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HUMAN CAPITAL AND EMPLOYABILITY IN THE 14 PARTNERS OF THE UNION FOR THE MEDITERRANEAN

Informal Background Paper to the Union for the Mediterranean–Euromed Employment and Labour High-Level Working Group Meeting

Brussels, 26-27 November 2009

European Training Foundation

CONTENTS

INTRODUCTION

Euromed partners had their first opportunity for structured employment dialogue in 2007 when the European Commission (EC) organised an employment workshop in Brussels for high level experts from 35 countries.[1] For this occasion the ETF provided input to the workshop by producing and presenting a regional employability paper on the Mediterranean partner countries[2]. The increasing importance of employment challenges in the region paved the way for the first Euromed Employment and Labour Ministers Conference held in Marrakesh (Morocco) on 9-10 November 2008, where the countries signed up to a joint Framework of Actions identifying 3 policy areas: (i) job creation, (ii) employability of human capital, (iii) decent employment. The 'employability of human capital' section includes reforms to the education system aimed at: improving responsiveness to labour market needs; reinforcing demand driven vocational training in key sectors; and improving the operation of public employment services (PES). Transparent labour market information systems and career guidance services are also amongst the key policy objectives mentioned. On this section, the ETF was asked again to analyse employability of human capital in the Mediterranean partner countries.

Following recent developments of the Union for the Mediterranean (UfM), this report focuses on the employability of human capital in 14 countries sharing a common link to the Mediterranean Sea: Albania, Algeria, Bosnia and Herzegovina (BiH), Croatia, Egypt, Israel, Jordan, Lebanon, Montenegro, Morocco, Occupied Palestinian Territory (OPT), Syria, Tunisia and Turkey. These countries share some elements other than geographical proximity to the Mediterranean, but there are also many differences. Unifying factors include: the Arabic language, a shared history in the Islamic Empire and religion for 8 Arab countries; a complex recent history of war, ethnic conflict and the creation of new nations for the 3 Western Balkan countries (BiH, Croatia and Montenegro); and major involvement in international discussions, war and other important challenges for the other 3 countries (Israel, Lebanon, OPT). Distinctive factors include: colonial and post-colonial links or communist and socialist experiences that have left legacies of various traditions and models for State administration, education and labour market systems in several of the countries. Furthermore, 5 countries (Albania, BiH, Croatia, Montenegro and Turkey) have a long-term perspective toward EU membership that adds a European dimension to their policy agenda and they also benefit from the EU Instrument for Pre-Accession Funds (IPA).

Despite the existence of huge diversities across the 14 countries, this report attempts to identify the main regional or cross-country trends in the relationship between education and training and employment. Employability is the key word here, defined as a person's capability to gain initial employment, maintain employment, and obtain new employment if

1 The Euromed Workshop on Employment, Brussels, 12-13 December 2007. The participants were EU-25 + 10 MEDA countries. Albania, BiH, Croatia and Montenegro were not included at that time as the Union for the Mediterranean (UfM) was not yet formed.

2 European Training Foundation (2007), *Employability in the Mediterranean region: improving education, training and job-matching for the labour market*, Working paper presented to the workshop on 12-13 December.

required. Employability of human capital[3] constitutes a critical challenge for all the countries and is extensively influenced by a number of socio-economic, demographic, educational, cultural, and labour market factors. While each country deserves individual attention to highlight specific national profiles, this 'issue paper' will provide an overview of the key issues to be approached through a general assessment across all countries. This paper is produced by the ETF on the basis of four sub-regional papers that classified the 14 countries in the following manner: IPA countries (Albania, BiH, Croatia, Montenegro and Turkey); Maghreb (Algeria, Morocco, Tunisia); Mashrek (Egypt, Jordan, Syria); and finally, a Middle-Eastern group of Israel, Lebanon and OPT. The data in the tables and graphs are presented in keeping with these sub-regional groups.

3 *Human capital* refers to knowledge, competences and skills that people have and can mobilise/use to improve their lives (mainly through gainful employment) and contribute to the social and economic development of their country.

1. SOCIO-ECONOMIC BACKGROUND

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1.1 INCREASING POPULATIONS AND LOW-TO-MEDIUM LEVEL HUMAN DEVELOPMENT – WITH SIGNIFICANT DIVERSITIES ACROSS THE COUNTRIES

Table 1 reveals the huge variance in the populations and demographic trends of the countries. The highest populations are in Egypt (81.5 million), Turkey (73.9), Algeria (34.4) and Morocco (31.2) and the lowest in Montenegro (0.6), Albania (3.1), BiH (3.8), OPT (3.8) and Croatia (4.4). Montenegro (the smallest newly independent state since 2006), BiH and Croatia face challenges in achieving social cohesion between diverse ethnic groups. Population growth is negative in BiH and Croatia and close to zero in Albania and Montenegro due mainly to a direct loss of potential fertility as a result of the war and emigration, especially among the younger cohorts.

On the other hand, OPT (3.4 %), Jordan (3.2%), Syria (2.5 %) and Egypt (1.8 %) have the highest population growth with 4.6, 3.6, 3.3 and 2.9 children per women respectively. Population growth is relatively lower than would be expected from the fertility rate in Morocco, Tunisia and Turkey (2.4, 2.0 and 2.1 children per women respectively), partly due to migration (Detape et al, 2008). However, fertility rates are lower than 1980 levels in all the countries – a sign of gradual demographic transition. Although population growth rates are expected to decline in coming decades, existing fertility rates will ensure positive population growth rates in the region. The population of most countries will increase substantially by 2020, with a slight decrease in BiH and Croatia and stable levels expected in Albania and Montenegro.

Table 1 – Key demographic indicators

Country	Population[1] (million) 2008	Population[3] (million) 2020	Population[1] Growth % 2008	Fertility rate[1] % 2007	Infant mortality[1] 2007	Life expectancy[1] (%) 2007	Urban population[1] (%) 2008
Albania	3.1	3.3	0.3	1.9	13.4	76.5	46.7
BiH	3.8	3.7	-0.1	1.2	12.6	75.0	47.4
Croatia	4.4	4.3	-0.0	1.4	4.9	75.7	57.3
Montenegro	0.6	0.6	0.2	1.6	8.9	74.0	60.2
Turkey	73.9	83.9	1.2	2.1	21.4	71.8	68.7
Egypt	81.5	98.6	1.8	2.9	29.9	70.0	42.7
Jordan	5.9	7.5	3.2	3.6	20.8	72.6	78.4
Syria	21.2	26.5	2.5	3.3	14.8	74.1	54.2
Israel	7.3	8.3	1.8	2.9	3.8	80.6	91.7
Lebanon	4.1	4.6	1.0	2.2	25.9	72.0	87.0
OPT	3.8	5.8	3.4	4.6	23.9	73.4	71.9
Algeria	34.4	40.6	1.5	2.4	32.8	72.3	65.2
Morocco	31.2	36.2	1.2	2.4	32.4	71.1	56.0
Tunisia	10.3	11.4	1.0	2.0	18	74.3	66.5
EU-27 ave.[2]	498.7	513.8	0.4	1.5 (2006)	4.7 (2006)	77.7 (2002)	N.A.

Source: (1) World Development Indicators (WDI) Database, (2) Eurostat, (3) UNDP – 2020 medium variant population projections

For countries with positive population growth, the increasing labour force becomes a paralysing factor as countries struggle to absorb the mass of young people into the labour markets while dealing with housing, education and infrastructure needs. According to the World Bank (2008a, 2008b, 2008c), Egypt needs to create around 500 000 to 700 000 new jobs each year and the working age population in Turkey are growing by over 800 000 per year. Tunisia must offer between 80 000-90 000 new jobs every year, while Syria has an additional 250 000-300 000 young people to accommodate in the labour market each year, and has also been obliged to accommodate Iraqi refugees in recent years. Algeria must increase annual job creation by 2.6 % until 2020 simply to maintain current employment rates and Morocco needs to create at least 4 million jobs by 2020 (Barbier 2006). Jordan has an estimated 60 000 new entrants joining the labour market every year and immigration increases the pressure (an estimated 500 000 Iraqi refugees have been received since 2003).

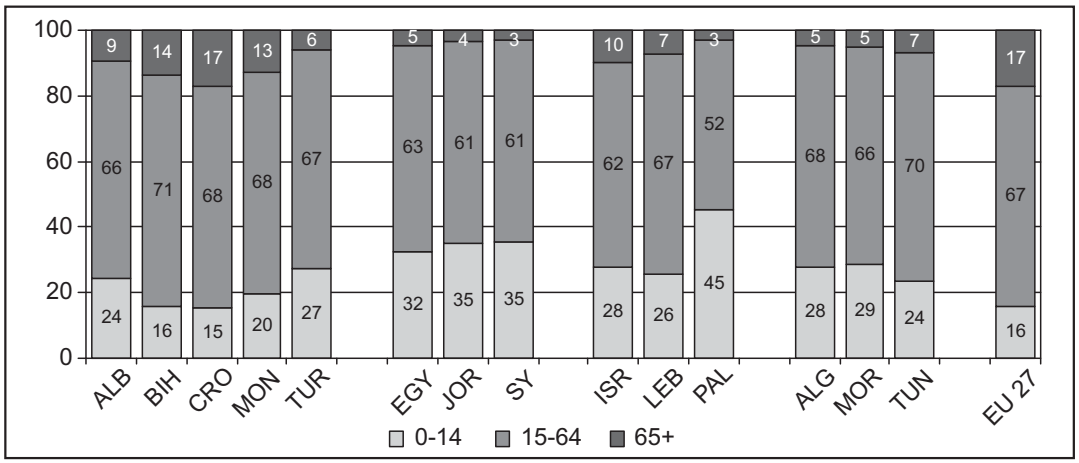
The employment situation is more complex in nations like Lebanon - a country torn by conflict for many years - where there are 18 official religions and large numbers of refugees (around 300 000 Palestinians and 50,200 Iraqis). Meanwhile, Occupied Palestinian Territory (OPT) is a divided country with 63 % of the population living in the West Bank and 37 % in the Gaza Strip. It has the highest population growth in the whole region - around 40 000 young people enter the labour force annually - and the government faces the unenviable task of providing adequate education, housing, health care and employment opportunities for a young and fast-growing population in an unstable and unpredictable political, economic and social setting.

The share of age groups within the population varies greatly depending on the phase of demographic transition. Graph 1 shows the level of population under 15 years of age is similar to the EU-27 average of 16 % in Croatia (15 %), BiH (16 %) and Montenegro (20 %) %. These countries also have a similar share of the 65+ age group as the EU-27 average of 17 %: with 17 % in Croatia, 14 % in BiH and 13 % in Montenegro, % indicating similar trends toward an ageing society. Conversely, there are high proportions of children aged under 15 in OPT (45 %), Jordan (35 %), Syria (35 %) and Egypt (32 %). This means there is a mass of children in the education system that will move into the labour market causing a higher growth rate in the working population. These particular countries also have also the lowest share of the 65+ age group (3-5 %) providing an obvious advantage for pensions systems.

The age structure is relatively similar in the Maghreb (Algeria, Morocco, and Tunisia), Israel, Lebanon, Turkey and Albania, with a high proportion of young people (24-29 %), relatively large working age population (62-70 %) and small share of elderly people (5-10 %). This provides these countries with a demographic window of opportunity. However, if they are to make the best possible use of this opportunity, they must provide good quality education and training opportunities for children and generate sufficient new jobs at appropriate levels for the burgeoning number of new entrants based on growth projections of between 2-3 % per year. Meanwhile, improved health services have led to substantial increases in life expectancy and reductions in infant mortality. Life expectancy is relatively high in Israel (80.6), Albania (76.5), Croatia (75.7) and BiH (75), followed by Montenegro, Syria and Tunisia. However, it is important to remember that infant mortality is still especially high in Algeria (32.8 per 1000), Morocco (32.4), Egypt (29.9), Lebanon (25.9) and OPT (23.9) compared with 3.8 per 1000 in Israel, 4.9 in Croatia, 8.9 in Montenegro, 12-13 in BiH and Albania.

The degree of urbanisation also has an impact on health and education services and the structure of sectors of employment. The most urban populations live in Israel (91.7 %), Lebanon (87 %), Jordan (78.4 %), OPT (71.9 %), Turkey (68.7 %), Tunisia (66.5 %) and Algeria (65.2 %). Meanwhile, percentages for urbanisation in Egypt (42.7 %), Albania (46.7 %) and BiH (47.4 %) show the population is more rural than urban. Croatia, Morocco and Syria have also significant rural populations (close to half) that maintain substantial pressure on the national labour markets with migration from rural to urban areas. There are also implications relating to the geographical imbalance of health and education services in largely agricultural countries like Albania, BiH, Egypt and Morocco.

Graph 1 – Population by age groups (%) – 2008

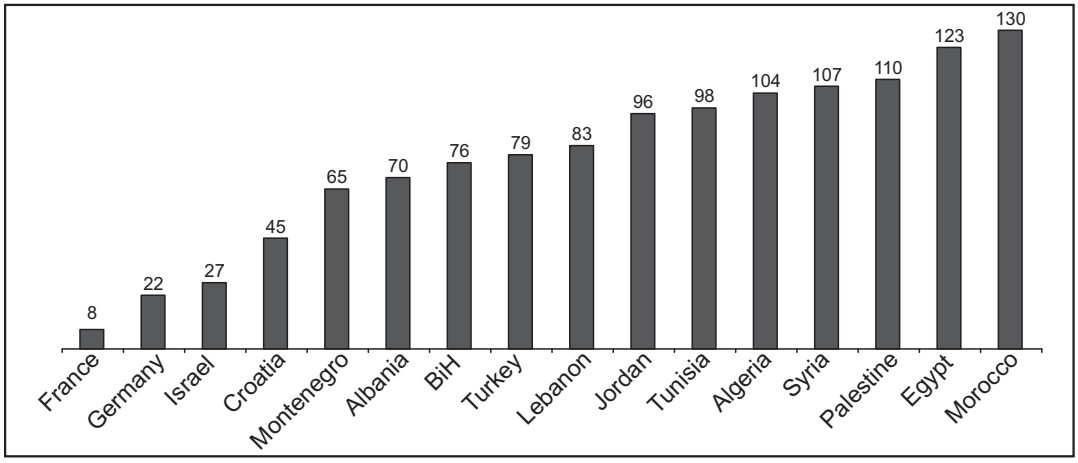


Source: World Bank – WDI database; EU27: Eurostat

The UNDP Human Development Index[4] classifies five countries as having a relatively high level of human development mainly due to higher life expectancy, education and standards of living – Israel (27), Croatia (45), Montenegro (65), Albania (70), BiH (76) (see graph 2 below). The lower ranking of Morocco (130) and Egypt (123) is due to relatively high rates of illiteracy, high mortality and low life expectancy and low enrolment in education. For Albania, BiH, Croatia and Montenegro, rates of adult literacy and gross enrolment in basic education are very high, with some enrolment problems in secondary and tertiary levels, while other aspects of life quality are relatively high largely due to economic growth and progress in education and health outcomes.

A comparison of country rankings on other issues such as national poverty, equity in society, gender equality, knowledge economy and competitiveness confirms similar trends in the region. An estimated 27 % of people live below the national poverty line in Turkey, 25.4 % in Albania, between 15-19 % in BiH, Morocco, Egypt, Jordan, and a total of 47 % of families in OPT (Table 2). Despite recent increases in growth, the incidence of poverty has also increased, with half of the poorest sector in Egypt living in the upper rural region. Gini index also shows higher inequalities in societies like Turkey (43.2), Morocco and Tunisia (both 40.9). Poverty represents a serious impediment to access to education as children from poor families are often obliged to work.

Graph 2 – Ranking of countries in the Human Development Index (2007)



Source: UNDP – Human Development Report 2009

4 The index measures development by combining indicators of life expectancy at birth, adult literacy rate, gross enrolment ratio and GDP per capita (PPP USD) into a composite Human Development Index (HDI). For more information, see http://hdr.undp.org/en/humandev/hdi/.

Table 2 – Ranking of countries in different international comparisons

Country	Poverty headcount ratio at national poverty line last year available - % (WB)	Gini Index l.y.a. (WB)	Gender Gap Index Rank 2008 (WEF)	Knowledge Economy Index Rank 2008 (WB)	Global Competitiveness Index Rank 08-09 (WEF)	Corruption Perception Index Rank 2008 (T.I.)
Albania	25.4	33.0	87	93	108	85
BiH	19.5	35.8		79	107	92
Croatia		29.0	48	40	61	62
Montenegro					65	85
Turkey	27.0	43.2	123	61	63	58
Egypt	16.7	32.1	124	90	81	115
Jordan	14.2	37.7	104	62	48	47
Syria			107	108	78	147
Israel		39.2	56	26	23	33
Lebanon				76		102
OPT						
Algeria			111	105	99	92
Morocco	19.0	40.9	125	99	73	80
Tunisia		40.8	103	82	36	62
France			15	22	16	23
Germany			11	12	7	14

Source: WB- WDI database, World Economic Forum (WEF), Transparency International (TI)

The gender gap index[5] is another important socio-economic indicator. This gives a relatively positive gender balance for Croatia (48), Israel (56) and Montenegro, but reflects very high inequality in Morocco (125), Egypt (124), Turkey (123) and Algeria (111), followed by Syria, Jordan, Tunisia (107, 104 and 103 respectively). It is important to note there has been a declining performance in terms of gender gap for all countries since 2006. A recent OECD report[6] confirmed that Turkey has the lowest number of female government employees (12 %) of all OECD countries and they are almost all in lower level posts.

The existence of a systematic skew toward discrediting women reflects a combination of economic, social and cultural factors which considerably hamper the socio-economic development of countries, wasting the potential contribution of female human resources toward a better quality of life. These low rankings in human development indicators reflect a deficiency in human resource development in most of these countries that leads to uneven growth patterns and labour markets lacking the appropriate quantity and quality of skills.

5 This index developed by the World Economic Forum measures gender inequality by combining indicators of economic participation and opportunity, educational attainment, health and survival, and political empowerment. For more information, see http://www.weforum.org/en/initiatives/gcp/Gender%20Gap/index.htm

6 OECD (2009); Governments at a Glance

In terms of knowledge economy, as scored by the World Economic Forum,[7] Israel (26) and Croatia (40) have the highest rankings followed by Turkey (61) and Jordan (62). The competitiveness index reflects the recent progress made by some other countries as well: Israel (23), Tunisia (36), Jordan (48), Croatia (61), and Turkey (63). Tunisia succeeded in diversifying its economy, thereby gaining a position close to Estonia in terms of competitiveness. Montenegro, Morocco and Albania are penalised in this respect by large agricultural sectors that are less competitive than other economic activities. The Syrian and Algerian economies remain uncompetitive, with undiversified exports, little progress in financial reforms and unfavourable business environments.

1.2 AUGMENTING NEGATIVE EFFECTS OF THE RECENT GLOBAL ECONOMIC CRISIS DESPITE GOOD ECONOMIC GROWTH OF PREVIOUS YEARS

Over the last two decades, economic reforms including the liberalisation of foreign trade, privatisation and foreign investment had led to positive growth of real gross domestic product (GDP) in all these countries until the financial and economic crisis of 2008. However, general growth across the countries did not lead to uniformity in terms of per capita GDP (Table 3). IMF estimates of per capita GDP (based on purchasing power parity (PPP)) in 2009 show this to be highest in Israel (USD 28,270), followed by Croatia (USD 17,880), Lebanon (USD 13,950), Turkey (USD 12,340) and Montenegro (USD 10,830). The middle range countries are Tunisia (USD 8.280), BiH (USD 7,490) and Albania (USD 7,020), and the lowest per capita GDP is in Morocco (USD 4,590), Syria (USD 4,860), Egypt (USD 6,150) and Algeria (USD 6,850).

However, the good economic performance observed in most countries was hit hard by the recent global economic crisis. Table 3 shows that all IPA countries recorded significant GDP growth in 2007: Montenegro (10.7 %), BiH (6.8 %), Albania (6.2 %), Croatia (5.4 %) and Turkey (4.6 %). However, their growth slowed in 2008 and dropped to negative points in 2009. According to IMF estimates, Turkey experienced the biggest economic contraction (-6.5 %), followed by Croatia (-5.2 %), Montenegro (-4 %), Albania (0.7 %) and BiH (3 %). Israel shows a similar pattern of decrease from 5.2 % in 2007 to -0.09 % in 2009. Similar economic developments are observed in the Arab Mediterranean countries as well, albeit to a lesser degree. The impressive recent economic performances of Jordan (8.9 %), Egypt (7 %), Lebanon (7.5 %), Tunisia (6.3 %) and Syria (4.2 %) in 2007 have been decreasing gradually in the last two years. IMF estimates for 2009 are for 3 % in Jordan and Syria, 4.7 % in Egypt, 2.9 % in Tunisia and 2.1 % in Algeria. Lebanon and Morocco seem more resilient to recent economic trends with growth rates of 7 % and 5 % in 2009. Their economies have continued to register positive growth rates despite a relative decline.

According to the World Bank, the global crisis has hit the Europe and Central Asia region (including the IPA countries) worse than others. Their export-oriented economies began to slump in the last quarter of 2008 due to the slide in world commodity prices that resulted in tens of thousands of workers losing their jobs (COFER 2009). The main factors behind the decline were: shrinking exports; lower foreign direct investments and capital inflows; declining remittances - particularly harsh in Albania and BiH; slower domestic credit flows; and increased cost of external financing. These small, open economies are particularly exposed to developments in the EU which is their key trading partner. The ranks of the unemployed have grown

7 The knowledge economy is measured on the basis of economic incentives and institutional regimes, education and human resources as well as the innovation system. The competitiveness index, on the other hand, takes into account institutions, infrastructure, macro-economy, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market sophistication, technological readiness, market size, business sophistication and innovation. For more information, see http://www.weforum.org/en/knowledge/index.htm

Table 3 – Gross domestic product growth and GDP per capita (PPP)

Country	GDP, constant prices (Annual percent change)						GDP based on (PPP) per capita (Current intern. USD thousand)					
	2007		2008		2009		2007		2008		2009	
Albania	6.26	*	6.77	*	0.70	*	6.36	*	6.90	*	7.02	*
BiH	6.84	*	5.50	*	-2.99	*	7.10	*	7.62	*	7.49	*
Croatia	5.47		2.36	*	-5.24	*	17.77		18.58	*	17.88	*
Montenegro	10.70	*	7.50	*	-4.00	*	10.12	*	11.11	*	10.83	*
Turkey	4.67		0.90	*	-6.50	*	12.89		13.14	*	12.34	*
Egypt	7.09		7.17	*	4.70	*	5.50	*	5.90	*	6.15	*
Jordan	8.91		7.90	*	3.00	*	5.14	*	5.54	*	5.66	*
Syria	4.24	*	5.15	*	3.02	*	4.54	*	4.76	*	4.86	*
Israel	5.20		4.00	*	-0.09	*	27.40		28.47	*	28.27	*
Lebanon	7.50	*	8.50	*	7.00	*	11.89	*	13.01	*	13.95	*
OPT	6.28											
Algeria	3.00		3.00	*	2.11	*	6.45		6.71	*	6.85	*
Morocco	2.71		5.58	*	5.00	*	4.10		4.36	*	4.59	*
Tunisia	6.35	*	4.65	*	2.95	*	7.56	*	8.00	*	8.28	*
EU-27	2.9		0.8		-4.0	*	29.95		30.76		29.83	

For EU-27, Eurostat and with ETF calculations
For Occupied Palestinian Territory: WB-WDI indicators, 2005

Source: IMF except Occupied Palestinian Territory

** IMF Estimates*

by 60 % in Turkey[8] and 40 % in BiH, with an increase of 20 % in unemployment - 50 000 individuals - expected in Croatia. The Turkish economy was the first to show signs of the slow-down in 2008, due to its high level of integration into the world economy and intense foreign trade with EU countries (especially in the automobile, construction, shipping and textile sectors). Production and exports in the real economy decreased substantially in Turkey and were followed by mass layoffs, mainly in the most competitive formal sectors. Unemployment stood at 16 % in mid-2009 compared to 10 % in mid-2008.[9]

According to the ILO (2009b) the decline in the region's financial markets as a result of the global crisis has had a relatively limited impact on the real economy of Arab Mediterranean countries so far, although not necessarily for good reasons (relative insulation in Syria and low market capitalisation in Jordan and Lebanon). Regional average economic growth including the Gulf Cooperation Council (GCC) is forecast to decrease by more than 2 percentage points (from 6 % in 2008 to 4 % in 2009). Tourism and construction are key drivers of these economies and are likely to be hit hard by contracting demand. Reports from Egypt reveal a reduction in the relative importance of foreign trade in GDP, sharp drops of revenue from the Suez Canal and tourism, while construction and foreign investment have been scaled back due to limited international liquidity.[10] Egypt, Morocco and Tunisia have strong trade and tourism links to Europe and they felt the impact of the crisis on their real

8 World Bank press release on 03.10.2009, see www.worldbank.org/eca/

9 www.turkstat.gov.tr

10 The 6th Egyptian Competitiveness Report, Cairo- June 2009.

economy in the last quarter of 2008 as the recession spread across Europe and other export markets. Jordan and Lebanon also entered the crisis in a weaker position due to their strong economic links with the GCC through remittances, tourism and a heavy dependence on foreign aid.

Despite some limited integration with the international economy, agriculture and manufacturing are still the main sources of job opportunities, although they have become less competitive as a result of increasing pressure to export goods to global markets at lower prices in the Arab region. There have been many newspaper reports on falling production and exports in sectors like textiles in Tunisia and Morocco, and banking and metals in Egypt, accompanied by increasing numbers of layoffs mostly in the more competitive export-oriented sectors. While the outlook for 2010 remains uncertain; a rapid turnaround is unlikely as the falling demand for exports has been accompanied by declining investment and remittance inflows (see section 4 on migration). This means the present economic crisis is intensifying a series of demographic, education and labour market challenges that the countries have been unable to resolve in recent decades. Trends on investment in human capital may deteriorate as a result, leading to higher inequalities and a new jobs crisis in the formal sector, causing major damage to the development prospects of the region.

Most governments intervened early to support their banking systems and stock markets in different ways. Algeria has accumulated huge fortunes from oil exports and has sufficient reserves available to cover at least two years of imports. Egypt has announced a fiscal package geared toward investment in a job-creating infrastructure. The Moroccan government decided to increase public investment in 2009 in order to offset the impact of the crisis, and, in parallel, the 2009 budget will cover employers' social contributions in key sectors with export-oriented production (textiles and automotive spare parts). Similar measures were adopted by the Tunisian authorities, increasing the amount allocated in the 2009 budget for public investment by 20 % and announcing other process to support Small and Medium Enterprises (SMEs), while export firms affected by the crisis will benefit from a 50 % subsidy on employers' social contributions (Commander and Zaman 2009).

2. KEY FEATURES OF LABOUR MARKETS

2

2.1 LOW AND DECREASING ACTIVITY AND EMPLOYMENT RATES VERSUS HIGH AND INCREASING UNEMPLOYMENT

Table 4 shows that compared to the EU-27 average of 70.9 % for 2008, the highest activity rates are seen in Albania and BiH (59 %), Israel (53.8 %), Algeria (57 %) and Morocco (51 %). With the exception of Israel, these are largely agricultural economies where a high share of unpaid labour artificially increases the rates. At the other end of the scale, the activity rate is around 41 % in OPT, 43.4 % in Jordan, 46.7 % in Turkey and 47 % in Egypt and Tunisia. With few exceptions, this means that more than half of the labour force (15-64 age group) is inactive, simply not contributing to the economies of the region, and meaning that even fewer people are actually in employment. Employment rates range from 49-50 % in Israel, Albania and Algeria, through 45 % in Croatia, Lebanon, Morocco and Syria, down to 40-42 % in BiH, Egypt, Tunisia and Turkey. The lowest employment rates of all are recorded in Jordan (37.9 %) and OPT (30.2 %).

The low activity and employment rates can mainly be explained by extremely low female participation in the labour markets (Table 4). Only Israel (48.7 %), BiH (53 %), Albania (49.6 %) and Croatia (42.5 %) have female activity rates comparable with the EU average (63.9 %). The high share of agricultural employment in Albania and BiH partially masks the female employment problem. Female employment rates are 11-13 % in OPT and Jordan (the lowest in the world), 16.9 % in Syria, 19.3 % in Egypt, and 21-22 % in Morocco, Tunisia and Turkey. The main reasons given by young women for inactivity in Egypt (Amer, 2007) are the burden of household chores, family refusal, marriage and childcare. Reasons given for inactivity in Jordan include: being a homemaker (55 %) and student (30 %), where 50 % of men describe themselves as students and three quarters of women as homemakers.[11] Countries with higher female employment include Israel (45.5 %), Croatia (38.1 %), BiH (35.7 %) and Albania (34.4 %) which has the highest female employment rates. These differences across the countries reflect deep social disparities between

11 Department of Statistics, Jordan.

males and females and a significant waste of human capital.

Demographic pressures and the lack of job opportunities have contributed to high unemployment. All countries except Israel (6.2 %) record an unemployment rate higher than the EU average (7 %) ranging from 8-10 % in Croatia, Turkey, Egypt and Morocco, through 12-14 % in Algeria, Jordan, Syria and Tunisia, before jumping to 22.7 % in Albania, 26 % in OPT, 29 % in BiH and 30 % in Montenegro. % % % Unemployment for Palestinian refugees living in Lebanon is estimated at around 60 % (with restrictions on the professions they are permitted to work in) %. The variation is also deeply affected by female unemployment rates, which are especially high, compared to those of men in certain countries (24.3 % in Jordan, 20.9 % in Syria, 19.3 % in Egypt, 18.4 % in Algeria and 17.3 % in Tunisia). Other countries have more comparable unemployment rates between men and women. Women are more exposed to unemployment than men across all levels of education and age, indicating higher turnover and longer waiting times.

Long-term unemployment is extremely high in Albania (more than 90 %), in BiH (more than 80 %) and in Croatia (where nearly 59 % of the unemployed have been out of work for more than 1 year). Montenegro has a chronic problem with people who have been unemployed for more than two years (73 % of all the jobless). This presents a real challenge and a priority for the PES if permanent exclusion is to be avoided. If the number of 'discouraged people' - those who give up on efforts to find a job - were added the number could reach unsustainable levels. It is possible that a significant proportion of discouraged workers in most Arab countries could be women unable to overcome social and cultural barriers, showing that gender inequality has a price in terms of: inactivity; unemployment; under-employment; concentration in a small number of professions and areas of activity; and limited access to high-level jobs. The situation is compounded by the fact that when unemployment is high there is pressure to hold wages down. Competition amongst the unemployed encourages the market to make use of the cheap workforce, reducing incentives for firms to invest in technology and the upgrading of skills.

Table 4 – Key labour market indicators, 2008 estimates

Country	Activity rate %	Female activity %	Employment rate %	% Female employment	Unemployment rate %	% Female unemployment
Albania	58.9*	48.4*	49.6*	34.4*	22.7	28.4
BiH	59*	53*	41.5*	35.7*	29	33
Croatia	50.1*	42.5*	45.9*	38.1*	8.4	10
Montenegro					30.3**	35.3**
Turkey	46.7*	24*	42.3*	21.7*	9.4	9.4
Egypt	47.3*	24.3*	43.2*	19.3*	8.7**	19.3**
Jordan	43.4*	15.5*	37.9*	13.3*	12.7	24.3
Syria	49.7	21.2*	44.8*	16.9*	10.3	20.9
Israel	53.8*	48.7*	50.4*	45.5*	6.2	7
Lebanon	49.9*	24.8*	45.9*	22.6*	8.1	
OPT	40.7*	14.3*	30.2*	11.5*	26	23.8
Algeria	57.1*	37.5*	49.4*	32.1*	13.8	18.4
Morocco	51.1*	24.4*	46.1*	22*	9.6	9.8
Tunisia	47.6*	25.6*	41*	21.2*	14.2	17.3
EU-27 (2008)	70.9**	63.9**	65.9**	59.1**	7.0**	7.5**

*Source: ILO-KILM, for EU 27- Eurostat. * Estimates 08; ** 15-64 years*

2.2 FRUSTRATED YOUTH WITH INCREASING UNEMPLOYMENT AT ALL EDUCATION LEVELS – AND SUBSTANTIAL INACTIVITY AMONG YOUNG WOMEN

According to Martin (2009), nearly 70 million (40 %) of the 180 million inhabitants of 8 Arab countries, are between the ages of 15 and 34. Of these, 15 % of boys and men and 47 % of girls and women - equal to some 20 million people (three quarters of whom are young women) - are in neither the educational system nor the job market. Another 5 million are unemployed, the vast majority seeking their first job. Two thirds of the remaining 45 million young Arabs scrape by with informal jobs at subsistence wages (the minimum wage tends to act as a salary cap for the informal sector and ranges from EUR 102 a month in Egypt to EUR 256 a month in Lebanon) with no form of social security cover or prospect of improvement. Over the next 10 years, through 2020, at least 30 million more young people will join the workforce as a result of growth in the working-age population. It is therefore hard to think of a more critical factor than the job prospects of these young people in the future of these countries and their economic and social relations with Europe.

Table 5 shows how unemployment hits young people across the region particularly hard. The rate ranges from 16 % in Israel, through 17.6 % in Morocco, 18.1 % in Turkey and 19.5 % in Syria to 21-22 % in Croatia and Lebanon, and 28.3 % in Jordan. It reaches 30.7 % in Tunisia and 35 % in Albania, Egypt and OPT, but peaks at an exceptional height in Algeria (43.4 %) and BiH (58.6 %). Youth unemployment is almost double of total unemployment rate (15-64 age group), with a gender gap in many countries. Egypt, Jordan, OPT and Syria are particularly marked by difficulties on the labour market for young women. The main difficulty facing the young unemployed is getting a first job: one third of men and two thirds of women have no professional experience. Some of the youth unemployment can also be explained by the practice of 'queuing for a decent job' in the public sector.

Table 5 – Youth unemployment

Country	Year	Youth unemployment rate (%) 15-24 years old			Total Unemployment Rate (%)
		F	M	Total	
Albania	2001	27.1	41.6	35.5	22.7
BiH	2007	62.3	55.4	58.6	29
Croatia	2008	27.2	18.5	21.9	8.4
Montenegro	2008			30.5	16.8
Turkey	2008	18	18.1	18.1	9.4
Egypt	2005	62.2	23.3	34.1	8.7**
Jordan	2007	47.8	23.7	28.3	12.4
Syria	2003	33.1	15.6	19.5	10.3
Israel	2007	17	15.1	16.1	6.2
Lebanon	2004			20.9	
OPT	2007	42.6	34	35.3	26
Algeria	2004	46.3	42.8	43.4	13.8
Morocco	2007	16.1	18.2	17.6	9.6
Tunisia	2005	29.3	31.4	30.7	14.2

Source: ILO-KILM, Montenegro: CPESSEC Statistical Bulletin 2008 No:2, Jordan: Statistical Dept.

2.3 VULNERABLE ECONOMIES DOMINATED BY MICRO AND SMALL-SIZED ENTERPRISES MAINLY ENGAGED IN TRADITIONAL TRADE SERVICES AND PRECARIOUSNESS (AND FLEXIBILITY) OF EXTENSIVE INFORMAL EMPLOYMENT

The economic structure mainly consisting of micro- and small-enterprises also has an impact on employment. Micro enterprises (less than 20 employees) are responsible for almost two-thirds (65 %) of total private sector non-agricultural employment in Egypt and Jordan, and 40 % in Lebanon. Meanwhile, 91 % of employers in OPT have 0-5 employees and in Croatia 46 % of all employment is estimated to be in companies with less than 50 employees.[12] Table 6 shows how employment by sector shows significant variation across countries. Agriculture provides 58 % of jobs in Albania and Morocco, 32 % in Egypt, 27 % Syria and 26 % in Turkey. Hence the Albanian and Moroccan economies are exposed to high variations in output dependent on weather conditions. At the other end of the spectrum, Montenegro (9 %), Lebanon (7 %), Jordan (3 %) and Israel (2 %) have the lowest share of agricultural employment.

The share of industrial employment ranges between 26-30 % in BiH, Croatia, Algeria, Tunisia, Turkey and Syria to 14-16 % in Albania and Morocco. Performance has been sustained by economic diversification in Egypt, Tunisia and Morocco, and by favourable global prices in Algeria (large hydrocarbon sector) and Syria (petroleum). Albania, BiH, Croatia, Montenegro and Turkey have more open economies with strong trading links to Europe; they have a large number of privatised companies and are improving conditions for business development. The service sector and job creation are becoming increasingly important in all these economies. In 2007, services constituted 77 % of employment in Jordan, 76 % in Israel and 73 % in Lebanon, followed by 64 % in Montenegro and 56 % in Croatia. This sector accounts for almost half of all employment in BiH, Turkey, Tunisia, Egypt and Syria, and contributes more than 60 % of GDP in all countries except Algeria, Syria and Egypt.

Table 6 – Employment by sector – 2007

	Agriculture (%)	Industry (%)	Services (%)	Not defined
Albania	58	14	28	
BiH	21	32	47	
Croatia	13	31	56	0
Montenegro	9	22	64	3
Turkey	26	26	48	0
Egypt	32	23	46	0
Jordan	3	20	77	
Syria	27	26	47	0
Israel	2	22	76	1
Lebanon	7	20	73	
OPT	15	24	36	25
Algeria	14	30	57	
Morocco	58	16	26	0
Tunisia	17	33	49	1

Sources: MEDA-ETE, KILM; Albania and Turkey: 2006; Montenegro and Syria: 2003

12 *Croatian National Employment Action Plan*, Zagreb, unpublished draft 2004 (Fetsi et al 2007)

Recent trends show a clear shift toward services and deindustrialisation in all countries. Trade increased its weighting in economic activities, while agriculture and the public sector declined. Services are less important here than in Europe, accounting for half of the workforce in all this group of countries apart from Israel, Jordan, Lebanon and Montenegro. Tourism services are an important economic driver in all countries as well as a main provider of job opportunities. The exceptions to this rule are Algeria where there are security issues, and BiH which has little access to the coastline. Tourism exerts an indirect economic impact on the other sectors that supply it with goods and services, such as agriculture, fisheries, manufacturing and construction. Meanwhile Jordan is approaching its lack of natural resources by improving ICT technologies and financial services; Egypt is enjoying a diversified economy with a prosperous agriculture and services sector and receipts from tourism and telecommunications; and Lebanon is experiencing stabilisation - a good sign for future foreign direct investment linked to reconstruction and a line of economic development largely based on trade and financial services.

However, all the economies are still highly dependent upon and vulnerable to external factors (prices for raw materials, demand for exports, remittances, foreign direct investments and any global crisis) leaving large segments of the populations extremely exposed to economic and social risk; a situation that is compounded by existing deficiencies in the human development indicators. These economies have been unable to provide sufficient jobs to assuage the demographic pressure from the burgeoning younger cohorts, with current unfavourable economic conditions doing nothing to help.

The flexibility of most of these labour markets is facilitated by the lax enforcement of labour regulations, the existence of extensive informal employment and rigid systems of governance. Many labour laws are simply circumvented especially by informal employers. Indeed, there is segmentation between ‘insiders’ in the registered economy (public sector enterprises and large companies) and ‘outsiders’ employed in the informal economy. As a result, only workers with formal employment contracts have access to social security benefits, health and safety protection and representation by unions, while considerable numbers of workers experience the downside of flexibility characterised by high turn-over, low wages and few prospects. This flexibility masks very real precariousness and insecurity for many people, especially in the lowest qualified and youth brackets.

The informal economy thus represents a substantial and active part of the workforce. It consists of small units, working across a whole range of activities, from agriculture to tourism and construction. As this section of the economy is so poorly defined, with no strict list of characteristics, it is rather difficult to reach an accurate assessment of informality. We do know, however, that informal employment counts for 35 % to 50 % of non-agricultural employment in the majority of Mediterranean countries (ETF 2007). Quantitative estimates range from around 10 % to 30 % of GDP for the Western Balkans and 33 % for Turkey.[13] Informality masks structural weakness and can hide job niches that would benefit from development, or competences that are not currently covered by the official vocational training curricula.

13 Government of Turkey, 2008, *Joint Assessment of Employment Priorities*. The Tunisian National Institute of Statistics estimates that more than 15 000 households depend on informal income. According to ILO (2008), 72% of Moroccan economic units in urban areas are informal. In 2004, 11% of Croatian citizens above the age of 15 worked illegally, according to a survey conducted by the Croatian GfK agency.

Informal employment may appear advantageous in the short-term, providing market flexibility, rapid response to demand and some cushion against acute poverty, but it proves expensive in the long-term, constituting unfair competition for firms that operate legally and reducing tax revenue that could be spent on the social budget and public services. The shortage of job opportunities and the modest coverage of social protection schemes[14] force many people to enter the informal sector as a survival strategy. Surveys in the Western Balkans indicate that labour markets are characterized by a high degree of precariousness with only 20 % to 30 % of the labour force in stable permanent jobs. For example, 33 % in Albania and 43 % in BiH changed their status between 2003 and 2004 (Fetsi et al 2007).

14 Only 20% of Moroccan workers are covered by the pension system, compared with 58% in Algeria and more than 75% in Tunisia (Commander and Zaman 2009). Nearly 16% of the Moroccan population benefits from health insurance, as compared to 80% in Tunisia. In Jordan, social insurance covers 40% of the labour force (Social Security Corporation). Half of all workers in Egypt have no labour contract and even fewer workers are covered by social security (ETF and World Bank 2005).

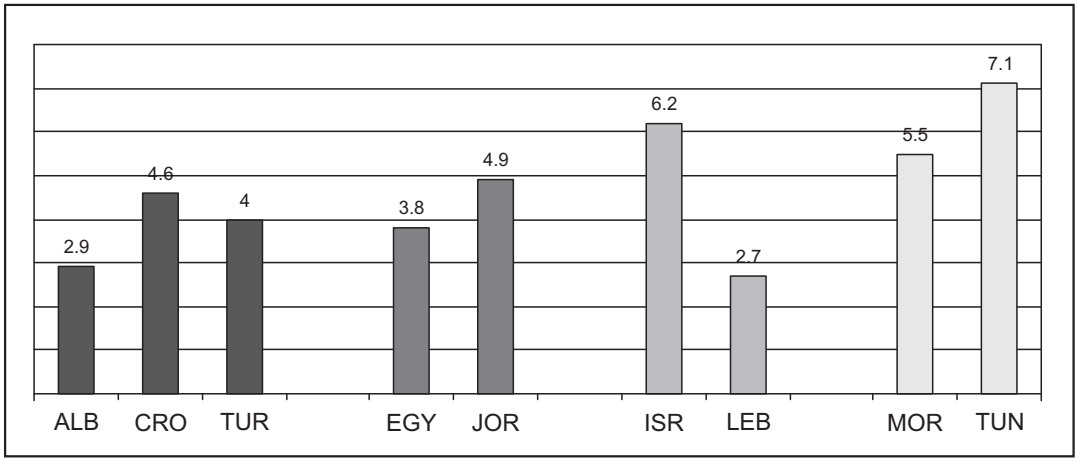
3. HUMAN CAPITAL STOCKS AND FLOWS

3

3.1 CONSIDERABLE PUBLIC RESOURCES ARE SPENT ON EDUCATION RESULTING IN HIGHER LITERACY AND EDUCATIONAL ATTAINMENT LEVELS IN THE POPULATION

The State plays a leading role in funding and providing education services in all countries of this study except Lebanon, and education has been a public priority for most countries due to the very low education levels of populations. Graph 3 shows that Israel (6.2 %), Tunisia (7.1 %) and Morocco (5.5 %) have above average international levels of spending on education is as a percentage of GDP, while Albania, BiH, Lebanon, Egypt and Turkey spend less than average. Lebanon is the only country with a large percentage of private education at all levels (70 % for primary education, 60 % for secondary level and 50 % for higher education). Two thirds funds are generally allocated to primary and secondary education: Albania, BiH and Montenegro invest more than half of their budgets in primary education while higher education expenditure is low. Turkey invests one third in higher education, while primary and secondary education budgets are more modest in both absolute and relative terms. In Croatia, higher education spending is high, but the budgets for primary and secondary education are better balanced. Morocco dedicates the largest proportion of its education budget to primary schooling (46 %) in accordance with a policy priority for full primary enrolment, whereas Tunisia dedicates most to secondary schools (43 %) in order to cater for the increasing demographic pressure at secondary level.

Graph 3 – Public expenditure on education (% of GDP) - last year available



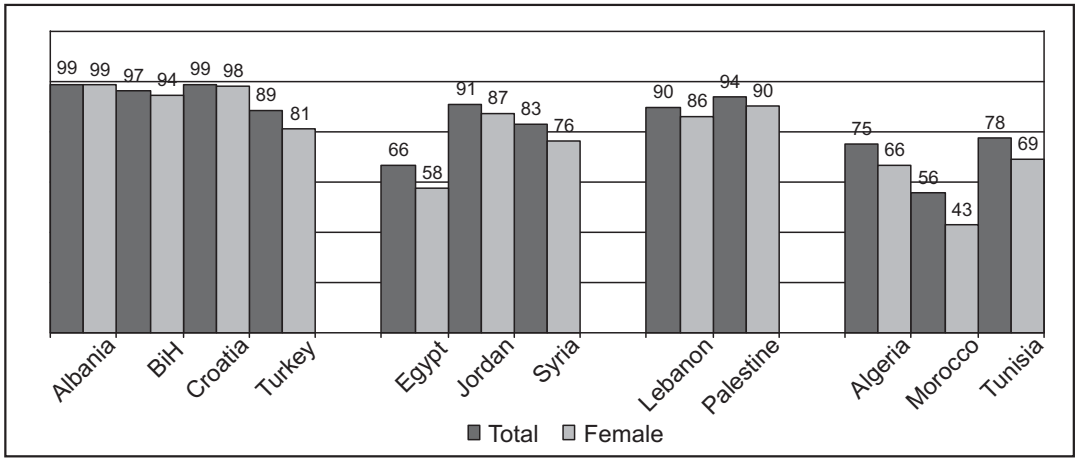
Source: WB- WDI database: 2007 for EGY and LEB, 2006 for ISR, MOR, TUN, 2004 for CRO and TUR, and 2002 for ALB.

Most of the public budget goes on teacher salaries. In Croatia and Turkey salaries account for around 75 % of the budget, goods and services 15 % and capital expenditure 10 %. In Montenegro and Morocco nearly 90 % of the budget goes on salaries, while in Albania and BiH this amounts to 80 %. Although public education is free, the widespread existence of private tutoring implies a substantial cost for private households. In Turkey and Egypt private classes are extremely common in the university preparation process, and in fact Turkey has one of the highest levels of private spending on education of all the OECD countries at around 2.5 % of GDP (World Bank 2005b). Much of the money spent is said to come from a wide panoply of revolving funds and foundations, but it is likely that most is actually spent on preparation for university entrance exams by the households. In Jordan, 50 % of public university revenues are covered by fees from private individuals (ETF 2006). The Ministry in Montenegro estimated that parents spent EUR 87 per school year on textbooks and other materials, and in BiH estimates for 2001 were even higher (Masson 2008). Tunisian families allocated on average of 2.8 % of their budget to education.[15] These contributions are mostly hidden and vary from school to school.

Full literacy was achieved many years ago in Israel and formed part of the communist legacy for Albania, BiH, Croatia and Montenegro. Literacy has also improved immensely in countries where illiteracy was previously traditionally high, while average years of schooling have increased to 5-6 years in Arab Mediterranean countries. Graph 3 shows Jordan (91 %), OPT (94 %), Lebanon (90 %) and Turkey (89 %) have performed better than in the past despite facing the persistent challenge of female illiteracy. At the bottom of the scale, the adult literacy rate is lowest in Morocco (56 %) and Egypt (66 %), while Algeria, Syria and Tunisia rank in the middle. Illiteracy amongst girls and women is always higher than amongst boys and men in every country without exception. This ranges from 57 % in Morocco, down through 42 % for Egypt, 34 % in Algeria and 31 % in Tunisia, to 24 % in Syria and 19 % in Turkey. One positive development is that literacy rates are nearly 100 % for the younger population (15-24 years-old) in most countries, although Morocco and Egypt have a significant problem with 30 % and 15 % illiteracy respectively in 15-24 year-olds.

15 Tunisian Household Budget survey in 2005

Graph 4 – Adult literacy rate, 2007 - last available year

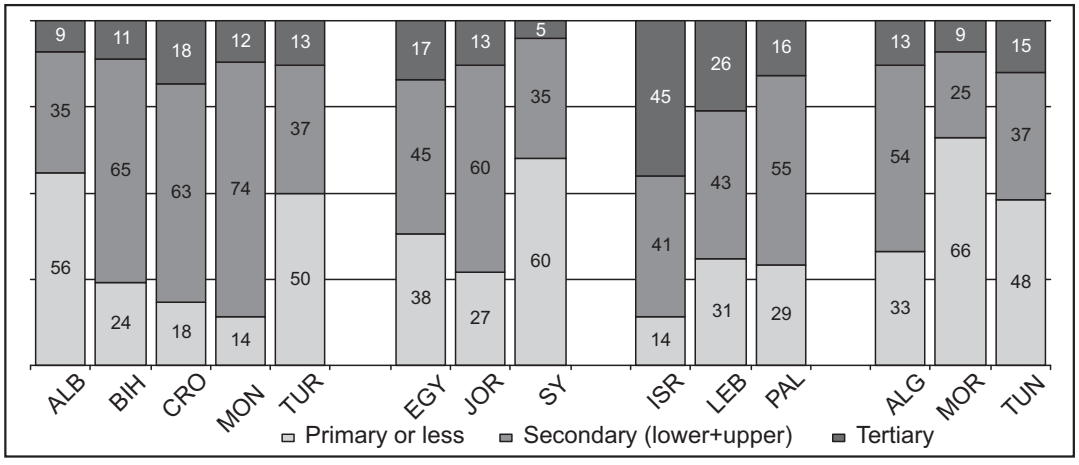


Source: UNESCO – UIS database: 2006 for EGY, 2005 for JOR, 2000 for BiH.

Source: WB- WDI database: 2007 for EGY and LEB, 2006 for ISR, MOR, TUN, 2004 for CRO and TUR, and 2002 for ALB.

Educational attainment of the population (15+) has also improved in all countries, albeit with significant variations (Graph 7). Israel (45 %) and Lebanon (26 %) have the highest share of tertiary education graduates, followed by Croatia (18 %), Egypt (17 %), OPT (16 %) and Tunisia (15 %). Countries like Syria (5 %), Morocco (9 %) and Albania (9 %) have the lowest tertiary shares. Meanwhile, the countries with the highest share of population with primary or less education level are Morocco (66 %), Syria (60 %), Albania (56 %), Turkey (50 %) and Tunisia (48 %). Israel, Montenegro and Croatia have the best performance at the lowest levels with only 14-18 % leaving school this early. In the middle range, the bulk of the population in many countries have secondary education level (including lower secondary): Montenegro (74 %), BiH (65 %), Croatia (63 %), Jordan (60 %), OPT (55 %) and Algeria (54 %). It is possible to conclude that Israel and Croatia, Montenegro and BiH (to some extent) have the highest education levels in the region. Even though each country has recorded increased levels of qualifications for their residents, the educational averages are still low when compared to the EU.

Graph 5 – Educational attainment of population in 2007 (15+ in %)



Source: MEDA-ETE Database; ALB and BiH: LFS 2007; CRO and MON: ILO. Notes: CRO: Secondary refers to level 3 only and tertiary refers to levels 5A and 5B only; ISR: Secondary is only upper; TUR: for the age group of 15-64 and the year 2006; PAL: the year 2006; SY: age group of 10+, levels classification differs from ISCED; MON: the year 2005; ALB: age group of 10-74, levels classification differs from ISCED.

3.2 BETTER PREPARATION OF YOUNGER GENERATIONS FOR THE FUTURE THROUGH INCREASING ENROLMENT RATES AT ALL EDUCATION LEVELS

Access to schooling has seen significant progress in the countries over recent decades and improvements are affecting both boys and girls. Table 7 shows enrolment in pre-primary education (before the obligatory age) increased significantly in many countries with the highest schooling rates in Israel (97 %), Lebanon (72 %), Croatia (51 %), Albania (48.6 %) and Morocco (56 %). However, the gender gap in pre-primary enrolment in Morocco is significant with girls lagging 9 percentage points behind boys. Countries like BiH, Turkey, Egypt and Syria have very low rates of pre-primary enrolment (10-15 %) which impacts negatively on the future school life of children and female participation in the labour force.

Enrolment in primary education has reached almost 100 % of the relevant age group both for boys and girls in all countries. The only country with lower enrolment is Occupied Palestinian Territory (80 %), and there are small number of children missing school in Turkey and Egypt. The latter two countries have also a problem of lower enrolment of girls compared to boys. Albania has reported the problem of hidden drop-outs: where children from rural areas and low-income families have enrolled in primary education but attend irregularly or at intervals. School generally starts at age six years (five in Israel) and compulsory basic education ranges from 8 to 11 years of schooling (Table7).

Table 8 shows enrolment in secondary education has also increased rapidly over the past decade, reaching 75 % in most countries except in Morocco (55.8 %). Croatia (93.6 %), Israel (91.5 %), OPT (92.4 %) and BiH (89.1 %) score well with gross enrolment close to EU levels. Jordan (86.3 %) and Tunisia (87 %) are relatively good performers too, followed by Algeria, Lebanon and Turkey. Interestingly, the enrolment of girls in secondary education is slightly higher than that of boys in BiH, Croatia, Jordan, Lebanon, OPT, Algeria

Table 7 – Gross enrolment rates for pre-primary and primary education and the duration of compulsory schooling, 2007-2008 as latest year available

Country	Pre-primary Total %	Pre-primary For girls%	Primary Total %	Primary For girls %	Compulsory schooling
Albania*	48.6	48.7	102.1	101.9	8
BiH	11.0	10.6	111.0	107.6	-
Croatia	51.1	50.2	98.6	98.5	8
Montenegro	m	M	m	M	8
Turkey	16.0	15.6	97.6	94.9	8
Egypt	16.1	15.6	99.6	97.1	9
Jordan	32.5	31.5	96.3	97.2	10
Syria	9.7	9.3	124.4	121.7	9
Israel	97.5	97.1	110.9	111.7	11
Lebanon	72.3	71.6	101.1	99.6	9
OPT	29.9	29.5	80.4	80.4	10
Algeria	23.4	23.4	107.5	104.1	10
Morocco	56.9	48.1	106.9	101.5	9
Tunisia	22.3	22.2	107.6	106.1	11

*Source: UNESCO – UIS database. * Data for 2004.*

and Tunisia. However, the opposite is true (more boys than girls) in the remaining countries and inequality is particularly high in Turkey where the enrolment of girls lags 8 percentage points behind the total rate. In some countries like Morocco, Turkey and OPT there is a sharp drop in participation following the end of primary or compulsory schooling. Algeria and Syria have high drop-out rates from secondary school. A high dropout rate is also seen in Albania where participation in upper secondary education is lower than that of lower secondary education by 42 % (2004 data). Egypt and Morocco also have a relatively high level of illiteracy to address.

The baccalaureate, university entrance exam or *tawjihi* (Arabic examination) at the end of high school represents the most important selection mechanism for accessing the tertiary level. The rapid growth in numbers of secondary education graduates in all countries has put heavy pressure on governments to expand higher education and to provide post-secondary alternatives to universities. Participation in higher education varies according to the country, ranging from 11.3 % of young people in Morocco to 60.4 % in Israel. Higher enrolment is seen in Israel, Lebanon (51.5 %), Croatia (47 %) and OPT (46.2 %), and there are middle levels in Jordan (37.7 %), Turkey (37.1 %), Tunisia (31.8 %) and Egypt (29.9 %). Interestingly, the data provided in Table 8 shows that girls outnumber boys in enrolment for tertiary education in all countries of the region except Turkey, where female enrolment lags 5 percentage points behind the total rate, again confirming deep-rooted gender inequality.

Mass access to higher education began to be extended in the 1970s, and the number of students has increased 5-fold in most of the Arab countries since then. As can be seen from UNESCO data, enrolment in higher education has particularly increased in OPT (from 26 % in 2000 to 46 % in 2007), in Lebanon (34 % to 52 %), Croatia (31 % to 47 %) and Turkey. The biggest increase was seen in Jordan where numbers of students increased 20-fold over

Table 8 – Gross enrolment rates in secondary and tertiary education (2007-2008)

Country	Secondary ISCED 2+3 Total	Secondary ISCED 2+3 Female	Vocational enrolment in ISCED 3 (% of VET in ISCED 3)	Tertiary ISCED 5+6 Total	Tertiary ISCED 5+6 Female
Albania*	77.7	76.4	16.9	19.3	23.4
BiH	89.1	90.9	25.5	33.5	
Croatia	93.6	95.1	72.7	47.0	51.8
Montenegro					
Turkey	82.1	74.1	38.6	37.1	32.1
Egypt*	79.3	76.9	63.3	29.9	
Jordan**	86.3	87.9	17.5	37.7	39.8
Syria	74.0	73.1			
Israel	91.5	91.6	33.9	60.4	69.1
Lebanon	81.6	86.0	27.1	51.5	57.0
OPT	92.4	95.4	4.8	46.2	50.9
Algeria***	83.2	86.3	21.3	21.3	24.0
Morocco	55.8	51.4	12.3	11.3	10.7
Tunisia*	87.0	91.1	3.0	31.8	37.3

*Source: UNESCO – UIS database. * Data for 2004, ** Data for 2006, *** Data for 2005*

the same period. Another important dimension for IPA countries is the 'Bologna Process'[16] of the European Higher Education Area, and Albania, BiH, Croatia, Montenegro and Turkey are all covered by this. These countries are in the process of adopting comparable undergraduate and postgraduate degrees organised within a three-cycle structure (bachelor-master-doctorate), with quality assurance standards and recognition of foreign degrees that will be standard across the EU. Despite being outside the system, Israel and some Arab countries (Egypt, Morocco and Tunisia) are attending Bologna Policy Forum discussions as observers and are interested in voluntary adoption of the European developments with the application of the three-cycle structure in their higher education systems.

Technical and vocational education and training (TVET) at secondary level deserves special discussion as a separate issue. Although TVET is available to some extent in all countries, it always constitutes the weak link in the education system. The lack of prestige associated to this sector means few students in the region opt voluntarily for TVET as an alternative to general education. Some countries still manage to achieve high enrolment in TVET (ISCED 3 level, Table 8) such as Croatia (72.7 %), Egypt (63.3 %), Turkey (38.6 %) and Israel (33.9 %) compared with an EU rate of 36 %. TVET has recently experienced a rise in numbers of students in Egypt, Croatia, Morocco and Turkey, while a decrease has been recorded in Albania,[17] Israel and Jordan. There are also a substantial number of TVET students in Lebanon (27.1 %), BiH (25.5 %) and Algeria (21.3 %), while countries like Tunisia (3 %), OPT (4.8 %), Morocco (12.3 %) and Albania (16.9 %) trail far behind.[18] In Morocco, 45 times more Moroccan students enrolled for general lower-secondary education than technical studies in 2007 despite the introduction of a technical baccalaureate. Many young people are in TVET against their will after doing badly at school, and, once they join the vocational and technical streams, very few are able to change course or continue studies in higher education.

The percentage of girls ranges from 20-50 % of pupils depending on the field of training. Most programmes focus on traditional handicrafts and manual labour. However there are some exceptions: Egypt offers training in business and commerce; Syria in telecommunications and nursing; and Algeria in the service and office sectors. Tourism presents a strategic and dynamic sector for TVET, but cultural and social barriers often prevent young Arab women from investing in this training. TVET is mostly organised in two forms: full time courses with established programmes in specialised institutions prior to entering the labour market; and apprenticeships that alternate training in specialised centres with practical instruction in the business sector. In Algeria, Egypt, Turkey and Tunisia, apprenticeships form a major part of the education system, although they form a relatively small component of education in Lebanon, Syria and OPT, and are almost totally absent in Albania, BiH or Montenegro. Some attempts were made to introduce the apprenticeship format in the latter group of countries but these are still at the pilot stage. Meanwhile, Croatia has a traditional apprenticeship system run by the Chamber of Trades and Crafts.

There is also a long tradition of informal apprenticeship in most Arab countries for trades including artisans, crafts, retail, clothing and automobile repair (ETF and

16 The Bologna Process is the process of creating the European Higher Education Area (EHEA) and is based on cooperation between ministries, higher education institutions, students and staff from 46 countries, with the participation of international organisations. Three objectives of the process are: easily readable and comparable degrees organised in a three-cycle structure (bachelor-master-doctorate); quality assurance standards and guidelines; and fair recognition of foreign degrees and other higher education qualifications in accordance with the Council of Europe/UNESCO recognition Convention.

17 VET education decreased drastically in 1990, when the number of VET schools in Albania was reduced from 308 to just 40.

18 TVET has different definitions and missions in different countries; for example, vocational training is not considered part of the formal education system in the Maghreb countries and is thus not included in UNESCO statistics.

World Bank 2005). However, these informal apprenticeships generally take place entirely in the workplace and do not offer any theoretical training. Other more recent programmes are mostly pilot trials or are targeted at very specific groups (mobile training units in isolated rural areas, special programmes for disabled people) dependent on donors for their existence and viability. However, the apprenticeship scheme in Syria and the Mubarak-Kohl Initiative (MKI) in Egypt were successfully streamlined within the system following successful pilots. TVET can also play a social role helping to overcome exclusion resulting from high repetition and dropout rates among students in countries where demographic pressure demands the preparation of large cohorts for the labour market. Vocational training forms part of active labour market policies designed to reduce youth unemployment in all countries and it plays a secondary role in re-training workers affected by economic restructuring. In fact, TVET provides the only form of training to combat youth unemployment (or inactivity) after compulsory schooling has ended. The education systems are largely oriented towards academic performance and professional careers so there is always an unmet need for semi-skilled workers with concrete occupational and vocational skills.

3.3 PERSISTING CHALLENGES RELATED TO UNEQUAL ACCESS TO EDUCATION POSE A RISK TO SOCIAL COHESION

Despite the huge expansion of education systems and achievements in terms of coverage, unequal access to the various levels of education on a basis of sex, wealth or place of residence has not been entirely resolved in all the countries. A significant number of children have never attended school or have dropped out of school at early stages, an issue of even greater concern among girls and the children of rural or poor families. Boys who drop out are obliged to take a traditional apprenticeship while the girls will become inactive at home, they may enrol in vocational schools with a poor reputation or enter directly into the unskilled labour market. As the indicators have already shown, the most significant challenge is ***gender inequality,*** particularly in countries with more rural and traditional societies like Egypt, Morocco and Turkey. In fact these 3 countries have lower enrolment of girls to boys in primary, secondary and tertiary education. In 2005, 55 % of primary school age girls were out of school in Morocco. However, in some other countries the gender balance in education shows a slight tendency in the opposite direction: girls and women outnumber boys and men in secondary and higher education. This is the case in IPA countries like Croatia, Montenegro, BiH and Albania, but also in some Arab countries like Jordan and Tunisia.

Geographical disparity also persists in education indicators and access to school. In Turkey analysis of urban/rural data from the Living Standard Measurement Study demonstrates that the most illiterate and least skilled people live in rural areas and the eastern regions. In Morocco, net enrolment in primary education is 10 percentage points lower in rural areas than in urban ones, while the rural/urban literacy gap stands at 20 percentage points (World Bank 2008). In Algeria and Tunisia, education is less accessible in the inland regions of the countries (Merrouche, 2006). In Egypt, there are more vocational graduates in rural areas and two thirds of higher education graduates are found in urban zones. In Albania, there are net secondary enrolment rates of 70 % in Tirana, 60 % in other urban cities and only 25 % in rural areas; students from rural zones achieve 30 % lower scores than those from urban areas; and children from poor families achieve less well than children from wealthier families. Although basic education is free (at least for the compulsory years), poverty represents a serious impediment to school access. Children from poor families are often obliged to work – this is especially the case on rural farms and in the shanty towns that surround major cities. In 2005, some 600 000 children between 7-14 years old - 11 % of this age group - were working in Morocco[19] and 300 000 Algerian children were working in agriculture in 2009.[20]

19 http://www.unicef.org/media/media_39879.html

20 http://www.unicef.org/infobycountry/algeria_478.html

Social exclusion remains a problem in education in some countries, particularly amongst minorities. People living in secure enclaves face serious difficulties in accessing education, healthcare and employment. Palestinian refugees, for example, do not have the same rights to education as Lebanese, Syrian and Jordanian children. Iraqi refugees are another vulnerable population. UNHCR[21] put the number of Iraqi refugees in Jordan, Syria and Lebanon at more than two million, and while children classified as refugees are given free access to Syrian schools an estimated that 300 000 children are not attending school. Non-enrolment is also prevalent among the poorest section of the Iraqi population in Jordan where only about 60 % of Iraqi children aged 6-17 are currently enrolled in school - a figure far lower than Jordanian enrolment rates of 93 % for the same age group.[22] In Israel there is a marked a difference between the school results of Jewish and Arab students, three quarters of the former passed the *Bagrut*[23] exams compared with only 36 % of the latter group in 2007.

Ethnic issues also pose some challenges in IPA countries. The number of ethnic groups is high in BiH (17 ethnic groups), Croatia (15) and Montenegro (14) largely as the legacy of successive wars and conflicts. Albania recognises three national minorities (Greek, Macedonian and Serbian-Montenegrin) and two ethno-linguistic minorities (Aromanian and Roma). Although a climate of respect and tolerance exists toward minority groups in general, the risk of vulnerability and marginalisation is higher for certain ethnic communities: 80 % of the Roma minority live below the poverty line in Albania; 80 % of the Roma, Ashkelon and Egyptian population is reported to be illiterate in Montenegro; and over 70 % of the Roma population in BiH have either never attended or not completed primary education. Ethnic groups are disproportionately represented in the early drop-out and lower educational achievement brackets as well. The reasons usually cited for educational disadvantage are cultural values, family attitudes to education (particularly for girls), relative socio-economic position and access to a good quality education in their first-language.

Many of the education systems inculcate a real risk of ***deepening socio-economic stratification***. Lebanon has a largely private education system that may create social barriers through having fees that are too high for the poor to pay, while the exclusive nature of schools mostly run by religious sects prevents the various communities from mixing. Jordan also has a high level of private enrolment (92 % in pre-school, 33 % in primary education, 17 % in secondary and 25 % in tertiary) dependent on the preferences of wealthy families. Meanwhile, students from lower socio-economic backgrounds are over-represented in vocational streams. Low achieving students are allocated to vocational paths on the basis of the grades they obtain. Students have limited opportunities to access post-secondary education other than TVET as an alternative to general education. In Egypt, there are an estimated 2 million students in vocational schools at secondary level, compared to 1 million in general secondary, and only the top 5 % of achievers in technical secondary education can progress to university compared to 90 % of students from general secondary education[24]. In Jordan, 17.5 % of basic education graduates are tracked into vocational secondary and 6 % into vocational training programmes under the Vocational Training Corporation (VTC). While VTC students have no options for further education, 25 % of those who graduate from vocational

21 United Nations High Commissioner for Refugees, Fact Sheet: Iraqi Refugees in Syria.humanrightsfirst.org. In one neighbourhood of Damascus, half of the Iraqi families contacted by UNHCR were not sending their children to school citing poverty and the need to earn money, overcrowded classrooms and student difficulties in adapting to a different curriculum, see UNHCR Syria Update, May 2008.

22 Norwegian Research Institute Fafo and the United Nations Population Fund UNFPA, 2007*, Iraqis in Jordan, their number and characteristics.*

23 *Bagrut* is the Israeli matriculation exam taken by students at the end of secondary education.

24 See for private tutoring in Egypt (World Bank 2008): per household expenditure of the richest people is more than seven times that of the poorest, reached its maximum intensity in secondary education.

secondary schools go on to community colleges, and 4 % go on to university (ETF and World Bank 2005); this contrasts with 52 % progression to university for students from the academic streams. The question of equity is an important issue in access to (private) tertiary education. Social and family pressure to succeed and gain access to higher education involves the expensive practice of private tutoring and almost two third of students in Egypt and Turkey are known to resort to this practice.

In addition to predictive hierarchical streaming, unequal schools and vocational paths; this ***selective orientation*** is also found in the gender-based distribution of training: girls are encouraged to train for the secretarial, health, education and textile sectors, while boys train as mechanics, electricians and technologists, reproducing gender inequality and segregation in the world of work. Inequality is also present in the selection of fields of study by the two sexes in higher education. Table 9 shows that only a quarter of engineering graduates are women in all the countries, and they are hardly represented at all in the scientific fields. Conversely, girls and women are over-represented in the humanities (three quarter of graduates) exposing them to the risk of disadvantage, even exclusion in a knowledge-based society strong on ICT development. Two thirds of all students in most countries graduate in social and human sciences (education, humanities, arts, social sciences) with sciences and mathematics lagging behind. This situation is poorly suited to the pattern of increasingly rapid innovations in the technology field (ETF 2007).

3.4 TENSION BETWEEN INCREASING COVERAGE OF EDUCATION AND TRAINING SYSTEMS AND DECREASING QUALITY PUTTING THE FUTURE EMPLOYABILITY OF GRADUATES AT RISK

Rapid improvements in education coverage have led to a need to compromise between quantity and quality, the impact of which is plain to be seen in the modest scores achieved on national and international tests. The challenge for the most successful countries is to move further from mass education for all to a modern education system capable of coping with increased globalisation and technological innovations worldwide. Signs that the situation needs attention can be seen in the high dropout and repetition rates in mostly rural areas and widespread failure in the final exams at preparatory level as is seen in Egypt (Amer 2007). Repetition rates vary a great deal from one country to another: from just above 1 % in Jordan to more than 10 % in

Table 9 – Share of tertiary graduates in engineering, humanities and science by gender, 2007-2008

Country	Engineering			Humanities			Science		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Albania*			4.2	8.8	2.6	11.3	1.5	0.5	1.9
Croatia	3.2	8.5	11.7	5.8	2.2	8.1	3.3	3.7	7.0
Turkey	3.1	10.5	13.6	3.2	3.1	6.3	3.6	4.4	8.0
Jordan	2.7	8.1	10.8	10.3	5.0	15.4	7.4	6.9	14.3
Israel**	6.5	16.9	23.4	7.9	3.4	11.3	2.7	3.7	6.4
Lebanon	3.0	9.1	12.1	9.0	4.2	13.2	5.2	4.7	10.0
OPT	2.4	4.9	7.3	8.4	3.0	11.5	4.6	4.9	9.5
Algeria	4.2	8.5	12.6	13.6	4.6	18.2	7.3	4.7	12.1
Morocco	1.6	9.1	10.6	7.0	7.1	14.1	4.1	18.9	23.0

*Source: UNESCO – UIS database. * Data for 2003, **Data for 2000.*

Syria (both primary and secondary education) and in Algeria, Morocco and Tunisia (secondary level). According to a report by the Education Council of Morocco, only 37 % of children entering primary education in Morocco complete this level without dropping out or repeating at least one year of instruction.[25]

Most schools still rely on traditional teaching methods (copying from the blackboard with little interaction between teacher and pupils and little use of ICT). Teaching methods are based on rote learning and do not encourage independent learning. There is clearly a widespread need for modern teaching materials, but the resourcing situation varies immensely. Some schools possess only basic equipment and materials while other are excellently equipped with the latest technology; however, in some cases the equipment delivered cannot be used either because it does not fit with the curriculum or because no teachers have been trained in how to use it. The centralised role of the State in governance of education systems renders individual schools and training centres practically incapable of initiative or flexible response to local training needs. The examination systems are geared toward the academic selection of students for further studies rather than a practical form of accreditation. As education here is based on selection and examination, teachers are not motivated to experiment with new teaching methods (World Bank 2008). Thus the achievement of quality education for all pupils still remains a major challenge.[26]

Students in the area covered by this document apply their knowledge in a less successful way in a variety of situations provided during the international tests (Martin et al, 2008). Ten countries of the region participated at the 2007 Trends in International Mathematics and Science Study (TIMSS) for 8th grade students (young people of 14-15 years old, while eight attended in 2003. Out of the 50 countries taking part, 12 Asian countries topped the competition and the average overall score was 500. Table 10 shows that achievement in mathematics is below the international average in all the countries in this study, and none of the students achieved the advanced benchmark on mathematics. Israel was the top performer

Table 10 – Mathematics Average Achievement (TIMSS)

	1999		2003		2007		
					Total	Boys	Girls
BiH	-		-		456	455	456
Turkey	-		429		432	432	432
Israel	496		466		463	462	465
Algeria	-		-		387	389	384
Egypt	-		406		391	384	397
Jordan	428		424		427	417	438
Lebanon	-		433		449	456	443
Morocco	337		387		381	385	377
OPT	-		390		367	349	385
Syria	-		-		395	403	487
Tunisia	448		410		420	431	410
International average	487		467		500	448	453
Top country	604		605		598	599	599

Source: http://timss.bc.edu/

25 http://www.africtice.com/index.php?view=article&catid=5%3Aactualites-generales&id=429%3Amaroc—crise-a-lecole-publique—390000-fuites-par-an&option=com_content.

26 See Amer 2007; ILO 2006; ETF and World Bank 2005; Jordan Human Development Report 2000; ETF 2007.

with an average of 463 and ranking 24th, followed by BiH (456), Lebanon (449), Turkey (432), Jordan and Tunisia (420). Girls outperformed boys in mathematics in Egypt, Israel, Jordan, OPT and Syria. The 2007 results showed a slight improvement on the 2003 performance in Jordan, Lebanon, Tunisia and Turkey, whereas Egypt and OPT performed less well. OPT and Morocco have the lowest scores.

The Programme for International Student Assessment (PISA) was also administered to 15-year-olds in schools, to assess performances in mathematics, science and reading, Table 11 shows that all the 7 from this study that participated in 2007 (Table 11) performed at below the international average, except for Croatia on that scored 493 on both reading and science against an international average of 492. Israel and Turkey were not too far behind. Girls in all countries generally performed better in reading and science (except in Israel). This was confirmed by the Progress in International Reading Literacy Studies (PIRLS) 2001 and 2006 that evaluated reading in 4th grade primary school students (10 years-old) across the world. The international average score for 45 countries was 492 in 2001 and 500 in 2006. Israel scored slightly above the average (512) in 2006, while Morocco came in low (323) in 2001 as did Turkey (449) in the same year.[27]

The World Bank (2008) constructed an aggregate index of education with indicators for equity, access, efficiency and quality in the Middle East and North Africa (MENA) where Jordan, Tunisia and Lebanon were found relatively more successful than the other nations in providing access to reasonable-quality education for most of the population. At the other end of the scale, Morocco faces the twin challenges of expanding quality education coverage at all levels and eradicating illiteracy. The countries in between (including Algeria, Egypt, OPT and Syria) have high dropout rates that limit their ability to develop post-compulsory education. Students here face several problems such as: inadequate information sources; poorly equipped classrooms; lack of counselling and career guidance services; lack of clear pathways between different types of education; absence of gender-sensitive policies to redress gender bias. The quality of learning opportunities also varies across universities and 'assessment' is known to be a weakness, particularly in placing too much emphasis on the memorisation of descriptive knowledge and provision of too few opportunities for developing the higher-level cognitive skills needed for critical or analytical thought. There are many examples of good teaching and learning at the course/module level, but coherent cross-department and

Table 11 – PISA and PIRLS results

	PISA 2007			PIRLS 2006	PIRLS 2001
	Maths	Science	Reading		
Croatia	467	493	493	-	-
Israel	442	439	439	512	509
Turkey	424	447	447	-	449
Montenegro	399	392	392	-	-
Jordan	384	401	401	-	-
Morocco				323	-
Tunisia	365	380	380	-	-
International average score	498	492	492	500	492
Top country	549	556	556	565	561

Source: http://timss.bc.edu/ and http://www.pisa.oecd.org/

27 PIRLS 2006, International Report, December 2007. For more information please see http://timss.bc.edu/

cross-programme teaching strategies are rare. Little effort is made to monitor and follow up on students during their studies and after graduation (UNDP 2007).

A common critical factor is essential role of ***the teaching staff.*** The quality of education delivered is heavily influenced by: traditional teaching and learning methods; poorly motivated teachers; ineffective teacher training; low quality and restricted access to teaching materials; and poor infrastructure. The growing consensus is that teachers should play a leading role in the system, as any type of reform is very unlikely to succeed if school leaders are unable to sustain the momentum for change. In the IPA countries pre- and in-service training is often outdated, largely supply-driven and dominated by universities (Nielsen and Nikolovska 2007). In recent years, teachers have experienced a loss of status from their traditional social position with few incentives provided for career progression or performance even though salaries are generally above the national average. VET teacher salaries also have an impact. In Albania these start at EUR 180 per month - 10 % above the average wage - rising to 46 % above average with 15 years experience; in BiH average teacher salaries are twice the average income (World Bank 2006); and in Turkey a secondary education teacher with 15 years experience earns 2.57 times the per capita income, but the relatively high starting salaries lead on to the lowest maximum salaries of all OECD countries. These factors, coupled with potential resistance to change and the lack of rewards offered, clearly show the compromises made in developing the quality of education.

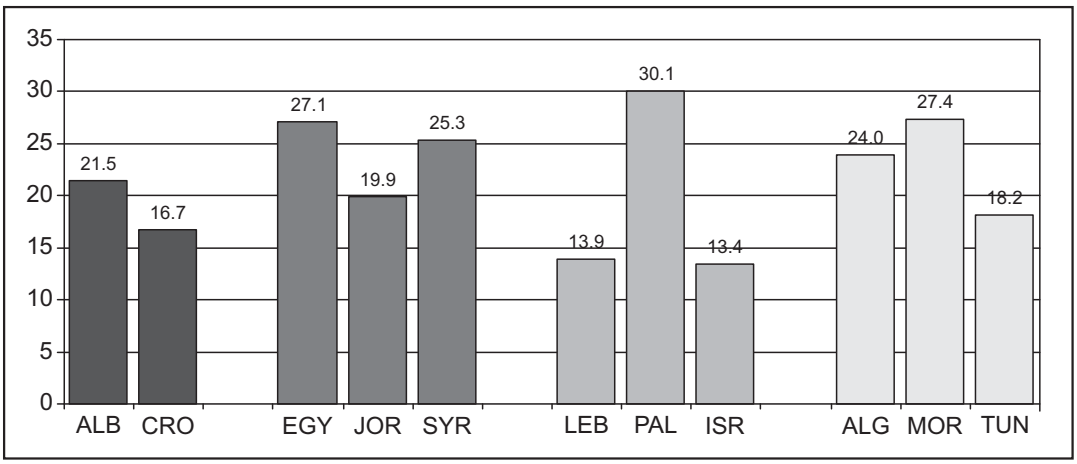
Weak links between TVET and the labour market have caused serious problems in the region as very few employers are able to play a role in education and training system. In most cases, TVET tends to be a dead end with few opportunities offered for pathways into general education. In BiH and most Arab countries, the fragmentation of institutions (15 separate ministries in Syria and more than 20 in Egypt) leaves TVET facing the following characteristic challenges: lack of overall vision; perception of TVET as a last-resort education option; and rigid and overly bureaucratic management.

Student/teacher ratios

Although more costly, smaller class sizes are believed to have a positive impact on the quality of the learning process. The countries in this study show a primary education student/teacher ratio higher than the European average of 15. Classrooms in Algeria, Egypt, Morocco, OPT and Syria are relatively full with almost 25 pupils per teacher - a feature largely due to demographic trends. The ratio is far better in Israel, Lebanon, Croatia, Tunisia, Jordan and Albania.

As a result, there is insufficient coordination on addressing issues of

Graph 6 – Student/teacher ratios - primary education - 2007



Source: UNESCO - UIS database

accessibility, transferability and accreditation amongst TVET providers and the involvement of employers in governance is weak. Each institution decides its own programme content and conditions and the quality of training differs substantially across the various providers. A shortage of qualified training personnel forms another obstacle to improving the quality of TVET (Seyfried 2008). The recruitment of good quality staff is hampered by structural obstacles such as: low salaries; trainers having academic rather than practical experience; and the lack of professional career paths for teachers and trainers (Amer 2007). The system suffers from insufficient human and financial resources and the resulting quality problems, whilst also dealing with obsolete occupational profiles, curricula, teaching methods, textbooks and equipment. TVET is weakly integrated in the overall education system and is unable to anticipate exactly which skills will be in demanded in the economy of the future (Bouoiyour 2008).

The quality problem is also illustrated by deficiencies in job-based training and informal apprenticeships. Most enterprises are small and only a third have sufficient facilities, equipment and trained staff to provide effective tutoring on an apprenticeship basis. Opportunities are often limited by fear of competition and by the use of traditional technologies (ETF and World Bank 2005). These enterprises offer defined skills acquired exclusively on the job; these schemes present the advantage of being very practical, but offer limited opportunities for lifelong learning and it is common for young workers to be exploited as cheap labour. Some apprentices have no contract and pay for their training indirectly in the form of reduced wages or no wage at all. Any contracts that do exist contain no details of the number of hours to be worked, no training plans and the duration of the agreement is not pre-established (the transition from apprentice to semiskilled worker can take a considerable amount of time), also, there is no certification or other written proof of skills acquired at the end of the apprenticeship.

A number of initiatives have been undertaken to improve the quality of TVET in delivering competences and skills more relevant to labour market demands and to move towards competence-based outcomes. Cooperation mechanisms have been developed in a number of countries, asking employers (or social partners in general) to play a modest role and to provide opinions on the education system (MKI in Egypt). Many have set up education and training councils and specialised agencies. In Croatia, social partners are strongly involved in the 14 sector committees set up under the VET Agency. Turkish social partners are co-financers and governors of the Vocational Qualification Authority and have some responsibility for the development of occupational standards, qualifications and assessment. Tourism in Jordan constitutes a remarkable case in point, with the sector fully involved in curriculum design and certification process (USAID Siyaha project). Employers sometimes participate in renewing vocational diplomas, as is the case in Jordan, Lebanon, Tunisia and Turkey, but Tunisia was the only country to really undertake a decentralisation process, granting greater autonomy to training institutions and giving employers a powerful role (the Governing Board is chaired by a professional).

4. EFFECTIVE USE OF HUMAN CAPITAL IN PRODUCTIVE WORK

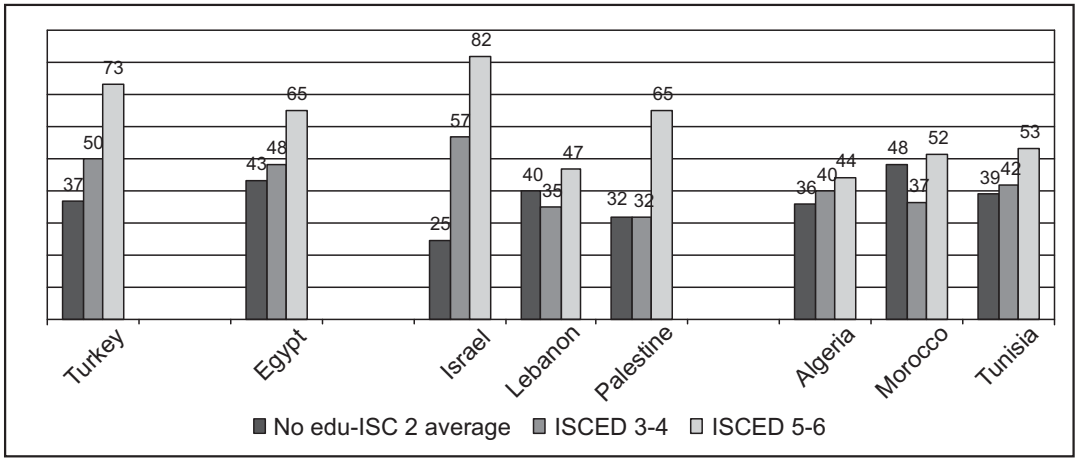
4

4.1 WEAK RETURN TO EDUCATIONAL INVESTMENT DESPITE A POSITIVE RELATIONSHIP BETWEEN LEVEL OF EDUCATION AND EMPLOYMENT RATE

Investment in education generates profits in all the countries, with activity and employment rates positively correlated with higher education levels. Graph 7 shows employment rates to be highest amongst tertiary graduates in all countries without exception. These figures reach 82 % in Israel, 73 % in Turkey, and 65 % in Egypt and OPT. Levels are relatively lower in Tunisia (53 %), Morocco (52 %), Lebanon (47 %) and Algeria (44 %) where concerns as to graduate employability have generated interest in the region as to how entrepreneurship promotion in higher education, as one policy response, could be more strategically developed.[28] Employment rates fall further down the educational levels, to 25 % of those with just primary education in Israel, 32 % in OPT, 36 % in Algeria and 37 % in Turkey. Interestingly, there is little difference between employment rates of primary and secondary education graduates in most countries. In fact, the level is exactly the same in OPT (32 %), and primary graduates have a better employment rate than secondary graduates in Morocco: 48 % compared to 37 %. Finally, in Lebanon, Algeria, Morocco and Tunisia, differences between the employment rates of low, medium and high-skilled workers are far smaller than in the other countries, showing much lower returns to education.

28 See Work Programme of the Euro-Mediterranean Working Group on Industrial Cooperation (2009-2010). http://ec.europa.eu/enterprise/policies/international/files/2009_2010_work_programme_en.pdf

Graph 7 – Employment rate by educational level (%) – Total 2007



Source: MEDA-ETE database; Turkey: 2006

Most of these trends are also seen in the Western Balkans, with employment rates of 70 % (BiH), 76 % (Montenegro) and 80 % (Albania and Croatia) for people with higher education (Table 12). Meanwhile, the least educated people have employment rates of only 26 % in Montenegro, 37 % in BiH, 45 % in Croatia and 68 % in Albania. There are significant differences between the employment rates of low and medium-skilled workers in BiH, Croatia and Montenegro, while figures for Albania show only 1 % of difference (68 % against 69 %) showing the limited added value of secondary education here. Finally, highly-educated people are typically more involved in private formal employment in most IPA countries.

Data from national surveys in all Arab countries indicate that the higher the education level of workers, the less likely they are to be employed in the private sector (ETF 2008). The public sector remains an important employer for the better educated (76 % of those with graduate and post-graduate degrees in Jordan) despite its decreasing job creation role in the economies.[29] In Syria, three quarters of the total active population with a higher education degree are employed in the public sector and only 20 % of higher education graduates are employed in the private formal sector (Huitfeldt and Kabbani 2005). The rate of higher education graduates in private sector varies from 20% in Egypt, 31% in Croatia, to 39% in

Table 12 – Employment by education level for the population aged 25-64 (%)

	Albania	BiH	Croatia	Montenegro
Primary level	68	37	45	26
Secondary level	69	60	65	51
Tertiary level	80	70	80	76

Source: ETF calculation on labour force surveys data 2004 for Albania and BiH, 2005 for other countries, the 25-64 age group, in Fetsi et al 2007

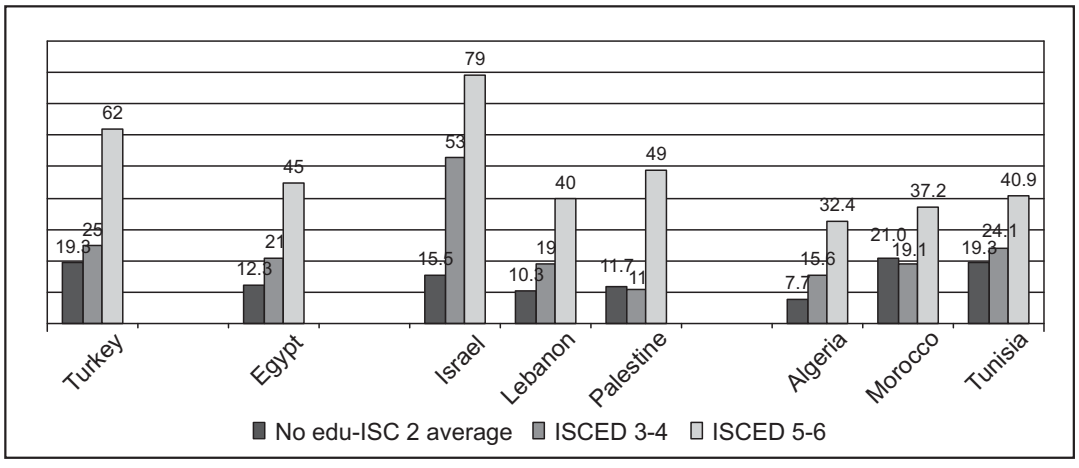
29 In many countries, it was previously customary for higher graduates to be directly appointed to public sector posts. In most Arab countries, in theory, a person seeking employment in the public sector must register with a government employment office and obtain a number indicating his or her place in line and the process may take several years. However, in reality, the wait depends on the level of educational attainment and the social or personal networks of each individual. Jordan is the exception to the rule, with a central public recruitment department (Civil Service Bureau) directly attached to the Prime Minister. This office is responsible for recruiting personnel for all public bodies and offices and the attraction of public posts can clearly be seen as the number of candidates, particularly young women with tertiary degrees continues to rise - in fact, there were more than 178,850 candidates for 11,200 jobs in 2007.

Jordan. On the other hand, Israel, Lebanon and Turkey are characterized with lower share of employed in public activities (12-14%). The high share of university graduates in public sector can be explained by considerations of job security and other benefits offered by the types of public employment selected by secondary and higher education graduates (Assaad 2002), but it may also be indicative of a gap between the skills provided by education and the type of competencies required by the business world. Wages are not high but there are substantial non-wage benefits with public posts. These include the obvious job security, better health and retirement benefits, but also shorter effective working hours and the consequent important possibility of holding a second job. This public sector employment model may be a major driver of the low labour productivity reflected in low wages.

Another benefit of higher education is higher earnings (with some degree of gender gap). The World Bank report (2008c) for Turkey concludes that the earnings of young people rise with educational attainment even more than they do for adults. Statistical data from Turkey[30] confirms that the highest earnings were attained by people with higher education, who earned almost three times the income of low educated or unskilled people (with the lowest wages of all in the construction sector). However, the gender pay gap increased with higher education. In Jordan, 64 % of graduates receive a monthly income of more than 300 Dinars[31] (compared with only 13 % of illiterate people, and 30 % of secondary graduates) although the respective gender distribution was 47 % of female graduates and 72 % of their male counterparts. In Syria average monthly income of secondary school graduates is 20 % higher than that of illiterate workers, while university graduates earn 40 % more than the least educated (ETF 2006). For Albania moving up the four educational levels (less than primary, primary, secondary and post-secondary) bring gains of between 56 % and 78 % in average monthly earnings, meaning the rate of return on investment in education could be calculated at 8 % to 9 % for each additional year of schooling in this country (World Bank 2006b).

Graph 8 clearly shows that higher education also leads to higher employment for females even in countries with the lowest activity rates. In Israel, with the highest rate of female employment, 79 % of female university graduates work compared with 53 % of those with secondary education and only 15.5 % with primary education. Similarly, Turkey shows tremendous differences in female

Graph 8 – Employment rate by educational level (%) – Female 2007



Source: MEDA-ETE database; Turkey: 2006

30 Turkish Statistical Institute, *Results of the Structure of Earnings Survey 2006*. Press Release of July 1, 2008.

31 Jordan, Department of Statistics (DOS) 2008. 1 Jordanian Dinar is equal to 0.99 Euro.

employment by education level: 62 % of university graduates are employed compared to only 19.3 % of females with primary education and 25 % of women with secondary education. Secondary schooling in Israel makes a substantial impact (with 53 % of women working) whereas secondary schooling for girls appears ineffective in Turkey (only 25 % working). In Lebanon 40 % of female tertiary graduates are employed against 10.3 % of female primary graduates, and the trend is the same in Egypt: 45 % of female tertiary graduates against 12.3 % of female primary graduates. In Jordan, in 2007, only 5 % of females with primary education were in work, compared with 45 % of female graduates with a tertiary diploma (male employment stood at 57 % to 78 % for the same population groups).[32] The three Maghreb countries, meanwhile, show relatively low returns on female education: only 40.9 % of female tertiary graduates and 19.3 % of female primary graduates are employed in Tunisia; 37.2 % and 21 % in Morocco; and 32.4 % and 7.7 % in Algeria for the same groups.

Women's position in the labour market is also affected by the different educational choices made by males and females. The increasing number of women moving to employment in services from agriculture indicates an increase in qualification levels, but women still remain significantly under-represented in managerial and high-technology fields. There is, however, a high number of professional women: in Jordan, 48 % of working women are professionals (engineers, teachers, doctors, lawyers) compared to 17 % of working men and around 25 % work in intermediate professions (as nurses, assistants and technicians) against 9 % of men. In Syria, nearly 40 % of active women work as professionals and technicians compared with 10 % of men. In Lebanon, half of all working women have a tertiary diploma, whereas half of working men have only primary schooling. The average qualification level of working women is much higher than that of men in all countries as it is extremely difficult for uneducated or poorly-educated women to enter labour market except in traditional agriculture. As is to be expected, agricultural employment is more prevalent among those with lower levels of education: in Tunisia three quarters of agricultural workers (including almost 90 % of working women) are illiterate or have only primary education, while 83 % of the workforce in services have tertiary qualifications. In Egypt, nearly 21 % of working women are in professional positions against 11 % of working men and 46 % are farm workers compared with 27 % of men.

4.2 LARGELY UNUSED POTENTIAL OF HUMAN RESOURCES: INACTIVITY OR UNEMPLOYMENT OF WOMEN AND YOUTH INDICATING THE DIFFICULT TRANSITION FROM EDUCATION TO WORK

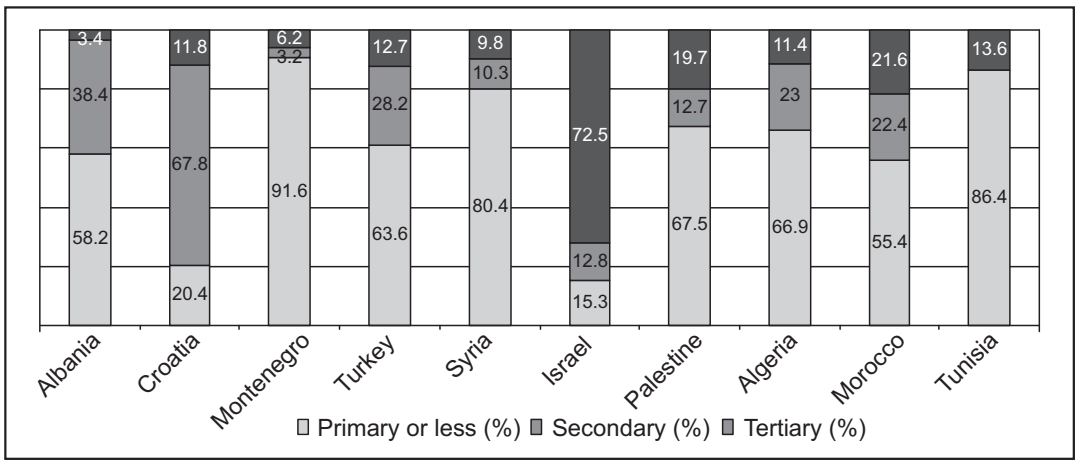
It is important to be aware that the region on the whole has very low activity and employment rates (Section 2, Table 4). With few exceptions, more than half of the 15-64 year-olds in each country are inactive, simply not making an economic contribution, and even fewer people are employed. Employment rates are commonly low, ranging from 30 % in OPT and Jordan (the lowest in the world) to 50 % in Israel, Albania and Algeria. Female activity and employment rates (20-25 % on average) are also the lowest in the world with the exception of Israel, BiH, Albania and Croatia. Despite the very low activity rate among the 15-64 age group, the region has still the world's highest average unemployment rate (15 % to 30 % of the active labour force). Taken together, these figures mean that only one in every four inhabitants has a job, and the figure does not reflect the fact that nearly half these jobs are informal (Martin 2009). Unemployment rates are especially high among young people and women. These groups hardly benefited at all from increased job creation in the region from 2002 to 2007 - a period of economic growth. Moreover, they are more exposed to the impact of the current global economic crisis than other population groups.

32 Jordan Department of Statistics.

When looking at unemployment by level of education (Graph 9), a distinction can be drawn between countries where unemployment is lower among the higher educated workforce (Albania, BiH, Croatia, Lebanon, Montenegro) and countries where tertiary graduates have more difficulty in finding a job. The share of tertiary educated unemployed ranges from 3.4 % in Albania, through 6.2 % in Montenegro and 11.8 % in Croatia (Graph 8) where low skilled people are most affected by job losses. The figure rises to 12.7 % in Turkey, 13.6 % in Tunisia, 19.7 % in OPT and 21.6 % in Morocco. The difficulties facing tertiary graduates can be explained by the continual increase in their numbers and the general preference for public posts amongst job-seekers. The share of unemployed with secondary education is the highest in Croatia (67.8 %), where the level is even higher than that of the unemployed with only primary education (20.4 %). The level of secondary educated unemployment is also high in Albania (38.4 %) and Turkey (28.2 %). However, the unemployment problem is most acute amongst those with primary or lower education levels: 91.6 % of the unemployed in Montenegro, 80.4 % in Syria, 67.5 % in OPT and 66.9 % in Algeria.

The paradoxical situation of the massive presence and success of girls and women in education and their weak position in labour markets can be explained by socio-economic factors leading to either female inactivity (either not entering or dropping out of the labour market) or high female unemployment. In fact, women with higher education face a disproportionate degree of unemployment: almost 27 % of women tertiary graduates experience unemployment in Egypt, Jordan and Tunisia. Thus being female is a strong disadvantage in labour markets where gender imbalance is also present in the distribution of economic activities; for while men work in all sectors and occupy most of the jobs in industry, women are only dominant in a group of service jobs connected to their traditional roles (education, childcare, health). Increasing levels of female education do not alter the fact that most economic sectors are marked by the traditional gender-based segregation of professions. Only education and health appear to have become mixed sectors with half the staff are women in many countries. The concentration of women in low-paid (or unpaid) jobs is also pronounced: in Turkey half of all women work in the agricultural sector as unpaid family workers and half of the young Syrian and Egyptian women are also employed in agriculture, whereas in Jordan and Montenegro three quarters of women are employed in services.

Graph 9 – Unemployed by educational level – Total % (2005-2007, last years available)



*Source: ILO – Key Indicators of the Labour Market (KILM) database. *Secondary education includes both lower and upper secondary. 2002 data for Albania, Syria and Occupied Palestinian Territory. Israel changed methodology in 2004, prior to which secondary was substantially larger. There are serious discrepancies between data collected by KILM and data collected by the ETF for the MEDA-ETE database. The distributions are highly sensitive to changes in the classifications.*

In an increasingly knowledge-based economy, increased levels of qualifications amongst the young are regarded as an economic asset. As was shown in Section 3, the features of school leavers changed gradually but markedly, the duration of schooling lengthened and training levels rose, but the youth transition process has been complicated by employment in precarious or temporary jobs, periods of unemployment, traineeships and informal apprenticeships or jobs (including military service for men). Although young men and some young women are more mobile and many have better foreign language and ICT skills, the public sector remains the ideal workplace of choice for young people in many Arab countries. The alarmingly high youth and female unemployment rates indicate a dysfunctional transition from education to employment and a mismatch between supply and demand. The impressive progress achieved in youth and female education has not yet been translated into similar progress in terms of economic participation. Contributory elements may include: the lack of decent jobs; low wages and poor working conditions; skills gap between the graduate assets of and the needs of employers; little or no career guidance for students and the unemployed; socio-cultural obstacles for females; and the lack of experience amongst young people.

In countries with significant underemployment, young people and women not only seek jobs in competition with all the categories of experienced (but less educated) workers, but they also face the challenge of large informal sectors that scramble paths and careers. The accumulation of human capital has not been synchronised with the demand for labour and education developments have proved counter-productive in some cases (World Bank 2008). Two negative trends are particularly important: (i) the inverse correlation observed in some countries between levels of education and job creation in the private sector; (ii) the growing importance of informal employment and its impact on skills development. For example, 90 % of jobs created since 2000 in Morocco went to individuals without higher education diplomas (World Bank 2008b).

According to the ILO School-to-Work Transition Survey in Syria (Alissa 2007), formal private employment still represents only a small share of first jobs by new entrants (less than 15 %) whereas informal employment represents almost half first jobs obtained (56 % among men and 42 % among women). Most young workers with no education or with only basic education have no choice than to accept low-paying jobs in the private sector, mostly of an informal nature. In Croatia young people most often work in micro-enterprises (42 % compared to an average of 18 %); with temporary working contracts most often on a part time basis (21 % against 7 %) (Crnkoviæ-Pozaiæ 2009). Thus young people face many obstacles in starting a career within the labyrinth of transition, where low education and skills and the scarcity of jobs are the most important factors. Employers argue that young graduates lack work experience and therefore cost more than they contribute because they require investment in order to 'unlock' this potential. This labyrinth of transition for graduates is characterised by a long wait before finding a good job and low valuation of diplomas by employers.

A particularly acute situation faces the largest youth generation in the history of the Arab countries with a tough choice between: (i) job prospects that are essentially limited to the informal sector (with low wages and working conditions that in no way constitute a decent job)[33]; (ii) an increasingly widespread desire to emigrate; and (iii) inadequate education and training to meet the needs of the job market (in both their home countries and Europe). Many young graduates who face high unemployment want to go abroad, a historical characteristic of most countries raising the risk of a ‘brain drain’ effect (ETF 2009). In Syria, for example, a third of young respondents stated they would emigrate if they had the opportunity (Maldaoun 2006). The Balkan Monitor surveys of 2006 and 2008 illustrate that

33 See Middle East Youth Initiative 2009.

young people (15-24 years) have the highest motivation to leave with 51 % of this age-group in Albania and 38 % in BiH stating that they wished to do so. The desire to migrate is highest among graduates of secondary and post-secondary education (25 %); somewhat lower among those with only primary education (20 %); and lowest among university graduates (19 %), excluding considerations of gender or location.

Is transition easier from vocational education to work?

In Croatia, post-secondary education graduates generally do fairly well on the labour market, as do graduates from secondary vocational schools, whereas graduates from secondary general education (and graduates from 3-year vocational schools) perform poorly (Crnkoviæ-Pozaiæ 2009). In the cohort of 15-19 year-olds, 43 % of people graduating from 3-year VET schools and 26 % graduating from the 4-year VET school were unemployed. In the cohort of 20-24 year-olds, graduates from 3-year VET schools are hardest hit with 27 % unemployed. In the 25-29 cohort, 11 % of 3-year VET school graduates, 14 % of 4-year VET school graduates and 19 % of university graduates are looking for a job. Finally, in the prime working age of 30-50 years old, the incidence of unemployment diminishes as the level of education increases. Some 16 % of primary school graduates are unemployed, 13 % of 3-year VET school graduates, 9 % of 4-year VET school graduates, and 8 % of university graduates, compared with 18 % for those with only gymnasium or secondary general education.

In the Maghreb, and Algeria in particular, those with VET have the highest probability of gaining employment: in 2005, 66 % of VET graduates found a job within 9 months of graduation, and around 72 % after three years (Bouoiyour 2008). At the end of their training, Tunisian VET graduates have higher insertion success in the labour market than those who did not undertake VET. Around 43 % of VET graduates find a job in the first year and over 60 % after 5 years. This contrasts heavily with those who never entered VET, only around 25 % of whom find a stable job after one year, and 50 % of whom are still not in a job 5 years after leaving schooling (World Bank 2008). In Morocco, unemployment rates among VET graduates are lower than those of university graduates. Still, on average, 30 % of them do not have a job three years after graduation (World Bank 2008b).

In Egypt, a survey conducted in 2002 revealed that 86 % of companies offered employment contracts to MKI graduates. The survey also indicated that 30 % of MKI graduates were employed in this year, 40 % continued in higher education and 26 % were unemployed (Amer 2007). This was a donor-funded project and its cooperative model of vocational education and training were so successful that it was streamlined and integrated into the Egyptian vocational education system.

In Jordan, the VTC, the main vocational training provider, has carried out tracer studies. Outcomes for trainees indicate some success although more than half of those who obtained a certificate were still jobless at the time of survey. The tracer study over the February-June 2003 period included interviews of 220 individuals from the ‘limited skills’ programmes of 2001. Some 36 % were in regular work and 11 % were in temporary posts. Information technology (computer skills) trainees were least successful at finding work, while the most successful were those trained in metal fabrication and mechanical maintenance. Over two thirds (68 %) of those working are employed in an occupation related to the area for which they received training. Nearly 40 % of graduates are working in the same company that provided their on-the-job training.

4.3 WEAK CONTRIBUTION OF VOCATIONAL COUNSELLING, CAREER GUIDANCE AND CONTINUING TRAINING ACTIVITIES IN A LIFELONG LEARNING PERSPECTIVE

Sultana and Watts (2007) note that there is no single word in Arabic for 'career' or 'career guidance.' The attitude toward public employment and the small size of the formal sector limit the importance of career or vocational guidance for young people and adults. Quite apart from the economic factors, the roles played by the family, cultural values, the exercising of influence and clientelism may also have strong impact on guidance and employment opportunities. However, some vocational guidance is provided within the education and training system (at school level, primarily focussed on individual skills) and by the PES of all the countries in this study, although implementation varies enormously. Vocational guidance in schools is delivered by career counsellors with a slightly different role and degree of presence in each country. In 2005, Turkey had almost 11,100 counsellors, Israel 4,000, Algeria 2,000, Jordan 1,300 and Morocco 680. Their role often includes social and personal guidance alongside vocational support, dealing mainly with educational and psychological problems. Much of their attention is focused firstly on choices to be made within the school, and then on higher education and military service (in Israel) as opposed to longer-term career issues.

Several countries, including Egypt and Jordan, have established vocational guidance programmes in schools, but the pedagogy does not use the personal project perspective. The school curricula dedicate little or no space to any kind of career education. Guidance on VET schools is generally limited to informal help provided haphazardly by teachers. Other countries have more visible activities such as: career or employment forums in Syria and Egypt; presentations of higher education programmes, also in Syria; and entrepreneurship programmes in Egypt, Jordan and Syria. Sometimes career guidance information is limited to a collection of leaflets and university brochures, as is the case in Lebanon and OPT, and NGOs have been known to organise job fairs. In the Maghreb, the French system has been adopted of making education decisions about students in class councils in which the counsellor is represented (Sultana and Watts, 2007). In this case the role of guidance staff tends to be largely focused on student evaluation and educational guidance.

Career guidance is weak in terms of coverage and systematic approach throughout the Western Balkans except for Croatia, and the area is characterised by the key role of PES (Sweet, 2006). Job fairs with the cooperation of local stakeholders (PES, employers, local authorities, training institutes, NGOs) are common.[34] In Croatia, the public employment service (CES) is the main agency providing career guidance services (with a specialised vocational guidance department). In Montenegro the main career guidance service provider is also the Employment Agency, which has established a pilot centre for information and vocational counselling (2006). Career guidance in Turkey has improved relatively in recent years, operating within the education system and the labour market (Sultana and Watts, 2007). Most primary and secondary schools have guidance counsellors who rely on the more extensive use of psychometric tests, but in practice these counsellors tend to spend much of their time on the personal and social counselling of pupils with behavioural or learning difficulties.

Continuing vocational training is a core element of adult learning but adult participation rates in training are limited with few pilot programmes and donor activities. According to the 2007 Adult Education Survey (Eurostat), the European average for adult participation in training is 6.3 % with 4.5 % for Croatia. In 2003, the European average was 9 % while Croatia had 2.9 % and Turkey 1.5 % (EC 2008). Obstacles to adult training include the lack

34 All candidate countries join the ELGPN, a network of policy makers in career guidance from all EU member states.

of funding (mostly from donors), but also the underdeveloped quantity and quality of the training available. In some countries the PES organise labour market training for unemployed clients and Albania, Croatia, Montenegro and Tunisia, also operate vocational training.[35] In the current economic crisis, large companies are increasingly reluctant to pay for employee training and there is a tendency to externalise the cost of adapting the workforce to changing needs. Other persistent difficulties regarding low in-company training are the type of production; the size of companies (micro and small size), and mentality of non-investment in human resources.

Some private business organisations have taken the initiative to overcome the supply-driven approach to training. The Egyptian Tourism Federation has set up a human resource and training department to develop continuing training for employees in the industry. The Egyptian Federation of Construction and Building Contractors operate employment and training programmes in 26 governorates. The federation acts as a direct employer for young people, contracting them out to individual employers. The training needs of public sector companies are similarly met by a network of vocational training centres managed by the Ministry of Industry and the Ministry of Construction (Seyfried, 2008). The training courses offered in these centres are short (a maximum of nine months) and do not lead to formal training qualifications. None of these facilities offer jobseekers or those working in the private sector the opportunity to upgrade their skills.

Countries like Egypt and Jordan collect a training tax from enterprises that are used to finance public training provision. In the Maghreb, enterprises fund most VET through a special payroll tax. In Tunisia, the money collected is mainly spent on in-service training; while in Morocco 85 % of revenue is allocated to pre-service training. Most countries provide tax allowances for companies investing in training, but these are barely used because of the low level of company investment in employees. In Turkey, any companies with more than 20 employees is legally bound to provide apprenticeship places for students and to pay them at least two-thirds of the minimum wage, while the government pays their insurance. However, such public-private partnerships are relatively rare and cooperation between schools and enterprises is mainly based on informal contacts and networks.

Some countries have developed alternative, non-traditional education schemes. Algeria and Tunisia provide many training programmes for high school or university graduates that would fall into the lifelong learning bracket, while Morocco focuses exclusively on literacy programmes. A State secretariat was established in 2002,[36] with the aim of reducing the illiteracy rate to below 20 % by 2010 and to eradicate it completely by 2015.[37] The Université de la Formation Continue (UFC) in Algeria was opened in 1989 as a network of ten regional institutes targeting workers who had failed the Baccalaureate but successfully completed secondary education. Access is conditional to five years of professional experience. Studies consist of a preparatory year and three (short cycle) or four (long cycle) additional years of evening studies. Tunisia has an Institute of Education and Continued Education, which aims to train and retrain secondary school teachers. Nine different technical specialisations (including agriculture) are offered to mid-career professionals who seek further degree training in specific fields. A parallel Virtual University was launched in 2001 to provide distance learning higher education through e-learning.

4.4 YOUTH EMIGRATION AS A REMEDY TO EMPLOYMENT CHALLENGES: ‘BRAIN DRAIN’ OR ‘WIN-WIN’ GAME?

Labour emigration has long been a tradition for in Arab countries and Turkey, with the

35 www.wapes.org

36 Secrétariat d'Etat Chargé de l'Alphabétisation et de l'Education Non Formelle (SECAENF).

37 See http://www.zakoura-education.org/article.php3?id_article=124

countries of the Western Balkans (Albania, BiH, Croatia and Montenegro) joining the trend after the dissolution of Soviet Union. While there are significant intra-regional flows among the Arab countries, mostly toward the Gulf, Europe is also an important destination for migrants from the three Maghreb countries. Migrants from IPA countries including Turkey have mainly gone to Europe. These migration flows are not homogeneous in terms of gender, rural or urban origin, duration (temporary or permanent) or skill level, but there are two main significant groups: educated people temporarily emigrating in search of opportunities and higher incomes, mainly to Europe for IPA countries, or largely to the Gulf for Arabs; and emigration of rural and low-skilled people for low-paid and manual jobs.[38] Migration is mainly spurred by economic concerns, with people moving to improve their standard of living and avoid unemployment and lower salaries. High rates of unemployment and poverty in Upper Egypt, for example, have generated a continuous migration flow of semi-skilled and unskilled workers onto the local market and into neighbouring countries. Conflict and wars in home or neighbouring countries are also strong sources of motivation.

Table 13 shows the share of emigrants in the total population at 27.5 % in Albania, 37.7 % in BiH (due to border changes) and 16 % in Croatia. These waves were caused by the war in the Western Balkans (1991-1996) and economic difficulties, and resulted in an estimated outmigration of 3 million people causing a considerable 'brain drain' (Fetsi et al 2007). There are comparable numbers of emigrants from Lebanon (17.4 % of total population) and Jordan (11.2 %). Some 50 % of Albania's higher educated people are reported to have left between 1991 and 2005, and 60 % of those who went abroad no longer worked in their original profession (UNDP 2006). Young scientists and researchers had the highest propensity to migrate from the Western Balkans. According to the World Bank, emigration of tertiary educated people stands at 28.6 % in BiH, 20 % in Albania, 16 % in Croatia and 29.7 % in Lebanon. The Balkan Monitor surveys of 2006 and 2008 indicate a declining number of people with concrete migration plans. Desires to move are lower in Croatia (7 %) and have dropped sharply in Montenegro (from 39 % in 2006 to 20 % in 2008), 21 % of Bosnians and 31 % of Albanians wish to migrate, mainly to Germany, the USA and Switzerland followed by Italy.

Migration toward Europe is particularly high in the Maghreb, where there is a long history of emigration (Bouklia-Hassan and Taalahite 2009). Most of the migrant population has low and medium skill levels, but a relatively large number of emigrants are highly educated with migrant physicians representing about 44 % of all domestically trained physicians in Algeria, 31 % in Morocco and 33 % in Tunisia in 2000 (Clemens and Pettersson 2007).[39] The current emerging Moroccan migrant profile is male (80 %), aged between 18 and 30 years, with secondary education or a university diploma in law, management or humanities. In Algeria, national insecurity is an important motivation for migration, but the proportion of low-skilled emigrants is higher (76 % of the total) than the medium and highly skilled (14 %). In 2008, Tunisian sources cited more than 1 million expatriates abroad, 83 % of whom (including those born abroad) were in Europe. One quarter of them was young (less than 16 years) and 26 % were women, although there has been a clear tendency for couples to migrate in recent years. There is a high number of low and medium skilled emigrants to Europe, while those migrating to North America are mostly well educated (Schramm 2008).

Some countries face specific challenges: for instance Lebanon has massive emigration amongst graduates aged 25-34,[40] mainly to Europe (the health services in France for instance) and the

38 The most common sectors are agriculture, construction, personal services, domestic work and the hospitality sector. In general, there is a marked gender difference: female migrant workers are mainly in the services sector, home care services, enterprise cleaning services, and men in construction and industry.

39 Different figures are presented in different sources. See, for example, Docqier and Bhargava (2006): 3% in Algeria, 7% in Morocco, and 4% in Tunisia.

40 Lebanon Central Administration of Statistics, 2009.

Table 13 – Emigration stocks and main destination countries (2005)

Country	Emigrant stocks	Main destination countries
Albania	860.485, 27.5 % of total population. Emigration of tertiary educated: 20 %- 2000	Greece, Italy, Macedonia FYR, USA, Germany, Canada, Turkey, France, UK
BiH	1.471.594, 37.7 % of total population. Emigration of tertiary educated: 28.6 %	Croatia, Germany, Austria, USA, Slovenia, Sweden, Switzerland, Canada, France
Croatia	726.031, 16 % of total population. Emigration of tertiary educated: 29.4 %	Germany, Australia, Austria, USA, Canada, France, Italy, Slovenia, Switzerland, BiH
Turkey	4.402.914, 6.0 % of total population. Emigration of tertiary educated: 4.6 %	Germany, France, Netherlands, Austria, USA, Saudi Arabia, Switzerland, Britain, Belgium
Egypt	2.399.251, 3.2 % of total population. Emigration of tertiary educated: 4.2 %	Saudi Arabia, Libya, USA, OPT, Italy, Canada, Oman, Australia, Greece
Jordan	641.154, 11.2 % of total population. Emigration of tertiary educated: 6.4 %	OPT, Saudi Arabia, USA, Germany, Oman, Canada, UK, Australia, Spain
Syria	480.708, 2.5 % of total population. Emigration of tertiary educated: 5.2 %	Saudi Arabia, USA, Germany, OPT, Libya, Canada, Sweden, Israel, France
Lebanon	621.903, 17.4 % of total population. Emigration of tertiary educated: 29.7 %	USA, Canada, Australia, Germany, Saudi Arabia, France, Sweden, Brazil, OPT
OPT	954.924, 25.8 % of total population.	Syria, Egypt, Saudi Arabia, Libya, Lebanon, Canada, UK, Australia, Sudan, Sweden, France
Israel	808.078, 12 % of total population. Emigration of tertiary educated: 6.5 %	OPT, USA, Canada, Germany, UK, France, Australia, the Netherlands, Italy
Algeria	1.783.476, 5.4 % of total population. Emigration of tertiary educated: 6.5 %	France, Spain, Israel, Italy, Germany, Canada, Tunisia, USA, UK, Belgium
Morocco	2.718.665, 8.6 % of total population. Emigration of tertiary educated: 10.3 %	France, Spain, Italy, Israel, the Netherlands, Germany, Belgium, USA, Saudi Arabia
Tunisia	623.221, 6.2 % of total population. Emigration of tertiary educated: 9.6 %	France, Libya, Germany, Israel, Saudi Arabia, Italy, USA, Canada, Belgium

Source: Numbers compiled from the World Bank Migration and Remittances Factbook 2008 (www.worldbank.org/prospects/migrationandremittances), Migration and Remittances Team. It is based on 2005 UN Population Statistics where the term 'migrant' is defined as people whose country of birth is different from their country of residence.

USA (almost 22 % of university graduates migrate each year). It is estimated that around 20 000 people leave the country each year. At the same time, there has recently been an enormous influx of Iraqi refugees in Lebanon (estimated at 100 000), Jordan and Syria (estimated at 2 000 000 or 10 % of the population) due to the ongoing war in Iraq. UNHCR noted that 4.7 million Iraqis have left their homes since the war began.[41] They are largely unable to find formal work for which they need residency permits and proof of legal status. Palestinian refugees are in a similar situation, representing 10 % of the population (410 000) in Lebanon, and a smaller proportion in Syria and Egypt excluding those living in refugee camps.

Quite apart from labour migration, a high number of students travel abroad each year to continue their education.

41 http://www.unhcr.org/cgi-bin/texis/vtx/page?page=49e486426

An estimated 250 000 graduates have emigrated north and east from the Maghreb alone in the last 25 years, representing an average of 10 000 graduates per year; almost 26,000 Jordanians, 10 000 Egyptians, 4,000 Syrians (Sultana and Watts 2007). Such student mobility can be viewed as either a 'brain drain' or a 'win-win game.' Meyer and Brown (1999) have argued that the new phenomenon of networked scientific communities (like the Tunisian Scientific Consortium) has the potential of transforming the 'brain drain' into a 'brain gain' with knowledge transfer back to the country of origin. Also, many Lebanese expatriates visit their country of origin regularly and invest in projects within Lebanon, creating what is known as the 'image economy.'

The importance of remittances in alleviating poverty in many countries should also be noted. Table 14 shows that remittances have been on the rise constantly since 2000 in all countries except for Turkey (where there has been a sharp decrease), with the highest absolute amounts reached in Egypt, Lebanon and Morocco (USD 5-6 billion in 2007) followed by Jordan, Algeria and Tunisia. However, remittances as a share of GDP are highest in Lebanon (22.8 %), Jordan (20.3 %), BiH (17.2 %), Albania (14.9 %) and Morocco (9.5 %). Remittances constitute 5 % of GDP in Egypt and Tunisia.

The high GDP share of remittances shows the vulnerability of these countries to recent developments. Current World Bank data shows remittances are expected to decline by 7-10 % by the close of 2009 due deteriorating economic and employment situations in the destination countries, although recovery is possible in 2010 and 2011. There are already reports of decreasing remittances in 2009, and while this is not backed by conclusive statistical evidence, retail sales are depressed and the construction sector, which is largely financed by remittances, is being undermined. New migration may also slow down due to the negative impact on the capacity of host countries to incorporate new migrants, although there is little evidence of large-scale return migration. Conversely, the new data show that existing migrants are unwilling to return as the employment situation back home has worsened and re-entry to the host countries is more difficult and subject to tighter border controls. It is clear that rising unemployment in large labour markets like the EU and Gulf countries is of serious concern to potential migrants.

Table 14 – Total remittances in 2000 and 2007, and share of GDP in 2006

Country	Remittances in 2000	Remittances in 2007	Share of GDP in 2006
Albania	USD 598 million	USD 1.481 billion	14.9 % of GDP
BiH	USD 1.595 billion	USD 1.943 billion	17.2 % of GDP
Croatia	USD 641 million	USD 1.788 billion	2.9 % of GDP
Turkey	USD 4.560 billion	USD 1.200 billion	0.3 % of GDP
Egypt	USD 2.852 billion	USD 5.865 billion	5 % of GDP
Jordan	USD 1.845 billion	USD 2.934 billion	20.3 % of GDP
Syria	USD 180 million	USD 824 million	2.3 % of GDP
Lebanon	USD 1.582 billion	USD 5.500 billion	22.8 % of GDP
Israel	USD 401 million	USD 1.063 billion	0.9 % of GDP
Algeria	USD 790 million	USD 2.906 billion	2.2 % of GDP
Morocco	USD 2.161 billion	USD 5.700 billion	9.5 % of GDP
Tunisia	USD 796 million	USD 1.669 billion	5 % of GDP

Source: The numbers are compiled from the World Bank Migration and Remittances Factbook 2008 (www.worldbank.org/prospects/migrationandremittances), Migration and Remittances Team

5. CAPACITY OF THE PUBLIC EMPLOYMENT SERVICES (PES) AND MAIN POLICY INITIATIVES IN ADDRESSING EMPLOYABILITY CHALLENGES

5

5.1 DIVERSE INSTITUTIONAL STRUCTURES AND CAPACITIES OF PES SERVICES AND RECENT IMPROVEMENTS IN DIFFERENT COUNTRIES

The main task of PES is to place jobseekers in gainful employment and to fill vacancies in all countries. PES is also usually the main public institution in charge of implementing Active Labour Market Programmes (ALMP). The current economic crisis and increasing unemployment have lead to higher expectations for PES to deliver effective job search facilities and job placement assistance to the unemployed. However, the growing need for effective and efficient services is contrasted by limited budgets and weak institutional capacities. Despite many differences across the 14 countries, all of them are confronted by similar challenges of high youth unemployment, large informal sectors and the impact of the global economic crisis in increased unemployment.

PES in the transition economies of Western Balkans has faced specific challenges. A period of extensive political change in the 1990s was followed by privatisation and industrial restructuring with mass lay-offs. This caused sharp increases in unemployment and revealed significant underemployment, while also being paired with low labour productivity. The region was also suffering the negative consequences of war, with a destabilised economy and the issues of refugees and displaced persons to deal with. However, institutional capacities, coverage and quality of services have been gradually upgraded in most IPA countries due to the strong influence of the EU accession process. These countries all benefitted from institutional development and reform supported by international donor institutions and

EU-twinning programmes, and participated in the exchange of experiences with PES from EU countries.

Capacity is still a long way from the service level required to cope with the current challenges of increasing unemployment and skill mismatches. Most PES services here are poorly equipped in comparison with the EU, short of both financial and human resources. Table 15 shows the caseload (number of clients to front office staff) in these countries ranges from 400 in Croatia and Turkey, to 800 in BiH and Albania, with Montenegro proving the exception with only 150. The ratio in EU countries is often below 100. The services need to develop and upgrade their labour market information systems, using intranet and databases, connecting all local labour offices and providing up to date information for members of PES management as well as employers and jobseekers. PES in Turkey faces the additional challenge of a fast growing working age population with many new labour market entrants. Comparable data on budgetary and staff resources are not available for all countries.[42]

PES services are relatively weaker in Arab countries, with the exception of Israel, and there have been some recent improvements in the Maghreb countries. In most countries, the unemployed can see little advantage to registering with the PES and employers have little trust in placement services. This severely hinders efforts to activate the unemployed and implement job matching. Improved services are needed to better manage the supply side of the labour markets, using client screening and advanced job referral systems. The lower capacity here is due to varying structural arrangements, but some capacity building support is provided by the ILO and other international donors. Projects to modernise PES are being implemented in Lebanon (with ILO and Canadian support) and Egypt, where the Egyptian Labour Market Service Reform aims to upgrade PES functions from mere job-registration to job-mediation.

The core service functions of the five IPA countries include computerised labour exchanges (placement services and job referral) and administration of unemployment benefit schemes. Services to employers are provided in BiH, Croatia and Montenegro, and job vacancies are published on the internet in Croatia, Montenegro and Turkey. Targeted measures for vulnerable groups are only implemented on a small scale (in Albania and BiH), but other countries offer specific programmes for young people, those with disabilities and the long-term unemployed. Croatia and Turkey also provide special services for women. PES in Albania, Croatia and Montenegro also act as training providers. ICT based services are increasingly used for clients, but the effectiveness of these services depends on the quality of the data collected. Internet-based services (Croatia, Montenegro and Turkey), career telephone hotlines, or SMS job alerts (Montenegro) are increasingly used, in some cases targeting specific groups of clients.

42 Albania, Israel, Lebanon, Occupied Palestinian Territory, Egypt, Jordan and Syria are not members of WAPES.

Table 15 – Key data about PES

Country	PES	Number of staff (and staff working directly with clients)	Number of regional and local offices	Caseload (clients per member of front office staff)	Annual administrative budget (EUR 1000)	Annual placement and ALMP budget (EUR 1000)	Administration of unemployment benefits	Responsibility for ALMP
South-East Europe								
Albania**	National Employment Service of Albania (NEA) www.shkp.gov.al	372 (175)	Central office, 12 regional offices and 24 local offices	851	n.a.	294 mio Leke – app. Euro 2,15 mio (planned for 2007)	yes	yes
BiH	Labour and Employment Agency of BiH www.agenrzgh.gov.ba	578	Coordination office at national level, Federation of BiH Employment Institute, Employment Service of Republica Srpska and of Brèko District. 152 offices	758	n.a.	n.a.	yes	yes
Croatia	Croatian Employment Service (CES) www.hzz.hr	1258 (723)	Central office, 22 regional and 94 local offices	416	27,705 (2008)	19,690 (2008)	yes	yes
Montenegro ***	Employment Agency of Montenegro (EAM) www.zzzcg.org	342 (285)	Central office, 7 employment bureaus and 14 local offices	150	8,393 (2006)	15,338 (2006)	yes	yes
Turkey (2008)	Turkish Employment Organisation (ISKUR) www.iskur.gov.tr	2518 (1951)	Central office, 27 branch directorates, 81 local offices (2006), reduced to total 93 offices (2008)	392	131,239 (2008)	125,000 (2008)	yes	yes
Maghreb countries								
Algeria	Agence Nationale de l'Emploi (ANEM)	350	165		n.a.	n.a.		
Morocco	Agence Nationale de Promotion de l'Emploi et des Compétences (ANAPEC) www.anapec.org		24 (2009)		8,000	6,000	No	Yes
Tunisia	Agence Nationale pour l'Emploi et le Travail Independent (ANETI) www.emploi.nat.tn	1164	80 (2003)		n.a.	n.a.	No	Yes

Sources: World Association of Public Employment Services, www.wapes.org, accessed on 14.4.2009, data from 2008 member survey (if not otherwise indicated).
*** Albania National Employment Strategy 2007-2013. http://www.shkp.gov.al/eng/organizimi2.php , accessed on 18.5.2009; Albania is not a member of WAPES.*
**** CPESSEC (statistic bulletin No.2, 2008).*

The roles of PES that provide unemployment benefits, as is the case in Albania, BiH, Croatia, Montenegro and Turkey, differ largely from the others. PES functions are also influenced by differences in the social protection and welfare systems of IPA countries (and Israel) and the others. These systems also have many inherent weaknesses. For example, seven countries have no unemployment insurance schemes for the jobless; Egypt,[43] Jordan, Lebanon, Morocco, OPT, Syria and Tunisia. In others, social protection in the form of unemployment benefit reaches relatively few people. Social assistance levels are inconsistent and disconnected from employment services. In the Maghreb, PES is not responsible for administering unemployment benefits; this may be due the influence of the French system where the functions are split between different agencies. The box below describes the institutional organisation in Algeria - the only Arab country with an unemployment insurance system.

Table 16 shows ALMP expenditure amounts to only 0.04 % of GDP in Croatia, 0.08 % in BiH and 0.0027 % in Turkey. PES in BiH and Croatia face the additional problem that many people register as unemployed for reasons other than job seeking (health insurance, social support or unemployment benefits) while actually working in the grey economy. In consequence, the number of registered unemployed far exceeds the actual number of unemployed as given by the LFS. In BiH there are 516,686 registered unemployed compared to 272,000 in the LFS, and in Croatia, there are 240 000 registered unemployed compared to 155,000 in the LFS). In Montenegro close to half of all the

Institutional organisation of PES services in Algeria

Job search assistance and related services are shared by several institutions: ANEM[44] has placement functions; CNAC[45] has placement responsibility but is also responsible for paying unemployment benefits; ADS[46] manages ALMP programmes together with CNAC, ANSEJ[47] and ANGEM.[48] In this multitude of structures, ANEM is the main actor in the field of job placement, but the agency does not have sufficient resources to fulfil this role and most of the programmes are administrated by CNAC and ADS. ADS monitors public work programmes, which represent key labour market measures, as well as CPE training programmes. CNC has a special programme targeting the more mature unemployed (aged between 35 and 50 years). The various institutions operate under the remit of different ministries, rendering the coordination of programmes difficult and rather inefficient. Their resources vary and are sometimes disproportionate to their role. ANEM, for example, lacks financial and human resources but has an extensive regional network (165 local centres and 11 regional branches). Meanwhile, CNAC is better staffed (about 1,100 employees in 2007) but only a limited number of beneficiaries (180 000 in 2007). There is little information available on the number of beneficiaries and the effectiveness of programmes. In 2004, ANEM registered about 400 000 jobseekers and 60 000 vacancies, and 45,000 placements were made (Barbier 2006). Private recruitment agencies were also introduced in 2007, and all public and private employers, as well as private recruitment agencies, are obliged to report all vacancies and recruitments to ANEM on a quarterly basis.

43 In Egypt a system was recently established but there are almost no advantages and it is aimed at a limited number of beneficiaries (ETF 2009).

44 Agence Nationale de l'Emploi et de la Main d'œuvre.

45 Caisse nationale d'Assurance Chômage.

46 Agence de Développement Social.

47 Agence Nationale de Soutien à l'Emploi des Jeunes.

48 Agence Nationale de Gestion du Micro-crédit.

Table 16 – PES and the registered unemployed

	BIH	CRO	MON	TR
ALMP expenditures as % of GDP (2009)	0.08	0.04		0.0027
Unemployment rate-LFS data (% working age population 15-64 years)	24	9	16.9	13.6
Number of unemployed according to LFS	272,000	155,000	44,800	3,274,000
Registered unemployment in PES	516,686	240,455	28,378	987,840
Recipient of unemployment cash benefits	8,418	57,258	9,798	331,953
% of registered unemployed receiving cash benefits*	1.6 %	23.8 %	34.5 %	33.6 %

Source: CPESSEC Statistical Bulletin No.2, figures for 2008

** The rates are our own calculations on the basis of numbers given above for the registered unemployed and the recipients of cask benefits for each country.*

unemployed are registered with the PES, while in Turkey this amounts to less than one-third of all the unemployed. Finally, not all of the registered unemployed are receiving unemployment cash benefits; indeed the level of coverage is very low in many countries: 1.6 % in BiH, 23.8 % in Croatia, 34.5 % in Montenegro and 33.6 % in Turkey (CPESSEC).

In most Arab countries many jobs are in the informal sector and, by definition, the vacancies are not recorded or registered with the PES, thus reducing the relevance of these services in addressing unemployment. In addition, employment offices are not equipped to provide jobseekers with reliable and up-to-date information on job opportunities in the private sector. Almost 90 % of Jordanian jobseekers have never used labour exchange or counselling services, preferring to rely on informal recommendations and information supplied by relatives and friends (ETF 2007). Meanwhile, ANETI in Tunisia placed 38,240 jobseekers in registered vacancies in 2008 on limited resources, making a success rate of 89 % on a total of 42,760 vacancies. ANETI also actively encourages self-employment and entrepreneurial skills through career guidance services, supporting development of a personal action plan for each unemployed individual. Morocco's ANAPEC provides a similar service, supporting clients to set up their own business, and a series of initiatives were launched in 2005 under the Initiatives Emploi umbrella programme, supporting access to various forms of employment.

Career guidance services are offered in Egypt, especially for young jobseekers, where the vocational guidance department trains advisers in the use of questionnaires to guide the unemployed. In Jordan, the National Centre for Human Resources Development (the Al-Manar Project) provides labour market information and vocational guidance. These initiatives also include entrepreneurial support programmes, some targeted at young people (INJAZ in Jordan and SHAHAB in Syria) and others at women (in Jordan, Syria, Occupied Palestinian Territory). In Israel, the National Employment Service includes a National Career Counselling Centre which provides individual and group counselling (psychometric testing, career-change workshops and job-search workshops). Career guidance and counselling services have been developed and implemented as part of PES in Croatia and Turkey. In the latter, steps are being taken to upgrade PES career guidance provision with draft legislation recommending a new legal status for career counsellors, distinguishing them from employment counsellors. Private employment agencies serve the specific recruitment demands of employers and have a very limited role in terms of numbers in all countries without exception.

5.2 A MULTITUDE OF POLICY INITIATIVES AND REFORMS TO ENHANCE EMPLOYABILITY IN EDUCATION SYSTEMS AND LABOUR MARKETS BUT LIMITED RESULTS SO FAR

As a response to the challenges described above in the education, training and employment fields, most of the countries in the region have already engaged in the reform of education and labour market structures. Many initiatives have been launched to improve the performance and quality of education and training systems, the involvement of stakeholders and better social dialogue, developing effective employment services for jobseekers and implementing specific initiatives to support the professional integration of young people and women in the labour market. Some of these initiatives are presented below as examples of good practice.

Improving the performance, relevance and quality of education and training systems

The EU has been a very active donor in Albania, BiH, Croatia, Montenegro and Turkey, supporting educational reforms and implementing many EU-funded projects under the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme over the last decade.[49] Alignment with EU standards continues to drive reforms in these countries with a strong focus on qualification frameworks. Albania has established a national agency (NAVET) that works on a standard VET curriculum model (consisting of a compulsory framework and a variable section allowing schools to adjust curricula to local needs) and an Albanian Qualification Framework.

The framework curriculum is in module form and already used by the public Vocational Training Centres. In Turkey, the EU-funded project on Strengthening Vocational Education and Training Project (SVET) has been implemented in a total of 145 pilot institutions. It contributed to the development of a VET strategy and lifelong learning policy, stronger involvement of social partners and establishment of the Vocational Qualification Authority and VET Information Centres. A key factor for success has been the strong ownership of the Ministry of National Education and its dissemination from pilot- to non-pilot schools throughout the country.

Reforms starting around 2000 in the Maghreb countries have produced relatively modest achievements. There have been renewed efforts to improve the quality of primary and secondary education systems including VET and an enhanced focus on specific labour market needs. Eight years after launching the Education Decade, the Moroccan system recorded significant progress in terms of attendance, gender parity and reduction of regional disparities with respect to access to education. Due to continuing problems in the system, an emergency reform plan was adopted in April 2008,[50] which envisages the construction of 8,000 new schools and the recruitment of 42,000 teachers. As part of the reform, a conditional cash transfer programme, known as Tayssir, was recently launched, paying a monthly monetary transfer for each child attending school regularly to the families of about 80 000 children. The pilot phase has been very successful.

In Algeria, revision of the primary and secondary education curricula began in 2008 in order to modernise existing programmes.

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49 Donors have made important contributions to education reform in many countries. For example, EU assistance to education in Albania between 1991 and 2005 amounted to EUR 22.5 million. EU assistance has also concentrated on VET and higher education in the other Western Balkan countries. In Turkey, the EU and World Bank were responsible for major reform programmes; the EU has invested EUR 100 million in basic education and over EUR 60 million in VET. The EU is the biggest donor to education sector reform with a EUR 43 million grant provided through direct budget support to the ERfKE1 project in Jordan, and with the World Bank for ERfKE2, as well as a pilot apprenticeship project in Syria and the Egyptian MKI with other contributors, including GTZ, KulturKontakt, Swisscontact, USAID, CIDA.

50 http://www.bladi.net/reforme-urgente-education-maroc.html

This is the first step in a more extensive reform programme to include tertiary education and recruit 20 000 additional teachers by the end of 2009.[51] Tunisia focuses more on the quality of vocational training: a list of priority vocations was identified by the Ministry of Education and Vocational Training, and the State offers interested participants vouchers to enrol in the private VET sector. In parallel, the Fond National pour l'Emploi (FNE) labour fund was completely reformed in 2009 and the number of programmes was reduced from 18 to only 6 - all of which were more focused on the effective needs of the economy and targeted the long-term highly-educated unemployed.[52] The Ministry of Employment reported that this reform has already brought promising results and that during the first seven months of 2009, successful integration of university graduates in the labour market increased by 8.3 % on the same period of 2008, in spite of the impact of the current global financial crisis.[53]

The Mashrek countries have also implemented many initiatives to improve vocational systems and some countries see the qualification frameworks as supports for these reforms. The Mubarak-Kohl Initiative (MKI) in Egypt - a dual vocational approach targeting secondary students for VET apprenticeship - started as a donor-funded project in 1991 and the MKI cooperative model of vocational education and training later became a respected and integrated element of the Egyptian vocational education system. The initial focus was on curriculum reform, teacher training and creation of public-private partnerships, but the new programme focuses more on career guidance for the young unemployed. The follow-up programme, MKI-vetEP, builds on the success of the previous programme and the good reputation of MKI, and aims to work to promote youth employment with old and new partners from the State, private economy and civil society sectors.[54]

In Jordan, Education Reform for Knowledge Economy (ERfKE) is an ambitious project that aims to transform the education system through early childhood, basic and secondary stages to equip school leavers with the necessary skills to participate in the knowledge economy. A national Certification Accreditation and Quality Assurance agency was established in June 2009 under the Employment and Technical Vocational Education and Training Council (E-TVET) to: develop and implement vocational training standards for quality control; license vocational training institutions; monitor and assess their performance; and support the development of a Qualifications Framework. In Syria, the Ministry of Education is focussed on improving the quality of basic education by improving teacher quality and developing new curricula in accordance with international standards. In parallel, the EC-funded programme for modernisation of the technical and vocational education system is being implemented in two sectors: ready-made garments; and electrical maintenance and mechanical engineering.

Better involvement of stakeholders and social dialogue

One of the key success factors in making education and training systems more responsive to labour market needs is the involvement of stakeholders and social dialogue. Efforts are being made to increase stakeholder involvement in Croatia where the Vocational Education Agency established 14 VET Sector Councils. These bodies include representatives of relevant stakeholders, half of them from the business community. These Sector Councils will define the

51 http://www.algerie-dz.com/forums/algerie-actualites/44979-benbouzid-ambitionne-75-de-reussite-au-bac-en-algerie.html

52 These programmes are the: Stages d'initiation à la vie professionnelle ; Contrat d'insertion des diplômés de l'enseignant supérieur ; Contrat d'adaptation et d'insertion professionnelle; Contrat de réinsertion dans la vie active; Programme d'accompagnement des promoteurs des petites entreprises; Contrat emploi solidarité.

53 See: http://www.emploi.gov.tn/index.php?id=301&tx_jkpoll_pi1[uid]=9

54 For more information, see: http://www.mki-vetep.com/

labour market needs, provide analysis and data, evaluate and approve occupational standards and propose new learning programmes on the basis of emerging needs. Groups of experts directly linked to each economic sector develop occupational standards for their area.[55] Skill needs analysis is recognised as a priority in some countries like BiH. Link, an SME association in BiH, has launched an innovative Lifelong Learning approach through the organisation of tailor-made training courses on local needs. In Croatia, the objective of the Adult Learning Project is to develop a modern and flexible concept of adult learning in line with new labour market requirements and best practices from the EU.

Egypt and Jordan also provide promising examples for the involvement of social partners in TVET. The EU-funded TVET reform programme in Egypt includes the creation of a partnership between public TVET institutions and the private sector to enhance the participation of SMEs in the design and delivery of TVET and increase the labour market relevance of TVET provision in terms of content and learning methods. The Egyptian Observatory for Training and Employment supported by the ETF has also an important role as it contains a task force of stakeholders (representatives of agencies, ministries, the statistics department and the private sector). In Jordan the recently approved E-TVET Council is comprised of government officials, employers and unions, and it is responsible for governing the entire sector, arranging coordination between the three main providers. Both the VTC and Al-Balqa University have modified their training programmes on the advice of sector committees including representatives of the business community.

National working groups composed of key stakeholders have been established in Jordan, Egypt, Morocco and Tunisia within the framework of the ongoing ETF National Qualification Frameworks Project. The project aims to ensure clarity in the relationship between different types of qualification through greater transparency in the definition of these; more compatibility between graduate skills and the needs of the labour market; and more opportunities for people currently facing dead-ends and bottlenecks. The Algerian National Institute for the Development and Promotion of Continuing Education (INDEFOC) institute offers training and retraining for workers in all sectors, branches and activities of the economy. The institute designs tailor-made training in specialised institutions or enterprises depending on the needs of the client. In Egypt, there is a proposal to establish three interconnected departments in the National Quality Assurance and Accreditation Agency, forming links between general education, higher education and TVET. So far the agency has concentrated its efforts exclusively on higher education institutions, and no accreditation procedures or activities are yet in place for TVET.

Developing effective employment services for jobseekers

Employment services in the IPA region are increasingly focussed on assisting individuals in the search for new job opportunities. Mobility Centres have been established in Croatia to facilitate redeployment of workers from industrial restructuring and mass redundancies. The Croatian Employment Service established mobile teams of employment experts, psychologists and lawyers in each regional office to be deployed in companies where redundancies are expected. The Employment Agency of Montenegro (EAM) implements Individual Action Plans including guidance, job referral and training elements. An ICT database is used for recording information on jobseekers and vacancies. A recent innovation is the use of telephone text messages to inform and alert individuals registered as unemployed of vacancies matching their profile. EAM also regularly organises staff training programmes in line with the European Employment Strategy guidelines.

In Israel, the 2007 Orot Letasuka Programme reformed previous efforts to help inactive people back into employment.

55 Information provided by Pedrag Bejakovic for the European Employment Observatory, Nov 2008. See also: www.aso.hr

Training is provided to adapt to job profiles and to strengthen the capacities of people who have not worked for years. Companies receive subsidies if they employ these workers within the programme for more than 6 months and jobseekers may be excluded from unemployment benefits if they refuse to participate. However, some companies recruit people and fire them after 6 months in order to receive fresh subsidies from hiring others, and the programme was criticised for its lack of job creation in a period of financial crisis. The EU-funded MEDA-ETE project (Education and Training for Employment) implemented by the ETF ran a regional observatory function from 2006-2009 to improve education and labour market information systems in ten MEDA countries.[56] ETF supported observatories in the Mashrek countries and there are examples of nationally established observatories in the Maghreb. In Tunisia, for example, the Observatoire National de l'Emploi et des Qualifications (ONEQ) has a labour market information system and is also involved in evaluating employment programmes. This institution was established in 1997 and has developed a labour market information system that produces periodical analyses of jobs and qualifications. The 2005 ILO evaluation concludes that the ANETI information system is very efficient in labour market intermediation (Barbier 2006). Surveys at national, regional and sector level regarding employment in enterprises are carried out regularly and the data is published in a timely manner.

In the Arab countries, the focus of employment services has been on linking job seekers to vacancies. Some improvements have been recorded recently; in Egypt for example, a project has been implemented by the Canadian International Development Agency (CIDA) since 2000 to develop a modern and efficient national employment service which can provide counselling and job search assistance (Amer 2007). This approach consists of establishing employment centres, improving professional staff skills and enhancing the Occupational Information System. One activity of the EU-funded MEDA Modernisation Programme in Syria is to develop a labour market strategy and build capacity in the Ministry of Social Affairs and Labour, including improvement of the PES. The Syrian government has established an agency for combating unemployment which funds training for the unemployed.

In Lebanon, the ILO helped improve operations of the labour market through a number of integrated activities targeting the unemployed and the establishment of Emergency Employment Service Centres in the Nahr el-Bared Camp. The Emergency Employment Centres serve as umbrella institutions, linking jobseekers not only with job opportunities but also with skills development initiatives and self-employment services. They also provide labour market information, helping aid organisations better understand the employment impact of their work. Complementary ILO projects deliver a multidimensional support package for the rapid recuperation of local employment and enterprises and to build the technical capacity of local institutions. The approach is participatory, allowing farmers and entrepreneurs to benefit in the long term through better understanding of the challenges they face.

Initiatives to support the professional integration of youth and females in the labour market

Initiatives to assist integration into the labour market generally conform to three main types. The first focuses on enhancing the competences of young people in projects such as the Employment Generation Initiative, a small USAID-funded project in OPT that also includes a micro-financing component for the unemployed. Other schemes in this bracket concentrate on vulnerable groups, as is the case in Montenegro where the Roma, Ashkelon and Egyptians in Montenegro are offered EU-funded literacy and vocational training courses. Job creation for young people is also consistently seen as a top priority leading to schemes such as the national plan for

56 These 10 countries are Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia, Occupied Palestinian Territory (OPT) and Turkey. For more information, see www.meda-ete.net

training graduates and youth launched in Egypt in 2001. The objective here was to train 400 000 educated young people each year, but recent assessments show these targets have not been reached (only 27 % of trainees had access to employment).

The second concentrates on job creation through entrepreneurship programmes, in a form that is increasingly popular across the whole region. One of the more successful programmes is INJAZ in Jordan. This programme has grown rapidly since its inception with only 250 students nine years ago to a present figure of close to 70 000 students each year. Another creative example can be found in Tunisia where a graduate thesis competition was launched in the 2008-09 academic year encouraging graduates to submit a presentation giving details of an enterprise project. The goal is to create 750 enterprises and the winners receive funding and coaching support for the incubation phase of the project.

A third form, particularly found in the Maghreb region, consists of providing subsidised jobs. Both Morocco and Tunisia have programmes that aim to create more jobs through either project support (the Moukawalati Programme in Morocco) or financial contributions to internship (Tunisia) where employers are exempt from paying social contributions for a maximum of one year when recruiting young graduates.

Other types of initiatives also exist to support excluded groups. For example, Arab women in Israel are increasingly provided with legal support to enforce equal opportunities. A project aiming at the development of pilot actions for Arab women was recently launched in 40 small towns and villages by the Authority for Advancement of Women, there is a national plan to increase the number of Arabs in civil service positions from the present 6 % to 10 % in 2012 and the Prime Minister's office launched another programme to encourage Arab businesses in medium and small towns in 2008.

A SUMMARY OF CONCLUSIONS

There are significant levels of diversity across countries, but with the exception of the Western Balkans (BiH, Croatia, Albania and Montenegro), most countries of the region show positive population growth that is swelling the labour force. The advantage of a relatively young population is counterbalanced by the urgent need for good quality provision in health, education and training, infrastructure and housing. Decent employment must also be provided for all in order to absorb the large number of young people in need of better opportunities. The UNDP Human Development Index indicates low-to-medium levels of human development in the region with deficiencies leading to uneven growth patterns in some countries in particular. The current global economic crisis has intensified the human development deficiencies as the underlying serious demographic, education and labour market challenges have remained unresolved for decades. Although the crisis has hit hardest in countries with open economies like Israel, the Western Balkans and Turkey, the impact is also being increasingly felt in the Arab countries.

Education and employment are key determinants of social cohesion in all countries, and 'employability' is the key word for a healthy interaction between education systems and labour markets. The region has been spending considerable amounts of public resources on education for decades resulting in higher literacy and educational attainment levels among the population. Full literacy was achieved long ago in Israel and the communist legacy in Albania, BiH, Croatia and Montenegro left them in a similar situation. Literacy has also improved immensely in countries where levels of illiteracy were traditionally high, and the average years of schooling in Arab countries now stand at 5-6 years amongst the adult population. However, adult literacy rates are still low in Morocco and Egypt and most countries continue to face a persistent challenge with female illiteracy.

That said, the younger generations are increasingly well prepared for the future, and enrolment rates are growing at all levels of education in these countries. Enrolment in primary education is now almost complete for the relevant age group (except OPT and small number of missing children in Egypt, Morocco and Turkey). Enrolment in secondary education has also increased to 75 % in most countries except Morocco and higher education enrolment has increased, particularly in OPT, Lebanon, Croatia, Jordan and Turkey (between 30 % to 45 %). The Bologna Process has added another relevant dimension as Albania, BiH, Croatia, Montenegro and Turkey are participants, while Israel and some Arab countries (Egypt, Morocco and Tunisia) are attending the Bologna discussions as observers. Although TVET (ISCED 3) exists in all countries, it consistently forms the weak link of education systems and levels of enrolment vary (Croatia, Egypt, Turkey and Israel have high enrolment in TVET, while Tunisia, OPT, Morocco and Albania have low enrolment) and the link between TVET and the labour market is commonly very weak. Particular emphasis has recently been placed on teachers and teaching quality. Many initiatives have been undertaken to improve the quality of delivery on competences and skills relevant to labour market demands and there has been a strong move toward competence-based outcomes.

Despite these significant developments, challenges related to unequal access to education persist and pose a risk to social cohesion. Gender inequality, geographical (and rural/urban) disparity and social exclusion for certain social groups pose particular obstacles to many people, hampering equal opportunities in education. In some cases, the education system deepens pre-existing socio-economic stratification, and students from lower socio-economic backgrounds are over-represented in low quality schools (mostly vocational streams or general public schools). Choices made on the type of education and possible occupations are also heavily affected by gender stereotypes, leading to strong gender-segregation in many occupations and women being restricted to mostly inferior positions. There is increasing tension between the quantity and quality of education services, especially in countries with high population growth, jeopardising the future employability of graduates. Despite increasing coverage in the education system at all levels, the quality appears to be compromised, as can be proven by the poor scores on national and international tests (TIMSS, PIRLS, PISA) in participating countries. There are signs of high dropout and repetition rates, in particular in countries with largely rural populations (Egypt, Morocco and Syria) and on-going public investment in education is required to ensure both quantity and quality of provision.

It is important to reiterate the low activity and employment rates in the region. With few exceptions, more than half of the labour force (15-64 age group) is inactive, simply not contributing to the economies, and even fewer people are currently employed. Employment rates range from 30 % (the lowest in the world in OPT and Jordan) to 50 % (Israel, Albania, Algeria). Female activity and employment rates (20-25 % on average) are also the lowest in the world with the exception of Israel, BiH, Albania and Croatia. Despite the very low activity rate of the working age group, the region has the world's highest average unemployment rate (15 % to 30 % of the active labour force). Taken together, these figures mean that only one in every four inhabitants has a job, and this figure does not reflect the fact that nearly half the jobs are informal. Unemployment rates are especially high among young people - an element indicative of the difficult transition from education to work at all levels of education. Young women face an even more difficult situation with fewer opportunities and more social restrictions than young men, leading to substantial inactivity and extensive waste of human resources potential.

Even though there are weak economic returns to educational investment overall, activity and employment rates are positively correlated with higher education levels and employment rates are highest amongst tertiary graduates in all countries. Levels are particularly high in Albania, Croatia, Israel, BiH, Montenegro, Turkey, Egypt and OPT, but lower in Tunisia, Morocco, Lebanon and Algeria. Employment rates fall further down the educational levels: 15-30 % of those with primary education and 30-50 % of those with secondary education. Interestingly, the difference between the employment rates of primary and secondary education graduates is small in most countries. When unemployment is examined by level of education, there is a clear distinction between those countries where unemployment is low among the higher-educated (Albania, BiH, Croatia, Lebanon and Montenegro) and countries where tertiary graduates encounter greater difficulties in finding a job (Turkey, Tunisia, OPT and Morocco). The difficulties facing tertiary graduates here can be explained by the continual increase in the number of graduates available, low valuation of their educational qualifications by employers and a general preference for public jobs amongst job-seekers. The share of unemployed with secondary education is highest in Croatia, followed by Albania and Turkey.

The upshot is that the increasing educational attainment levels of the populations in the region have not yet contributed significantly to higher employment and productivity gains. There are three possible reasons for this: (i) graduates from formal education and

training systems have decreasing employability; (ii) educated labour is allocated inefficiently in the limited productive sector; and (iii) significant populations in low-added-value activities within the formal or informal economy are becoming de-skilled. There have been weak contributions from vocational counselling, career guidance and continuing training activities in a lifelong perspective so far, mostly limited to pilot programmes and donor activities. Obstacles to adult training include the shortage of funds (most of which are provided by donors) and an underdeveloped training market in terms of both quantity and quality. PES in some countries organise labour market training for unemployed clients, and some (Albania, Croatia, Montenegro and Tunisia) also operate as providers of vocational training. High unemployment rates encourage many young graduates to seek work abroad, a historical characteristic in most of these countries that heightens the risk of the 'brain drain' effect.

The current economic crisis and increasing unemployment have led to increased expectations of PES capacity to provide effective job search and job placement assistance to the unemployed. There are extensive differences across the countries, but many are plagued by limited budgets and weak institutional capacities that leave PES unable to confront the shared challenges of high youth unemployment, large informal sectors and the global economic crisis. PES functions are also influenced by different factors in the generally weak social protection systems. In countries where unemployment benefits do exist, the core services include computer-based labour exchanges (including placement services and job referral), ALMP measures and the administration of unemployment benefit schemes (Albania, BiH, Croatia, Montenegro and Turkey). Seven Arab countries have no unemployment insurance schemes for the unemployed who do not see the benefit of registering with the PES, while employers have little respect for the placement services currently in operation. Improved PES services are urgently needed to better manage the supply side of labour markets, activate the unemployed and provide effective job matching.

Most of the countries in the region have launched a multitude of policy initiatives and reforms in response to the challenges described above. These are mostly funded by international donors and aim to enhance employability in education systems and labour markets. Many projects have been designed and implemented to: improve the performance and quality of education and training systems; increase the involvement of stakeholders and encourage social dialogue; develop effective employment services for jobseekers; and implement specific initiatives to support the professional integration of young people and women in the labour market.

Given the persistence of the challenges, more comprehensive and system-based reforms may be called for if better results are to be achieved. Nevertheless, the issues of youth unemployment, the greater socio-economic participation of women, equal opportunities for various socio-economic and ethnic groups, and the transformation of informal employment to decent work are all clearly identifiable as the priorities for action in most countries of the region.

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