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Job Creation in the Arab Economies: Navigating Through Difficult Waters

Jad Chaaban



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* * *

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Executive summary

With a population estimated at around 359 million people, the Arab world is by no means a unified economic entity. Studying the labor market issues in the Arab world should start by acknowledging and incorporating the diversity of socio-economic outcomes within it. This paper first argues that labor market issues in the Arab regions can be meaningfully analyzed by grouping Arab countries into 6 economic categories. These categories are formed by the interaction between hydrocarbon endowments and labor market characteristics.

Indicators linked to the labor market in the Arab world show that labor abundant and labor exporting countries have the largest labor force. Moreover, recent data shows that more than 80 million people currently live in conflict-afflicted and poor Arab countries; where unemployment rates are more than double the Arab world's overall average.

The employment challenges facing the Arab countries are the result of the significant demographic challenges which are directly affecting labor market prospects, especially in poor and conflict-afflicted countries. In fact, youth constitute a third of the Arab population, offering a demographic window of opportunity while at the same time putting high pressure on labor markets. Yet labor force participation in the Arab world remains low (one third on average of the working age population), and this is mostly due to the low participation rates among women.

Understanding the challenges facing Arab labor markets should start by a careful examination of the recent employment trends within these countries. Recent aggregate employment figures show that the agriculture and social and personal services sectors employ more than 60% of Arab workers. More than 60% of Arab workers are employees (work for pay), while employers constitute just above 15% of the working population. Yet the informal sector still accounts for more than 10% of employment. Unemployment in the Arab world, currently at 13%, disproportionately affects women, youth, and individuals with higher educational attainment. Youth unemployment is a particular source of concern in poor and conflict-stricken Arab countries, where nearly 45% of young individuals are currently unemployed.

High unemployment rates in the Arab countries are largely due to mismatches which seem to affect Arab labor markets: these are related to geography, employability and expectations. Jobs are created in areas different than where the unemployed are; many new labor market entrants have a skills mismatch with what the market wants; and a large number of individuals are voluntarily unemployed, not willing to accept jobs at the prevailing wages. Unemployment in conflict-stricken Arab countries is clearly linked to the negative impacts of conflict and political instability on economic outcomes.

Many Arab governments in the past two decades embarked on a series of economic reforms, along the lines of the prevalent Washington Consensus, seeking to boost growth and reduce unemployment. Yet these types of reforms have been subject to a lot of criticism. A closer look at Arab sub-regions reveals that not all Arab countries adhered to Washington Consensus-type reforms. For those who did, these reforms did not lead to reductions in unemployment rates.

Moving forward, Arab countries can tackle labor market challenges by realigning goals with expectations. Achieving higher rates of job-creating economic growth should remain a priority, but there is a need to go beyond Washington Consensus reforms towards more effective, focused and country-specific policies. Youth should be placed at the centre of labor market policies; however there is a need to recognize that young people's overall socio-economic exclusion in the Arab world has direct linkages to labor market outcomes. Employment generation policies at the regional level should also integrate the variability of Arab country groups. Government actions to reduce unemployment will be more effective if a distinction is made between the voluntarily and involuntarily unemployed. All in all, Arab governments can do more to enhance incentives to work and establish an environment conducive to job creation. This can be done by promoting competitiveness; establishing linkages between the unemployed and where the jobs are; increasing women's employment incentives; revisiting the costs and benefits of emigration; and providing more social protection for the poor and unemployed.

1. The heterogeneity among Arab economies

Studying the labor market issues in the Arab world should start by acknowledging and incorporating the diversity of socio-economic outcomes within it. In fact, looking at aggregate economic indicators at the general Arab level will inevitably lead to generic and ineffective policy recommendations. The Arab World is far from being a unified entity: Gross National Income per person varies from almost 64,000 US\$ in Qatar to 281 US\$ in Somalia (Table 1). This difference in wealth is linked to three central variables: the size of the hydrocarbon exports, the emigrants' share of the labor force and whether the countries are under conflict or political instability. These variables interact in the following manner: high oil and gas revenues lead to high income for countries that have large hydrocarbon reserves, mainly Arab Gulf countries (Table 1 and Figure 1). Arab nations that lack hydrocarbon resources have resorted to exporting their labor force to work in the oil-rich neighboring countries. Labor exporting economies have therefore a large stock of emigrant population which contributes to high remittance income. Arab countries with low income are predominantly those suffering from an ongoing conflict or political turmoil (West Bank and Gaza, Iraq, Yemen, Sudan, Somalia), or are countries in Northern Africa with scarce natural resources.

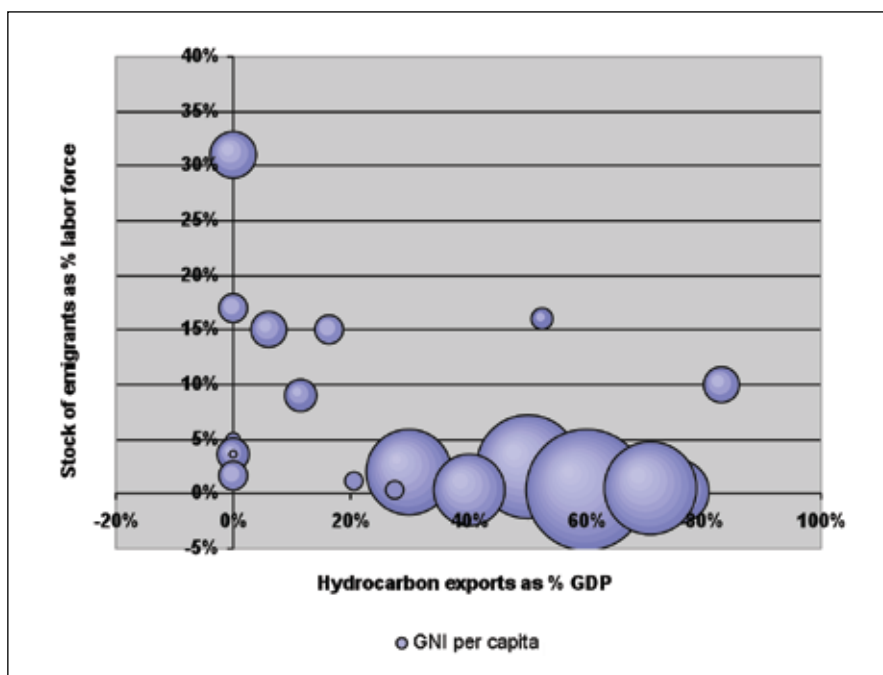
TABLE 1: MAJOR INDICATORS FOR ARAB COUNTRIES (MOST RECENT YEAR AVAILABLE)

Countries	GNI per capita US\$ PPP	Hydrocarbon Exports as % of GDP	Stock of emigrants as % labor force	Ongoing con- flict/ political instability
Qatar	64,193	60%	0%	
Kuwait	48,310	50%	3%	
United Arab Emirates	38,436	71%	1%	
Bahrain	34,310	30%	2%	
Saudi Arabia	22,300	40%	0%	
Oman	19,740	76%	0%	
Libya	11,630	60%	3%	
Lebanon	9,600	0%	31%	
Tunisia	6,490	6%	15%	
Algeria	5,940	83%	10%	
Egypt	4,940	11%	9%	
Jordan	4,820	0%	4%	
Syria	4,110	16%	15%	
Morocco	3,860	0%	17%	
West Bank and Gaza	3,720	0%	2%	yes
Djibouti	2,180	0%	2%	

Iraq	2,170	56%	5%	yes
Yemen	2,090	53%	16%	yes
Mauritania	1,970	20%	1%	
Sudan	1,780	27%	0%	yes
Comoros	1,140	0%	5%	
Somalia	281	0%	4%	yes

Data sources: IMF, WDI, UN HDI

FIGURE 1 : MAPPING OF ARAB ECONOMIES



Arab countries can be meaningfully analyzed by grouping them into 6 economic categories. These categories are formed by the interaction between hydrocarbon endowments and labor market characteristics. The groups are: Oil rich and labor importing countries (Gulf States); oil rich and labor abundant countries (Libya and Algeria); oil-poor but labor abundant (Egypt); labor-exporting economies; poor countries; and conflict-stricken countries. In Table 2, countries are classified as; 1: Labor abundant, resource rich are Libya and Algeria. Egypt is the only country under 2: Labor abundant, resource poor; countries in the Gulf Cooperation Council GCC are classified under 3: Labor importing, resource rich; countries in the Levant not suffering from conflict in addition to Tunisia and Morocco are classified under 4: Labor exporting; low income economies ranked 5: Poor are Comoros, Djibouti, Mauritania, Sudan and Yemen; and lastly, Somalia, West Bank and Gaza and Iraq are classified under 6: Conflict. This classification is the basis on which we analyze labor market outcomes and trends in later sections of this study. Note that some countries might fall into more than one category, yet we have chosen to focus on the most salient feature of the country when classifying it under a given economic category.

TABLE 2: MAIN CHARACTERISTICS AND MAJOR GROUPINGS OF ARAB COUNTRIES

	Hydrocarbon resources		Labor supply			Poor	Conflict	Classification
	Rich	Poor	Importing	Exporting	Abundant			
Algeria	X				X			1
Libya	X				X			1
Egypt		X			X			2
Bahrain	X		X					3
Kuwait	X		X					3
Oman	X		X					3
Qatar	X		X					3
Saudi Arabia	X		X					3
United Arab Emirates	X		X					3
Jordan				X				4
Lebanon				X				4
Morocco				X				4
Syria				X				4
Tunisia				X				4
Comoros						X		5
Djibouti						X		5
Mauritania						X		5
Sudan						X		5
Yemen						X		5
Somalia							X	6
West Bank and Gaza							X	6
Iraq	X						X	6

Classification codes: 1: Labor abundant, resource rich; 2: Labor abundant, resource poor; 3: Labor importing, resource rich; 4: Labor exporting; 5: Poor; 6: Conflict.

Indicators linked to the labor market in the Arab world show labor abundant and labor exporting countries have the largest labor force. With a population of over 300 million people, the Arab world has the highest concentration of inhabitants in Egypt (74 million), and in labor-exporting countries (70 million). This translates into high levels of working age population in these two country groups, with 46 million in Egypt and also 46 million in labor-exporting countries (Table 3). The total labor force in the Arab world is just above 100 million, with half of it concentrated in Egypt and labor-exporting countries. This explains the high supply of emigrants out of these countries.

More than 80 million people currently live in conflict-afflicted and poor Arab countries; where unemployment rates are more than double the Arab world's overall average. Unemployment in the Arab world reaches 13%, or roughly 14 million people (Table 3). Yet unemployment rates are highest in conflict-afflicted countries (31%) and poor countries (21%). This is in sharp contrast to the labor importing resource rich economies, where unemployment is just 4% of the labor force. Clearly public policies seeking to address unemployment issues in the Arab world should incorporate these large discrepancies when devising interventions and possible reforms.

TABLE 3: KEY LABOR MARKET STATISTICS FOR ARAB COUNTRIES (MOST RECENT YEAR AVAILABLE)¹

Country Groups	Population	Working Age Population	Labor Force LF	LF Participation Total %	LF Participation M%	LF Participation F%	Currently Employed	Currently Unemployed	Unemployed %	% Population Employed
1) Labor Abundant; Resource Rich										
Algeria	40,134,600	26,643,363	16,186,847	61	80	37	11,258,527	1,539,700	10%	28%
Libya	34,096,000	22,666,401	13,909,320	60	80	39	9,146,000	1,374,700	10%	27%
	6,038,600	3,976,962	2,277,527	55	80	28	2,112,527	165,000	7%	35%
2) Labor Abundant; Resource Poor										
Egypt	74,166,000	46,085,269	25,834,710	50	74	26	20,443,600	2,040,000	8%	28%
	74,166,000	46,085,269	25,834,710	50	74	26	20,443,600	2,040,000	8%	28%
3) Labor Importing; Resource Rich										
Bahrain	34,633,420	23,061,951	15,626,139	68	85	29	14,972,270	653,869	4%	43%
	738,910	525,247	364,094	66	86	37	345,326	18,768	5%	47%
Kuwait	2,599,400	1,938,217	1,483,454	68	83	44	1,444,031	39,423	3%	56%
Oman	2,546,300	1,632,764	1,053,958	58	79	28	985,408	68,550	7%	39%
Qatar	821,310	633,805	860,975	81	91	43	851,475	9,500	1%	104%
Saudi Arabia	23,679,000	14,963,707	9,028,768	56	82	20	8,570,181	458,587	5%	36%
United Arab Emirates	4,248,500	3,368,211	2,834,890	79	94	42	2,775,849	59,041	2%	65%
4) Labor Exporting										
Jordan	69,891,700	46,399,341	24,810,237	53	80	25	20,550,516	3,407,344	14%	29%
	5,537,600	3,333,746	1,726,433	46	74	17	1,123,780	184,220	11%	20%
Lebanon	4,227,000	2,791,000	1,506,990	54	82	28	1,340,000	178,756	12%	32%
Morocco	30,497,000	19,818,475	11,220,030	54	83	27	10,056,000	1,092,194	10%	33%
Syria	19,405,000	12,779,420	6,735,919	52	81	22	4,945,636	1,444,074	21%	25%
Tunisia	10,225,100	7,676,700	3,620,865	51	74	28	3,085,100	508,100	14%	30%
5) Poor Countries										
Djibouti	41,569,110	23,351,014	14,033,457	60	73	37	11,071,189	2,962,268	21%	27%
	818,510	483,723	359,667	70	80	61	211,767	147,900	41%	26%
Mauritania	3,043,600	1,714,795	1,330,970	72	81	63	1,116,602	214,368	16%	37%
Sudan	37,707,000	21,152,496	12,342,820	53	72	33	9,742,820	2,600,000	21%	26%
6) Conflict Countries										
Iraq	41,110,255	38,961,802	11,562,201	30	77	27	7,952,529	3,562,570	31%	19%
	28,945,657	16,846,372	7,253,015	44	71	15	5,041,699	2,211,316	30%	17%
Somalia	8,445,400	20,066,157	3,386,799	72	90	56	2,263,119	1,123,680	33%	27%
West Bank and Gaza	3,719,198	2,049,273	922,387	43	69	15	647,711	227,574	25%	17%
TOTAL	301,505,085	204,502,740	108,053,591	36	78	29	86,248,631	14,165,751	13%	29%

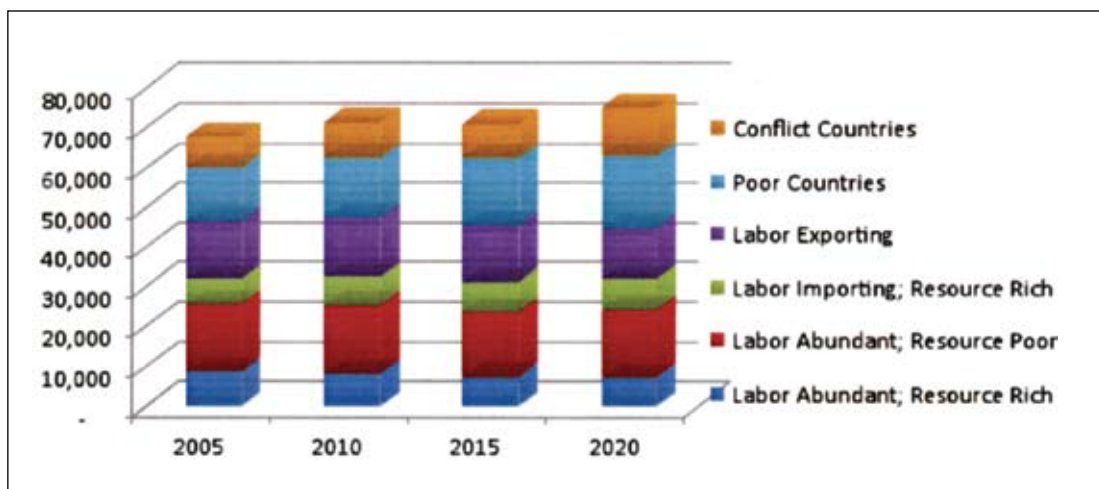
¹ The demographic and labor market data used here are based on the latest available country-level official statistics as compiled by the Arab Labor Organization and the World Development Indicators. Mirkin (2010) provides recent UN demographic projections for the Arab countries, which might differ from the data reported here. For consistency purpose, we have relied on a single source of country-level estimates and opted not to use projection data from the ILO or the UN Population Division.

Source: Author's compilation based on *World Development Indicators*, *ILO KILM*, *Arab Labor Organization* and *national statistical agencies*.

2. Demographic pressures on the labor market

The Arab world is facing significant demographic challenges which are directly affecting labor market prospects, especially in poor and conflict-afflicted countries. The Arab region faced a demographic transition with rapid fertility declines, which resulted in a change in the age structure and growth of the working-age population (Dhillon and Yousef, 2009). This implies a significant challenge in job creation for the unprecedented growth of new entrants into the labor market, as the labor force will grow at 3.4% between 1990 and 2010 (Dhillon and Yousef, 2009). The evolution of the working age population (15-64) in the next ten years can be seen in Figure 2. We notice a rise in the working age population in both poor and conflict countries, while the rest of the country groups exhibit a decline. The MENA Regional Employment Report estimates that the region needs 80 million jobs between 2000 and 2020 to absorb new entrants to the labor force (World Bank 2007).

FIGURE 2: EVOLUTION OF WORKING AGE POPULATION BY MAJOR COUNTRY GROUPING

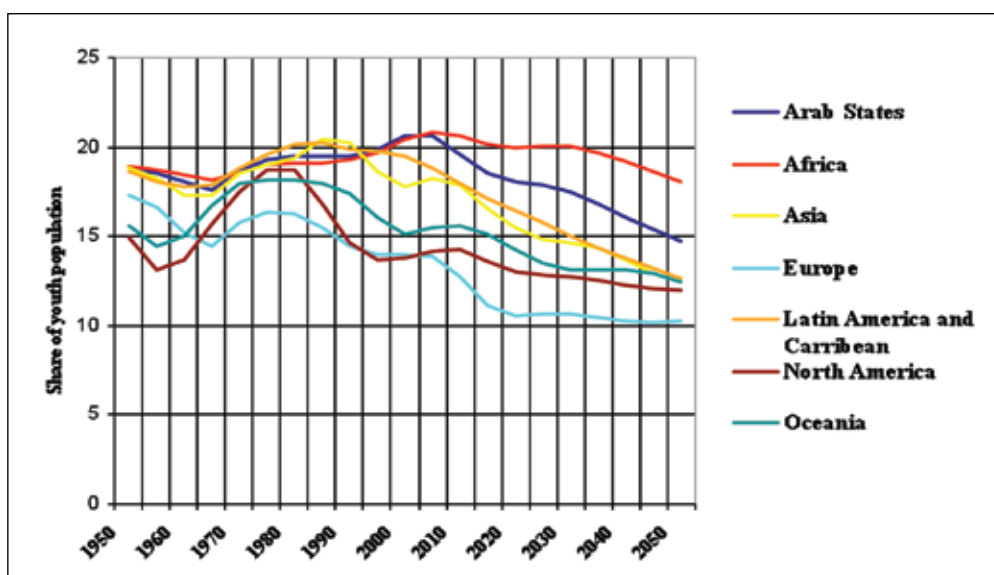


Data sources: UN World Population Projections

Youth constitute a third of the Arab population, offering a demographic window of opportunity yet at the same time putting high pressure on labor markets. Youth aged 15-24 make up 30% of the region's working age population, and a quarter of them are unemployed (compared to 14% internationally) (Dhillon and Yousef, 2009). There are also currently around 71 million youth aged 15-24 in the Arab region out of an estimated 359 million total population (Mirkin, 2010). The evolution of the share of youth in the total population per region displays a diminishing trend for

all regions in recent decades (Figure 3), but the Arab youth population maintains a high share in comparison to other regions, directly after Africa. Countries with a large youth population have a unique demographic window of opportunity, as a large number of young persons would lower the dependency rate (Chaaban, 2009). More active young persons who work not only increase a country's productivity, but also diminish the economic burden imposed by non-working cohorts (elderly and children). Yet as the share of youth will decline in the near future, this window of opportunity eventually will close. Addressing the employment challenges faced by the Arab youth is of central importance, if the Arab economies would want to reap the benefits of the demographic 'gift'.

FIGURE 3: EVOLUTION OF THE SHARE OF YOUTH POPULATION IN TOTAL POPULATION



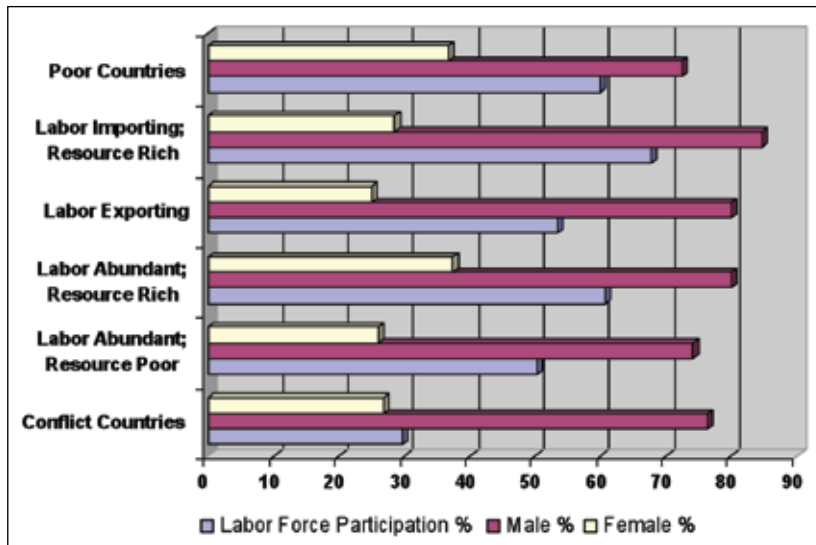
Source: Chaaban (2009)

3. Employment patterns

Labor force participation in the Arab world remains low (one third on average of the working age population), and this is mostly due to the low participation rates among women. The highest labor force participation rates are in labor importing resource rich countries, yet these countries also have male participation rates almost three times higher than the female rates. This big gap is found in most country groupings with the exception of poor countries that have a female rate which is around 50% of the male rate (Figure 4). Women are still facing high barriers to entry to labor markets in the region, despite some slight recent progress (ILO, 2009b).

Agriculture and social and personal services employ more than 60% of Arab workers, yet considerable variability exists among major country groups. The agricultural sector is the major employer in poor Arab countries, where 50% of the workers are involved in agricultural and fishing activities (Figure 5). The share of agriculture in total employment declines well below 20% in resource-rich economies, as a possible result of a ‘Dutch Disease’: with a booming resource extraction sector, workers shift away from low paying wages in agriculture towards higher salaries in the services sector. In fact, social and personal services account for more than 40% of employment in labor-importing resource rich countries (Figure 5). Conflict-stricken countries have also the highest share of employment in the social and personal services sector, with a ratio exceeding 50%. The share of agriculture in GDP in all Arab countries has been declining in the last two decades (Richards and Waterbury, 2008), which means that less efforts are being directed towards this sector or/and its productivity is diminishing. In addition to that, the agricultural sector generates seasonal unemployment which workers try to offset through engaging in activities in other sectors like manufacturing and handicrafts (Richards and Waterbury, 2008). The services sector has become the biggest employer and has seen the biggest increase in its share between 1998 and 2008 providing 49.5 per cent of the region’s jobs by 2008. The agricultural sector, on the other hand, provided 27.8 per cent of the region’s jobs in 2008, lower than the 33% of 1998. Yet, the sector is still more significant for women than for men as it constitutes around 39.3% of their jobs as opposed to 27.8% for men (ILO, 2009b).

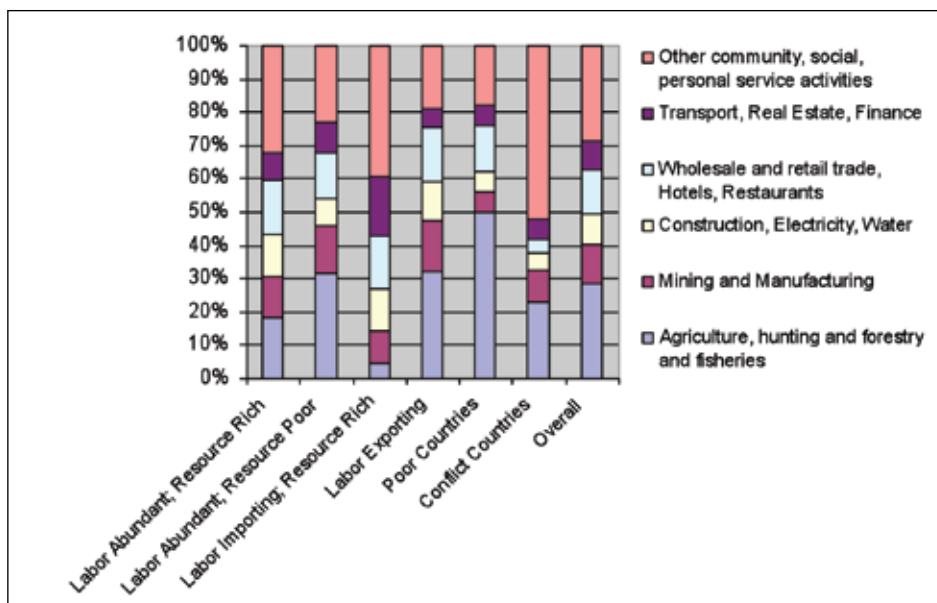
FIGURE 4: LABOR FORCE PARTICIPATION RATES BY MAJOR COUNTRY GROUPINGS



Source: Author's compilation based on World Development Indicators, ILO KILM, Arab Labor Organization and national statistical agencies

The sectoral distribution of employment in the Arab world shows significant gender disparities. The distribution of employment by sectors and gender distribution shows significantly large concentration in community and service activities among women particularly in labor importing resource rich countries, and also in conflict countries, while most women work in agriculture in poor countries (Figure 6). For men, the distribution is more diversified with more men working in services and agriculture in conflict and poor countries respectively. The overall distributions show more specialization for women than for men.

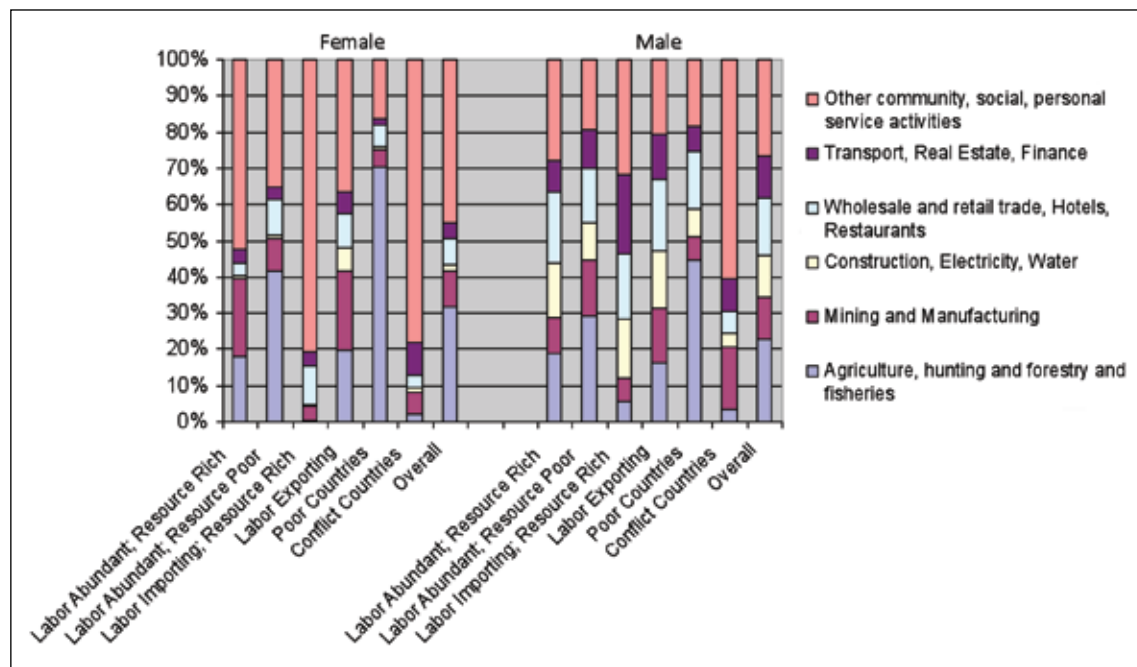
FIGURE 5: DISTRIBUTION OF EMPLOYMENT BY ECONOMIC SECTORS, TOTAL FEMALES AND MALES



Data source: Arab Labor Organization.

The public sector still plays an important role in the Arab job market. The International Labor Organization argues that around 29% of total employment in the Arab World is filled by the public sector which amounts to around 38% of current expenditures, which ILO estimates double the world average (ILO, 2009). According to the World Bank, government jobs, although providing lower wages, are still appealing since they are seen to provide benefits and allowances, and are considered more secure than other jobs (World Bank, 2004). Government jobs are seen as more respectable, provide pension, and in some cases access to bribes, and are thus more interesting than those created in the private sector (Richards and Waterbury, 2008). The high concentration of employment in the public sector, particularly by those educated and thus better paid, aggravates the opportunity cost of directing human capital away from jobs which stimulate economic growth. In the long run, the costs associated with high concentration of public sector jobs will cause lower total factor productivity growth, and this trickles down to affect poverty reduction efforts (World Bank, 2004). The problem is especially acute among educated youth, who continue to wait for public sector positions which are inflexible and based on bureaucratic criteria rather than supply and demand mechanisms (Richards and Waterbury, 2008). In Syria, 80% of graduates report a preference for public sector employment, and nearly 60% would accept only a public sector job (Dhillon and Yousef, 2009). The public sector patterns are similar across countries with varying impact depending on the size of the sector, while the public sector is 10% in Morocco, GCC countries' public sector size can reach to 30-40% on average (ILO, 2009b), and thus it remains the employer of a big proportion of the nationals in Gulf countries of Kuwait, Oman, Qatar and UAE (more than 50%) as well as KSA (40%) and Bahrain, one third of jobs (Richards and Waterbury, 2008).

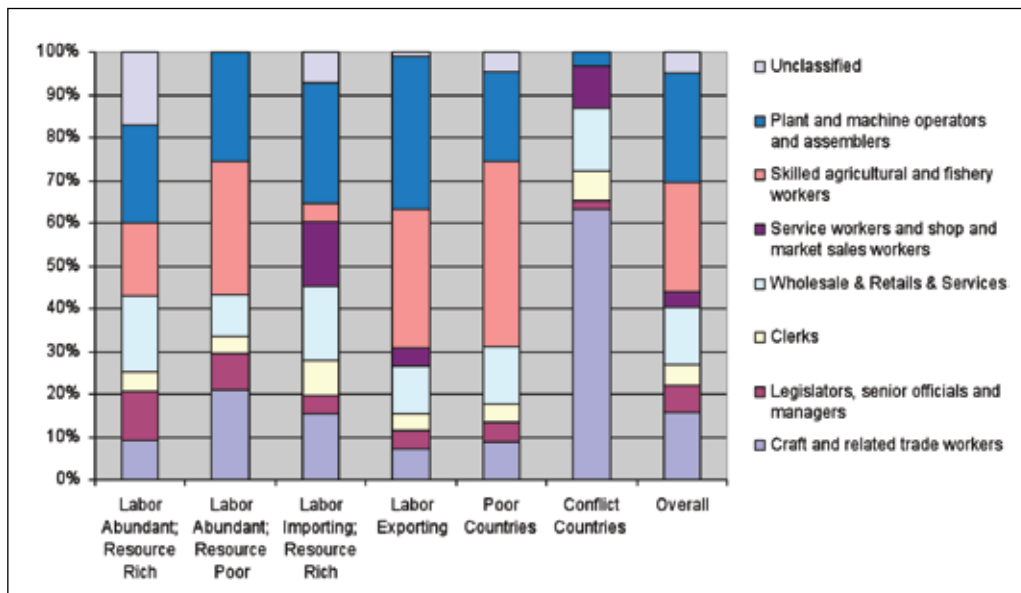
FIGURE 6: DISTRIBUTION OF EMPLOYMENT BY ECONOMIC SECTORS, FEMALES AND MALES



Data source: Arab Labor Organization.

The distribution of employment by major occupation shows a prevalence of plant machine operators and assemblers, and skilled agricultural workers. With regards to the distribution of employment by major occupations (Figure 7), country groupings seem to be diversified with more concentration of occupations depending on the nature of the economy. Employed persons in the resource rich economies have diversified occupations covering most fields except service workers, with a low concentration of clerks. Labor abundant resource poor countries have a predominance of workers in the agriculture and fishery sectors. 60% of workers in conflict-stricken countries are crafts and trade workers, while skilled agricultural workers constitute the majority of occupations in poor economies. Given this, water scarcity will shift the region towards nonagricultural sectors in the future (Richards and Waterbury, 2008) and this will translate into less reliance on agricultural labor force which will mostly hit poor economies which heavily rely on this sector. The high concentration of workers in the agricultural sector, especially in poor countries with low productivity, exposes labor to the risks which agriculture is facing from climate change, droughts, production shortages, and land degradation.

FIGURE 7: DISTRIBUTION OF EMPLOYMENT BY MAJOR OCCUPATIONS

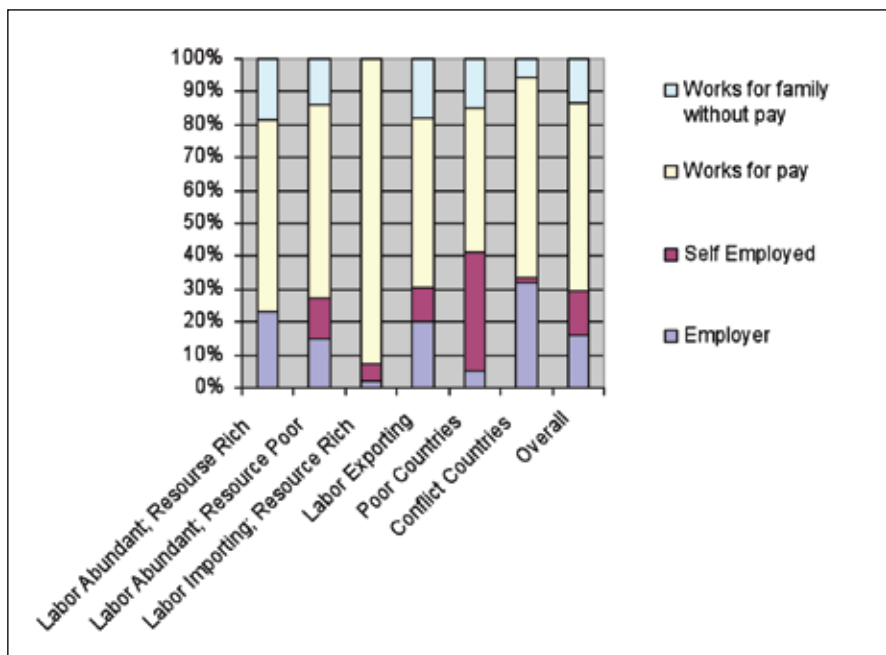


Data source: Arab Labor Organization.

More than 60% of Arab workers are employees (work for pay), while employers constitute just above 15% of the working population. The informal sector accounts for more than 10% of employment. Working for pay is the predominant form of employment in the Arab world, reaching a high of 90% in resource rich labor importing countries (Figure 8). The highest share of employers is found in conflict-stricken countries, and this might be linked to the prevalence of the services sector in these economies. Self-employment is highest in poor Arab countries (almost 40% of employment), but remains very low in other country groups (Figure 8). Another important feature of Arab economies is the high rates of informal employment, indirectly measured through the ‘working for family without pay’ category. This reaches 20% of employment in labor exporting and labor-abundant resource-rich countries.

The bulk of recent employment creation in most Arab countries has been temporary and informal. Assaad and Barsoum (2007) show that for the case of Egypt, the share of informal employment among new labor market entrants rose from 15% in 1975 to 32% in 2005. Moreover, formal employment in the public and private sector constitute less than 30% among the new job market entrants. Due to the characteristics of this sector, it is rather hard to investigate exactly how large it is. Generally, the sector combines jobs in unregistered enterprises which do not pay taxes, self employed and other unskilled laborers (Richards and Waterbury, 2008). At least half of the sector is mainly composed of self employed in Egypt, Tunisia, Algeria, Morocco and Syria, including jobs in handicrafts and artisans, The informal sector has the advantage of having very few barriers to entry and exit, while the downside lies in the absence of social security and safety nets, in addition to frequent income fluctuations as well as seasonality. According to the World Bank, the informal sector's share of employment grew as a result of economic reforms in countries like Algeria, Morocco and Egypt with the Egyptian case being the most pronounced (Richards and Waterbury, 2008).

FIGURE 8: EMPLOYMENT BY STATUS



Data source: Arab Labor Organization.

4. Unemployment characteristics and impediments to job creation

4.1. Main features of unemployment in the Arab countries

Unemployment in the Arab world disproportionately affects women, youth, and individuals with higher educational attainment. Unemployment in Arab countries varies along different age groups and educational levels. Table 4 summarizes major unemployment trends in six countries. Clearly, youth (15-24) unemployment rates constitute the highest figures in comparison with other groups in all countries (excluding Egypt while still in the highest two brackets). Unemployment is highest among secondary graduates and those with ‘mid-level’ educations. Dhillon and Yousef (2009) show that the duration of unemployment for new graduates is long in Arab countries: 3 years in Morocco and 2.5 years in Egypt.

TABLE 4: UNEMPLOYMENT BY AGE, GENDER AND EDUCATION IN SELECTED ARAB ECONOMIES

Age	Morocco			Algeria			Egypt		
	M	F	T	M	F	T	M	F	T
15-24	18	16	17	26	40	27	10	27	15
25-34	14	16	14	16	22	17	10	39	18
35-44	6	7	6	6	7	6	2	13	5
45-54	3	2	2	3	3	3	1	1	1
55-64	1	0	1	2	2	2	1	0	1
Education									
None	3	2	2	5	3	4	1	0	1
Primary	12	14	12	14	16	15	2	4	2
Secondary	18	26	20	13	22	15	7	34	14
University	17	30	22	12	23	17	9	25	14
Overall	14	21	15	13	18	14	5	19	8

Age	Palestine			Jordan			Lebanon		
	M	F	T	M	F	T	M	F	T
15-24	39	47	40	23	48	28	20	19	20
25-34	25	27	26	8	25	12	6	9	7
35-44	21	11	20	5	12	6	4	6	4
45-54	21	6	18	4	6	5	3	3	3
55-64	20	3	17	4	4	4	3	2	3
Education									
None	30	5	24	9	11	9	6	5	5
Primary	32	6	29	12	26	13	15	8	9
Secondary	24	17	24	8	26	12	10	10	10
University	19	39	27	10	26	16	11	11	11
Overall	27	24	26	12	25	14	9	10	9

Source: Author's compilation based on World Development Indicators, ILO KLM, Arab Labor Organization and national statistical agencies.

Women face higher unemployment risk in Arab countries, and they are often excluded from the labor markets. Assaad and Barsoum (2007) for the case of Egypt point out what they call an “alarming trend” in female employment which is seen by many out-of-school young women between 15 and 29 being economically inactive, and a big number of the active ones working at home without pay. Their findings show that “young women are four times as likely to be unemployed as young men” and face many barriers (Assaad and Barsoum, 2007). The main factors affecting employment of women are related to cultural norms. The structure of the labor market and the economic environment are not welcoming for women to enjoy job opportunities, and these women face employer discrimination particularly if they are married, which highlights one of the biggest limits to their participation. Benefits to married women like maternity leave and child care are considered costly and thus reduce their chances of being accepted for a job. Assaad and Barsoum also present common trends of women receiving less schooling than men and earn less pay than men in the private sector (2007). Women in rural areas face additional risks of being excluded due to marriage at an early age which prevents them from participating in the labor force (Assaad and Barsoum, 2007). More generally, and according to the World Bank, women in the MENA region are facing higher unemployment rates due to their increased activity and participation, and their unemployment increases with their level of education (World Bank, 2007). This is more striking in Gulf countries like Qatar and Saudi Arabia where estimated labor force participation rates for young women are below 10 per cent (ILO, 2008).

Unemployment is particularly affecting youth in the Arab countries. Young Arabs (ages 15-24) are facing higher unemployment risks, and as Table 5 demonstrates, youth register significantly higher rates compared to overall unemployment (with the exception of Djibouti and Syria). High youth unemployment constitutes lost productivity to the economies of the region, with the opportunity costs associated with youth unemployment reaching almost 3% of GDP annually (Chaaban, 2008)

**TABLE 5: YOUTH VS. OVERALL UNEMPLOYMENT RATES
(LATEST YEAR AVAILABLE)**

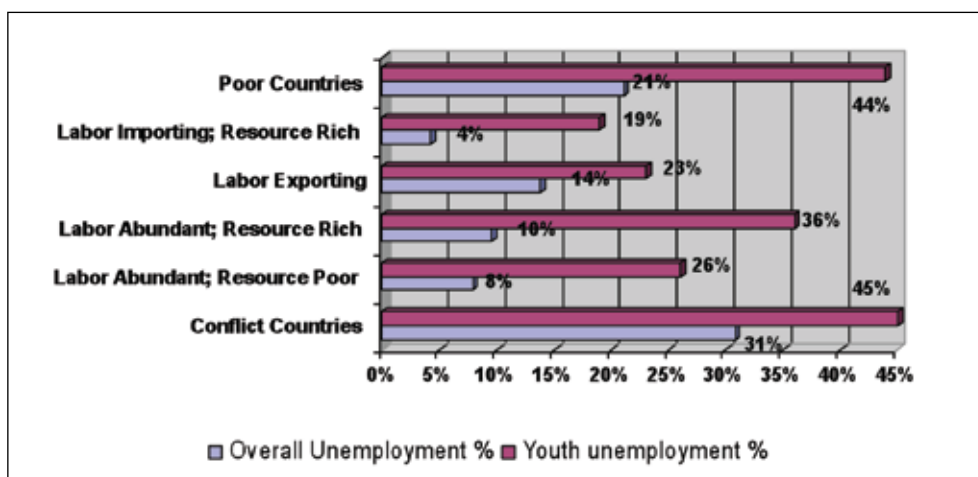
Country	Youth (15-24) unemployment	Overall unemployment
Algeria	45.6%	10%
Bahrain	20.7%	5%
Djibouti	37.8%	41%
Egypt	25.8%	8%
Iraq	45.3%	30%
Jordan	38.9%	11%
Kuwait	23.3%	3%
Lebanon	21.3%	12%
Libya	27.3%	7%
Mauritania	44.3%	16%
Morocco	15.7%	10%
Oman	19.6%	7%
Qatar	17%	1%
Saudi Arabia	25.9%	5%

Somalia	43.4%	33%
Sudan	41.2%	21%
Syria	19.8%	21%
Tunisia	26.5%	14%
United Arab Emirates	6.3%	2%
West Bank and Gaza	33.1%	25%

Source: Author's compilation based on World Development Indicators, ILO KILM, Arab Labor Organization and national statistical agencies

Youth unemployment is a particular source of concern in poor and conflict-stricken Arab countries. Nearly 45% of young individuals are affected by unemployment in the poor and conflict-stricken countries, placing this problem as the number one policy concern for governments in these countries. Youth unemployment remains very high in other sub-regional groups. Even in resource-rich economies youth unemployment rates remain more than 4 times higher than the overall unemployment rates (Figure 9).

FIGURE 9: UNEMPLOYMENT INCIDENCE BY MAJOR COUNTRY GROUPINGS



Source: Author's compilation based on World Development Indicators, ILO KILM, Arab Labor Organization and national statistical agencies

4.2. Unemployment in relation to geography, employability and expectations

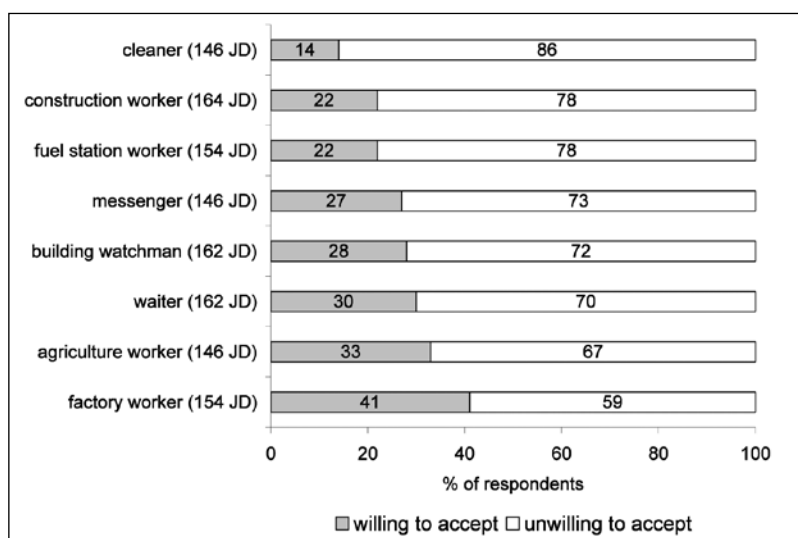
Although some Arab countries were successful in creating some jobs, these were largely filled by non-nationals. This fact is clearly illustrated by the Jordanian economy, where the policy objective of tying GDP growth to employment generation was successful in creating jobs, but not in decreasing unemployment (World Bank 2008). The Jordanian logic of driving economic growth through stimulating investment generated between 23,900 and 44,500 jobs per year from 2000 to 2005 but, remarkably, unemployment rates were still high at around 14% (World Bank 2008). Data shows that most of the newly created job supply was met by non-Jordanians. Unemployed Jordanians' job preferences were not matched properly to the supply of jobs created, which is a very important aspect to be considered in policy design (World Bank 2008). This is also the case

in many Gulf countries where expatriates are filling most of the newly created jobs which creates a competitive environment for gulf nationals with foreign workers willing to accept relatively lower wages and work at higher productivity.

Three mismatches seem to affect Arab labor markets: geography, employability and expectations. In Jordan for instance, newly created jobs do not match where the unemployed Jordanians live. Secondly, labor survey results show that employability skills for Jordanians were found to be lacking, as they are less willing to work hard in comparison with foreign workers. Foreign workers in Jordan are mostly Egyptians with a small percentage of other Arabs, workers from Indonesia, Philippines, and Sri Lanka (Jordan Labor Watch, 2009). These workers mostly occupy low wage jobs like cleaning, construction and agriculture. As for expectations, Jordanians suffer from a clear misalignment of their rosy expectations of employment prospects and the reality of the labor market demands. A “culture of shame” is prevalent in taking certain jobs with low wages, so many prefer to stay at home (World Bank 2008). The job prestige is not something unique to Jordan as many other Arab laborers consider this as one of the factors in deciding whether or not to accept a job, and generally public sector jobs are seen as more prestigious in many parts of the Arab World and hence job seekers find them more attractive.

Policymakers should clearly distinguish between the voluntarily and involuntarily unemployed. When unemployed Jordanian workers were asked about their willingness to accept jobs from a list of widely available jobs at prevailing wages, about 40 percent of respondents indicated a willingness to accept at least one of the jobs (Figure 10). These are the “involuntarily unemployed”. The other 60 percent of unemployed Jordanians want to work, but not at available jobs—unless the pay was significantly higher than presently offered (World Bank, 2008). This second group is commonly referred to as the “voluntarily unemployed.” As clearly demonstrated in Figure 10, the unemployed Jordanians do not accept certain jobs.

FIGURE 10 SHARE OF UNEMPLOYED JORDANIANS WHO WOULD ACCEPT ONE OF THE COMMONLY AVAILABLE JOBS AT PREVAILING WAGES



Source: World Bank (2008)

The least appealing jobs (Fig. 10) are cleaning while those willing to accept factory worker job are the highest though still below 50%. Distinguishing between these two kinds of unemployment helps policymakers in prioritizing which groups need to be targeted and in what manner, and as a next step work towards improving the match between labor market outcomes and the expectations of those voluntarily unemployed.

4.3. The impact of conflict on job security

In conflict-stricken Arab countries, it is impossible to ignore the negative impacts of conflict and political instability on economic outcomes. This is evident in the West Bank and Gaza, where conflict and Israeli blockades have been affecting the livelihoods of Palestinians. Akkaya, et al. (2008) Combine econometric modelling with estimates of variables such as work permits, transportation costs and trends in foreign trade to reach a conclusion which confirms previous research like Diwan and Shaban (1999) and Fisher et al. (2001) in that the border closures negatively impacts growth in West Bank and Gaza (Akkaya, et al. 2008). Their model suggests that there is a strong relationship between economic activity in West Bank and Gaza and the economic activity in Israel, foreign aid and security relations between Israel and West Bank and Gaza (Akkaya, et al. 2008). They estimate the opportunity cost of one day of closure in the West Bank and Gaza at \$7 million (Akkaya, et al. 2008).

Border closures have become a common practice by the Israelis, making the West Bank and Gaza landlocked economies. The Israeli closures policy has three facets; restricting local mobility, external mobility as well as access to Jordan and Egypt which was aggravated by the construction of separation barriers and forbidden roads (Akkaya, et al. 2008). The closures duration has increased dramatically since the Second Intifada in September 2000 and this policy led to increased fragmentation in the West Bank and Gaza which became landlocked with no access to ports and airports (Akkaya, et al. 2008). Consumer prices in the West Bank and Gaza, especially agricultural products, are highly affected by the closure policy and particularly the uncertainty tied to it and the high transportation costs it prompts (Akkaya, et al. 2008).

All Palestinian attempts to resolve labor issues with directing policies towards improving the business climate and increase foreign aid will not prove effective if the security and mobility issues are not resolved on the external level with Israel and on the internal level in the West Bank. A major problem with the closure policy is the barriers to labor mobility for Palestinian workers in Israel, which are facing tightened Israeli work permit policies as well as security checkpoints that increase the risks of traveling thus decreasing the number of work days, labor income, remittances flows, as well as affecting trade, investments and production (Akkaya, et al. 2008). Akkaya, et al. also quantify the employment and closure related losses at \$750 million in 2005 which they find equivalent to 58% of the total \$1.3 billion foreign aid provided to the Palestinian Authority that year. The poor security conditions in the West Bank and Gaza also directly affect the number of available jobs and workers' mobility from and to their offices especially when they are displaced (UNESCWA 2007). Economic and social conditions in West Bank and Gaza have been declining sharply due to the conflict situation in the country, and the gap between Gaza and

the West bank has been widening (UNESCWA 2007, Akkaya, et al. 2008). The impact of closures on unemployment could be traced by comparing unemployment figures between 1999 and 2008. Clearly, the trend is rising with an increase from 16.9% in 1999 pre-Intifada rate to 31.7% in 2008.

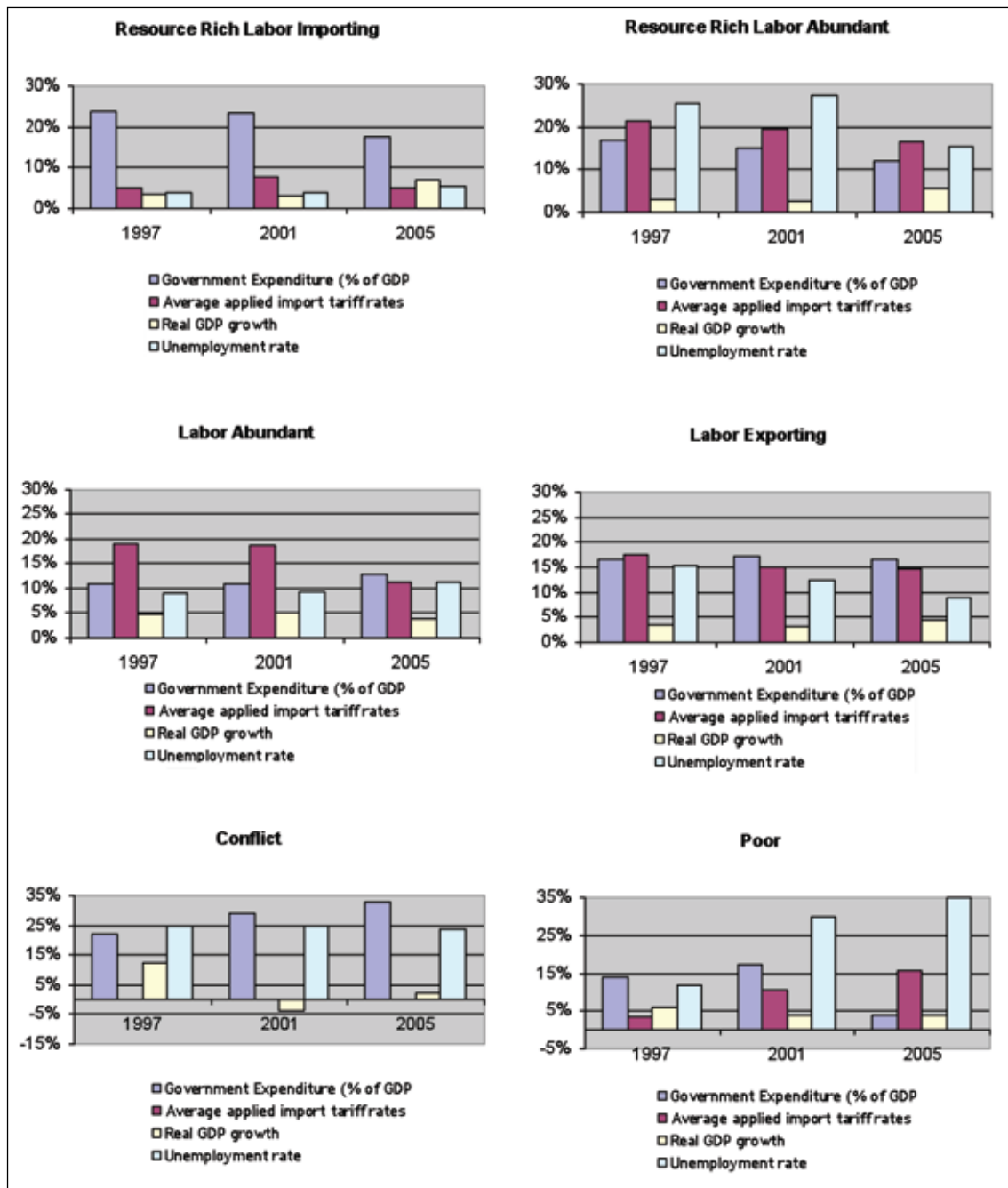
4.4. Did the Washington Consensus reforms help reduce unemployment?

Many Arab governments in the past two decades embarked on a series of economic reforms, along the lines of the prevalent Washington Consensus, seeking to boost growth and reduce unemployment. Yet these types of reforms have been subject to a lot of criticism. The Washington Consensus was coined by John Williamson in 1990 in a paper aimed at laying down ten policy instruments which he thought Washington should mark as important when recommending to developing countries a series of economic and financial reforms. The main idea of these policies revolved around increased liberalization and privatization under heightened fiscal discipline (Williamson, 1990). Evaluating the reforms proposed by the Washington Consensus, Rodrik (2006) argues that the results were disappointing with few success stories like Tanzania, Uganda and Mozambique which did not prove highly sustainable. Rodrik provides two approaches to deal with the failures of the Washington Consensus. One of the approaches is the augmented Washington Consensus which adds a list of 10 policy reforms which are mainly institutional and governance-related and need both administrative and human resources. Rodrik's main critique to this approach is that it represents a snapshot of what rich countries look like not how they got there, and considers the agenda to be "impossibly ambitious", "unfalsifiable", and lacking a "well-defined list of priorities" (2004). Rodrik advocates policy experimentation and learning about country specificities and constraints as an integral part of economic reform processes (2006).

A closer look at Arab sub-regions reveals that not all Arab countries adhered to Washington Consensus-type reforms. For those who did, these reforms did not lead to reductions in unemployment rates. The relationship between structural adjustment and unemployment can be seen in Figure 11 in relation to the different country groupings. The six graphs show two Washington Consensus-type reforms: the share of government expenditures in GDP (which is prescribed to decrease or at least remain stable), and average applied import tariff rates (which should be lowered under trade liberalization). The graphs also show GDP growth and unemployment rates. The trends show conflicting results which prove that import tariff rate reductions and reduced government expenditures did not have a significant impact on GDP growth and unemployment rates. Our country groupings portray this result in a clearer manner through suggesting the reasons behind group specificities. Changes in income and unemployment rates are attributed to factors like resource and labor endowments, rather than structural adjustment policies. In labor abundant countries, structural adjustment led to higher unemployment rates with no significant impact on GDP, while conflict-stricken countries witnessed a slight decrease in unemployment and fluctuating GDP growth. Poor countries exhibited escalating unemployment which almost doubled between 1997 and 2005, while decreasing significantly their government expenditure's share of GDP.

¹ http://www.pcbs.gov.ps/Portals/_PCBS/Documents/f6f81e41-8289-42ca-9420-337d8774037f.htm

Figure 11: Structural adjustment and the evolution of unemployment

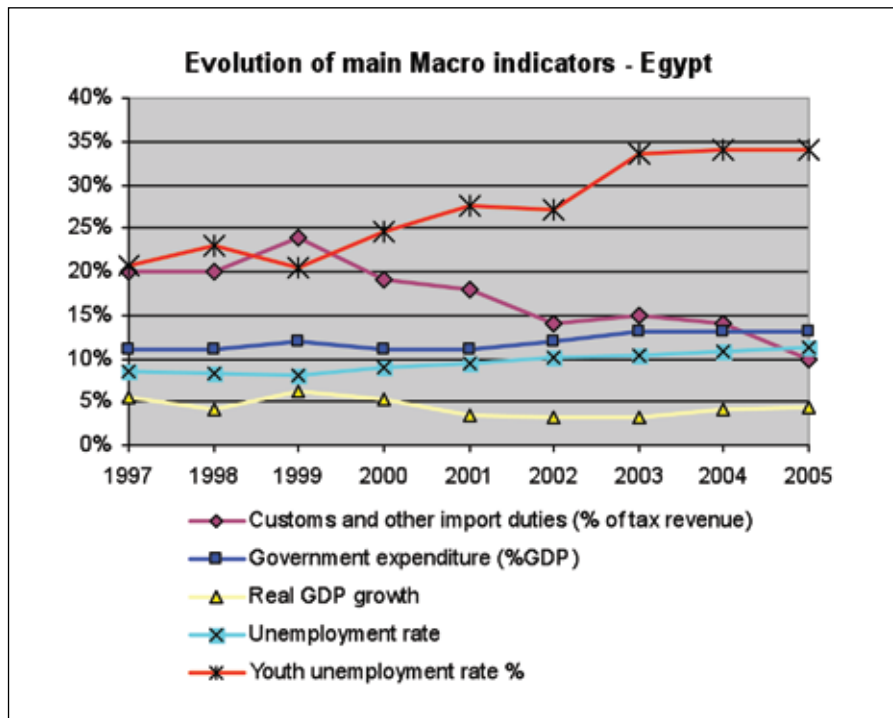


Notes: Iraq, Libya, Comoros, Somalia and Sudan not included in country aggregates due to missing data.
Data sources: UNCTAD, World Development Indicators and ILO.

IMF and World Bank loans to several Arab countries were linked to the Washington Consensus reforms yet did not show positive results. Analyzing the viability of these loans, Harrigan (2008) studies four countries: Jordan, Tunisia, Egypt and Morocco, and finds that the structural adjustment programs led to unsustainable growth mostly attributed to growth in non-tradable sectors (Harrigan, 2008). Harrigan lists the common conditions which these countries shared before the program: “high unsustainable debt, low foreign exchange reserves, large fiscal and current account deficits, and undiversified economies with the exception of Tunisia” (2008). These countries were only able to capture some growth when blessed with external favorable conditions. Tunisia, on the other hand, exhibits a special case since it engaged in improving its industrial policy and trade protection for its domestic production prior to the proposed reforms and was able to generate export-led growth which proved more sustainable (Harrigan, 2008).

Although slashing import duties by half and limiting government expenditures, Egypt’s real GDP growth remained below 5% per year between 1997 and 2005, and unemployment rates increased especially among the youth. Figure 12 shows the possible linkages between structural adjustment and GDP growth and unemployment in Egypt. Clearly, the adjustment program which was meant to improve macro conditions did not trickle down to unemployment which maintained a rising trend, and noticeably, youth unemployment rates were growing at very fast rates.

FIGURE 12: STRUCTURAL ADJUSTMENT IN RELATION TO GROWTH AND UNEMPLOYMENT, EGYPT



It is impossible to ignore the political and strategic motives behind Washington Consensus-type structural adjustment loans. Harrigan et al. (2006) provide quantitative as well as qualitative evidence from countries which applied the Washington Consensus policies in the Arab World

through Washington-based agencies like the World Bank and the IMF (2006). Most of the aid provided to these countries was effective at an intersection between their needs and the donor's interests. This questions the motives of these institutions especially with mixed feelings regarding their governance, quotas and voting powers of which the United States takes center stage. The evidence of need for IMF and World Bank money, although not extremely pressing in all cases, was noted, yet the timing of donor interventions and application of structural adjustment is found more related to internal politics within the country and how it is aligned to a bigger game of geopolitical interests (Harrigan et al., 2006). Thus, it is important to understand the dynamics of the Arab World and its relation to the rest of the world in the 1980s and 1990s to better comprehend the policies which were undertaken, although the IMF and World Bank make up only part of aid inflows to the region.

5. Taking stock of the employment generation strategies and policies in the region

5.1 National labor policies

Youth have not yet gained the importance and attention they deserve in the policy making arena throughout the region. Governments have experienced different approaches to solve the problems of unemployment in general and youth related issues in particular. A common trend in Arab countries is that youth are not included in the decision-making process on issues related to them, and hence they do not have a say in policies affecting their lives (Chaaban 2009). This is gaining more attention by Arab governments who, as Chaaban (2009) argues, should ratify international legal instruments relating to the human rights of youth. The way the decision making process works in the Arab World is extremely different from other countries for instead of giving more political choice and power to youth as they constitute the bulk of the social fabric, legal adults who are able to vote and participate in the decision making process represent only one half of the population, but have almost full control of the country's decision making process (Richards and Waterbury, 2008). If we take the example of Lebanon, youth under the age of 21 were not entitled to vote until recently, and the minimum age to run for parliamentary elections is 25 leaving behind a big number of underrepresented young men and women who constitute a significant share of the population. Another striking trait in the region is the big age differential between leaders and followers with youth being the majority of the Arab population while most leaders are relatively aged (Richards and Waterbury, 2008). This draws important policy implications, as Arab nations should be more inclusive in representing the youth and taking their needs and opinions into account.

Initiatives have been made in various countries to increase youth engagement in decision making and tackle their specific needs and concerns. Chaaban (2009) cites some national youth initiatives in Jordan, Egypt and Yemen in partnership with the United Nations Development Program (UNDP). The National Youth Corp (NYC) was launched in Jordan to involve youth in the country's development and engage in social integration. Another initiative in Egypt is the Information and Communications Technology (ICT) Youth Capacity Building Project to tackle six targets set by the Egyptian government mainly covering community development, illiteracy eradication, communication advancements including mobile internet and e-Library, as well as introducing smart schools and IT clubs franchise scheme. As for the Yemeni initiative, Labor Market Information and System, its main purpose is to develop strategies for employment, technical and vocational training with emphasis on youth needs and involvement, and involved the Yemeni government.

Arab Mediterranean countries (AMCs) who are mostly labor exporters suffer from poor labor regulations, comparatively low wages, high dependence on remittances, and brain drain, and should set their policies towards improving these conditions. Analyzing public policies in AMCs, Martin (2009) finds labor regulations, including hiring and firing, working hours, benefits, and social insurance, are too rigid and poorly implemented. Comparing wages to the EU, Martin also finds that real wages in AMCs are very low and roughly less than 1/6 of EU net wages. Another feature of AMCs is their low productivity which is detrimental to growth and future prospects (Martin 2009). Emigration has long been a feature of AMCs which makes them highly dependent on remittances and causes many of them to forego talented productive labor through the “brain drain” (Martin 2009). Martin proposes improving statistics on the region through collaboration of all countries, and undertaking structural reforms to encourage investment, attract FDI and increase EU-AMC cooperation for true “co-development” (2009).

Gulf countries, who have invested substantially in economic sectors, should pay more attention to social issues, and should focus more on policies directed towards the youth. Gulf countries have been characterized with high levels of investment in economic, technical and financial development without much focus on the development of social structures which take into account the human aspects of development (Deto 2009). The main challenges facing labor markets in Gulf countries include understanding the role of the government and its relation to the private sector; and stressing the importance of enacting youth policies for both young men and women. In addition to this, improving labor market data transparency and access to this data by policymakers is of central importance (Deto 2009). Another important aspect to consider in the Gulf case is the heavy reliance on expatriates, with the risks of alienating the Gulf nationals and most importantly youth and women. More emphasis should be placed on enacting policies to include all constituents of the social fabric for a more sustainable inclusion of the local labor force.

5.2 Policies and strategies of international organizations for the region

The International Labor Organization ILO

According to the ILO, Arab countries should focus on increasing the capacities for ministries of labor, including all partners in decision making, and improving the quality of statistics and administration to facilitate policy design particularly in times of crises. The International Labor Organization organized a 3-day Arab Employment Forum in Beirut in October 2009 hosting high-level delegates from 22 countries in the region with the objective of examining the consequences of the global economic crisis on the Arab states and proposing means to improve social protection and job creation and security. Exploring these aspects, Tzannatos (2009) identifies four policy priorities in relation to the global crisis: prioritizing employment generation in economic policies, introducing and improving unemployment insurance, creating social protection floors to prevent children from school drop outs and respecting rights of national and migrant workers. These recommendations vary depending on the national policies, but they represent the commonalities in Arab labor market trends and characteristics which should encourage regional cooperation to capitalize on the gains of globalization between Arab states (Tzannatos 2009).

In an attempt to tackle the recent economic crisis, the ILO adopted the “Global Job Pact” in June 2009 which is designed to guide policies that stimulate economic recovery, generate jobs and provide worker protection. The pact came as a reaction to data showing high levels of unemployment and poverty, to propose response measures which countries can undertake in times of crises according to their needs). Instead of a single policy response, the Pact is an attempt to retain currently employed people and empower enterprises to be able to sustain their positions and increase the job recovery process through new jobs which come with social benefits and safety nets to accommodate the vulnerable parts of society while taking into consideration gender issues. The Pact also aims at strengthening the financial sector’s regulatory environment and promoting efficient regulated trade while avoiding protectionism with a view to environmentally cautious economic activities (ILO, 2009a). The pact also acknowledges the role of small and medium-sized enterprises (SMEs) and micro-enterprises in job creation, and advocates providing access to finance for entrepreneurs in countries looking for affordable credit which will help develop their enterprises. With a view towards tackling the problems of the youth in particular, the Pact stresses the importance of providing vocational and technical training and entrepreneurial skills, especially for the unemployed youth (IOE 2009).

In relation to youth, one of the major programs of the ILO is the Youth Employment Network which it established in coordination with the UN. Unlike previous initiatives, this network focuses on youth driven approaches to employment (ILO 2009).

The Arab Labor Organization ALO

The Arab Labor Organization recently proposed a two-dimensional policy action to face the global economic crisis; one focusing on dealing with the crisis, and another on the strategies for the aftermath. The first set of policies includes enacting reasonable wage policies that enhance purchasing power to boost demand which is at the root of the repercussions of the crisis (Dimassi 2009). The development of programs with high employment opportunities and unemployment funds are also important for the ALO to deal with crises and support those who lose their jobs in the transition back to work. In addition to these recommendations, the ALO proposes the establishment of special funds to cater for the needs of return migrants (Dimassi 2009).

For the post-crisis period, the main recommendations tackle education and food security, efficient resource allocation and increased regional cooperation. The ALO’s recommendations for the phase after recovery include improving educational policies to improve the matching between labor market supply and demand (Dimassi 2009). Second, designing food security strategy in the Arab world since this will play a problematic role in the future. A third aspect is redirecting excess funds into economic sectors which have higher economic returns, and also emphasizing the advantages from cooperation between Arab countries and the EU on trade of goods and services as well as capital and labor flows (Dimassi 2009). This is strengthened by increasing the cooperation between employment stakeholders; the private sector, governments, civil society, lobby groups and syndicates to improve the quality of work as well as the purchasing power of the labor force (Dimassi 2009). These measures will in turn reduce the effects of recessions and reduce social

grievances if they are designed to be inclusive and comprehensive with a focus on gender issues (Dimassi 2009).

Focusing on youth, the ALO suggests recommendations on two levels; governments, and public-private partnerships. A publication of the ALO during the recent Arab Employment Forum in Beirut stressed two main points. First, governments should work on completing all Arab partnerships and cooperations, support the private sector through less bureaucratic measures and provide access to capital for SMEs. In addition to that, governments should work towards improving civil society participation, especially those working on youth related issues, and to motivate youth participation in society (ALO 2009). Second, regarding public-private partnerships, the primary concern should be job creation, and improving skills for Arab youth, in addition to increasing training efforts, supporting human development projects, and investing in technological advancements to increase innovation, productivity and competitiveness (ALO 2009).

The UN Economic and Social Commission for Western Asia ESCWA

UN efforts towards more inclusive policies for youth employment highlighted by the Millennium Development Goals Report are strongly related to social inclusion as a tool for poverty reduction along with policies that create jobs (United Nations 2007). Policy priorities highlighted by the UN report focus on the quality of education, and matching the needs of markets with the educational curricula, increasing youth participation in decision-making processes as well as improving labor market institutions and supporting the development of the private sector to increase its capacity to absorb labor (United Nations 2007).

The UN focus is directed towards enabling environments, capacity building and improving youth participation. The UN report presents a youth policy framework for the Arab region with three main objectives: “creating an enabling macroeconomic and institutional environment, expanding knowledge, skills and capacities of young men and women, and promoting and strengthening youth participation in decision-making processes” in addition to adequate regional cooperation as well as the promotion of dialogue between Arab countries to share expertise and best practices and improve the overall quality of life for youth in the Arab world (United Nations 2007).

The World Bank

The World Bank is increasingly realizing the importance of investing in youth and youth related issues. The World Bank’s commitment to youth development can be traced through the increased youth portfolio between 1995 and 2005 with an estimated increase from \$350 million in 2000 to \$1.1 billion in 2007. As highlighted by the World Bank (2007), as of 2001, youth were a component in almost all major projects reflecting a growing demand for solving youth related issues.

In order to meet the employment challenge in the region, the Bank recommends that more focus be put on both the quantity and quality of newly created jobs. . In addition to the quantity

of jobs needed, the quality of jobs especially high productivity jobs should also be considered to allow an increased sustainability in the labor market and for strengthening the created opportunities (World Bank 2007). This higher productivity is linked to reforms in the educational systems; private sector adoption of technologically intensive practices; public administration reforms; safety net mechanisms; and the establishment of non-wage sources of income such as unemployment insurance. The World Bank stresses the importance of two main objectives in policy design: protecting workers and encouraging job creation, where the degree of importance allocated to each one should be derived on a country basis (World Bank 2007).

6. How to create more jobs in the Arab countries? Implementing policies that work

Achieving higher rates of job-creating economic growth should remain a priority, but there is a need to go beyond Washington Consensus reforms towards more effective, focused and country-specific policies. Dani Rodrik provides a growth diagnostic framework to use in designing policies as an alternative to ready-made prescriptions and exhaustive lists of do's and don'ts. The main starting point of Rodrik is diagnosis through identifying the bottlenecks to growth and placing them at the core of reforms which avoids a “spray-painting” approach (Rodrik 2004). For example, low growth could be linked to inadequate levels of private investment and entrepreneurship which could be the result of low investment funds or high costs of capital; or returns to investment could be low or social returns high but not easily appropriated (Rodrik 2004). The key task for policy-makers is pointing which one of these possible impediments to growth is at the core of the hindrance, and thus analyzing all of these causes and identifying which one needs to be allocated the most attention (Rodrik 2004). This diagnosis needs public-private partnerships, and an increase in governmental capacities for more effective diagnosis; increasing access to information and investing in technologies that make data dissemination easier and more effective (Rodrik 2004). This approach promotes the desirability of country specific policies and is sensitive to political and administrative constraints. Unlike the augmented Washington Consensus, this approach is characterized by dynamism since it can appropriate emerging changes in the country (Rodrik 2004).

Employment generation policies at the regional level should integrate the variability of Arab country groups. Clearly employment policies will be different between poor Arab countries and the resource rich ones. On one hand, poor economies should focus on maintaining and developing better jobs in the agricultural sector through more government investments, and at the same time promoting non-agricultural employment in the rural areas by focusing on territorial development strategies. On the other hand, resource rich Arab economies that rely on public sector employment to absorb new labor market entrants should focus on diversifying their economies and promoting entrepreneurship and innovation. It is evident that conflict-stricken countries can have no effective job creation programs without an enabling stable environment.

Youth should be placed at the centre of labor market policies; however there is a need to recognize that young people's overall socio-economic exclusion in the Arab world has direct linkages to labor market outcomes. Youth transitions to adulthood face four pillars; education, employment, marriage and housing. In each one of these domains young people in the Arab world face significant exclusion (Dhillon et al., 2008). Hence improving transitions should tackle each one of these effectively, and improving each one of these transition pillars would impact favorably on the labor market. Dhillon, et al. provide a list of policy recommendations for effective inclusion

for youth. First, the region exhibits a growing need to expand the role of the private sector and reducing people's tendency to opt for government employment. Second, promoting skilled workers through improving the quality of education, university admissions, training initiatives especially targeting marginalized groups like young women. Third, countries in the Middle East should prioritize their fiscal stimulus towards job creation for youth and engage them in decision-making. In addition to these recommendations there is a need for reforming public sector hiring practices and raising the value of informal jobs through investing in skills development as well as improving technological investments for better job information and counseling, and in the long run, countries need to work towards providing social security to all workers (Dhillon, et al. 2008).

Government actions to reduce unemployment will be more effective if a distinction is made between the voluntarily and involuntarily unemployed. Clearly governments should focus first on the involuntarily unemployed, by providing them with employment services, training, and income support through unemployment insurance. There needs to be a serious effort to gather more information about the involuntarily unemployed, in order to understand their expectations, their skills and their location (World Bank, 2008). This would enable policymakers to make labor market interventions targeted at the sub-national level. Tackling voluntary unemployment requires a longer term framework, as governments would need to address the inherent mismatches between reservation and market wages. Creating high-wage jobs that would push the voluntarily unemployed to accept a given opportunity relies on establishing macro-economic reforms which enable comparative advantage and attract high wage products (especially in the manufacturing and services sectors).

Overall, Arab governments can do more to enhance incentives to work and establish an environment conducive to job creation. A non-comprehensive list of essential reforms that would directly impact labor markets in the Arab world includes the following (mostly mentioned in World Bank, 2008):

a. Promote competitiveness: Job creation in sectors that employ skilled workers is a top priority, as unemployment is very high among the highly skilled individuals in the Arab world. This requires considerable reforms in the business environment of Arab economies, as high-wage sectors require flexibility in hiring and firing; in addition to ease of financing and low barriers to entry. Modern training programs and career counselling should be directed towards improving the employability skills of new labor market entrants in order to increase their chances of finding and keeping decent jobs.

b. Establish linkages between the unemployed and the jobs: As unemployment is high in poor rural areas, and within an increased mismatch between areas where jobs are created and those areas where jobs are missing, there is a need to provide better linkages for the unemployed with potential regions where employment opportunities are high. This would translate into first: providing housing loans and subsidies to workers relocating from rural to urban areas; second: investing in better transport infrastructure and providing subsidized transportation services; and third: encouraging job creation in areas with high unemployment, by providing tax breaks and other incentives.

c. Increase women's employment incentives: Women should receive better attention and more opportunities to increase their labor force participation, and this is done by improving their access to education as well as giving them better options to combine work and family, for example through an improved system of maternity leave and a system of flexible part-time employment.

d. Revisit the costs and benefits of emigration: Arab governments, especially in labor-exporting economies, should comprehensively assess emigration policies and remittances especially with regards to their costs. Having lax emigration policies, especially with regards to labor rights and decent working environments, can alleviate in the short run pressures on the domestic labor market. Yet emigration can lead in the long term to the erosion of a country's human capital.

e. Ensure social protection: Assisting those unwillingly unemployed, who are more likely to be poor, should be placed as a high priority, through well-targeted social transfers. Prioritizing which group of unemployed to target is a major aspect to be considered in effective policy design.

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Annex: Data used for country groupings

FIGURE 2- EVOLUTION OF WORKING AGE POPULATION BY MAJOR COUNTRY GROUPING— AGED 15-24

Country Groups	2005	2010	2015	2020
Labor Abundant; Resource Rich	8695	8379	7607	7275
Algeria	7410	7246	6468	6017
Libya	1285	1133	1139	1258
Labor Abundant; Resource Poor	16951	17030	16268	17116
Egypt	16951	17030	16268	17116
Labor Importing; Resource Rich	6281	6959	7382	7751
Bahrain	125	144	147	147
Kuwait	431	440	464	494
Oman	531	598	603	604
Qatar	163	269	180	209
Saudi Arabia	4363	4949	5298	5490
United Arab Emirates	668	559	690	807
Labor Exporting	14860	15082	14430	12720
Jordan	1197	1322	1341	1389
Lebanon	756	765	780	721
Morocco	6437	6376	6086	5803
Syria	4410	4618	4467	4807
Tunisia	2060	2001	1756	1562
Poor Countries	13214	15131	16904	18225
Comoros	134	133	141	157
Djibouti	170	190	198	199
Mauritania	609	676	740	813
Sudan	7754	8773	9829	10578
Yemen	4547	5359	5996	6478
Conflict Countries	7866	8891	8498	11943
Iraq	5,614	6,272	744500%	8292
Somalia	1,527	1,740	2038	2421
West Bank and Gaza	725	879	1053	1230

Source: United Nations Population Division

FIGURE 5 AND 6: DISTRIBUTION OF EMPLOYMENT BY ECONOMIC SECTORS

Activity	Agriculture, hunting and forestry and fisheries			Mining and quarrying			Manufacturing			Electricity, gas and water supply		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Labor Abundant; Resource Rich	1446800	320690	1767490	164730	1000	165730	608980	386260	995240	129980	3000	132980
Algeria	1377800	317690	1695490	141730	..	141730	512980	375260	888240	82980	..	82980
Libya	69000	3000	72000	23000	1000	24000	96000	11000	107000	47000	3000	50000
Labor Abundant; Resource Poor	4828000	2055000	6861000	392000	39000	431000	2199000	389000	2588000	229000	23000	252000
Egypt	4828000	2055000	6861000	392000	39000	431000	2199000	389000	2588000	229000	23000	252000
Labor Importing; Resource Rich	506953	6752	554537	176768	4289	200197	399072	65531	936272	105588	525	108853
Bahrain	4605	126	4731	2736	219	2955	45268	8237	53505	2565	127	2692
Kuwait	22218	1328	23546	6348	957	7305	78292	8728	86121	8464	383	8847
Oman	..	..	40832	..	..	19140	..	..	33176	..	..	2552
Qatar	11593	221	11814	17510	430	17940	40012	243	40255	4360	15	4375
Saudi Arabia	270745	4876	275621	94631	759	95390	439392	8891	448283	65648	..	65648
UAE	197792	201	197993	55543	1924	57467	235500	39432	274932	24551	188	24739
Labor Exporting	1287505	343097	5866598	28262	2764	31026	1154060	383609	2791669	41983	3198	45181
Jordan	38734	4558	43292	12911	1095	14006	129112	8404	137516	18290	810	19100
Lebanon	80939	9809	90744	2639	681	3320	113491	24839	138330	5278	255	5533
Morocco	..	..	4236000	..	..	..	..	..	1254000	..	..	..
Syria	749831	195355	945186	..	..	..	595414	43114	638528	..	..	..
Tunisia	418001	133375	551376	12712	988	13700	316043	307252	623295	18415	2133	20548
Poor Countries	5025587	2344968	7372555	33707	6002	39709	686763	147952	843515	86069	6582	99251
Djibouti	..	..	2000	..	..	..	..	..	8800	..	..	6600
Mauritania	231087	150878	381965	6570	4150	10720	6570	5120	11690	1642	308	1950
Sudan	3491100	1975500	5466600	5400	..	5400	432900	48600	481500	62100	4500	66600
Yemen	1303400	218590	1521990	21737	1852	23589	247293	94232	341525	22327	1774	24101
Conflict Countries	195444	59368	2745636	317294	24186	341480	696895	126355	823250	21548	4886	26434
Iraq	131444	16368	147812	317294	24186	341480	631895	113355	745250	21548	4886	26434
Somalia	..	..	2490824	..	..	..	..	..	..	..	..	..
WB and Gaza	64000	43000	107000	..	..	..	65000	13000	78000	..	..	..

Data Source: Arab Labor Organization

FIGURE 5 AND 6 CONT'D: DISTRIBUTION OF EMPLOYMENT BY ECONOMIC SECTORS

Activity	Construction			Wholesale and retail trade and Hotels and restaurants			Transport, storage and communications		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Labor Abundant; Resource Rich	1032500	12570	1045070	1510550	62350	1572900	550400	21890	572290
Algeria	1003500	11570	1015070	1346550	58350	1404900	440400	16890	457290
Libya	29000	1000	30000	164000	4000	168000	110000	5000	115000
Labor Abundant; Resource Poor	1479000	30000	1509000	2546000	472000	3018000	1227000	67000	1294000
Egypt	1479000	30000	1509000	2546000	472000	3018000	1227000	67000	1294000
Labor Importing; Resource Rich	1353426	7897	1382800	1592257	180495	1851774	490696	26859	563491
Bahrain	27509	771	28280	44838	6088	50926	12310	2430	14740
Kuwait	103688	6676	110364	198911	27860	226771	35973	8274	44247
Oman	..	..	17864	..	..	44022	..	..	45936
Qatar	116816	450	117266	34885	1124	63009	14604	712	15316
Saudi Arabia	629326	243	629569	1023207	883	1032090	258924	6359	265283
UAE	476087	3370	479457	290416	144540	434956	168885	9084	177969
Labor Exporting	1245500	106919	2102419	1544423	163804	2889227	666723	39614	706337
Jordan	66708	8417	75125	202277	15457	217734	115124	9659	124783
Lebanon	112611	1373	113984	202353	45534	247887	51027	2091	53118
Morocco	..	..	750000	..	..	1181000	..	..	..
Syria	654028	5852	659880	715690	26910	742600	327930	5298	333228
Tunisia	412153	91277	503430	424103	75903	500006	172642	22566	195208
Poor Countries	782909	32276	827185	1780356	196031	2012387	641037	32773	690810
Djibouti	..	..	12000	..	..	36000	..	..	17000
Mauritania	20261	3124	23385	74474	51223	125697	12047	4518	16565
Sudan	317700	5400	323100	722700	74700	797400	376200	10800	387000
Yemen	444948	23752	468700	983182	70108	1053290	252790	17455	270245
Conflict Countries	220530	30606	625696	357650	82114	439764	408090	90114	498204
Iraq	153530	27606	181136	252650	70114	322764	377090	70114	447204
Somalia	..	..	374560	..	..	..	...	..	..
WB and Gaza	67000	3000	70000	105000	12000	117000	31000	20000	51000

Data Source: Arab Labor Organization

FIGURE 5 AND 6 CONT'D: DISTRIBUTION OF EMPLOYMENT BY ECONOMIC SECTORS

Activity	Financial intermediation and Real estate, renting and business activities			Other community, social and personal service activities			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Labor Abundant; Resource Rich	134100	47030	181130	2139670	938500	3078170	7717710	1793290	9511000
Algeria	107100	41030	148130	1579670	587500	2167170	6592710	1408290	8001000
Libya	27000	6000	33000	560000	351000	911000	1125000	385000	1510000
Labor Abundant; Resource Poor	543000	104000	647000	3221000	1737000	4958000	16664000	4916000	21558000
Egypt	543000	104000	647000	3221000	1737000	4958000	16664000	4916000	21558000
Labor Importing; Resource Rich	1500159	41109	1561646	2830138	1397173	4641373	8955057	1730630	11800943
Bahrain	20404	3887	24291	85022	44796	129818	245257	66681	311938
Kuwait	55018	7268	62286	455755	289569	745324	964667	351043	1314793
Oman	..	..	20416	..	..	414062	..	..	638000
Qatar	12811	3816	16627	93512	57447	150959	346103	64458	437561
Saudi Arabia	1386104	19812	1405916	947849	747361	1695210	5115826	789184	5913010
UAE	25822	6326	32148	1248000	258000	1506000	2722596	463065	3185641
Labor Exporting	330204	70996	401200	1635727	635023	3404750	7934387	1749024	18238407
Jordan	60253	11052	71305	288355	82084	370439	931764	141536	1073300
Lebanon	44868	17104	61972	200589	100417	301006	813795	202103	1015894
Morocco	..	..	..	..	..	1134000	..	..	8555000
Syria	87021	13092	100113	933206	340753	1273959	4063120	630374	4693494
Tunisia	138062	29748	167810	213577	111769	325346	2125708	775011	2900719
Poor Countries	117256	20798	153054	2065197	544739	2654936	11218881	3332121	14693402
Djibouti	..	..	15000	..	..	45000	..	..	142400
Mauritania	1642	1282	2924	98020	87116	185136	452313	307719	760032
Sudan	77400	16200	93600	940500	306900	1247400	6426000	2442600	8868600
Yemen	38214	3316	41530	1026677	150723	1177400	4340568	581802	4922370
Conflict Countries	119591	140961	260552	3570958	1996410	6260304	5908000	2555000	12021320
Iraq	119591	140961	260552	3381958	1975410	5357368	5387000	2443000	7830000
Somalia	..	..	..	..	..	692936	..	..	3558320
WB and Gaza	..	..	..	189000	21000	210000	521000	112000	633000

Data Source: Arab Labor Organization

FIGURE 7: DISTRIBUTION OF EMPLOYMENT BY MAJOR OCCUPATION

		Jordan	UAE	Bahrain	Tunisia	Algeria	Djibouti	Saudi Arabia	Sudan	Syria	Somalia	Iraq
Craft and related trade workers	M	268000	255953	12400	..	467000	..	760012	677600	303000	..	..
	F	91500	93140	9754	..	275000	..	339472	441768	233000	..	..
	T	359500	349093	22154	285599	742000	..	1099484	1119368	536000	288000	3758412
Legislators, senior officials and managers	M	36462	103845	40497	..	690000	..	199864	404377	394000	..	..
	F	4300	11281	9721	..	226000	..	20348	3000	89000	..	..
	T	40762	115126	50218	130526	916000	..	220212	407377	483000	93000	36950
Clerks	M	83325	103043	22403	..	233000	..	475617	308000	..	..	..
	F	25000	31535	10373	..	137000	..	25680	177020	..	..	..
	T	108325	134578	32776	274218	370000	..	501297	485020	..	435000	..
Wholesale & Retails & Services	M	122800	379593	60023	..	1325000	..	528111	1155000	694000	..	..
	F	9800	163564	29386	..	95000	..	4729	94463	40000	..	..
	T	132600	543157	89409	557177	1420000	..	532840	1249463	734000	949000	..
Service workers and shop and market sales workers	M	..	..	..	..	..	..	1405147	..	..	..	..
	F	..	..	..	..	..	..	394250	..	..	..	..
	T	..	..	..	..	..	..	1799397	..	..	634000	..
Skilled agricultural and fishery workers	M	28000	181477	7387	..	1121000	..	286128	3611300	821000	..	..
	F	..	4147	22	..	242000	..	5481	2087887	356000	..	..
	T	28000	185624	7409	719584	1363000	..	291609	5699187	1177000	1837000	..
Plant and machine operators and assemblers	M	393177	1115455	99832	..	1474000	..	1460944	1543723	1576000	..	..
	F	10936	63569	4668	..	362000	..	7224	195862	63000	..	..
	T	404113	1179024	104500	1361519	1836000	..	1468168	1739585	1639000	200000	..
Unclassified	M	..	584000	6163	..	1282000	..	..	..	..	..	..
	F	..	284000	371	..	89000	..	..	..	..	..	..
	T	..	868000	6534	96077	1371000	147900	..	..	..	..	..
Looking for a job	M	144175	..	..	..	1209000	..	..	..	321000	..	..
	F	55825	..	..	..	266000	..	..	..	202000	..	..
	T	200000	..	..	..	1475000	147900	..	..	523000	..	..
Total	M	1075939	2723000	248705	..	7801000	..	5115823	7700000	4108000	..	..
	F	197361	592000	64295	..	1692000	..	797184	3000000	984000	..	..
	T	1273300	3315000	313000	3424700	9493000	295800	5913007	10700000	5092000	4436000	7830000

Data Source: Arab Labor Organization

FIGURE 7 CONT'D: DISTRIBUTION OF EMPLOYMENT BY MAJOR OCCUPATION

		Oman	WB & Gaza	Qatar	Kuwait	Lebanon	Libya	Egypt	Morocco	Mauritania	Yemen
Craft and related trade workers	M	..	..	9842	182057	112243	230000	2762000	..	31760	258726
	F	..	..	1261	71500	78008	306000	1282000	..	21832	91341
	T	134598	..	11103	253557	190251	536000	4044000	140000	53592	350067
Legislators, senior officials and managers	M	..	..	46941	42362	102604	11000	1471000	..	5948	275537
	F	..	..	17014	5206	21796	1000	189000	..	5745	77044
	T	20134	..	63955	47568	124400	12000	1660000	121000	11693	352581
Clerks	M	..	..	47230	134813	53259	209000	557000	..	16931	153002
	F	..	..	6510	31026	7076	51000	213000	..	20096	32412
	T	87265	..	53740	165839	60335	260000	770000	427000	37027	185414
Wholesale & Retails & Services	M	..	..	117825	394351	71117	132000	1688000	..	117186	780342
	F	..	..	38510	243282	27861	2000	171000	..	95233	41362
	T	147888	..	156335	637633	98978	134000	1859000	859000	212419	821704
Service workers and shop and market sales workers	M	..	..	..	..	..	118000	..	..	..	..
	F	..	..	..	..	..	12000	..	..	..	..
	T	..	..	..	..	..	130000	..	876000	..	..
Skilled agricultural and fishery workers	M	..	..	8328	..	44700	60000	4243000	..	232730	1081555
	F	..	..	111	..	4040	3000	1798000	..	152158	187189
	T	43701	..	8439	..	48740	63000	6041000	4965000	384888	1268744
Plant and machine operators and assemblers	M	..	..	148396	289207	389560	256000	4739000	..	93092	1520818
	F	..	..	2165	2749	61212	8000	148000	..	63786	106596
	T	202674	..	150561	291956	450772	264000	4887000	3746000	156878	1627414
Unclassified	M	..	..	..	..	106294	108000	26000	..	45450	397720
	F	..	..	..	..	26868	2000	4000	..	72453	124356
	T	2678	..	..	..	133162	110000	30000	6000	117903	522076
Looking for a Job	M	..	690000	..	18000	..	114000	1178000	..	..	..
	F	..	25000	..	7000	..	43000	1089000	..	..	..
	T	..	194000	..	25000	..	157000	2267000	..	..	..
Total	M	..	690000	378562	1058041	879777	1238000	16664000	..	547600	4467700
	F	..	137000	65571	360763	226861	428000	4894000	..	426800	660300
	T	638000	827000	4441333	1418804	1106638	1666000	21558000	11140000	974400	5128000

Data Source: Arab Labor Organization

FIGURE 8: EMPLOYMENT BY STATUS (000S)

Activity	Employer	Self Employed	Works for pay	Works for family without pay	Total
Labor Abundant; Resource Rich	2232	..	5521.15	1773.85	9527
Algeria	1816	..	4484	1718	8018
Libya	416	..	1037.15	55.85	1509
Labor Abundant; Resource Poor	2894	2411	11343	2643	19291
Egypt	2894	2411	11343	2643	19291
Labor Importing; Resource Rich	117.152	327.38	5590.709	10.272	6045.513
Bahrain	6.573	4.695	301.419	0.313	313
Kuwait	13.594	38.064	1502.163	1.359	1555.18
Oman	8.319	33.631	399.283	0.84	442.073
Qatar	2.993	1.904	432.504	6.732	444.133
UAE	85.673	249.086	2955.34	1.028	3291.127
Labor Exporting	3602.043	1828.985	9193.913	3262.625	17887.57
Jordan	89.131	119.69	1055.566	8.913	1273.3
Morocco	2925	..	3385	2731	9041
Syria	398.869	1210.659	2657.431	411.067	4678.026
Tunisia	189.043	498.636	2095.916	111.645	2895.24
Poor Countries	809.184	5515.027	6808.265	2265.842	15398.32
Sudan	581.5	4272	3813	1787.4	10453.9
Yemen	227.684	1243.027	2995.265	478.442	4944.418
Conflict Countries	2679.589	153.256	5073.849	488.11	8394.804
Iraq	2655.5	..	4737.057	423.808	7816.365
WB and Gaza	24.089	153.256	336.792	64.302	578.439

Data Source: Arab Labor Organization