



UNION FOR THE MEDITERRANEAN REGIONAL EMPLOYABILITY REVIEW

THE CHALLENGE OF YOUTH EMPLOYMENT
IN THE MEDITERRANEAN

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2011**

PREFACE

In the Southern and Eastern Mediterranean countries, the first half of 2011 saw a succession of social revolts and regime changes – the so-called Arab Spring. Among the many complex precursors and implications of these popular uprisings, one important dimension is the question of employment (including issues such as joblessness and/or lack of decent jobs) and the ability of individuals and families to support themselves. The revolts have drawn attention to employment prospects in the region and highlighted the importance of EU cooperation with its neighbours in the field of employment. The reform of the European Neighbourhood Policy (ENP) undertaken by the European Commission in the first half of 2011 places greater importance on job creation and inclusive growth (European Commission, 2011a, 2011b and 2011c).

In the Western Balkans, one far-reaching political development over the last two years that also has significant implications for the labour markets of the countries concerned, has been the completion of EU accession negotiations with Croatia in June 2011 (the country is expected to join the EU in July 2013) and the official recognition of Montenegro as a candidate for EU membership in December 2010.

In this context the Framework for Actions on job creation, employability of human capital and decent employment (adopted at the first Euro-Mediterranean Conference of Ministers of Labour and Employment held in Marrakech in November 2008 and restated at the second Union for the Mediterranean (UfM) Labour and Employment Ministerial Conference held in Brussels in November 2010) becomes even more relevant, and the High-Level Working Group that met on 14 February 2012 in Brussels to prepare the next ministerial conference scheduled for the end of 2012 presented an excellent opportunity to activate it.

Alongside this process of structured Euro-Mediterranean policy dialogue on employment, the European Training Foundation (ETF) has provided regular inputs to the European Commission (Directorate-General for Employment) through two employability reports, which were presented in 2007 and 2009 to the Euromed Employment and Labour High-Level Working Group preparing the ministerial conferences (ETF, 2007 and 2009). ETF analyses have also been used as input to the UfM Social Dialogue Forum.

This is the third UfM Regional Employability Review, and it covers 14 Mediterranean partners: Albania, Algeria, Bosnia and Herzegovina, Croatia, Egypt, Israel, Jordan, Lebanon, Montenegro, Morocco, the occupied Palestinian territory, Syria, Tunisia and Turkey. These are admittedly very heterogeneous countries, but they all share a privileged relationship with the EU and, in most cases, face similar challenges. For the purposes of this study and to facilitate readability, and based mainly on geographical proximity and shared features, information will often be presented in regional subgroups:

- Enlargement countries: Albania, Bosnia and Herzegovina, Croatia, Montenegro and Turkey
- Maghreb countries: Algeria, Morocco and Tunisia
- Mashrek countries: Egypt, Jordan and Syria
- Countries marked by specific socioeconomic characteristics, and sometimes conflicts: Israel, Lebanon and the occupied Palestinian territory.

In some cases, when common features warrant it, the term ‘Arab Mediterranean countries’ (AMCs) is used; this covers the Maghreb and Mashrek countries plus Lebanon and the occupied Palestinian territory.

The two key constraints on employment in the Mediterranean partner countries (MPCs) are insufficient labour demand (in particular for qualified labour), i.e. a lack of job creation, and skills mismatches as a result of failures in the education system that have contributed to a low level of employability. This report focuses on the problems of employability, and more specifically on youth and female employment and employability. This is arguably one of the main social, economic and even political challenges that the MPCs will face over the next 10 years, particularly in view of their extremely young populations.

There is no synthesised indicator of employability. The relevant variables for such an indicator would combine performance indicators (time spent searching for a job; quality of the job found in terms of wages, working conditions and match with skills) and process indicators (skills and qualifications, professional experience, training periods/actions). However, 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. It depends on many different factors: human capital and education and training, as well as socioeconomic and personal factors, macroeconomic perspectives and labour demand (employability is a context-bound concept), and the institutional determinants of the job search and matching process¹. All these factors will be analysed throughout the report.

¹ For the conceptualization of employability, see European Commission (2011d).

As an input for the report, the ETF country managers produced fiches on each of the MPCs. In addition, visits were conducted to selected countries to gain a direct insight into the employability challenges, actions and priorities of national authorities and views from experts. The report was prepared in the framework of the ETF project 'Union for the Mediterranean Regional Employability Review' and was presented to the Euromed Employment and Labour High-Level Working Group Meeting in Brussels on 14 February 2012. Special thanks go to the ETF's many colleagues who contributed to the report – Lizzi Feiler, Mounir Baati, Eva Jimena Sicilia and Anastasia Fetsi, as well as the country managers for all 14 countries covered. Significant statistical support was given by Debora Gatelli and Doriana Monteleone.

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EXECUTIVE SUMMARY

A structured Euro-Mediterranean policy dialogue on employment was begun at the first Euro-Mediterranean Conference of Ministers of Labour and Employment held in Marrakech in 2008, and continued at the second Union for the Mediterranean (UfM) Labour and Employment Ministerial Conference held in Brussels in 2010. The European Training Foundation (ETF) has provided regular inputs to the European Commission (DG Employment) through two employability reports presented to the Euromed Employment and Labour High-Level Working Group preparing the Ministerial Conferences (ETF, 2007 and 2009). This is the third UfM Regional Employability Review, covering 14 UfM partners: Albania, Algeria, Bosnia and Herzegovina, Croatia, Egypt, Israel, Jordan, Lebanon, Montenegro, Morocco, the occupied Palestinian territory, Syria, Tunisia and Turkey.

The two key constraints on employment in the Mediterranean partner countries (MPCs) are insufficient labour demand (in particular for qualified labour), i.e. a lack of job creation; and skills mismatches as a result of failures in the education system, i.e. employability. The first problem is well documented in a number of national and international studies (Consultation nationale sur l'emploi – Tunisie, 2008; Femise, 2011; ILO, 2012), and is partly linked to the specific structural features of MPC economies. Economic growth trends in the region for 2011–12 have deteriorated, but even during the period 2002–07, when there was sustained growth, job creation performance was weak. Aside from the high levels of agricultural employment in some countries, business is largely dominated by micro, small and medium-sized enterprises, which tend to have lower levels of productivity and face greater obstacles to competing in international markets. These enterprises typically find it difficult to grow as a result of problems in finding finance and sufficient investment, employing qualified human resources and obtaining technical assistance. Although they create 60–70% of jobs, most of these jobs are low skilled and low paid, and are mainly in the informal sector.

This report focuses on the second of these problems, and more specifically on youth and female employment and employability. 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, 2011d). Hence, it depends on many different factors: human capital education and training, but also socioeconomic and personal factors, macroeconomic perspectives and labour demand, and the institutional determinants of the job search and matching processes. Education and training are basic individual rights, not only for labour market entry, but also as key tools for human

empowerment and active citizenship, which are prerequisites for more democratic societies. All these factors will be analysed throughout the report.

The youth employment challenges faced by MPCs are daunting. The so-called 'youth bulge' caused by rapid demographic transition in the Arab Mediterranean countries (AMCs) and Turkey means that almost 30% of the populations of these countries are between the ages of 15 and 30, and this ratio will be maintained for at least the next two decades. This represents a total of more than 80 million young people aged 15–30 in all MPCs in 2010, and a number approaching 100 million in 2020. Middle East and North African countries have the highest average rates of youth unemployment in the world; these are close to or above 25%, despite very high rates of female inactivity, a specific regional feature that keeps the unemployment rates down. Western Balkan countries also have extremely high youth unemployment rates: 58% in Bosnia and Herzegovina and 47% in Montenegro. Female unemployment (and inactivity) rates are very high even among the young population, despite the increasing levels of education and aspirations of women for jobs.

To complete the picture of youth unemployment and underemployment in the region, it is estimated that more than 20 million young people (mostly unskilled and/or low skilled) work in informal, poor-quality jobs on subsistence wages and without any prospects for improvement. These are mostly young males who cannot afford to be unemployed or to spend time improving or upgrading their skills. Young people not in employment, education or training (the so-called NEETs) are another group vulnerable to social exclusion, since a significant proportion are illiterate and/or idle females who have dropped out of school. Although it is difficult to obtain statistics on the number of NEETs in MPCs, surveys in some countries show that more than 40% of the youth population, i.e. more than 32 million young people, are in this situation. This 'youth employment gap' entails a waste of human capital and education investment, a de-valorisation of (scarce) national human resources and an increased risk of social instability.

Beyond this quantitative assessment of the situation, the employability of particular (educated) groups is also a challenge, at least in the AMCs. According to Business Environment and Enterprise Surveys (BEEPS), an average of 42% of the private companies questioned in AMCs indicate that the main obstacle to hiring young people is that the formal schooling system does not provide them with the skills needed for the labour market. Skills mismatches are particularly identified as a constraint to business development in Syria (60% of all firms interviewed), Lebanon (56%) and Egypt (50%). In contrast, in the enlargement countries (Albania, Bosnia and Herzegovina, Croatia, Montenegro and Turkey) the perception among enterprises of labour skills constraints

is much lower, at 22% on average (which is even lower than the world average of 25%, although the average for OECD countries is 10%). The levels in Latin America and Africa stand at around 25% of private companies, and in East Asia and the Pacific at 6%.

Given the extremely young demographic structure in the AMCs and Turkey (with 60% of the population aged under 30) and high youth unemployment in Bosnia and Herzegovina, Croatia and Montenegro, the policies and measures that are implemented (or not implemented) now will determine the labour market performance of the vast majority of the population of those countries for the next 30 years, and with it their long-term development prospects. It is recognised that other problems are experienced by the current labour force (including mature and older workers), who may need support for reskilling and improving the quality of their jobs and careers. However, the main focuses of this report are women and young people, these being key populations for achieving any sustainable impact. It is therefore important to design a policy package that primarily addresses youth employment and employability issues, as outlined throughout this report, and to do it now. Moreover, this needs to be achieved at two levels, namely the national level (integrating international cooperation support) in each of the MPCs, and the regional Euro-Mediterranean level.

A number of promising initiatives have already been implemented in different countries, and these are identified as positive examples in the boxes throughout this report. For example, many governments in the region quickly recognised and reacted to the social demands for jobs after the 'Arab Spring', increasing the scale and size of public works, active labour market programmes, training and retraining courses, employment subsidies, gender-sensitive career guidance and counselling, and mainstreaming entrepreneurship training across the education system. However, the efficiency and effectiveness of programmes need to be increased and vigorously monitored for better results. The report concludes with some elements for an agenda for national employability policies and Euro-Mediterranean cooperation in this field.

The following is a summary of some of the strategic recommendations of the report.

At national level, in the field of education and training

Introducing widespread national literacy programmes

This action is required in order to ensure a rapid eradication of illiteracy among the whole population in countries where full literacy has not been reached. In fact, so far only Albania, Bosnia and Herzegovina, Croatia, Montenegro and Israel have achieved full literacy for their 15+ populations, while there are still large proportions of illiterate adults in Morocco (44%) and Egypt (34%), and

relatively high shares in Algeria (27%) and Tunisia (22%). Special emphasis should be given to improving the literacy of those in the younger age groups, in particular in countries with high youth illiteracy (21% in Morocco, 15% in Egypt, 8% in Algeria, 6% in Syria), and to promoting functional literacy where this is a problem even among primary school leavers.

Increasing enrolment and quality in post-compulsory education (including for girls)

This is a key building block for enhancing the employability of young people and promoting their future engagement in lifelong learning activities. More than half of students in Syria, Morocco, Egypt and Algeria drop out of school before the upper secondary level. Other countries struggle to maintain enrolment rates of between 60% and 75% at this level (Albania, Turkey, Jordan, Lebanon, the occupied Palestinian territory and Tunisia). The quality of primary and secondary education must be increased in order to retain students, reduce dropout rates and better prepare students for post-compulsory levels of education. Education to at least upper secondary level is crucial if students are to be adequately prepared for the labour market. Another measure would be to enhance and diversify provision at upper secondary level, in particular through the development of high-quality vocational education and training (VET) programmes (see also below) in order to provide pathways that are valid alternatives to general education programmes.

Increasing the attractiveness and quality of VET

In view of the increasing demographic pressure on the upper secondary and tertiary education levels and the need for further expansion of upper and post-secondary schooling to address this challenge, VET systems need to expand significantly in many countries. Except in Bosnia and Herzegovina, Croatia and Montenegro, where two-thirds of students enrol in VET, and in Egypt and Turkey, where half of students enrol in VET, the proportion of upper secondary education students enrolled in VET is very low: 11–12% in the Maghreb, 6% in the occupied Palestinian territory, and 15–20% in Albania, Jordan and Syria. Upper and post-secondary VET cannot be expanded against students' will; expansion necessitates improving the attractiveness of VET and the labour market prospects of its graduates. The attractiveness of VET can be increased with modernised curricula, enthusiastic teachers, and proactive schools and training providers that have strong links with the business world.

A more diverse offer of VET programmes

This includes providing non-formal and adult training courses in accessible and affordable formats. It is another important axis that should be developed to address the needs of school dropouts, who generally work in the informal sector, and the NEET group of young people, most of whom remain inactive, and need to be activated. Apprenticeships (including informal apprenticeships), which are often outside the formal education system and

formal economy, traineeships, and other practical training modalities in enterprises and training institutions need to be recognised as valid learning opportunities, and upgraded in order to enhance the employability of young apprentices. One issue that requires specific attention is the lack of a gender-sensitive approach in the VET system: more labour market-related VET programmes must be made available to female students to increase their chances, and mixed-gender enrolment across the occupations should be actively encouraged by the system.

A flexible, transparent and better-organised VET sector, linking initial and continuing training

A more diverse offer of VET programmes, including non-formal and adult training courses, requires flexible pathways between different vocational and general education options, as well as more transparent and better-organised training options that are accessible and affordable for end users. The development of national qualifications frameworks (NQFs), which many MPCs have started to design or implement, is a key instrument in this direction. VET training centres and employment offices (often affiliated to the same ministry) should cooperate and coordinate more closely, as should investment agencies (implementing public works programmes), development agencies for small and medium-sized enterprises (SMEs), and employment offices.

Appropriate career guidance and counselling systems

These are necessary for all levels and types of education, including VET centres and public employment services (PES), in order to help young people to choose their studies and career paths in the face of rapidly changing labour markets and education provision. Particular attention needs to be given to gender-specific problems and the choices of women in order to facilitate their entry into the labour market.

In the specific field of employment policies

Comprehensive national employment strategies

National employment strategies need to be developed and implemented in all countries. They should include clear objectives and priorities, time-limited targets and benchmarks, staff budget allocations, institutional coordination arrangements, mechanisms to integrate international cooperation resources, and monitoring mechanisms and regular assessment of results to allow for an on-going process of review. Social partners should be actively involved in the process of formulating, monitoring and reviewing these strategies.

Labour market monitoring systems

These should identify the current and future skill needs of the labour market and translate them into appropriate measures to create appropriate education and training

provision. This includes greater transparency and dissemination of existing data collection instruments (e.g. Labour Force Surveys (LFS), PES registers, and active labour market measures) and analyses of relevant labour market trends.

Inter-institutional coordination mechanisms

Employing coordination mechanisms at all levels (national, regional and local) should guarantee adequate implementation and coordination of employment policy with general economic policies (in particular macroeconomic policy, trade policy, fiscal policy and industrial policy), education and VET policy, and social inclusion and social protection policies. Policymakers in the countries concerned need to reinforce anticipatory, inclusive and effective multi-level governance models, including education and business cooperation and enhanced social dialogue.

Stronger and more efficient PES

PES need to be improved in terms of their budget allocations, staffing levels and infrastructures, as well as their capacity to design and implement labour market policies at national and local levels in the region, including:

- capacity development, including regular staff training and increased financial resources, particularly for active labour market measures, and in rural areas;
- the establishment of nationwide electronic labour market information systems for PES in AMCs;
- gender-sensitive measures (specific career guidance, counselling, job search and intermediation, gender quotas) to improve the participation and advancement of women in the labour market, as well as increased awareness of gender issues.

Cost-effective active labour market policies (ALMPs) based on evaluation and impact assessment studies on employability

Many ALMPs have been implemented in MPCs, but their real impact on their beneficiaries is not properly assessed. There are already indications of problems regarding their proliferation, targeting and effectiveness in improving the employment prospects of beneficiaries. ALMPs should include mechanisms to monitor their implementation and evaluate their impact, and to ensure that measures are better targeted towards more vulnerable groups.

Entrepreneurship and self-employment support programmes

These are a key component of employment policy in MPCs, and should be extended and enhanced. As the economies of the MPCs consist mainly of SMEs and micro-enterprises, a business environment conducive to the creation and growth of SMEs is vital for promoting job creation. The share of ALMPs geared towards entrepreneurship should be increased, and entrepreneurship and SME support programmes must form the backbone of the youth employment strategy, targeting in particular highly skilled young people in order

to increase the likelihood of achieving success and wider spill-over effects. It is recommended that entrepreneurial and innovative thinking be instilled through education and training, and that high achievers in particular should be encouraged to become entrepreneurs as a matter of choice rather than necessity.

Local employment development initiatives

Such initiatives should use a bottom-up approach and mobilise local social and economic stakeholders, encouraging commitment to local partnerships for employment that identify with the localities in which they operate. In order to promote regional development, reduce territorial disparities and offer tailor-made solutions that take into account local needs and realities, employment and training policies and ALMPs should include a local and/or regional 'touch'.

At the Euro-Mediterranean regional level

The link between labour market performance and migration flows, and between the employment situation and prospects and social stability (as illustrated by the Arab Spring), demonstrates that employment policies in MPCs are an issue of common interest for all Euro-Mediterranean partners. In this respect, even in the absence of a regional labour market, employability should be understood and analysed at a regional level (for the whole Mediterranean), rather than only at national level. New social, political and economic developments in the region have increased the urgency of undertaking concrete cooperation activities in this field. The following actions are suggested.

Implementation of the Framework for Actions

These were agreed at the Euro-Mediterranean Labour and Employment Ministers' Conferences. As an example, if all the parties of the UfM commit to their implementation, the Annual Reports of National Progress could become standard tools of Euro-Mediterranean employment policy dialogue and cooperation, reflecting 'the responsibility of each partner to specify and implement' its objectives. The nine priorities within the Framework for Actions highlighted in the Conclusions of the Second Euro-Mediterranean Conference of Labour and Employment Ministers could be translated into specific objectives and indicators to allow for the assessment of progress and for comparability. The MedStat Programme, a statistical cooperation programme funded by the European Neighbourhood and Partnership Instrument (ENPI) Regional Programme – South, could help to facilitate the production of reliable, comparable data on employment and employability throughout the region in support of regional employment policy dialogue and implementation of the Framework for Actions.

Increasing the priority given to employment in the European Neighbourhood Policy (ENP)

There is a need for such an increase in priority in terms of both budget and actions. The creation of decent jobs and employment policies needs to be at the heart of the ENP Action Plans, and mainstreamed with other policy fields, including a systematic assessment of their employment impact on the countries concerned. The modernisation of labour markets, employment policies and social partners is as important as industrial modernisation and support for the upgrading of the business sector to face competition. National Indicative Programmes could include comprehensive employment sectoral support programmes and large projects involving actual service delivery to large numbers of young people.

Benefiting from the vision of the Europe 2020 strategy

The external dimension of the EU's Europe 2020 strategy is important for the EU neighbourhood, and the objectives and priorities of the strategy are widely shared by most MPCs. The enlargement countries covered by the EU Instrument for Pre-accession Assistance (IPA) are already in the process of gradually adopting the strategy as part of the body of EU law. However, a voluntary dialogue mechanism could be developed for interested MPCs who commit to more ambitious employment policies. There is wide scope for synergy between EU economic and financial assistance in the Mediterranean and the Europe 2020 strategy, in particular within the framework of the Agenda for New Skills and Jobs and the Youth on the Move flagship initiatives.

Enhancing legal migration and mobility dialogue in the Euro-Mediterranean area, and links with 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. The role of skills and improved matching in both national and international labour markets is crucial for better migration outcomes for individuals. As a result of recent political developments in the region, in October 2011 the EU started to negotiate with Morocco and Tunisia on new mobility partnership agreements, and has announced that similar negotiations will take place with Egypt and Libya in the near future. These mobility partnership frameworks need to have an employment and skills dimension that is closely linked to the national employment and skills policies of the countries.

1. POLITICAL AND SOCIOECONOMIC BACKGROUND

1.1 POLITICAL TURBULENCE HIGHLIGHTS THE IMPORTANCE OF EMPLOYMENT POLICY

In the Mediterranean context 2011 will be remembered for the Arab Spring. A wave of revolts led by young people swept through Tunisia and Egypt, and then with less intensity through Algeria, Morocco and Jordan, and there were increasingly violent conflicts in Syria. This led to regime change and transition to democratic processes in Tunisia and Egypt (the elections to the Constitutional Assembly in Tunisia were held on 23 October 2011; in Egypt the Parliamentary Elections took place on 28 November 2011), pre-emptive reforms in Algeria, Morocco and Jordan (Algeria is preparing a constitutional reform; Morocco adopted a new Constitution through a referendum on 1 July 2011 and held legislative elections on the 25 November, leading to a new government; Jordan had a change of government in February 2011, and then again in October 2011) and extensive repression and violence in Syria. In June 2011 Lebanon managed to form a government headed by Prime Minister Najib Mikati after almost five months of political deadlock, but the on-going instability and violence in Syria has also continued to affect Lebanon.

In the enlargement countries, Turkey held an important referendum in September 2010 ratifying the constitutional reform approved by the Grand National Assembly, which was focused on institutional arrangements; in June 2011, the general elections in Turkey reinstated the incumbent government of the Justice and Development Party (AKP), which has been in power since 2002. Bosnia and Herzegovina has suffered from a protracted constitutional blockade and has been unable to build a state-level government since presidential and parliamentary elections in October 2010; this is due to the lack of agreement between the leaders of its ethnic communities. Albania once again experienced episodes of political violence in the campaign for the local elections in May 2011, and some analysts question the freedom and fairness of elections in the country.

Beyond that, one far-reaching political development in the Western Balkans over the last two years, and one that also has significant implications for the labour markets in the countries concerned, has been the completion of EU accession negotiations with Croatia in June 2011 (the country should join the EU in July 2013 if the Accession Treaty ratification process progresses as expected) and the official recognition of Montenegro as a candidate for EU membership in December 2010 (the opening of

accession negotiations was recommended by the Commission on 12 October 2011). Since 2010, Western Balkans citizens have been entitled to enter the EU without a visa.

The Arab Spring uprisings were rooted in social malaise, a lack of employment and economic prospects, and resentment regarding corruption and a lack of democracy (in relation to voice and accountability in particular) in the countries concerned. Hence, as social demands explode, employment policy, and social policy more generally, is poised to become a key variable in the social stability equation during the transition process. Given the increased voice and voting power of the large numbers of people who are vulnerable or disadvantaged, the rules of the new political game will change tremendously: more social pressure will be exerted on governments by these new social groups, in addition to the existing pressures (for example, regarding graduate unemployment) from a few privileged groups in society. At the same time the revolts have underlined the importance of governance at all levels for the populations of these countries.

Governance is defined by the World Bank as 'the exercise of political authority and the use of institutional resources to manage society's problems and affairs', and politics provides a means by which the governance process operates. The Worldwide Governance Indicators (WGIs) of 2010, as developed by the World Bank on the basis of assessments on six different indicators (voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption) are used here as the main governance index for the region (**TABLE 1.1**). These six WGIs are expressed in percentile ranks among all countries, and range from 0 (lowest) to 100 (highest). The higher the percentage, the more positive the assessment.

As can be seen in **TABLE 1.1**, taking all six indicators together, Israel is the top-performing country overall, followed by Croatia. However, these are both at the lower end of the rankings for EU Member States. Montenegro is quite close to this group of better performers, while Turkey has significant shortcomings, remaining below Croatia, Israel and Montenegro, particularly on the indicators of political stability and voice and accountability.

Syria and Algeria are the two MPCs with the lowest overall rank, followed by Lebanon and the occupied Palestinian territory. Syria, Tunisia and Egypt are the three MPCs with the lowest voice and accountability percentile ranking (respectively, 4.7, 10.4 and 13.3 percentile rank), followed by Algeria with 18.5. There has been a continuous deterioration of the rankings of Syria, Tunisia and Egypt since 2000. The occupied Palestinian territory,

TABLE 1.1 WORLDWIDE GOVERNANCE INDICATORS, 2010

Country	Voice and accountability	Political stability	Government effectiveness	Regulatory quality	Rule of law	Control of corruption
Percentile rank (0–100)						
Albania	53.1	38.7	45.5	56.9	40.8	41.1
Bosnia and Herzegovina	45.5	25.0	27.3	50.7	44.1	47.8
Croatia	60.7	67.0	70.3	70.3	60.7	59.3
Montenegro	55.5	64.6	57.9	51.7	55.0	47.4
Turkey	43.1	16.0	66.0	61.2	58.3	57.9
Egypt	13.3	17.9	40.2	46.9	51.7	34.4
Jordan	26.5	34.4	57.4	57.4	61.1	58.9
Syria	4.7	21.7	34.9	18.7	35.1	14.8
Israel	67.8	9.4	86.6	84.7	76.3	72.2
Lebanon	35.5	8.5	43.1	53.6	30.3	21.5
Occupied Palestinian territory	25.6	4.2	40.7	57.9	49.3	48.3
Algeria	18.5	11.8	34.0	10.5	27	37.8
Morocco	28.4	27.8	48.8	49.8	50.2	53.1
Tunisia	10.4	50.5	63.2	53.1	59.2	55.0
Best EU country	99.1 (Sweden)	94.3 (Finland)	99.5 (Finland)	96.7 (Sweden)	99.5 (Sweden)	100.0 (Denmark)
Worst EU country	61.1 (Romania)	39.2 (Spain)	50.2 (Romania)	71.8 (Bulgaria)	53.1 (Bulgaria)	52.2 (Bulgaria)

*Note: The higher the percentage, the more positive the governance assessment. See definition of governance indicators in technical notes in Annex.
Source: World Bank.*

in contrast, has experienced the largest improvement in this indicator since 2000 – 5 percentile rank positions – though it remains very low at 25.6. This indicator has been deteriorating for Turkey, Bosnia and Herzegovina and Croatia since 2005.

In terms of control of corruption, Syria (14.8) and Lebanon (21.5) have very low rankings for this indicator, as do Egypt (34.2) and Algeria (37.8). This assessment is confirmed by the Transparency International survey on

perceptions of corruption (**TABLE 1.2**). In this context, the higher the score, the more negative the ranking: Lebanon (134), Syria (129), Algeria and Egypt (112), Morocco (80) and Tunisia (73) have the worst scores. Both sets of rankings confirm that among the enlargement countries, corruption is also a major problem in Albania and Bosnia and Herzegovina. In contrast, Croatia and Montenegro have achieved remarkable progress in terms of governance indicators and, together with Israel, are closest to the EU averages.

TABLE 1.2 CORRUPTION PERCEPTION INDEX, ECONOMIC AND POLITICAL FREEDOM STATUS

Country	Corruption Perception Index rank 2011	Economic Freedom Index rank 2012	Political Freedom Status 2011
Albania	95	57	Partly free
Bosnia and Herzegovina	91	104	Partly free
Croatia	66	83	Free
Montenegro	66	72	Free (2010)
Turkey	61	73	Partly free
Egypt	112	100	Not free
Jordan	56	32	Not free
Syria	129	139	Not free
Israel	36	48	Free
Lebanon	134	90	Partly free
Occupied Palestinian territory	NA	NA	Not free
Algeria	112	140	Not free
Morocco	80	87	Partly free
Tunisia	73	95	Not free
Best EU country	2 (Denmark)	9 (Ireland)	NA
Worst EU country	86 (Bulgaria)	119 (Greece)	NA

Note: The lower the score, the more positive the ranking in relation to corruption and economic freedom. See technical notes in Annex. NA: not available.

Sources: Transparency International, the Heritage Foundation, and Freedom House.

Another relevant classification relates to the general state of freedom in countries. This is assessed by Freedom House on the basis of combined ratings on political rights and civil liberties. It reveals that AMCs are far from being considered even as partly free countries, with the exception of Lebanon and Morocco, which are granted that status (**TABLE 1.2**). Of the MPCs, only Israel, Croatia and Montenegro are classified as free countries on the basis of the Freedom House evaluation. Albania, Bosnia and Herzegovina and Turkey are also listed among countries with a partly free status.

For comparative purposes the Bertelsmann Transformation Index values for these countries are given below (**TABLE 1.3**). This index classifies countries according to (i) their progress towards democracy and a market economy; and (ii) their overall institutional management. It shows that enlargement countries have a relatively high (favourable) potential for transformation, with Croatia having the best score (15). The AMCs fare poorly; of these, Lebanon has the most favourable score (45), while Syria has the worst (108).

TABLE 1.3 BERTELSMANN TRANSFORMATION INDEX OF DEMOCRACY AND MARKET ECONOMY, 2010

Country	Status Index ranking	Management Index ranking
Albania	30	38
Bosnia and Herzegovina	39	79
Croatia	15	16
Montenegro	25	28
Turkey	20	23
Egypt	87	87
Jordan	77	81
Syria	108	117
Israel	NA	NA
Lebanon	45	81
Occupied Palestinian territory	NA	NA
Algeria	85	102
Morocco	98	98
Tunisia	82	87
Best EU country	1 (Czech Republic)	8 (Slovakia)
Worst EU country	16 (Romania)	25 (Romania)

*Note: The lower the score, the more positive the ranking in relation to a country's transformation. See technical notes in Annex. NA: not available.
Source: Bertelsmann Stiftung's Transformation Index (BTI) 2010.*

It is important to highlight that the governance indicators that are available refer to the pre-uprising period and do not fully account for the recent changes in relation to freedom, the deterioration in security and the increasing demands for accountability that are apparent in some rapidly changing countries such as Tunisia and Egypt. Moreover, some of the indicators feature certain problems in the way they measure or define concepts such as corruption and political stability (see, for instance, the assessment of corruption and political stability in Tunisia). These two indicators are mostly measured on the basis of the perceptions expressed by various national and international actors and institutions, which may be subjective assessments under restrictive regimes. Nevertheless, overall the indicators reflect the main trends in these countries, and it is useful to take them into account when considering possible explanations for the recent political uprisings and continuing instability, and as a benchmark for the future (to the extent that the behaviour of public institutions in these areas, for instance, corruption, tends to show a high level of 'path dependency').

In any case, the political developments in AMC's are already having a clear impact on the social and political context for employment policy in the region. First, they have placed employment policies at the core of public policies and led to emergency measures being implemented in this field by most governments (see **BOX 4.1** in Chapter 4).

In addition, the political developments are bringing about a proliferation and diversification of actors in the field of employment and employability, with the emergence of new civil society actors (including unemployed defence committees in some countries, such as Tunisia, Morocco and Algeria) and of local and regional authorities as key drivers of economic development. This opens up a new spectrum of opportunities for policy interventions and international cooperation.

Social demands and expectations have increased dramatically as a result of long-contained pressures and of the fact that people feel empowered by the uprisings and regime changes. This has led to wage increases and short-term policy measures (see **BOX 4.1**), but still these tend to favour those sectors of society with the greatest

bargaining power, namely organised workers and public sector employees on the one hand, and unemployed graduates (particularly male) on the other, with the highest power to mobilise people and society.

This situation risks intensifying the insider/outsider dynamics and segmentation that characterise the labour markets of many of these countries, increasing the inequalities that were at the root of the social and political instability, and worsening the prospects and employability of the vast majority of young unemployed people who do not have upper secondary or university education. Given the immense negative impact that those factors can have on the smooth transition to democracy, it is very important to design policies that reconcile corporatist interests of organised groups with the high political leverage and collective public interest of the vast majority of the working-age population.

1.2 WORKING-AGE POPULATION WILL INCREASE BY 30% BY 2030

There is a clear downward trend in fertility rates, which is more marked in the Maghreb countries, with some delay in the Mashrek countries. Nevertheless, the population growth rates are set to remain at close to 1% in Maghreb countries and Turkey over the next two decades, and over 2% in Mashrek countries, while population growth is stagnating or even negative in the Western Balkan countries (see **TABLE 1.4**). Almost 30% of the population of the AMCs and Turkey is under the age of 15, compared with 16% in the Western Balkans and the EU. Between 27% and 31% of the population is aged 15–30 in all MPCs, except in Bosnia and Herzegovina, Croatia, Montenegro and Israel, where the figure is 19–23%.

TABLE 1.4 KEY DEMOGRAPHIC INDICATORS, 2009–10 & 2020

Country	Population 2010 (million) ¹	Population 2020 (million) ¹	Population growth 2010 (%) ²	Fertility rate 2009 (%) ³	Infant mortality 2009 (‰) ³	Life expectancy 2009 (years) ³	Urban population 2009 (%) ³
Albania	3.2	3.3	0.4	1.9	13.5	76.8	47.4
Bosnia and Herzegovina	3.8	3.7	-0.2	1.2	12.5	75.3	48.0
Croatia	4.4	4.3	-0.2	1.5	4.5	76.1	57.5
Montenegro	0.6	0.6	0.2	1.6	7.8	74.3	59.8
Turkey	72.8	83.9	1.3	2.1	18.5	72.1	69.1
Egypt	81.1	98.6	1.8	2.8	18.2	70.3	42.8
Jordan	6.2	7.5	2.7	3.4	21.5	72.9	78.5
Syria	20.4	26.5	1.8	3.1	14.2	74.4	54.6
Israel	7.4	8.3	2.2	3.0	3.4	81.6	91.7
Lebanon	4.2	4.6	0.7	1.8	11.1	72.2	87.1
Occupied Palestinian territory	4.0	5.8	2.8	4.9	24.5	73.7	72.0
Algeria	35.5	40.6	1.5	2.3	29.0	72.6	65.9
Morocco	32.0	36.2	1.0	2.3	33.2	71.6	56.4
Tunisia	10.5	11.4	1.1	2.1	17.9	74.5	66.9
MPCs	286.1	335.3	1.4	2.5	20.3	72.3	59.1
EU-27 ⁴	500.4	513.8	0.3	1.6	4.3	78.8 (08)	

Sources: (1) United Nations, Department of Economic and Social Affairs, Population Division, *World population prospects: the 2010 revision and 2020 projection*; (2) ETF calculations based on UNDP data (annual growth); (3) World Bank – WDI database; (4) Eurostat (except data on population).

As a consequence of this extremely young demographic structure, the total number of young people entering the workforce is set to increase over the next two decades in all AMCs and Turkey. Tunisia and Turkey will be the first countries in which this number will start to decrease, but not before 2030. For the rest of the countries in the region, the peak of the working-age population will be reached later, in some cases as late as 2040.

Despite the on-going process of rapid urbanisation in all these societies, more than half the population in Albania, Bosnia and Herzegovina and Egypt and close to half the population in Morocco and Syria still live in rural areas (**TABLE 1.4**). This could have a negative impact on the general health and educational standards of the population, as demonstrated by the high infant mortality rates in most of the MPCs. Although large rural populations partially hide the real levels of unemployment and artificially increase employment rates, the continuous exit of workers from agriculture as a result of rapid urbanisation creates additional pressure on the creation of non-agricultural employment for mainly unskilled groups. The challenge of creating new jobs for young entrants to the labour market is essentially, and increasingly, an urban challenge.

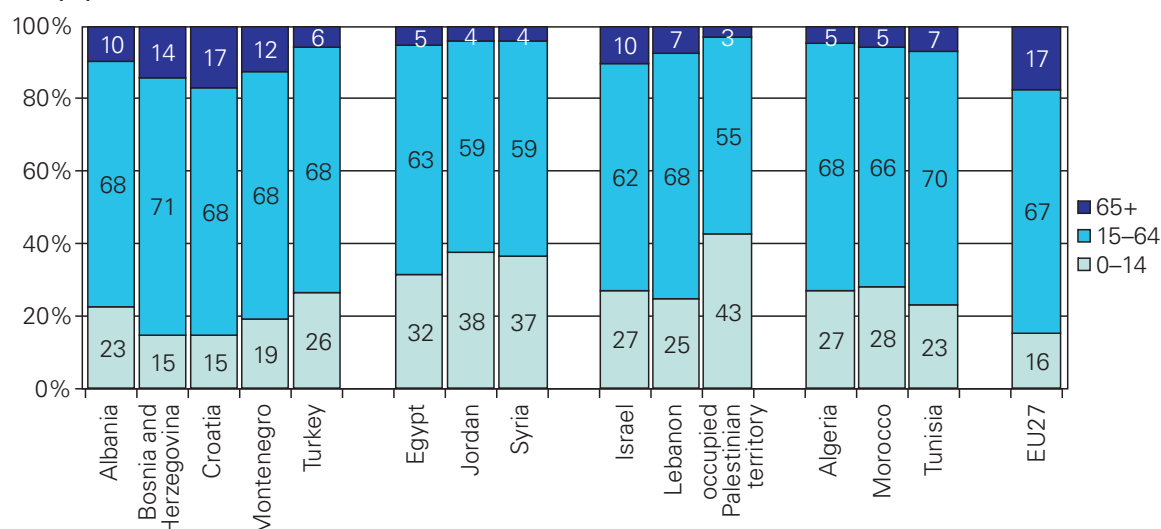
The fact that these countries have extremely young population profiles has an impact on the age-dependency ratio (the non-working-age population as a percentage of the working-age population): this is over 50% in Mashrek countries, where the reduction in fertility rates has not yet taken effect (particularly in Egypt, Syria, Jordan and the occupied Palestinian territory). This imposes a heavy burden on the countries concerned in terms of education expenditure. In contrast, dependency ratios have already begun to decrease in Turkey, the Maghreb countries and Lebanon. This might liberate some resources from primary and lower secondary education in the short term, either to improve quality standards or to extend enrolment

rates, though it will also increase the pressure on upper secondary education, particularly VET, and lead to increased expenditure on higher education in the medium to long term.

This gradual decrease in dependency ratios will be partly offset by the gradual ageing of the populations in AMCs and Turkey over the coming decades (reaching a level of 7–12% of the population aged over 64 years by 2030). The proportion of the population aged over 64 years is currently close to 5% for most of these countries (in contrast to an average of 17% for the EU-27 and slightly lower rates for the Western Balkans and Israel (**FIGURE 1.1**), and will increase sustainably over the coming years, intensifying the pressure on social security systems.

By far the most outstanding demographic feature over the next few decades will be the continuing increase in the working-age population in AMCs and Turkey as they complete their rapid demographic transition. In contrast, in the Western Balkans the size of the working-age population will stagnate or even decrease over the next few years, since these countries have reached demographic maturity. Thus, the total working-age population in MPCs will increase by close to 30 million by 2020 (to 216 million) and by 24 million more by 2030 (reaching 240 million), representing a 28.5% increase on the figure for 2010 (**TABLE 1.5**). Assuming that the current (very low) activity rates are maintained, the net number of yearly new entrants into the labour market by 2020 will amount to almost 900 000 in Turkey, 715 000 in Egypt, 225 000 in Algeria, 221 000 in Syria, and 180 000 in Morocco, with proportionate numbers in smaller countries. These totals could increase if young women become active and are successful in joining the labour market (European Commission, 2010a, p. 34). These are the key statistics that will shape the challenge of employment in the region for the foreseeable future.

FIGURE 1.1 AGE STRUCTURE OF THE POPULATION IN THE MEDITERRANEAN PARTNER COUNTRIES, 2010 (%)



Sources: United Nations, Department of Economic and Social Affairs, Population Division, Population estimates (medium variant method); EU-27: Eurostat.

TABLE 1.5 WORKING-AGE (15–64) POPULATION (THOUSANDS)

Country	2000	2010	2020	2030
Albania	1 925	2 168	2 307	2 201
Bosnia and Herzegovina	2 556	2 667	2 547	2 258
Croatia	3 037	2 986	2 807	2 592
Montenegro	430	431	426	413
Turkey	40 798	49 224	55 719	59 784
Egypt	40 288	51 460	61 282	70 776
Jordan	2 746	3 624	4 773	5 739
Syria	8 997	12 073	15 663	18 633
Israel	3 722	4 625	5 208	5 993
Lebanon	2 348	2 871	3 186	3 278
Occupied Palestinian territory	1 610	2 212	3 092	4 080
Algeria	18 822	24 246	27 684	30 724
Morocco	17 778	21 247	23 789	25 533
Tunisia	6 016	7 294	7 950	8 418
All countries – UfM	151 073	187 128	216 433	240 422

Source: United Nations, Department of Economic and Social Affairs, Population Division, *World population prospects: the 2010 revision*.

In this context, labour migration, which has a long tradition in MPCs, and in particular in AMCs, has intensified over the past decade. There are more than 23 million MPC citizens resident in third countries (**TABLE 1.6**). This amounts to more than 12% of the working-age populations of these countries, with generally higher average levels of labour participation, employment and qualifications than those prevailing in the national labour markets. With regard to migration trends in the future, there is evidence of increasing migration rates in AMCs (European Commission, 2010a).

In four of the MPCs, migrant remittances amount to more than 10% of GDP (Lebanon (22.4%), Jordan (15.4%), Bosnia and Herzegovina (12.7%) and Albania (10.9%)). This could have a substantial impact on the labour market behaviour of young people, namely through an increase in reservation wages, not only in AMCs (European Commission, 2010a, pp. 73–77) but also in Albania and Bosnia and Herzegovina. On the other hand, not only is the higher rate of migration among university graduates (**TABLE 1.6**) causing a problem in terms of loss of human capital (particularly in Lebanon, Albania and Bosnia and Herzegovina), but there is also evidence that skilled migration is causing shortages of qualified labour in certain sectors (for instance in Morocco and Tunisia (European

Commission, 2010a), and in Bosnia and Herzegovina (World Bank, 2009a) and higher reservation wages (and hence labour costs) in certain skilled professions.

Immigration is also a significant factor in Syria, Jordan and Lebanon, mainly as a result of the long-standing refugee population from the occupied Palestinian territory, and the subsequent arrival of refugees from Iraq, particularly in Jordan. Labour immigration is an increasing trend in Turkey, Israel, Montenegro and Croatia, though to a lesser extent. Immigration to Croatia is generally viewed as necessary and beneficial to economic development, and is expected to rise following Croatia's accession to the EU accession.

Other countries, such as Egypt, Algeria, Tunisia and Morocco, are receiving increasing numbers of refugees and immigrants from sub-Saharan Africa, turning them into countries of transit and immigration. In 2011 forced return migration, in particular from Libya, has increased tensions in the labour markets of some of the countries of the region. According to press and government sources, almost 60 000 expatriate migrant workers returned to Tunisia and more than 100 000 to Egypt, in addition to the refugees that these countries have had to host during the Libyan crisis.

TABLE 1.6 EMIGRATION STOCKS AND MAIN DESTINATION COUNTRIES, 2010

Country	Emigrant stocks	Main destination countries
Albania	1 438 300; 45.4% of population Emigration of tertiary-educated population: 9.0%	Greece, Italy, former Yugoslav Republic of Macedonia, USA, Germany, Canada, Turkey, UK, France, Australia
Bosnia and Herzegovina	1 461 000; 38.9% of population Emigration of tertiary-educated population: 23.9%	Croatia, Germany, Austria, USA, Slovenia, Sweden, Switzerland, Australia, Italy, Canada
Croatia	753 900; 17.1% of population Emigration of tertiary-educated population: 24.1%	Germany, Austria, Australia, USA, Canada, France, Italy, Switzerland, Slovenia, Bosnia and Herzegovina
Montenegro	130 000–140 000; 20–22% of population	EU countries, North and Latin America
Turkey	4 261 600; 5.6% of population Emigration of tertiary-educated population: 5.8%	Germany, France, the Netherlands, Austria, USA, Bulgaria, Belgium, Saudi Arabia, UK, Switzerland
Egypt	3 739 100; 4.4% of population Emigration of tertiary-educated population: 4.6%	Saudi Arabia, Jordan, Libya, Kuwait, United Arab Emirates, USA, occupied Palestinian territory, Italy, Qatar, Yemen
Jordan	733 600; 11.3% of population Emigration of tertiary-educated population: 7.2%	Occupied Palestinian territory, Saudi Arabia, USA, Germany, Oman, Canada, Egypt, Australia, UK, Italy
Syria	944 600; 4.2% of population Emigration of tertiary-educated population: 6.1%	Jordan, Kuwait, Saudi Arabia, USA, Germany, occupied Palestinian territory, Libya, Canada, Sweden, France
Israel	1 019 900; 14.0% of population Emigration of tertiary-educated population: 7.9%	Occupied Palestinian territory, USA, Canada, Germany, UK, Jordan, Australia, France, the Netherlands, Belgium
Lebanon	664 100; 15.6% of population Emigration of tertiary-educated population: 38.6%	USA, Australia, Canada, Germany, Saudi Arabia, France, Sweden, Brazil, occupied Palestinian territory, UK
Occupied Palestinian territory	3 013 700; 68.3% of population Emigration of tertiary-educated population: 7.2%	Syria, Jordan, Saudi Arabia, Egypt, Libya, Yemen, Canada, Iraq, UK, Australia
Algeria	1 211 100; 3.4% of population Emigration of tertiary-educated population: 9.4%	France, Spain, Israel, Canada, Italy, Belgium, Germany, UK, Tunisia, USA
Morocco	3 016 600; 9.3% of population Emigration of tertiary-educated population: 17.0%	France, Spain, Italy, Israel, Belgium, the Netherlands, Germany, USA, Canada, Saudi Arabia
Tunisia	651 600; 6.3% of population Emigration of tertiary-educated population: 12.5%	France, Italy, Libya, Germany, Israel, Saudi Arabia, Belgium, Canada, USA, Switzerland

Sources: World Bank, 2011a; Montenegro: Petkova et al., 2010.

1.3 DETERIORATION OF ECONOMIC PROSPECTS IN 2011

Social unrest and political turbulence throughout the AMCs and the persistence of the global economic crisis have taken a toll on growth and growth prospects in this region. Growth prospects for 2011 and 2012 have deteriorated by several percentage points for Tunisia, Egypt, Syria and to a lesser extent Lebanon. Egypt's Central Agency for Public Mobilization and Statistics (CAPMAS) reports that since the fourth quarter of 2010, Egypt's economy has shrunk by 7% and exports have fallen by around 40%, while at the same time the value of imports has increased as a result of higher commodity prices. Tourism revenues have fallen, as have remittances from expatriates. Inflation has been increasing towards 12%, and food and beverage prices, which represent 44% of the basket for measuring inflation, have risen by 21%. Other MPCs have maintained their economic prospects, but are still suffering from the effects of the

protracted crisis that has been on-going in the EU since 2008 (**TABLE 1.7**).

The most obvious effects in the AMCs have been a reduction in productive activity and exports, and a dramatic fall in tourism revenues (particularly in Tunisia and Egypt, with reductions of 36% and 40% respectively). In most countries there has been a reduction in foreign direct investment, with a fall of 40% or more in the number of projects announced in Tunisia, Egypt, Jordan and Lebanon, and an even greater decrease in Syria. However, Morocco, Algeria, Israel and Turkey have experienced increases in the number of announcements or in the amount of investment (ANIMA, 2011). The outlook is subject to large downside risks and uncertainties (IMF, 2011a, p. 96), although a recovery of foreign direct investment had already begun to be felt by the second half of 2011 (ANIMA, 2011).

The impact of the crisis in Europe has had the greatest impact on those MPCs in which manufacturing industry is a key economic sector and where manufacturing exports are highly concentrated in EU markets, such as Israel,

TABLE 1.7 GDP PER CAPITA AND GDP GROWTH PROSPECTS, 2010–12

Country	GDP per capita (USD current prices)	GDP (%) constant prices (annual percentage change)		
	2010	2010	2011	2012
Albania	3 719	3.5	2.5	3.5
Bosnia and Herzegovina	4 492	0.7	2.2	3.0
Croatia	13 736	-1.2	0.8	1.8
Montenegro	6 401	1.1	2.0	3.5
Turkey	9 712	8.9	6.6	2.2
Egypt	2 591	5.1	1.2	1.8
Jordan	4 525	2.3	2.5	2.9
Syria	2 734	3.2	-2.2	1.5
Israel	28 683	4.8	4.8	3.6
Lebanon	9 203	7.5	1.5	3.5
Occupied Palestinian territory	NA	NA	NA	NA
Algeria	4 501	2.4	3.3	3.6
Morocco	2 771	3.7	4.6	4.6
Tunisia	4 204	3.1	0.0	3.9

NA: not available.

Sources: IMF, 2011a and 2011b; GDP per capita: World Bank – WDI database.

Croatia, Turkey, Morocco, Tunisia and Egypt, and to a lesser extent on more diversified exporters such as Jordan. Countries with large tourism sectors, such as Tunisia, Egypt and Morocco, will also suffer from the crisis, compounded by the diversion of tourists to other destinations as security conditions and perceptions deteriorated in the aftermath of the Arab Spring. In Algeria, and to a lesser extent in Egypt and Syria, where extractive industries make a large contribution to GDP, the economic prospects will critically depend on the fluctuations of international prices of hydrocarbons, which are currently rather favourable (IMF, 2011b). Morocco is the only country among the MPCs that is managing to weather the impact of the global economic crisis (and in particular the crisis in the EU) and of the regional political turbulences, and to maintain pre-crisis growth rates.

Beyond the short-term prospects, there are specific key structural issues affecting the level of job creation in MPC economies (and especially in AMCs). First, the business environment is dominated to a large extent by SMEs. According to estimates by Sabaudia Consulting based on various national statistics², 98% of the 4.8 million formal enterprises in Algeria, Egypt, Jordan, Lebanon, Morocco, Syria and Tunisia are SMEs with fewer than 50 employees. In Albania, micro-enterprises (less than five employees) account for 98% of all active enterprises outside the agricultural sector, and in Bosnia and Herzegovina 93.6% of them employ fewer than 10 employees. This has far-reaching implications for the pattern of economic development (SMEs tend to have lower levels of productivity and face greater obstacles to competing in international markets), the conditions for job creation and even factors that have a direct impact on employability, such as the capacity to absorb VET students as trainees.

The preponderance of SMEs and micro-enterprises means that such businesses can make a significant contribution to sustainable growth and employment. In fact, they are responsible for 60–70% of the jobs created, both formal and informal, and they are also a channel for small investments, with a contribution of 30–50% in added value for economic growth in their respective economies. At the same time, SMEs and micro-enterprises are the firms that find it difficult to develop because of the problems they face in finding finance and sufficient investment, in employing qualified human resources and in obtaining administrative and technical assistance; they also have higher rates of mortality. According to the European Economic and Social Committee (EESC, 2011), 97% of enterprises in Egypt are SMEs and they are responsible for 62% of total jobs. In Lebanon, 96% of enterprises are micro-enterprises, accounting for 50% of total jobs. In Morocco, SMEs account for 99% of all enterprises and over 70% of total employment. However, the rate at which businesses close down in these countries is high, affecting an average of 5.8% of working-age populations, compared with 2.1% in the EU; Morocco stands out in the region, with a figure of just 3.7%.

The data provided by the Global Entrepreneurship Monitor³ on the development of entrepreneurial activity show that in most MPCs, the percentage of the working-age population who have a preference for starting an entrepreneurial activity is higher than in the EU, where the average is around 6%. This is especially the case in Algeria, Lebanon and Morocco, where over 15% of the respective working-age populations have begun an entrepreneurial activity between 2008 and 2011, while in Jordan the figure is over 10%. A perception that there are more business opportunities in these countries supports these higher rates of entrepreneurial activity. However, the main motivation for entrepreneurial activity in the region is necessity (as a strategy for overcoming unemployment), whereas in the EU there is greater emphasis on the desire to improve personal circumstances and to pursue career development (EESC, 2011). As a result, businesses in the region have higher rates of company mortality, and most SMEs never develop enough to create more and better jobs for others.

This predominance of SMEs renders the business environment a key driver of economic dynamics, and hence company growth and job creation, in the countries in the region. However, all the AMCs except Tunisia have a very discouraging business environment, as gauged through the Ease of Doing Business Index of the World Bank. **TABLE 1.8** provides the ranks for all MPCs (in the first column, the lower the rank, the more favourable the business environment) along the ten pillars of the Ease of Doing Business Index, providing an insight into the main challenges to be faced in promoting business creation in MPCs.

AMCs stand around 100th out of 183 countries in the Ease of Doing Business ranking (Tunisia is a positive exception, at 46), whereas enlargement countries stand around 70th (with Israel outstanding at 34, and Bosnia and Herzegovina at a discouraging 125). As far as the development of the business environment is concerned, among the AMCs only Tunisia (from rank 40 in 2010 to rank 46 in 2011 in the wake of the revolution) and Algeria (from rank 143 in 2010 to rank 148 in 2011, probably as a result of the Complementary Finance Law of July 2010) have experienced a clear deterioration of five or more positions since 2010, whereas Morocco has experienced a clear improvement, escalating from rank 115 to rank 94. Among the remaining MPCs only Albania has slipped (from rank 77 to rank 82), while all other countries have remained at the same relative levels.

Another key constraint on decent job creation in the AMCs in particular is the sectoral dynamics of the economy. The sectors with the highest employment creation potential over the short term (agriculture, construction and tourism, for instance) are very sensitive to external factors (such as weather, the global economy and political stability) and have low productivity levels, and hence are characterised by poor wages and working conditions. Even in those countries that have achieved a certain level of development in their manufacturing sector

² www.ebi.gov.ge/downloads/4th%20Conf%20PPT/Day%20Two/Session%201/Day%202_Session%201_Annie%20Cordet%20rev%20ACD.pdf

³ The markers provided by the Global Entrepreneurship Monitor are based on the Adult Population Survey on aspects relating to entrepreneurial activity and the aspirations, attitudes and perceptions of people starting or who have at some time started an entrepreneurial activity.

(see **TABLE 3.2**), specialisation often focuses on low-added-value activities (as it is the case, for instance, in the textile industry in Morocco, Tunisia and Egypt). The number of jobs created for qualified workers or for those with technical skills is very low, and this explains the high levels of graduate unemployment (Section 3.1).

The quest for sectors with a high potential for job creation has become a widespread exercise in the region, often leading to overlapping priorities. In Egypt, for instance, the Ministry of Manpower and Migration has identified the construction, garment, tourism and high-tech sectors such as industrial control technologies, food processing, information and communication technologies (ICT) and renewable energies as the most promising sectors for the future. In Tunisia, authorities have highlighted ICT, renewable energies and biological agriculture as key

driving sectors of future labour demand. In Algeria the sectors identified are fishing, agro-food and public works, together with all sectors linked to the energy and water sectors. Tourism, construction, agro-food and ICT appear to have significant potential for employment creation in all MPCs, though this will depend on actual policy implementation and the dynamics of the economies in these countries.

In terms of overall competitiveness, which is defined by the World Economic Forum (2011a) as 'the set of institutions, policies, and factors that determine the level of productivity of a country', the changes have been more marked. Among the MPCs only Israel is in the 'innovation-driven' stage of development, as defined by the World Economic Forum. Turkey, Croatia and Lebanon are in transition to this stage and most other MPCs

TABLE 1.8 EASE OF DOING BUSINESS 2011: OVERALL RANKING AND PILLARS

Country	Overall ranking	Ease of Doing Business 10 pillars									
		Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Albania	82	61	183	154	118	24	16	152	76	85	64
Bosnia and Herzegovina	125	162	163	157	100	67	97	110	108	125	80
Croatia	80	67	143	56	102	48	133	32	100	48	94
Israel	34	43	137	93	147	8	5	59	10	94	45
Montenegro	56	47	173	71	108	8	29	108	34	133	52
Turkey	71	61	155	72	44	78	65	79	80	51	120
Regional average	71	64	154	79	60	68	63	79	76	59	109
Algeria	148	153	118	164	167	150	79	164	127	122	59
Egypt	110	21	154	101	93	78	79	145	64	147	137
Jordan	96	95	93	36	101	150	122	21	58	130	104
Lebanon	104	109	161	47	105	78	97	30	93	120	125
Morocco	94	93	75	107	144	98	97	112	43	89	67
Occupied Palestinian territory	131	177	129	85	78	166	46	39	114	93	183
Syria	134	129	133	83	82	174	111	111	122	175	102
Tunisia	46	56	86	45	65	98	46	64	32	76	38
Regional average	109	76	124	103	111	106	79	122	73	122	101

Note: The overall ranking is given in the first column: the lower the rank, the more favourable the business environment. For more details, see technical notes in Annex.

Sources: World Bank and International Finance Corporation, 2011a.

(Albania, Bosnia and Herzegovina, Montenegro, Jordan, Morocco and Tunisia) are in the 'efficiency-driven' stage of development. Algeria, Egypt and Syria are still in transition to the latter from the 'factor-driven' stage. Between 2010–11 and 2011–12 competitiveness as perceived by international economic actors has clearly deteriorated in the Arab Spring countries (in particular in Egypt and Tunisia, which fell 13 and 8 positions respectively in the Global Competitive Index) as a result of instability for business and uncertainty about the near future, and has basically stagnated for the rest (**TABLE 1.9**; World Economic Forum, 2011a).

These developments could have an impact on the long-term labour productivity trends in MPCs, as shown in **TABLE 1.10**. In enlargement countries productivity growth is poised to decrease, converging on EU Mediterranean members' rates (around 1% a year on average) as the pace at which they catch up with the EU slows down, and the wave of capital investment linked to their projected integration into the EU market diminishes. In contrast, in AMCs, where agriculture and low-productivity services (including in the informal sector) still dominate the economy, the structural transformation of their respective economies is yet to come. The predictable increase in productivity as they complete the transition from resource-intensive to more

capital-intensive sectors will imply that growth will be less labour-intensive than in recent years (when employment elasticity has been close to 0.9 on average, three times the international average, and growth has thus been very labour intensive); hence, a higher rate of growth will be needed in order to create the same number of jobs. The low level of productivity growth in AMCs can be explained by the fact that jobs have been created in the agricultural sector, the state sector and low-productivity services (European Commission, 2010a, p. 35).

The results of a recent modelling exercise illustrate the impact of alternative growth scenarios on the shape of the labour market and the complementarity and potential for co-development between MPCs and the EU (**TABLE 1.11**). The focus was on Mediterranean countries in the EU, the Western Balkans, and Southern and Eastern Mediterranean countries, including AMCs, Turkey and Israel. The exercise used various different sets of assumptions regarding economic developments in EU Mediterranean countries, the model of international economic integration of Mediterranean countries and regional cooperation in the Mediterranean, and the ensuing growth projections. The simulation shows substantial differences in terms of job creation, and hence unemployment and activity rates, not only for MPCs, but also for the EU.

TABLE 1.9 GLOBAL COMPETITIVENESS INDEX

Country	Global Competitiveness Index Rank 2010–11	Global Competitiveness Index Rank 2011–12
Albania	88	78
Bosnia and Herzegovina	102	103
Croatia	77	76
Montenegro	49	60
Turkey	61	59
Egypt	81	94
Jordan	65	71
Syria	97	98
Israel	24	22
Lebanon	92	89
Occupied Palestinian territory	NA	NA
Algeria	86	87
Morocco	75	73
Tunisia	32	40

Note: The lower the rank, the higher the level of global competitiveness. See technical notes in Annex. NA: not available.
Source: World Economic Forum, 2011a.

TABLE 1.10 LABOUR PRODUCTIVITY GROWTH (MEASURED AS OUTPUT PER PERSON EMPLOYED)

Country	1980–89	1990–94	1995–99	2000–04	2005–09
Albania	-1.51	-5.75	7.48	8.84	5.42
Bosnia and Herzegovina	NA	NA	NA	5.40	0.69
Croatia	NA	NA	3.20	3.36	1.68
Montenegro	NA	NA	NA	NA	NA
Turkey	3.61	1.77	2.29	4.47	1.79
Egypt	2.75	-0.15	3.23	1.16	3.86
Jordan	-2.81	-5.30	-0.54	2.79	2.30
Syria	-1.94	4.06	-1.69	-0.26	0.41
Israel	1.47	0.11	2.06	0.37	0.38
Lebanon	NA	NA	104	NA	NA
Occupied Palestinian territory	NA	NA	131	NA	NA
Algeria	-1.55	-5.32	-1.12	0.61	-0.10
Morocco	0.86	0.41	-0.99	3.09	2.97
Tunisia	0.78	1.50	2.54	2.39	2.61

NA: not available.

Source: The Conference Board Total Economy Database, 'Output, labor and labor productivity country details, 1950–2009', Groningen Growth and Development Centre, University of Groningen, 2010.

As shown in **TABLE 1.11**, the worst-case scenario ('Mediterranean crisis') is based on the assumption that the current economic crisis will have a long-term impact on EU Mediterranean countries, with a permanent loss of human capital as a consequence of widespread long-term unemployment. In the second scenario ('divergence', or competitive disinflation), international competition pushes countries to engage in a reduction of internal costs through restrictive monetary and fiscal policy and wage moderation. This would lead to an increase in productivity in EU Mediterranean countries (though with sustained high levels of unemployment) and a certain degree of stagnation for Southern Mediterranean countries, despite the fact that they would become a low-cost production platform for EU countries, benefiting the most competitive countries. The most positive ('convergence') scenario presupposes the prospects of regional integration (accession to the EU or at least to the EU Single Market), and hence reinforced regional cooperation based on economic complementarities (including in the labour markets) and enhanced intra-regional trade flows.

1.4 RURAL/URBAN/REGIONAL DISPARITY AND GENDER INEQUALITY: KEY DRIVERS OF POVERTY

Most MPCs are either upper-middle-income countries (Albania, Algeria, Bosnia and Herzegovina, Jordan, Lebanon, Montenegro, Tunisia and Turkey) or lower-middle-income countries (Egypt, Morocco and Syria), with the exception of Croatia and Israel, which have a high level of income according to the World Bank's World Development Indicators (WDIs). The Human Development Index (HDI) measures development by combining four indicators: life expectancy at birth, adult literacy rate, gross enrolment ratio and GDP per capita (PPP USD) rankings. While it has remained largely stable in comparative terms (total number of countries surveyed has increased from 169 in 2010 to 187 in 2011, causing a 'statistical' drop in the ranks of all the MPCs), the absolute HDI ranks have improved for all MPCs except Egypt and Tunisia, where they stagnated in 2011.

TABLE 1.11 LABOUR MARKET SCENARIOS, 2007–30

Scenario	Countries	Job creation (thousands)	Employment growth rate (%)	Labour force (thousands)	Jobs (thousands)	Unemployed (thousands)	Inactive (thousands)	Activity rate (%)	Unemployment rate (%)
Mediterranean crisis: downwards convergence scenario	Southern Mediterranean	28 600	1.42	117 332	103 411	13 804	157 040	42.8	11.8
	EU	34 292	0.63	270 480	253 261	17 219	161 948	62.5	6.4
	Balkans	1 957	1.10	9 947	8 781	1 166	9 762	50.5	11.7
Divergence: disparate integration scenario	Southern Mediterranean	47 098	2.15	133 036	121 909	12 113	141 327	48.5	9.1
	EU	48 250	0.87	283 710	267 219	16 490	148 717	65.6	5.8
	Balkans	2 536	1.4	11 466	9 360	1 105	9 243	53.1	10.6
Convergence: regional integration scenario	Southern Mediterranean	59 846	2.6	145 886	134 657	11 229	128 477	53.2	7.7
	EU	67 088	1.2	303 019	286 057	16 961	129 409	70.1	5.6
	Balkans	2 895	1.5	10 601	9 719	882	9 107	53.8	8.3

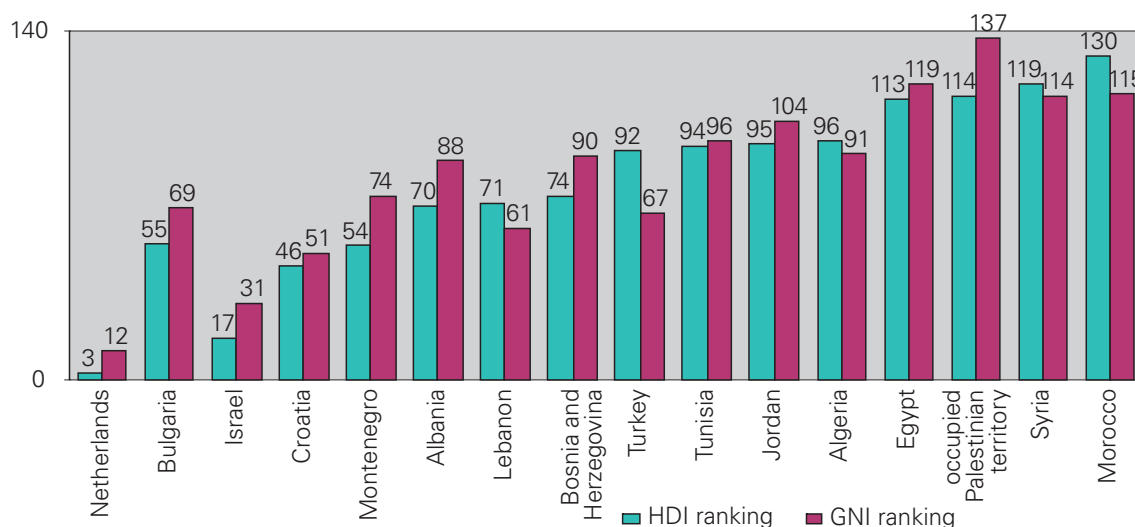
Notes: Western Balkans: includes Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia; Southern Mediterranean: includes AMCs, Libya, Turkey, Israel and Mauritania.

Source: Institut de prospective économique du monde méditerranéen. For details on the specification of the scenarios, see Jolly (2011).

As shown in **FIGURE 1.2**, Israel and the Western Balkan countries ranked much higher for human development than AMCs: Morocco, Syria, the occupied Palestinian territory and Egypt are at the bottom in terms of their human development rank. Turkey's ranking is between those of the Western Balkans and the AMCs.

However, the comparison between relative HDI levels and relative national income levels (measured by the

gross national income (GNI) per capita, see **FIGURE 1.2**) reflects two major obstacles to human development in these countries. The main AMCs (Morocco, Syria, Egypt and Algeria) and Turkey feature educational performance levels below those corresponding to their income levels, so their rankings in the HDI are well below their position in the GNI per capita world ranking (-25 positions for Turkey, -15 for Morocco, -9 for Egypt and -5 for Algeria). Hence, in the most extreme case, Turkey's human development

FIGURE 1.2 RANKING OF MEDITERRANEAN PARTNER COUNTRIES IN THE HUMAN DEVELOPMENT INDEX AND GROSS NATIONAL INCOME, 2010

Note: The lower the rank, the more favourable the HDI and GNI. See technical notes in Annex.

Source: UNDP, 2011.

level is 25 places below its economic development level. In contrast, HDI rankings in the Western Balkans and Israel are well above GNI per capita rankings (+20 in Montenegro, +18 in Albania, +16 in Bosnia and Herzegovina and +14 in Israel). In the most extreme of these cases, Montenegro's human development level is 20 places above its economic development level. Jordan and the occupied Palestinian territory also fare relatively better in HDI rankings than in GNI per capita rankings (+9 and +23 positions respectively).

One of the main sources of inequality in the AMCs and Turkey is the marked gender gap, caused to a large extent by social norms regarding the behaviour and activities of women in the public space. This gender gap is easily measurable in terms of the legal status of women (as shown in the recent *Women, Business and the Law 2012* report of the World Bank and IFC (2011b), which indicated that women in Middle East and North African countries face more legal disadvantages than those in any other countries in the world); in terms of women's participation in the economy and labour market (see Section 3.1); and

in terms of social and political inequality by comparing simple figures of men and women, as shown by the UNDP's Gender Inequality Index and the World Economic Forum's Gender Gap Index (**TABLE 1.12**). Labour market exclusion is one of the main causes of inequality between men and women, specifically in the AMCs, Turkey and Bosnia and Herzegovina, where the female activity and employment rates are extremely low.

The gender gap shown in **TABLE 1.12** is measured using a combination of four indicators: the difference between the figures for men and women in terms of economic participation and opportunity, educational attainment, health and survival, and political empowerment. Beyond absolute gender inequalities, lack of (or limited) access to basic public services such as education and healthcare (see Section 2.2 for gender differences in education), and even public transportation facilities (see Karkkainen, 2010) for the positive correlation between women's employment and safe public transportation) appears to be an important driver of poverty and inequality in AMCs. Rural areas and remote (agricultural) regions are particularly prone to this problem.

TABLE 1.12 GENDER GAP INDEX

Country	Gender Gap Index Rank 2010
Albania	78
Bosnia and Herzegovina	NA
Croatia	53
Montenegro	NA
Turkey	126
Egypt	125
Jordan	120
Syria	124
Israel	52
Lebanon	116
Occupied Palestinian territory	NA
Algeria	118
Morocco	127
Tunisia	107
France	46
Germany	13

Note: The lower the rank, the closer the gender equality. See technical notes in Annex. NA: not available.
Source: World Economic Forum.

The significant proportion of individuals who are active as non-paid family workers (in particular women in rural areas), the prevalence of informal employment, the relatively high proportion of subsistence agriculture and self-employment, and the extremely low level of salaries in some AMCs (such as Egypt or Morocco) are factors that explain the widespread incidence of the 'working poor'. The International Labour Organisation (ILO, 2011b; 2012) gives the proportion of individuals in vulnerable employment as 30–40% for the Middle East and North African countries (almost 50 million people, although the countries included in the regional analysis are slightly different), while the proportion of individuals classified as working poor (USD 2 a day) is put at 11% (15 million people). Women are reported to be far more likely than men to be in vulnerable employment in North Africa (55% versus 32%) and in the Middle East (43% versus 27%). Therefore, even wage employment does not guarantee sufficient income to overcome poverty: in Syria, Jordan and Egypt, the minimum wages are not enough to keep a family of typical size above the poverty line (European Commission, 2010a, p. 41).

In addition to inequalities relating to gender and the quality of jobs, variations also exist in the AMCs in terms of regional or territorial disparities. Although statistical information on regional disparities (e.g. household income and labour market participation) is rarely available in AMCs, the Tunisian revolution demonstrated the destabilising effects of those disparities (Femise, 2011, p. 43). Regional disparities in the AMCs are closely correlated with the rural/urban and the manufacturing/agriculture divides, reinforced by the unusually high rate of growth in agricultural employment that has been registered in those countries (World Bank, 2011b, p. 5). These factors explain on average 20% of

income inequality in AMCs. For example, regional disparities have a long history in Turkey, where development disparities are evident in differences in household incomes, but also in the lack of economic growth in the eastern parts of the country. Poverty in the eastern Anatolia and Black Sea regions spurs additional migration to the large cities in the country's west. The income of rural households is 59% of those in urban areas (Turkstat, Income and Living Conditions Survey, 2009). Territorial aspects may have less significance in the smaller countries of the Western Balkans, but industries in decline in specific towns have a strong impact on local labour markets.

The spatial component of income, and hence the regional disparities in AMCs, is most significant in Morocco (where per capita household consumption in rural areas is only 54% of that in urban areas, and unemployment and activity rates exhibit differences of up to 15 percentage points) and Egypt (see **TABLE 1.13**). Such disparities are often reinforced by regional differences in education investment and achievement, adding to the economic gap between regions. Moreover, the main drivers of inequality are often interrelated: for example, women are particularly affected by spatial differences in access to public social services (particularly health and education), and even more so by a lack of appropriate transportation options in peripheral areas (World Bank, 2011b, pp. 46–47).

Taking all factors together, poverty levels appear to have been declining in all MPCs in the period before the 2008 economic crisis, particularly absolute poverty. However, given the rapid economic growth that was required to reduce poverty, there is a risk that it could increase again in the current context of economic and political crises and

TABLE 1.13 REGIONAL DISPARITIES IN ARAB MEDITERRANEAN COUNTRIES

Country	Mean per capita consumption (capital/ national ratio)	Year	Poverty rates (%) (urban/ rural ratio)	Year	Mean per capita consumption (urban/ rural ratio)
Algeria	NA		8.9 / 19.3	1995	NA
Egypt	1.75	2005	10.1 / 26.8	2004/05	1.92
Jordan	1.54	2002	12.9 / 18.7	2002	1.32
Lebanon	1.34	2004	8 / >25	1995	NA
Morocco	1.16	1998	4.8 / 14.5	2007	2.17
Syria	1.55	2004	7.9 / 14.5	2004	1.52
Tunisia	1.33	2000	1.6 / 8.3	2000	1.86
Occupied Palestinian territory	NA		16 / 15	2003	1.67

NA: not available.
Source: World Bank, 2011b, p. 37.

a massive increase in the prices of food products; this is the case at least in the AMCs, particularly since a large proportion of their populations live close to the poverty line and hence are vulnerable to poverty (Fernise, 2011). A study by CAPMAS in Egypt found that between 2004 and 2009, the percentage of Egyptians living at or below the World Bank's official poverty line of USD 2 per day increased from 19.6% to 21.8%, in particular in rural areas (in Upper Egypt the rate reached 43.7%). According to WDI (World Bank), an estimated 19% of people live below the national poverty line in Morocco, 16.7% in Egypt and 14.2% Jordan, and a total of 47% of families in the occupied Palestinian territory.

Poverty remains a key challenge for the region. If a calculation is made using USD 3 per day as the poverty line instead of USD 2 per day, the number of people living in poverty in the Arab region doubles from 45 million to 92 million (Mohamadih and Abdel Samad, 2010). The Millennium Development Goals 2010 report, released by the United Nations in September 2010, notes that since 1990 the depth of poverty has decreased in all regions except Western Asia (encompassing some of the 22 Arab

countries, including Egypt, Jordan, Lebanon, the occupied Palestinian territory and Syria). Thus, the region is witnessing increasing numbers of people living in poverty, while a high proportion of the population live close to the poverty threshold. Large numbers of individuals are extremely vulnerable to poverty, and relatively small reductions in income or small increases in the price of basic goods can push them into poverty. Moreover, these countries suffer from chronic unemployment, which has been exacerbated by the global economic crisis and political instability. The sustained level of unemployment and inactivity across the region is another reason for the high proportion of people living in poverty.

Nevertheless, despite the fact that poverty levels are falling, inequalities are increasing as a result of the fact that increased growth is unequally distributed: a one percentage point increase in growth only reduces poverty levels by half a percentage point. Although inequality levels are lower in MPCs than in some other developing regions such as Latin America or sub-Saharan Africa, they are higher than in Europe, and they might begin to have a destabilising effect (see **TABLE 1.14** for Gini coefficients,

TABLE 1.14 POVERTY HEADCOUNT AND GINI COEFFICIENT

	Poverty headcount ¹ (% of population)	Gini coefficient (latest available year 2000–10)
Albania	4.25 (2008)	0.345 (2009)
Bosnia and Herzegovina	0.19 (2007)	0.362 (2008)
Croatia	0 (2009)	0.337 (2009)
Montenegro	0 (2009)	0.299 (2009)
Turkey	9.05 (2006)	0.397 (2009)
Egypt	18.46 (2006)	0.321 (2006)
Jordan	3.46 (2007)	0.377 (2007)
Syria	NA	0.358 (2009)
Israel	NA	0.392 (2009)
Lebanon	NA	0.37 (2005)
Occupied Palestinian territory	NA	NA
Algeria	NA	0.37 (2007)
Morocco	13.97 (2008)	0.408 (2008)
Tunisia	12.82 (2005)	0.408 (2010)
EU average		0.31 (2008)

Notes: (1) Percentage of population living on less than USD 2 per day. See technical notes on the Gini coefficient in Annex; the lower the value, the closer the income equality. NA: not available.

Sources: World Bank Development Indicators; ETF country fiches; and Eurostat (2008).

a common measure of equality of income distribution despite their shortcomings: since they are based on household surveys, they underestimate the true level of poverty when there is a large number of extremely rich individuals).

Gini coefficients have been increasing for AMCs (Morocco and Tunisia in particular), Turkey, Albania and Bosnia and Herzegovina over the last decade. According to some studies the distribution of non-income indicators such as education, health and land ownership places AMCs among the most unequal countries in the world (Femise, 2011).

Social policies in the region continue to be introduced on an ad hoc basis, and target specific sectors of people living in extreme poverty, while comprehensive social policy agendas are often lacking. Support for vulnerable groups is not linked to a rights-based approach that ensures the basic needs of all citizens; instead a 'charity' approach is adopted, and this is segmented and insufficient. Income support measures are often implemented through food and fuel subsidies, rather than through social protection schemes. Similarly, social action plans lack a comprehensive vision based on national strategies for social development, including public health, education, job creation and a comprehensive national social security plan.

2. EDUCATION AND TRAINING OUTCOMES

Investment climate surveys in AMCs indicate that the education and skills of the labour force are a major or severe constraint on growth to a much greater extent than in the enlargement countries (more than 40% of companies in AMCs, according to the BEEPSs, against only 21.7% in the latter group, which is below the world average (see **FIGURE 5.4** in Chapter 5). This is paradoxical in a region that has a large surplus in terms of labour force and that has had a relatively high level of public investment in education over the past four decades, and it establishes a framework for outlining the youth employability challenges in the region (see Chapter 5).

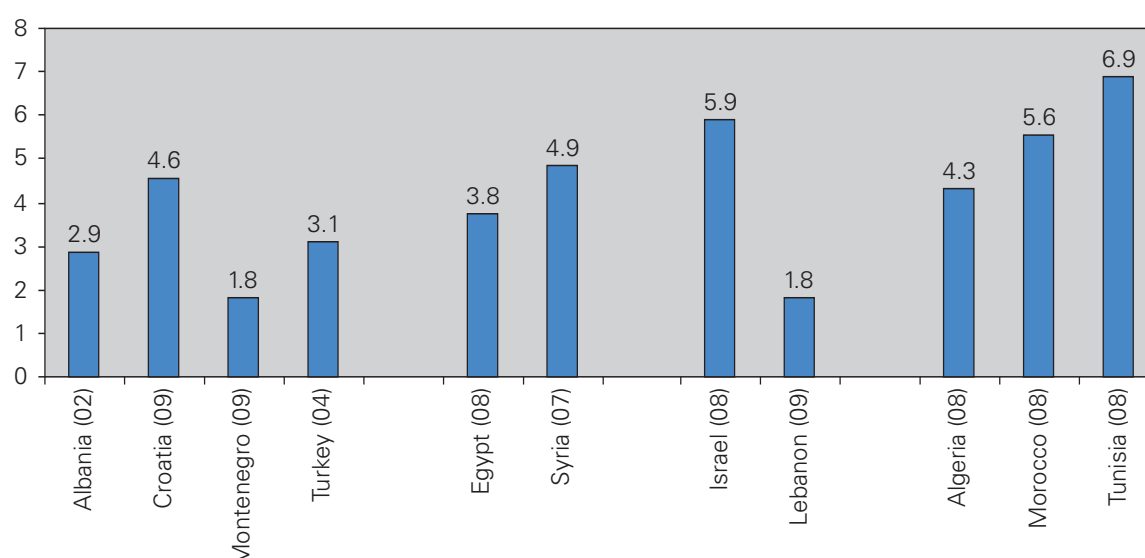
2.1 RELATIVELY HIGH LEVEL OF INVESTMENT IN EDUCATION AND TRAINING

AMCs, Israel, Bosnia and Herzegovina and Croatia have relatively high levels of public expenditure in education (**FIGURE 2.1**). Over the past 40 years these countries have allocated more budget resources to education than other countries with similar levels of per capita income (World Bank, 2008), and some of them even more than the EU

average (5%), revealing the high level of political priority that is given to education. This is not the case in Albania, Montenegro, Lebanon and Turkey. While the public spending on education in Turkey is among the lowest of the OECD countries, private spending accounts for an additional 3% of GDP (Majcher-Teleon and Bardak, 2011).

The very low percentage of public expenditure on education in Lebanon should not be misinterpreted, as the private sector and private expenditure play a key role in the country (70% of spending on primary education, 60% for secondary education and VET, and 50% for universities); this is mainly linked to the view of education as an investment in terms of future migration prospects. Indeed, no other country in the region except Israel boasts higher rates of university enrolment. Similarly, private expenditure on education (around 3% of GDP) is relatively high in Turkey, but its impact is not entirely clear: educational indicators have not improved to a significant level, and inequality has increased in society (Majcher-Teleon and Bardak, 2011). In contrast, in Egypt public expenditure on education has exhibited a clear downward trend since 2003 (from 4.95% to 3.8%), precisely at a time when an increasing number of cohorts of children joined the education system.

FIGURE 2.1 PUBLIC EXPENDITURE ON EDUCATION AS A PROPORTION OF GDP, LATEST AVAILABLE YEAR (%)



Notes: Reference year in brackets. No available data for Bosnia and Herzegovina, Jordan and the occupied Palestinian territory.
Sources: World Bank – WDI database; Lebanon: UNESCO UIS database.

2.2 QUASI-UNIVERSAL ACCESS TO EDUCATION, INCLUDING GIRLS

The result of investment in education has been a considerable improvement in access. Primary education is almost universal (**TABLE 2.1**), except, worryingly, in the occupied Palestinian territory (90%) and Bosnia and Herzegovina (88%). However, enrolment rates in pre-primary schools remain very low in most of the countries, with the notable exceptions of Albania, Croatia, Israel, Lebanon and Morocco. This has a negative impact on the activity rates of young women and the future success of children from disadvantaged backgrounds. In terms of equity, by far the greatest achievement has been to bring enrolment rates for girls close to those for boys at all education levels, including university, as shown in **TABLES 2.1** and **2.2**, and in **FIGURE 2.4**. The only countries in which girls have not yet fully caught up with boys at the secondary and tertiary levels are Turkey and Morocco. Furthermore, viable alternative VET courses

designed to improve labour market access for girls remain an exception in most countries.

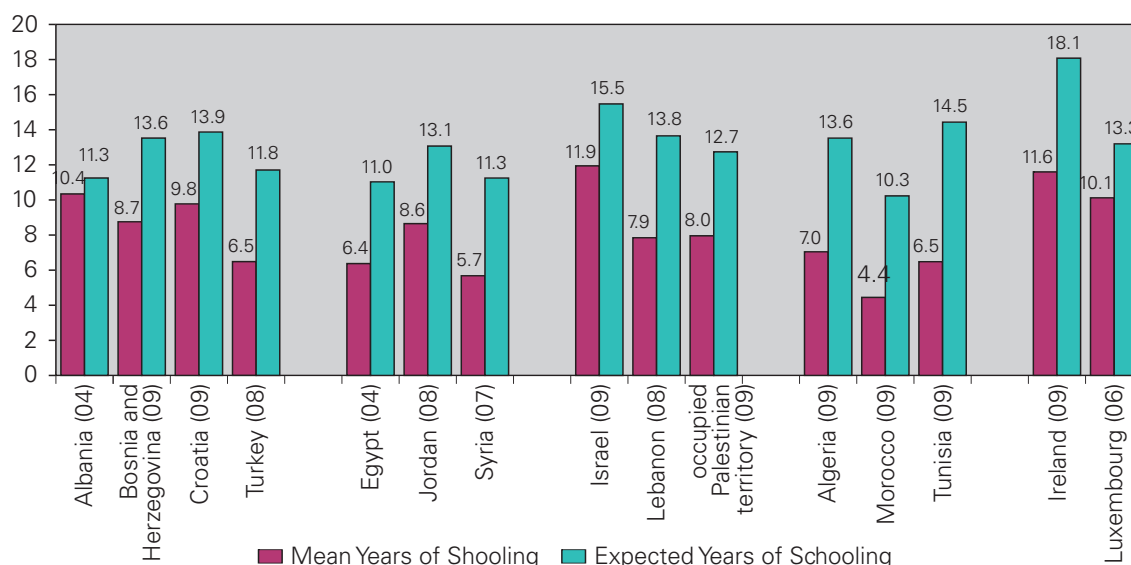
The rapid improvement in education coverage is best appreciated by comparing the mean years of schooling for the whole population and the school life expectancy of new cohorts (UNDP, 2011). As shown in **FIGURE 2.2**, the mean number of years of schooling for the whole population is highest in Israel, Albania, Croatia and Bosnia and Herzegovina (between 8.7 and 11.9 years), and lowest in Morocco, Syria, Egypt, Turkey and Tunisia (between 4.4 and 6.5 years). But school life expectancy for new cohorts (also depicted in Figure 2.2) is higher than the mean number of years of schooling in all MPCs, ranging from 4.5 years higher in Jordan to 8 years higher in Tunisia. Except in Egypt, Morocco, Syria and Turkey (where, however, most of the population of the region live), school life expectancy in MPCs has already reached EU levels. But even in those countries that are lagging behind, the improvement in school enrolment rates is obvious: school life expectancy is substantially higher than mean years of schooling (5.9 years higher in Morocco and 5.6 in Syria, 5.3 years higher in Turkey and 4.6 in Egypt).

TABLE 2.1 GROSS ENROLMENT RATES FOR PRE-PRIMARY AND PRIMARY EDUCATION AND DURATION OF COMPULSORY SCHOOLING, LATEST AVAILABLE YEAR

Country	Year	Pre-primary		Primary		Compulsory schooling (years)
		Total (%)	Girls (%)	Total (%)	Girls (%)	
Albania	2010	55.7	55.0	110.4	110.0	8
Bosnia and Herzegovina	2010	16.7	16.7	87.6	88.5	8
Croatia	2009	58.2	57.1	93.5	93.4	8
Montenegro	2010	31.0	30.3	106.5	105.7	9
Turkey	2009	21.7	21.1	102.4	101.5	8
Egypt	2009	23.7	23.1	105.7	103.3	9
Jordan	2008	36.4	35.1	96.8	97.2	10
Syria	2010	9.7	9.5	117.8	116.4	9
Israel	2009	105.7	108.6	112.8	113.4	11
Lebanon	2010	81.5	80.6	104.6	103.1	9
Occupied Palestinian territory	2010	39.5	39.1	90.8	90.0	10
Algeria	2010	77.4	75.9	110.2	106.8	9
Morocco	2011	63.3	52.9	113.7	110.3	10
Tunisia	2009	NA	NA	108.8	106.5	11

Note: The gross enrolment figures that are over 100% are explained by the numbers of repeaters and students enrolled in primary education outside the typical age group (6–12 years old) who are also included in the calculation. NA: not available.

Source: UNESCO UIS database.

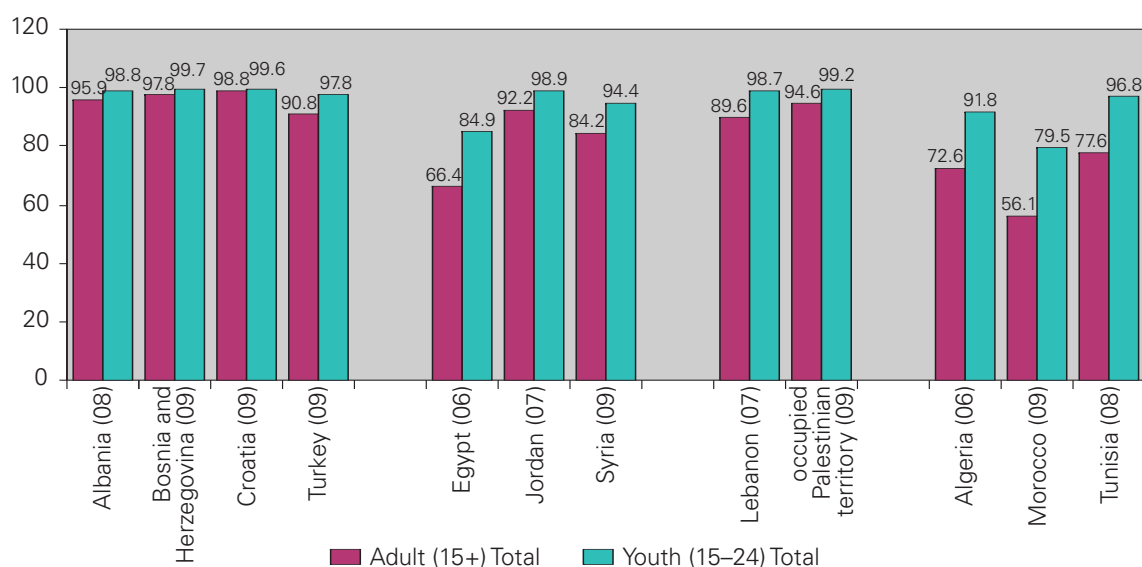
FIGURE 2.2 MEAN YEARS OF SCHOOLING AND SCHOOL LIFE EXPECTANCY (YEARS PER PERSON), PRIMARY TO TERTIARY, LATEST AVAILABLE YEAR

Notes: Reference year in brackets. See definitions in Annex. No available data for Montenegro.
Source: UNESCO UIS database.

Such increases have also been experienced in Western Balkan countries and Israel, though to a lesser extent (0.9 years in Albania, 4.9 in Bosnia and Herzegovina, 4.1 in Croatia, 3.1 in Montenegro and 3.6 in Israel) as a result of the relatively high number of years of schooling already achieved by those countries.

Despite these achievements, dropout rates are worryingly high in some countries, in particular Morocco, Egypt and Syria (reported at 10% (ETF, 2011b). In these countries enrolment rates for girls in primary education are still slightly lagging behind,

particularly in rural areas, a situation that is often linked to child labour. Illiteracy remains a serious problem among the adult population in some countries (FIGURE 2.3), in particular Morocco (43.9%), Egypt (33.6%), Algeria (27.4%) and Tunisia (22.4%), and especially for women. In fact only Israel, Bosnia and Herzegovina, Croatia, Montenegro and Albania (almost 100%) could achieve universal literacy for all their citizens, while all other countries in the region (including Turkey) still have a great deal to do in terms of addressing the problem of illiteracy among the youth and adult populations.

FIGURE 2.3 ADULT AND YOUTH LITERACY RATES, LATEST AVAILABLE YEAR (%)

Note: Reference year in brackets.
Source: UNESCO UIS database.

Another worrying trend relates to youth illiteracy rates. The proportion of young people aged 15–24 who are illiterate is unusually high in Morocco (20.5%, and more than 30% of girls) and Egypt (15.1%). Algeria (8.2%), Syria (5.8%) and Turkey (2.2%) have lower but persistent youth illiteracy rates. This is a clear symptom of the problems of quality in primary education in these countries. Hence, it is logical that the most effective measure for improving employability would be to achieve universal literacy through literacy and school reintegration (second-chance) programmes for school dropouts and early school leavers.

Enrolment in lower secondary education (ISCED 2) is compulsory in all MPCs and is almost universal, again with the exception of Egypt, the occupied Palestinian territory

and Morocco, together with Lebanon and Israel, where figures for the Palestinian refugees and the Arab minority have a negative effect on the average (TABLE 2.2).

Albania and Turkey also have relatively lower levels of enrolment at this level. It should be noted that the enrolment rates are very similar for girls and boys, so it can be said that the gender gap has been closed at this level of education (again, with the exceptions of Turkey and Morocco).

The situation in upper secondary education (ISCED 3) is somewhat less positive for some countries. Very low enrolment rates have been recorded in Syria (37.2%), Morocco (38%), Egypt (46.1%) and Algeria (50.3%), which means that between two thirds and half of all students drop out or leave school early, immediately after

TABLE 2.2 GROSS ENROLMENT RATES IN SECONDARY EDUCATION AND THE PERCENTAGE OF VET ENROLMENT, LATEST AVAILABLE YEAR (%)

Country	Year	Lower secondary (% enrolled in ISCED 2)			Upper secondary (% enrolled in ISCED 3)			Vocational enrolment in ISCED 3 (% of VET in ISCED 3)
		Female	Male	Total	Female	Male	Total	
Albania	2010	96.5	95.0	95.7	58.8	63.3	61.1	14.2
Bosnia and Herzegovina	2010	99.0	98.3	98.6	82.7	78.8	80.7	74.5
Croatia	2009	106.2	102.7	104.4	88.3	85.0	86.6	71.9
Montenegro	2010	113.8	115.0	114.4	95.7	92.1	93.8	68.2
Turkey	2009	92.8	98.5	95.7	59.9	67.6	63.9	42.6
Egypt	2009	88.1	89.7	88.9	44.5	47.6	46.1	53.8
Jordan	2008	95.8	94.0	94.9	77.7	71.0	74.2	14.8
Syria	2010	90.8	92.8	91.8	39.1	35.4	37.2	21.3
Israel	2009	73.1	72.2	72.6	111.5	109.4	110.4	35.3
Lebanon	2010	94.3	86.0	90.1	77.9	67.3	72.5	27.4
Occupied Palestinian territory	2010	90.4	86.6	88.5	86.1	70.3	78.0	6.1
Algeria	2009	126.7	138.2	132.6	59.2	41.8	50.3	12.1
Morocco	2007	NA	NA	NA	35.9	39.9	38.0	12.3
	2011	73.1	89.5	81.5	NA	NA	NA	NA
Tunisia	2009	113.3	118.6	116.0	79.5	67.3	73.3	11.0

NA: not available.

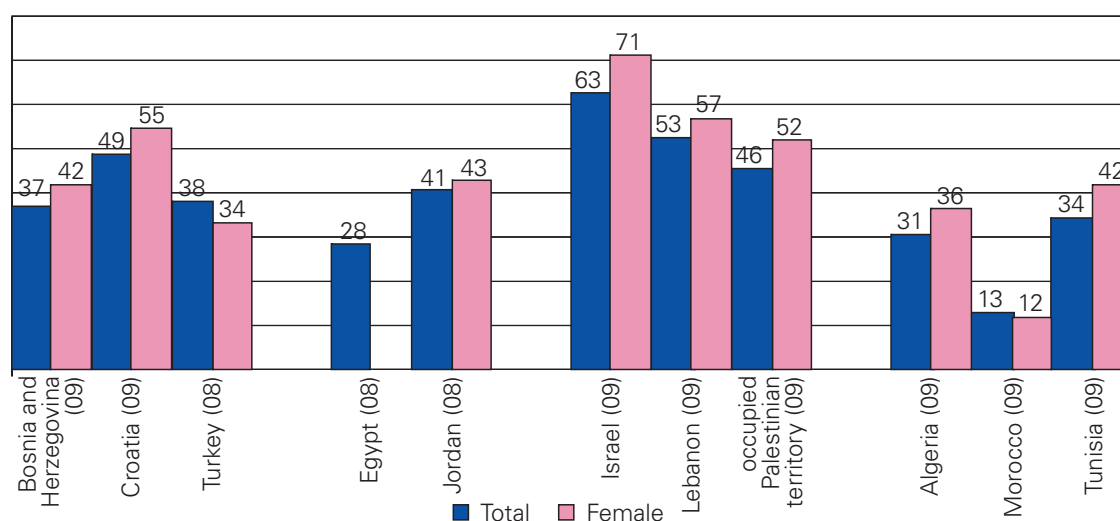
Source: UNESCO UIS database.

they have completed compulsory education. A reverse gender gap is apparent at this level of education in Algeria, with more girls than boys enrolled. The second group of countries struggle with enrolment rates between 60% and 75% (Albania, Turkey, Jordan, Lebanon, occupied Palestinian territory and Tunisia), which is below the EU benchmark of 95%. Turkey has a significant gender gap at this level (8 percentage points lower for girls). The countries that perform best across almost all age cohorts at this level of education are Israel, Montenegro and Croatia. These relatively low rates of enrolment at upper secondary level, together with illiteracy, are probably the greatest education challenge in MPCs.

Enrolment at university level has also increased very rapidly and shows a significant gender gap in favour of women, with the reverse exceptions of Turkey and Morocco. Around one-third of young people in MPCs enter university, with a significantly higher percentage in Croatia, Israel, the occupied Palestinian territory and Lebanon and a significantly lower rate in Morocco (FIGURE 2.4).

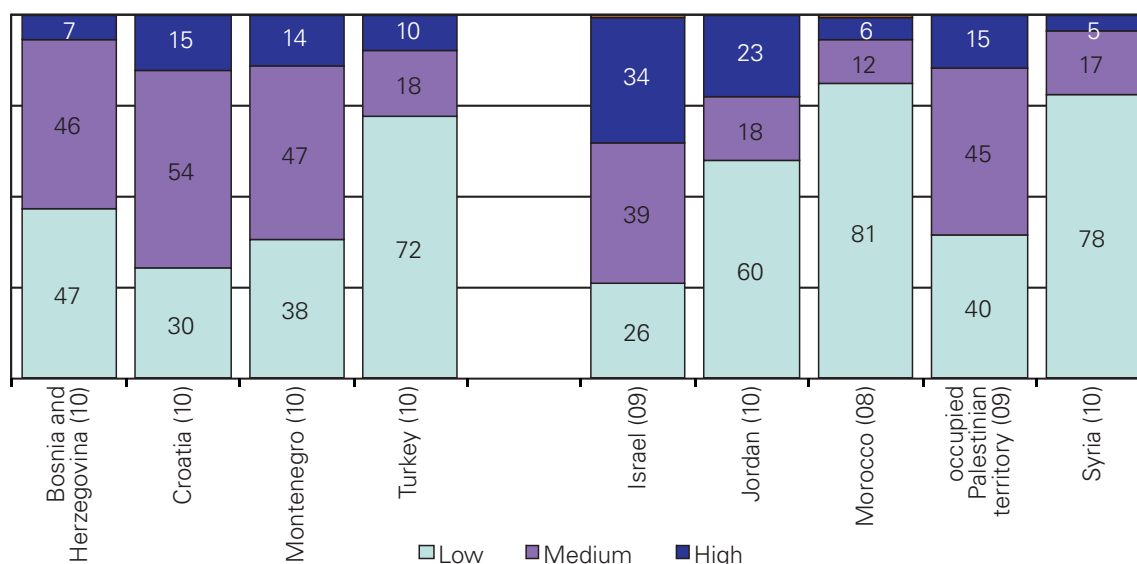
FIGURE 2.5 presents an overall picture of educational attainment. It shows that Syria, Morocco, Bosnia and Herzegovina and Turkey have extremely low proportions of university graduates among their populations, and

FIGURE 2.4 GROSS ENROLMENT RATES IN TERTIARY EDUCATION (%)



Reference year in brackets. No available data for Albania, Montenegro or Syria.
Source: UNESCO UIS database; Egypt, female: UIS estimation.

FIGURE 2.5 EDUCATIONAL ATTAINMENT OF POPULATION AGED 15+, LATEST AVAILABLE YEAR (%)



Note: Reference year in brackets. See definition of education levels in technical notes in Annex.

Sources: National statistical offices, LFS data; Turkey and Croatia: Eurostat; Morocco: Haut Commissariat au Plan; Jordan: The Hashemite Kingdom of Jordan Department of Statistics.

hence are intrinsically prone to overall lower productivity in their economies, and to 'brain drain' problems caused by skilled migration. Jordan, Turkey, Syria and Morocco have very low proportions of individuals with secondary education (less than 20%), which indicates a structural employability problem. Overall, very large proportions of the populations in Morocco (81%), Syria (78%), Turkey (72%) and Jordan (60%) have only primary education or less, and this poses a significant challenge in terms of the quality and productivity of the labour force.

2.3 VET IN NEED OF UPGRADING

One variable that has a strong impact on employability is the proportion of upper secondary students who are following vocational training programmes (as shown in the final column of **TABLE 2.2**). Here again there are large differences between the MPCs: in Bosnia and Herzegovina, Croatia and Montenegro more than two-thirds of students are enrolled in VET, followed by Egypt (54%) and Turkey (43%). In the remaining countries VET's share of upper secondary education is much lower: in Maghreb countries, the proportion of upper secondary students enrolled in VET stands at around 11–12%, in the occupied Palestinian territory the figure is a very low at 6.1%, and in Albania, Jordan and Syria it is between 15% and 20%). Even in countries where VET has relatively wide coverage, such as Egypt, it is often difficult to attract students to this stream, since it is perceived as an alternative to dropping out, or is used as a pathway to university. This explains the shortage of skilled workers for some technical professions in these countries (ETF Torino Process 2010 reports).

Indeed, the attractiveness of VET remains limited in all countries, as it is seen as a second or last resort that is to a large extent reserved for poor-performing students or those who are returning to the education system after dropping out. Particularly in the Maghreb, this is partly due to the fact that the state jobs are in practice reserved for university graduates. Paradoxically, some studies show that VET students experience faster transition to the labour market and obtain a wage premium from employers, as is the case in Syria, although they also work longer hours than those coming from general secondary education or higher education (ETF, 2010a). Another feature is the widespread fragmentation and proliferation of institutions and schemes offering VET, which creates a real problem in terms of accreditation and visibility of the whole system (in Egypt, for instance, there are more than 30 institutions offering VET programmes). VET programmes are often used as a pathway to university when this is possible (as is the case in Egypt), but suffer from compartmentalisation in other countries, such as Tunisia, where the pathways to university education are very limited.

In addition to these problems, there is a significant gender gap, or rather, gender segregation, in this field, as young women clearly have fewer choices (often limited to the professions traditionally perceived as female-oriented, or

to courses on becoming better housewives), and sometimes no choice at all. It is worth noting that young women are excluded from VET in sectors with a high employment potential such as tourism in countries such as Jordan. For those countries where VET provision is limited, it is imperative that VET is expanded in order to absorb the growing number of students entering the upper secondary education system as a consequence of demographic dynamics and increasing enrolment rates in primary and lower secondary education. Furthermore, the limited size of VET in many MPCs poses problems in terms of the cost-efficiency of these services, and hinders efforts to improve their quality.

There is a need to make education and training more relevant to the needs of the labour market and of individuals, and to place training in a lifelong learning perspective, in order to enhance productivity and competitiveness and improve the employability of the labour force; such measures are high on the agenda of MPCs. Most of the countries in the region have made efforts to reform their VET systems in order to transform them from being a second-choice option for school dropouts to fulfilling a more complex role that includes addressing the skills required by economies willing to integrate into the world market. In the enlargement countries, EU cooperation has been a continuous driver for change. Reforms have been undertaken in order to adapt governance models and modernise curricula. Such reforms are particularly advanced in Croatia and Turkey, and generally focus on secondary VET, though the real impact of reforms on the ground remains to be seen.

Despite the efforts made by the governments in the region to modernise VET systems and to address some of the issues highlighted above, VET reforms have so far not adequately addressed the demand side, and more needs to be done to anticipate future skill needs (ETF, 2011a). Furthermore, many other important issues remain, and are hampering the development of these systems. These issues relate mainly to governance, financing, quality, qualifications, continuing training, and the informal sector and the acquisition of skills.

Governance: promoting partnership and higher accountability

In most countries in the region the state plays a dominant role in the financing and provision of education and training. The efforts that are currently undertaken to adapt systems to the requirements of the knowledge society include decentralisation and broadening the participation of social partners in system governance.

The effectiveness of these public policies is largely curbed by limited multi-level governance models, such as overcentralisation, the fact that there is no culture or mechanism for accountability, a lack of capacity on the part of social partners and local actors, and the absence of clear roles and responsibilities. Centralisation means that individual institutions cannot take decisions on key issues such as curricula, financial and personnel management,

and sectors of involvement, thus limiting their capacity to change and adapt. Some countries have begun experimenting with autonomy for public vocational institutions through strategic plans and handing more decision-making powers to directors in the areas of pedagogy, links with enterprises and diversification of resources. However, most initiatives are in their early stages, and are fragile, with few institutions being given genuine freedom of action. The limited autonomy of schools and their lack of capacity are significant challenges in almost all countries.

In terms of accountability, public provision is not based on performance or outcomes. Institutions continue to operate year after year without monitoring their results and with quantitative expansion as their main strategic objective. Since they have guaranteed public subsidies, there is little incentive to change and increase their relevance. Lack of evaluation mechanisms for external efficiency and reactivity to changing labour market needs is common in the region. In most countries, labour market insertion of VET students is not tracked in a systematic way, and hence its impact on employability cannot be measured. According to a survey carried out by the Centre for Studies and Research on Occupations and Qualifications (Centre d'études et de recherche sur les professions et les qualifications – Cerpeq), only 12% of VET graduates in Algeria find a job within a year of graduating.

Another common feature is the lack of cooperation with the business world and employers, i.e. the lack of a direct link to the actual labour market. Participation of the private sector in the governance of education systems is usually organised through national committees or other institutional arrangements. These partnerships between the private sector and the public authorities in charge of VET are at an initial stage of development, although they are more advanced in some countries than in others (Morocco). The reluctance of public authorities to involve social partners in the governance of VET systems is aggravated by the lack of capacity on the part of the social partners to deal with VET matters in a reform context (Mayen, 2011).

Financing VET: enhancing efficiency and promoting diversification of resources

The basic funding model for VET that is prevalent in the Mediterranean region consists of two separate mechanisms:

- funding schemes that collect public and private funds to finance public provision of training (mainly for pre-service training);
- funding schemes that rely on private funding for private provision.

No unified training market exists, in the sense that the allocation of public funds is directed exclusively to public training institutions and does not include private sector training institutions.

In the case of public provision, public training institutions continue to receive budget allocations from the central authorities regardless of their performance, which has never been part of any conditions for funding. Budget allocations are generally calculated on the basis of the previous year's allocation and are determined by input measures, such as numbers of students and staff, rather than outcomes. There are no performance-based indicators to help in deciding the amounts allocated to individual training institutions, or benchmarking of key indicators to compare performance.

Private provision is essentially funded from fees and tuition paid by individuals. In some countries (Tunisia and Morocco) there are new mechanisms to support and fund private provision. In Tunisia the government has established a new voucher scheme to support learners who opt for private providers under special conditions (accreditation for schools, and support for qualifications in areas where shortages exist). In Morocco the government supports 30% of the fees for certain qualifications that are in high demand on the labour market.

Reforms to diversify funding mechanisms in the region in order to create incentives for efficiency and relevance are still pending. In addition to the traditional budget allocations for public provision, other mechanisms such as performance-based budgetary allocations and resources diversification, linked with the autonomy of vocational institutions, could create incentives for change.

Quality: shifting the focus to results

According to Masson et al. (2010), the quality of VET provision in the Mediterranean region often depends on whether curricula are current and competence-based, whether the qualifications of teachers and trainers is adequate, and whether the technical equipment is up to date. It is clear that the qualifications of trainers and their lack of connection with the economic world is a common challenge for all VET systems, even in the cases of dual-system VET programmes in which students spend part of their training time in the workplace. However, compared with the importance placed on these input factors, there appears to be less concern with output and outcome factors for assessing the quality of VET programmes: little consideration is given to the adequacy of the skills acquired during training, dropout and completion rates, employment rates and the type of employment obtained. In most cases this can be attributed to weaknesses in the monitoring and evaluation systems that are in place to support the delivery of VET programmes.

Moreover, the prevailing criteria for quality assurance in the provision of training, and the prevailing approach to evaluation in the provision of training, particularly of teachers and trainers, appears to be based exclusively on inspection. This could include pedagogical inspection of teachers to assess whether they have been able to deliver the course, or administrative inspection that is aimed at establishing whether the school is complying

with regulations, especially financial ones. There appears to be no system for assessing the overall performance of schools in terms of achievements or objectives to be met.

In addition, in some countries specific statistical instruments have been put in place, which, together with the inspection reports, assist decision making. However, the information provided by these instruments is used neither systematically nor efficiently. This is particularly the case in Tunisia, which has implemented a set of standards that cover all functions and processes that take place within a vocational school, from management to the delivery of courses. The indicators defined for each standard allow for self-assessment as well as 'external' assessment, and give a clear indication of the performance of the centre. However, there is no clear policy on the implications of the result of such an assessment, in terms of either rewards or sanctions.

Implementation of quality assurance tools is often narrowly targeted. For example, in Tunisia a set of standards with associated indicators has been defined, covering all processes of a vocational school, so that the performance of any school can be assessed and an action plan for improvement devised. However, this does not cover other components of the Tunisian VET system that can also have an impact on the performance of vocational schools, such as the institution in charge of curricula development and the training of trainers. The quality approach in this case has been targeted at only one component of the process of designing and delivering courses.

In a number of the Mediterranean countries there are plans to establish a recognised body, at either a national or a sectoral level, for quality labelling and accreditation of training organisations (Masson et al. 2010). However, it is only in higher education that the culture of quality assurance has emerged strongly: new legislation, standards and accreditation rules have been developed, agencies for accrediting institutions have been created, and guidelines and manuals for self-assessment of institutions have been distributed.

Qualification systems: adding a lifelong learning perspective

Several countries in the region have identified an urgent need to reform their qualifications systems. An important motivation for these reform programmes is to make sure that the various elements of nationally based qualifications are effective, that they articulate with one another, and that they are recognised and respected beyond national boundaries. The twin themes of (i) achieving internal coherence and legibility of qualifications, and (ii) gaining international recognition for national systems and frameworks, are the subject of on-going reforms.

In most countries there is growing awareness of the need for relevant qualifications, together with a growing understanding of the need for quality and quality assurance improvement and the involvement of

stakeholders. In addition, competence profiles, standards and curricula are being developed. In some countries the understanding of labour market needs, and of systems that could provide better labour market information, is also developing.

MPCs are seeking to make their qualifications systems more legible, more flexible and more coherent. They expect that a coherent and intelligible system of general, vocational and higher education qualifications will help to solve substantive challenges. Even in the most advanced countries in the region (Egypt, Jordan, Lebanon, Morocco, Tunisia), there has not as yet been any clear and focused analysis of the expected benefits of the qualification framework, nor of the main issues to be addressed. Apart from the fact that qualifications should better reflect the needs of the labour market, the discussion on qualifications should be embedded within a lifelong learning vision; it should also focus on how the framework should change the existing formal sector of school- and university-based education; and it should consider how learning outside that context (informal and non-formal) could be recognised.

Continuing training: promoting adult learning

Continuing training, retraining and adult training programmes either are absent altogether, or are limited to a replication of VET programmes (ETF, 2011b), although Tunisia and Morocco have made specific efforts in this field. A survey in Syria (ETF, 2010a) showed that most young employees are excluded from employer-organised and/or -financed further education, despite the fact that this is regarded as important for further upward career mobility. Moreover, participation in training is unequal, favouring those with higher education and those working in larger firms.

Large gaps exist in terms of adult lifelong learning opportunities that address changing skills demands. Continuing vocational training is constrained by a lack of training providers and financial resources, and in-company training is rarely offered by SMEs. In Albania and Croatia participation rates of adults in lifelong learning is only 2%, and in Turkey it is 2.5% (compared to the EU average of 9.1%) (Rinaldi et al., 2012). Given the large numbers of illiterate individuals, (unskilled) dropouts and early school leavers in some countries, it is extremely important for the VET system to develop second-chance adult training programmes and/or youth literacy and school reintegration programmes. These programmes must be both accessible and affordable for the young and adult vulnerable population. Furthermore, the design of viable alternative VET programmes must take into account the specific needs of girls and women in order to facilitate their labour market entry.

Research on continuing training systems in Maghreb countries (Clément et al., 2005) shows that there are three main issues: underinvestment, problems with access, and a lack of quality. Few enterprises undertake

in-service training for workers (less than 2% of enterprises in Morocco, 1% in Tunisia). In those countries in which enterprises pay a training tax (1% of salaries in Algeria and Tunisia, 1.6% in Morocco), the use of these funds is hampered by excessive bureaucracy, and is not fully in tune with the training needs of enterprises, particularly SMEs. Indeed, SMEs have specific skill needs that are different from those of other employers as a result of the common practice of expecting the small number of employees to multi-task. Hence, workers with multi-skill tasks need to learn more general but core skills in order to develop further on the job, rather than extremely specific skills that can be used only in limited professions such as those traditionally offered by VET programmes. A stronger emphasis on financial incentives and on policies for opening up training opportunities for low-skilled workers and for SMEs is a major policy challenge for all MPCs.

Acquisition of skills in informal employment

As previously mentioned, one major feature of the labour market that is common in the region is the existence of a large informal sector in the economy, in which traditional, low-quality, informal apprenticeship is the dominant form of skill formation for young people. Traditional apprenticeship in the informal sector is the main entry point for dropouts from basic and post-basic education. Personal relations rather than work contracts are predominant in traditional apprenticeships. This type of training can last for long periods of time – between four and eight years – while the apprentice progresses from helper to skilled worker. There is no certification of the competences acquired.

Few countries have placed importance on skills development in the informal sector (Sweet, 2009). Successful examples of government measures to improve the functioning of traditional apprenticeships focus on the introduction of apprenticeship contracts, setting remuneration levels, offering incentives to employers (in terms of exemptions for the payment of social security obligations), setting age requirements, and introducing alternating training in the workplace and specialised training institutions.

Despite the growing importance of informal employment, the development and upgrading of skills among workers in this sector does not yet play a significant role in the policy agenda. Workers finding jobs in the informal sector

come from diverse backgrounds, from young dropouts from basic education to graduates of higher education who have found limited employment opportunities in the formal sector. This calls for appropriate and differentiated policy responses, including the development of appropriate mechanisms for the recognition of skills development through the validation of prior learning.

2.4 QUALITY AND RELEVANCE OF EDUCATION REMAIN KEY CHALLENGES FOR EMPLOYABILITY

As emphasised in Section 2.2, the main challenge for education in MPCs is more about quality than quantity. Although there is still a need for the upper secondary and tertiary education systems to be expanded, increasing the quality of primary and secondary education for all children is also an urgent requirement. The 2009 edition of the PISA study (OECD Programme for International Student Evaluation), which assessed the reading performance of 15-year-old school pupils, caused considerable shock in several MPCs, including in Tunisia, where for years there has been an assumption that the quality of the education system and human resources are the country's main assets, and where there is one of the highest levels of investment in education as a proportion of GDP. The study highlighted the serious shortcomings of these countries' education systems, although it also revealed a considerable leap forward in comparison with the previous issue of the survey in 2006 (see **TABLE 2.3**; the smaller the proportion of students who do not reach level 1*, the better the performance).

The results were particularly worrying for Albania, Montenegro, Jordan and Tunisia (**TABLE 2.3**). Out of 65 countries participating in the 2009 PISA study, the overall country rankings from best to worst include Croatia (36), Israel (37), Turkey (41), Montenegro (54), Jordan (55), Tunisia (56) and Albania (60). Level 1 of reading proficiency is the lowest described level for student achievement, and it is notable that half or more of the school children in Albania, Montenegro, Jordan and Tunisia were in this least successful group. The gender gap in reading achievement in favour of girls emerging from the results in 2009 is shared across all countries (although to varying degrees). Although not included in this study, educational quality and early school leaving is also a major problem in Bosnia and Herzegovina.

TABLE 2.3 PISA RESULTS, 2009 & 2006

Country	Percentage of students at level 1* or below on the reading scale							
	2009				2006			
	Total	Boys	Girls	Mean score	Total	Boys	Girls	Mean score
Israel	26.6	34.0	19.2	474	42.0	40.2	43.8	439
Turkey	24.5	33.4	15.0	464	52.1	50.9	53.5	447
Albania	56.6	69.1	43.7	385	NA	NA	NA	NA
Croatia	22.5	31.3	12.6	476	28.6	26.7	30.4	477
Jordan	48.1	61.6	34.2	405	66.4	66.3	66.4	401
Montenegro	49.5	61.5	37.0	408	60.1	57.4	62.9	392
Tunisia	50.1	57.6	43.4	404	72.5	69.5	75.2	380
OECD average	19.0	25.0	12.6	493	21.3	20.4	22.2	492

Notes: See explanation of figures in technical notes in Annex. Level 1 of reading proficiency is the lowest described level for student achievement, thus the lower the score, the more favourable the situation in the country. (*) Less than 407.47 score points in 2009 and less than 420.07 score points in 2006. The other MPCs did not take part in these tests. NA: not available.
Source: OECD.

A similar picture emerges when mathematics and science achievements are measured, as they are in the Trends in International Mathematics and Science Study (TIMSS). In the most recent edition (2007), Egypt, Syria, the occupied

Palestinian territory, Algeria and Morocco scored more than 20% below the sample average of 500 (TABLE 2.4). In fact, none of the MPCs achieved the average level of success that was reached by the other countries in the sample.

TABLE 2.4 AVERAGE ACHIEVEMENT IN MATHEMATICS IN SECONDARY EDUCATION, 2003 & 2007

Country	TIMMS 2003		TIMSS 2007	
	Total	Total	Boys	Girls
Bosnia and Herzegovina	–	456	455	456
Turkey	429	432	432	432
Egypt	406	391	384	397
Jordan	424	427	417	438
Syria	–	395	403	487
Israel	466	463	462	465
Lebanon	433	449	456	443
Occupied Palestinian territory	390	367	349	385
Algeria	–	387	389	384
Morocco	387	381	385	377
Tunisia	410	420	431	410
International average	467	500*	448	453
Top country	605	598	599	599

Notes: The other MPCs did not take part in these tests. (–) The country did not take part in the test in 2003. See technical notes in Annex.
(*) Scale average.
Source: TIMSS International Study Centre.

Aside from international comparisons, available studies show that the internal efficiency of school systems in AMCs is low. According to the Survey of Young people in Egypt (SYPE) (Population Council, 2011), rates of absenteeism, repetition and dropout are high, in part reflecting 'poor learning environments with multiple shifts, poor classroom environments with overcrowding, poor lighting and ventilation, and broken or inadequate classroom furniture'; even in schools where appropriate facilities do exist, they are frequently not used. Conditions are particularly poor in vocational schools and in rural areas.

One factor that has a negative impact on educational attainment and employability in some of the MPCs is language diglossia. This occurs when two or more languages cohabit and compete in the education system from primary schooling to university at different levels of use and social prestige. This is the case in Algeria and Morocco (Maurin and Melonio, 2011, p. 43), and to a lesser extent in Tunisia, with Arabic (both classical and dialect) and French (plus Tamazight in some areas and social groups), and in Israel, for the Arab minority, with Arabic and Hebrew.

2.5 THE NEED FOR SUSTAINED INVESTMENT IN EDUCATION AND TRAINING, WITH MORE FOCUS ON VULNERABLE GROUPS AND QUALITY

As summarised in this chapter, there have been relatively high levels of public expenditure on education in many countries of the region, and as a result of this investment there has been a considerable improvement in access to education. Primary education is almost universal, with the worrying exception of the occupied Palestinian territory and Bosnia and Herzegovina (where it is around 90%). However, more than half of all students drop out of school before the upper secondary level in Syria, Morocco, Egypt and Algeria. Other countries struggle with a 60–75% enrolment rate at this education level (Albania, Turkey, Jordan, Lebanon, the occupied Palestinian territory and Tunisia). The quality of primary and secondary education seems low, a fact that is demonstrated by the PISA and TIMSS results for many of the countries, and this leads to high rates of student dropout and a situation in which irrelevant education does not empower individuals nor prepare them to be active citizens of a democratic society. Increased levels of enrolment and quality in post-compulsory education (including for girls) is a key building block for enhancing the employability of young people and ensuring their future engagement in lifelong learning activities. Universal education at upper secondary level is vital for the better preparation of students for the labour market.

In view of the increasing demographic pressure on the upper secondary and tertiary education levels and the need for further expansion of upper and post-secondary

schooling to address this challenge, VET systems need to grow significantly in size in many of the countries concerned. Except in Bosnia and Herzegovina, Croatia and Montenegro (where two-thirds of students enrol in VET), and in Egypt and Turkey (where half of all students enrol), the proportion of upper secondary education represented by VET stands at 11–12% in the Maghreb countries, at 6% in the occupied Palestinian territory, and at 15–20% in Albania, Jordan and Syria. Upper and post-secondary VET expansion cannot be achieved against the will of students and without improving the attractiveness of VET and the labour market prospects of its graduates. VET can be made more attractive through the development of modernised curricula, enthusiastic teachers and schools/training providers, and strong links with the business world. Thus, it is necessary to enhance and diversify provision at the upper secondary level, particularly through the development of quality VET programmes, in order to provide a valid alternative pathway to general education programmes.

It is crucial that a more diversified offer of VET programmes is provided, including non-formal and adult training courses in accessible and affordable formats, in order to specifically address school dropouts, who generally work in the informal sector (and girls working in agriculture as unpaid family workers), and the NEET group of young people, who generally remain inactive, and need to be activated. Apprenticeships (including informal apprenticeships), which are often outside the formal education system and formal economy, traineeships and other practical training modalities within enterprises and training institutions need to be recognised as valid learning opportunities and upgraded, in order to enhance the employability of young apprentices. One specific issue that requires attention is the lack of gender sensitivity in the VET system. More labour market-related VET programmes must be available for female students, and mixed-gender enrolment across occupations should be actively encouraged by the systems.

It is important to remember that despite all the improvements in education for younger generations, most countries in the region will be unable to reach full literacy for their all citizens. In fact, only Albania, Bosnia and Herzegovina, Croatia, Montenegro and Israel have so far achieved full literacy for their populations aged over 15 years, while relatively large proportions of the populations in Morocco, Egypt, Algeria and Tunisia are illiterate. It is necessary to give special attention to the literacy of young people, in particular in countries with high youth illiteracy rates (21% in Morocco, 15% in Egypt, 8% in Algeria, 6% in Syria) and to the promotion of functional literacy where this is a problem, even among primary school leavers. Widespread national literacy programmes are necessary in order to ensure a rapid eradication of illiteracy among the whole population in some countries (e.g. Morocco).

To summarise, there is still a great need for sustained public investment in education and training in many countries, despite past achievements. Given education levels that are lower than international standards, and the growing needs of increasing young populations, education investment needs to rise, particularly in countries that

have very low levels of spending, such as Albania, Egypt, Lebanon, Turkey, Algeria and Morocco. In future the emphasis of education investment must be on better targeting of vulnerable groups who lag behind the national averages in education (girls, those in rural/ remote areas, poorer individuals/regions, people from ethnic/religious

minorities, etc.) and on improving the quality of education for all at all levels. For example, the difference between the best and worst schools needs to be reduced, mainly by improving the quality of the worst schools rather than decreasing the quality of the best; this will require a targeted investment for the most needy groups in society.

3. LABOUR MARKET TRENDS AND CHALLENGES

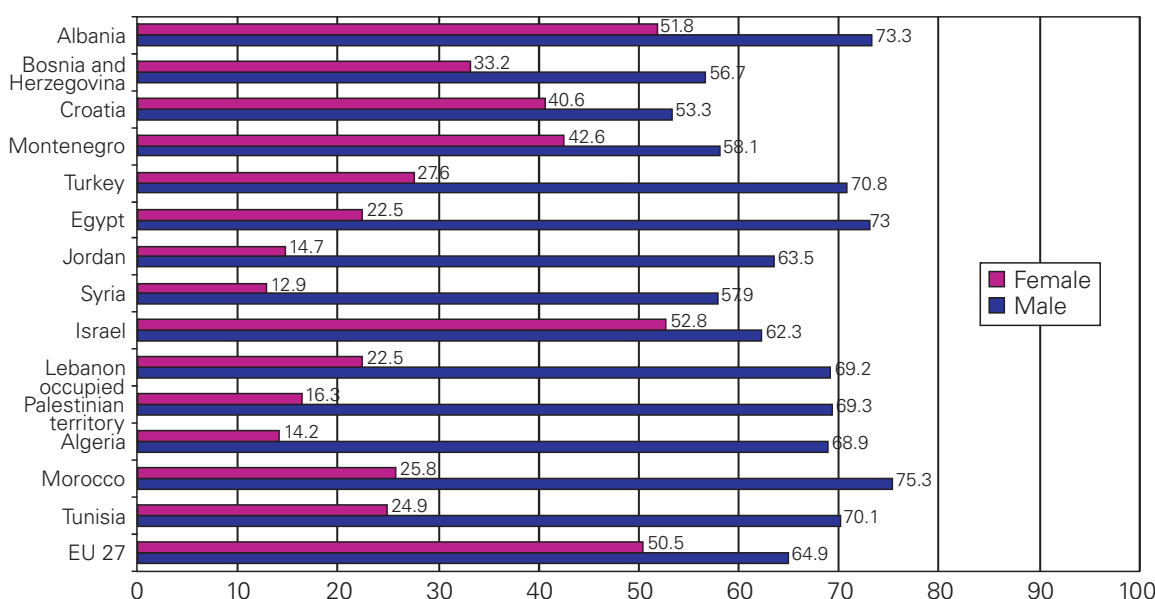
3.1 LOWEST ACTIVITY RATES AND HIGHEST UNEMPLOYMENT IN THE WORLD

Labour markets in the AMCs and Turkey have on average the lowest activity rates in the world, at between 40% and 50%; this is due to the fact that they have lowest female activity rates in the world (an average of less than 25% of working-age women). This activity gap (visible in **FIGURE 3.1**) remains the main factor in gender discrimination in those societies, despite decreasing discrimination in education (see Chapter 2). Although there is a long-term trend towards a very slow but sustained increase in female activity in most of the countries of the region (around half a percentage point per year on average in AMCs), over the past few years it has regressed in Morocco, Egypt, Syria, Turkey and Jordan. This is mainly due to fluctuations in the proportion of agricultural employment in the countries where it is still very significant; such employment has a decreasing trend overall, though increases are evident in times of economic crisis. The economic crisis has also had a negative impact on female activity rates, as female employment in the private sector is more precarious than male employment, particularly in the manufacturing sector, which is being hit particularly hard by the global economic situation.

Female activity rates in the Western Balkans are significantly higher than in the AMCs and Turkey, at between 40% and 50%, though they are still lower than the EU average. In the case of Bosnia and Herzegovina, female activity rates are closer to those in the AMCs than to EU standards (**FIGURE 3.1**). Indeed, in many respects the labour market in Bosnia and Herzegovina, with its low activity rates and an unemployment rate of 29.9% (up to 57.5% for young people) is more similar to those in the AMCs than to the labour markets of its neighbours (see Section 3.3).

Despite the low rates of participation in the labour market in AMCs, unemployment rates are comparatively high and have remained at high levels over the past 10 years, in particular for women and young people (**TABLE 3.3**). According to the latest available figures the total number of unemployed individuals exceeds 12.3 million in MPCs, and is likely to have increased in the last two years as a result of the slowdown in economic activity as described before. For example, the unemployment rate in Tunisia increased from 13% in 2010 to 18% in 2011, and in Egypt from 9% in 2010 to 12% in 2011. Together, the low activity rates and high unemployment levels have led to an extremely low level of total employment: on average, less than one in three people have a job in those countries (**TABLE 3.1**). This imposes a major constraint on economic development, but also represents a de facto exclusion from the labour market of two large groups in society, namely women and young people.

FIGURE 3.1 ACTIVITY RATES (15+) BY GENDER, 2010 (%)



Notes: Albania, occupied Palestinian territory and Morocco: 2009; Egypt, Israel and Tunisia: 2011. Age group for Albania and occupied Palestinian territory: 15–64 years.

Sources: National statistical offices, LFS databases and publications.

TABLE 3.1 LABOUR MARKET OVERVIEW

Country	Year	Total population	Working age population (15+)	Labour force (15+)	Employed (15+)	Unemployed (15+)	Activity rate (15+)	Employment rate (15–64)	Unemployment rate (15–64)
				(million)					
Albania	2009	3.19	2.05 ⁽¹⁾	1.29 ⁽¹⁾	1.12 ⁽¹⁾	1.69 ⁽¹⁾	61.9 ⁽¹⁾	53.4	13.8
Bosnia and Herzegovina	2010	3.13	2.60	1.16	0.84	0.32	44.6	39	27.7
Croatia	2010	4.40 ⁽²⁾	3.75	1.75	1.54	0.21	46.6	54	12.1
Montenegro	2010	0.65	0.52	0.26	0.21	0.05	50.1	47.6	19.8
Turkey	2010	71.35 ⁽²⁾	52.54	25.64	22.59	3.15	48.8	46.3	12.1
Egypt	2011	76.89 ⁽²⁾	52.64 ⁽³⁾	27.51 ⁽³⁾	25.10 ⁽³⁾	2.41 ⁽³⁾	48.1	44.5 ⁽³⁾	12 ⁽³⁾
Jordan	2010	6.11	3.83	2.51 ⁽³⁾	1.32 ⁽³⁾	1.19 ⁽³⁾	39.5	36.5 ⁽³⁾	12.7 ⁽³⁾
Syria	2010	20.52 ⁽²⁾	12.95	5.53	5.05	0.48	42.7	39.02 ⁽⁵⁾	8.8
Israel	2011 ⁽⁴⁾	8.14 ⁽²⁾	5.57	3.20	3.02	0.18	57.4	54.3 ⁽⁵⁾	5.5 ⁽⁵⁾
Lebanon	2007	3.76	2.83	1.28	1.10	0.18	45.2	42.7	13.8
Occupied Palestinian territory	2009	4.15 ⁽⁶⁾	2.38	0.98	0.68	0.23	41.1	26.62 (07)	23.5 ⁽⁵⁾
Algeria	2010	35.46 ⁽⁸⁾	24.2*	10.81	9.74	1.07	41.7	37.6 ⁽⁵⁾	10.0 ⁽⁶⁾
Morocco	2009	31.51	22.68	11.31	10.28	1.03	49.9	48.0 ⁽⁷⁾	9.6 ⁽⁷⁾
Tunisia	2011	10.54 ⁽⁸⁾	7.68	3.59	3.09	0.51	47.2 ⁽⁵⁾	44.3 ⁽⁵⁾	18.3 ⁽⁵⁾
EU-27	2010	493.72	416.49	239.31	216.41	22.90	57.5	64.1	9.7

Sources: National statistical offices, LFS databases and publications; EU-27: Eurostat. Albanian population by labour market status: 2008; (1) 15–64; (2) ETF estimate from UNDP population data; (3) ETF calculation based on national data; (4) Second quarter; (5) 15+; (6) 16–59; (7) 15–59; (8) World Bank Development Indicators; (*) Estimate from UNESA.

3.2 INFORMALITY AND SEGMENTATION DEFINE LABOUR MARKETS IN ARAB MEDITERRANEAN COUNTRIES

Agriculture is traditionally a low-productivity sector (compare its share of employment with its share of GDP value-added in **TABLE 3.2**) with a high proportion of unpaid female family workers (who make up about 40% of female workers in Turkey and Morocco). It remains a key sector of employment in four of the MPCs: Albania (44.1% of total employment), Morocco (39.3%), Egypt (29.6%) and Turkey (25.2%). In Syria, the proportion fell from 26.2% in 2003 to 14.3% in 2009–10. In these countries, fluctuations of agricultural production still explain year-on-year variations of activity rates, in

particular for women, and agricultural employment conceals a high degree of underemployment and open unemployment. The predictable reduction of agricultural employment as agricultural productivity increases in these countries, particularly in Albania, Egypt, Turkey and Morocco, and to a lesser extent in Tunisia and Bosnia and Herzegovina, will increase the pressure on the labour market and require that additional jobs are created as urbanisation progresses.

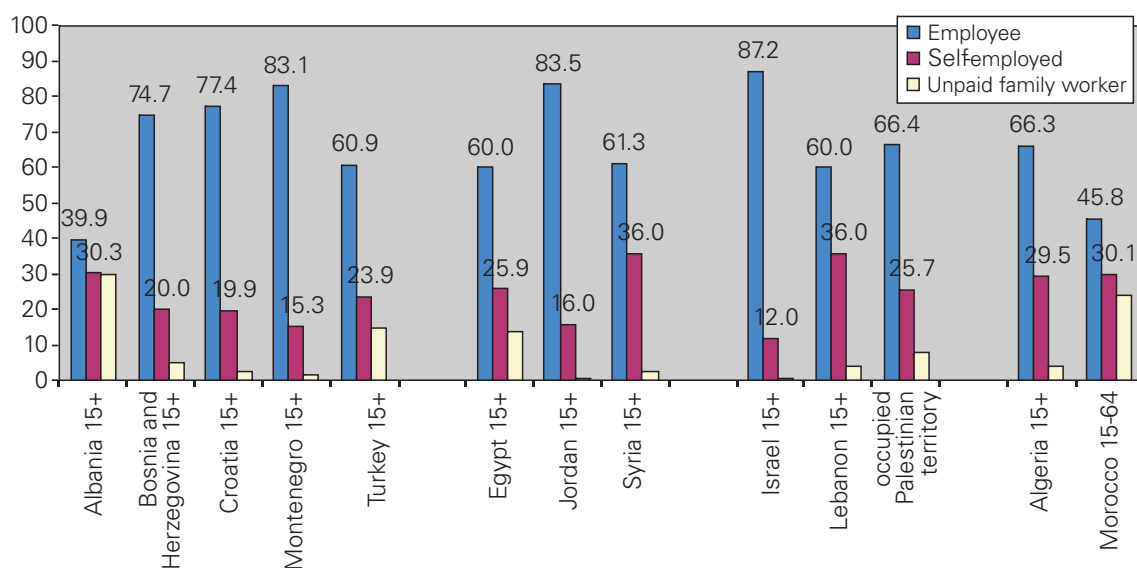
Self-employment is an important source of activity in AMCs, amounting to around 30% of total employment on average (Gatti et al., 2011) and representing one main driver of job creation in the current economic contexts of these countries. As seen in **FIGURE 3.2**, the proportion of total employment accounted for by self-employment is particularly high in Lebanon and Syria (36.0%), Morocco (31.1%) and Algeria (29.5%).

TABLE 3.2 EMPLOYMENT BY SECTOR AND SECTORAL VALUE-ADDED AS A SHARE OF GDP, 2009–10 (%)

Country	Agriculture		Industry, including construction			Services	
	Employment	GDP	Employment	Manufacturing industry/GDP	Non-manufacturing industry/GDP	Employment	GDP
Albania	44.1	20	19.9	12	8	36.0	60
Bosnia and Herzegovina	19.7	8	31.0	13	16	49.3	63
Croatia	14.9	7	27.3	17	11	57.8	65
Montenegro	6.7	10	20.3	6	14	73.0	70
Turkey	25.2	10	26.2	17	11	48.6	62
Egypt	29.6	10	25.5	14	15	44.7	61
Jordan	2.0	3	18.7	19	12	79.2	66
Syria	14.3	21	32.7	13	21	53.0	45
Israel	1.6	3	20.4	22	10	78.0	65
Lebanon	7.0	5	20.0	8	8	73.0	79
Occupied Palestinian territory	11.8	NA	24.6	NA	NA	63.6	NA
Algeria	11.7	12	33.1	6	49	55.2	33
Morocco	39.3	15	22.4	16	13	38.2	56
Tunisia	18.3	7	32.2	15	12	48.5	66

Note: Non-manufacturing industry comprises value-added in mining, construction, electricity, water and gas. See explanations in technical notes in Annex (e.g. industry includes construction). NA: not available.

Sources: Shares of employment: national statistical offices (population aged 15+, latest available year between 2009 and 2010); GDP value-added shares: World Bank Indicators Data Catalog.

FIGURE 3.2 PROPORTION OF EMPLOYMENT BY WORK STATUS, 2010–11 (%)

No available data for Tunisia.

Source: National statistical offices, LFS – 2008 for Algeria and Egypt, 2009 for Lebanon and Morocco.

Nevertheless, in many countries the most common work status is wage employment, this being particularly high in Israel, Montenegro, Croatia, Bosnia and Herzegovina and Jordan. Conversely, wage employment is only 40% in Albania and 46% in Morocco, while unpaid family work is relatively common in Albania, Morocco, Turkey and Egypt. Finally, in some of the MPCs the state is the main provider of employment (between 30% and 40% in Algeria, Jordan, Egypt, Syria, Croatia and Montenegro, and close to 50% in the occupied Palestinian territory).

Another defining feature of AMC labour markets is the prevalence of informal employment, with its high level of precariousness, long working hours, low incomes (or even no earnings for unpaid family workers, who are mostly female), lack of social protection (according to Gatti et al. (2011), 67% of workers in MPCs do not contribute to or benefit from social security) and ultimately a devalorisation of human capital. Informality hampers the human capital development of this generation, since informal first employment translates into fewer opportunities for better jobs in the future (Middle East Youth Initiative, 2009, p. 10). Furthermore, the likelihood of informal employment, which is increasing throughout the region, discourages young people from investing in education, and return to education in the informal sector is particularly low. The reach of informal employment is by definition very difficult to measure, but it amounts to between 45% and 55% of non-agricultural employment in AMCs (European Commission, 2010a) and to 43.3% in Turkey for those not registered with any social security institution. Informal employment is also widespread in Albania (42%; Ekonomi and Filipi, 2008) and Bosnia and Herzegovina (33.6%; national LFS).

Evidence shows that informal employment is expanding as a consequence of the economic crisis and labour market mismatches (although such employment has decreased in Bosnia and Herzegovina by eight percentage points since 2003). This reflects increasing levels of exclusion from the labour market, as self-employment and informality are usually not a voluntary choice for AMC workers, but an involuntary survival strategy in response to the lack of decent job opportunities and the economic environment for SMEs and micro-enterprises.

Rates of informality are highest among the 15–24 age group, and among workers with only primary or basic education (Gatti et al., 2011). Informal employment is a major factor affecting employability, as qualifications stagnate or deteriorate, and the young people concerned become permanently disconnected from the formal labour market and the prospect of finding a decent job. High relative tax burdens on companies (particularly in Morocco and Tunisia) and rigid labour market regulations (especially in Egypt, Lebanon, Morocco, Turkey and Syria) are factors that are often mentioned to explain these high levels of informality.

Finally, segmentation of labour markets along gender, education, public/private and formal/informal lines is

prevalent in AMCs, but is also an issue in some enlargement countries. The insider/outsider dynamics tend to prevail (for Algeria, see Musette, 2011; for Syria, see ETF, 2011b; for Turkey, see Majcher-Teleon and Bardak, 2011), in particular in terms of job opportunities and wage formation. These dynamics are reinforced by the relative rigidity of labour market regulations and the relatively high level of social security contributions of employers. According to the OECD Employment Protection Legislation (EPL) Index, in 2004 Turkey (together with Portugal) had the strictest EPL of all 28 OECD members, with an overall rating of 3.5 out of 6 (Majcher-Teleon and Bardak, 2011, p. 45)⁴.

Labour regulations in the formal sector in AMCs are equivalent to those in developed OECD countries in terms of such elements as hiring and firing rigidity, working hours and benefits, and social contributions on wages are high (an average of 23% of wages). Hence, labour regulations tend to impose a high degree of rigidity and costs but provide a low level of protection for the majority of workers as a result of very poor implementation (European Commission, 2010a, pp. 38–40); this effectively discourages formal employment and labour insertion of newcomers to the labour market, particularly women and young people. This is an acute problem in Morocco, Syria, Algeria and Tunisia in particular, but also in the occupied Palestinian territory and Egypt. Policy debates on labour market regulation should take this problematic issue into consideration. The implication of this situation, combined with the high number of unemployed people and informal sector workers, is that wages are not linked to productivity and indeed that wage policy (including minimum-wage setting) is not an adequate tool for promoting job creation in the current context. In any case, this segmentation has far-reaching consequences in the context of political transition with rising social and labour demands.

3.3 WOMEN AND YOUNG PEOPLE LARGELY EXCLUDED FROM THE LABOUR MARKET

As previously described, both unemployment and informal employment have expanded in recent years throughout the AMCs, and are positively correlated (Bouklia-Hassane and Talahite, 2010; Gatti et al., 2011). In particular, the instability caused by the revolutions in Egypt and Tunisia have resulted in a rapid increase in official unemployment rates (in Egypt, from 9% in 2010 Q4 to 12% in 2011 Q1 immediately following the revolution; and in Tunisia, from 13% in 2010 to 19% in September 2011). Some drastic reductions in official unemployment figures, for example the rates for Algeria since 2002, are widely attributed to changes in statistical methods (for instance, young people who are benefiting from ALMPs being classified as employed).

⁴ The OECD Employment Protection Legislation (EPL) Index is a combination of indicators that assess the strictness (or external numerical flexibility) of dismissals for workers on permanent and temporary (fixed-term) contracts and collective dismissals in labour laws. The summary indicator ranges from 0 to 6 and increases with the strictness of EPL.

TABLE 3.3 shows the trends in the total unemployment rate, female activity rate and female unemployment rate for each country from 2000 to the latest available year (2009–11). With the exception of Croatia, Montenegro and Israel, who managed to substantially reduce their total unemployment rates, all the countries maintained similar or slightly increasing rates. In relation to the Western Balkans, the information in **TABLE 3.3** reflects the sustained improvement in labour market conditions that has taken place since 2005, this being mainly explained by increased stability and economic growth. In Albania the fall from 18.0% to 13.8% is explained by the distribution of public lands, since beneficiaries are classified as self-employed.

However, unemployment rates in AMCs should be analysed in conjunction with the extremely low activity rates in these countries: their significance is not the same as in EU or Western Balkan countries, where activity rates are higher. With this caveat, unemployment rates in AMCs are significant because they clearly show the obstacles to labour market insertion of two specific groups: young people (aged 15–30) and women. Both youth unemployment (Chapter 5 is specifically focused on this phenomenon) and female unemployment are consistently two-fold higher than general unemployment or male unemployment, highlighting once again the dualistic structure of the labour markets in AMCs. In addition, there are often disparities in unemployment

TABLE 3.3 TOTAL UNEMPLOYMENT, FEMALE ACTIVITY AND FEMALE UNEMPLOYMENT RATES (%)

Country		Unemployment rates (15–64)			Female activity rates (15+)			Female unemployment rates (15–64)		
		2000	2005	Latest available year	2000	2005	Latest available year	2000	2005	Latest available year
Albania	2009	16.8	14.1	13.8	49.3 ⁽¹⁾	44.1 ⁽¹⁾	51.8 ⁽¹⁾	19.3	17.2	15.9
Bosnia and Herzegovina	2010	NA	31.8 (06)	27.7	NA	31.0 (06)	33.2	NA	35.7 (06)	30.4
Croatia	2010	NA	28.9 (06)	12.1	NA	42.8 (06)	40.6	NA	13.2 (06)	12.2
Montenegro	2010	NA	30.3	19.8	NA	NA	42.6	NA	35.5	20.7
Turkey	2010	6.7	10.9	12.1	26.6	23.3	27.6	6.5	11.5	13.3
Egypt	2011	11.01 (03)	11.2	12 ⁽²⁾	19.57 (03)	22.6	22.5	23.3 (03)	25.1	24.6 ⁽²⁾
Jordan	2010	13.8 ⁽²⁾	15.5 ⁽²⁾	12.7 ⁽²⁾	12.3	11.7	14.7	21.2 ⁽²⁾	25.7 ⁽²⁾	21.8 ⁽²⁾
Syria	2010	NA	8.3 (06)	8.8	NA	14.9 (06)	12.9	NA	23.9 (06)	22.1
Israel	2011	10.7 ⁽³⁾ (03)	9.0 ⁽³⁾	5.5 ⁽³⁾	49.1 (03)	50.0	52.8	11.3 ⁽³⁾ (03)	9.5 ⁽³⁾	5.4 ⁽³⁾
Lebanon	2007	NA	NA	42.7	NA	NA	22.5	NA		17.7
Occupied Palestinian territory	2009	14.5	23.8	24.7	13.5	14.1	16.3	12.6	22.5	26.6
Algeria	2010	NA	12.3 ⁽⁴⁾ (06)	10.0 ⁽⁴⁾	NA	NA	14.2	NA	NA	19.1 ⁽⁴⁾
Morocco ⁽⁵⁾	2009	13.2 (01)	10.7	9.6	28 (01)	27.9	25.8	13.1 (01)	12.2	10.0
Tunisia ⁽³⁾	2011	16.0	12.9	18.3	NA	23.6	24.9	17.0	15.2	27.4
EU-27	2010	9.4	9.0	9.7	47.9	49.2	50.5	10.7	9.8	9.7

Notes: Israel: second quarter; Egypt latest available year: ETF calculation based on national data; (1) 15–64; (2) ETF calculation based on national data; (3) 15+; (4) 16–59; (5) 15–59; NA: not available.

Sources: National statistical offices, LFS databases and publications; EU-27: Eurostat online database.

rates between regions within the same country. In a context in which educational attainment has increased sustainably, this underlines the weak links between the education and training system and the labour market, and the major difficulties in the transition from school to work.

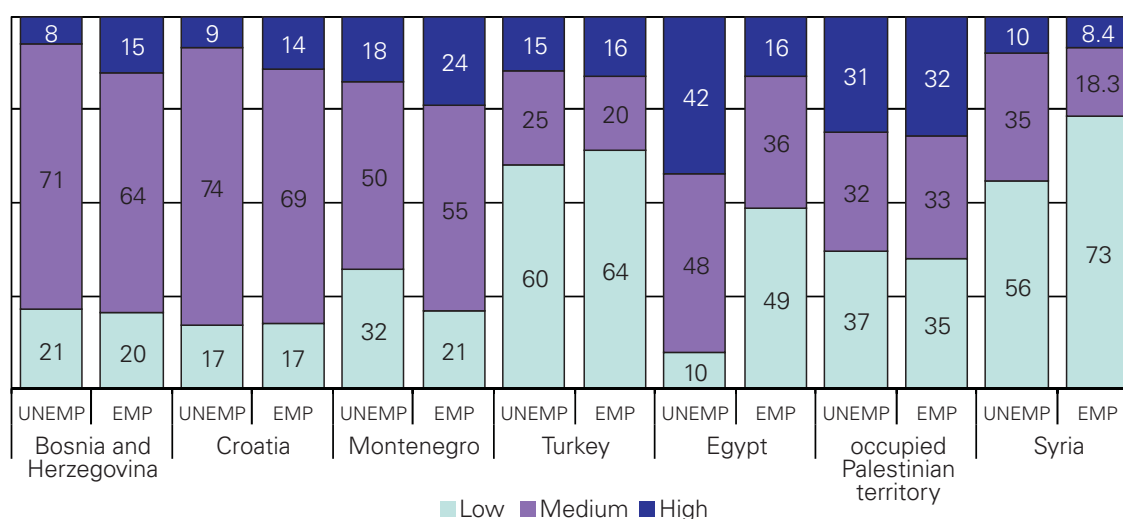
There are important variations in the impact of the crisis in terms of its gender pattern: whereas in countries such as Croatia and Israel the crisis has hit male employment harder, in countries such as Morocco and Tunisia it has mainly affected female workers (more of whom work in the textile-related sectors that have been most affected by the crisis), reinforcing their exclusion.

The exclusion from the labour market of women and young people is reinforced by another specificity of AMC labour markets, namely the inverse correlation between educational attainment and labour market performance. Indeed, unemployment rates increase with the level of education, in particular for women and for female university graduates (and, in Egypt, also for female

workers with secondary education) (European Commission, 2010a, p. 44). This is shown in **FIGURE 3.3**, where for Egypt and Syria the proportion of the employed population with university and secondary education is lower than the proportion of the unemployed population with the same level of education. This inverse correlation points to a major waste of investment in education and a negative economic return on education.

Tunisia is another country in which unemployment rates are increasing with the education level. As seen in **TABLE 3.4**, the unemployment rates for those with secondary and higher education have been rising steadily since 2005. The unemployment rate for secondary graduates increased from 13% in 2005 to 21% in 2011, and for university graduates from 14% to 29% over the same period. This is obviously linked with the inverse correlation between educational supply and labour market demand, but also to the high expectations of well-educated young people for secure, easy public sector jobs, and to the limited number of skilled jobs created in the private sector.

FIGURE 3.3 UNEMPLOYED AND EMPLOYED POPULATIONS BY EDUCATION LEVEL, 2010 (%)



Notes: See definition of education levels (low, medium and high) in technical notes in Annex. No available data for the remaining MPCs.
Sources: National statistical offices, LFS data.

TABLE 3.4 TOTAL UNEMPLOYMENT RATES BY EDUCATION LEVEL IN TUNISIA (%)

Education level	2005	2007	2009	2010	2011 (May)
No education	6.27	4.43	6.05	5.73	8.02
Primary	14.27	11.48	10.41	9.24	12.42
Secondary	13.33	13.48	14.03	13.70	20.57
Higher education	14.03	18.17	21.91	22.88	29.16
Not specified	2.94	2.22	10.29	12.20	4.44
Total average	12.87	12.39	13.29	13.05	18.33

Source: National Institute of Statistics, LFS May 2011.

4. EMPLOYMENT POLICIES AND MEASURES IMPLEMENTED

Employment policies, which in the past have often been neglected in favour of, or subsidiary to, other economic policies, have taken on a central role in the public policies of AMCs as a consequence of recent revolts and protests. However, this increased level of priority is not yet fully reflected in the institutional setup in terms of policy making, institutional coordination with other relevant policies (such as macroeconomic, trade or fiscal policies), and strengthening of PES. These shortfalls need to be addressed, as employment policies are increasingly playing a key role in governments' responses to social malaise, and are set to become a litmus test for the more socially oriented policies and the smooth transition to democracy. For the first time it can be said that employment policy and development cooperation in the field of employment and employability are at the core of the political and international cooperation agenda (see **BOX 4.1**).

4.1 MAINSTREAMING EMPLOYMENT POLICY INTO THE PUBLIC POLICY INSTITUTIONAL FRAMEWORK

Only eight of the fourteen MPCs have articulated national employment strategies (**TABLE 4.1**); in most cases these have been formulated relatively recently, they focus exclusively on ALMPs, and their implementation is not monitored or regularly assessed against concrete objectives, benchmarks or timescales. For the enlargement countries the EU accession process has been a continuous driver for the development of relatively comprehensive employment strategies, and EU IPA funds have been used to increase the capacity of labour market actors.

National employment strategies should integrate a coherent combination of the following elements:

- job creation policies (investment promotion, business environment, reliable legal frameworks for business) (see Section 1.3);
- labour market regulations;
- an effective lifelong learning system that is responsive to labour market demands;
- ALMPs and job placement and referral systems, including PES with sufficient capacities;
- a social security system that supports vulnerable groups.

Institutional coordination mechanisms across policy sectors (including education policy, economic policy, regional development, industrial policy, fiscal policy and trade policy) are the most important factors for achieving an adequate policy mix that will produce positive results.

One common problem is that contributions from social partners are either weak or lacking altogether, not only in the process of policy design, but also in the monitoring and evaluation of national employment policies, including the vigorous impact assessment of labour market interventions that are implemented. It is important that consultation processes with workers' representatives in MPCs are extended to NGOs and civil society organisations working with vulnerable groups and the informal sector. In fact, as a result of low rates of unionisation and long-standing obstacles to free trade unions, the large trade unions tend to represent only formal male workers, and often only those working in the public sector, i.e. the 'insiders' of the system. Informal workers, women and young workers are largely excluded from their structures. Following the changes brought about by the Arab Spring, newly emerging trade unions and social dialogue mechanisms in a number of countries have the potential to significantly strengthen employment policies.

BOX 4.1 THE EMPLOYMENT POLICY RESPONSE TO THE ARAB SPRING

Wages, employment and ALMPs have been at the core of the governments' responses to the Arab Spring protests, and there is a sense of urgency on the part of governments in the region to adopt new measures and policies in this field; they are also pressing international donors to become more actively involved.

The measures taken include:

- Wages in public administration have been increased in several countries (Morocco, Algeria).
- The minimum wage has been increased (Algeria, Morocco, Tunisia and Lebanon – from EUR 243 to EUR 340 a month – and discussions are on-going to establish a minimum wage in Egypt), and many private employers have also granted substantial wage increases to their workers as a consequence of labour pressures.
- Several governments have recruited a number of new unemployed graduates into the public services (in Morocco 1 880 jobs in public administration have been reserved for them; in Tunisia 20 000 new public service posts have been created and 10 000 three-month traineeships introduced for young graduates in public administration; in Syria on 20 March 2011 it was announced that 63 000 new posts in public administration were being created; in Algeria there were plans to hire 60 000 new civil servants in 2011) and 700 000 posts have been created in Egypt for young people.
- ALMPs have been expanded in terms of their coverage and beneficiaries, eligible periods and subsidies. In Algeria the private sector was asked to recruit 150 000 young workers in 2011 through *contrats de travail aidé*, with their wages being subsidised to the level of two-thirds of the minimum wage per month. These joined the 473 800 individuals who, in 2011, were already benefitting from the *dispositif d'aide à l'insertion professionnelle*, almost twice as many as in 2010 (the total budgeted cost for 2011 amounted to EUR 1.3 billion, and for 2012 there is an allocation of EUR 1.8 (1.3% of GDP).
- In Tunisia the Amal Programme has been launched (see **BOX 5.2**), and in Egypt an EGP 1 billion Fund for Employability and Training for 2011 has been implemented to train young people in soft skills, allocating them a monthly pay of half the minimum wage for six months.
- Several governments in the region have launched far-reaching public works programmes (Tunisia, Egypt and Algeria).

However, it should be noted that these measures are expensive, their impact on employability is not clear, and they tend to benefit those who already have a formal job rather than to integrate new workers into the labour market, thus exacerbating the insider/outsider problem.

International cooperation response in the field of employment

International cooperation partners have been quick to react to the new context brought about by the Egyptian and Tunisian revolutions and the wave of reforms in the region, with the new priorities they are creating.

- In Tunisia the World Bank, the African Development Bank, the Agence française de développement (AFD) and the EU have teamed up to coordinate their aid along four axes: Training and Employment, Financial Sector, Social and Regional Rebalancing and Governance. The EU has committed (September 2011):
 - a EUR 100 million grant package to support the Tunisian government to accelerate economic growth by supporting various government stimulus programmes (accompanying loans of USD 500 million from the World Bank, USD 500 million from the African Development Bank and EUR 185 million from the AFD);
 - a EUR 20 million programme to support poorer regions and high-labour-intensity investment programmes;
 - an Employment and Social Protection Programme of up to EUR 60 million to be launched in 2012, which will be added to the EUR 65 million vocational training and employability for graduates programme launched in 2011, basically to support the Amal Programme.
- The European Investment Bank has also doubled the amount of loans it intends to allocate to Tunisia.
- In Egypt a EUR 105 million VET and general education programme is being identified by the ETF for the EU Delegation as a follow-up to the EU TVET Reform Programme (EUR 33 million for the period 2005–12). A new EUR 22 million programme aimed at improving living conditions for poor people and stimulating job creation in rural areas by supporting the development of agricultural SMEs has also been approved.
- In Algeria a new EU fund of EUR 23.5 million for the Youth Employment Support Project is being formulated, on top of the EUR 13 million Employment Sector Support Project that was launched in 2011.

TABLE 4.1 NATIONAL EMPLOYMENT STRATEGIES IN THE MEDITERRANEAN PARTNER COUNTRIES

Country	Name	Year of adoption	Main objectives and elements
Bosnia and Herzegovina	Employment Strategy 2010–14	2010	Reduce youth unemployment from 47% to 30% by 2015 through ALMPs.
Croatia	National Employment Promotion Plan 2010–11 Joint Assessment Paper of Employment Policy Priorities	2010	Challenges: low employment rates, high youth unemployment, skills mismatch, labour market segmentation and regional disparities, but no quantitative objective set.
Montenegro	National Youth Action Plan 2007–12 National Action Plan for Employment and Human Resources Development 2010–11 National Strategy for Employment and Human Resources Development 2012–15	2007 2010 2011	Challenges: low employment and high unemployment rates, low female activity rate, skills mismatch, the need to target women, young people and long-term unemployed individuals. The priorities include increasing employment and reducing unemployment, improving the knowledge, skills and competences of the workforce and young people, and promoting social inclusion and reducing poverty in the whole of society.
Turkey	National Employment Strategy (draft not circulated yet) 9 th National Development Plan 2007–13	Not yet adopted	A working group was established in 2010. A very controversial proposal put forward in July 2011 was to drastically reduce severance payments. The national development plan covers employment as a priority axis, though it appears rather like a 'wish list'.
Egypt	Egypt Youth Employment National Action Plan 2010–15	Draft prepared 2006, yet to be approved	Reducing youth unemployment for the 15–30 age group (from 23% in 2006 to 15% by 2015), creating 3.1 million jobs (620 000 jobs annually) between 2010 and 2015.
Jordan	National Strategy for Employment	May 2011	It has 69 recommendations. Main objectives: replacing guest workers with local labour; offering decent jobs and increasing women's participation in the labour market; unifying efforts and programmes designed to generate jobs.
Algeria	Plan for Employment Promotion and Fight Against Unemployment	2008	Seven policy axes. In February 2011 the whole set of ALMPs was reviewed.
Tunisia	Employment Emergency Plan	March 2011	Four main axes: job creation; promotion of entrepreneurship and support to micro-enterprises; protection of existing and threatened jobs in companies or sectors at risk; and employability and activation of unemployed individuals through training – Amal Programme (see Box 5.2).

Source: ETF country fiches.

4.2 WHAT ROLE FOR PUBLIC EMPLOYMENT SERVICES?

A core task of any PES is to place unemployed people into gainful jobs. A wide range of approaches are used by PES to improve job mediation and referral services. Some advanced PES use multi-channelling and service provision for employers. However, some of the more basic approaches, such as group counselling, application training or job fairs, depend on the existence of good relationships between the PES and employers, a database for job-seekers and vacancies, and professional counselling staff. Career guidance and counselling are additional services that are often offered by PES, not only to job-seekers but also to students. However, the effect of career guidance is difficult to measure.

PES in MPCs vary mainly in terms of their capacities, but also in terms of the roles they fulfil. Not all PES administer unemployment benefit schemes: only Bosnia and Herzegovina, Croatia, Montenegro, Turkey and Israel have a functioning unemployment benefit scheme. During the past decade the PES in the enlargement countries have continuously developed their systems for labour market management and service provision, supported by EU technical assistance and mutual learning, and by the transfer of good practices from EU Member States.

PES in MPCs are often underdeveloped, understaffed and under-resourced in relation to the extent and significance of unemployment in those countries (see **TABLE 4.2** on key PES data in the countries), and do not effectively perform their labour market intermediation function. However, social demand for their services is increasing, and they are being called upon to play an increasingly important role in the management of labour markets.

The importance of PES in the management of the labour market varies between countries. A direct comparison of unemployment figures in the LFS for each country and the number of registered unemployed in PES gives an indication of the rate of coverage of these services. In most AMCs, where no unemployment insurance benefits exist, PES' coverage of the labour market is extremely limited. Maghreb countries are an exception, in that PES manage a significant number of ALMPs, attracting a large proportion of the unemployed population. In 2010 in Tunisia, for example, this proportion reached almost 70% of those classified as unemployed in the LFS, compared with less than a third of this group in Morocco. In Jordan, in contrast, employment offices have traditionally been limited to managing work permits for foreign migrant workers.

The rate of coverage for the Mashrek countries and for Turkey and Montenegro typically ranges from 25% to 50% (in 2010: 46% in Turkey, and 56% in Montenegro). However, in the Western Balkan countries it is over 100%; this is explained by the fact that unemployment registration opens up access to other social benefits and that unemployment status and informal labour coexist; in Bosnia and Herzegovina this situation is extreme, as technically only 42% of those who are registered as unemployed are unemployed according to the ILO definition. Another reason for the higher administrative unemployment rate is the survey method used for the LFS; as a result of this, higher administrative rates are also the norm in EU Member States.

In some countries the employment offices have a purely bureaucratic role, that of registering job-seekers and/or contract forms. In some cases the paperwork required for a contract can even become an obstacle to employment or formal job creation; this may occur with the 'contract slips' that are issued by the employment office in the place of residence, which are required for any contract in Egypt, or compulsory registering of any new labour contract in Algeria. The PES in Egypt, Jordan, Syria, Lebanon and the occupied Palestinian territory in particular, and those in Algeria to some extent, need to be strengthened and reactivated in order for them to achieve an appropriate level of service delivery and more efficient services for the large cohorts of unemployed individuals.

The poor levels of service on the part of PES are linked to a number of factors.

- There is a lack of formal job creation, and a low number of job vacancies notified to the PES (and often those received are exclusively for unskilled or low-skilled jobs). Job search and job offers are handled through social networks rather than PES.
- PES have insufficient human resources, and in particular labour counsellors (see **TABLE 4.2**, showing that the number of registered unemployed individuals for each job counsellor often exceeds 1 000). This explains why PES often do not provide career guidance, job counselling or placement services. They often limit themselves to registering unemployed people and managing unemployment benefits where these exist (as in the enlargement countries and Israel).
- There is a lack of integrated labour market information systems, and in particular computerised databases for labour market monitoring (job-seekers, vacancies, skill needs), activation measures and placement services (this is the case in Algeria, Egypt, Jordan and Albania, for instance); in some countries there is a lack even of computers.

TABLE 4.2 KEY DATA ON PUBLIC EMPLOYMENT SERVICES

Country	PES	Number of offices	Front-desk counsellors	Caseload (unemployed individuals per front-desk officer)	Nationwide electronic LMIS
Albania	National Employment Service of Albania (NEA) www.shkp.gov.al	12 regional offices 24 local offices	307 (2009)	1 469	No
Bosnia and Herzegovina	Labour and Employment Agency of Bosnia and Herzegovina www.arz.gov.ba Federation of Bosnia and Herzegovina Employment Institute, Employment Service of Republica Srpska and of Brčko District	National coordination office 152 offices	759 (2006)	1 000	LMIS is available at entity level
Croatia	Croatian Employment Service (CES) www.hzz.hr	Central office 22 regional offices 94 local offices	788 (2010)	370	Yes
Montenegro	Employment Agency of Montenegro (EAM) www.zzzcg.org	Central office 7 employment bureaus 14 local offices	339 (2010)	84	Yes
Turkey	Turkish Employment Organisation (ISKUR) www.iskur.gov.tr	Central office 27 branch directorates 81 local offices (2006) Reduced to a total of 93 offices (2008)	2 749 (2010)	516	Yes
Israel		69 offices	520 (2010)	350	Yes
Algeria	Agence nationale de l'emploi (ANEM) Caisse nationale d'assurance chômage (CNAC)	11 regional centres 165 local offices 13 regional centres 48 provincial centres	350	NA	No
Morocco	Agence nationale de promotion de l'emploi et des compétences (ANAPEC) www.anapec.org	74 local and regional offices (2010) 300 self-employment points	400	750	Yes
Tunisia	Agence nationale pour l'emploi et le travail indépendant (ANETI) www.emploi.nat.tn	91 (2010)	1 164	600	Yes

LMIS: labour market information system.

Sources: ETF data, based on information obtained from the PES and from the Centre of Public Employment Services of Southeast European Countries (Cpessec), Statistical Bulletins Nos 1–3; and World Association of Public Employment Services, data from 2008 member survey.

Another common problem for PES in the AMCs is the lack of specific qualifications of job counsellors. There is a clear mismatch in terms of the gender profile of job counsellors: whereas a large proportion of the unemployed population are female, the vast majority of job counsellors are male, and no attention is given to gender-specific labour market obstacles (reflecting the social and cultural bias against female work) that create a further barrier to the insertion of women into the labour market. PES should develop gender-sensitive services to ensure the inclusion of females in their services and to support disadvantaged women.

Only Algeria among the AMCs has an unemployment insurance scheme for those who have lost their employment in the formal sector, but this covers only a tiny number of beneficiaries, and is managed by a specific institution, CNAC, and not by the PES. Egypt also has a scheme, though it exists only on paper, and has almost no coverage; Morocco has been considering the establishment of an insurance scheme since 2004.

4.3 ACTIVE LABOUR MARKET POLICIES NEED BETTER TARGETING AND RESULTS

ALMPs play a key role in improving the employability of the workforce, mainly the unemployed population, thus contributing to more flexible and inclusive labour markets. Such policies are a way of facilitating labour market access for disadvantaged groups (e.g. long-term unemployed individuals and those with disabilities), though they have also become very important for large groups of labour market participants such as women and young unemployed people. In the context of economic restructuring, and of increasing unemployment, the challenges have actually increased, though it is also clear that ALMPs cannot create jobs.

In the enlargement countries the regular implementation of ALMP measures, although a relatively recent development and still on a limited scale, is continuously expanding. Although these measures are often financed using EU IPA funds, resources are still limited (0.11% of GDP in 2010 in Bosnia and Herzegovina, 0.03% in Albania, 0.06% in Croatia (although this has doubled compared with the figure in 2009), and only 0.003% in Turkey in 2008; in Montenegro these resources amount to 0.3% of GDP in 2010). The number of beneficiaries who participate in ALMPs is still too low for the policies to have a sizeable impact. The activation rate (the percentage of registered unemployed people included in activation measures) is highest in Montenegro, followed by Croatia, and lowest in Albania.

Aside from comprehensive national employment strategies (which are a relatively recent policy instrument in the region), the main employment policy measures in most AMCs have been the implementation of project-based ALMPs. Most ALMPs in Morocco, Algeria and Tunisia are provided publicly (in the latter two countries in a very centralised way through the PES),

while programmes in countries such as Egypt, Jordan and Syria are often provided by civil society bodies, international organisations and line ministries. The resources allocated to ALMPs in AMCs are very substantial, particularly in Maghreb countries where they typically exceed 1% of GDP.

There are many different types of ALMP, but they can generally be classified as:

1. labour market training (comprising various types of measures);
2. hiring incentives such as wage subsidies and social security exemptions;
3. public works;
4. self-employment and entrepreneurship support.

The main objective of labour market training and hiring incentives is to enhance employability, whereas the main objective of self-employment support and start-up schemes is to promote job creation. The job creation effect of public works is rather limited and short-lived. The balance between the different types of ALMP varies between countries, though training and public works are the most common ones.

ALMPs have been given a strong boost in the aftermath of the Arab Spring (see **BOXES 4.1** and **5.3**). Despite this, and the substantial amount of resources they absorb, there is a general lack of information even on their basic features, such as budgets, the number and characteristics of beneficiaries, and dropout rates, and particularly in relation to the follow-up of beneficiaries and evaluation of the policies' effectiveness in terms of job placement rates, impact on duration of unemployment and quality of employment (e.g. average earnings, formality). To date there has been no systematic data collection on ALMPs, whether at national or regional level, although the World Bank has undertaken such a process in 2010. The limited evidence that does exist (European Commission, 2010a, pp. 53–54; Angel-Urdinola et al., 2010; Assessment of the Tunisian ALMPs undertaken in 2009 by the National Consultative Commission on Employment) suggests the following:

- *Proliferation.* There is a multiplicity of schemes, often overlapping, without any coordination between them (and often managed by different institutions), leading to a waste of resources and sometimes to abuses.
- *Targeting.* There is a strong concentration of ALMPs on unemployed male graduates and on urban areas, even if they are not formally targeted. In some cases, such as Turkey, even if policies are targeted deliberately at women and young people, most of the beneficiaries are male. As generally the most qualified applicants among the unemployed population are targeted for programme participation in order to boost effectiveness, this poses an equity problem, and could leave behind the hard-to-place groups who are most vulnerable.
- *Effectiveness.* The impact of ALMPs on the employment prospects of beneficiaries is limited and sometimes even questionable: some programmes have had a negative impact on the job prospects of participants, and traineeships have often taken the

shape of 'waiting jobs' rather than facilitating the labour market insertion of young people.

- **Abuses.** These are widespread in some countries.

However, the most striking shortcoming is the lack of monitoring, evaluation and impact assessment of the measures implemented, in both the employment and training fields. While ALMPs play an increasingly important role, they also have some major shortcomings, and expectations concerning what they can achieve need to be realistic. International experience shows that ALMPs often have little positive impact and certainly do not constitute a panacea for large-scale unemployment (Kuddo, 2009). Proponents of ALMPs argue that they are necessary for specific hard-to-place groups when there is a need to correct specific market failures. They represent an effective instrument for countering social exclusion for at-risk groups and can have a positive impact if well targeted. Opponents of ALMPs tend to dismiss them as a waste of public money; most evaluations indicate that they produce modest or no return in terms of employability and earnings, and there are problems including deadweight costs⁵, substitution effects⁶, displacement effects⁷ and selection bias or 'creaming'⁸ (Betcherman et al., 2004). However, these programmes often address multiple objectives, many of which involve significant trade-offs, so the monitoring and evaluation of ALMPs is an extremely important and complicated task.

The monitoring and evaluation of ALMPs should therefore be a priority, and should serve as a basis for the formulation of new policies and the review of existing programmes. In Tunisia, comprehensive assessment in 2009 showed an excessive dispersal of programmes (their number was reduced from more than forty to just six in a subsequent reform, four of these specifically focused on young people) and a questionable (or even negative) impact on the employability of beneficiaries. An evaluation carried out in Albania in 2010 revealed major abuses in the subsidised employment programmes.

4.4 INTERNATIONAL COOPERATION AND NGO PROGRAMMES LARGELY SUPPLY-DRIVEN

It is important to highlight that international donors and NGOs have traditionally played a significant role in most of the countries in the region. Mainly as a result of the limited public budgets allocated to employment programmes, and to the limited capacities of public institutions, most of the past and current programmes – in particular many of the ALMP measures and projects – were funded by donors, and largely implemented by hired project experts or NGOs. In fact, international donors and

NGOs are currently increasing their interventions in the employment policy field, especially in the provision of ALMPs. This increases the available resources and opens up new opportunities for policy intervention and cooperation, though it also presents problems in terms of alignment and coordination.

A recent review of 75 privately financed and privately provided programmes in AMCs (Angel-Urdinola et al., 2010) concluded that 'benchmarked against international best practices, assessment of the programs covered in the inventory reveals that the majority lack the necessary mix of design features that make programs effective'. Labour market training was by far the most common type of programme, but 70% of the initiatives focused exclusively on hard skills and were provided in the classroom, while 20% offered some kind of practical experience and 14% provided some kind of employment services or labour market intermediation. Self-employment promotion programmes constituted less than 9% of all programmes. In contrast, international evaluations indicate that programmes that are organised with flexible schedules, based on public-private partnerships (i.e. demand-driven), combined with internships and practical experience (in addition to classroom-based training), providing a combination of soft and hard skills, and that monitor and assess the impact of the training, have a significant positive impact on the employment and earning prospects of their participants, especially women (Angel-Urdinola et al., 2010).

There was a lack of monitoring and evaluation of the effectiveness of the programmes: only 10% conducted some type of external evaluation, often without applying rigorous methods. Overall, most programmes were supply driven, i.e. not based on private sector labour and skill needs. Some 81% of the programmes had no explicit targeting mechanism in respect of income, gender or education, which led to a situation in which beneficiaries were mainly educated males (often university graduates) in urban centres; only 5% of the programmes targeted rural areas and only 11% women, and very few target school dropouts/early school leavers. Programmes usually lacked any type of accreditation or certification of the skills acquired: only 10% of programmes provide beneficiaries with any type of recognised credential.

Furthermore, most programmes were characterised by weak coordination with relevant stakeholders, particularly PES and public education and training institutions, although 23% of the programmes conducted their training within formal education facilities. This indicates that the programmes are largely unaligned with national employment and VET policy strategies and objectives. Moreover, training providers often do not coordinate with private sector employers, so the relevance of their programmes for the labour market is far from assured.

5 Programme outcomes contribute nothing that would not have occurred in the absence of the programme. For example, public funds are spent on unemployed individuals who could be hired anyway without subsidies.

6 A worker in a subsidised job is substituted for an unsubsidised worker who would otherwise have been hired. The net employment effect is thus zero.

7 This usually refers to displacement in the product market. A firm with subsidised workers increases output, but displaces the output of firms operating without subsidised workers. This can also occur when individuals are given help to start enterprises that reduce or 'crowd out' regular employment elsewhere in the economy through competition in the goods market.

8 Programme outcomes are influenced by unobservable factors that are usually self-selected by gender, education or individuals on the 'most likely to succeed' basis (the 'creaming' effect).

In conclusion, it appears that current ALMPs provided by international donors and NGOs tend to replicate the features and shortcomings of publicly provided ALMPs (see Section 4.3) rather than making up for them. More specific targeting at vulnerable groups, such as unskilled

and low-skilled individuals, informal workers and females (including through more widespread and persistent gender-equality approaches), and increased alignment and coordination with public employment policies, should be the priorities in this field.

BOX 4.2 HOW TO BOOST THE IMPACT ON EMPLOYABILITY OF PUBLIC WORKS AND LABOUR-INTENSIVE PROGRAMMES

One of the standard employment policy responses in times of crisis is the launching of public works or other labour-intensive investment programmes. These are a quick way to inject financial resources into the economy, create jobs over the short term, and provide income support to vulnerable social groups; they do this throughout the territory, contributing to the construction or maintenance of community infrastructures or the environment. As such, they are a widely used policy tool for tackling poverty and a buffer mechanism in times of crisis. However, their impact on employability has often been neglected in their design. It should be noted that, whereas in OECD countries public works programmes are usually considered to be non-profit schemes, in MPCs they are often used to build transport or irrigation infrastructures and are carried out by contractors and sub-contractors for a profit, but within the framework conditions of the programmes (in terms of labour intensiveness and techniques, type of infrastructure, etc.).

Hence, it is no surprise that public works programmes are high on the list of economic programmes of the new governments in Egypt and Tunisia (with the support of international donors). In Algeria, public investment in infrastructure has become the key instrument of economic policy in successive Economic Recovery Support and Public Investment Programmes approved since 2002 (EUR 212 billion has been allocated for public investment during the period 2010–14 under this programme).

Public works programmes create jobs mainly for unskilled and semi-skilled male workers, and can be oriented to rural as much as to urban areas; to this extent they are more equitable (albeit only for men) than other ALMPs. They also have a higher employment multiplier (1.5 in Egypt, for instance) than other public investments. However, they are not necessarily as labour intensive as their name would indicate (typically, labour costs absorb 25–35% of total investment) and may lead to high investment-per-job ratios. They are by nature short lived, and often do not contribute to enhancing the employability of their participants in the longer term. Hence, the challenge is to find ways to link the short-term strategy of job creation and income support with the longer-term objective of labour force employability.

Enhancing employability through public works programmes

Such programmes could potentially include the following elements:

- making the sub-contracting of public works programmes to private contractors conditional on the inclusion of a training module in the execution of such contracts; ideally, such training modules should lead to experience-based professional certification;
- requiring the preferential hiring of skilled workers with the appropriate vocational training certificates for those jobs or professions for which there are official VET programmes;
- linking public works programmes to existing VET programmes and centres, thus providing students with employment or apprenticeship opportunities;
- launching, as part of these programmes, labour-intensive social services focusing on training and employability enhancement;
- linking public works programmes to SME support programmes.

The Emergency Labour Intensive Investment Project currently being formulated in Egypt undertakes to adopt this innovative approach through the funding of labour-intensive projects and a youth employment component. At the same time, ministry officials and private sector representatives have expressed doubts about the viability of imposing this approach on private contractors because of the additional costs it would involve.

Gender dimension of labour-intensive investment programmes

Another key issue in relation to the promotion of public works programmes as a short-term policy response to the economic crisis is the male orientation of most of the jobs offered (which are often in the construction or community services sector). It is important to ensure that a certain proportion of female workers and gender-oriented projects are included among these labour-intensive programmes.

5. THE CHALLENGE OF YOUTH EMPLOYMENT AND EMPLOYABILITY

The so-called ‘youth bulge’ caused by rapid demographic transition in AMC, Turkey and Albania provides a rough quantification of the challenge of youth employment in these societies: based on the classic definition of ‘youth’, between 18% and 22% of their populations (almost 55 million individuals in total) are between the ages of 15 and 24 years. Given the high unemployment rates among the first labour market entrants, including university graduates, this study includes young people between the ages of 15 and 30 years, the figures for this being between 27% and 31% of these countries’ populations (**FIGURE 5.1**), and this situation will persist for at least the next two decades (see Section 1.2). This means that there were a total of more than 80 million young people in the 15–30 age group in all MPCs in 2010, and there will be almost 100 million in 2020. There are particularly large youth bulges in Egypt (23.4 million) and Turkey (19.5 million).

5.1 YOUTH EMPLOYABILITY CHALLENGES: THE PRESENT IS THE FUTURE

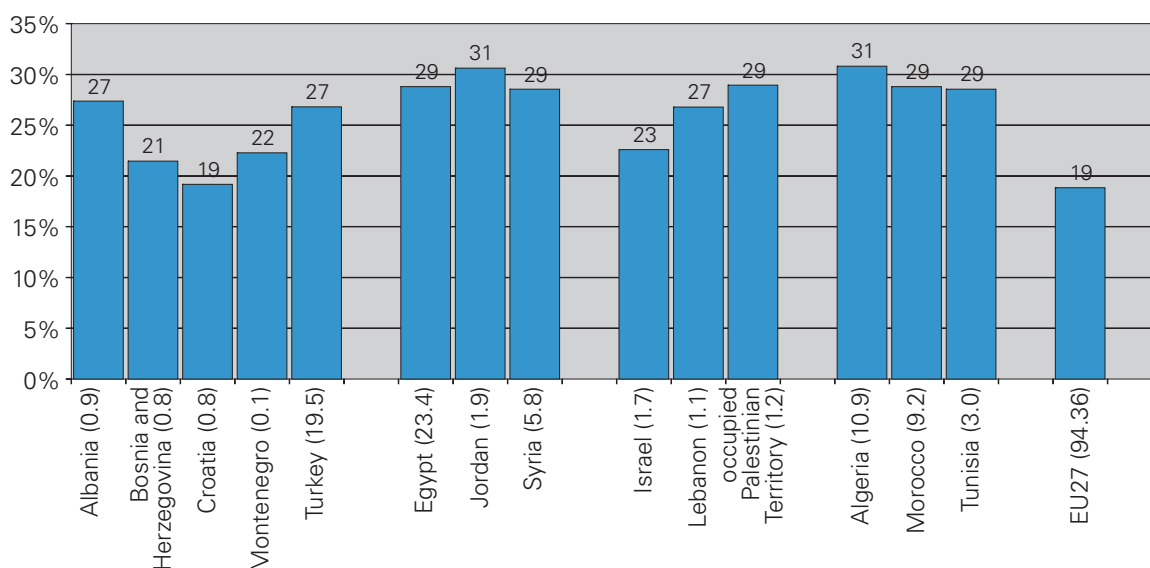
With an average of more than 60% of the population under the age of 30, investment in the education and employability of children and young workers today will

determine the professional profile and adaptability of the labour forces of these countries for the next 30 years. Hence, this is a key factor that will enable countries to develop the high-productivity sectors that they need to create over the coming decades.

According to the ILO (2011a, 2011b), youth labour force participation rates in Middle East and North African countries in 2010 ranged from 35% to 37% (51% for males and 22% for females) compared to a world average of 50%. Similarly, in 2008 40% of young males in this region were employed, compared to 15% of young females. There is clear segmentation in the labour market opportunities for young people: employment opportunities are rare for young men in the region, but almost non-existent for young women, as most employers openly give preference to male job-seekers (Karkkainen, 2010). Other employers do prefer female workers, though the jobs offered are low skilled and low paid, and hence not attractive to the few women who are seeking employment. In short, the employment situation facing young women in the Middle East and North African countries is dire, and can only be made worse as the economic downturn closes the few doors that are open to those who seek to gain income and satisfaction through employment.

Moreover, compared with other regions, the Middle East and North African region has the highest average rate of

FIGURE 5.1 PROPORTION OF THE POPULATION AGED 15–30, 2010 (%)



Note: The figures in brackets are the populations aged 15–30 (million).

Sources: United Nations, Department of Economic and Social Affairs, Population Division, Population estimates (medium variant method); EU-27: Eurostat.

youth unemployment in the world (**FIGURE 5.2**). In addition, youth unemployment rates have shown an outstanding resilience over the past ten years, and have remained close to or above 25%, even in the high-growth period of 2002–07. These rates have even increased in several MPCs (as shown by the trends since 2000 in **TABLE 5.1**). The decline in youth employment is poised to continue if the economic and/or political crises continue in MPCs (see Section 1.3). In general, youth unemployment rates increase to a greater degree than adult unemployment in times of economic shocks, particularly for young women, as young people are the ‘last in’ and ‘first out’ in economic recessions (ILO, 2011a).

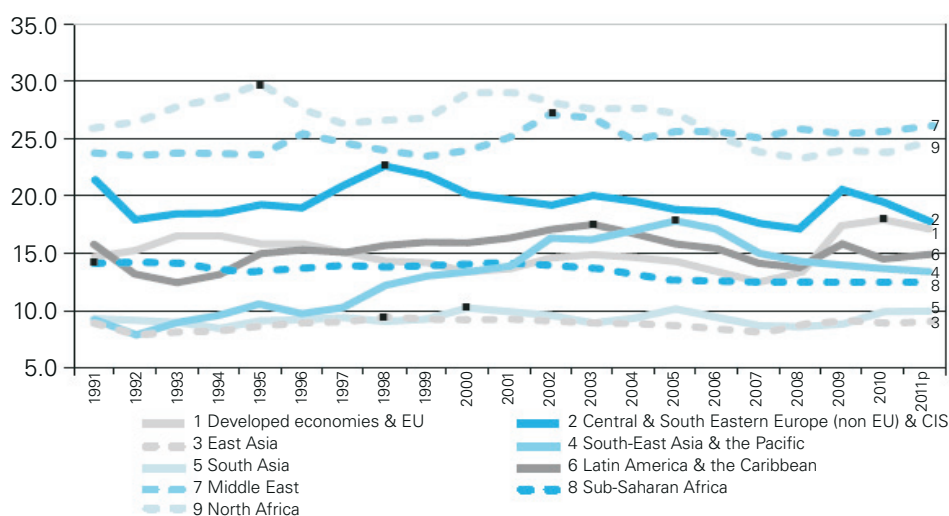
The unemployment rates for young entrants into the labour market are substantially higher – between two and three times higher – than those for older workers (**FIGURE 5.3**). Some of the AMCs, particularly Tunisia (42%), the occupied Palestinian territory (39%), Lebanon (30%), Jordan (28%) and Egypt (26%) have extremely high youth unemployment rates. In the Western Balkans the youth unemployment rates are even higher: a staggering 58% rate in Bosnia and Herzegovina (61% for young women against 55% for young men), 45% in Montenegro, close to 33% in Croatia, and 27% in Albania. The remaining countries have youth unemployment rates that vary between 18% and 25%. It is important to emphasise that youth unemployment disproportionately affects young females: their unemployment rates are more than double the total youth unemployment rates in Egypt, Jordan and Syria, and close to double in the occupied Palestinian territory and Algeria (**TABLE 5.1**). This implies that around two-thirds of young unemployed people in these countries are women, demonstrating an extreme case of female exclusion from the labour market and a failure to make use of a significant proportion of their human capital by the economies concerned. Female unemployment is also slightly higher than male

unemployment in Bosnia and Herzegovina, Croatia, Montenegro and Turkey, though the difference is not as marked as it is in the other countries.

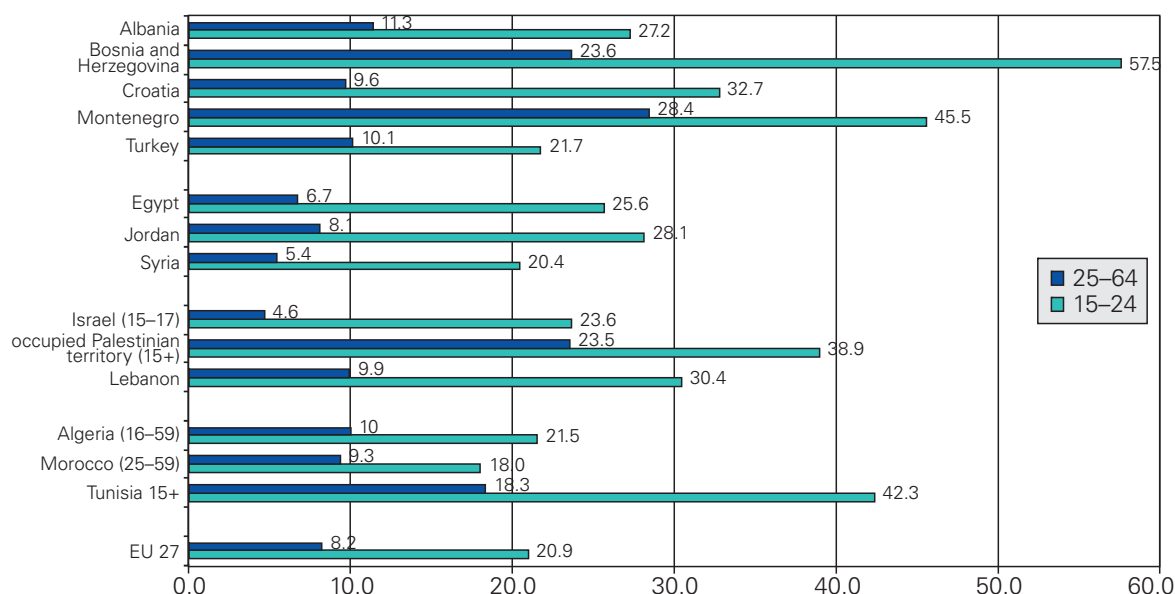
The majority of unemployed people in MPCs (up to 80% in some countries, such as Egypt) are first job-seekers with no previous work experience. As more than half of all unemployed people have been out of work for 12 months or longer, this deprives of any meaning the concept of long-term unemployment. In all MPCs, but particularly in Bosnia and Herzegovina, Montenegro, Croatia, Albania, Tunisia, the occupied Palestinian territory, Lebanon and Jordan, youth unemployment rates are substantially higher than the world average of 12.8% (ILO, 2011b). When controlled for the youth activity rate, which is lower than the world average, the figures for all AMCs and Bosnia and Herzegovina are by far the highest in the world. Thus, it is no exaggeration to state that employment policy in MPCs by definition equates to youth employment policy.

In order to gain a rough approximation of the population aged 15–30 in the region who are active, employed or unemployed, 40% of the activity rate and 25% of the unemployment rate are taken as the regional averages in a simplistic numerical calculation (based on the sources mentioned above and anecdotal evidence). Approximately 32 million young people aged 15–30 in the region are active (either working or unemployed). Of this figure, it is estimated that around 8 million individuals are ‘unemployed’ based on the classic ILO methodology, while around 24 million are employed. Young people are much more likely than adults to engage in unpaid contributing family work, mostly in the agricultural and services sectors (ILO, 2011b). Given the very high number of informal jobs created in these economies (60–80% of new jobs created are in the informal sector) and the close correlation between being young/ first job-seeker and

FIGURE 5.2 YOUTH UNEMPLOYMENT RATES BY REGION, 1991–2011 (%)



Notes: Peak years are marked by black squares; (p) Projection.
Source: ILO, 2011a.

FIGURE 5.3 UNEMPLOYMENT RATES BY AGE GROUP, 2010 (%)

Notes: Albania, occupied Palestinian territory and Morocco: 2009; Egypt, Israel and Tunisia: 2011.
 Sources: National statistical offices, LFS databases and publications.

having an informal job, it is estimated that more than 20 million young people work in informal, poor-quality jobs at subsistence wages and without any prospects for improvement; this is the case not only in AMCs, but also in Albania, Bosnia and Herzegovina and Turkey.

To complete the picture of youth (un- and under-)employment in the region, mention must be made of young people who are not in employment, education or training (NEETs). These individuals are particularly vulnerable to social exclusion. Although no statistics on this rate are systematically collected throughout MPCs, surveys for some countries show that this category might account for more than 40% of the youth population (more than three times the 12.5% average estimated in OECD countries by mid-2010),

i.e. more than 32 million people aged 15–30 across MPCs (World Bank, 2010). In Turkey, for instance, according to the latest LFS, NEETs represent 38% of 15–24-year-olds, most of them girls. Indeed, the difference between the rates in OECD countries and those in MPCs, at least in AMCs and Turkey, is mainly due to early school leaving⁹ and the social norms that restrict mobility and access to work and further education for young girls after they complete compulsory lower secondary education. Thus, the social background of NEETs in MPCs and in OECD countries is very different; the factors involved are mostly involuntary and against the will and abilities of young people in MPCs. Evidence points to NEET rates close to 25% of the young male population in countries such as Jordan, Syria and Egypt, and close to 70% for young women.

⁹ A rough calculation based on enrolment rates for upper secondary and university education indicates that around 40% of individuals aged 15–24 in MPCs are in education. This means that approximately 22 million of the total youth population are in some form of education.

TABLE 5.1 YOUTH (15–24) UNEMPLOYMENT RATES (%)

Country	Latest available year	Total			Female		
		2000	2005	Latest available year	2000	2005	Latest available year
Albania	2009	NA	20.1 (07)	27.2	NA	16.6 (07)	28.3
Bosnia and Herzegovina	2010	NA	62.3 (06)	57.5	NA	65.7 (06)	61.3
Croatia	2010	NA	28.9 (06)	32.7	NA	31.1 (06)	35.1
Montenegro	2010	NA	38.7 (07)	45.5	NA	45.4 (07)	47.1
Turkey	2010	13.1	19.9	21.7	11.9	20.5	23.0
Egypt	2011	35.0 (03)	34.1	25.6	59.8 (03)	62.2	54.2 (10)
Jordan	2010	26.7	31.1	28.1	39.7	50.1	46.8
Syria	2010	NA	18.3 (06)	20.4	NA	46.1 (06)	43.5
Israel	2011	NA	NA	23.6 ⁽¹⁾	NA	NA	23.8 ⁽¹⁾
Lebanon	2007	NA	NA	30.4	NA	NA	21.6
Occupied Palestinian territory	2010	20.6	36.5	38.8	23.1	46.1	46.9
Algeria	2010	NA	24.3 ⁽²⁾ (06)	21.5	NA	NA	34.6 ⁽²⁾ (09)
Morocco	2010	NA	17.0	17.6	NA	14.9	16.1
Tunisia	2011	32.5	28.2	42.3	27.6	27.0	NA
EU-27	2010	18.3	18.6	20.9	19.1	18.7	20.0

Notes: Israel: second quarter; Egypt latest available year: ETF calculation based on national data; (1) 15–17; (2) 16–24; NA: not available.
Sources: National statistical offices, LFS databases and publications; EU-27: Eurostat online database.

This youth employment gap results in a waste of education investment, a devalorisation of (scarce) national human resources and an increased risk of social instability (some social theories point to the correlation between the proportion of unemployed young people in a society and the incidence of political violence). In Egypt, the occupied Palestinian territory, Jordan and Syria this is particularly the case for young female workers, who suffer a double discrimination in terms of insertion into the labour market, with unemployment rates significantly higher than those for young workers overall; this is in a context where three-quarters of working-age women are already out of the labour force (inactive), as underlined in Section 1.2.

As pointed out in the ILO (2011a) report on youth employment, in addition to economic considerations, ‘the collective frustration of a generation of youth that was granted the opportunity to gain an education but not given the same opportunity to gain decent employment was certainly a contributing factor behind mobilising youth in

support of the political protest movements’ in Egypt, Syria and Tunisia. Thus, the youth employment challenge is synthesised as follows: ‘Political pressure to prevent the disheartening of a “lost generation” is likely to increase over the short term and governments may be forced to shift further their priorities’ (ILO, 2011a).

It is sometimes stated that young people in AMCs are overeducated but underskilled in relation to current local labour market needs and labour demand. This reflects a labour market situation in which graduate unemployment is a serious problem (**TABLE 5.2**) and in which private companies identify the lack of skills among workers as a major constraint to business development. However, this says more about the quality of the general education and VET system (see Sections 2.3 and 2.4) than about the intensity of education. As shown in Section 2.2, the coverage of public education systems has increased substantially over the past decades, although the average years of schooling in the adult population (slightly above

TABLE 5.2 UNEMPLOYMENT RATES BY EDUCATION LEVEL AND GENDER, 15+ (%)

Education level		Israel (2009)			Morocco (2009)			Jordan (2010)			Algeria (2010)		
		Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
LOW	No education and pre-primary (ISCED 0)/ Illiterate	14.80	13.86	15.75	2.1	2.5	1.4	7.6	8.6	1.2	1.9	2.7	1.7
	Primary (ISCED 1)	11.79	11.95	11.27	7.8	7.8	7.9	11.5	11.3	14.8	7.6	8.0	7.5
	Lower secondary (ISCED 2)	12.10	11.36	13.77	16.9	16.2	21.4				10.7	12.8	10.5
MEDIUM	Upper secondary (ISCED 3)	9.15	8.70	9.67	18.3	15.4	27.6	8.4	7.7	13.0	8.9	17.2	7.0
	Upper secondary (ISCED 3) general (3A)	9.27	8.92	9.64									
	Upper secondary (ISCED 3) VET (3C)	8.68	8.05	9.82									
HIGH	Intermediate diploma (post-secondary)							15.2	7.9	27.3			
	Tertiary education (ISCED 5)	5.35	5.13	5.54									
	Tertiary education (ISCED 6)	3.81			17.8	13.9	25.2	19.0	11.7	30.9	20.3	33.3	10.4
All levels		7.72	7.73	7.71	9.1	9.0	9.5	12.5	10.4	21.7	10.0	19.1	8.1

Sources: National statistical offices.

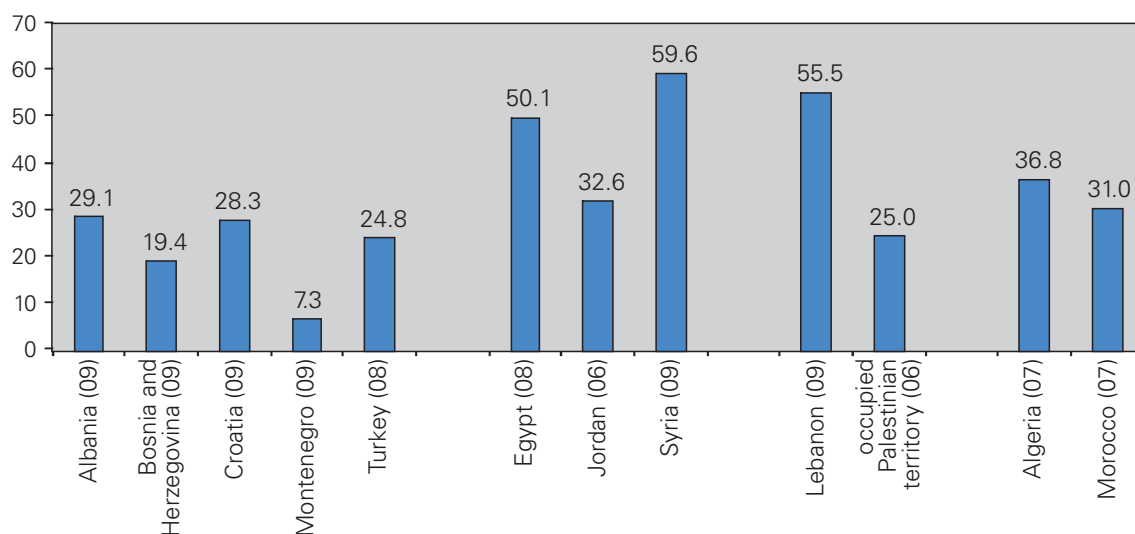
six years in 2000 for AMCs) is still below the average levels in other developing regions (World Bank, 2009b, p. 41). Moreover, the percentage of the labour force with tertiary education is still very low, at an average of 14.9% for AMCs, with some countries, such as Syria (6.1%) and Morocco (8.5%) at much lower levels (European Commission, 2010a, p. 31).

Despite this overall picture of improving education levels in the populations, a unique and particularly worrying feature of unemployment in the AMCs is the increased incidence of unemployment as workers' educational attainment increases. Whereas in most countries (Israel, for example) the probability of finding a job, and hence an individual's employability, increases with education (even if the job does not always correspond to the worker's qualifications), in most AMCs an increased level of education leads to increased unemployment rates (**TABLE 5.2**). This reflects the wide-ranging distortion of AMC labour markets.

So although the main missing link in the employment situation is skilled job creation, it can be argued that employability is also a problem. According to the BEEPS of the World Bank and the European Bank for

Reconstruction and Development, 41.5% of private companies questioned in AMCs indicated that the main obstacle to hiring young people is that the formal schooling system does not provide them with the skills needed for the labour market. Skills mismatches are particularly identified as a constraint to business development in Syria (60% of all firms interviewed), Lebanon (56%) and Egypt (50%) (**FIGURE 5.4**). In contrast, in the enlargement countries the enterprises' perceptions of the labour skills constraints is much lower, at an average of 22% (even lower than the world average of 25%, although in OECD countries the average is 10%). However, a recent World Bank report (2009a) concluded that the shortage of skills is substantial in Bosnia and Herzegovina, Montenegro and Israel, and if left unaddressed it threatens to constrain economic growth in the future.

The situation for young female workers in AMCs, Turkey and Bosnia and Herzegovina, where activity rates for women are already so low as to make unemployment rates meaningless, reveals the discrimination suffered by women in relation to access to employment in those societies. Indeed, participation rates for migrant women from AMCs are double those for young women staying in

FIGURE 5.4 FIRMS THAT IDENTIFY LABOUR SKILL LEVEL AS A MAJOR CONSTRAINT (%)

No available data for Israel and Tunisia.

Sources: World Bank and European Bank for Reconstruction and Development.

the country, indicating that it is the social and economic environment that prevents women from joining the labour market. According to the SYPE (Population Council, 2011), the unemployment rate for females in Egypt (31.7%) is more than double that of males (12.5%); the labour force participation rate among young people aged 15–29 is 13.4% for females compared with 61.4% for males. Female employment is highly concentrated in the public sector (for instance, 50% of female employment in Jordan and 80% of young female employment in Syria is in the public sector), and in the education, health and social sectors, and to a lesser extent manufacturing (in Jordan this accounts for three-quarters of all female employees (Jordanian Economic and Social Council, 2010).

One explanation that is often mentioned for this correlation between educational achievement and unemployment is the preference on the part of students to study for humanities degrees, which traditionally lead to public sector jobs, over science or engineering degrees, which are in greater demand from the private sector (**TABLE 5.3**). However, this only highlights the shortcomings in terms of employability of higher education in MPCs. Another possible explanation is the ‘reservation’ of young graduates for public sector jobs in a context where, although the state is no longer the employer of last resort for all graduates, political mobilisation often leads to increased public sector hiring, and being unemployed is a precondition for entry into the public sector (see **BOX 4.1** for recent developments in Morocco, Tunisia, Algeria and Egypt).

A common problem throughout the region relates to young people’s attitudes towards work and their expectations for their professional life. In some countries (evidence has been found in Algeria, Egypt and Jordan, but also Montenegro) young people refuse to engage in VET programmes, and those who can afford to decline work are unwilling to take up manual jobs or even craft

professions (whose rich tradition in many of these countries is in danger of being lost). This raises the problem of the attractiveness of certain professions. In other cases, evidence highlights the voluntary nature of unemployment among some university graduates because they prefer easy desk jobs in the public sector, and can afford to be unemployed as a result of their wealthier family backgrounds (e.g. in Egypt). In fact, anecdotal evidence points to the fact that those who are able to attend university are from higher socioeconomic family backgrounds.

The most pressing challenge in the field of youth employability is that of reducing the number of NEETs, i.e. the percentage of young people who are not in education, employment or training. As previously explained, NEETs represent more than 40% of the youth population, and young women and young people with no education or only primary education are disproportionately affected. The phenomenon causes human capital deterioration, leading to irreversible damage to individual employability. It is a useful proxy for disadvantaged, vulnerable young people who are most in need of intervention in terms of education, training and/or ALMPs in order to prevent them from becoming entirely detached from the labour market.

Despite this, as discussed in Section 4.4, there are very few ALMPs specifically targeted at the most vulnerable groups, such as young women (particularly rural women), school dropouts and unskilled workers in general, who make up the vast majority of the unemployed population (only one in seven is an unemployed graduate, with the rest being unskilled and low-skilled individuals). Thus, a first priority for a review and reform of ALMPs in the AMCs should be to increase their targeting to specific vulnerable groups. More generally, PES and the profiles of job counsellors are ill-adapted to tackling the specific labour market insertion needs of these groups, and lack gender-sensitive approaches.

TABLE 5.3 PROPORTION OF TERTIARY GRADUATES IN ENGINEERING, HUMANITIES AND SCIENCE, 2009 (%)

Country	Engineering		Humanities		Science	
	Female	Total	Female	Total	Female	Total
Croatia	3.9	15.0	8.4	11.1	4.3	9.3
Turkey (2008)	3.1	13.7	3.3	6.1	3.6	8.2
Jordan (2007)	2.7	10.8	10.3	15.4	7.4	14.3
Lebanon	2.8	11.1	8.3	11.3	8.2	14.0
Occupied Palestinian territory	2.2	7.4	7.4	10.6	5.3	9.9
Algeria	4.0	12.2	18.2	23.2	7.2	11.2
Morocco	2.8	12.4*	7.0	13.2*	10.3	23.3*

No available data for other countries.

Source: UNESCO UIS database; (*) National estimations.

5.2 MULTIPLE BARRIERS TO YOUTH INSERTION INTO THE LABOUR MARKET

The main obstacle to youth (and female) insertion into the labour market in MPCs is clearly the lack of labour demand and job creation that would correspond to the demographic dynamics (Sections 1.2 and 1.3) and the educational attainment (Section 2.2) of their populations. This is related to the model and stage of economic development in these countries, but also to inbuilt factors such as the rigidity of labour market regulations (Section 3.2). However, from the point of view of employability there are also a number of factors that make insertion into the labour market more difficult.

Adequate education/training

Despite wide-ranging improvements in educational coverage and achievement, school dropout and illiteracy rates are still relatively high, and upper secondary enrolment rates relatively low (Section 2.2). This still poses a major challenge to employability of large populations (World Bank, 2009b). The low proportion of young people opting for VET, the strong gender segregation in VET occupations and the preference for humanities disciplines are other factors frequently mentioned in this regard.

So-called generic and/or soft skills (key competences)

These include ICT literacy, foreign languages, communications and social skills, analysis and synthesis,

critical thinking and work discipline. All studies point to this element as a major shortcoming in AMCs. Soft skills are tightly linked to cultural attitudes and need to be seen as a process rather than a single intervention. Teachers' professional development and changes in school and university curricula and teaching methods could contribute much more to improving them than a proliferation of programmes such as those being implemented in some countries.

Social expectations

These still dissuade young people from enrolling in VET and working in technical/manual occupations. Even graduation from prestigious VET centres, a step that opens positive employment prospects, is used as a method of entry into university by a large percentage of students, and there is still a strong preference, in particular among graduates, for obtaining a state job (offering full social security and job security), despite the fact that for many young individuals this entails undertaking unproductive and unsatisfactory work.

Overall business environment

The business environment, the amount of red tape and bureaucracy involved in creating a company, and in particular the conditions prevailing in the financial sector do not encourage self-employment and SME development, despite positive experiences regarding their impact on labour market insertion and employability (in Syria, a survey found that becoming a self-employed worker is linked to a high probability of success in the labour market, with the highest wages and almost no risk of subsequent unemployment (ETF, 2010a)).

Efficient job-matching services and transparent labour market information systems

Weak job-matching services is reflected in the fact that most jobs are found through personal contacts and social networks by those who are already employed, rather than through transparent and merit-based recruitment mechanisms involving open competition and/or job intermediation by PES (see **BOXES 5.2** and **5.3**).

As a consequence of all these barriers, the transition from school to work is taking ever longer, and is becoming ever more difficult for young people to achieve. Patterns of school-to-work transition are rarely studied, and the concept is a relatively new issue in MPCs. However, a small number of survey-based studies, in particular in Egypt and Syria, have been carried out during the past few years by the ETF (Amer, 2007; ETF, 2010a) and the ILO (surveys carried out in 2005 in Egypt and Syria). From these there emerges a consistent picture of the increasing difficulties of

completing this key step to economic independence and adulthood. A comparative analysis of school-to-work transition surveys carried out in eight different developing countries, including Syria and Egypt, by the ILO (Matsumoto and Elder, 2010) highlights a relative poor performance in school-to-work transition in AMCs.

BOX 5.1 summarises the evidence gathered on this critical indicator of employability through a recent survey carried out by the ETF in Syria. There are no data available on trends in the duration of school-to-work transition, though there are strong indications that it is increasing in most countries in the region. In Egypt it takes around seven years for young people to complete the transition from school to work, measured from when 50% of the population is enrolled in school to when 50% of the population is employed (Angel-Urdinola and Semlali, 2010). However, for those who have effectively achieved transition, the average duration between leaving school and obtaining a fixed-term and/or a satisfactory job is 29 months (Matsumoto and Elder, 2010), indicating large differences in school-to-work transition patterns.

BOX 5.1 SCHOOL-TO-WORK TRANSITION IN SYRIA: THE SYMPTOMS OF (UN)EMPLOYABILITY

The Syria Youth Transition Survey (ETF, 2010a) was carried out in November and December 2009 on a sample of 3 847 young people aged 15–30 in seven Syrian governorates, who had left education for the first time in the five years preceding the survey. The resulting patterns of school-to-work transition tend to replicate and reinforce the main characteristics of the labour market, and in particular the segmentation by gender and education levels.

The gender differences are clear. Of young males aged 15–30, 33% obtain their first significant job within a month of leaving the education system, and 60% after one year, after which the task of finding of a job becomes increasingly difficult: 75% find a job after 3.5 years, and the remaining 25% tend to remain either inactive or unemployed. In the case of young women, the likelihood of finding a job is even lower: only 7% go directly from school to work within a month, and 20% within a year. The labour market insertion rate reaches 25% after two years and tends to stagnate at this level, leaving three-quarters of young women excluded from the labour market (either inactive or unemployed) (ETF, 2010a, pp. 25–26). There are also marked gender differences in terms of the method used to find the first job: while 69.6% of young males found a job through family contacts or personal friends, only 36.2% of young women found a job in this way. In contrast, 30.5% of young women obtained their first job through a competitive examination process (this is partly due to the concentration of female employment in the public sector as a result of a lack of job prospects in the private sector), which was the case only for 3.5% of young men (p. 38).

In terms of education levels (ETF, 2010a, pp. 28–30), there are variations in both the duration and the rate of labour market insertion. The duration of labour market insertion is much shorter for unqualified young people who have no basic education or have completed only the first cycle, or who are dropouts from primary and secondary education, and it increases with the level of education. Labour market insertion is very slow for university graduates (only 11% find a job within a month of graduating, 31% within 6 months, and 46% within 12 months) and young people who have completed institute-level education (13% within a month, 26% within 6 months, and 35% within a year). In the case of university graduates at least, this could be explained by their reservation strategy of waiting until they find a suitable job (often in the public sector). In terms of rate of insertion after four years, the most successful groups are young people with secondary education and some vocational training (85% after four years) and university graduates (81% after four years). In contrast, young people with only secondary or institute-level education are most likely to remain outside the labour market (only 47% and 54% of them respectively have found a job within four years of leaving the education system).

With regard to the patterns of school-to-work transition in relation to field of study (for post-secondary education only), the survey (ETF, 2010a, p. 29) found that the highest labour insertion rates after four years are for health and welfare studies (90% of young people who completed these studies had found a job), services (78%) and engineering and construction (76%), and the lowest for humanities and the arts (only 45%).

As for differences between rural and urban areas, labour market insertion takes less time in rural areas, but the chances of finding a job subsequently increase in urban areas, so that the overall insertion rate is similar after four years (66% for rural areas against 63% in urban areas). In contrast, the differences between regions are marked, ranging from 88% after four years in Homs district (or 84% in rural Damascus) to just 23% in Al-Sweida or 56% in Lattakia (ETF, 2010a, p. 30).

Another ETF study (Karkkainen, 2010) presents an even more dramatic picture as regards the situation for young women. Social networks, not qualifications, are the main pre-conditions for finding a job (see **BOX 5.2**). Around a quarter of Syrian young people experience a very smooth transition from school to work, finding a job within a month of leaving the education system; this is the case for 37% of male school leavers but only 8% of young women, and significantly higher percentages in developed urban areas than in rural areas. This reinforces the insiders/outside dynamics, the regional disparities, internal migration and urban development problems, and the gender discrimination issue in the labour market.

Hence, the vast majority of young labour market entrants resort to jobs in the informal sector as a way of entering working life, and some never leave the sector: in Egypt only 15.7% of employed young people have a formal job contract (Population Council, 2011). Paradoxically, ETF school-to-work transition studies show that VET graduates are in relatively high demand on the labour market, although VET education continues to attract a very small

proportion of young cohorts, so lack of attractiveness of VET programmes has become an obstacle for youth labour insertion.

Strengthening the job-matching services of PES might be a key factor in decreasing the segmentation of labour markets and enhancing the employability of young people, and in particular of vulnerable groups. Creating incentives to encourage informal employment to emerge will be another win-win strategy in this context.

5.3 YOUTH EMPLOYMENT POLICIES NOT SUFFICIENTLY EVALUATED

Specific policies to promote young people's insertion into the labour market have not been given the level of attention that corresponds to the magnitude of this challenge in MPCs. Where they have been addressed, whether through ALMPs (the main focus, for instance, of

BOX 5.2 WOMEN AND WORK IN THE ARAB MEDITERRANEAN COUNTRIES: ACCESS, LIMITATIONS AND POTENTIAL

The labour market insertion of young women is a very specific challenge for AMCs and Turkey. While in all of these countries the gender gap in education has been reduced, or even reversed, as in Tunisia and Algeria (see Chapter 2), gender discrimination is still a serious problem in relation to access to the labour market, in terms of both activity rates and access to work.

A critical determinant for women – not only in terms of their participation in the labour market, but also of their ability to remain within it – is the real and perceived opportunity cost of their activity in terms of wages and secure labour conditions. The high level of precariousness and lower pay for young women in the private sector play an important role in this regard. According to the SYPE (Population Council, 2011), a number of interrelated factors could contribute to the disadvantaged position of females in the Egyptian labour market, including discouraging working conditions, fewer networking opportunities, lower levels of mobility, and difficulties in engaging in entrepreneurship. Indeed, the factors most often mentioned in relation to the low female activity rate are the lack of jobs deemed suitable for women (in some AMCs, up to 50% of working women are employed in the public sector), the lack of affordable child-care facilities and part-time jobs, and the social and cultural perceptions regarding the gender roles, including reduced mobility imposed by family constraints.

A recent ETF study on the tourism and ICT sectors in Egypt, Jordan and Tunisia (Karkkainen, 2010) concluded that although the potential to employ women in both sectors is high in these three countries, the actual demand is very low (27–41% of the employees of the companies surveyed were females in ICT, and only 10–23% in tourism). This is partly due to the shortage of skilled female workers and the poor social image of women who work in the tourism sector (which is perceived as a male activity). However, the increasing number of young women following ICT VET programmes and not finding a job indicates that the problem lies not only in education, but also in the social perceptions about the work of women among both employers and the families of young women. These include employers' attitudes and opinions about employing women, but also women's own opinions of their own work and the work of other women.

Another factor that works against women is that contacts and recommendations are the most significant method of recruitment (in Syria, 64% of respondents of a school-to-work transition survey found a job through family contacts and personal relations; 30.5% of women found a job through a process of competitive examination, against only 3.6% of men); women usually have less presence in the public sphere and more limited social networks. Women are also much less likely to have undergone a period of training within a company or to have had work experience before leaving the education system (ETF, 2011b, for Syria). This again advocates a strengthening of the role of PES in job intermediation.

It is not only social expectations that play a role, but also social infrastructures and labour market regulations. Gender-specific career guidance, child-care facilities for young working mothers and safe public transportation to working places all are important in facilitating the insertion of young women into the labour market. The ease of hiring workers on part-time contracts is also a factor that would facilitate insertion into the labour market for women, and the new teleworking opportunities opened up by developments in ICT might also be supportive of this way of working.

Montenegro's National Youth Action Plan 2007–12) or through youth employment strategies, the policies have often not been systematically implemented or have been largely ineffective. A good example is the Egypt Youth Employment National Action Plan for 2010–15, which was developed as a result of an intensive capacity-building and consultation process between 2006 and 2009 among all the relevant stakeholders, including social partners, youth organisations and donors. The resulting draft National Action Plan provides a comprehensive analysis of current conditions, and proposes policy priorities on technical and vocational education and training, enterprise development, labour market policies and programmes (including minimum wage and employment offices). However, it was never formally approved by the authorities, and was still under consideration following the February 2011 revolution.

Although data on the effectiveness of ALMPs in supporting young people to find a job are very scarce (see Section 4.3), all available evidence points to their very limited impact on employability. For example, in Tunisia the placement rates of the *stage d'initiation à la vie professionnelle* were 23% in 2010 (Angel-Urdinola and Leon-Solano, 2011). In Algeria there is a great deal of evidence that wage subsidies benefit companies rather than young unemployed people, providing the former with a virtually free workforce as they replace formal workers with trainees, with no obligation to hire them at the end of the traineeship, and rotate trainees time again and again.

As described in Sections 4.3 and 4.4, the targeting of ALMPs is very poor, and the beneficiaries tend to be from the most privileged unemployed groups (in particular,

male urban graduates). Young women are often de facto excluded from most self-employment schemes, with a few exceptions in the handicrafts sector, and often more generally from ALMPs (the Amal Programme in Tunisia described in **BOX 5.3** is a notable exception). In Turkey less than 20% of all beneficiaries of the eight government employment packages launched and implemented between 2000 and today were women, despite the explicit targeting, on paper, of women and young people (Majcher-Teleon and Bardak, 2011).

Youth employment policies in MPCs face twin challenges: (i) defining comprehensive strategies and improving the effectiveness of current policies (specifically ALMPs) based on rigorous impact assessments; and (ii) integrating these into coherent national, regional and local development policies.

Employment subsidies given to employers for hiring certain types of people (paying wages and/or social security contributions, or tax exemptions) are another type of policy that is commonly implemented in the region. Since 2000, Turkey has implemented eight different employment promotion packages that include employment subsidies paid to employers for hiring women and young people. The programme envisaged the payment of employers' shares of social security contributions if employers hire first-time job-seekers who are female (all age groups included) and young people who are aged 18–29, subject to certain conditions. This has been quite an incentive for employers to hire young and female job-seekers, and the resulting impact has mainly been the formalisation of some previously informal jobs for individuals in these groups.

BOX 5.3 THE AMAL PROGRAMME IN TUNISIA

Immediately following the revolution on 14 January 2011, the new government in Tunisia set out to demonstrate the priority being given to employment through a far-reaching Employment Emergency Programme, presented in February 2011. This programme had four components:

- encouraging job creation in all sectors, including civil society organisations, and international job opportunities through legal labour-migration schemes and agreements;
- developing micro-enterprises and SMEs;
- supporting the private sector and preserving existing employment;
- proactive accompanying of job-seekers and development of their employability.

This fourth element was implemented through the Amal Programme ('amal' means 'hope' in Arabic). This was targeted at graduate first job-seekers (including those who had worked for less than twelve months since graduation), and granted them a monthly allocation of 200 Tunisian dinars (slightly less than the minimum wage) plus social coverage for a maximum period of one year to support their insertion into the labour market, conditional upon a follow-up of their labour insertion efforts. In addition, the programme offered 10 000 traineeship opportunities in the state sector and the prospect of similar arrangements in the private sector.

The Amal Programme quickly exceeded all expectations and overwhelmed the capacities of the Tunisian PES (ANETI), which was implementing the scheme. Originally planned for 50 000 beneficiaries, by July 2011 it had already reached 157 508. Female graduates accounted for 68% (107 873) of this total, many of them having been out of the labour force prior to this, sometimes for long periods. Following the launch of the programme more than 70 000 additional young people registered as unemployed with ANETI. More than 90 000 of the beneficiaries had graduated in 2008 or before. The budgetary allocations for the programme have been widely surpassed, exceeding 1% of GDP in 2011 (Angel-Urdinola and Leon-Solano, 2011) and raising a number of questions about its sustainability (the programme benefited from technical assistance from the World Bank and financial assistance from the EU, among other donors).

Private employers complain that they were not consulted regarding the formulation of the programme, and indeed not even the Ministry of Higher Education or public universities and VET centres were involved in the definition of its features. It is far from clear how the Amal Programme articulates with the other six ALMP programmes (mainly consisting of internships) that have existed in the country since 2009, when a thorough evaluation and review of ALMPs was carried out in Tunisia. Moreover, no systematic monitoring and evaluation component was included in the programme.

In terms of employability, the Amal Programme had foreseen the provision of very basic obligatory career coaching and soft skills development through three-day courses to support labour insertion of beneficiaries, and subsequent personalised follow-up of each individual. However, the courses only began to be organised in late July 2011; these were on a very small scale (18 courses with 20 participants each), and there were difficulties in finding qualified trainers (agreements with private training institutes were planned). Furthermore, the lack of a sufficient number of qualified job counsellors at ANETI is a problem in terms of the job-insertion follow-up exercise.

The three-month placements that were offered in public institutions expired without the beneficiaries being given any further opportunity to join the public administration, which caused some frustration among them; these placements benefited only a small proportion of the Amal Programme participants. Overall, the widespread perception among participants is that they benefit from revenue support, rather than from an active labour insertion programme.

Social demand forced the authorities to consider the extension of the programme through an Amal II Programme targeted at non-graduates. The rate of labour insertion in the first three months of the programme was nil, and the discontinuity of support at the end of the one-year period will probably pose serious political problems in the midst of the political transition in the country.

The major challenge remains the constraints affecting labour demand and job creation in Tunisia; the Amal Programme has highlighted the need for a comprehensive review of PES and the design and implementation of ALMPs. The employment impact of the programme is not clear, and there are potential risks of deadweight costs, substitution effects, displacement effects and selection bias or 'creaming'.

BOX 5.4 EMPLOYMENT SUBSIDIES FOR WOMEN AND YOUNG PEOPLE IN TURKEY

The history of employment subsidies for women and young people in Turkey started with Law No 4447, which was enacted in 1999; a second law (No 5510) was enacted in May 2006. Law No 5763 of May 2008 was another crucial step for providing financial incentives to employers. These laws are also known as Employment Packages. As the main incentive in all these packages, the Ministry of Labour and Social Security provided employment subsidies and introduced a number of measures to decrease the burden on employers. The measures in the packages included the following.

Employment subsidies were provided for companies recruiting women and young people aged 18–29, under certain conditions. The employers' share of social security premiums for newly hired women, regardless of their age, and for young employees was covered by the Unemployment Insurance Fund for a five-year period, starting with 100% in the first year (80% in the second year, 60% in the third, 40% in the fourth and 20% in the fifth).

Part of the labour costs paid by employers (five points of the total social security contribution for insurance for disability, old age and death insurance premiums) were covered by the Treasury, with the aim of promoting declared work and decreasing the high levels of informality.

The implementation of this law continued until 2010, and a total of 71 444 people benefited from the programme up to then. In order to mitigate the negative impacts of the economic crisis and support the formal economy, another incentive package (Law No 5084) was introduced by a Decision of Council of Ministers, published in July 2009. Among other measures, financial support was provided for employers' share of the social security premiums of new recruits in less developed regions for a specified period of time. Financial support for employers' share of social security premiums that correspond to the minimum wage were provided for the following investments:

- for entirely new investments, provided from the date of transition to the business;
- for other kinds of investment, support are provided for the additional number of employees hired in the past six-month period before starting the investment (in seasonal investments, the previous year's seasonal employment average is taken into consideration).

The package offers incentives for investment and employment in 49 provinces by means of reductions in income tax and the employers' share of social insurance premiums, free allocation of land for investment, and energy support. Employers' share of social insurance premiums of 1 063 879 workers were paid by the state between January and November 2009, at a cost to the Treasury of 111 154 668.66 Turkish lira.

Finally, Law No 6111 was enacted in February 2011 to extend these incentives to employers for hiring female workers. The same law also extended the rights of working women on their maternity leave, which in turn may create disincentives to employ women. All the measures introduced in these Employment Packages are expected to increase the employment of women and young people, and decrease informality, given employers' views on the burdens of employing new staff. Many empirical studies suggest that formal employment in Turkey is responsive to changes in labour costs, and that employment opportunities for low-paid workers, especially women and young people, are affected by changes on the minimum wage and social security contributions.

Despite the fact that eight employment packages have so far been implemented, there has been no evaluation of their impact on the labour market and beneficiaries. For example, are the outcomes different from those that would have occurred in the absence of the programme? Has the programme caused a 'creaming' effect (self-selection of men, the better-educated, or those deemed 'most likely to succeed')? A simple overview of the beneficiaries of these packages by gender shows that men were still being given most of the jobs that were supported by those employment subsidies that were designed to provide incentives for employers to hire women and young people. Overall less than 20% of the beneficiaries of the eight government employment promotion packages have been women, despite the explicit targeting of women and young people. Thus, these measures do not appear to be easily accessible to women, despite the openly stated policy objective (Majcher-Teleon and Bardak, 2011). The low number of female beneficiaries might be offset by the increase in the coverage of the social security system in relation to first-time job-seekers.

The added value that can be achieved by spending public funds to increase employment among those in hard-to-place groups should therefore be carefully assessed against what would have happened without them. So far, there is little evidence to suggest that employment packages have had a long-term positive impact on the labour market, as they have contributed fewer than 200 000 jobs (or formalisation of existing jobs, including initiatives for people with disabilities). In conclusion, there is a strong need for careful monitoring and evaluation on the impact of the measures implemented.

5.4 THE NEED TO TARGET SPECIFIC YOUTH GROUPS AND TO IMPLEMENT SHORT AND LONG-TERM YOUTH EMPLOYMENT POLICIES

It is clear that the main factors affecting youth employment prospects in MPCs will be macroeconomic performance, particularly growth rates, and the model of development, which will determine the intensity of employment growth and the level of skilled job creation. However, there is a wide spectrum of policy options available in the field of youth employment promotion and employability to address the challenges of specific youth groups over the short, medium and long term, given the need to optimise the limited resources allocated to promoting employment.

As previously mentioned, three distinct groups of young people with different levels of employment challenges have been identified:

1. educated unemployed individuals (upper/post-secondary or university graduates), with female graduates the most pressing problem;
2. unskilled and low-skilled individuals 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/upgrade their skills;
3. inactive, vulnerable individuals – youth not in employment, education or training (NEETs), who are more likely to be illiterate and/or uneducated women.

The first group of young people, the educated unemployed, are already given a high level of attention in the analyses and policy responses in many countries. This is due to the pressures they are able to exert on governments, and their socioeconomic power to mobilise public opinion. Graduate unemployment is widely explained by the lack of skilled job creation in the private sector, the low quality and lack of labour market relevance of academic-oriented education, individuals' preference for humanities degrees, the mismatch between individuals' skills and employers' needs, and the high expectations and preferences of young people for safe public jobs. Although the total number of youth unemployed is estimated (around 8 million, based on ILO methodology), it is difficult to know how many of these are the unemployed graduates; 'the educated unemployed group'.

It is important to remember that the proportion and absolute number of educated young people within the total age group of 15–30 is very small, and they are more likely to belong to the higher socioeconomic strata of society. Moreover, the situation tends to be a problem mainly for young female graduates, whose unemployment rate is three times higher than that of their male counterparts (e.g. in Egypt, Jordan, Syria, the occupied Palestinian territory and Algeria). Given this gender aspect, which is present in most of the countries concerned, the problem cannot be addressed only by

educational or labour market-related measures, but also requires gender-related social measures.

The second group, consisting of young people who are informally employed, unskilled or low-skilled, are mostly young males who have dropped out of school very early and are under strong social pressure to meet the economic needs of their families, although some are young females working mainly in subsistence agriculture as family workers. As they cannot afford to be unemployed, they search for any (precarious) jobs and accept the poorest working conditions in the informal sector that will allow them to make a living. They do not have the necessary time, financial or human resources available to improve/upgrade their skills. It is estimated that more than 20 million young people work in informal, poor-quality jobs at subsistence wages and without any prospects for improvement, not only in AMCs, but also in Albania, Bosnia and Herzegovina and Turkey. It is clear that this group needs special programmes for school reintegration combined with apprenticeships and/or second-chance adult training courses to enable them to upgrade their skills and hence progress in their careers and find better-quality jobs.

The third group of young people, those who are inactive (NEETs), are the most vulnerable to social exclusion as they are likely to be illiterate and/or uneducated women, including those who have dropped out of school. Surveys for some countries indicated that more than 40% of the young population is in this situation, i.e. more than 32 million young people. For instance, in Turkey, according to the most recent LFS, 38% of 15–24-year-olds fall into this group, most of them girls. A large part of this gender difference, at least in AMCs, Turkey, and Bosnia and Herzegovina is due to early school leaving and gender-related social norms that restrict mobility and access to further education or work for young girls after they have completed compulsory lower secondary education. Evidence points to rates close to 25% of young male population in countries such as Jordan, Syria and Egypt, and close to 70% for young women. The most effective actions for this group would be those that promote universal literacy, together with those that develop key life competences for women, including mentoring programmes, literacy and school reintegration programmes, and second-chance adult training courses.

It is clear that each group of young people needs different types of measures to address their specific requirements. Given the large numbers of disadvantaged and vulnerable young people (the second and third groups) and their increased voice and voting power in the new political arena in many AMCs, there is more social pressure on governments from these new social groups, in addition to the existing pressure from others (e.g. unemployed graduates). Thus, there is a need to balance policy measures among these youth groups and to develop more instruments for those young people who are less visible, in line with their relative prevalence in societies.

In the short term, the most pressing policy imperative is to increase investment in education in order to improve both access and quality. As previously discussed (see Chapter 2), AMCs in particular need more investment in literacy programmes and more resources to tackle the problems of

school dropouts and to offer them a second chance. They also need to increase enrolment rates in upper secondary education, and in particular in VET programmes, where the rates are still lagging behind. Upper secondary education is considered a key precondition for successful labour market insertion and for engaging in continuing education throughout adult life (ILO, 2010a). Furthermore, VET needs to be given more efficient investment; to develop closer ties with business in order to improve quality, relevance and responsiveness to labour market needs; to foster a more gender-sensitive approach in order to ensure adequate labour market opportunities for girls; and to create incentives to attract a larger share of young people.

Another approach to tackling youth employment challenges is that of promoting entrepreneurship and self-employment, not only in the business sector, but also in NGOs and community services. Indeed, entrepreneurship and self-employment are widely considered to be important dimensions of the youth employment policy, and training and credit programmes have been launched to this effect in several AMC. Egypt has even launched a strategy to introduce entrepreneurship education at all education levels. However, paradoxically the number of active labour market programmes geared towards entrepreneurship and self-employment is still relatively low, and most of them target unskilled or low-skilled young people – who have the least chance of success in business – and are mainly offered as a last resort. Entrepreneurship and SME support programmes must become the backbone of the youth employment strategy, and should target high-skilled young people in particular in order to increase the likelihood of achieving success and wider spill-over effects.

ALMPs should be much better targeted to the needs of specific vulnerable groups (such as young women, young people in rural areas and unskilled workers) and linked more closely to the actual needs of businesses or even the social economy sector or NGOs. However, improved targeting of ALMPs relates not only to the beneficiaries, but also to the skills provided. ALMPs need to be specifically designed and oriented to meet the needs of specific sectors, and in particular to promote youth employability in the most dynamic sectors of the economy, taking into account the types of skills required by SMEs, which make up the vast majority of employers in MPCs, and hence the potential for job creation. Specific sectoral skill needs and professional profiles could be identified as a basis for actions that are geared to enhancing the employability of young workers.

In the current context of political and economic transition, social policies are poised to play an increasingly important role in those societies, and education, healthcare and community services offer many job opportunities (particularly for young females) that have not so far been mobilised as a result of limited public investment. A win-win option would be to direct young unemployed workers towards these sectors within the framework of current ALMPs (some of which provide financial support without any labour engagement), or to introduce some kind of contractual civil service for young people, providing them with their first work experience on which they can build their professional future.

In the longer term there is a need to address the obstacles to smooth school-to-work transition that have been identified (see Section 5.2). Generic or soft skills could be mainstreamed at all education levels as part of the regular curricula in order to avoid dispersion and cacophony, and there is great scope for enhancing the links that VET programmes and ALMPs have with direct work experience and business needs. One widely shared conclusion in research on employability and ALMPs stresses the importance of direct work experience – internships and practical experience in the real world of employment – as a key to successful labour insertion programmes. However, beyond the cultural transformation that this requires there is also a purely economic constraint. As described in Section 1.3, the vast majority of businesses in these countries are SMEs and micro-enterprises, which do not usually engage in training activities or internships for potential workers, and do not have the organisational resources to host and frame them. This constrains the total number of potential places available for VET or ALMP trainees. Alternative solutions in the public sector, the social economy or NGOs should play a greater role in such a context.

Following the same principle as that involved in bringing education closer to the realities of the labour market, basic career guidance should be mainstreamed as an integral part of education and VET at all levels and in ALMPs. The role of PES needs to be strengthened in the areas of career guidance for job-seekers (job counselling) and labour market intermediation, to enable them to actively search for job vacancies and carry out pre-selection in an efficient way in order to increase their coverage of the labour market. They should adapt their services to the needs of young unemployed individuals and females in terms of information and labour counselling, training and job-matching. Private placement agencies could play a specialised complementary role in this field, providing that the appropriate regulation is in place. It is important to highlight once again the importance of transparent, competitive and merit-based recruitment mechanisms and gender-sensitive approaches, which need to be implemented in both the private and public sectors, and which would improve the efficiency of labour allocation and skills matching.

Finally, wage subsidies and tax exemptions for companies hiring young workers have already proved effective in promoting employment. These might be a tool for reducing informality, as has been the case in Turkey. However, once again, if such job creation incentives are to be effective they must be strictly targeted to specific groups (e.g. women), since they are very expensive, and lack of targeting could lead to rent creation for employers (as the situation in Algeria seems to indicate). The cost of such tax and economic incentives should be assessed against the opportunity cost of the deterioration of national human resources and its impact on future employability. Labour market regulations that are less strict and permit atypical work arrangements (e.g. temporary work contracts and part-time employment) are also important in facilitating the entry of first job-seekers to the labour market, particularly women and young people.

6. AN AGENDA FOR NATIONAL EMPLOYABILITY POLICIES AND EURO-MEDITERRANEAN COOPERATION

In the MPCs, in the field of employability the short term is the long term. Given the extremely young demographic structure, the policies and measures that are implemented now will determine the labour market performance of the vast majority of the population of these countries, as well as the development prospects of the countries themselves, for the next 30 years. In view of the magnitude of the youth employment challenges in MPCs, it is no exaggeration to state that employment policy in these countries is essentially youth employment policy. Thus, it is important to design a multifaceted, integrated policy package to address the employability issues outlined in this report, and to do it now. This needs to be done at two levels, namely at the national level (integrating international cooperation support) in each of the MPCs, and also at the regional Euro-Mediterranean level.

In the following sections, a number of strategic recommendations and points for action are proposed, based on the challenges identified in the report. It is recognised that other problems are experienced by the current labour force (including mature and older workers), who may need support to reskill and to improve the quality of their careers and jobs, but the report concentrates primarily on women and young people, key populations for the achievement of any sustainable impact. In most cases the focus is on the AMCs, as the challenges of employment and employability they face are far more daunting than in the enlargement countries, which already have a more structured employment policy dialogue with the EU, or in Israel. Nevertheless, it should be remembered that beyond the challenges of employability, the key structural employment challenge in all countries is the creation of decent jobs; the solutions to this lie to a greater extent in the field of economic policy and general economic environment than in the field of education or employment policies as such.

6.1 PRIORITIES AND POLICY RECOMMENDATIONS AT NATIONAL LEVEL: A FRAMEWORK FOR ACTION

Beyond the specific area of Euro-Mediterranean cooperation, this paper has highlighted some general priorities and courses of action to be considered when

formulating employment and education policies (and international cooperation initiatives) at national level. It is important to note that the following structure, in which strategic actions are defined in terms of fields of policy intervention, should not be detrimental to the 'integrated approach where economic, fiscal, employment, social and environmental policies as well as education and training policies go hand in hand', as called for in the First Euro-Mediterranean Conference of Labour and Employment Ministers. This integrated approach should ensure policy coherence, and should be reflected in the institutional coordination mechanisms through which those policies are designed and implemented.

Education and training

Widespread national literacy programmes

These will ensure a rapid eradication of illiteracy among the whole population in countries that have, as yet, been unable to achieve 100% literacy. In fact only Albania, Bosnia and Herzegovina, Croatia, Montenegro and Israel have so far achieved full literacy for their populations aged 15+, while there are still large proportions of illiterate adults in the populations of Morocco (44%) and Egypt (34%), and relatively large proportions in Algeria (27%) and Tunisia (22%). Special emphasis should be placed on the literacy of young people (both girls and boys aged 15–24), in particular in countries with high youth illiteracy (21% in Morocco, 15% in Egypt, 8% in Algeria, 6% in Syria), and functional literacy should be promoted in countries where this is a problem, even among primary school leavers. No other action would be more effective in improving the employability of these young people. Such measures should be complemented with programmes to enhance functional literacy (in terms of basic reading and numeracy capacities), targeted at the most vulnerable groups of the working population.

Increased enrolment and quality in post-compulsory education (including girls)

These should be a key building block in enhancing the employability of young people and their future engagement in lifelong learning activities. More than half of students drop out of school before the upper secondary level in Syria, Morocco, Egypt and Algeria. Other countries struggle between 60% and 75% enrolment at this level (Albania, Turkey, Jordan, Lebanon, the occupied Palestinian territory and Tunisia). Within this framework, a

clear course of action would be to improve the quality of primary and secondary education in order to retain students, reduce dropout rates and better prepare students for post-compulsory levels of education. Education at upper secondary level (as a minimum) is crucial for the effective preparation of students for the labour market.

Diversification and enhancement of provision at upper secondary level

This needs to be pursued in particular through the development of quality VET programmes (see also the following point) in order to provide a valid alternative pathway to general education programmes. It will be particularly important to expand VET programmes at upper secondary level in countries where the proportion of education accounted for by VET is very low, namely all the MPCs except Bosnia and Herzegovina, Croatia, Egypt, Montenegro and Turkey. Such programmes should include effective links to the rest of education and labour market systems, and be viable alternatives to university education, in order to increase the proportion of young people that VET attracts, including young women. Expanding upper secondary and post-secondary schooling should be a priority for public education investment, though quality issues should not be neglected.

Quality improvement at all levels of education

Many objective indicators indicate an urgent need for improvement in order to increase the effectiveness and efficiency of education investments. This cannot be achieved without improvements in curricula, teachers and schools. Participation in higher education has increased in many countries during the past two decades, though it remains at relatively low levels, and its quality is questioned by students and employers. As part of the quality assurance measures, higher education and VET centres should engage in systematic monitoring and follow-up of the labour market performance of their students (tracer studies) and use the information as a key input to the development of a better and more responsive education system.

Increased attractiveness and quality of VET

Given the increasing demographic pressure on the upper secondary and tertiary education levels, and the need for further expansion of upper and post-secondary schooling to address this challenge, the VET system needs to expand substantially in many countries. Except in Bosnia and Herzegovina, Croatia and Montenegro, where two-thirds of students enrol in VET, and in Egypt and Turkey, where half of students enrol in VET, the proportion of upper secondary education represented by VET remains low, at 11–12% in the Maghreb, 6% in the occupied Palestinian territory, and 15–20% in Albania, Jordan and Syria. The expansion of upper and post-secondary VET cannot be carried out against the will of its students and without improving its attractiveness and the labour market prospects of its graduates. This will require the design and delivery of VET programmes that address the learning needs of young people and provide

skills and competences that are relevant for the labour market. VET needs to become an attractive alternative to university education, for both girls and boys, and one that is connected with clear pathways to the rest of the education system and the business world.

Modern curricula

Attractive VET cannot be achieved without modernising curricula, teachers and schools/training providers. Modern curricula that focus on students' core skills (including analysis and synthesis, critical thinking, and learning to learn) and more student-centred active learning strategies are a starting point. The provision of other generic and soft professional-oriented skills development programmes (for example, on foreign languages, computing and communication skills, and entrepreneurship) should also be mainstreamed in VET programmes.

Enthusiastic teachers and trainers to implement student-centred active learning strategies

There is a need to ensure that staff have satisfactory working conditions and opportunities for professional development, and that they are eager to contribute to the systemic improvements. Thus, teachers also need investment in order to become the agents of change. In fact, the training of teachers and decision makers in the education system (including VET) on broader quality issues, and in particular gender-sensitive approaches, can make a great difference to educational outcomes. This could contribute to reduce dropout rates and enhance the employability of young people.

Schools and other training providers (e.g. training centres)

These have a key role to play in understanding the skill needs of the local economy and developing cooperation with local businesses for the design and delivery of VET programmes. They also have a vital role in the systematic monitoring and follow-up of students' labour market performance (tracer studies). Such actions are part of a quality assurance mechanism that aims to develop a better and more responsive education and training offer.

More diversified offer of VET programmes

This includes the provision of non-formal and adult training courses in accessible and affordable formats. It is another important axis that needs to be developed, and should be targeted specifically at school dropouts, who generally work in the informal sector, and NEETs, most of whom remain inactive and require activation. Apprenticeships (including informal apprenticeships), which are often outside the formal education system and formal economy, traineeships and other practical training modalities in enterprises and training institutions need to be recognised as valid learning opportunities. These should be upgraded in order to enhance the employability of young apprentices through the development of relevant skills for the labour market, and need to be connected with the rest of training system.

Gender-sensitive approach in the VET system

The lack of such an approach is an issue that requires attention. Occupations are strongly segregated along gender lines, and the VET options available for female students are very limited, focusing only on their traditional caring roles, and with limited labour market value. More labour market-related VET programmes must be made available for female students, and mixed-gender enrolment across the occupations should be actively encouraged by the system. Such VET programmes and curricula must take into account the fact that the economies of the MPCs are based largely on SMEs, which require diversified and general management skills including more generic and soft competences from their employees.

A flexible, transparent and better-organised VET sector, linking initial and continuing training

A more diversified offer of VET programmes, including non-formal and adult training courses, requires flexible pathways between different vocational and general education options, together with more transparent and better-organised training options that are accessible and affordable for end-users. The development of NQFs, which many of the MPCs have started to design and implement, is a key instrument in this direction. The status of traineeships in enterprises, whether within the framework of VET programmes or as part of ALMPs, should be clearly defined for each country, establishing such elements as the obligations of the employer (in terms of training and compensation) and the trainee (in terms of work and training), the obligations of the state (incentives), and the limits of the work to be done.

Cooperation between VET training centres and employment offices

These bodies, which are often affiliated to the same ministry, should cooperate and coordinate more closely, as should investment agencies (implementing public works programmes), SME development agencies and employment offices. Experience acquired within the framework of ALMPs (e.g. traineeships and other training), adult training programmes and on-the-job learning should be recognised and certified in order to enhance individuals' employability and allow them to demonstrate their skills to employers. This requires a systematic link between the different layers of VET centres, enterprises and other public institutions that manage ALMPs (e.g. PES).

Appropriate career guidance and counselling systems

These are necessary for all education levels and types, including VET centres and PES, in order to facilitate young people's choices regarding their studies and career paths in the context of rapidly changing labour markets and education provision. Particular attention needs to be given to gender-specific issues and the choices available to

women in order to facilitate their entry into the labour market.

Access to labour markets

Increased female labour participation through gender-sensitive measures

This report has identified women to be the most vulnerable group, with the most problems entering the labour market; this is the case whether they are young or adult, and whatever their level of education. Even the high levels of youth unemployment and graduate unemployment can largely be explained by the fact that female unemployment rates are three times the level of male rates. Given that this gender dimension is found in almost all the countries concerned, some gender-specific measures are needed in order to address the problems of women. All ALMPs must take into account the gender dimension in their implementation, and a certain level of positive discrimination may be needed. Investing in child-care facilities and in pre-primary school enrolment, and introducing incentives for employers to hire women (including wage subsidies if appropriate), are starting points.

Flexicurity arrangements in the formal economy

Introducing more flexible labour contracts and other atypical working arrangements into the formal sector of the economy, not in terms of wages, but in terms of hiring and firing modalities, working time (e.g. part-time work schemes) and social contributions, would facilitate the hiring of young people and in particular of women, who are currently de facto excluded from the formal labour market. Within this framework, the overly protective regulations that increase the costs of hiring labour or specific workers (e.g. generous maternity rights) should be carefully assessed in terms of their impact on the labour market.

Incentives for transforming informal employment

These could include a reduction of or temporary exemption from the current high social security contributions for new micro-enterprises and other tax incentives, together with a strengthening of labour inspection for companies that use informal employment, and the launch of programmes to upgrade the professional skills of informal workers (e.g. second-chance programmes for school dropouts). The upgrading of skills is particularly relevant for ensuring a better future for many young people who are stuck in jobs in the informal sector. As explained in this report, it is estimated that more than 20 million young people work in informal jobs, with poor working conditions and low wages, and no prospects for improvement. Given the high proportions of informal employment in the overall economies (ranging from 30% to 70%), it is vital that a comprehensive strategy is developed to address informal employment.

Efficient job-matching and recruitment mechanisms

Existing job-matching services, most of which are provided by PES, are poor because they are little used by employers (for their vacancies) and job-seekers. Most job searching and recruitment is done through personal contacts and social relations, which penalises young women and disadvantaged groups in society in particular. A transparent labour market, and information on job offers that is accessible to everyone, will facilitate merit-based and competitive recruitment mechanisms as an alternative to social contacts. The establishment of online nationwide labour market information systems provides an effective platform for such services.

Activation measures specifically designed for NEETs

As indicated in this report, young people who are not in education, employment or training (in particular young women, and including young people in the same situation who have no education) constitute a considerable proportion of the 15–30 age group in many AMC and Turkey. In some cases they represent more than 40% of their age group (over 32 million young people in the region). These people have so far remained invisible and are largely excluded from current employment policy measures. The measures could include the functional literacy programmes previously mentioned, and also vocational training and self-employment programmes, coupled with individual mentoring sessions for self-empowerment.

Employment policies

Comprehensive national employment strategies

These should be developed and followed up in all countries, with clear objectives and priorities, time-bound targets and benchmarks, staff budget allocations and institutional coordination arrangements, integration of international cooperation resources, monitoring mechanisms and regular assessment of results allowing for an on-going process of review. As a precondition for their effectiveness, strengthened institutional capacities are required in all MPCs, in terms of both the performance of labour ministries and PES, and policy making based on increased evidence from information and data on the functioning of labour markets.

Social partners

Social partners should be actively involved in formulating, monitoring and reviewing national employment strategies. Employment policy making must be opened up to allow the participation of social partners and other civil society organisations that represent social groups such as women, young people and informal workers and that are working to promote employment or economic activity. Following the Arab Spring, newly emerging trade unions and social dialogue mechanisms in a number of countries have the potential to significantly strengthen employment policies. Their low capacity and low representativeness as a result of the low level of unionisation need to be strengthened.

Developing labour market monitoring systems

Labour market monitoring systems can be used to identify the current and future skill needs of the labour market and to transform them into appropriate actions that will create relevant education and training provision. This includes more transparency and dissemination of existing data collection instruments (e.g. LFS, PES registers, ALMP measures), and extensive analyses by different stakeholders on relevant labour market trends. It also includes macro/national, regional and (economic) sector-specific surveys and analyses of the demand and supply of skills in order to identify current and potential skill gaps or surpluses.

Inter-institutional coordination mechanisms

Coordination from the highest to the lowest levels (national, regional and local) should guarantee adequate implementation and coordination of employment policy with general economic policies (in particular macroeconomic policy, trade policy, fiscal policy and industrial policy), education and VET policy, and social inclusion and social protection policies. Policymakers in the countries concerned need to reinforce anticipatory, inclusive and effective multi-level governance that engages a multiplicity of politically independent but otherwise interdependent actors, both private and public, at different levels of territorial aggregation in a more or less continuous process of negotiation, deliberation and implementation. Such coordination should ensure that the objective of promoting employment for women and young people is mainstreamed into all national public policies. The appointment of national and local coordination bodies might be useful in overcoming the issue of competences on employability being dispersed across different ministries and institutions, and in focusing the attention of policymakers on the coherence and contribution of VET, education and labour market institutions in relation to the common objective of increased employment.

Stronger and more efficient PES

PES need to be strengthened in terms of their budget allocations, staffing and infrastructures, as well as their role in, and capacities for, designing and implementing labour market policies at national and local levels in the region, including:

- the professional training of labour and professional counsellors for PES; the number of counsellors is currently insufficient in most countries;
- the establishment of a nationwide electronic labour market information system, with databases of job-seekers and qualifications, job offers and active labour market programmes in those countries where such databases do not yet exist (such as Algeria, Jordan, Egypt and Albania);
- direct cooperation with employers as a key constituent element of all schemes aimed at placing people in work, including VET programmes and ALMPs, both in the implementation of the programmes and in the assessment of the results;

- the development of gender-sensitive labour counselling programmes and career guidance services, focusing particularly on the specific problems of women;
- the centralisation by PES of all the job intermediation activities undertaken by public administration bodies, in order to achieve greater efficiency, although PES services cannot be made mandatory for all employers and job-seekers; this would include the placement services of vocational training centres and international labour placement agreements;
- the introduction of a monitoring system to enable PES to monitor ALMPs and obtain detailed data on their beneficiaries by age, gender, education level, region and rural/urban residence;
- ideally, make employment offices 'one-stop shops' for job intermediation and labour insertion support, in the same way that single administrative portals have become access points for SMEs.

Cost-effective ALMPs based on the evaluation and impact-assessment studies on employability

Many ALMPs (e.g. labour market training and retraining, public works, hiring subsidies, self-employment and entrepreneurship support, etc.) have been implemented in MPCs, but their real impact on beneficiaries is not properly assessed. There are already indications of their proliferation (multiplication and overlapping schemes), problems with targeting (most are focuses on males and better-educated graduates), issues surrounding their effectiveness for the employment prospects of participants, and abuses. ALMPs should always include mechanisms to monitor their implementation and evaluate their impact, and to ensure systematic consultation with the stakeholders. Such processes should ensure that measures are better targeted towards the most vulnerable groups within society, and should promote opportunities to improve the effectiveness, efficiency and impact of measures.

Entrepreneurship and self-employment support programmes

These are a key component of employment policy in MPCs, and need to be extended and enhanced. As previously discussed, the economies of the MPCs consist mainly of SMEs and micro-enterprises; thus, a business environment conducive to more micro-enterprise creation and SME growth is indispensable for promoting job creation. The proportion of people expressing a preference for entrepreneurial activity is relatively high in the region – especially in Algeria, Lebanon, Morocco and Jordan – though the main motivation for such activity is found to be necessity (as a strategy for overcoming unemployment) rather than choice. As a result, such activities show higher rates of company mortality, and most SMEs never show sufficient growth to create more and better jobs for others.

Financial and institutional support for entrepreneurship and SME growth is a crucial part of the response to most

employment, and indeed economic, challenges in the region. Many countries have launched training and credit programmes to this effect, but paradoxically the proportion of ALMPs geared towards entrepreneurship is still relatively low; most target unskilled or low-skilled young people – who have the least chance of success in business – and most are offered as a last resort. Entrepreneurship and SME support programmes must become the backbone of the youth employment strategy, and should target highly skilled young people in particular in order to increase the likelihood of achieving success and wider spill-over effects. It is recommended that entrepreneurial and innovative thinking should be instilled through education and training, and should encourage high achievers in particular to become entrepreneurs as a matter of choice rather than necessity.

Public works programmes with training and professional certification components

Such programmes, at least those financed by EU funds, should ideally be the norm, and should be targeted at unskilled, unemployed individuals. There is a need to liaise with local VET centres on this initiative. Another key priority in this field is to ensure that there is a certain proportion of female workers in the jobs offered through those programmes, for instance, though the provision of female community services.

Local employment development initiatives

Local employment development initiatives should use a bottom-up approach and mobilise local social and economic stakeholders, encouraging committed local partnerships to promote employment that identifies with the localities in which they operate. In order to promote regional development, reduce territorial disparities and offer tailor-made solutions that take into account local needs and realities, employment and training policies and ALMPs should have a local and/or regional 'touch'. Cooperation would involve local authorities, statutory agencies, local employers, business organisations, trade unions and NGOs in the design, management and implementation of employment-related policies. It would encompass a broad range of activities that create jobs, tackle unemployment, promote adaptability, stimulate initiatives, facilitate inclusion and reduce inequality.

National employment and training strategies should be translated into regional and local action plans, based on local information (current statistics are often not broken down by region), and national programmes adapted to local needs. This implies the provision of a certain amount of information and autonomy for local VET centres and employment offices, and may require the creation of local coordination bodies for collective local action. Such bodies might be useful for addressing the fact that competences relating to employability are dispersed among different actors and for focusing attention on the coherence and contribution of VET, education, the labour market and business towards the common objective of youth employment.

6.2 EURO-MEDITERRANEAN COOPERATION IN THE FIELD OF EMPLOYMENT AND EMPLOYABILITY

The link between labour market performance and migration flows (European Commission, 2010a) and between the employment situation and prospects and social stability, as illustrated by the Arab Spring, makes it clear that employment policies in MPCs are a question of common interest for all Euro-Mediterranean partners. In this regard, although in practice a regional Mediterranean labour market does not exist, employability can be understood and analysed at the regional level (for the whole Mediterranean), and not exclusively at the national level (World Bank, 2009b). This Euro-Mediterranean vision of employability is the basis for deepening Euro-Mediterranean cooperation in the field of employment, an initiative that was launched at the first Euro-Mediterranean Conference of Ministers of Labour and Employment in 2008. New social, political and economic developments in the region have increased the urgency to undertake concrete activities in this field, within the frameworks of both National Indicative Programmes of the ENP and Euro-Mediterranean regional cooperation. Some courses of action are suggested below.

Implementation of the Framework for Actions

The Framework for Actions agreed at the Euro-Mediterranean Conferences of Ministers of Labour and Employment is the main tool for 'developing a genuine social dimension within the Euromed agenda', as specified in the conference conclusions and recent developments in the region have only highlighted the urgency and importance of pursuing this. In order to progress from the Framework for Actions to action, a number of first steps will be required.

Annual Reports of National Progress on the implementation of the Framework for Actions could become a standard tool of Euro-Mediterranean employment policy dialogue and cooperation, reflecting the responsibility of each partner to specify and implement its objectives. They are the instruments for the 'mechanism for exchange and follow-up' of the Framework for Actions foreseen in the Ministerial Conclusions, and are the basis from which to 'step up the momentum for concrete action at national and regional levels', as called for in the conclusions of the Second Euro-Mediterranean Conference of Ministers of Labour and Employment. If all the parties of the UfM commit themselves to implementation, the reports could be written in a common format, following the good practice of EU Member States and the enlargement countries within the framework of the Open Method of Coordination¹⁰ and Integrated Guidelines for Employment.

The nine priorities within the Framework for Actions that are highlighted in the conclusions of the Second Euro-Mediterranean Conference of Ministers of Labour and Employment could be formulated into specific objectives and indicators (on training, labour market insertion, etc.) to allow for assessment and comparability of the progress made. This would in time allow for the development of a Euro-Mediterranean Employment and Employability Scoreboard, with a set of indicators to measure progress and allow for benchmarking. EU cooperation projects and programmes in the field of employment in the MPCs could follow the needs identified in the scoreboard and contribute to the implementation of these priorities. However, in order for this to be achieved it will be necessary to clarify the institutional setting of the implementation of the Framework for Actions.

MedStat Programme, a statistical cooperation programme funded by the ENPI Regional Programme–South, could help to facilitate the production of more detailed, reliable and comparable data on employment and employability throughout the region, in support of regional employment policy dialogue and the implementation of the Framework for Actions. More detailed statistics on education and training, specific groups of young people (e.g. NEETs), labour market indicators (which should always be broken down by age, gender, education level and region) and ALMP measures could be extremely helpful for evidence-based policy making in the field.

There is a need to enhance the on-going involvement of social partners and broaden the representation of other NGOs and civil society organisations – in particular those representing the more vulnerable groups such as women, young people and individuals with a disability (within the Forum for Social Dialogue and also at national level) – in a more direct way in the process of implementation and follow up of the Framework for Actions, in line with the approach highlighted in the Ministerial Conclusions.

Increasing the importance of employment in the ENP, in terms of both budget and actions

VET programmes were an integral part of the MEDA Programme and subsequently the ENP National Action Plans. Employment and employment policies, in contrast, have received less attention (Martin, 2012). The creation of decent jobs and employment policies needs to be at heart of the ENP Action Plans and cooperation projects, and mainstreamed with other policy fields, including a systematic assessment of their employment impact on the countries. The modernisation of labour markets, employment policies and social partners is just as important as the modernisation of industries and the support for the upgrading of the business sector to enable it to face up to competition.

National Indicative Programmes could include more employment sectoral support programmes (as is already

¹⁰ On the potential for extending the Open Method of Coordination to MPCs, see Jaidi (2010).

the case in Tunisia and Algeria, and as will soon be the case in other countries) comprising some or all of the following measures to modernise the labour markets and employment policies in MPCs:

- promotion of job creation (entrepreneurship and SME growth, business environment, administrative procedures, investment climate and promotion);
- support for transforming informal to formal employment and skills upgrading of informal workers;
- support for employment policy making and interministerial coordination;
- support for PES, development of information systems to support their job intermediation function and training of job counsellors;
- review and upgrading of ALMPs;
- development of integrated labour market information and analysis systems;
- involvement of social partners and other NGOs and civil society organisations and the promotion of social dialogue with broadened social representation.

In terms of public technical assistance in all these fields, twinning, TAIXEX and SIGMA projects in the sectors of education and employment should be promoted. Only 18 of the 279 twinning projects implemented between 2004 and 2010 for all ENPI countries (East and South) involved employment and social affairs.

Exchange of experience and good practice among the UfM partners

The First Euro-Mediterranean Conference of Ministers of Labour and Employment underlined in its conclusions 'the added value of working together at a regional level among the 43 partner countries in the fields of employment, employability, and decent work and learning from each other's experiences and best practices, while taking into account the specificities of each country'. This can be particularly fruitful in the field of labour market information systems and PES information support systems, as well as in the design and implementation of ALMPs. Sub-regional exchange of experience and specific technical assistance for MPCs on PES could become an integral part of the EU's cooperation projects in the fields of VET and employment in the region.

Benefiting from the vision of the Europe 2020 strategy

Europe 2020 – A strategy for smart, sustainable and inclusive growth (European Commission, 2010b), which was formally approved by the European Council in June 2010, is the EU's road map for increasing the long-term competitiveness of European economies and for preserving the European social model ('Where do we want Europe to be in 2020?') through concrete objectives and benchmarks in the following fields: employment, innovation and competitiveness, climate change, education, and the fight against poverty. The external dimension of the EU's 2020 strategy is important for the

EU Neighbourhood; the objectives and priorities of the strategy are widely shared by the MPCs, and there is great scope for synergy between the EU's economic and financial assistance in the Mediterranean and the EU's 2020 strategy (Martín, 2010).

Some of the flagship initiatives launched within the framework of the EU's 2020 strategy – such as the Agenda for New Skills and Jobs (European Commission, 2010c) and Youth on the Move (European Commission, 2010d), aimed at facilitating the mobility of young people in Europe in order to achieve a degree, a new job, training or their own business – are particularly relevant for Euro-Mediterranean cooperation. The enlargement countries are already in the process of gradually adopting the strategy as part of the body of EU law, but voluntary dialogue mechanisms can be developed for interested MPCs who want to commit to more ambitious employment policies.

Enhancing legal migration and mobility dialogue in the Euro-Mediterranean area, and linking with national employment and skill policies of the home countries

Labour migration is by no means a panacea for all the employment problems in the MPCs, but it is one of a number of methods for easing labour market pressures over the short term. It is a common phenomenon of the region and its benefits could be further increased for all the parties concerned (sending countries, receiving countries and migrants) with more cooperation and better management of flows (Bardak, 2010). Despite the current economic crisis, the EU is a natural destination for migrants from the MPCs: according to Cedefop (2010) estimates, total unconstrained labour demand (i.e. without taking into account the labour supply development) for highly qualified workers in the EU will increase by 10 million between 2010 and 2020, and the demand for medium-level qualifications by another 4.5 million workers, a figure that will be only partly offset by a reduction of 7 million in the number of jobs for those with no or few formal qualifications.

The role of skills and better matching in both national and international labour markets is crucial if improved migration outcomes for individuals are to be achieved. Existing bilateral legal migration schemes between EU Member States and MPCs (such as Spain–Morocco, France–Tunisia and Italy–Egypt) could be used in a more systematic way, and labour market information systems need to be adapted and developed to fill the needs expressed by employers in EU countries. As a result of recent political developments in the region, the European Commission published a series of communications, including A Dialogue for Migration, Mobility and Security with the Southern Mediterranean Countries (2011b) and Global Approach to Migration and Mobility (2011e). In October 2011 the EU started to negotiate a mobility partnership agreement with Morocco and Tunisia, and has announced the potential for the same arrangements with Egypt and Libya.

These mobility partnership frameworks need to have a strong focus on employment and skills issues, closely linked to the national employment, skills and development strategies of the countries concerned. The dissemination and pre-selection of candidates for international jobs or legal migration offers should be channelled through existing national public employment and job-matching services, thus helping to strengthen them. In addition, measures can be taken to support the mobility of students and skilled workers within the Euro-Mediterranean area. For instance, a system of

Mediterranean apprenticeships in EU companies for VET students from MPCs could be considered, emulating the Erasmus Mundus Programme for university students. Some of these elements could be taken up in the new mobility partnership negotiations that the EU has launched to negotiate with Morocco and Tunisia. The issue of labour mobility and the creation of an integrated regional labour market has recently been identified as one of the key drivers of the future competitiveness of the Mediterranean as a region (World Economic Forum, 2011b).

ANNEX TECHNICAL NOTES TO TABLES AND FIGURES

TABLES

Table 1.1 Worldwide Governance Indicators (WGIs)

The World Bank WGI project reports individual and aggregate governance indicators for 213 economies for the period 1996–2010, for six dimensions of governance.

1. *Voice and accountability* captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
2. *Political stability and absence of violence* measures the perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including domestic violence and terrorism.
3. *Government effectiveness* captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
4. *Regulatory quality* captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
5. *Rule of law* captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
6. *Control of corruption* captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests.

All these WGIs are expressed in percentile ranks among all countries. They range from 0 (lowest) to 100 (highest).

http://info.worldbank.org/governance/wgi/sc_country.asp

Table 1.2 Corruption Perception Index, Economic and Political Freedom Status

Corruption Perception Index (Transparency International)

This ranks countries according to the perception of corruption in the public sector by combining different sources of information about corruption. The 2011 CPI measures the degree to which public sector corruption is perceived to exist in 178 countries around the world. It captures information about the administrative and political aspects of corruption. Broadly speaking, the surveys and assessments used to compile the index include questions relating to bribery of public officials, kickbacks in public procurement, embezzlement of public funds, and questions that probe the strength and effectiveness of public sector anti-corruption efforts. It scores countries on a scale from 10 (very clean) to 0 (highly corrupt).

Values → high value = best performance

Ranks → rank=1 is the best performer

www.transparency.org

Index of Economic Freedom (Heritage Foundation)

This measures 10 components of economic freedom (business, trade, fiscal, monetary, financial, investment, labour, government spending, property rights and freedom from corruption), assigning a grade in each using a scale from 0 to 100, where 100 represents the maximum freedom. The 10 component scores are then averaged to give an overall economic freedom score for each country (equal weights are assigned to all components). A ranking of the 179 countries is also provided.

www.heritage.org/index/

Political Freedom in the World (Freedom House)

The Freedom in the World 2011 survey contains reports on 194 countries and 14 related and disputed territories. Each country report begins with a section containing the following information: population, capital, political rights (numerical rating), civil liberties (numerical rating) and status (free, partly free or not free). Each territory report begins with a section containing the same information, except for capital. The political rights and civil liberties categories contain numerical ratings between 1 and 7 for each country or territory, with 1 representing the most free and 7 the least free. The status designation of 'free', 'partly free', or 'not free', which is determined by the combination of the political rights and civil liberties ratings, indicates the general state of freedom in a country or territory.

www.freedomhouse.org

Table 1.3 Bertelsmann Transformation Index of Democracy and Market Economy

This provides the framework for an exchange of best practices among agents of reform by publishing two rankings for 128 countries:

- the Status Index (distributed among the dimensions of democracy and market economy);
- the Management Index (analyses political management).

The table gives the ranking of the countries both by status index and management index.

Taken as a whole, a total of 17 criteria are subdivided into 52 questions. Index values range from 0 to 10, where 10 represents the optimum situation. Countries are selected according to the following criteria: they have yet to achieve a fully consolidated democracy and market economy and have populations of more than 2 million. The indicators used for 'democracy status' are stateness, political participation, rule of law, stability of democratic institutions, and political and social integration. The indicators used for 'market economy status' are socioeconomic level, market organisation, currency and price stability, private property, welfare regime, economic performance and sustainability.

www.bertelsmann-transformation-index.de/en/bti/

Table 1.8 Ease of Doing Business 2011: overall ranking and pillars

Economies are ranked on their ease of doing business, from 1 to 183. A high ranking on the Ease of Doing Business Index means the regulatory environment is more conducive to starting and operating a local firm. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to June 2010.

→ Only ranks are given (therefore rank=1 is the best, etc.)

www.doingbusiness.org/rankings

Table 1.9 Global Competitiveness Index

The Global Competitiveness Index integrates the macroeconomic and the micro/business aspects of competitiveness into a single index. It is made up of over 110 variables, of which two-thirds come from the Executive Opinion Survey, and one-third come from publicly available sources such as the United Nations. The variables are organised into 12 pillars, with each pillar representing an area considered as an important determinant of competitiveness.

Values → high value = better performance

Ranks → rank=1 is the best performer

www.weforum.org

Table 1.12 Gender Gap Index

The World Economic Forum assesses 134 countries on how well they divide resources and opportunities among male and female populations, regardless of the overall levels of these resources.

The report measures the size of the gender inequality gap in four areas:

- *economic participation and opportunity* – outcomes on salaries, participation levels and access to high-skilled employment;
- *educational attainment* – outcomes on access to basic and higher level education;
- *health and survival* – outcomes on life expectancy and sex ratio;
- *political empowerment* – outcomes on representation in decision-making structures.

Values → higher values = better performance (the more the gap has been closed)

Ranks → rank=1 is the best performer

www.weforum.org/en/initiatives/gcp/Gender%20Gap/index.htm

Table 1.14 Poverty headcount and Gini coefficient

The Gini index (World Bank) measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. The Gini coefficient is mathematically based on the Lorenz Curve, which plots the proportion of the total income of the population (y axis) that is cumulatively earned by the bottom x% of the population.

The line at 45 degrees thus represents perfect equality of incomes (e.g. 50% of the population earns 50% of the income). The Gini coefficient is calculated as area A divided by the sum of areas A and B. A value of 0 indicates total equality and a value of 1 maximal inequality (sometimes it is multiplied by 100).

Table 2.3 PISA results

PISA provides an overall reading literacy scale for reading texts, drawing on all the questions in the reading assessment, as well as scales for three aspects and two text formats. To help in interpreting what students' scores mean in substantive terms, the scale is divided into levels. The range of difficulty of tasks allows for the description of seven levels of reading proficiency: Level 1b is the lowest described level, then Level 1a, Level 2, Level 3 and so on up to Level 6.

The level included in the table is 1a or less. 'Tasks at this level require the reader: to locate one or more independent pieces of explicitly stated information; to recognise the main theme or author's purpose in a text about a familiar topic; or to make a simple connection between information in the text and common, everyday knowledge. Typically the required information in the text is prominent and there is little, if any, competing information. The reader is explicitly directed to consider relevant factors in the task and in the text.'

Table 2.4 Average achievement in mathematics in secondary education

The TIMSS scale metric was established in 1995 by setting the average of the mean scores of the countries that participated in TIMSS 1995 to 500 (scale average) with standard deviation 100; in order to allow comparisons through time the data from 1999, 2003 and 2007 were also placed on this metric so that scores are equivalent from assessment to assessment.

Table 3.2 Employment by sector and sectoral value-added as a share of GDP

Notes for employment data

- Albania and Israel age group: 15–64
- Lebanon and Tunisia: data for 2007 from MEDA-ETE database
- Egypt: data from the Central Agency for Public Mobilization and Statistics
- Morocco: data from the Haut Commissariat au Plan
- Agriculture: agriculture, hunting, forestry and fishing
- Industry: mining and quarrying, manufacturing, electricity, gas and water supply, and construction
- Services: all other sectors
- In some countries the total does not add up to 100 because there is a small percentage of 'not defined' employees.

FIGURES

Figure 1.2 Ranking of Mediterranean partner countries in the Human Development Index and gross national income

The Human Development Index (HDI) is a summary measure of human development. It measures the average achievements in a country in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. It represents a new way of measuring development by combining indicators of *life expectancy*, *educational attainment* and *income* into a composite human development index. It is a single statistic which serves as a frame of reference for both social and economic development.

A minimum and a maximum (called goalposts) are set for each dimension, showing where each country stands in relation to these goalposts, expressed as a value between 0 and 1, where 1 stands for the most developed. The HDI is the geometric mean of normalised indices measuring achievements in each dimension.

Values → high values = better performance

Ranks → rank=1 is the best performer

<http://hdr.undp.org/en/statistics/hdi/>

Figure 2.2 Mean years of schooling and school life expectancy (years per person), primary to tertiary

Mean years of schooling (of adults) is a calculation of the average number of years of education received by people aged 25 and older in their lifetime based on education attainment levels of the population converted into years of schooling based on theoretical durations of each level of education attended.

Source: Barro and Lee, 2010.

Expected years of schooling is a calculation of the number of years a child of school entrance age is expected to spend at school, or university, including years spent on repetition. It is the sum of the age-specific enrolment ratios for primary, secondary, post-secondary non-tertiary and tertiary education and is calculated assuming the prevailing patterns of age-specific enrolment rates were to stay the same throughout the child's life.

Source: UNESCO UIS.

Figure 2.5 Educational attainment of population aged 15+

Education levels are grouped as low (ISCED 0–2), medium (ISCED 3–4), and high (ISCED 5–6), except:

- Bosnia and Herzegovina: lower secondary included in 'medium'
- Montenegro: L – less than primary, primary, vocational after primary; M – secondary general and vocational; H – tertiary
- Morocco: L – illiterate, preschool; M'Sid coranique, basic; M – secondary; H – tertiary
- Syria: L – elementary and lower, preparatory; M – secondary, intermediate institutes; H – university and above
- Jordan: L – illiterate, less than secondary; M – secondary; H – intermediate diploma, bachelor and above.

Figure 3.3 Unemployed and employed populations by education level

Low, medium and high are classified as follow:

- Bosnia and Herzegovina: L – ISCED 0–1; M – ISCED 2–4; H – ISCED 5–6.
- Croatia: L – incomplete basic school, basic school; M – one to three years of secondary vocational, four years of secondary vocational; grammar school; non-university degree; H – university and postgraduate degree
- Montenegro: L – less than primary, primary, vocational after primary; M – secondary general and vocational; H – tertiary
- Turkey: L – illiterate, less than high school; M – high school, vocational high school; H – higher education

- Egypt: L – illiterate, read and write, less than intermediate; M – general secondary, technical secondary, above intermediate; H – university and higher
- Occupied Palestinian territory: L – 0 to 9 years of schooling; M – 10 to 12 years of schooling; H – 13+ years of schooling
- Syria: L – illiterate, literate, elementary, preparatory; M – secondary, intermediate institutes; H – university and above.

ACRONYMS

AFD	Agence française de développement
ALMP	Active labour market policy
AMCs	Arab Mediterranean countries (Algeria, Egypt, Jordan, Lebanon, Morocco, the occupied Palestinian territory, Syria and Tunisia)
CAPMAS	Central Agency for Public Mobilisation and Statistics (Egypt)
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
ETF	European Training Foundation
EU	European Union
GDP	Gross domestic product
GNI	Gross national income
HDI	Human Development Index
ICT	Information and communication technology
ILO	International Labour Organisation
IPA	Instrument for Pre-accession Assistance (EU instrument covering Albania, Bosnia and Herzegovina, Croatia, Montenegro and Turkey among the UfM partners)
LFS	Labour Force Survey
LMIS	Labour market information system
MPCs	Mediterranean partner countries (Albania, Algeria, Bosnia and Herzegovina, Croatia, Egypt, Israel, Jordan, Lebanon, Montenegro, Morocco, the occupied Palestinian territory, Syria, Tunisia and Turkey)
NEET	(Young people) not in employment, education or training
NQF	National qualifications framework
OECD	Organisation for Economic Cooperation and Development
PES	Public employment services
PISA	Programme for International Student Assessment (OECD)
SME	Small and medium-sized enterprise
SYPE	Survey of Young People in Egypt (Population Council)
TIMSS	Trends in International Mathematics and Science Study
UfM	Union for the Mediterranean
UNDP	United Nations Development Programme
VET	Vocational education and training
WDI	World Development Indicator
WGI	Worldwide Governance Indicator

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