

# Youth Employment: Five Challenges for North Africa

A paper for the Regional conference: Promoting Youth Employment in North Africa, Tunis, 16 July 2012



As successive editions of the African Economic Outlook – jointly published by the AfDB, OECD Development Centre, UNDP and ECA ([www.africaneconomicoutlook.org](http://www.africaneconomicoutlook.org)) – have shown, North Africa has experienced stable and significant growth over the last decade. Yet growth is not always sufficient to guarantee productive employment for all. Large sections of the population, and particularly the young, can be left behind and become frustrated. In the absence of a political process allowing them to express their views and produce policy changes, instability can result, as it did last year in a number of North African countries. This is an opportune time to reset the policy agenda of North African governments towards an inclusive, employment-creating and sustainable growth strategy, aimed particularly at addressing the special needs of the young. Based on the analysis of the African Economic Outlook 2012, this note identifies five youth employment challenges that North African countries are facing, and five key areas of action.

## Five youth employment challenges

1. Economic growth has not translated into sufficient jobs for young people.
2. Large youth populations continue to increase pressure on labour markets.
3. Many jobs for young people are of low quality and many young people remain in poverty despite working.
4. Even more young people are discouraged than unemployed.
5. Women face specific challenges in accessing the labour market: much human resource potential gets lost.

## Five key areas of action

1. Reduce the barriers to growth and job creation faced by firms and entrepreneurs.
2. Bridge the gap between education systems and the requirements of employers.
3. Provide better information to young North Africans on labour markets, as many of them have unrealistic job expectations.
4. Create a level playing field for first-time job seekers.
5. Make government programmes promoting youth employment more effective.



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## Five Youth Employment Challenges

### 1. Economic growth has not translated into sufficient jobs for young people.

Until the onset of the international economic and financial crisis in 2008, North African economies grew at 5% a year on average (about 3% in per capita terms). This was an important achievement, compared with the 3% average growth rate reached during the 1990s and given the sluggish economic environment in OECD countries. Even after the crisis, North Africa continued to grow at about 3% per annum and is forecasted to reach these levels of growth again once the uncertainty of the Arab Spring revolutions has been overcome. Despite this strong growth, job creation has not been sufficient to absorb all the young people entering the labour market. Some countries, such as Morocco and Algeria, achieved employment creation larger than the growth of the overall labour force. In Egypt and Tunisia, on the other hand, the labour force grew faster than employment (Figure 1). Across all countries in the region, the situation is much tougher for young people. In Morocco, 312 000 jobs were created over the eight-year period, but they did not substantially benefit the young, whose unemployment rate rose from 15% in 2004 to 18% in 2008. In Algeria youth unemployment fell significantly, from 43% in 2004 to 24% in 2008, but overall unemployment fell at a faster rate, from a peak of 30% in 1999 to 11% in 2008 (Subrahmanyam, 2011). As Figure 2 shows, the young face much higher unemployment rates than adults in all North African countries.

Insufficient job creation is a particular problem for young university graduates. In Tunisia, for example, 70 000 net jobs were created each year between 2005 and 2010. About 30 000 of these were jobs for people with a tertiary education level, while new graduates numbered about 65 000 on average each year over the period. Underlying this dynamic is an industrial base that to a large extent relies on low-skilled labour. In 2010, the top five sectors recruiting university graduates outside public administration (banks and insurance; telecoms; oil industry; electricity production and distribution; and real estate activities) accounted for only 6.7% of total employment in Tunisia. Yet the five sectors with the fewest university graduates in their workforces are very important employers, such as construction (14.8% of total employment), textiles (11.7%), or hotels and restaurants (4.1%).

North Africa must aim for economic structures with greater employment potential for young people. One option would be to diversify existing sectors and aim to create more value domestically than is currently the case. The current range of products in most North African countries contains insufficient value added to sustain a large-scale creation of quality jobs.<sup>1</sup> Expanding the range of products would require the creation of more innovative firms, and new incentives for existing firms to innovate. Yet, the pace of enterprise creation in North Africa lags behind that of other regions, due to particularly high barriers to market entry and inadequate provision of quality services.

Irrespective of their sector, all employers face important obstacles to more job creation. These are described in more detail under *key action 1*.

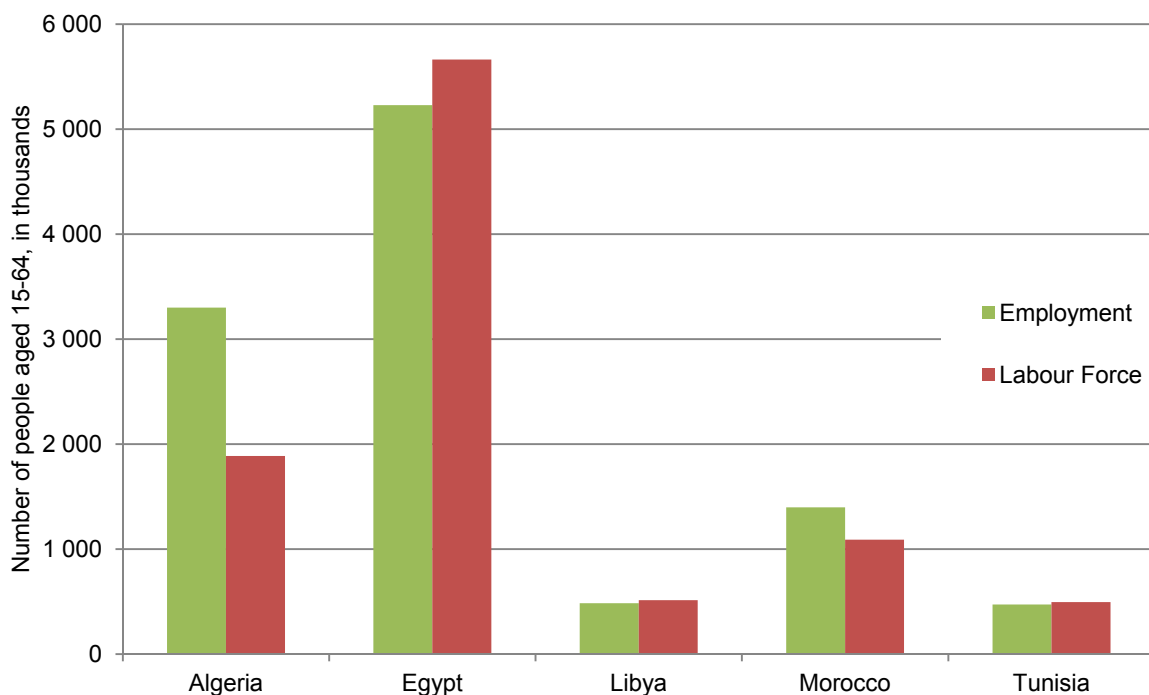
In addition to an unfavourable economic structure and obstacles to job creation, many young graduates choose unemployment in the expectation of obtaining a well-regarded public sector job. This is described in more detail under *key action 3*.

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<sup>1</sup> In Tunisia existing policies to attract investment into specific industries have often failed to include a strong employment focus. Instead of fostering robust linkages between export-oriented businesses and local suppliers, existing regulations have created a split between *offshore* and *onshore* sectors (ILO, 2011a) with marked differences in terms of productivity, rate of growth, level of investment and tax advantages.

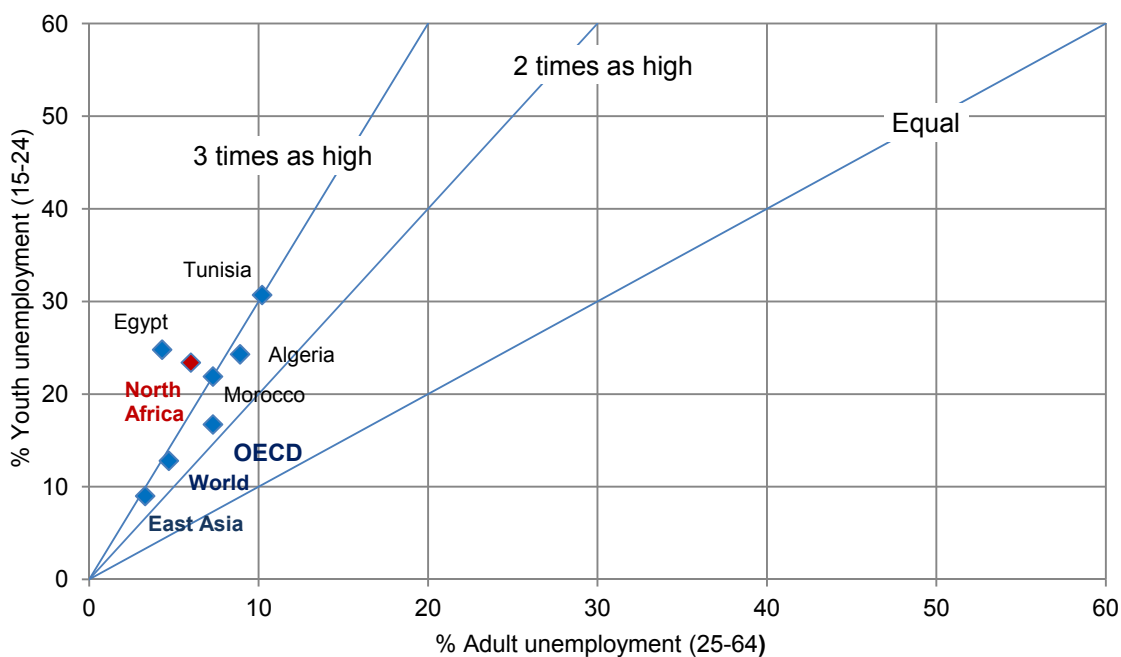


Figure 1: **Employment creation vs. expansion of the labour force 2000-08**



Source: ILO (2011b) KILM, 7th edition, TREND model.

Figure 2: **Young people face higher unemployment than adults**



Source: ILO (2011b) KILM, 7th edition; OECD.stats; authors' calculations.



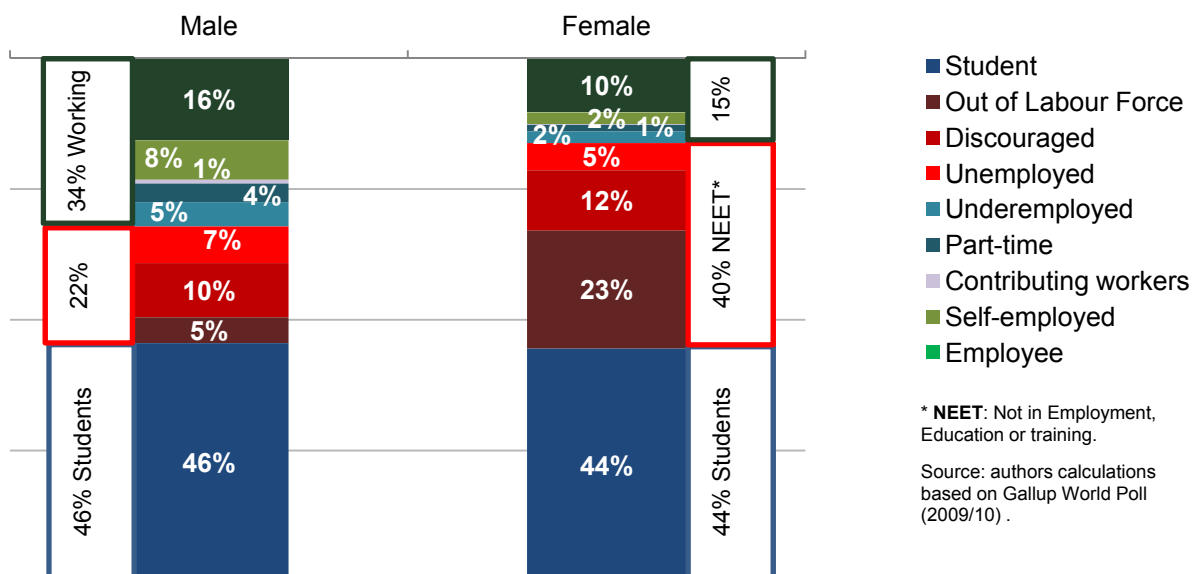
## 2. Large youth populations continue to increase pressure on labour markets.

Although population growth has slowed down significantly across the region, the pressure on labour markets continues as new youth cohorts enter and obtain a better education. The International Labour Organisation (2011b) estimates that about 10 million young people will enter North Africa's labour force between 2010 and 2020, following 11 million young people who entered the labour force between 2000 and 2010. The pressure on labour markets is thus slowly abating. However, 10 million young jobseekers is still too large a number for North Africa's current employment capacity. In addition, on current trends the education of young people, at least in terms of years of schooling, is expanding faster than population growth. Based on current trends, 65% of 20-24 year-old Moroccans and 73% of Egyptians will have had secondary education in 2025, compared to 44% and 65% today. Although significant quality gaps remain, these trends offer an unrivalled opportunity for economic and social development if the talents of this swiftly increasing reservoir of human capital are harnessed and channelled towards the productive sectors of the economy. However, they could also present a significant risk and threat to social cohesion and political stability if North African countries fail to create sufficient economic and employment opportunities to support decent living conditions for this group.

## 3. Many jobs for young people are of low quality and many young people remain in poverty despite working.

Among young men in employment only half are full-time wage-employed, while most others are struggling with vulnerable employment and underemployment. Youth employment in North Africa is thus not only a question of having a job, but of the kind of job young people have. Figure 3 shows that 16% of young men in North Africa are in full-time wage employment, compared to 8% in self-employment, 4% in part-time employment and 5% in underemployment, *i.e.* they are in part-time employment but want or need to work more. Another 1% are contributing workers who do not receive any pay, largely in family farming. All of these employment states except for wage employment are considered vulnerable employment. Self-employment is not *per se* bad and in fact must play an important role in solving North Africa's employment crisis. However, in most cases self-employment is a forced choice, not one based on a wish for independence and a strong business model, but on a lack of alternatives. Such forms of self-employment are often accompanied by precarious living conditions and high working poverty. Mohamed Bouazizi, the young vegetable seller who burned himself in southern Tunisia, setting off the Arab Spring revolutions, is probably the best example of vulnerable self-employment. Not only was he operating on a very small basis of capital with very little capacity to protect himself from market risks; as an informal seller without an official licence he was also exposed to frequent harassment on the part of government officials against which he had no means of protection. It was this vulnerability to unfair treatment and humiliation that caused him to despair.

Figure 3: Time use of young men and women in North Africa





#### 4. Even more people are discouraged than unemployed

When a closer look is taken at labour markets in North Africa, it emerges that the challenges for young people are even more extensive than the unemployment statistics suggest because more young people are discouraged than unemployed. In most labour market analyses, the discouraged are not considered part of the labour force and are thus not counted among those in need of work. However, based on recent Gallup World Poll data, Figure 3 shows that focusing only on those counted as unemployed – because they are still looking for a job – underestimates the challenges faced by the young in labour markets. The unemployment figure excludes all those who have given up looking for a job, but are nevertheless inactive and not developing their skills or experience. Among North African men, 7% are unemployed but 10% are discouraged. For women the discrepancy is even larger: 5% are unemployed but 12% are discouraged. The high rates of discouragement point to the severity of exclusion from labour markets that many young people face in North Africa. Indeed, *unemployed* young people are on average much better off, have more education and have a higher chance of finding employment than the *discouraged*.

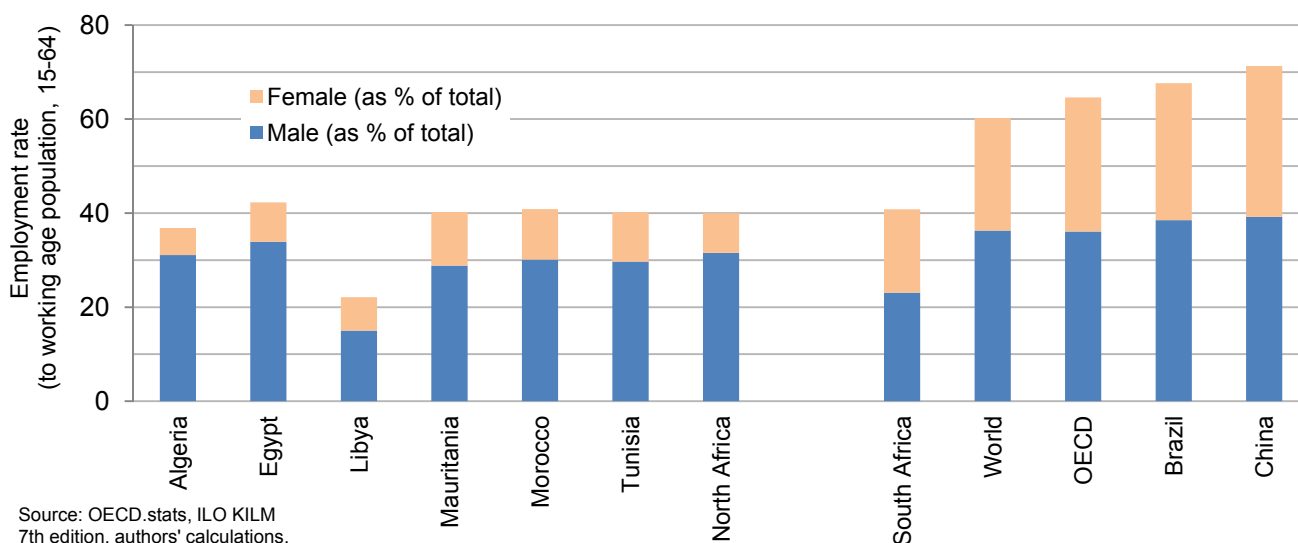
#### 5. Women face specific challenges accessing the labour market and much human resource potential gets lost.

Although the proportions of young men and women in education are very close, at 46% and 44% respectively, 23% of young women are not part of the labour force, compared to only 5% of young men (Figure 3). This compares to 15% who are working and 17% who are either unemployed or discouraged. These rates of inactivity are very high and reflect special barriers that prevent women from entering the labour market. Similarly, compared to men, given the same education level and living area, the chances of a woman being in wage employment are much lower (AfDB, OECD, UNDP & ECA, 2012).

Not only does this reflect lost potential and discrimination against women; gender inequalities in education and employment can also have a negative intergenerational impact. It has been well demonstrated that children are less likely to be educated if their mother has not been educated or is not in work (UNICEF, 2006).

Employment participation in North Africa is much lower than in other world regions, largely because of the low employment share of women. Figure 4 shows employment to working-age population rates in North African countries and benchmark regions and countries. The overall employment rate in North Africa is only 40%; much lower than in most other parts of the world. Across the OECD countries this share is 65%, in Brazil it is over 65% and in China over 70%. South Africa is the only country in the sample with a lower employment participation rate than that of North African countries. When male and female participation rates are compared, it emerges that the rate for men in North Africa is slightly below that of other regions. Women's participation, however, is much lower than elsewhere in the world. North Africa's low participation rates mean that the region does not make full use of its human resource potential.

Figure 4: **Employment to working-age population rates in North Africa are lower than elsewhere.**



Source: OECD.stats, ILO KILM 7th edition, authors' calculations.

Northern Africa (various years, 2000-2009)

Benchmarks (2009-2010)



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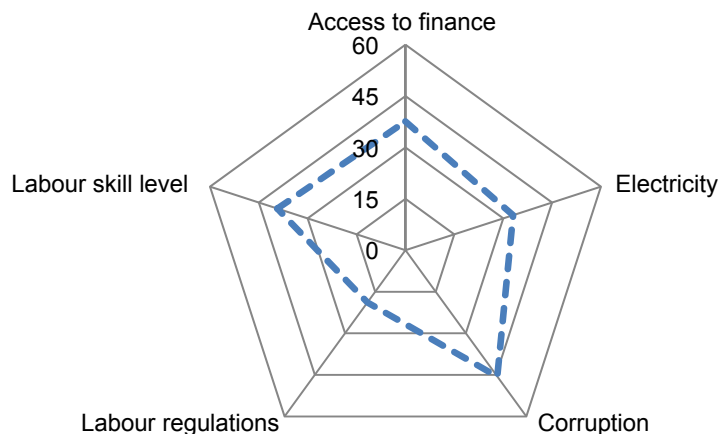
## Five key areas of action

### 1. Reduce the barriers to growth and job creation by firms and entrepreneurs.

Job creation requires strong businesses that grow and expand their workforce. A strategy based largely on public sector employment cannot be sustainable. Figure 5 shows the major obstacles to business growth identified by managers of enterprises in Algeria, Egypt and Morocco (World Bank, 2006-11). Corruption emerges as the biggest obstacle to the growth of businesses. Compared with other world regions, North Africa has the highest share of entrepreneurs identifying corruption as a major obstacle to business growth. Job creation needs strong firms that operate on a level playing field. Harassment such as that experienced by many small entrepreneurs is as damaging as the ossified economic structures resulting from nepotism and favouritism that prevent more productive firms from growing and creating productive jobs.

Access to finance is the second most important obstacle to business. This is of special importance to small firms. Many small entrepreneurs in Africa do not have access to the loans that could allow them to grow their business and make use of opportunities. Although access to microfinance has become easier, obtaining slightly bigger amounts, for example USD 10 000 or a little more, remains very difficult. Most banks are not interested, as they make enough money with bigger firms. Governments should devise incentives for banks to move closer to small firms.

Figure 5: Major obstacles to business growth in North Africa



Source: Enterprise Surveys (2007), Algeria, Egypt, Morocco

Young entrepreneurs, in particular, need support. They can benefit greatly from specific programmes that support their entrepreneurial activities, but these must be well targeted. Support for young entrepreneurs ranges from measures that provide them with financial and technical assistance to create their own businesses, including microcredit and entrepreneurship training and mentoring, to measures that improve their chances of expanding. Self-employment programmes are relatively cheap and can create permanent and value-added jobs, as long as projects are carefully selected and supported, and entrepreneurs have access to credit and markets (Puerto, 2007). Based on personal characteristics such as education and managerial ability, Grimm *et al.* (2011), identify a large group of “constrained gazelles”. These are micro-entrepreneurs who exhibit similar characteristics to successful entrepreneurs but operate at very low levels of capital, held back by the many constraints listed above. Based on data from urban informal entrepreneurs in West Africa in the early 2000s, they estimate the proportion of constrained gazelles among young people to be 27% compared to 49% among adults. Assuming similar distributions elsewhere, support programmes must strive to identify these 27% of young entrepreneurs with potential and help them overcome the many barriers they face in terms of access to finance, risks and skills.



Without appropriate targeting, support programmes are likely to fail and even do harm, especially when finance is provided. Where firms and young entrepreneurs are not chosen carefully, based on their skill, drive and business plans, providing credit can be wasteful and harmful. Many small firms collapse as a result of using credit (Nkurunziza, 2008) or simply do not pay the money back. In Tunisia for example, the government has been supporting young entrepreneurs through the “Programme d’Accompagnement des Promoteurs des Petites Entreprises” (PAPE) since 2002. However, only around 50% of young entrepreneurs have repaid their loans, mainly because of the lack of clients (MDGF, 2009).

Programmes to support youth must be comprehensive. To start a business, young people do not need only capital: knowledge on how to run a company is also required. Entrepreneurship training provides young people with the skills they need to create and manage a sustainable business likely to generate jobs. Mentoring and business incubators can be valuable tools to convey these skills. To be efficient, training has to mix technical skills, such as written and oral communication; technical management and organising skills; business management skills, such as planning, decision making, marketing and accounting; and personal entrepreneurial skills such as self-discipline, risk-taking and innovation (Henry *et al.*, 2005). The following section discusses the educational and training needs of youth in more detail.

To better understand how to support young entrepreneurs, more rigorous evaluation is necessary. In spite of some positive examples of well-functioning programmes that offer comprehensive support to young entrepreneurs, far too little is known about how to support such people in North Africa. In many cases training activities, and especially financing mechanisms, fail to create lasting jobs. Particularly where financing is provided directly through government services, the failure rate is high (CGAP, 2004). Rigorous evaluations are necessary to identify what works and what does not work and develop evidence-based programmes.

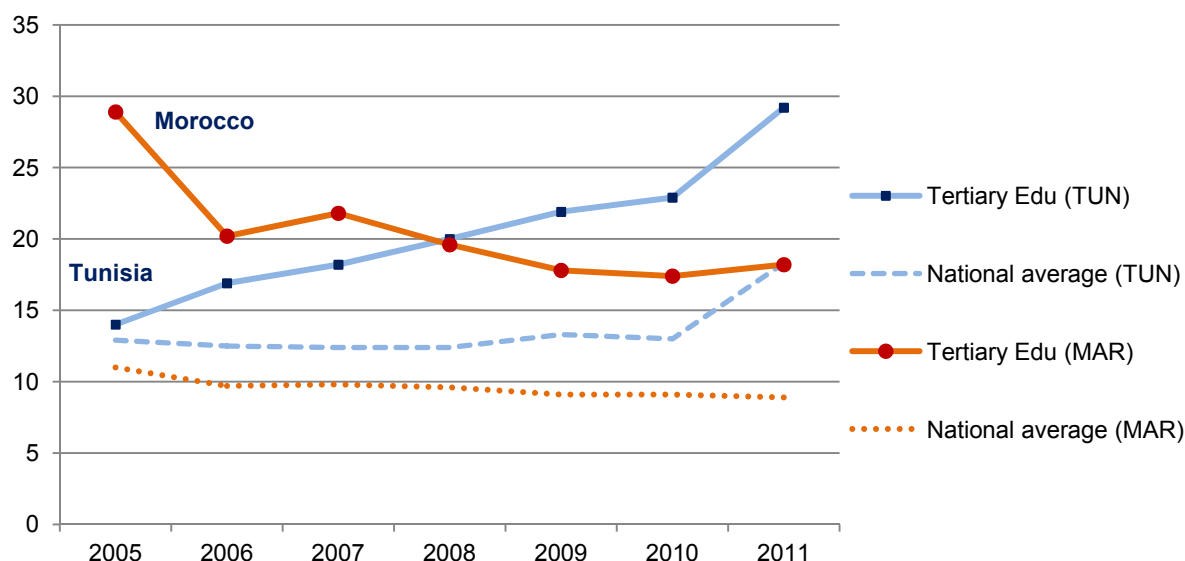
## 2. Bridge the gap between education systems and the requirements of employers.

High unemployment among the educated young, along with an unmet need for specific skill sets, is a special concern in Northern Africa. In all countries for which there are data on unemployment, rates among young people with university degrees are higher than those of young people with only secondary school education or less. In Tunisia, the unemployment rate among university graduates in 2008 was 33% among men and 46% among women (Stampini and Verdier-Chouchane, 2011). In Egypt, unemployment among university graduates was 34% in 2006. At the same time, many job vacancies go unfilled. In Egypt, for example, about 1.5 million young people are unemployed (ILO, 2011c), while at the same time private sector firms cannot fill 600 000 vacancies.

Rapid expansion of tertiary education systems has fuelled the unemployment challenge among the educated young. Figure 6 shows the unemployment rates by education (total working population, not only youth) in Morocco and Tunisia. Morocco managed to reduce the unemployment rate of those with a university degree from 29% in 2005 to 18% in 2011. Tunisia witnessed the opposite trend, namely a doubling of graduate unemployment from 14% in 2005 to 29% in 2011. During the same time, the number of tertiary students in Morocco stayed nearly the same. Tunisia, on the other hand, massively expanded its tertiary system producing a sizeable increase in the student body from 180 000 in 2000 to 336 000 in 2011. Despite this fast expansion of the education system, the creation of jobs for tertiary graduates has not been commensurate. Instead it remained at about 30 000 per year throughout the period (Achy, 2010). Young graduates in Morocco have an additional advantage over their Tunisian peers: they have more realistic expectations about the labour market and are ready to work in private business or set up their own enterprises (Figure 8). Young Tunisian graduates, on the other hand, expect to find public sector jobs and are likely queue for them in unemployment.



Figure 6: Unemployment rates by education in Morocco and Tunisia (%)



Source: Institut National de la Statistique de la Tunisie (2011, *Résultats de l'enquête nationale sur l'emploi, 3ème trimestre, Tunis*) - Haut commissariat au Plan du Maroc (2011, *Enquête nationale sur l'emploi, Rabat*).

A closer look at the educated unemployed reveals that the unemployment rate varies by type of educational degree, suggesting poor choices on the part of students and universities. Among university-educated youth in Tunisia, the unemployment rate is lowest for engineers (24.5 %), and highest for graduates in economics, management and law (47.1%) and in social sciences (43.2%) (Stampini and Verdier-Chouchane, *ibid.*). Nevertheless, these are precisely the subjects the majority of students choose to enter. With 51%, North Africa is the world region with the highest proportion of students in social sciences, business and law. The proportion of students in technical subjects such as engineering, on the other hand, is only 10%, compared to 20% across Asia (AfDB, OECD, UNDP and ECA, 2012). Misinformation and unrealistic expectations for the job market on the part of students seem to be the basis for the choice of subjects. At the same time, universities cater to these choices without providing students with clearer perspectives on what type of a job market they can expect and what skills will be needed.

Table 1: What do students study? University graduation rates in North Africa and the world (2008-10)

	Education, humanities and arts	Social sciences, business and law	Science (incl. ICT)	Engineering, manufacturing and construction	Agriculture	Health and welfare	Services	Other
Egypt	25	53	3	5	1	7	1	5
Tunisia	23	26	10	15	2	7	3	15
Algeria	18	49	12	0	0	5	0	15
Asia	23	30	6	20	4	9	4	4
Latin America	23	38	7	9	2	13	3	5
OECD	25	37	10 (3 ICT)	11	2	11	4	1

Source: AEO data, UNESCO Higher Education data.

To ensure the absorption of graduates into employment, North African countries should strengthen partnerships with the private sector at all levels of education. Deeper involvement of employers in the provision of in-service training has significant potential to increase the relevance as well as the cost-effectiveness of training systems. Close co-ordination with the private sector ensures that education systems, and especially technical and vocational training, are aligned with the skills needs of the labour market. Partnerships with industry help accurately to define the qualifications for each trade

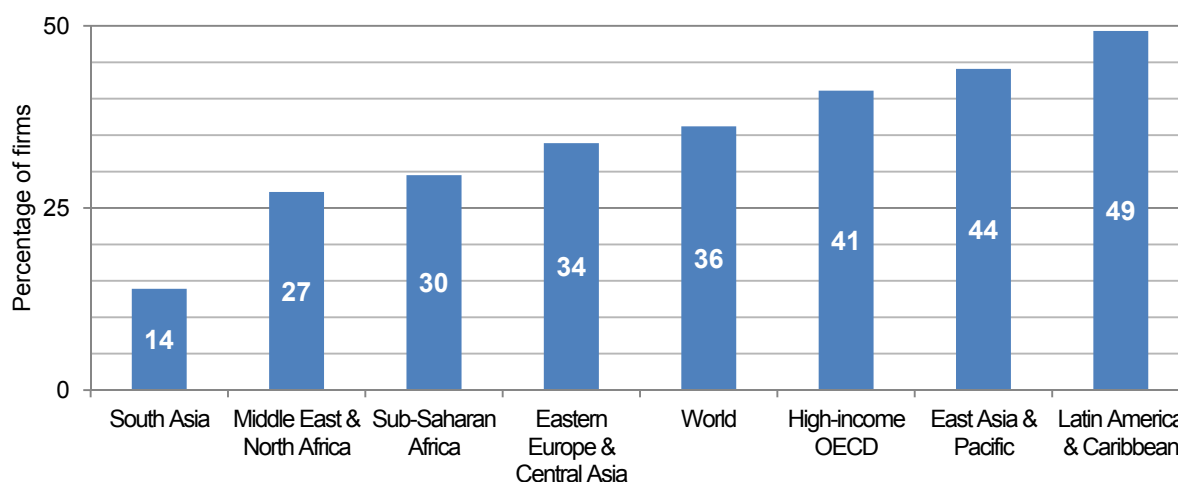




and the content of relevant occupational standards. Moreover, programmes offered by the private sector, such as on-the-job training or internships, allow both businesses and workers to obtain information on the other side of the market and eliminate constraints on information asymmetry problems, such as the unidentified quality of workers from the employers' side, and unknown sorts of skills required or formal channels opened for a job from the workers' side (Attanasio *et al.*, 2009).

So far however, private enterprises in Northern Africa do very little for training. Figure 7 shows that less than a third of formal firms in the Middle East-North Africa (MENA) region offer training programmes for their permanent employees. Although this analysis is not restricted to young people, it shows that there is room for improvement in the involvement of firms in training and education. Both enterprises and governments must strive for closer co-operation and a stronger involvement of firms in the education of young people.

Figure 7: **Firms offering training to its employees in the world**



Source: World Bank (2006-11), Enterprise Surveys.

To benefit from co-operation with employers, school systems in Northern Africa must become more flexible and open to change. Over-centralisation and ineffective methods of instruction are among the root causes of the poor employment outcomes of Egyptian university education (OECD, 2010 and Loveluck, 2012). North African education systems are held back by a culture that long focused on guaranteed employment in the public sector as the main objective of university education. As a result, individual institutions and teachers have very little room to innovate and respond to specific needs expressed by employers or students. Innovation and freedom are also needed with regard to the teaching methods applied. Education at all levels is overly focused on rote learning and cramming and insufficiently on creativity, problem solving and other practical skills that private sector employers are looking for in young job seekers.

Technical and vocational skills development (TVSD) has the potential to provide young people with more applied skills and better chances in the labour market (AfDB & OECD, 2008). Skills can be obtained either through structured and specialised institutions or through on-the-job practical experience, or both – the so-called “dual” training. In a review of training programmes in 90 countries, Fares and Puerto (2009) find that programmes that combine on-the-job and in-class training provide a combination of soft skills (behavioural skills) and hard skills (technical or administrative skills) and can have a significant positive impact on the employment and earnings of programme participants. Dual training, such as internships or apprenticeships, allows young people to apply the theories learnt in class in real environments, to develop professional skills, such as time management and professionalism, and to gain practical experience (Angel-Urdinola *et al.*, 2010). Research on sub-Saharan Africa finds higher marginal returns for vocational training than general secondary education in a number of countries and urban centres (AfDB, OECD, UNDP and ECA, *ibid.*; Kuépié *et al.*, 2009)

To be successful TVSD systems need more attention, a clear vision of the desired outcome and sustained support to change negative perceptions. Although TVSD holds promise, it has long been neglected in North Africa. As education



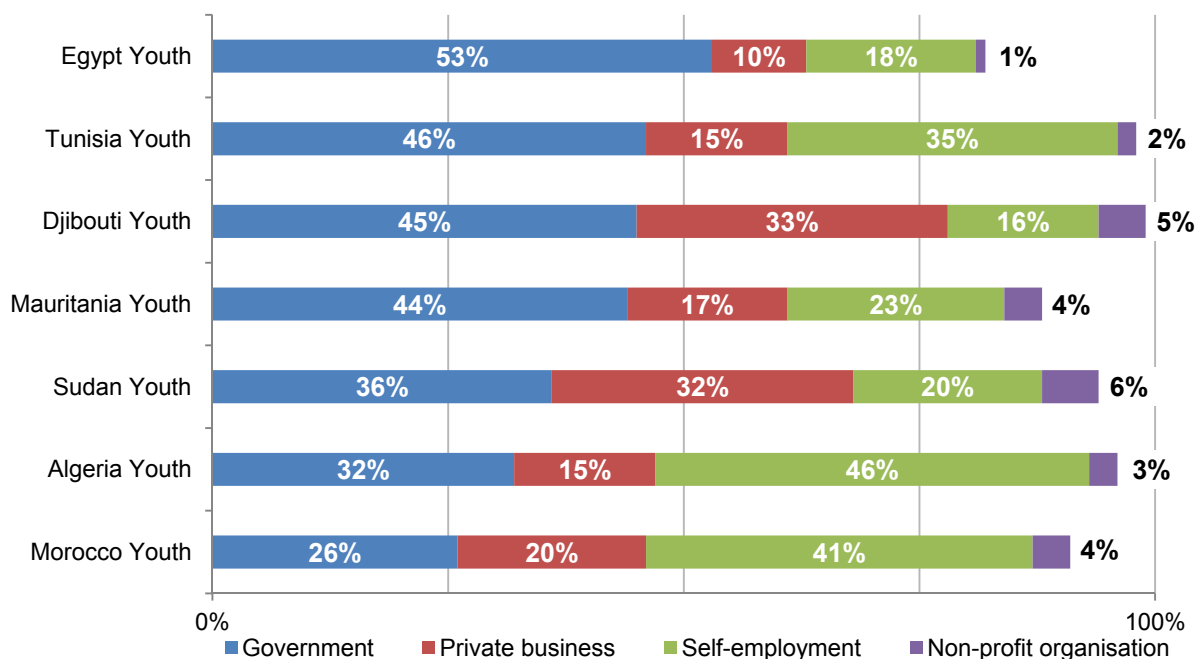
systems focused on standardised exams and public sector employment, any deviation from this path, for example in the form of training that focuses on the practical skills of a specific trade rather than on exams, was considered akin to failing. As a consequence, TVSD systems have been neglected and underfunded (OECD, 2010 and Loveluck, 2012). Any reform must start with an explicit drive to change the national attitude towards non-academic training and practical skills.

### 3. Provide better information to young North Africans on labour markets, as many of them have unrealistic job expectations.

Many young North Africans expect to work for the public sector. This might explain educational choices but does not correspond to the realities of the labour market.

Figure 8 shows the answers to the question: “Assuming equal pay and benefits, where would you prefer to work?” in seven North African countries. Egypt and Tunisia have the largest proportions of youth who prefer government employment to private sector jobs or self-employment. In Egypt 53% of the young want a government job, but only 18% of those aged 25-29 have one. In Tunisia, 46% of youth want a government job, but the proportion of the 25-29 age group with a government job is the same as in Egypt. In both countries, employment in private business seems to have no appeal to young people. This large gap between young people’s expectations and the reality of the job market has undoubtedly caused much frustration and will continue to do so until expectations have adjusted. The expectations gap also causes higher youth unemployment since young people hold out for the expected public sector job instead of searching for work in the private sector. Creating more public sector employment cannot be a sustainable response to this gap. Public employment rates are already very high in North African countries. Instead efforts must be made to help young people develop realistic expectations and to create a strong private sector, capable of offering attractive jobs.

Figure 8: **Where do you want to work, assuming equal pay and benefits?**



Source: Silatech (2009), based on Gallup World Poll data.



#### 4. Create a level playing field for first-time job seekers.

A survey among country experts shows that employers' hesitations about hiring young job seekers are serious obstacles for the young in many African countries. Employers everywhere prefer candidates with experience over those without it. Especially where education systems are generally poor, job seekers without working experience are likely to have few relevant skills and employers would need to invest in training. Waiting for those young people who already have some experience allows employers to benefit from the training that job seekers might have received elsewhere. Experience can also be evidence of the employability of a young person. Given the large numbers of the unemployed young in North Africa, employers can easily reject job seekers without any experience because there will be many others available who already have some experience. As long as the large surplus of unemployed young people persists, employers will have lower incentives to hire inexperienced youth over the experienced.

Employers therefore need incentives to give young job seekers a chance. But these must be designed carefully to avoid negative side effects and displacement of existing workers. Apprentices and interns are time-consuming and costly for employers who should be compensated in one way or another. In some countries direct or indirect incentives are offered to companies in exchange for recruiting young people: employers are given funds that cover a part or the whole of the salaries of young workers, as well as other financial advantages such as social security waivers or reduction in labour taxes. Such programmes allow employers to narrow the gap between the presumed low productivity of inexperienced young workers and real wages. However, wage or training subsidies have unintended side-effects that can limit net employment gains in the short term (Calmfors, 1994). These include deadweight loss (a subsidy is paid to an unemployed person who would have also have been hired in the absence of the programme), substitution effects (jobs created for the target groups replace jobs for other groups) and displacement effects (the possible reduction of jobs elsewhere in the market). Subsidies can also impose a stigma effect on participants: if targeting is based on socio-demographic characteristics, employers may have a negative perception of the target group, limiting the impact of the programme (National Treasury, South Africa 2011).

Rigid labour regulations are another factor deterring employers from hiring first-time job seekers. Labour regulations in North African countries are particularly rigid. Morocco (132nd) and Egypt (141st) rank amongst the countries with the least efficient labour markets according to the World Economic Forum's Global Competitiveness Index of 142 countries. Although labour regulations do not rank among the most important perceived obstacles to the growth of businesses (Figure 5), they disproportionately affect job creation for young people and have a doubly negative impact on young job seekers. On the one hand, employers are reluctant to employ young people in permanent positions because of very high job protection and dismissal costs. On the other hand, the rules make it very difficult to set up internships or short-term contracts which would help graduates to acquire valuable skills for the market place while allowing companies to test employees over a fixed period before making a longer-term hiring decision (World Economic Forum and OECD, 2011). Both sets of rules need urgent reform. Establishing new rules for internships and short-term contracts only, without also easing the protection requirements on existing contracts, could easily lead to the creation of a dual labour market where the brunt of adjustment will always be felt by the unprotected workers, who are often the young.

*African Economic Outlook* (AEO) country experts, when asked about a range of labour regulation elements, identified high dismissal costs as the most important obstacle to youth employment in North African labour markets. High firing costs, usually in the form of regulations governing severance pay, can discourage employers from hiring young workers, especially in a risky business environment when it is difficult for firms to predict staffing needs. In many countries with no, or very few, unemployment benefits, severance pay is the only safety net provision that exists, leading to strong pressure from labour constituencies to keep it generous. The lack of safety nets in some North African countries might thus be contributing to forms of employment protection that discourage job creation and impact negatively on youth by imposing high firing costs on employers. Indeed, employment protection rules have often been considered a low-cost way of providing social insurance to workers in developing economies with high shares of informal employment (Heckman and Pagés, 2004; OECD, 2011). As a result, much employment is shifted to the informal sector where labour regulation does not apply. At the same time, the high share of informal employment and unemployment results in a small tax base and insufficient resources to establish universal social protection.



Decoupling social protection from employment status can help with labour market flexibility and protection of vulnerable youth at the same time. Shifting the cost burden of social protection away from employment could help to break the cycle of imposing high costs of social protection on employers, which limits labour market flexibility and leads to a large informal sector that does not contribute to social protection systems. Decoupling employment and protection would also make it possible to extend social protection to informal workers and youth in inactivity, thereby providing disadvantaged young people and the working poor with essential support and increasing labour market flexibility. Individual unemployment saving accounts can provide a useful building block of such a strategy (Robalino *et al.*, 2009).

## 5. Make government programmes promoting youth employment more effective.

Many government programmes promoting youth employment suffer from low effectiveness. Job information systems and public employment agencies serve as a good example. Public employment agencies offer the possibility of registering at a public employment service, and provide financial support and training. Nevertheless, there is no clear, sustainable mechanism for the job matching system. Public agencies are generally not very successful in helping young people find work, probably because of a low level of coverage for rural and unskilled youth, and also because of their low capacity in terms of providing training for recipients: in Algeria, ANEM, the National Agency for Employment, has been able to find jobs for only about 11% of those registering and ANAPEC, the National Agency for Promoting Employment and Skills, in Morocco about 9% (Barbier, 2006; Achy, *ibid.*; European Commission, 2010). In advanced economies, such systems are usually linked to unemployment benefits. Without a link to benefit collection, which exists in only three countries in the sample of AEO experts' surveys, it is difficult to ensure widespread participation in a particular government information system. According to a recent study by the World Bank (2012), only 0.9% of young people without education in Morocco know about ANAPEC, 6.5% in the group with primary school education, while the percentage reached 92.3% among university graduates. Overall, among those who know about the agency, fewer than one in ten are using it for information or assistance. In Tunisia in 2010 a quarter of job seekers were registered in the national employment agency (ANETI) through 91 offices and 1 200 agencies across the country. However, the AMAL programme (hope in Arabic) faces a saturation of the intake capacity of training facilities. In November 2011, fewer than 4% of 142 000 beneficiaries had been able to receive training to upgrade their skills.

To improve the effectiveness of such programmes, policy makers and programme designers need much better evidence of what works and what does not in youth employment promotion. Any programme aimed at bringing young people into employment is based on an assumption of what the main obstacles to youth employment are, and how they can best be removed given the country context and target group. Implementation puts these assumptions to the test and most often reveals additional factors that had not been taken into account at the planning stage. Without good monitoring and evaluation, however, these additional factors remain unknown. Programmes fail, but the reasons for such failure remain unknown. Without an understanding of the causes of failure, corrective measures are not possible and new programmes will repeat the same mistakes. Similarly, programmes might show the expected results, but at a high cost. Cost-effectiveness analysis is necessary to design programmes that get the best results for a given amount of resources. The current level of knowledge on which programmes are the most effective in the different contexts of low-income countries and middle-income countries is very low. In a global review of evaluations of active labour market programmes targeting youth, Betcherman *et al.* (2007) found the North Africa region to be among the regions with the lowest coverage and quality of evaluations of such programmes. More and better evaluations mixing control group designs with participative methods and cost-effectiveness analysis are needed to help policy makers identify what really works best.



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