BACKGROUND PAPER

YOUTH EMPLOYMENT IN THE MIDDLE EAST AND NORTH AFRICA

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INTRODUCTION
Youth is an imperative time in the lives of youth people as it signifies a period where they begin to realize their ambitions, find their place in the world of world and gain independence through their transition into adulthood. The youth employment challenge in the Middle East and North Africa (MENA), however, has placed serious impediments on young people from achieving these key milestones. Characterised by a ‘youth bulge’ whereby young people represent approximately 30 per cent of the population aged 15-24 years, the MENA region has failed to utilize the opportunity of having a large cohort of young, well educated population that can effectively contribute to the economic growth of the region. Instead, the youth bulge has continued to place pressure on the labour markets of countries within the region, which now struggle to provide sufficient employment opportunities for the millions of young people that are ready to enter the labour market every year.

Today, the MENA region is plagued by the highest youth unemployment rate in the world at approximately 30 per cent, twice that of the global average. In addition, for young people that are able to find work, they tend to be concentrated in low quality jobs and face large labour market inequalities. Youth are also faced with difficult and lengthy school-to-work transitions, partly due to the education system increasing failing to prepare young people for the labour market, and weak career guidance job facilitation services in the region.

The government sector, which has traditionally been the chief employer of educated youth, particularly for females, has experienced considerable downsizing in recent decades, and no longer easily admits new entrants. While the private sector which has been geared to be the new engine of economic growth in the region it has failed to grown sufficiently to accommodate for the increased labour supply. Furthermore, due to a lack of regional integration and trade, foreign direct investments, barriers to SME creation and growth, and overall lack in the expansion of high growth economic sectors, the private sector has not been able to create enough jobs. Yet, the problem across the region has not just been a lack of jobs, however, but lack of decent jobs. With the MENA region unable to make substantial progress in reducing persistently high unemployment rates and creating decent employment opportunities, this has allowed for the informal sector to flourish. Faced with high unemployment rates and limited employment choices, many young people are now concentrated in low quality, low paying employment in the informal economy. Such work is characterized by precarious work, with no job assurances, social protection coverage or benefits.

The crisis in Syria has further exacerbated the youth unemployment crisis in neighbouring host countries, namely Jordan and Lebanon. The influx of Syrian refugees has placed additional labour market pressures on an already difficult predicament, further raising unemployment, particularly amongst youth and women even higher. Consequently, young people in MENA have struggled to achieve vital milestones, namely their transition into adulthood which is marked by marriage. Delayed marriage is increasing across the region, not only due to higher educational attainment, but significant increases in the cost of marriage and lack of affordable housing.
This background paper aims to examine the youth unemployment challenge in the MENA region by assessing the primary drivers that have prevented youth from successfully transitioning into the labour market, and providing key recommendations to increase their employment.

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**KEY FINDINGS**

**THE MENA REGION HAS BEEN UNABLE TO MAKE SUBSTANTIAL PROGRESS IN REDUCING PERSISTENTLY HIGH UNEMPLOYMENT RATES SINCE THE PRIVATE SECTOR HAS NOT BEEN ABLE TO CREATE SUFFICIENT JOBS FOR YOUNG ENTRANTS.**

The MENA region is experiencing rates of real economic growth at 3.1 per cent\(^1\) (IMF, 2017) and weak competitiveness within the global market. The region has a poor ranking in its ease of doing business, ranging from a rank of 21 in the United Arab Emirates, to 103 in Jordan, 133 in Lebanon and 186 in Yemen (World Bank, 2017). The lack of interregional economic integration has also hindered the MENA region’s potential for economic growth and large-scale job creation. Barriers include high tariffs, trade and transportation costs. There is a need for MENA countries to design and implement integrated macroeconomic and sectoral policies for a job rich growth. This is particularly challenging in contexts of fragility and conflict, and with an over-reliance on oil revenues.

**SMES ACCOUNT FOR 30 PER CENT OF PRIVATE SECTOR JOBS IN THE MENA REGION\(^2\), DESPITE THE FACT THAT THEY CONTINUE TO FACE MANY OBSTACLES WHICH HINDER THEIR GROWTH AND DEVELOPMENT.**

Promoting entrepreneurship and the startup of SMEs is considered to be effective in creating employment opportunities, poverty reduction, upward social mobility. Yet the creation of start-ups and their transition into larger formal enterprises is hindered by a number of constraints in the region. These include a poor entrepreneurship culture, regulatory and legal frameworks that are often weak and not conducive to enterprise set up and growth, and limited lending capacities from financial institutions as well as poor financial infrastructures. Entrepreneurial skills amongst young people need to be built so that they have the know-how to successfully start a business, or grow an existing one. In addition, an efficient business

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\(^1\) Not including GCC oil exporters.

environment that supports enterprise development is vital. This includes reducing the high costs and complex bureaucracies related to registering and starting a business, and easing the requirements to provide flexible and accessible loans to youth and women.

THE MENA REGION IS PLAGUED BY THE HIGHEST UNEMPLOYMENT RATES IN THE WORLD, WITH RATES EXPONENTIALLY HIGH FOR WOMEN.
For young women in the region, their unemployment rates are the highest worldwide at 41 per cent in the Middle East and 38.7 per cent in North Africa (ILOSTAT, 2017). In addition, against global trends, the youth unemployment rate for young women and men in MENA increases consistently with the level of education attained. This is particularly the case for young women who in the MENA region now have higher shares of university enrollment rates than young men, but continue to have twice the unemployment rate. Young women have a particularly difficult time entering the labour market because of social norms which dictate culturally appropriate jobs, the lack of family-friendly work environments in the private sector, and difficulties in balancing their traditional family duties with their jobs. In the short term, there is a need to accommodate cultural characteristics in order to ease access of women to employment (part time, day care services, separate teams etc.). At the same time, there is a need to empower women and to challenge the boundaries of what is considered “a woman’s job”.

THE MENA REGION LACKS EFFICIENT EMPLOYMENT SERVICES FOR YOUNG PEOPLE THAT CAN EFFECTIVELY MATCH THEM INTO SUITABLE JOBS.
This is namely due to a lack in labour market information systems (LMIS) across the region and the absence of effective intermediation systems. In addition, financial constraints have left public employment services in the region understaffed and undertrained without the necessary expertise to provide quality services. Consequently, youth in MENA have high shares of NEET rates where they are not in employment, education or training. Social networks have become an increasingly popular means for young people to search and find employment. The heavy use of personal connections, known as “wasta” has led to inefficient matches between labour demand and supply, and further lowers productivity rates (Teti et al. 2017; Punshi and Jones, 2016; Feghali, 2015; World Bank, 2013; Loewe et al., 2008). Active labour market policies (ALMPs) are needed to focus on strengthening employment services and facilitating job search and counselling. In addition, improving labour market information systems will enhance the efficiency of employment services and career guidance in effectively matching supply and demand in the labour market and guiding young people into high demand areas.

THE MISMATCH BETWEEN THE SKILLS DEMANDED BY EMPLOYERS AND THE SKILLS OFFERED BY THE LABOR FORCE IS A KEY BARRIER TO EFFECTIVE JOB FACILITATION IN MENA.
This is due to the fact that educational systems are not adequately preparing students for the current and future labour market. Despite the fact that greater numbers of MENA students are attaining education, particularly at a higher level, this does not always translate into higher employment rates and better quality productive work for youth. ALMPs need to be implemented through well-targeted and designed programmes that include skills and improved vocational training to address current mismatches between the skills that youth possess and those in demand by the labour market, and fill in private sector vacancies in various sectors. Coordination and involvement with private sector employers also needs to take place in order to ensure that youth are gaining the right skill set in education.

**MENA LABOUR MARKETS HAVE BECOME HIGHLY SEGMENTED, CONTRIBUTING TO YOUTH EMPLOYMENT DISADVANTAGES AND DECREASING WORK QUALITY.**

The labour market in the MENA region is highly segmented with a considerably large public sector, comprising roughly 40 per cent of all work (World Bank, 2013), that provides decent job quality for its workers. Since the public sector has curbed its employment, and formal private sector job growth has been very small and is highly selective in its employees, a significant and growing unregulated informal sector has now given way in the MENA region. It is estimated that 80 per cent of youth in the region work in the informal sector (Kabbani, 2017), where they are more likely to be concentrated in poor quality, low productivity work\(^3\) in the informal sector where they endure precarious work, irregular and insecure incomes and little or no access to social security (Gatti, et al., 2014). As a result, vulnerable employment disproportionately affects youth in the MENA region who often make up a large portion of the working poor. The working poor are those who continue to live in poverty despite the fact that they work. One in every four (25 per cent) working youth in North Africa and 28 per cent of working youth the Arab States is living in moderate or extreme poverty (ILO, 2017).

**THE MENA REGION HAS ONE OF THE HIGHEST MIGRATION RATES IN THE WORLD, WITH AN ESTIMATED 24 MILLION INTERNATIONAL MIGRANTS FROM MENA COUNTRIES.**

While MENA youth often find it difficult to find work and compete in labour markets in their own country, they appear to have better chances once they emigrate or immigrate. Over half of migrants from MENA (53 per cent) have remained in the region, while the remaining 47 per cent moved outside of the region (IOM, 2016). Within the region, labour migration growth has primarily occurred in the oil-rich GCC countries, where young people intend to emigrate temporarily to earn money and gain experience. Internationally, there are an

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\(^3\) Labour productivity is particularly low in North Africa at less than half the productivity of Arab States. For example, the world average output per worker is US$24,696, whereas in North Africa it is US$11,148 and in the Arab States is US$36,151 (ILOSTATS, 2017).
estimated 32 million migrants in the Arab States (GCC and Mashreq countries). An estimated 64 per cent of migrants to the MENA region are from outside the region while the remaining 36 per cent are from other countries within the MENA region (IOM, 2016). The top three international destinations for MENA migrants within the region is Jordan, Saudi Arabia and Lebanon. MENA also hosts approximately 18 per cent of the world’s refugee population (IOM, 2016), which are mainly concentrated in Jordan and Lebanon. Outside the region, Europe is the chief destination for migrants, hosting an estimated one third of all people migrating from MENA.

THE INFLUX OF SYRIAN REFUGEES, PARTICULARLY IN LEBANON AND JORDAN, IS ADDING PRESSURE TO AN ALREADY DIFFICULT LABOUR MARKET SITUATION.

Unemployment levels for Syrian refugees are particularly high in host countries (30 per cent in Lebanon (ILO, 2013) and 60.8 per cent in Jordan (Errighi and Griesse, 2016)) and for those who do work, an overwhelming majority are concentrated into low-quality, low-productive work. Their presence has also contributed to downward wage trends among the local communities, especially for low skilled occupations. At the same time, in order to protect the national workforces, the regulatory frameworks in both countries also often prevent them to access an occupation that matches their competencies. It is further estimated that 99 per cent of Syrians are engaged in the informal economy (Stave and Hillesund, 2015). It is now recognised that adopting a policy of decent work for all and strong enforcement of the labour codes is key to prevent further depreciation of wages, and create a level playing field for nationals, Syrian refugees and migrant workers.

THE PREVALENCE OF CHILD LABOUR IN MENA HAS GREATLY INCREASED WITH THE RISE OF SYRIAN REFUGEES.

Due to stalled economic activity, restrictions on formal employment, and loss of savings over time, many Syrian refugee households have had to resort to child labour. Child labour in Jordan has doubled since 2007, now reaching 70,000 (National Child Labour Survey, 2016), while in Lebanon an estimated 180,000 children are engaged in child labour, including in its worst forms (UNHCR, 2016). Across the remainder of the region, child labour continues to exist at varying rates ranging from one quarter of Yemeni children aged 5-14 years engaged in child labour, to 7 per cent in Egypt, 5 per cent in Iraq and 2 per cent in Tunisia (UNICEF, 2017b). There is a need to operationalize the national frameworks on child labour with a joint identification of vulnerable children by labour inspectors, teachers and social workers, an individualized case management for education support and livelihood interventions for the families, as well as a close monitoring of progress. Finally, increased awareness raising amongst employers on the harms of child labour is required, in addition to more regiment enforcement of child labour laws in the workplace.
1. OVERVIEW OF THE YOUTH EMPLOYMENT CRISIS IN MENA

Worldwide, youth employment remains a serious challenge for governments with an estimated 71 million youth unemployed globally and a further 156 million youth that are working still living in poverty (ILO, 2016). Although the situation varies from one world region to another, the primary issue remains the same – young people globally are unable to find decent and productive work that match their skill set. The youth employment challenge has been recognized as one of the most critical economic development challenges facing the (Middle East and North Africa (MENA) governments today (Abu-Ghaida and Thacker, 2015). Furthermore, governments have identified workforce development and employment creation as a key priority to improve youth employment opportunities (including for women) and overall economic development in their countries (Abu Ghaida and Thacker, 2015). Contrary to global population trends, the share of young people in the MENA region has significantly grown in the past few decades. Currently, 30 per cent of the region’s population is aged between 15-24 years. This young cohort comprises of 75 million youth, and accounts for 6.2 per cent of the world’s youth population. In addition, the working age population in the region was 284 million people in 2016, comprising 5.8 per cent of the world’s total working-age population (World Bank, 2016). This youth rich demographic known as the ‘youth bulge’ has become the most important economic resource for the region, representing a window of opportunity that other world regions would dream of. Yet in MENA, this opportunity has not been harnessed, and instead the region’s youth currently experiences the highest unemployment rates worldwide. Youth unemployment stands at 24.9 per cent in the Middle East and 29.5 per cent in North Africa (ILO, 2017).

Figure 1: Youth unemployment rate by world regions (%)

![Youth unemployment rate by world regions](source: ILOSTATS, 2017)

The youth unemployment rate is particularly dire for young females (15-24 years) in the MENA region whose unemployment is almost twice that of young men (ILOSTAT, 2017). Figure 2 shows that young females in the MENA region have the highest unemployment rates
worldwide, at 41 per cent in the Middle East and 38.7 per cent in North Africa (ILOSTAT, 2017). These figures are more than twice as high as young women in any other region globally. While other world regions have considerably smaller discrepancies between the unemployment rates of young men and women, the gap in the MENA region between male and female unemployment is significant. According to the ILO (2017), in the Middle East the gender gap has progressively worsened over time, while in North Africa it has fluctuated over the past two decades.

**Figure 2: Male and female youth unemployment rates (%) by world regions**

Youth and women have been especially affected by a challenging labour market in the MENA region further exacerbated by the Arab Spring. In Tunisia for example, youth unemployment increased from 29.4 per cent in 2010 to 37.6 per cent in 2012; while in Egypt, the youth unemployment rate rose from 24.9 per cent in 2010 to 34.2 per cent in 2013 (ILOSTAT, 2017). Youth unemployment in MENA is highest in Libya where it has almost reached 50 per cent, while lowest in the GCC countries, with the exception of Saudi Arabia (ILOSTAT, 2017).

**Figure 3: Youth unemployment rate (%) in selected MENA countries**
Another alarming feature in the MENA region, is the high rate of youth that not in employment, education or training (NEET). Young women in particular are at much greater risk of unemployment and of being NEET than young men. While on average it takes young men in the region two to three years to successfully transition from school to work, young women are increasingly not making the transition at all. As shown in Figure 4 below, the share of youth NEET varies from 16.1 per cent in Saudi Arabia to 44.8 per cent in Yemen, while for females NEET is typically close to 30 per cent in the region, while reaching as high as 69.7 per cent in Yemen.

**Figure 4: Youth not in employment, education or training (NEET), in selected countries (%)**

MENA’s long-term stability and economic growth both depend on the region’s ability to provide opportunities to its youth. Similar to the East Asian case in the 2000s, should the private sector be able to create enough job opportunities to absorb the region’s young working population, this cohort of youth would become a positive and progressive strength that could potentially increase economic growth by around 2 per cent annually (Fardoust, 2016). This window of opportunity for the region’s youth needs to be seized quickly, as in another decade this opportunity will have started to close, with an aging population that will undoubtedly impose social and economic costs on countries in the region (Fardoust, 2016). Should the economic stagnation that the region is currently experiencing continue to persist in the coming years, it could equate to further youth unemployment and instability for the region.

### 1.1 STAGNANT ECONOMIC GROWTH AND PRODUCTIVITY

The MENA region is experiencing relatively low rates of economic growth and weak competitiveness within the global market. Prior to the Arab Spring, the region’s growth
averaged 4.7 per cent prior, where it still lagged behind the average 6 per cent growth rate of other developing regions (Nasr and Pearce, 2012). Today, however, the MENA region’s growth rate has fallen to 3.1 per cent\(^4\) (IMF, 2017). Aside from the recent political and social unrest, the slow growth in the region has been largely attributed to comparatively low levels of investments, insufficient business competition in the region’s domestic markets, and a lack of regional economic integration. Economic reforms introduced in the region since the late 1980s, assumed that the private sector and private investments would be the new engine of economic growth in the region, and would replace the public sector. Such private investments were envisioned to be profit rich, creating sufficient jobs for young graduates. Nevertheless, private investments in the region has a whole have failed to reach their potential and foreign direct investments (FDI) has been relatively low and concentrated in limited sectors (such as real estate and mining). Therefore, investments in the region have not equated to adequate levels of productive employment. Youth in MENA are as a result experiencing high unemployment since supply well exceeds demand, or when employed, tend to be concentrated in low productivity work, namely in the informal economy.

Despite its potential to still be a powerful driver of job creation and economic growth, the formal private sector has not translated into a major component of the workforce in the MENA region. As a result, the region’s economic growth continues to be far below its potential. Creating an environment that is conducive to private sector development is essential in the region, both through FDIs and by encouraging local enterprise development, particularly amongst youth. In addition, successful privatization and improved economic growth also require considerable changes to be made to the region’s policies in trade. The MENA region is currently the least economically integrated region in the world, and remains far behind it’s potential to link into the global economy. This section will examine the barriers to both enterprise development and regional integration for MENA.

1.1.1 BARRIERS TO ENTERPRISE DEVELOPMENT

Small and medium-sized enterprises (SMEs) play a vital role in the world’s economy and significantly contribute to GDP, the creation of employment, income and output. In the MENA region, SMEs are the main source of private sector jobs, despite the fact that they continue to face many obstacles which hinder their growth and development. According to Nasr and Pearce (2012), SMEs account for 30 per cent of all private sector employment in the MENA region (see Figure 5), making it the lowest share of private employment in comparison to other world regions. However, this percentage is estimated to be even higher once you take the informal sector into consideration. Furthermore, the majority of enterprises in the MENA

\(^4\) Not including GCC oil exporters.
region are comprised of microenterprises. In Egypt, Morocco, Lebanon and Yemen, small and medium-sized enterprises only account for less than 4 per cent of all enterprises (Nasr and Pearce, 2012), whereas micro enterprises make up between 82-94 per cent of all enterprises in these countries. In GCC countries, SMEs make up a larger share of all enterprises, namely due to larger gas and oil companies. However, Saudi Arabia is the only prime exception in the region, where SMEs constitute the overwhelming majority of all enterprises at almost 80 per cent (Nasr and Pearce, 2012).

Figure 5: SME employment as percentage of private employment

Source: Nasr and Pearce, 2012

The transition of microenterprises into larger enterprises with the ability to generate greater employment opportunities and higher productivity and competitiveness is hindered by a number of constraints in the region. These include, regulatory and legal frameworks that are weak and not conducive to enterprise set up and growth, poor lending capacities from financial institutions as well as poor financial infrastructures. The World Bank (2011) places MENA as the second lowest region in the world (after Sub-Saharan Africa) of bank loan usage, with only 20 percent of SMEs in the region having either a loan or line of credit, and 24.5 percent of adults having access to finance in MENA through a loan account (Nasr and Pearce, 2012). Instead financial institutions, namely banks, in the region are inclined to provide loans to large corporates. The World Bank’s ‘Ease of Doing Business’ ranking (2017) places the MENA region poorly in comparison to 190 world economies. As Figure 6 shows below, the region’s ranking ranges from 21 in the United Arab Emirates, to 103 in Jordan, 133 in Lebanon and 186 in Yemen (World Bank, 2017).

Figure 6: Ease of Doing Business, selected MENA country rankings
Non-financial barriers that impede enterprise growth in the region include a lack of business development services for enterprises, business mentoring, and a deficiency of enterprise development skills amongst entrepreneurs such as management and marketing. There are also greater challenges faced by marginalized groups such as youth, who often lack capital, and face even greater difficulties in obtaining loans due to the fact that they lack collateral. Likewise, women have a harder time obtaining finance due to stricter collateral requirements in comparison to men. In Egypt, for example, Nasr (2011) finds that twice as many women complained about collateral requirements than men. Women in the region also face additional socio-cultural barriers in obtaining finance, including a lack of mobility, and difficulties in leaving the home and interacting with strangers. Women residing in rural areas also face challenges in reaching commercial banks to apply for loans. As a result, women are more likely to resort in informal financing means.

Promoting entrepreneurship and the start up of SMEs is considered to be effective in creating employment opportunities, poverty reduction, upward social mobility. Nevertheless, in the MENA region, a cultural shift is still required to change attitudes towards entrepreneurship as a viable career option for youth. Entrepreneurial ventures are often perceived as risky and characterized by a lack of assured continuity. Hence, it is common for youth to prefer to wait for public sector jobs which provide the assurances of a steady income, job security and benefits. For young people, the excessive bureaucratic requirements and high costs of registering a business are also often a deterrent. It is estimated that the registration costs of a business in the MENA region is estimated to be 6.4 times greater than that in OECD countries (Schmidt and Hassanien, 2012). Consequently, when young people do start a business, they often operate in the informal sector where they miss out from market opportunities, competitiveness and the potential to considerably grow. Operating in the informal economy also has the potential to overlap with vulnerable forms of work, not only
for the enterprise owner, but for the those employed as often no assurances are provided such as social security and work benefits.

Entrepreneurial skills are also lacking in the region, whereby youth may find it difficult to either know how to successfully start a business, or owners may lack the necessary skills to manage their business as it grows and becomes more complex. In addition, an efficient business environment that supports entrepreneurs by encouraging innovation and good managerial methods is often lacking in the region (World Bank, 2016).

1.1.2 LACK OF REGIONAL INTEGRATION

With the recent social unrest, ongoing conflicts in Syria, Iraq and Yemen, lower oil prices from exporters, and general weak economic management, the MENA region continues to experience significant economic losses and low economic growth. The region’s real GDP growth has grown just 2.8 per cent since 2012, compared to approximately 4 per cent prior (Fardoust, 2016). This economic downturn has further exacerbated youth unemployment and poverty in the region. As a result, it is imperative that the countries of MENA adopt policies that will result in improved economic growth for the entire region. To achieve such economic growth, job creation and reduce poverty, accelerated economic integration is essential for the MENA region (ESCWA, 2015). However, with the exception of oil and gas, MENA is currently one of the least globally and regionally integrated regions in the world. The region as a whole would be positioned better to link into the global economy if it were unified with enhanced regional value chains and less dependent upon foreign financing and a demand for external commodities (ESCWA, 2015).

Although economic integration in MENA has been consistently increasing over time, it still remains far behind its potential. For example, while MENA comprises approximately 5.5 per cent of the world’s population and 3.9 per cent of the world’s GDP, the region’s non-oil world trade is just 1.8 per cent (World Bank, 2014d). While governments of MENA have long attempted to negotiate regional trade agreements, most of these have not been effective, and many were never fully implemented, resulting in limited intraregional trade compared to other world regions. For example, initiatives were undertaken by the League of Arab States, most notably the Pan-Arab Free Trade Area (PAFTA) and the Gulf Cooperation Council (GCC) Customs Union, however, these agreements need to be deepened and extended, with more advanced forms of integration required (ESCWA, 2015). Key barriers continue to persist that prevent the region from the full integration that is required to make meaningful impact and link into the global economy.

These barriers include high tariffs, trade and transportation costs. Despite the fact that the countries of MENA have made progress in lowering tariffs, they do continue to be high, particularly for manufactured goods and agriculture. Furthermore, the level of tariff
protection in comparison to the rest of the world remains high by international standards in MENA. This is particularly the case for the countries of North Africa. According to Shepherd (2011) the cost of bilateral trade between countries in the region are approximately twice as great as those between MENA and Europe. The transport infrastructure of the region as a whole needs improvement. This includes better regional logistic services, improved roads and railways, enhanced transportation and vehicle quality, and a removal of restrictions that are placed on drivers travelling across boarders, with taxes and surcharges, nationality restraints, and costly and complicated documentation requirements.

The country differences in laws and regulations throughout the region also increase the cost for cross-border trading and investments. The limited trade volumes and markets also further adds to this, with limited diversity, particularly amongst oil-exporting countries. Finally, political factors also constitute a barrier to greater regional integration, including political instability, centralization of power and state interventions, corruption, and labour restrictions.

Other non-tariff issues constitute key barriers to interregional integrations, particularly in the area of trade. Trade in services, for example, is not part of PAFTA and other agreements, despite it having strong growth in the region, nor are other crucial services such as telecommunications, transportation, power and energy, and financial services. Having these services integrated would greatly enhance competition and trade, increase foreign direct investment (FDI) and reduce production cost (Rouis and Tabor, 2012). Finally, greater cooperation is required in the region to promote labour mobility, policy coordination, standards and procedures, and investments (ESCWA, 2015).

1.1.3 THE NEED TO LINK GLOBAL VALUE CHAINS TO DOMESTIC MARKETS IN MENA

The MENA region has an opportunity to both diversify its exports and increase its link into the global economy through global value chains. Global value chains provide the possibility for developing countries in the region to place themselves into the global production chain without the need to produce final and completed goods. Whereas before, developing countries would namely export unprocessed raw materials, they now are able to export value-added manufacturing goods (Dollar, 2017). Such a leverage has allowed numerous countries worldwide to increase their economic growth, and reduce their poverty and unemployment rates.

For the MENA region, however, this has yet to be realised. Agriculture continues to play a large role in MENA countries, in comparison to middle-income countries in other regions which made a shift from agriculture to services (Gatti et al., 2014). Whereas in middle income
countries such as Indonesia or Malaysia the growth of manufacturing and private services such as tourism, trade, communications and logistics led to considerable employment growth, in the typical MENA country, the contribution of these sectors has remained low (Gatti et al., 2014). As a result, job growth that has occurred in the average MENA country has been of low quality, low value-added sectors. Moreover, due to the region’s high trade costs, they have not been able to fully integrate into global value chains. Instead, countries of MENA have attempted to establish export processing zones (EPZs) in order to facilitate improved clearance and logistics, however, this has limited the participation in global value chains to enterprises in the EPZs, while leaving out smaller, domestic enterprises (Dollar, 2017). To successfully achieve employment and economic growth, the aim for the MENA region is to develop regional value chains by promoting domestic linkages and scale up the quality of domestic production, and then integrate more thoroughly into global value chains.

1.2 SEGMENTED LABOUR MARKET

One of the key labour market developments seen across the MENA region in recent decades is the occurrence of labour market segmentation, whereby the labour market has become highly divided into separate segments, distinguished by varying characteristics. Traditionally, MENA labour markets have been characterized by having a large public sector that has provided the overwhelming majority of employment for its workforce, particularly educated labour market entrants. In Egypt, for example, during the mid-1970s, the public sector employed over 80 per cent of fresh graduates (UNESCO, 2012). Despite economic reforms and structural adjustment policies across the region that have resulted in a downsizing in public sector hiring, the sector still remains an important source of employment. Approximately 40 per cent of all total employment in the MENA region is concentrated in the public sector (World Bank, 2013). This share is higher in the GCC particularly the United Arab Emirates and Qatar (see Figure 6 below).
Figure 7: Share of public sector jobs by country (%)


In the GCC countries, public sector jobs are reserved for nationals only. Hence, due to the high number of foreign national workers in these countries, the labour market in the GCC countries has effectively segmented into foreigners working in the private sector, and nationals in the public (World Bank, 2013). Shortages in skilled labour has continued to keep the number of foreign workers high in GCC countries, while keeping labour costs low. For the rest of the countries in the region, the public sector still plays an important and significant employment role. The majority of young graduates continue to prefer public sector jobs, due to its superior job quality and wages, in comparison to the private sector. This is particularly the case for women, who have traditionally been employed in the public sector en masse due to its flexible working hours, female-friendly policies, and safe working environment. As a result, in almost all countries of the region, women’s share in public sector jobs is greater than men’s.

Figure 8: Share of men and women in public sector jobs by country (%)

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5 The private sector has increasingly been associated with higher levels of sexual harassment. See Barsoum et al. (2009) for more.
Currently, as it stands, the labour market in the MENA region is highly segmented with a considerably large public sector that provides decent job quality, a small formal private sector that is highly selective in its employees, and a significant and growing informal sector that namely provides precarious working conditions, increasingly for youth. The downsizing of the public sector since the early 1990s, coupled with the lack of private sector growth has essentially given way to a highly segmented labour market in the region. The informal sector has significantly grown in recent decades and is characterized by poor quality, low paying wages. Furthermore, good quality jobs that do exist in the formal private sector are almost always reserved for those from the “cultivated” classes, who possess the required skills of working in international or multinational organizations, such as proficiency in foreign languages, and strong computer skills (Roque, 2014; Barsoum, 2004). Such skills are typically only gained through expensive private schooling in the region, as the public education system is still not aligned with current labour demands. Females are even more disadvantaged, as they are often encouraged to seek female-appropriate fields of study such as education, health and humanities which are typically aligned with public sector positions, which are increasingly difficult for them to attain. Hence, as illustrated in Figure 7, women’s share in public sector jobs is consistently higher than men’s in countries across the region, with the exception of the UAE and Qatar. The downsizing of public sector jobs that has occurred in recent decades has therefore had a disproportionate effect on women. Still, Dimova et al. (2016) finds that on average, 58.6 per cent of young unemployed females in the MENA region would prefer a public sector job. Nevertheless, for many women who are not able to attain public sector jobs, they often drop out of the labour market altogether due to a lack of decent work options in the private sector.
2. QUALITY OF WORK: YOUTH AT A DISADVANTAGE

Youth in the MENA region continue to be at a disadvantage as they face difficult labour market transitions. Not only do youth in the region have the highest unemployment rates globally, but the jobs available to them are of poor quality. Despite the fact that the current generation of youth have the highest educational attainment rates, young graduates are more likely to face informality and vulnerability when they engage in the labour market (ILO, 2016). In North Africa almost 25 per cent of working youth are living in moderate or extreme poverty, whereas an estimated 39 per cent of working youth in the Arab region live on less than US$3.10 per day (ILO, 2016). Furthermore, this trend of working poverty amongst youth has been on the rise since the time of the Arab Spring (Barsoum et al., 2017). Barsoum et al. (2017) highlight that this strongly suggests the prevalence of low pay, along with underemployment amongst youth in the region. There is also a correlation between vulnerable work and lower levels of labour productivity, since higher productivity levels tend to equate into higher wages.

Young people in vulnerable employment⁶ are more likely to be employed under relatively precarious circumstances, namely in the informal economy. Young people are also more likely to be disadvantaged than adults, due to the fact that they often have no alternatives but to take on vulnerable employment since they are forced by high unemployment rates. This is particularly the case for youth with low educational attainment, and for those eager to transition to adulthood and about to form a family. Young people from wealthier backgrounds or higher educational attainment on the other hand, can often afford to stay unemployed or stay out of the labour force for a longer period in the hope of attaining a decent job. Nevertheless, Wahba (2009) finds that increasingly educated youth are also turning to the informal sector for employment due to little opportunities in the formal labour market. For the majority of these educated youth, they identify the informal sector as a “waiting” place where they engage in until a good job becomes available to them in the formal sector.

Figure 9: Vulnerable employment and working poverty (%), 2017

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⁶ Vulnerable employment is defined as the share of own-account workers and contributing family workers in total employment.
According to the ILO (2017), vulnerable employment currently accounts for 32.1 per cent of total employment in North Africa, equating to 21.5 million people. In comparison, vulnerable employment makes up 17.9 per cent or 8.8 million workers in the Middle East (ILO, 2017). This share of vulnerable employment in the Middle East is significantly higher in non-GCC countries (33.2 per cent) compared to GCC countries (2.9 per cent) (ILO, 2017).

Women are also more likely to be engaged in vulnerable employment, with 45.2 per cent of working females compared to 30.5 per cent of working men in vulnerable work across North Africa and 19.7 per cent of working women compared to 16.3 per cent of men in the Middle East (ILOSTAT, 2017). Given that vulnerable employment is more prevalent in the agricultural sector, where women also play a large role as contributing family workers, it is not surprising that vulnerable employment is greater in the North Africa than in the Middle East.

2.1 THE GROWING INFORMAL ECONOMY

In recent decades the informal economy has become widespread in MENA countries, involving the vast majority of work outside of the public sector. It is estimated that the average MENA country informally employs 65 per cent of its labour force, and generates 28 per cent of undeclared GDP (Gatti et al., 2014). This essentially equates to approximately two-thirds of MENA’s labour force having no access to income security after retirement or health coverage, in addition to governments missing out on considerable undeclared revenue. Many argue that this sector represents a resourceful part of the economy, given its dynamism and ability to create employment opportunities, particularly in the vacuum of sufficient formal jobs. Nevertheless, engagement in the informal economy is strongly associated with low productivity, unprotected work that lacks social security and health coverage, and poor working conditions since the sector is unregulated by formal institutions such as labour laws and taxation.
Gatti et al. (2014) find that informality rates are highest among youth between the ages of 15 and 24 years. The authors find that the rate of informality rapidly decreases thereafter until the age of 40 years. Informal employment also tends to be higher amongst those with lower educational attainment levels. Despite this, Figure 10 shows that even those with tertiary education are consistently engaged in the informal economy with rates between 20-40 per cent.

**Figure 10: Informality rates (%) by education**

Across the MENA region, informality is more widespread amongst smaller firms, particularly those comprising of five or less workers engaged in activities of low-levels of productivity. Evidence suggests that informal enterprises tend to remain small and use irregular channels of purchase and supply, while often diverting their activities or using bribes to mask them. Nevertheless, studies have also indicated that the majority of informal enterprise owners would prefer to be formal, however, difficult and expensive bureaucratic processes prevent them from achieving this. As a result, MENA currently has the highest rate of informal enterprise start-ups worldwide, with almost one-quarter of all businesses forming without formal registration.
As previously mentioned, there are numerous hazards for workers employed in the informal economy, namely the fact that they are not recognized or protected under legal and regulatory frameworks. Hence, in comparison to formal employment, the informal sector is associated with overall poorer working conditions, where access to benefits and social protection are limited. This includes annual leave, access to training, disability and workers’ insurance. Poor working conditions is also shown in measures of worker’s job satisfaction. For example, Gatti et al. (2014) find that Moroccan youth working in informal jobs reported being considerably less satisfied than youth working in formal jobs. Likewise, in Egypt and Lebanon, informal workers were found to be consistently more likely than formal workers to want to change jobs or to be searching for a new job. However, workers engaged in the informal economy across MENA have been found to have increased difficulty in transitioning to formal employment. On average, it takes three years in Egypt for a worker to move out of informal salaried work, and four and a half years in Lebanon and Syria (Gatti et al., 2014).

The lack of representation and voice are also most pronounced in the informal sector, especially for youth and women (ILO, 2002). Although, the existence and outreach of trade unions across MENA varies between countries, in many they continue to struggle. In Egypt, for example, the government declared independent trade unions as invalid in early 2016, despite Egypt being a signee to the 1948 International Labour Convention No. 87 which states that workers have the right to establish trade unions. Trade unions do not exist in the majority of GCC countries including Saudi Arabia and the UAE where they have been banned. In Lebanon, continued government interference in the creation and management of trade unions has hinder the development of an independent trade union movement. However, in the countries of Jordan, Algeria and Morocco, positive steps have been taken following the Arab Spring in introducing constitutional reforms which include increased guarantees for the rights of trade unions. Nevertheless, due to legal restrictions facing the informal sector, it often makes it impossible for workers in the informal economy to collectively organize to make their voices heard, thus making them particularly vulnerable.
3. CHALLENGES IN EFFECTIVE JOB FACILITATION

Youth unemployment rates in the MENA region tend to rise with educational attainment. For university graduates, the average youth unemployment rate is 34.7 per cent (21.1 per cent of the males and 49.5 per cent females) compared to 19.1 per cent for youth with primary level education (Dimova et al., 2016). Dimova et al. (2016) did find that the attainment of a university degree does reduce the school-to-work transition time, with those with primary education taking on average 18 months to find work, while university graduates taking 9 months to find satisfactory work. Nevertheless, the search for an appropriate first job was found to be longer for females in comparison to males, with female tertiary graduates taking on average 11 months to find work, compared to 8 months for males (Dimova et al., 2016). Whereas young women with primary education, however, took an average of 31 months to find their find suitable job (Dimova et al., 2016).

The challenges in quickly transitioning from school-to-work in MENA region include a number of barriers, including the fact that the region generally lacks efficient employment services for young people that can effectively match them into suitable jobs. This is namely due to a lack in labour market information systems across the region. Without such vital information, it is difficult for services to be able to determine where labour market demand lies, and how to guide youth into demand-driven sectors. Instead public and private employment services often rely on employer vacancies which they receive to facilitate young people into employment. Despite high unemployment rates, many private sector firms are found to be unable to successfully fill vacant positions. The World Bank (2014c), for example, finds that in Egypt private sector firms cannot fill 600,000 vacancies. Disconnections in the labour market such as a lack of systematic methods of advertising and recruiting, and labour market information may be preventing enterprises from finding qualified workers to fill these positions.

In the absence of effective intermediation systems, social networks have become increasingly popular means for young people to search and find employment. The heavy use of personal connections, known as “wasta” in the region, has led to informal matchmaking mechanisms across sectors, whereby people attain work based on who they know, rather than their qualifications. This is likely to lead to inefficient matches between labour demand and supply, and further lower productivity rates. Nevertheless, youth are overwhelmingly convinced that the primary means of attaining employment must be through a wasta, and that young people

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7 Average youth unemployment rate in the following five countries: Egypt, Jordan, the Occupied Palestinian Territory (OPT), Lebanon and Tunisia.
who lack such personal connections have lower chances of finding employment. According to the World Bank (2014b), 90 per cent of youth in Jordan reported that they expected to use a *wasta* at least sometime in the future, while 42 per cent believed their need for it was likely to increase, and only 13 percent thought their need would decrease. Furthermore, Gatti et al. (2014) find that over 70 per cent of workers in both Lebanon and Syria admitted having found employment through the use of a *wasta*. The researchers further find that the use of a *wasta* is even higher in the informal sector. While in Tunisia, the Gallup Survey (2011) finds that 83 per cent of young people believe that knowing people in high positions is critical to getting a job. Furthermore, following the Arab Spring, Teti et al. (2017) find that youth reported it was more difficult to get a job without a *wasta*, with 67 per cent of Egyptian youth, 65 per cent of Tunisian youth and 74 per cent of Jordanian youth reporting this. On the contrary on 5 per cent of Egyptian youth and 3 per cent of Tunisian and Jordanian youth believe it is never necessary to use a *wasta* to gain a job (Teti et al., 2017).

**3.1 SKILLS MISMATCHES AND THE UNDERUTILIZATION OF YOUTH SKILLS**

The mismatch between the skills demanded by employers and the skills offered by the labor force is widely documented across the region as a primary barrier to effective job facilitation in MENA. This is due to the fact that educational systems including secondary schooling, technical vocational education and training (TVET) and universities are not adequately preparing students for the current labour market. Instead, they continue to be geared towards preparing students to serve in the public sector, which used to be the primary employer of educated new entrants in most MENA economies. Hence, despite the fact that greater numbers of MENA students are attaining education, particularly at a higher level, this does not always translate into higher employment rates and better quality productive work for youth.

Increased privatization, globalization and new technologies - also known as the ‘Fourth Industrial Revolution’ (Schwab, 2016) - have brought on the demand for certain labour market skills in the region, many of which are not taught in existing public education systems across the region (Assaad and Roudi-Fahimi, 2007). These do not only include technical skills, but life skills that assist youth in successfully transitioning into the world of work (UNICEF, 2017). According to the World Economic Forum (2016) such skill sets that are required by the Fourth Industrial Revolution comprise of complex problem-solving, critical thinking, creativity, people management, coordinating with others, emotional intelligence, judgment and decision-making, service orientation, negotiation, and cognitive flexibility (UNICEF, 2017). The development of life skills and citizenship education in the region therefore requires a holistic approach that considers the multi-dimensionality of education and encompasses the cognitive, individual and social realms while empowering young people to attain key skills that will effectively assist them in fulfilling their social responsibilities and be successful in the workplace (UNICEF, 2017).
The continued mismatch in skills has further added to long and difficult periods of unemployment for youth as they transition from school to work, with employers usually reluctant to hire youth that lack the skills they need. Despite this, investments in on-the-job training is very low amongst employers in the region who often unwilling to build the skills and capacities of new entrants. While a skills mismatch does pose serious barriers to private sector employment for young people, it is important to note the difference between a lack of certain skills in demand, and lack of demand for highly skilled labour. According to Dimova et al. (2016), higher skilled youth in the region particularly struggle to find work that matches their level of qualifications. This is a common situation of “over-education” in the region, whereby available jobs in the private sector require skills that are below the level of education obtained by young people. Hence, since the supply of qualified workers is far greater than demand of technical and professional work, youth often have no choice but to accept employment that is below their skills level. Dimova et al. (2016) find that on average 38.4 per cent of working youth in the region are underutilized in their place of employment, with female underutilization rates being much higher than their male counterparts. In such cases, where especially young male workers are underutilized, they are more likely to emigrate to countries where their productive potential can be realized.

4. MIGRATION FLOWS: EMIGRATION AND IMMIGRATION

The MENA region has one of the highest migration rates in the world, with an estimated 24 million international migrants from MENA countries (IOM, 2016). Of these 24 million, 53 per cent have remained in the region, while the remaining 47 per cent moved outside of the region (IOM, 2016). Yet in addition to international migration, the MENA region also has experienced significant rural to urban migration rates in the past four decades. Since 1970, MENA’s urban population has grown four-fold, and is expected to double again from 200 million to 400 million 2050 (IOM, 2014). Urban migration in MENA countries has largely been driven by increased labour market prospects in capital and large urban cities. Regardless of educational attainment, rural to urban migration has been a common trend. Today, many countries in MENA display high urban populations ranging from 43 per cent of the population in Egypt living in urban areas, to 83.2 per cent in Jordan and almost 90 per cent in Lebanon (IOM, 2014). Figure 12 below further shows the annual urban population growth in five MENA countries.

Figure 12: Annual urban population growth rate (%)
With regards to international migration, figure 13 shows the top destinations from MENA migrants, with Jordan, France and Saudi Arabia being the top three country destinations. Following migration within MENA, Europe is the chief destination, hosting an estimated one third of all people migrating from MENA.

![Figure 13: Top migrant destinations from MENA (%)](image)

Source: IOM, 2014

While MENA youth often find it difficult to find work and compete in labour markets in their own countries, they appear to have better chances once they emigrate or immigrate. Within the region, labour migration growth has primarily occurred in the oil-rich GCC countries, where young people intend to emigrate temporarily to earn money and gain experience. Labour migration has raised a number of concerns for host countries in recent years, particularly in the Mashreq countries of Jordan and Lebanon where nationals experiencing high unemployment rates feel increased competition with migrant communities for employment.

Internationally, there are an estimated 32 million migrants in the Arab States (GCC and Mashreq countries) (IOM, 2016). Migrants comprise the majority of the populations in the
countries of Qatar, the United Arab Emirates, Oman and Bahrain, and make up 95 per cent of the workforce in construction and domestic work in the GCC countries. The vast majority of migrants to the Arab States are from Asia, although there are a considerable number from African countries, namely Egypt. An estimated 64 per cent of migrants to the MENA region are from outside the region while the remaining 36 per cent are from other countries within the MENA region (IOM, 2016). The top destinations of migrants are Saudi Arabia which hosts over 10 million migrants, followed by the United Arab Emirates (8 million), Jordan (3.1 million), Kuwait (2.8 million) and Lebanon (2 million).

As shown in Figure 14 Saudi Arabia and the United Arab Emirates alone host more than 50 per cent of international migrants in the region (IOM, 2016). The Mashreq countries including Iraq, Jordan, Lebanon, Occupied Palestinian Territories, and Syrian Arab Republic host 19 per cent of migrants in the region, while the countries of North Africa host an estimated 6 per cent. In addition to migrants, MENA also hosts approximately 18 per cent of the world’s refugee population (IOM, 2016), which are chiefly concentrated in Jordan and Lebanon.

4.1 SPILL OVER EFFECTS OF THE SYRIAN CRISIS ON LABOUR MARKETS

With more than six million refugees originating from MENA, the region is currently the largest producer of refugees worldwide. The Syrian conflict has been the primary contributor to this with over five million Syrian refugees now residing in neighbouring host countries. Lebanon, which is the largest host country in the MENA region, and the third largest in the world currently hosts over 1.1 million Syrians, followed by Jordan with more than 664,000
registered Syrian refugees. Figure 15 below illustrates the top refugee host countries in MENA, comprising of all refugee populations, including Syrians.

Figure 15: Top refugee host countries in the MENA region (%)

The influx of refugees, particularly in Lebanon and Jordan has placed added pressure to an already difficult economic and labour market situation in both countries. Although Syrians had entered host countries as refugees, in time their savings have run out, and they have added to the workforce number. The governments of Lebanon and Jordan in particular are now tackling labour market issues for three groups (nationals, migrants and Syrians) with the main challenges being how to nationalize their labour market; how to ensure decent work for all; and how to integrate Syrians into their labour force without displacing nationals (Razzaz, 2017).

With high unemployment, particularly amongst youth, nationals from both Lebanon and Jordan have been documented as feeling in a disadvantaged competition with both Syrian refugees and migrant workers. The influx of such a large number of refugees in addition to migrant workers and nationals has increased competition, particularly in the informal sector, and created downward pressure on wages and working conditions for young people (ILO, 2017). Razzaz (2017) further finds that employers are more likely to favour non-Jordanian workers since they willing to accept late wage payments, forgo overtime payments, and work long hours. This is particularly the case in the domestic and agricultural sectors, where working overtime is the norm, and payment delays can at times last for several months. Since migrant workers are often without their families, and are in Lebanon and Jordan on a temporary basis for the primary reason to make money and send remittances home, they are also more likely to be willing to put up with such working conditions. Egyptians, for example, frequently work throughout the night as building guards, or as construction or agricultural
workers doing 13-hour shifts daily (Razzaz, 2017). Migrant workers are also more willing to do lower productivity work and accept lower pays that Lebanese and Jordanian nationals, which gives employers added incentives to hiring them. Furthermore, the engagement of Syrian refugees in the labour market, particularly the informal economy has further contributed to labour market segmentation. This is due to the fact that Syrian refugees are often willing to work below national labour standards due to a lack of better labour market opportunities. This has pushed wages and working conditions down even further for all three working groups (migrants, Syrian refugees and nationals).

Considerable progress has been made to address these issues, particularly in Jordan. The Jordan Compact has been developed as a product of the London conference which took place in February 2016. According to the agreement, Jordan has pledged to issue 200,000 work permits for Syrian refugees, with exemption of associated fees. In an effort to ease the process of issuing work permits to Syrian refugees in the construction sector, the General Federation of Jordanian Trade Unions (GFJTU) began issuing MENA’s first non-employer and non-position-specific work permits. The work permits also stipulate that workers should be covered by a private insurance scheme at the cost of 50 Jordanian dinars. Applicants for the new work permits must hold a Recognition of Prior Learning (RPL) certificate, which is obtained through Jordan’s Centre for Accreditation and Quality Assurance (CAQA). The RPL course requires workers to complete studies related to occupational safety and health (OSH), which includes practical instruction on workplace health and safety measures and requirements. The RPL certificate assists employers to match job requirements to workers with the right skills, while the mandatory insurance coverage improves protection of workers. To date, approximately 50,000 work permits have been granted in total in construction, agricultural, construction and garment sectors. The Government of Jordan is also committed towards integrating 15-25 per cent of Syrians into the labour market in Qualified Industrial Zones (QIZs) in order for Jordan to benefit from relaxed rules of origin laws on European imports, as well as to receive a combination of fiscal packages.

In Lebanon the employment situation of Syrian refugees has been more difficult, since Lebanon has long maintained that it is not a country of asylum or a final destination for refugees and therefore the issuance of work permits or the permanent integration of Syrian refugees in the labour market has not been an option for the government. In 2015, the Lebanese government suspended an agreement between Syria and Lebanon that had guaranteed the freedom to live, work, and conduct economic activities for the citizens of both countries in Lebanon. Furthermore, Syrian registered with UNHCR in Lebanon are not allowed to work, unless in certain sectors where they are not in direct competition with Lebanese, limiting them work only to agriculture, cleaning and construction. Nonetheless, the Lebanese authorities did present a comprehensive five-year plan at the London conference for the education, development, and employment of Syrians in Lebanon, including the Subsidized Temporary Employment Program (STEP). STEP aims at creating new jobs in small and
medium-sized enterprises through a mix of financial and non-financial incentives. The program aims to expand the production of SMEs and create new permanent jobs for low-skilled Lebanese as well as temporary jobs for Syrian refugees. Syrian refugees are also granted financial incentives under the program that will be made available to them upon their repatriation to Syria or resettlement in a third host country. A pilot program for STEP was launched in Lebanon in 2017 and funded by the UK’s Department for International Development (DFID) and the German sustainable development and cooperation agency (GIZ). It is expected that the program will create 100,000 employment opportunities over a three-year period. In addition, the Lebanese authorities did pledge at the London conference to find ways to facilitate employment for Syrians while conforming to Lebanese Laws by the periodical waiver of residency fees and simplifying the requirements such as waiving the ‘pledge not to work’ requirement in order to ease Syrians’ access to the job market in sectors where they are not in direct competition with Lebanese (IMF, 2016:15).

4.2 RISE IN CHILD LABOUR

The influx of Syrian refugees has greatly increased the prevalence of child labour in both Lebanon and Jordan. Due to stalled economic activity, restrictions on formal employment, and loss of savings over time, many households have had to resort to child labour. According to UNICEF (2016) 10 per cent of children aged 5-14 years are engaged in child labour across the MENA region, with boys slightly more likely to be in labour than girls, at 8 per cent and 6 per cent respectively. Nevertheless, in the countries of Lebanon and Jordan, the child labour situation has particularly increased since the start of the Syrian crisis. Child labour in Jordan has also doubled since 2007, now reaching 70,000 (National Child Labour Survey, 2016). This largely represents the influx of Syrian children that are increasingly engaged in child labour in Jordan. According to the National Child Labour Survey (2016) the employment-to-population ratio for Syrian children is 3.22 per cent, while 1.75 per cent for Jordanian children. Moreover, an estimated 65 per cent of all working children in Jordan are concentrated in hazardous work. The survey further finds that working Syrian children earn lower wages than Jordanian children, and tend be highly concentrated in precarious work in the agricultural sector - both indicators that they are more vulnerable to exploitation.

Likewise, in Lebanon, the Ministry of Labour had estimated 180,000 children engaged in child labour in 2013. Although more recent data is not available, this figure will have undoubtedly increased with the rise of Syrian refugees in the country. A joint study conducted by the Consultation and Research Institute (2015) estimates that 73 per cent of child labourers in Lebanon are Syrian children. The study further finds that the vast majority of street-based children (79 per cent) work in the two main cities of Greater Beirut and Tripoli and are predominantly Syrian refugees and/or trafficked children (Consultation and Research Institute 2015).
Moderate advancements have been made in Lebanon and Jordan to eliminate the worst forms of child labour. In Jordan, the country is still working under the implementation of the National Framework for Child Labour, which was launched in 2013 in collaboration with the ILO and UNICEF. In 2016, the government undertook the National Child Labor Survey and subsequently redesigned the National Child Labour Database which contains data and the referral of children to social services. The Government of Jordan also increased access to education for Syrian children, and increased the number of double-shifted schools. In Lebanon, the Ministry of Labour issued a guide in 2016 for the implementation of Decree No. 8987 on hazardous work. Lebanon’s National Steering Committee on Child Labor also created a national strategy to raise awareness on child labour and enforce Awareness Raising Strategy to increase public awareness and help enforce Decree No. 8987. While Lebanon’s Ministry of Education and Higher Education launched a nation-wide program that aims to increase children’s access to education.

5. EVIDENCE OF YOUTH EMPLOYMENT INTERVENTIONS IN MENA

As examined, the labour markets of the MENA region face numerous structural challenges that are restricting the creation of decent work for young people. These challenges include a rapidly growing working-age population or ‘youth bulge’ which private sector job growth is currently unable to keep up with, and low educational returns since there is a significant mismatch between the skills that youth graduate with and those that are in demand from the labour market. Active Labour Market Policies (ALMPs) have been found to play a crucial role in decreasing youth unemployment as they actively contribute to addressing labour demands by facilitating skills training, and fostering self-employment and entrepreneurship, utilizing employment services and providing incentives for firms to hire youth through wage subsidies.

5.1 SKILLS TRAINING

Globally, skills training and education have been found to be key determinants of success for youth in the labour market. Interventions that focus on skills training for youth aim to deliver relevant labour market competencies for young people that address skills mismatches and allow them to be better equip to successfully enter and compete in decent work opportunities. These include skill sets that are required by the Fourth Industrial Revolution.

In the MENA region, skills training that addresses labour market demands through technical and life skills training have been found to have a positive impact, particularly amongst disadvantaged youth, and those struggling to complete the school-to-work transition. Skills training that also include life skills has further been found to assist youth making them more employable, competitive, productive, and increases their wages.
In MENA, quality skills training projects and programmes implemented by partners in the form of improving vocational technical and non-technical training have been widely used for youth employment interventions with considerable success. By combining both class-based learning with on-the-job training, youth are in an even better position for entering the labour market. Vocational training and quality apprenticeship schemes expose young people to actual working environment where they gain professional experience, and are able to apply the class-based knowledge obtained. At the end of the training, young people should receive a recognized certification for the completion of their vocational training or apprenticeship scheme.

5.2 ENTREPRENEURSHIP PROMOTION

Entrepreneurship has become a vital component in the growth of national economies, with micro and small enterprises now being the biggest employment creators in both emerging and developed countries throughout the world. Evidence has shown that in the MENA

EXAMPLE: ILO EGYPT’S TRAINING-FOR-EMPLOYMENT SCHEME

Since 2013, the International Labour Organization’s (ILO) Egypt office has implemented six Training for Employment (TfE) schemes across Egypt with the aim of supporting employers by facilitating recruitment for unfilled vacancies and bridging skill gaps. In 2015, the ILO partnered with the Forum for Training and Education (FORTE) to provide a TfE scheme for unemployed youth in Egypt. The scheme was carried out by the Canadian-funded ‘Decent Jobs for Egypt’s Young People’ project which provided 500 unemployed youth in the Red Sea governorate with decent jobs in the hotel and tourism sector.

All beneficiaries were given a formal contract in advance to completing the TfE scheme, guaranteeing them a job upon successful completion of their training. Beneficiaries were also provided with a subsidized off-the-job training delivered by FORTE, which included work rights and responsibilities, work ethics, the Egyptian labour code, and life and soft skills (time management, leadership, communication skills and teamwork). The training also involved a two-day orientation in all workplace departments where the beneficiaries were to be employed. Beneficiaries that did not possess any prior relevant work experience were provided with an additional three-month on-the-job training during their probation period.

A tracer study carried out 18 months after completion of the TfE scheme found that beneficiaries reported high job satisfaction, were more likely to be formally employed with better benefits, greater job security and a clearer promotion path in their place of employment.
region, entrepreneurship promotion has been able to successfully increase employment opportunities and earnings for disadvantaged groups, including youth and women. By supporting young people to enhance their entrepreneurial skills, great potentials can be achieved in decent job creation for young individuals and others. Entrepreneurship trainings which combine business trainings, life skills, and access to finance and support and advisory services have proven to be the best interventions for supporting young people to successfully start their own enterprise.

### EXAMPLE: ANPME/ GIZ MOROCCO’S ‘ENTREELLES IN REGIONS’ PROJECT

Morocco’s National Agency for the Promotion of Small and Medium Enterprises (ANPME) discovered in 2008 that only 2 per cent of its ‘Moussanada programme’ beneficiaries were female entrepreneurs. The Moussanada programme offers subsidized business development services (BDSs) to support SMEs in technical and operational challenges, and has long achieved positive results in effectively improving the performance, growth and earnings of SMEs in Morocco.

Consequently, in 2011, ANPME partnered with GIZ to launch the ‘EntreElles in Regions’ project which targeted female entrepreneurs in Morocco to provide them with an eight-month business training programme coupled with individual coaching services. The training component included courses on marketing and sales, personal development, negotiation skills, accounting and taxation and IT. Short courses were also provided to women on enterprise productivity and quality.

Upon completion of the programme, women were eligible to join the ANPME’s mainstream support services, in addition to having increased access to other government support programmes in Morocco. By 2013, ANPME had successfully increased its female entrepreneurship clientele from 2 per cent to 12 per cent.

### 5.3 EMPLOYMENT SERVICES

Employment service programmes aim to assist in the matching process between jobseekers and vacant positions and/or hiring employers. Employment services and programmes catering for young people typically include interventions that focus on labour intermediation, job counselling, job searching assistance, and mentoring services, and technical or financial assistance. These services aim to support youth in effectively improving their job searching skills by highlighting their skills and credentials, providing labour market information, raising awareness of available vacancies, and providing access to networks; while also helping employers find suitable employees.
Interventions which have proven to have positive impacts in effective employment service programmes include those that aim to reduce costs for job-seekers in finding suitable employment, and interventions that use case-management approaches for assisting young people. Such small-scale interventions have successfully allowed employment services to identify key barriers in the job-search of young people, and develop individual courses of action and monitoring processes for youth in their job search.

### EXAMPLE: JORDAN’S CAREER GUIDANCE OFFICES

In Jordan, the Career Guidance Offices (CGOs) are a service provided to university students with the aim to facilitate and increase the employability of young people. The CGOs are funded by the Ministry of Planning and International Cooperation (MOPIC) and implemented by the King Abdullah II Fund for Development (KAFD) in collaboration with Jordanian universities. Located in universities country-wide, GCO services include career guidance for students, labour market information and job placement. The CGOs work with both the public sector and private sector firms to facilitate job placements for youth as well as internships. It is estimated that 38,000 students across Jordan uses the GCOs between 2012-2015 (ILO, 2017b).

### 5.4 SUBSIDIZED EMPLOYMENT

Employment subsidies aim to reduce the cost employing new workers and provide incentives to hiring youth by either providing direct subsidies to employers or social security waivers or rebates. Consequently, by providing subsidized employment, the demand for labour should increase. Employment subsidies are effective since there is currently insufficient labour demand for the MENA region’s labour supply of young people. Through subsidies, however, employment is guaranteed for youth for a specific period of time, while positively encouraging employers to take on and train young job seekers. Subsidized employment programmes typically target unemployment graduates, and are for the duration of one year, during which the employer is exempt from paying social security for the young worker. Many programmes further exempt the employer for a further year if they hire the young worker at the end of the programme period. Although wage subsidies have been proven to increase youth employment and employability by enhancing skills and experience, the evidence from public employment programmes is still minimal in the MENA region.
KEY RECOMMENDATIONS

With the MENA region experiencing the highest youth unemployment rates globally, significant and prompt efforts are required by the governments of region to place young people at the forefront of their policy agendas. The following eight key recommendations aim to provide a general framework for the necessary action required to tackle youth unemployment and promote economic growth for increased decent employment opportunities in the MENA region.

1. ALMPS IMPLEMENTED THROUGH WELL-TARGETED AND DESIGNED PROGRAMMES

Skills training through active labour market policies (ALMPs) have been shown to be more effective in creating employment opportunities for young people worldwide. ALMPs through skills and improved vocational training and non-technical trainings can address current mismatches between the skills that youth possess and those in demand by the labour market, and fill in current private sector vacancies in various sectors. The region therefore requires
investments into the enhancing of TVET programmes, and the integration of life skills in both vocational and non-technical skills training to address current and future labour market skill demands. Countries in the region need to establish frameworks on life skills programming in order to increase both the impact and relevance of TVET. This includes reforming the curriculum of national education institutions through linkages with private sector demands as a means to foster employability skills for youth (UNICEF, 2015).

ALMPs focused on strengthening employment services and facilitating job search and counseling can help to make the connections between young people and enterprises more efficient and systematic. In addition, improving labour market information systems will enhance the efficiency of employment services and career guidance in effectively matching supply and demand in the labour market and guiding young people into high demand areas. With accurate labour market information and analysis systems, policies can be better formulated to tackle the employment challenge in countries across MENA, including the employment situation for women. Knowing and understanding the current labour market, its demands, possible areas of job creation, can consequently inform the education system, vocational training, and areas of skills development.

Entrepreneurship training can generate much needed employment in the region. Promoting a culture of entrepreneurship is required across the region, since starting a business is often perceived as risky. Entrepreneurial skills amongst young people need to be built so that they have the know-how to successfully start a business, or grow an existing one. In addition, an efficient business environment that supports enterprise development is vital. This includes reducing the high costs and complex bureaucracies related to registering and starting a business, and easing the requirements to provide flexible and accessible loans to youth and women.

Subsidized employment programmes have the potential to reduce the high rates of youth not in education, employment or training (NEET) across the region by acting as an intermediary in the school-to-work transition through the provision of temporary employment.

2. DEVELOPING A COMPREHENSIVE AND INTEGRATED FRAMEWORK FOR EMPLOYMENT PROMOTION

In addition to ALMPs, countries in the MENA region need to develop comprehensive and integrated national employment frameworks that provide a vision and practical approach to promoting and achieving employment goals. Such a framework should bring together diverse approaches, programmes and institutions that influence both labour demand and supply and the functioning of the labour market.
3. IMPROVING OR DEVELOPING LABOUR MARKET INFORMATION SYSTEMS (LMIS) THAT PROVIDE EVIDENCE ON SKILL NEEDS

LMIS provide a much needed foundation for employment and labour policies by informing the design, implementation and monitoring and evaluation of policies that are better targeted. LMIS are key to the facilitation and following labour market analysis for policy makers and stakeholders and constitute a means of coordinating various institutions that produce and use labour market information. Through effective LMIS, countries in the MENA region will also be able to better anticipate future skill needs in the labour market and guide students into education and employment sectors based on skill demands.

4. INCREASING PRIVATE SECTOR INVESTMENTS AND INTERREGIONAL INTEGRATION FOR JOB CREATION

The obstacles to making productive use of the increasingly educated youth in the MENA also largely lies on the labour demand side. While efforts in ALMPs that aim to increase the skills of young people are essential, they will not be fruitful if job opportunities are not created to sufficiently absorb the labour supply. The countries of MENA therefore require to put in place a comprehensive set of macroeconomic policies together that will effectively drive employment growth. This includes a particular focus on employment intensive sectors, trade, investments, industry and agriculture. Local and foreign direct investments (FDI) need to be allocated to high-value added areas, while greater efforts and agreements must be made between the countries of MENA to allow for full and comprehensive interregional integration, with increased access to global value chains.

5. INCREASING WOMEN’S EMPLOYMENT OPPORTUNITIES

With women constituting half the population, it is difficult for any country in the region to sustain the cost of having its women out of the labour force. Because of the traditional division of labour in the household, women struggle to maintain a family/work balance when working in the private sector. Working conditions in the private sector therefore have to be improved to facilitate women’s employment. This includes offering family-friendly policies such as the availability of part time work, and access to maternity leave and childcare services. Targeted approaches and opportunities for career development should be used in order to
address gender imbalances. Social norms and barriers should be addressed by encouraging women to take on more employment options.

6. SUPPORTING THE INTEGRATION OF SYRIAN REFUGEES INTO LABOUR MARKETS

The influx of Syrian refugees on neighbouring countries in the region make it even more pertinent for host governments and the wider donor community to support the integration of Syrians into decent work in the labour market. The facilitation of work permits should be of high priority, particularly in areas of skilled demand and in sectors that do not directly compete with jobs of nationals. Greater efforts by the governments of host countries must be made to enforce labour laws, including minimum wage, the payment of overtime and enforcing legal work hours. By doing so, this will prevent further depreciation of wages, and create a more level playing field for nationals, Syrian refugees and migrant workers. Finally, entrepreneurship can create much needed jobs for Syrian refugees and nationals alike in light of added labour market pressures and high unemployment rates in host countries. Governments should therefore make increased efforts of facilitating enterprise creation and growth by easing barriers and access to credits.

7. PREVENTING AND REDUCING CHILD LABOUR

In the prevention and reduction of child labour in the MENA region, there is a need for governments to prioritize operationalizing national child labour frameworks with a joint identification of vulnerable children by labour inspectors, teachers and social workers. Individualized case management for education support and livelihood interventions for the families, as well as a close monitoring of progress is required. Finally, increased awareness raising amongst employers on the harms of child labour is required, in addition to more regiment enforcement of child labour laws in the workplace.

8. INCREASING MONITORING, EVALUATION AND LEARNING (MEL) FOR EVIDENCE-BASED YOUTH EMPLOYMENT PROGRAMMING AND POLICY MAKING

There currently exists a lack of evidence on which programmes, interventions and policies work best for reducing unemployment and increasing job growth for youth in each country of the MENA region. To ensure the right course of action and proper allocation of government and donor funds into youth employment programmes, effective and robust monitoring and
evaluation systems need to put in place and supported through ICT structures. This way, lessons can be effectively learned for evidence-based programming and future policy making to enhance youth employment in the MENA region.

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