present situation. The phenomenon of youth unemployment could be explained in terms of the evolution of demographics that resulted in a pronounced “youth bulge” implying an oversupply of labor. Also on the supply side there is the particular situation created by sluggish transition from education to employment which helps to swell the ranks of young people looking for jobs. On the other hand, youth unemployment in some Arab economies can be attributed to demand side factors. Of particular importance are the growth of the economy, the sources of this growth and the role played by migration in defining labor demand.

### **II.1 Youth Employment: A Statistical Profile**

Two distinct characteristics of the youth situation in the Arab countries may be discerned from Table 2. First, is the relatively high youth share of working age population. According to ILO, this share in 2007 amounted to 32.7% in the Middle East and 30.5% in North Africa, which is the highest proportion second only to Sub-Saharan Africa . A similar ratio for the world as a whole is 24.7%, and for East Asia is 20.8%. This points out to the important flow of young entrants to the labor market in the Arab countries. Secondly, is that the unemployment problem in Arab countries is essentially a problem of youth. Youth share of total unemployment reached 48% in the Middle East and North Africa in 2007. This is a shared phenomena with many developing regions particularly poor ones such as South Asia and Sub-Saharan Africa. East Asia appears to have a lesser problem with youth share of total employment amounting to 35%.

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<sup>14</sup> For more details see Samir Radwan et. al., op.,cit, ESCWA. Though this report was prepared in 2006, the profile of youth employment and unemployment has not radically changed.

**Table 2: The Youth Situation at a Glance**

	Youth share of working age population (%)			Youth share of total unemployed (%)		
	1997	2006	2007	1997	2006	2007
World	25.8	24.9	24.7	41.6	40.7	40.2
Developed Economies & European Union	16.8	15.7	15.5	29.0	27.0	26.8
Central & South Eastern Europe (non-EU) & CIS	22.0	22.2	21.9	31.4	31.1	29.9
South Asia	30.6	29.6	29.5	55.2	47.7	47.5
South-East Asia & the Pacific	29.8	26.9	26.5	58.5	57.9	55.8
East Asia	22.6	21.0	20.8	41.5	35.4	35.1
Latin America & the Caribbean	29.3	26.2	25.8	47.3	43.2	42.6
<b>Middle East</b>	<b>34.4</b>	<b>33.3</b>	<b>32.7</b>	<b>51.4</b>	<b>49.2</b>	<b>48.4</b>
<b>North Africa</b>	<b>33.1</b>	<b>31.0</b>	<b>30.5</b>	<b>51.7</b>	<b>49</b>	<b>48.2</b>
Sub-Saharan Africa	35.7	36.1	36.1	45.3	42.6	42.2

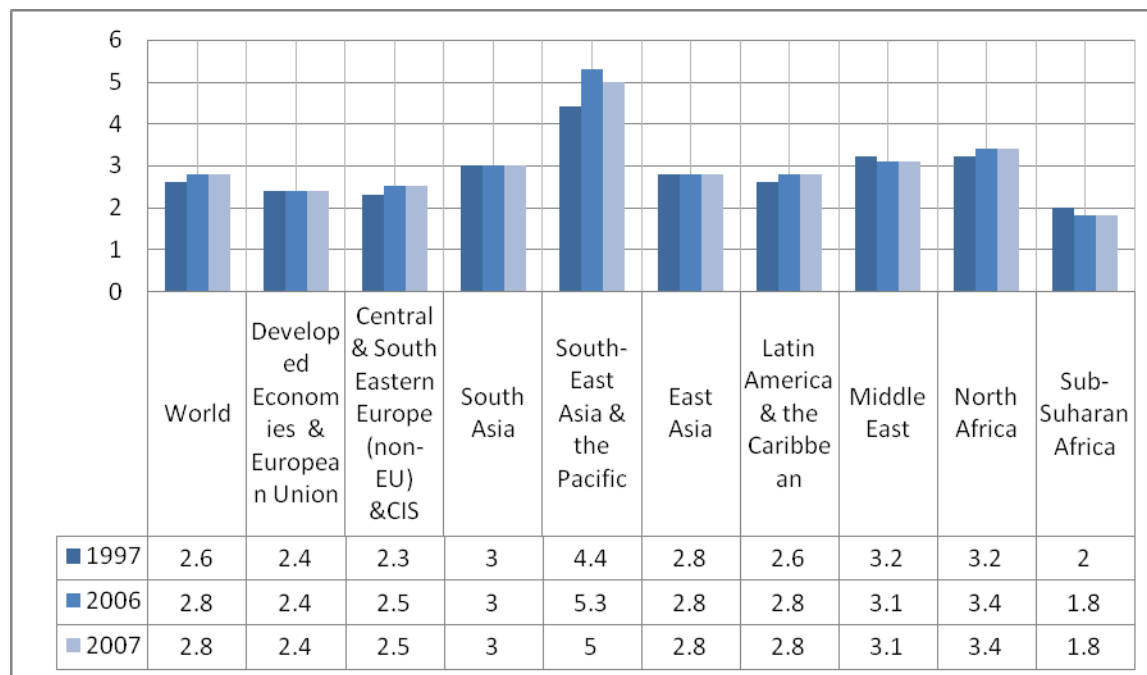
Source: International Labor Organization (ILO), Global Employment Trends for Youth October 2008, Geneva 2008, Table A8, p.54

Youth unemployment is a reflection of the broader phenomena of unemployment in general. With the exception of the oil producing countries, unemployment rates range from 9 to 30

percent. The low rates for the GCC countries are a reflection of the commitment to full employment of nationals and the fact that unemployment among expatriates is extremely low.<sup>15</sup>

Notwithstanding, the fact that unemployment is generally high in the majority of the Arab countries, the incidence of youth unemployment appears to be higher than any other area in the world. Figure 3 shows that the ratio of youth to adult unemployment rates is at least three times higher in the MENA region.

**Figure 3: Ratios of Youth to Adult Unemployment Rates**



Source: International Labor Organization (ILO), Global Employment Trends for Youth October 2008, Geneva 2008, Table A8, p.54

The economic cost of this phenomena is quiet high. According to the ILO<sup>16</sup>, idle youth is equivalent to a drain on the economy as they are not contributing to the economic welfare of the country – quite the contrary. The loss of income among the younger generation translates into a lack of savings as well as a loss of aggregate demand. Some youth who are unable to earn their own income have to be financially supported by the family, leaving less for spending and investments at the household level. Societies lose their investment in education. Governments fail to receive contributions to social security systems and are forced to increase spending on remedial services, including crime or drug use prevention efforts. All this is a threat to the development potential of economies. Furthermore, the opportunity cost of underutilizing the potential of youth is an economic waste. The ILO estimated that halving the world's youth

<sup>15</sup> Arab Labor Organization, op.cit, p264

<sup>16</sup> ILO, Global Employment Trends for youth 2006, Geneva 2006

unemployment rate, and thus bringing it more in line with the adult rate while allowing for some natural differences, would add between an estimated US\$ 2.2 and 3.5 trillion of the 2003 value, or between 4.4 and 7.0 per cent, to the global GDP.<sup>17</sup>

## II.2 Demographics of Youth Employment

Young people represent a quarter of the working age population of the world. In the MENA region, more than 1 million young people enter the job market every year<sup>18</sup>. The share of youth in total working age population is as high as 33% in the Middle East, and almost 30.5% in North Africa (see Table 2). Nevertheless, youth represent almost half of the total unemployed in those two regions.

The explanation for this phenomenon lies in understanding the dynamics of population transition. As indicated in Figure 3, youth unemployment is almost three times higher than adult unemployment. The fact that unemployment rates are much higher for youth than adults, implies that different segments of the population have different opportunities; different capabilities and different outputs. In turn, any change in the relative size of these segments, would lead to a fundamental change in the potential economic growth of that area. Hence the burden of maintaining the population, depends on the productivity of those in the working age, and their size relative to that of the non- working part of the population<sup>19</sup>. The demographic transition is therefore defined as the change in the relative growth of the four following groups of the populations: the less than 15 years of age; those between 15-24; between 25-64; and those above 65 years of age.

Ragui Assaad goes further in explaining demographic transition in terms of the relative changes in fertility and mortality<sup>20</sup>. Already in the 20th centuries, levels of mortality in the MENA region began to decline, however, fertility levels did not start to decline until the mid 1960s and early to mid 1970s. The combination of a significant decline in child mortality and the relatively slow onset of fertility decline led to the emergence of a **youth bulge**. The trajectory was, thus, a rapid increase in the proportion of children under 15, and as fertility rates started to decline further, this increase transitioned to an increase in the proportion of young people aged 15 to 24, and hence the youth bulge. At around 1980, population growth rates in the region reached a peak of 3% as births far outnumbered deaths (see Figure 4).

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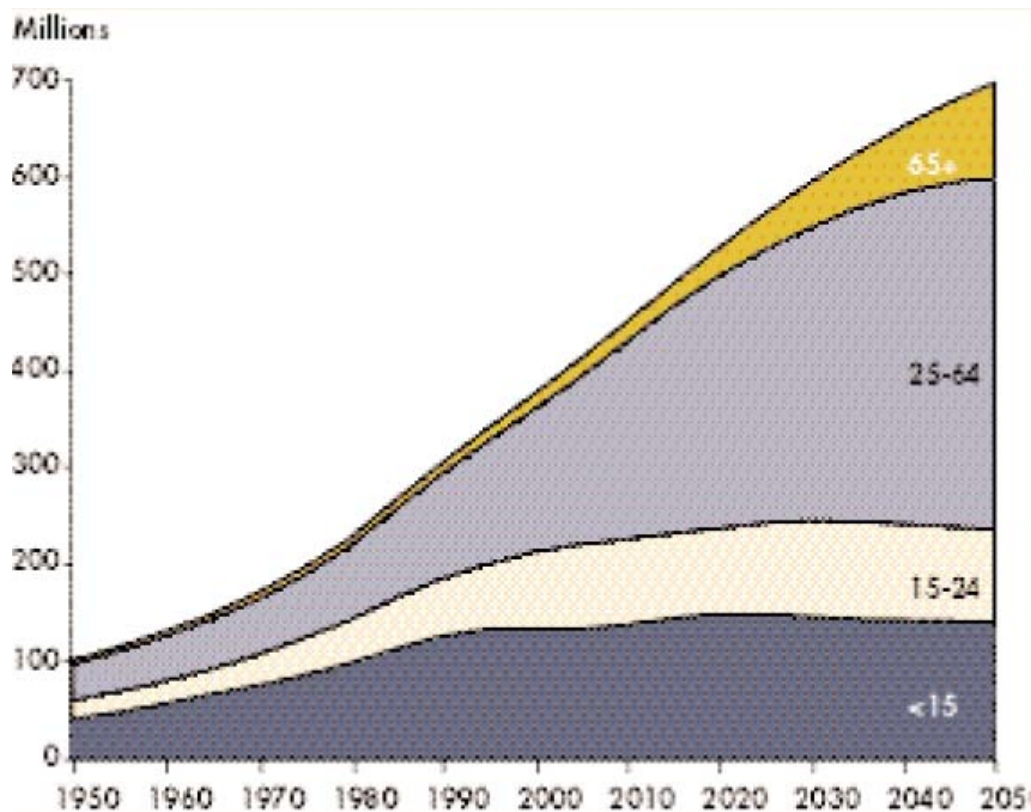
<sup>17</sup> GDP was measured in current PPP-adjusted dollars for 2003. The estimates were based on historical country-level GDP-to youth employment elasticities.

<sup>18</sup> United Nations, World Youth Report 2007

<sup>19</sup> Ismail Serageldin, Egypt's Human Resource Development: Challenges and Opportunities, Forum, Economic Research Forum, Vol.1, Spring 2006.

<sup>20</sup> Asaad,R. and Roudi-Fahimi,F., Youth in the Middle East and North Africa: Demographic Opportunity or Challenge, Population Reference Bureau, Washington, April 2007.

**Figure 4: Population Growth in MENA by Age Group**



Asaad, R. and Roudi-Fahimi, F., *Youth in the Middle East and North Africa: Demographic Opportunity or Challenge*, Population Reference Bureau, Washington, April 2007, Figure 1, p1

Kabanni and Kothary, analyzing the same phenomena reported that “The combination of low infant mortality rates and high fertility rates between 1950 and 1980 led to high population growth rates, which translated into high labor force growth rates from 1970 through 2000 and beyond. Labor force growth accelerated from 2.1 percent per year in the 1960s, to 3.1 percent in the 1970s, 3.4 percent in the 1980s, and 3.6 percent in the 1990s (Figure 3.2). In absolute numbers, from 1950 to 1990, around 47 million workers were added to the labor force. An additional 32 million workers were added during the 1990s and another 42 million will be added this decade .”<sup>21</sup>

Demographic transition has not been uniform among the countries of the MENA region. The youth bulge is more pronounced in those countries where the onset of fertility decline occurred later and the decline was sharper (see table 3). In 2005, the share of youth population in MENA

<sup>21</sup> Kabanni and Kothary, *Youth Employment in the MENA Region: A situational Assessment*, The World Bank, SP Discussion Paper No. 0534, September 2005, p12



countries ranged from 21 percent in Egypt to around 15 percent in Bahrain, Kuwait, and Qatar. Fertility is generally the main factor determining the age composition of MENA's populations and their population growth. But in the labor-receiving Gulf states, such as Bahrain, Kuwait, and Qatar, international migration also plays an important role, as large numbers of people migrate to these states for work. Assaad predicts that over the next two decades, the youth populations in Iraq, Yemen, and the Palestinian Territories—where current levels of fertility are the highest in the region—will experience the fastest growth. In these countries, well over 40 percent of their populations are currently under 15 years of age. On average, an Iraqi woman gives birth to 4.8 children in her lifetime, while Palestinian and Yemeni women give birth to more than five children. As a result, 15-to-24-year-olds will still constitute around 20 percent of the population in these countries in 2025. The number of youth in Iraq is projected to increase by nearly 3 million—from 5.8 million in 2005 to 8.6 million in 2025. And the number of Palestinian youth will increase from 0.7 million to 1.3 million—more than an 80 percent increase. The number of youth in Yemen will also increase by more than 3 million during this same period, a 69 percent increase. On the other hand, at present women in Lebanon, Morocco, Tunisia, and the United Arab Emirates give birth to no more than 2.5 children on average. By 2025, the share of youth in Lebanon and Tunisia is expected to drop to 15 percent or less. The rate of growth in the youth population in the region as a whole will slow in the next two decades as these and other countries experience fertility decline. The overall share of youth in MENA's population is expected to decline to 17 percent by 2025—although the number of 15-to-24-year-olds is still expected to increase by more than 7 million for the region as a whole. The number of youth in the MENA region is projected to peak at 100 million by 2035 and to decline slowly thereafter.

**Table 3: Selected Demographic and Socioeconomic Indicators for Youth in the MENA**

Selected Demographic and Socioeconomic Indicators for Youth Ages 15-24 in MENA									
	Youth Population (1000s)			Youth as % of Total Population			Youth as % of Working Age Population	Unemployment Rate Among Youth (%)	
	1985	2005	2025	1985	2005	2025	2005	Male	Female
<b>Middle East and North Africa</b>	<b>52,401</b>	<b>87,584</b>	<b>94,647</b>	<b>20</b>	<b>21</b>	<b>17</b>	<b>34</b>	<b>23</b>	<b>33</b>
Algeria	4,469	7,424	6,468	20	23	15	34	43	46
Bahrain	67	110	132	16	15	14	22	17	27
Egypt	9,292	15,442	17,862	19	21	18	34	21	40
Iran	9,249	17,629	12,864	19	25	14	38	20	32
Iraq	3,335	5,809	8,627	20	20	19	36	—	—
Jordan	558	1,139	1,462	21	20	18	33	28	50
Kuwait	296	415	559	17	15	14	21	16	8
Lebanon	564	657	634	20	18	15	29	24	14
Libya	682	1,318	1,326	18	23	17	34	—	—
Morocco	4,447	6,479	6,673	20	18	17	32	17	16
Oman	262	538	627	17	21	17	33	—	—
Palestine*	358	721	1,327	20	19	21	38	39	45
Qatar	55	112	148	15	14	13	18	8	30
Saudi Arabia	2,492	4,548	6,475	19	19	17	31	25	39
Syria	2,123	4,369	5,176	20	23	18	38	16	36
Tunisia	1,530	2,098	1,614	21	21	13	31	31	29
Turkey	10,450	13,496	14,172	20	18	16	28	19	19
United Arab Emirates	206	783	907	15	17	14	23	6	6
Yemen	1,966	4,497	7,594	20	21	20	42	21	14

\*Palestine includes the Arab population of the West Bank and Gaza.  
 — Data not available.  
**NOTE:** Years for data on youth unemployment: Algeria (2004), Bahrain (2001), Egypt (2002), Iran (2005), Jordan (2005), Kuwait (1995), Lebanon (1997), Morocco (2003), Palestine (2004), Qatar (2004), Saudi Arabia (2002), Syria (2003), Tunisia (2005), Turkey (2005), United Arab Emirates (1995), Yemen (2003).  
**SOURCES:** United Nations, *World Population Prospects: The 2004 Revision*; ESCWA, *Survey of Economic and Social Developments in the ESCWA Region 2003-2004*; International Labour Organization (ILO), *Global Employment Trends 2004*; ILO, LABORSTA (2006); ILO, *Key Indicators of the Labor Market 2006*; Jordan DOS website (2006); Republic of Yemen, *Statistical Year Book 2003* (June 2004); and CAPMAS, *Annual Bulletin of Labour Force Sample Survey in A.R.E 2004* (August 2005).

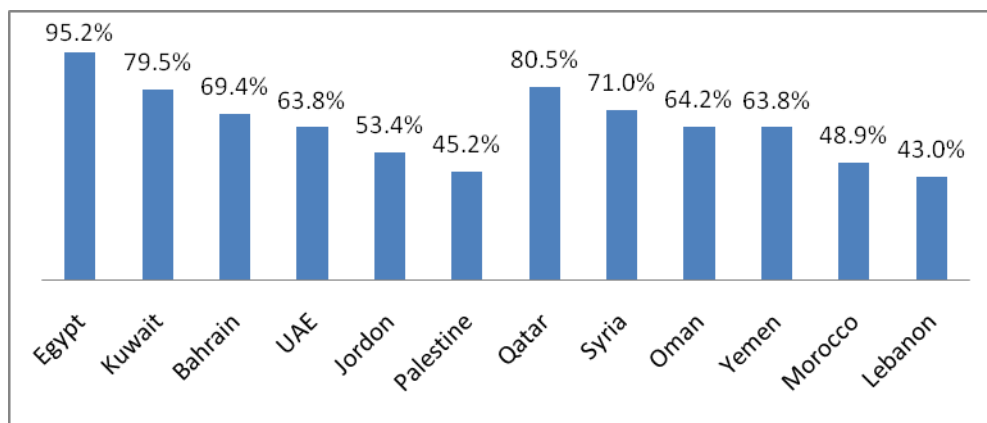
Source: Asaad,R. and Roudi-Fahimi,F., Youth in the Middle East and North Africa: Demographic Opportunity or Challenge, Population Reference Bureau, Washington, April 2007, p3

### II.3. Transition from Education to Employment

The unemployment problem in the MENA region is essentially a problem of insertion of first time entrants to the labor market. The process of education to employment transition largely explains the continued addition to the ranks of the unemployed. Asaad noted that “Greater numbers of students in MENA are acquiring more education, but the numbers do not always translate into higher rates of employment and wages. Even though this region has had one of the fastest increases in the average years of schooling in the developing world, the material that is taught in schools have not necessarily helped young people find jobs and move into the work force”<sup>22</sup>

It is well established that in most countries in the region, unemployment is lowest among those who have not completed primary schooling (as most of them come from low-income groups and cannot afford to stay jobless)<sup>23</sup>. In fact first time job seekers represent at least half of the total unemployed in most Arab countries (see Figure 5). In countries like Egypt for example, the percentage of first time job seekers of total unemployment is as high as 95.2% .

**Figure 5: First Time Job Seekers as % of Total Unemployed**



Source: Arab Employment Report, Table 3 p65

The problem of insertion is compounded by a long queuing time for the young to find a job. According to Ragui Asaad, in 2006, 75% of first time job seekers were able to find jobs within 5 years of leaving school. As for females, the situation is much worse. The school to work transition rates for females from 1998 to 2006, never exceeded 25% even after 15 years of leaving school<sup>24</sup>.

Nabli observed that when unemployment growth exceeds labor force growth, the labor market is not absorbing the new entering cohorts, based on the following evidence:

<sup>22</sup> Assaad and Fahimi, op.cit. p5

<sup>23</sup> United Nation, World Youth Report 2007, Geneva, 2007,p120

<sup>24</sup> Ragui Asaad, Unemployment and Youth Insertion in the Labor Market in Egypt, ECES, working paper No 118, February 2007, p28

**Table 4: Labor Force Growth versus Employment Growth over the 1990s**

Country	Labor Force Growth (%)	Employment Growth (%)	Time Period	Unemployment (latest year available)	Size of labor force as a % of total regional labor force)
Algeria	3.8	2.2	1989 - 2000	23.7	11
Iran	2.2	1.9	1991 - 2000	13.2	21
Egypt	2.8	2.4	1988 - 2000	9.9	26
Morocco	2.5	1.8	1987 - 2000	19.3	12
Tunisia	2.8	2.8	1989 - 2000	14.3	4
Jordan	5.5	5.9	1990 - 2001	14.5	2

Source: Nabli, M., Breaking the Barriers to Higher Economic Growth: Better Governance and Deeper Reforms in the Middle East and North Africa, The World Bank, Washington D.C, 2007, Table 7.1,p172

In Algeria, Iran, Egypt and Morocco; labor force growth rates exceeded the rate of growth of employment. These four countries represent 70% of the entire region's labor force population and have unemployment rates that average 15%. In countries like Tunisia and Jordan where unemployment was already moderately high, the rate of growth of employment remained about on par with the rate of growth of the labor force<sup>25</sup>.

The youth bulge and the sluggishness of the school-to-labor-market transition can only partly explain youth unemployment. Other factors account for the mismatch between the quality of labor supply and the demand of the labor market; and that is a phenomenon that cuts across the different economies of the region.

First among these factors is the employability of the labor force.

The region abounds with examples. In Morocco for instance, around 27% of degree holders are unemployed, compared with a national average of 12 %<sup>26</sup>. A recent study in Syria looking at school-to-work transition found that young people face fundamental challenges in finding career employment, due to their lack of appropriate education and a dearth of jobs.<sup>27</sup> Although school enrollment rates have increased in most parts of the region, "chronic underinvestment" in higher education and in science and technology development has made it really difficult for most

<sup>25</sup> Nabli,M., Breaking the Barriers to Higher Economic Growth: Better Governance and Deeper Reforms in the Middle East and North Africa, The World Bank, Washington D.C, 2007,p172

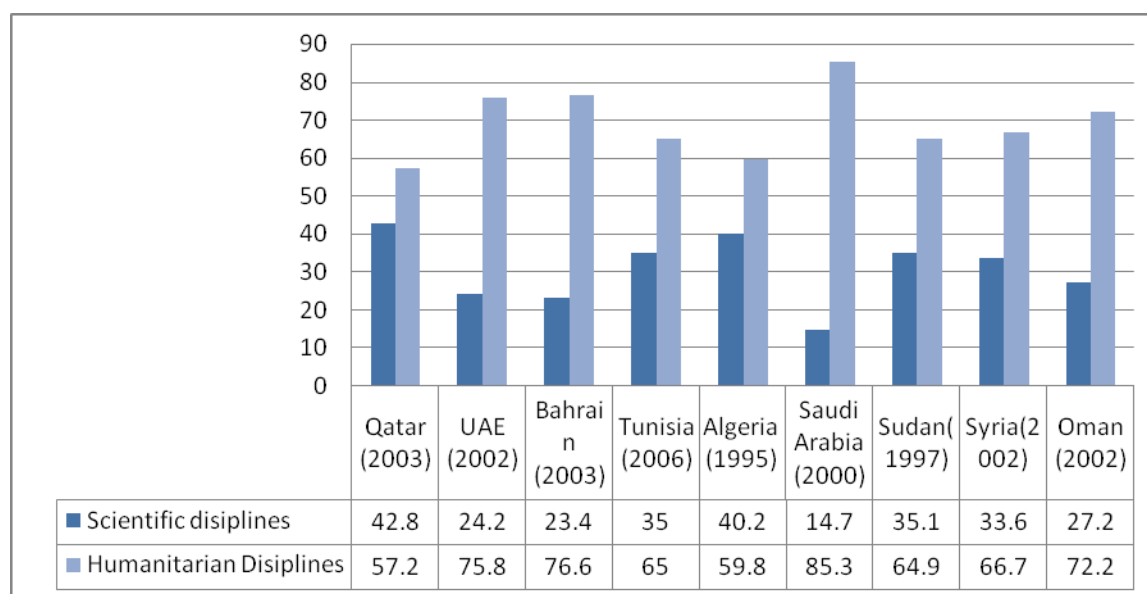
<sup>26</sup> ILO, Eord Youth Report 2007, Geneva, 2007, p121

<sup>27</sup> Sufyan Alissa, "The School-to-Work Transition of Young People in Syria," prepared for the International Labour Organization (ILO), June 2006.

countries to build a robust and internationally competitive private sector<sup>28</sup>. In GCC countries however, the case is slightly different. The government and the public sector act as the “sponge” that absorbs the majority of graduates. This dilutes the unemployment problem while in reality, it disguises another form of unemployment. To satisfy its labor demands, the private sector finds no refuge but to employ expatriates. On average about 74% of the labor force of GCC countries are expatriates. This masks marked differences between the six countries as the non-nationals account for half the labor force in Saudi Arabia but almost 90 % in the UAE<sup>29</sup>. Trouble with this model is the volatility of oil income in times of trough, this form of “employment” is exposed (see Table 5). The movement in the GCC countries to replace expatriates by nationals is a welcomed development in this respect.

A second cause of the mismatch relates to the fact that most students are enrolled in humanities, and not necessarily in scientific education which is becoming more and more demanded in the labor market (see Figure 6).

**Figure 6: Distribution of Students According to Specialization**



Source: Arab Labor Organization, First Arab Report on Employment and Unemployment in the Arab Countries: Towards Effective Policies and Mechanisms, Cairo 2008, p141

Expenditure on education is another determinant of the quality of the labor force. While Table 5 shows that the Arab countries spend a higher proportion of their total government expenditure on education (21% compared to 16 % for developing countries) the majority of this expenditure is directed to administrative rather than educational costs.

<sup>28</sup> United Nations Millennium Project (2005). Investing in Development: A Practical Plan to Achieve the Millennium Development Goals. New York.

<sup>29</sup> Samir Radwan, Reforming Labor Markets in Arab Countries, Economic Research Forum, Cairo 2006, p13

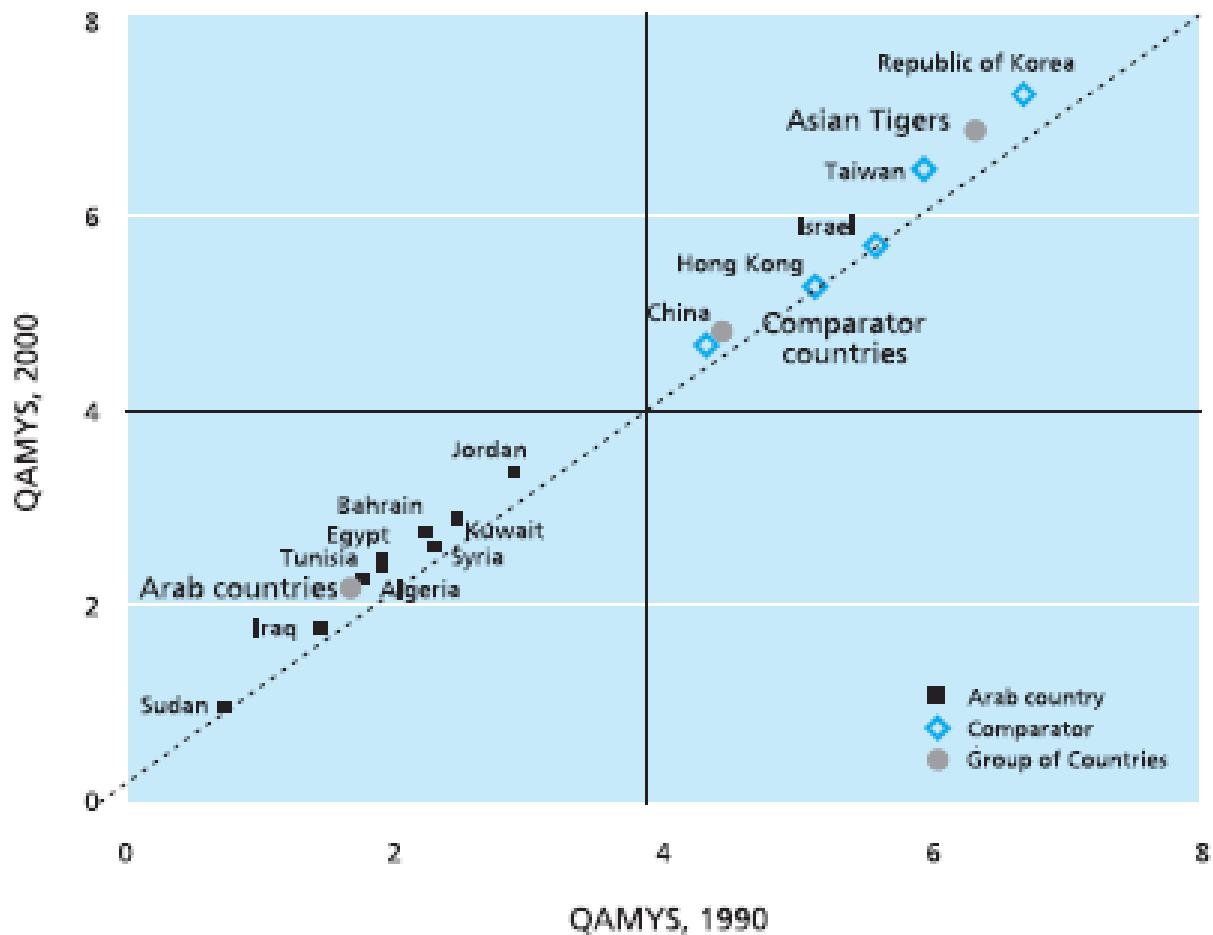
**Table 5: Expenditure on Education in Arab and Comparator Countries**

	<b>Total Education</b>		<b>Primary Education</b>				<b>Secondary Education</b>			
Country	Total public expenditure on education as % of total government expenditure		Public current expenditure on primary education as a % of public current expenditure on education		Public current expenditure on Primary education per pupil at PPP in constant 2005US\$		Public current expenditure on secondary education as a % of public current expenditure on education		Public current expenditure on secondary education per pupil at PPP in constant 2005US\$	
	1999	2006	1999	2006	1999	2006	1999	2006	1999	2006
Egypt		13								
Jordan	21				568	695			658	858
Kuwait		13		21		2204		38		3280
Lebanon	10	11		33		402		30		449
Libya			12				10			
Morocco	26	27	39	45	697	1005	44	38	1830	1738
Oman	21	31		50				41		
Qatar		20								
Saudi Arabia	26	28								
Syria					349	611			602	
Tunisia		21		35		1581		43		1832
UAE		28			1997	1636			2605	2115
Arab Countries (Average)		21								
Turkey				40		1059		34		1313
Israel	14	14	34	36	4835	5135	30	30	5422	5429
Developed Countries	11	12		24		5100		42		6427
Developing Countries		16								

Source: UNESCO, Education for All Global Monitoring Report 2009, Table 11,p365 &371

The reality is better gauged by looking at the quality of education. Figure 7 shows that adjusting for quality of education among the population of 15 years and older reveals that Arab countries have a lot of catching up to do compared to other comparator countries.

**Figure 7: Quality adjusted mean years of schooling (QAMYS), population 15 years of age or older. Arab Countries and selected countries, 1990 and 2000**



Source: UNDP, Arab Human Development Report 2003, p92

## II.4 Macroeconomic Constraints

One of the main determinants of demand for labor in general and youth employment in particular is the pace and pattern of growth. Over the last four decades, periods of rapid GDP growth especially in the productive sectors of the economy have been on the whole associated with the creation of more jobs. However, two issues remain first is that growth by itself is not sufficient to create employment. The sources of growth are equally important. This raises the issue of the sectoral contribution to GDP growth where some sectors are employment creating while others are more capital intensive. Secondly there is the issue of the drivers of growth whether it is physical inputs of capital and labor, or Total Factor Productivity (TFP) which sums up innovation, organization, technology absorption. Nabli has noted that among the different regions of the world average annual TFP growth in the MENA region has on the whole been zero or negative during the period 1970-2000. This compares with a 3.3% growth for east Asia and 1.5% for the world as a whole <sup>30</sup>.

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<sup>30</sup> Nabli, op.cit., p.178



### Part III: Some Policy Conclusions

The major conclusion that emerges from the forgoing analysis is that youth unemployment is a major challenge to almost all Arab countries. The First Arab Economic Summit, held in Kuwait in January 2009 underscored the need to design concrete policies to confront the problem of unemployment in general and that of youth in particular. There is nothing new in that. Calls for combating unemployment have been a constant and recurring recommendation in public dialogue. Yet, the problem continues. There is no denying the fact that most Arab countries are sincere in confronting the problem and addressing its roots. But what is required is non-traditional solutions to a traditional problem. There is no claim to a generalized solution. There is no “one-size-fits-all model”. Each country of the region has its specificity that should be taken into account, but what is suggested here is a general orientation that can be tailored to the needs of each country. The task is made more urgent in view of the unfolding global financial and economic crisis that can exacerbate the present situation. According to the International Labor Organization (ILO) the decline in global GDP growth from the predicted 3.7% in 2008 to 0.5% in 2009 would certainly have grave consequences for employment. The projections for the Arab region however is more benign as the growth rate for the region is expected to be slightly less than 4% in 2009, and the region has sufficient resources to confront the problem. The first task is a mind-shift from focusing on the problem of “unemployment” to the task of “employment”. This does not stop at the level of semantics, but has important implications for policies. The objective of economic policy has to shift from piecemeal indicators to the overriding objective of “achieving full employment”. In short, policies and institutions should aim at achieving **employment-intensive-growth**.

Translating this objective would require efforts on the short-and-long runs. On the long run, it is well established that addressing youth employment will not succeed unless it is done within the broader framework of addressing the employment issue at the national level<sup>31</sup>. Therefore, the conditions of regenerating growth and ensuring that this growth is employment-intensive will go a long way to solve the youth employment problem. It is thus imperative that issues of macroeconomic stability and the reform of the educational and training systems must be at the top of the reform agendas of each and every Arab economy.

In the short run, there is no escape but to launch targeted projects to enhance youth employment. In so doing, the lessons of experience have to be headed. Experience in OECD countries as well as the analysis of targeted interventions in Asia, Africa, and Latin America show that targeted projects have their limitations<sup>32</sup>.

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<sup>31</sup> David G. Blanch flower, What can be done to reduce the high levels of youth joblessness in the world, ILO, Geneva, December 1999.

<sup>32</sup> Blanchflower, *ibid*.

They may be costly to run, and the beneficiaries may not have the necessary skills to run them. But experience also shows that the main element of success in creating youth employment has lessons from the cases of Malaysia, Singapore, Italy, France and Canada, despite the vast differences in their economic structures show that the youth employment problem was solved through the creation of successive waves of entrepreneurs capable of running small and medium enterprises. These enterprises may be small and medium in size but they have been run according to corporate principles.

These ideas provide only a general framework, and by themselves will not be sufficient to affect the required change. Two major shifts are required: a change in the value system that shuns public employment in favor of self employment; and a realization that the problem of employment in the Arab countries can effectively be tackled when addressed at the regional level. A regional labor market has already been a reality for the MENA, over the last four decades as evinced by massive migration from population surplus to capital rich countries of the region. A capital movement in the opposite direction in the shape of intra-Arab investment can be a major driver of economic growth that generates employment. Taking this high road to growth with employment is the key to confronting youth exclusion from the mainstream economic and social development of their countries.

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