

EMPLOYABILITY IN THE MEDITERRANEAN REGION

POLITICAL TURBULENCE AFFECTS ALL POLICY AREAS

In 2011, a wave of popular discontent shook the Arab world and young people led a wave of revolts that swept through Tunisia and Egypt, partially touched Algeria, Morocco and Jordan, and ended up in violent conflicts in Libya and continuing civil war in Syria. This Arab awakening resulted in regime change and democratic transition in some countries, pre-emptive reforms in others, and protracted sectarian violence elsewhere. All uprisings however showed that people resent growing inequality, unemployment, corruption and governance systems which have deprived them of a voice and made leaders unaccountable.

Four years will soon have passed and among the many things that changed in the region, one stands out: people, especially young people, expect more from their governments. If their voice is not heard, the countries risk further instability. Political turbulence also affects social stability, employment and human capital development, which now remain at a standstill as high politics take primacy.

Recognising that jobs – or a lack of them – were at the root of the discontent, new governments and international donors quickly placed employment policy at the core of their action. This made more funds available in the short-term to multiply and diversify active labour market measures and public works programmes as well as some wage increases. The concern for employment, social equality and job creation drew attention back to human capital development policies.



QUICK RESULTS AT RISK FROM DETERIORATED ECONOMIC PROSPECTS

Across the region, economic growth has fallen since 2011 and not fully recovered until today. In Egypt, Syria and Tunisia, and to a lesser extent, Lebanon, it happened mainly as a result of political instability. Since young people occupied Tahrir Square in Cairo, Egypt's economy, the region's largest, has shrunk by 7% and exports have fallen by around 40%, while the value of imports has increased due to higher commodity prices.

The most dramatic fall was in the number of tourists and tourism revenues in Tunisia and Egypt, with reductions of 36% and 40% respectively. Foreign direct investment fell by more than 40% for projects

This ETF policy note was summarised from UfM Regional Employability Review, and updated in 2014 to reflect recent changes. The analysis covers Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia. Employability is defined here as 'the combination of factors which enable individuals to progress towards getting into employment, staying in employment and progressing during their career' (Cedefop, 2008). It is a complex concept and a transversal issue, encompassing all initial education and knowledge, skills, experience and intercultural competences required to succeed in the labour market (European Commission, 2011).



in Egypt, Jordan, Lebanon and Tunisia, and the economy came to a halt in Syria. The remittances from expatriates decreased due to recession in Europe and the forced return of tens of thousands of Egyptian and Tunisian workers from Libya. Egypt, Morocco and Tunisia, the countries with manufacturing industries whose export markets are in the EU, were also hit by the crisis in Europe.

The prospects of Algeria and Libya, as energy exporters, depend on the fluctuations of international oil and gas prices. Morocco is the only country in the region that weathered the global economic crisis and regional political turbulences well, retaining its pre-crisis growth rates. Some recovery is made in Tunisia, Libya and Egypt, but Syria poses serious political and economic risk to the neighbours.

Beyond short-term growth, the biggest challenge is that the region's economies do not create enough jobs, especially for highly skilled workers. Even in the period from 2002 to 2007, high sustained economic growth brought only weak demand for new labour. What affects job creation is the business environment dominated by micro, small and medium-sized enterprises, and high agricultural employment in some countries. Of the 4.8 million formal enterprises in Algeria, Egypt, Jordan, Lebanon, Morocco, Syria and Tunisia, 98% employ fewer than 50 workers.

These small companies find it difficult to grow because they can't finance their operations or investments, hire qualified human resources or obtain technical support services. SMEs contribute to 30–50% of economic output and create 60–70% of jobs. However, most of these jobs are in the informal sector; they require low level skills and are low-paid. Micro enterprises with low productivity are usually quickly out of business, and most SMEs never grow enough to create more and better jobs.

SMEs have potential but doing business in the region, except in Tunisia, is very difficult as the World Bank's Ease of Doing Business Index shows. Furthermore, the sectors with the highest job potential over the short-term – agriculture, construction and tourism – are sensitive to external factors, such as the weather, global economy, political stability, and have low productivity. As a result they create jobs with low wages and poor working conditions.

SOCIO-ECONOMIC INEQUALITY IS A SERIOUS DEVELOPMENT CHALLENGE

A comparison between relative human development² and relative national income levels reflects the fact that economic prosperity is not translated into human development (Figure1). Two major obstacles to human development are an education gap far below income levels and a gender gap.

There are also high territorial disparities correlated with rural-urban and manufacturing-agriculture divides. There is on average 20% income difference. In the most extreme case of Morocco, the per capita household consumption in rural areas is only 54% of that of urban areas, and unemployment and activity rates show differences of up to 15 percentage points.

Gauging by education, health, land ownership and political participation, the region is among the most gender-unequal in the world. No country makes it into the top hundred in the 2013 WEF Global Gender Gap report. Women's education levels have improved substantially, but have not led to higher activity and employment rates.

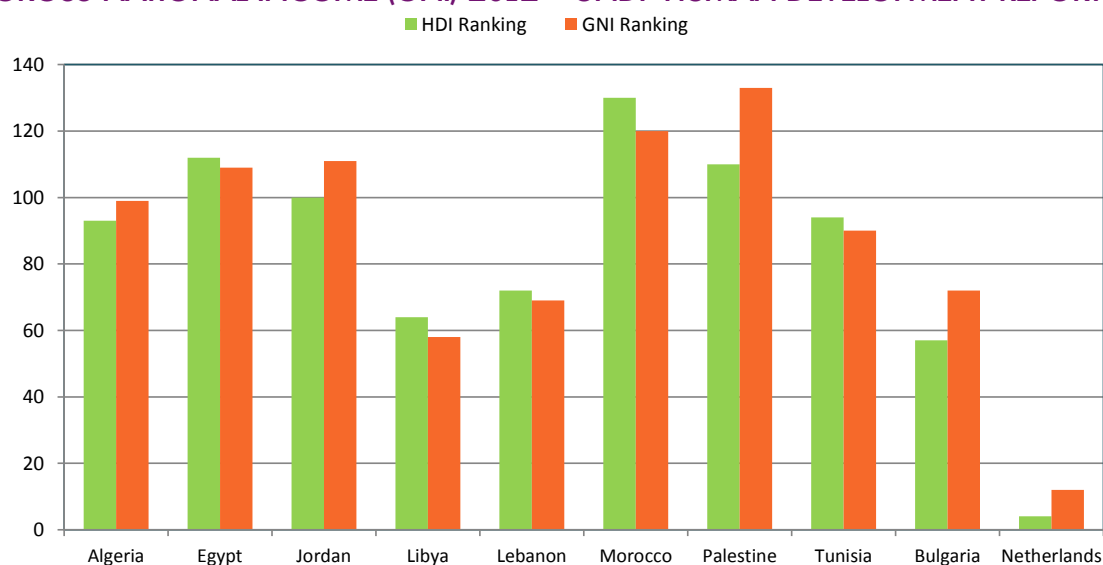
Poverty is the reality for many. Depending on whether the poverty line is set at USD 2 or 3 a day, from 45 to 92 million people live below it. Some 30–40% of workers are in so-called vulnerable employment according to the ILO, while the working poor make up 11% across the region. They include unpaid family workers (especially women in rural areas), informal workers, self-employed and subsistence farmers.

Social policy is not comprehensive and lacks an overarching approach to health, education and social protection. It is carried out on ad hoc basis. A charity rather than a set of targeted welfare measures, it remains segmented and insufficient with income support channelled through food and energy subsidies to all.

RECOMMENDATION

- Adapt active labour market policies (ALMPs) to local or regional situations. Local employment development projects should take initiatives and mobilise local social and economic stakeholders, encouraging commitment to local partnerships for employment. This can promote regional development, reduce territorial disparities and offer tailor-made solutions that take into account local needs and realities.

FIGURE 1: RANKING OF COUNTRIES IN THE HUMAN DEVELOPMENT INDEX (HDI) AND GROSS NATIONAL INCOME (GNI) 2012 – UNDP HUMAN DEVELOPMENT REPORT 2013



Source: UNDP, Human Development Report 2013

²The UNDP's Human Development Index (HDI) is calculated using life expectancy at birth, adult literacy rate, gross enrolment ratio and GDP per capita (PPP USD).



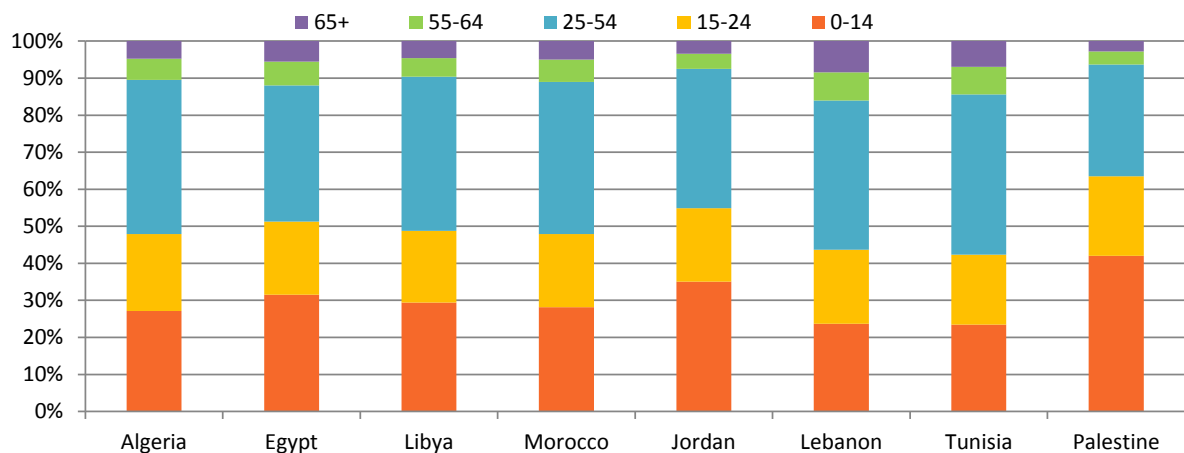
DEMOGRAPHY SETS THE CONDITIONS FOR TODAY AND TOMORROW

Whether the young populations are a gift or a burden is debatable, but demographic pressure is a critical feature of the region. Some 61% are under 30³. This exerts pressure on education and training systems and labour markets. The working-age population will increase from 125 million to 167 million by 2030. For example, 715,000 new jobseekers enter the labour market in Egypt each year even at current very low activity rates. These numbers could increase if women become active on the labour market. Already today the countries struggle to absorb this mass of youth into labour markets, but also to provide them with housing, education and infrastructure.

In this context, labour emigration intensifies. The emigrants from Maghreb traditionally turn to Europe; the emigrants from Mashrek to the Gulf States; Lebanon typically sends its high-skilled workers to the United States and Canada. Migrant remittances help reduce poverty and amount to a significant share of GDP in Lebanon (22%) and Jordan (15%). But the emigration of university graduates seems to cause a loss of human capital (especially in Lebanon), shortages of qualified labour in certain sectors (Morocco and Tunisia) and higher reservation wages and so higher labour costs in certain skilled professions.

At the same time, there are immigrants in Jordan and Lebanon, mainly as a result of the long-standing Palestinian refugee problem, Iraqi refugees after 2003 and the arrival of thousands of refugees from Syria since 2011. The Syrian refugee situation becomes increasingly dramatic since the deterioration of civil war in Syria, straining the resources and social services of neighbouring countries and increasing risks of unrest. Maghreb countries, on the other hand, receive increasing numbers of transit immigrants from sub-Saharan Africa.

FIGURE 2: TOTAL POPULATION BY AGE GROUP (%) - ETF CALCULATIONS BASED ON UNDESA



Source: NDP, United Nations, Department of Economic and Social Affairs, Population Division (2013).
World Population Prospects: The 2012 Revision.

³ Source: United Nations, Department of Economic and Social Affairs, Population Division
- Population estimates (medium variant method).

HIGHLY SEGMENTED LABOUR MARKETS REDUCE POLICY IMPACT AND OBSCURE REFORMS

The low labour market activity rate (40%–50%) and high unemployment (10–15%) led to an extremely low level of total employment: on average, less than one working-age person in three has a job. The main reason is very low female activity rates – less than 25%. Most of them work in agriculture (unskilled workers) or public sector (high-skilled). This situation imposes a major constraint on economic development (Figure 3).

Labour markets are segmented along public, modern private and traditional private (informal) lines and by gender and education. In some countries the state is the main employer accounting for 30%–40% of jobs in Egypt and Jordan, nearly 50% in Palestine and Algeria and 70% in Libya.

The private sector is dominated by informal employment – usually highly precarious, with long working hours, low incomes and a lack of social protection. On average two thirds of workers in the region do not contribute to or benefit from social security. Rates of informality are highest among youth and workers with low education, and informal employment has expanded as a consequence of the economic crisis.

Agricultural employment remains predominant in Morocco (40% of total employment), and sizable in Egypt (30%), Tunisia (18%). This low-productivity sector, with a high proportion of unpaid female family workers, hides under-employment or unemployment. In other countries service sector jobs dominate (on average 50%), though in low productive sectors like petty trade and commerce. Manufacturing provides very few jobs when construction, mining and utilities are excluded.

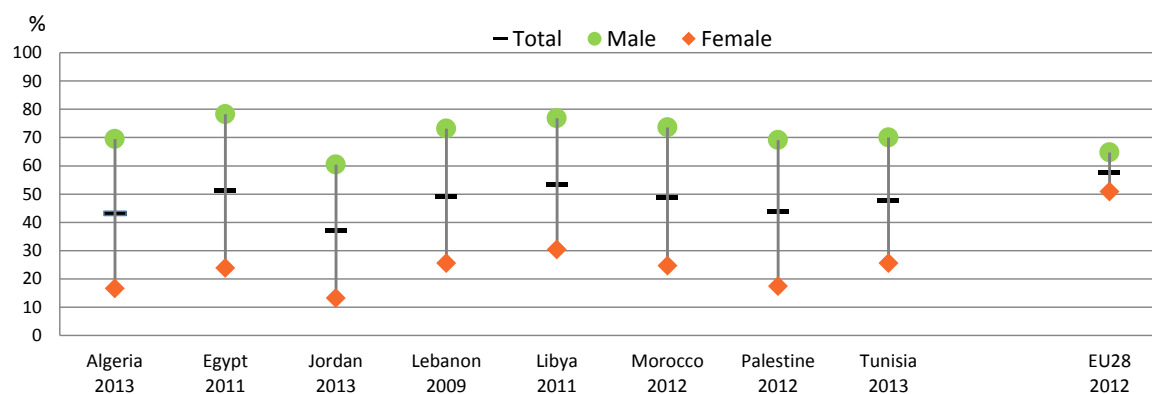
Self-employment is an important activity, accounting for around 30% of employment. It is also the main driver of job creation in the current economic context. Many people actually want to set up their own business. In Algeria, Lebanon, Morocco and Jordan over 15% of the working-age population started entrepreneurial activities between 2008 and 2011.

RECOMMENDATIONS

- Improve labour market monitoring systems to identify current and future skill needs and shape adequate education and training programmes. This includes greater transparency and dissemination of existing data collection instruments (e.g., labour force surveys, public employment service (PES) registers, education and training statistics, active labour market measures) and analyses of relevant labour market trends.

- Introduce incentives to transform informal employment. It can include a reduction of or temporary exemption from current social security contributions for new micro-enterprises and other tax incentives, and be combined with skills upgrading for informal workers and a strengthened labour inspection.

FIGURE 3: ACTIVITY RATES BY GENDER (15+, LAST AVAILABLE YEAR)



Sources: National Statistical Offices; Libya: KILM-ILO; Morocco and EU28: Eurostat; Tunisia: ETF calculations based on INS, 2nd trimester of year

RECOMMENDATIONS

- Extend and enhance entrepreneurship and self-employment support programmes. The share of ALMPs supporting entrepreneurship can increase, targeting highly skilled young people in particular. Entrepreneurial and innovative thinking must be instilled through education and training as well. High achievers should be encouraged to become entrepreneurs as a matter of choice rather than necessity.
- Reflect the prioritisation of employment and job creation in the institutional setup of policy making, coordination of resources and institutions, and other policy fields. Policymakers must reinforce anticipatory, inclusive and effective multi-level governance that fosters cooperation between education and business, and encourages youth entrepreneurship.

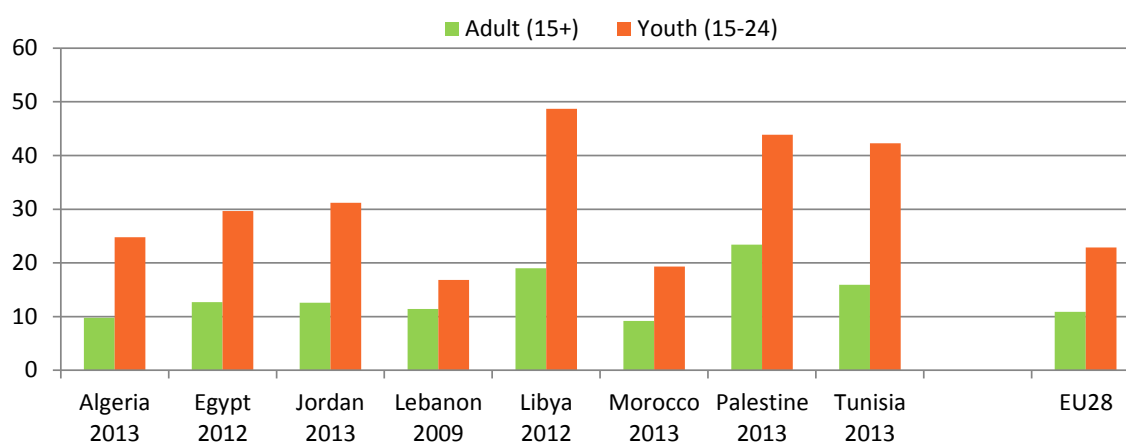
YOUTH UNEMPLOYMENT STILL THE MOST URGENT CHALLENGE

In 2013 only one in three young people was in the labour market - either employed or unemployed – while world's average is 50% according to the ILO. Another third of youth is estimated to be in school, while the remainder is neither in education or training nor in the labour market. Still, the region has the highest average rate of youth unemployment in the world (25%), Tunisia tops the list with 42% of active young people unemployed. The rate is at least twice as high as the rate for adults and has not come down over the past 10 years (Figure 4).

Youth unemployment disproportionately affects young women whose unemployment rates typically double the average. Job opportunities are rare for young men and almost non-existent for young women, as most employers openly give preference to male job-seekers. Some employers do hire female workers, but the jobs which they offer are low-skilled and low paid, and hence not attractive to the few educated women seeking employment.

The inverse correlation between education and employment in the region is a striking feature. Unemployment rates tend to increase with education level, especially for women. In Tunisia, the unemployment rate of university graduates is 29%, while for secondary education graduates it is 20%. 'Educated unemployment' reveals the weak links between the education and training system and labour market and the major difficulties of youth transition from school to work. Despite increasing education levels, the transition from school to work is taking ever longer as economies create few jobs for skilled workers. This is linked to the model and stage of economic development, but also to the rigid labour market structures and employability deficits. Among the problems in education and training is a strong preference for humanities disciplines, few young people opting for vocational education and training (VET), and strong gender segregation in VET occupations. Graduates lack generic and soft skills, including ICT, foreign languages, communication and social skills, critical thinking, and work discipline.

FIGURE 4: UNEMPLOYMENT RATES BY AGE GROUP (LAST AVAILABLE YEAR)



Source: National Statistical Offices; EU28: Eurostat; Libya ILOSTAT database

Notes: Egypt youth from 2011, adult 15-64; Tunisia: youth from 2011, adult from 2nd trimester of 2013

According to the World Bank survey, 42% of private enterprises in the region point to the formal schooling system that does not respond to their skills needs as the main obstacle to hiring young people. The mismatch is particularly high in Lebanon (56%) and Egypt (50%).

Young people's attitudes to work and their high expectations for professional life are important factors. In Algeria, Egypt and Jordan young people refuse to engage in VET programmes. Those who can afford to, will turn down manual work or jobs in craft professions. Even graduation from a prestigious VET centre, a step that opens up good employment prospects, is used to enter university. So, in a way, the unemployment of some university graduates seems voluntary.

Young people who are not in employment, education or training (NEETs) are particularly vulnerable to social exclusion. Although no statistics are available, ETF analysis in some countries show that this category might account for around 30% of the youth population (Figure 5).

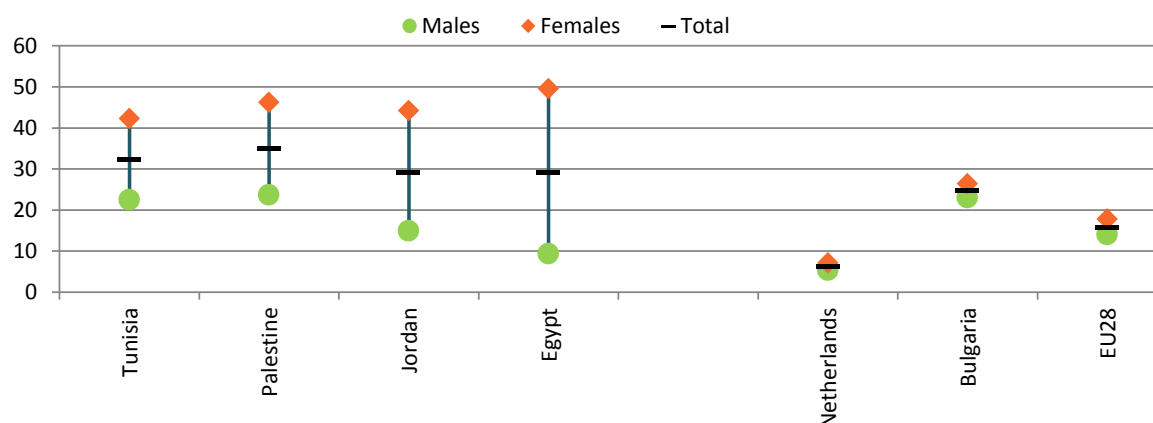
Most jobs are found through personal contacts and social networks rather than through transparent and merit-based recruitment mechanisms (e.g. open competition exams or job intermediation by the PES). So, for many young people with limited social contacts, especially young women and disadvantaged groups, it is difficult to find a decent job.

RECOMMENDATIONS

- Diversify the offer of VET programmes, including non-formal and adult training courses in accessible formats, to address the needs of school dropouts in the informal sector and the young people not in employment, education or training who usually remain inactive. Apprenticeships, including informal ones, traineeships and other practical training in enterprises and institutions need upgrading and recognition as valid learning pathways. Female students need more VET options to increase their chances in the labour market.

- Develop appropriate career guidance and counselling systems for all levels and types of education, including VET centres and PES, to help young people choose their studies and career paths in rapidly changing labour markets and education environments. Particular attention must be paid to gender-specific problems to facilitate women's entry into the labour market.

FIGURE 5: NEETS RATE BY GENDER (15-29), 2012



Source: ETF calculations based on ILO School to Work Transition Survey; Eurostat for EU28 and EU countries
Note: Data for Palestine and Tunisia 2013

RECOMMENDATIONS

- Make labour markets more transparent and information on job offers more accessible to facilitate merit-based and competitive recruitment mechanisms as an alternative to social contacts. The wide use of social networks and personal contacts penalises young women and disadvantaged groups.

- Improve the PES infrastructure, budget, staffing and capacity to design and implement labour market policies at national and local levels. This involves regular staff training, increased resources for local offices, the establishment of nationwide online labour market information systems, and gender-sensitive measures.

- Introduce widespread national literacy programmes to eradicate illiteracy, particularly to improve the literacy of younger age groups and promote functional literacy where this is a problem among primary school leavers and dropouts.

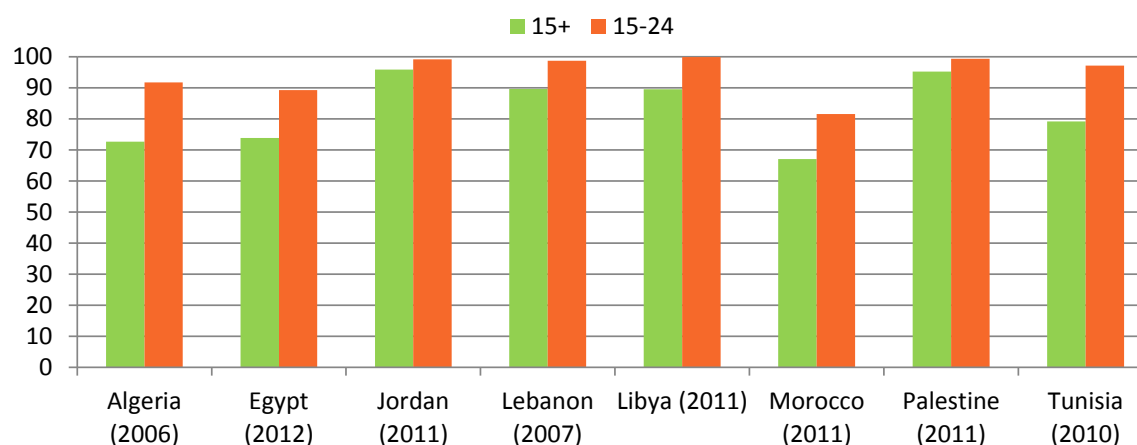
INCLUSIVE, HIGH QUALITY HUMAN CAPITAL DEVELOPMENT SYSTEMS CAN MAKE A DIFFERENCE

The relatively low enrolment rates at upper secondary level, persistent illiteracy and the small share of students attending VET programmes are probably the greatest education challenges in the region and they negatively affect employability.

Over the past 40 years the countries of region have invested in education more than other countries with similar per capita income levels (on average 5% of GDP). Only in Egypt has public expenditure on education decreased since 2003 and in Lebanon private expenditure plays a key role. The result has been a considerable improvement in access to education with primary education becoming almost universal. The greatest achievement has been bringing enrolment rates for girls closer to those for boys.

Despite these successes, there are persistent problems. Enrolment rates in pre-primary schools are low. Up to 10% of primary school pupils drop out of school. Enrolment rates for girls in primary education still lag behind especially in rural areas in Egypt and Morocco. Illiteracy remains a serious problem. For example in Morocco, 44% of the adult population, typically women, is illiterate. Between 6 and 21% of young people aged 15-24 are illiterate – a symptom of low quality elementary education (Figure 6), further corroborated by the poor performance shown in the PISA test of 2009 by Jordan and Tunisia, and in the 2011 TIMSS test by Jordan, Lebanon, Morocco, Palestine, Syria and Tunisia.

FIGURE 6: ADULT AND YOUTH LITERACY RATES (%) – UNESCO UIS DATABASE (LAST AVAILABLE YEAR)



While enrolment in lower secondary education is compulsory and almost universal, the situation in upper secondary education is less positive (Figure 7): in Algeria, Egypt and Morocco, between two-thirds and half of students drop out or leave school, immediately after they complete compulsory education.

The share of upper secondary students attending VET programmes is small. This has a strong impact on employability. In Maghreb countries, only one in 10 students goes to a VET school, the figure for Palestine is 6%. Only in Egypt are 54% of students enrolled in VET.

At the same time enrolment at university level has increased rapidly. Around one-third of young people enter university, with a significantly higher percentage in Lebanon (53%) and significantly lower rate in Morocco (13%).

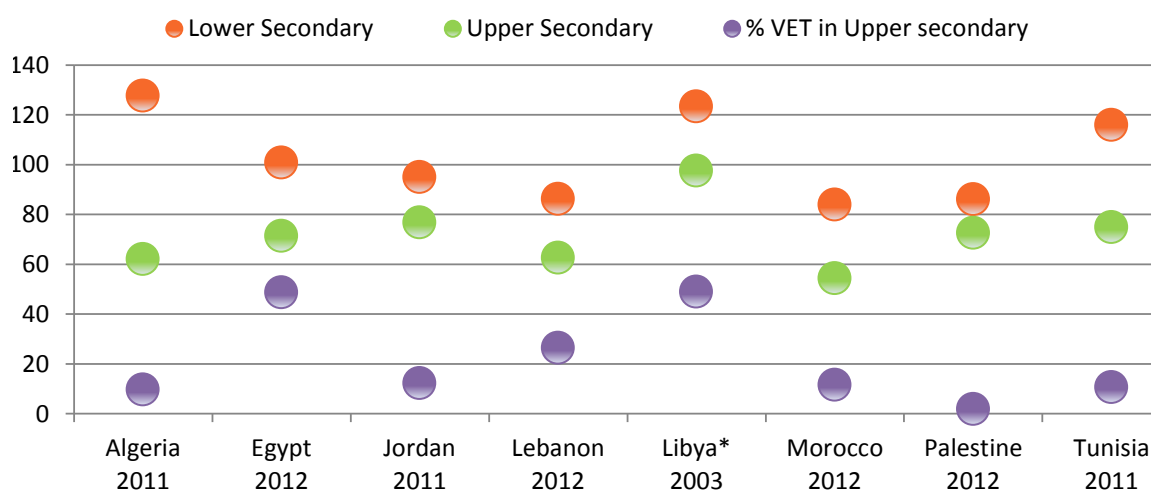
VET is not attractive and remains a second or a last resort reserved for poor-performing students or former dropouts. This explains the shortage of skilled workers for some technical occupations. Widespread fragmentation and proliferation of VET institutions or their compartmentalisation creates a real problem of recognition and transparency of qualifications that young people hold while it reduces their opportunities to move flexibly within the education system. In addition, there is significant gender segregation in VET: young women's choice is limited to the professions traditionally perceived as feminine or courses preparing better housewives. For example, in Jordan, young women are not able to attend VET courses that prepare for jobs in tourism, a sector with a high employment potential.

RECOMMENDATIONS

- Increase enrolment and quality in post-compulsory education as the key factor of youth employability and their future engagement in lifelong learning. Quality needs to be improved at all education levels. Diversify and enhance provision at upper secondary level, in particular through the development of high-quality vocational education programmes to absorb the increasing numbers of students.

- Increase the size, quality and attractiveness of VET. Upper and post-secondary VET cannot be expanded against students' and parents' wills – expansion requires improving the attractiveness of VET and the labour market prospects of its graduates. Attractiveness can be increased by modernising curricula, enthusiastic teachers, student-centred active learning, and proactive schools and training providers with strong links to the business world.

FIGURE 7: GROSS ENROLMENT RATES IN SECONDARY EDUCATION AND THE PERCENTAGE OF VET ENROLMENT – UNESCO UIS DATABASE (LAST AVAILABLE YEAR)



Note: *Libya are UIS estimations

RECOMMENDATIONS

- Establish a flexible, transparent and better-organised VET sector, with links between initial and continuing training and pathways between different vocational and general education options. The development of national qualifications frameworks (NQF) is key to this. VET training centres and employment offices as well as investment and SME development agencies should cooperate and coordinate their activities more closely.

- Balance employment policy measures between the three distinct youth groups. The first group (graduate unemployed) could benefit from gender-specific measures as young females constitute the majority. For the second group (working youth), special programmes for school reintegration combined with apprenticeships and second-chance adult training courses can enable them to upgrade their skills and help them find better quality jobs. The most effective action for the third group, NEETs, is to promote universal literacy and key life competences, including mentoring programmes and second-chance adult training courses. More instruments must be developed for women and those who are less visible in society.

- Develop and implement comprehensive national employment strategies with the active involvement of social partners. Strategies must include clear objectives and priorities, time-limited targets and benchmarks, staff and budget allocations, institutional coordination arrangements, mechanisms to integrate international cooperation resources, and monitoring mechanisms to regularly assess results and allow an on-going review of policies.

INCREASING SKILLS POLARISATION REQUIRES MORE BALANCED EMPLOYMENT POLICIES

Young people are very diverse when it comes to the skills they possess. This increased skills polarisation distinguishes three groups with different employability deficits: (i) educated unemployed (upper/post-secondary or university graduates), including especially hard-pressed female graduates; (ii) unskilled and low-skilled youth in informal employment (mostly males, but also females in agriculture) who cannot afford to be unemployed or to take a break in order to improve their skills; (iii) inactive, young people who are neither in education or training nor in employment - so called NEETs.

The first group has received considerable attention. Their problems stem from the lack of skilled jobs in the private sector, the low quality and relevance of academic education, the mismatch between individuals' skills and employers' needs, the inclination to study humanities as well as the fact that young people often have unrealistic expectations and prefer safe public jobs.

The members of the second group are under strong social pressure to meet the needs of their families. As they cannot afford to be unemployed, they search for any job and accept the bad working conditions in the informal sector only to make a living. They do not have the necessary time or financial resources to improve their skills, and simply work without any prospect of improvement.

The third group is the least visible but most vulnerable to social exclusion. They are not in education, employment or training. They are likely to be women, illiterate or uneducated people, or school dropouts. The most notable risk factors that contribute to the prevalence of NEETs are: low educational attainment; gender (being female is a risk factor itself); low employability (lack of necessary skills); institutional barriers to employment; poor socio-economic family background; health status and disability problems; immigration, ethnic or religious background.

ALMP projects and hiring in the public sector have been the main employment policy measures in the region. The few countries that have the articulated national employment strategies generally focus on ALMPs. In Algeria, Morocco and Tunisia, most of these measures are provided publicly, while programmes in Egypt, Jordan and Lebanon are often provided by international organisations, civil society bodies and line ministries. The resources allocated to ALMPs are substantial in Maghreb countries, exceeding 1% of GDP.

The World Bank's review of programmes shows that classroom-based training courses on hard skills are the most common (70% of all programmes). Only 20% of training offer some sort of practical experience. More than 80% of programmes do not have any explicit targeting mechanism that considered income, gender or education. The result was that the beneficiaries were mainly educated males, often university graduates, in urban centres. Only 5% of the programmes target rural areas and 11% reached women. Very few programmes target school dropouts or early school leavers.

There is hardly any information on budgets of ALMPs, the number and characteristics of beneficiaries, dropout rates or an evaluation of effectiveness in terms of job placement rates, impact on duration of unemployment and quality of employment (e.g., average earnings, formality).

However, a number of promising initiatives have already started as many governments quickly recognised and reacted to social demands for jobs after the Arab Spring. The beneficiaries of ALMPs and their eligibility periods were extended and subsidies increased (e.g., the Amal Programme in Tunisia, the Employability and Training Fund in Egypt or the new work contracts in Algeria). In Algeria, Egypt and Tunisia governments launched far-reaching public works programmes. Wages in public administration and minimum wages have increased in several countries. Moreover, newly emerging social partners and new dialogue mechanisms have the potential to strengthen employment policy.

Given the extremely young population and the employment challenges in the region, the policies and measures that are implemented (or not) now will determine the labour market performance of the vast majority of the populations for the next 30 years, and with it their long-term development prospects. In conclusion, a comprehensive policy package focusing on youth and female employment needs is vital for achieving any sustainable impact.

RECOMMENDATIONS

- Design and target ALMPs to groups, which are more vulnerable, and evaluate impact. Authorities must properly assess the impact of ALMPs on beneficiaries and enterprises and how they improve employment prospects.

- Enhance legal migration and mobility dialogue in the Euro-Mediterranean area and link it with national policies in the home countries. Labour migration is a common phenomenon in the region and its benefits can be increased for all parties (sending countries, receiving countries and migrants) through greater cooperation and better management of flows. Better skills and labour matching in both national and international labour markets can improve migration outcomes for individuals.



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