

Youth Employment in the ESCWA Region*

“If we fight for full employment and economic justice, if we fight for better jobs, better wages and decent work for youth we will be fighting the circumstances in which terrorism can flourish.”

Robert Reich, Statement to the Global Employment Forum, Geneva, November 2001

I. Challenges Facing Youth Employment

Youth aged 15 to 24 years account for 20 per cent of total population in the ESCWA region comprising 57 per cent of the Arab youth, while those under 15 are 40 per cent, which implies that around 60 per cent of the population is under the working age after obtaining the first degree of higher education. Given the already high unemployment rates implies that new entrants to the labour market will not be able to enroll in productive employment unless properly equipped with appropriate skills, otherwise will either join the informal sector at increasing rates of underemployment or will remain unemployed. Youth, the majority of new entrants to labour markets will be the main victims. Other regions of the world faced similar challenges and adjusted to the requirements of the new global realities. OECD countries for example, had to go through adjustment by retreating from the welfare role of the State, adapting to more flexible labour markets with changing technical skill requirements, phasing out permanent employment, decreasing role for labour unions, and currently adjusting to the Euro currency. The fact that the restructuring process has been going for some time with institutional flexibility and social set-up and competitive market forces to phase out social welfare excesses, makes the adjustment process smooth if not automatic. For the ESCWA countries, however, where such flexible and institutional support is lacking, basic structural and institutional reforms are urgently required to enable the youth to become productively employed. Such challenges are more difficult for the ESCWA region than other developing countries if due to the following constraints:

- High population growth;
- High illiteracy rate;
- Deteriorating quality of education;
- High unemployment and underemployment rates;
- Limited industrial skills;
- Inadequate R&D activities;
- Attitudes to work that are biased to management positions;
- Limited experience of the private sector;
- Limited private sector participation;
- Limited regional cooperation;

Moreover, given the stagnant quality of the labour force in the ESCWA region, the potential benefits from globalization cannot materialize within the present context dynamic international capital mobility and accelerated technical and technological development. The worst effects of the globalization process will bear on young workers who are unable to adapt and lack required skills.

* Paper prepared by the Economic and Social Commission for Western Asia (ESCWA) for the Youth Employment Summit Alexandria, Egypt, September 7– 11, 2002. This paper has been reformatted but not formally edited.

II. Current Situation of Youth Unemployment

Youth unemployment has recently reached alarming figures in the Arab countries; although they differ from one country to another they can be described as generally high. Youth unemployment is mostly concentrated among the educated as a result of the incapability of economies of the countries in the region to create new job opportunities sufficient to accommodate the annual increase in the labour force which is mostly composed of youth entering the labour market for the first time. It is also due to lack of consistency between the outcomes of the educational system and the needs and requirements of the labour market in terms of various specializations and skills. In fact, the economic growth of the last decade did not lead to a growth in employment, neither to an increased demand for manpower. And even in some cases where this increase was achieved at high rates, it did not occur in labor-intensive economic businesses. It was rather a result of investment and expansion in fields, sectors, and activities that depend on new technologies and tools of production with minimum dependency on manpower.

Published data for ESCWA region reveal that on average, current rates of unemployment for ESCWA countries range from 10 - 19 per cent , and 59 per cent of the unemployed are first time job seekers. Age-specific unemployment rates show that the incidence of unemployment among the cohorts 15-24 years can reach 8 to 10 times the rate of unemployment for the 25 to 34 age group, while in OECD countries, the ratio does not exceed two to one. In Egypt, for example, according to the Labour Force Statistical Survey, the unemployment rate among youth reached 34.4 per cent in 1995 and decreased to 23 per cent in 1998; while the overall unemployment rate for the total population was only 3.9 per cent in 1999 and 8.0 per cent in 2000, 43 per cent for females aged 15 to 24, four times higher than that for the adults, and 15.8 per cent for young men which is nearly 7 times that of adult unemployment. Moreover, around 90 per cent of the unemployed are new entrants to the labour force, most of who are in the youth category. Some 250,000 jobs are needed annually over the forthcoming 10 years in order to absorb the current stock of unemployed persons, regardless of the more than 500,000 entering the job market annually. In Bahrain, where unemployment is negligible among adults, it was 34 per cent for young women and 22 per cent for young men (unfortunately latest data refer to 1991 only), same applies to Oman (1993). Similar figures are obtained for Jordan where 2000 data showed that the total unemployment rate was 34 per cent for the 15 to 19 age group, 33 per cent for males and 38 per cent for females; and 24.5 per cent for the 20 to 24 age group, 22 per cent for males and 29 per cent for females. In Syria, 1999 data show that 72.3 per cent of the unemployed were young first time job seekers and where the incidence of unemployment among them reached 85.4 per cent. While in Saudi Arabia, unemployment among youth is on the increase. In December 2000, the Deputy Chairman of the Manpower Council estimated unemployment among Saudis at some 14 per cent, while others cited figures of 20 per cent or higher. According to estimates by the Saudi American Bank, the national economy creates some 30,000 jobs each year for Saudi nationals. However, the number entering the job market annually is 100,000, 63 per cent of whom are school graduates. In Kuwait, the total number of students graduating annually from scientific institutions, colleges and schools and other potential job-seekers is some 10,000. In the past, most new graduates were absorbed by the public sector, however, the public sector is currently saturated and downsizing through privatization is being implemented. The main potential for job creation lies in the private sector, where non-nationals

currently comprise more than 90 per cent of the workforce. This high unemployment rate of youth can be partly attributed to the limited relevance of education and skills development to the needs of the labour market; to the virtual absence of effective systems of public and private employment agencies; to the lack of programmes aimed specifically at the employment of youth; in addition to the slow down in economic activities during the nineties. The imbalances between a shrinking demand and growing supply of labour expose the realities of the labour markets with the outcome of escalating rates of unemployment and underemployment.¹ Although there are no accurate figures on unemployment rates in the different countries of the region, all recent estimates are mostly double-digit figures ranging from 10 per cent to 19 per cent in Oman, Egypt, the Syrian Arab Republic, Jordan, Bahrain and Lebanon and reaches between 20 and 30 per cent in Yemen, Iraq and the West Bank.

The unemployment problem of youth is further compounded by decreasing productivity of the labour force: during the first half of the 1990s, productivity declined in Kuwait and Jordan, stagnated in Bahrain and Oman and increased only in Egypt. Productivity in Egypt and the Syrian Arab Republic is estimated to be less than one sixth of that in Korea, and less than one tenth in other, non-oil producing countries of the region. Generally, real wages substantially declined during the 1990s due to inflationary policies pursued by most countries in the region. In the manufacturing sector real wages declined at an estimated annual average rate of 2 per cent in the period 1990-1996, with Egypt registering the highest decline. The real public sector wages for Egyptians in 1992 were equivalent to only 50 per cent of their 1982 value, while real wages in the manufacturing sector declined at an annual rate of 9.5 per cent during the period 1985-1992. This factor is contributing to escalating inequitable income distribution and to the declining performance of the labour markets as well as to unsustainability of growth.

While employment growth in the region as a whole kept pace with labour force growth in the first half of the 1990s, its net contribution to economic growth was weak, given that most new jobs were created in the public sector, despite overstaffing, or in low-wage, low-productive sectors. The predominance and flexibility of the service sector may, to a large extent, explain the seemingly endless ability of the labour market to adjust to the succession of adverse shocks that have hit the economies of the region since the early 1980s. Excessive Government presence in investment activities has created distortions and hampered efficiency, while public sector employment, where productivity is not correlated to income, has further reduced competitiveness. Over the past 20 years the distorted demand for labour has led many students to opt for educational attainments that secure administrative jobs, while a large number of skilled graduates were forced into low-productive jobs or to migrate to other countries where they could market their skills. On the whole, workers have had few incentives to improve their skill levels and competitiveness. Inappropriate service delivery has been encouraged, while the social returns of education and incentives to accumulate skills have been reduced. As a result, unemployment rates are much higher for university and secondary school graduates than for those with elementary education, as the latter would accept low-quality insecure jobs at rates

¹ According to Fergany, underemployment is rampant in the Arab economies but precise measurements are rare. In Egypt, for example, it could range from 10 per cent to two-thirds of the employed. (Fergany, 1998), while in an oil exporting country, where more than 90 per cent of nationals work in the public sector, the World Bank estimated the size of disguised unemployment at about 50 per cent.

much lower than secondary and tertiary level students, whose skills may not meet labour markets demand. Overall, there has been gradual decrease in the competitiveness of the labour force, especially when compared with that of other developing regions.

III. Consequences of Youth Unemployment - if no Major Actions are Taken

Given the ongoing and continuous inflow to the labour market, the main concern should be on the new additions to the unemployed and underemployed rather than the total unemployment situation. New entrants to the labour force particularly the youth that do not find appropriate jobs are more of a social threat than the long-term unemployed that would have joined the informal sector and adjusted their life styles accordingly. Some serious consequences of youth unemployment and insecurity are linked to the exclusion of young people from a productive role in the adult world of work that could demoralize them, undermine social cohesion and lead to social problems such as crime, drug abuse, vandalism, religious fanaticism and general alienation in the vicious circle of poverty. Such patterns will persist in the future if no holistic approach is initiated to alter the employment situation. With globalization, young job-seekers will be required to adapt to the changing nature of the jobs demanded by the new economy and the removal of all the labour mobility distortions created by the welfare Government employment schemes. Perceptions of technical work and the work of the female labour force must be changed, particularly among the young who will be required to join the private sector and compete with the global labour force. Unless distortions created by job preferences are eliminated and replaced by incentives to increase productivity, efforts to improve employment opportunities will be futile.

IV. Critical Areas Requiring Attention

Education and training are a major instrument, if not the instrument for enhancing the employability, productivity and income earning capacity of youth. Young people need broad, general, employable skills combined with training in specific skills and exposure to the world of work that will ease transition from school to work. Women also need education and training to give them access to more and better jobs in the labour markets and to overcome the syndrome of poverty and social exclusion. Skills possessed by young people are a significant factor in determining employment of youth. Studies show that employment outcomes are increasingly determined by the level and quality of education and training and by their relevance to labour markets needs and opportunities. The mechanisms deployed to facilitate young people's transition from school to work, such as apprenticeships, alternating training and the involvement of young people in the world of work during their schooling, also play a vital role in their future employability.

As for rural poor, education policies need to revise the current strategy of basic education for all. The first requirement is to identify the essential employable life skills for today and tomorrow. Secondly, they should develop strategy and approach to enable poor children to acquire the identified competencies through life relevant learning models while avoiding the general emphasis on literacy and numeracy. This will create a learner friendly environment particularly for the children of the poor. Here literacy must be seen through the required social skills, personal skills, intellectual skills, economic skills and the human qualities required for

improving the quality of life of the learner and the immediate surroundings. Otherwise the most serious issue that will be confronted after mobilizing all possible resources in the name of eradication of illiteracy in the next decade is that there will be a whole generation of pseudo literates. The younger generation will continue to remain a new class of illiterates. Perhaps they can read and write but they will remain incompetent due to the lack of technological skills required for employment in the changing economy. Just as the illiterates were marginalized during the twentieth century, this new class of pseudo literates will be marginalized and further deprived of the benefits of the new economic realities. Thus it is due to lack of technical skills required for the 21st century that children of the less affluent will be the new class of illiterates.

The problem or challenge that might be facing most developing countries including Arab countries seems to be their entering a vicious circle. These countries, and due to their financial constraints, and their increasing burdens and debts, are incapable of spending on reforming the educational system, improving its quality and assuring a high level to go along with the technological and information development that characterizes this century. Concurrently, these countries are aware of the fact that their productivity will remain low as long as their human resources do not have access to an acceptable level of education and training. Moreover, what these human resources receive in terms of low level and quality of knowledge and skills make them unsolicited in the national markets, and incapable of competing at the regional and international levels. Thus the problem of developing countries is two folded: the slow pace of national development and the continuously rising unemployment and underemployment rates among youth especially the educated.

Among other measures, there is a dire need to intensify vocational training, alter the modes of production from capital to labour intensive, and undergo structural changes in the labour market in order to avoid consequences of long-term unemployment of youth where it becomes more difficult to integrate the unemployed in the future labour markets. Therefore, labour market restructuring policies need to address two basic aspects:

- Issues of quantity that deal with the growing stock of unemployed and underemployed; and
- Issues of quality that deal with low stock of human capital and skills that do not match the technical requirements for enhanced productivity within the globalized world.

Other draw-backs in the educational sector that are indirectly related to the labour market are:

- Low returns on women education due to social and traditional factors;
- Inefficient spending of the public allocation to education that resulted in the poor quality of public education; the significant urban and class biases in access to education; the lack of targeting in provision of tuition to the poor while charging the better off; and the inefficient government spending that is dominated by wages and bureaucratic expenditures rather than R&D.

Finally, the lack of information on labour market status with respect to employment, job vacancies and training requirements resulted in the current chaotic situation with mismatch between demand and supply of labour. In other parts of the world, the unemployed youth get the assistance of specialized offices to identify appropriate jobs that are commensurate with their education and skills- including retraining to facilitate entry to labour markets. They also obtain unemployment benefits that cover subsistence living and prevents them from falling into the poverty trap. Such measures require the availability of Labour Market Information System (LMIS) that includes all types of jobs demanded in the local market with regular update on vacancies and projections on new jobs that will be opened in the near future.

Therefore the critical areas that need attention can best be summarized in the following:

1. Development of database on employment;
2. Reshaping education sector to promote 21st century skills;
3. Involve private sector in training;
4. Intensify Technical and Vocational Educational (TVE) by learning from other countries (Germany and Korea);
5. Alter the concept of work and productivity through advocacy.

In conclusion, the issue of youth employment deserves particular attention in the ESCWA countries. Young people need to be equipped with appropriate skills to be productively employed and to benefit their economies.

V. Good Practices in the ESCWA Region

The following are examples of a few good practices that were carried out in the ESCWA region:

INJAZ of Jordan;
Mubarak-Kohl project in Egypt;
DACUM Application to link education output to employment in Kuwait;
Programmes for Youth Employment in Oman;
Al Hariri School for technical education in Mishref, Lebanon.

The INJAZ program

This program prepares young people to recognize the needs of the local job market to stand up to the challenges of global competition. INJAZ is working to create a new generation of youth qualified to meet the demands of economic growth and the private sectors' needs. The USAID funded Save the Children initiative first originated in 1999 in an attempt to bridge the gap between the output of the Jordanian educational system and the human resource needs of the private sector.

To fulfill that mission, INJAZ facilitators invited volunteers from the private sector to teach students how to take responsibility in a non-traditional way and to allow young people to choose what they want to learn, in order to create an innovative generation. In other words,

INJAZ helped students develop their cultural attitudes to better come with the globalized market characteristics increasingly defining Jordan's job market today through preparing them to take part in real life problems they will encounter in entering the labor market.

INJAZ signed an agreement with the Jordanian Ministry of Education in which the latter committed its support to introduce the INJAZ initiative into public school curricula; INJAZ also works in cooperation with the Ministry of Youth. Delivered in school classrooms every Saturday by private sector volunteers, such as bankers and businessmen, the courses mainly focus on personal and business economics, entrepreneurship, leadership and community service that are related to the students' environment. Volunteers deliver weekly courses to students based on a curriculum facilitated by other volunteers from the private and education sectors. They do not lecture students, but encourage brainstorming, problem-solving and communication skills.

With the 14-25 year group accounting for 25 per cent of the population, INJAZ aims to foster creative thinking and critical problem-solving techniques and interpersonal communication skills. It provides Jordanian youth with the needed tools to reach the goals aspire to. INJAZ builds on Jordan's human resources, based on partnership with the private sector to help develop skills of Jordanian youth and better prepare them to enter the labor market. Working with volunteers from different sectors helps students decide on their future and choose the job that fulfils their ambitions; by preparing qualified youth, the private sector will be able to attract better quality labor, armed with skills and know-how. With the increasing impact of globalization on Jordan, there has been a growing gap between the education system in the country and the Jordanian private sector's human resource needs. INJAZ is helping to remedy this situation and better direct Jordanian youth according to the needs of the market to help increase their contribution in society. According to teachers, there is a big difference in their students' behavior and grades after completing an INJAZ course. Before the program, most students wanted to become doctors or engineers, otherwise they were looked at as failures; now, students are looking at more options, in line with the labor market requirements of Jordan in the context of globalization. INJAZ is helping students to shape their attitudes to bring them more in line with other parts of the economy, and away from traditional attitudes and subject. The program hopes to graduate 10,000 students by the year 2004; after that, the program could continue as required.