

A Situational Assessment of Youth Employment in the MENA Region

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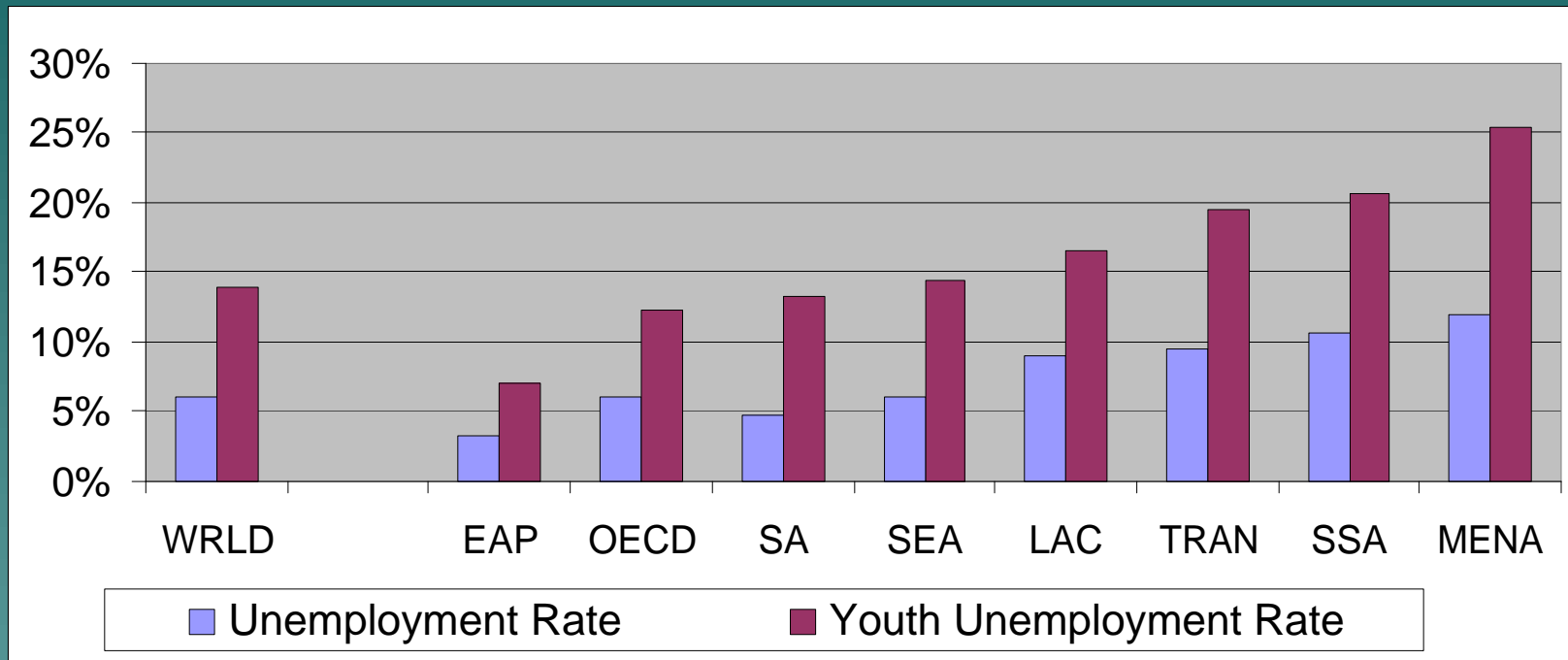
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OUTLINE

1. The current situation.
2. Labor supply factors.
3. The role of education.
4. Labor demand & institutional factors.
5. Conclusions.

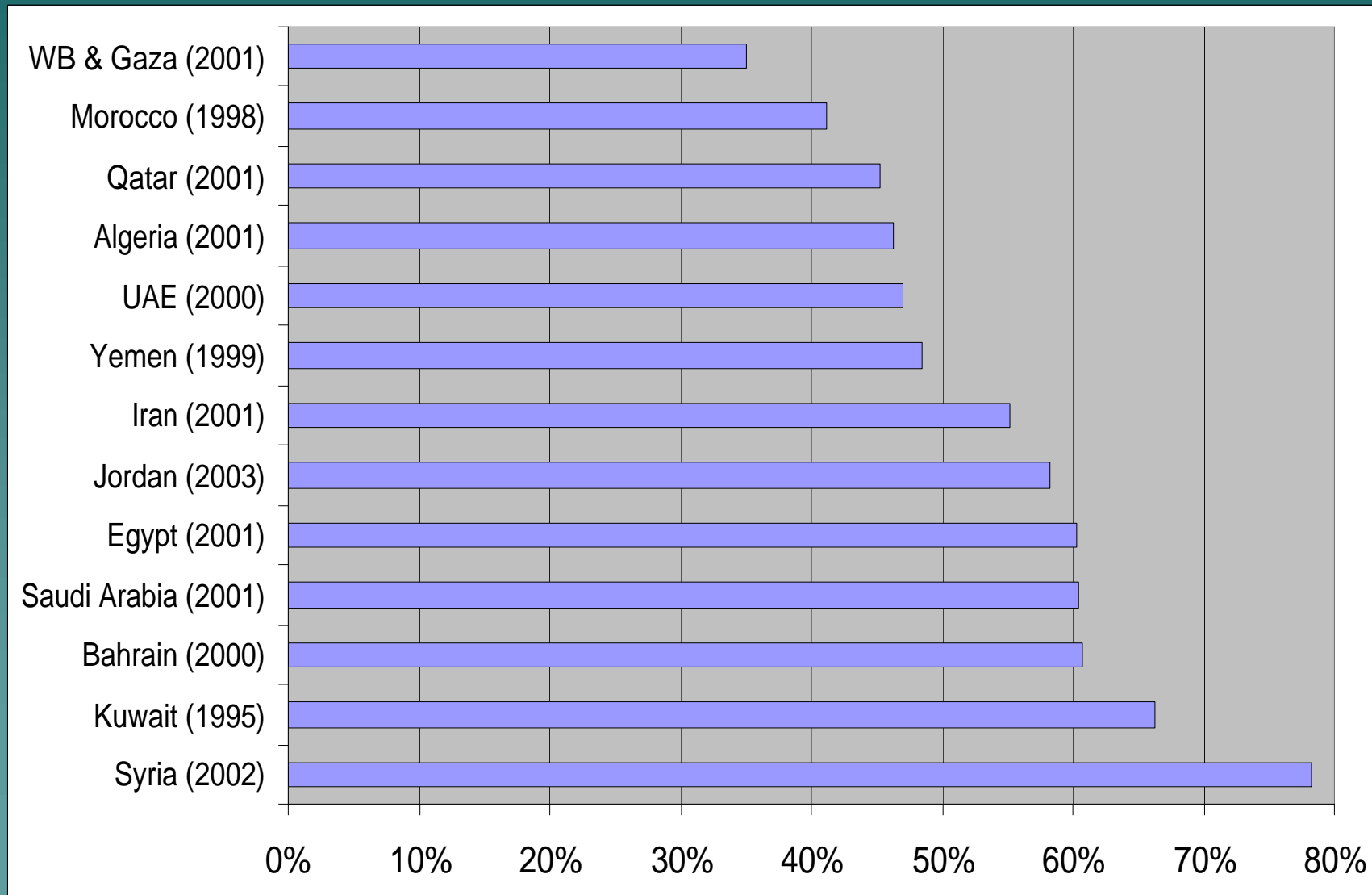
- ◆ Point of departure: *MENA Development Report, Unlocking the Employment Potential* (WB, 2004).
- ◆ Motivation: Among 200 references, only one focused on youth employment and none on youth in MENA.

1. THE CURRENT SITUATION



- ◆ Youth unemployment in MENA is the highest in the world: 25% in 2003.
- ◆ Share of youth among unemployed: 53%.
- ◆ Some differences across MENA countries...

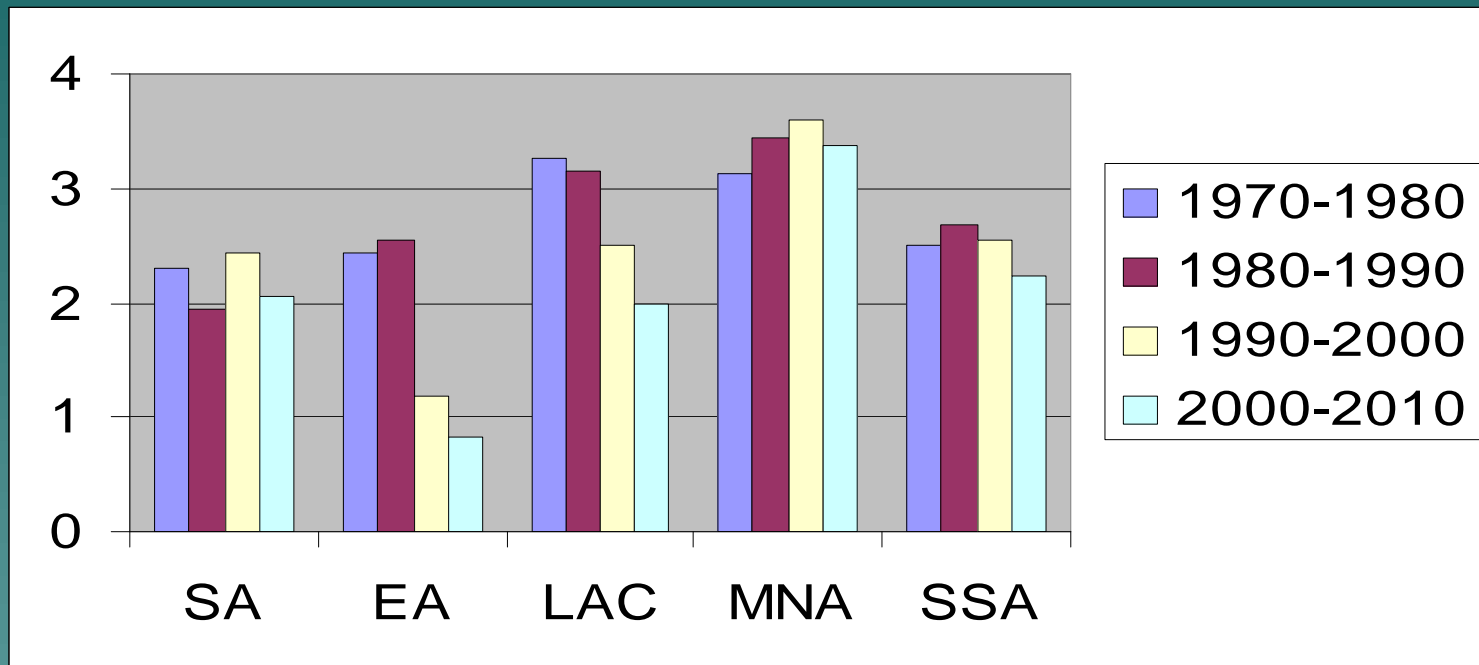
Share of Youth among Unemployed



Employment and Growth

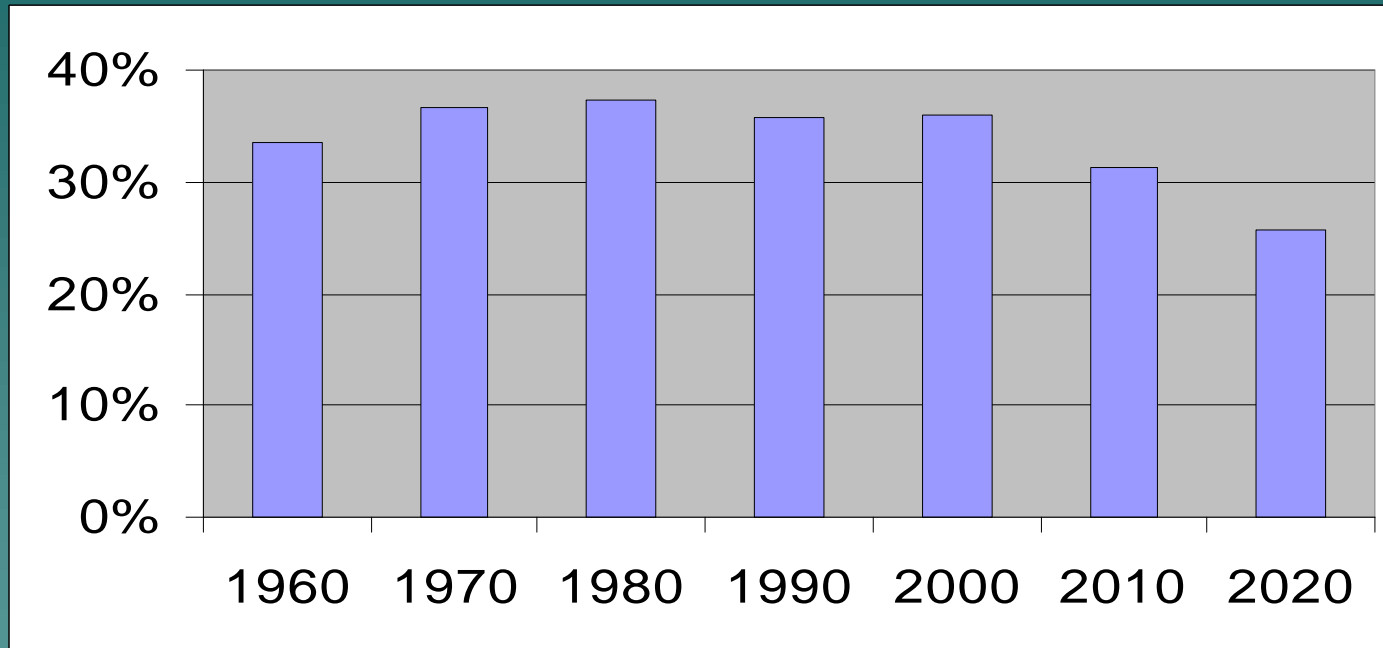
- ◆ Unemployment in many MENA countries is:
 - A labor force insertion problem.
 - A result of waiting for the right job.
 - Possibly a problem of the educated unemployed.
- ◆ Weak per capita growth since 1980s:
 - 1960s-1970s: increase of 3.5% per year.
 - 1980s: decrease of nearly 2% per year.
 - 1990s: increase of 1.5% per year.
 - Higher growth is needed to absorb unemployed.

2. LABOR SUPPLY FACTORS



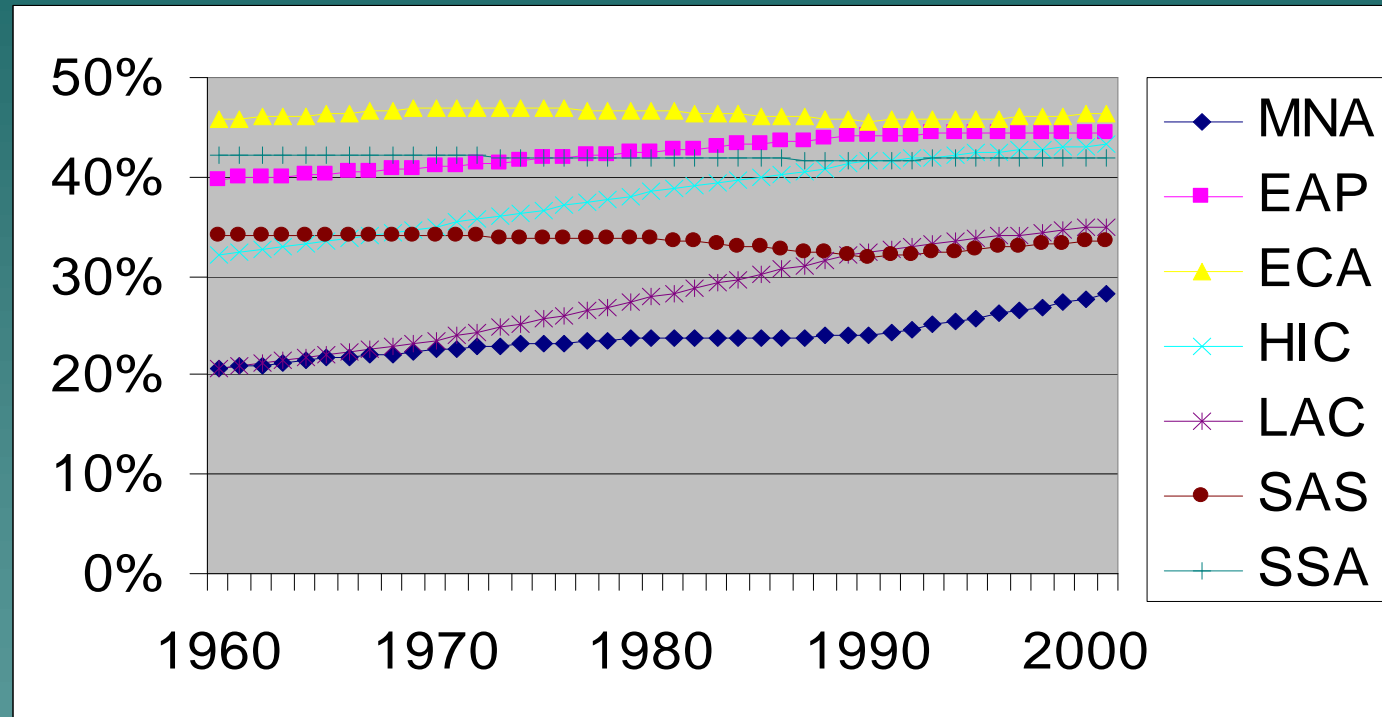
- ◆ Labor supply pressures are high: 1970-2010
 - Result of high population growth rates 1950-90.
 - 1950-1990: 47 million entered the labor force.
 - 2000s: 43 million expected to enter labor force.

Demographic Trends



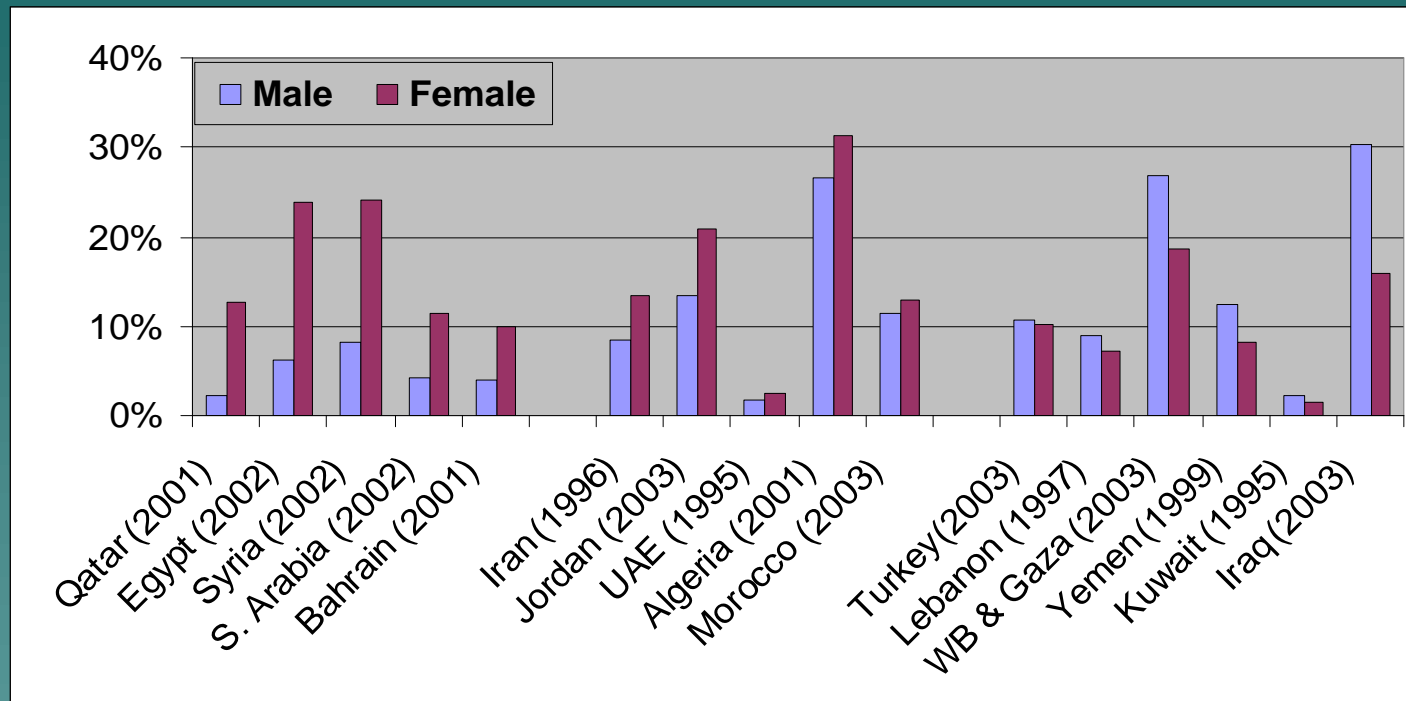
- ◆ Share of youth in working-age pop is falling.
 - Dependency ratio fell: 0.9 (1970) to 0.66 (2000).
 - It is expected to reach 0.5 by 2030.
 - An *opportunity* for higher savings & growth.

Female LF Participation Rates



- ◆ Low across all MENA countries, but..
- ◆ Increasing as a result of lower fertility rates, higher education attainment, emancipation.

Female Unemployment Rates



- ◆ Largest gender differences in the world.
- ◆ Females/males enter different occupations.
- ◆ Increase in female LFP represents only 10-20 percent of labor supply pressures.

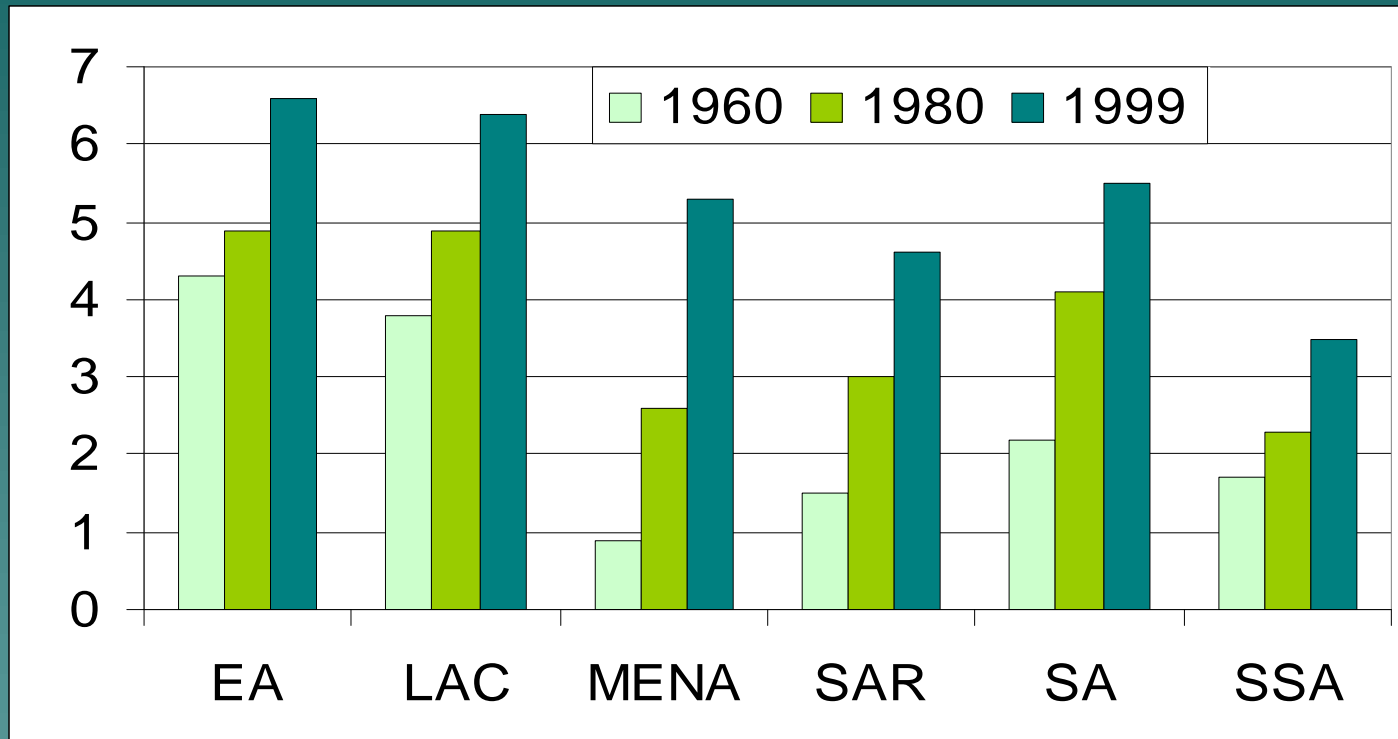
Internal & International Migration

- ◆ In response to job opportunities and better living standards.
- ◆ Unemployment rates comparable in urban and rural areas.
- ◆ Unemployment rates lower in labor-importing (GCC) countries.
- ◆ Regionally, migration helps to moderate labor supply pressures.

Research Literature

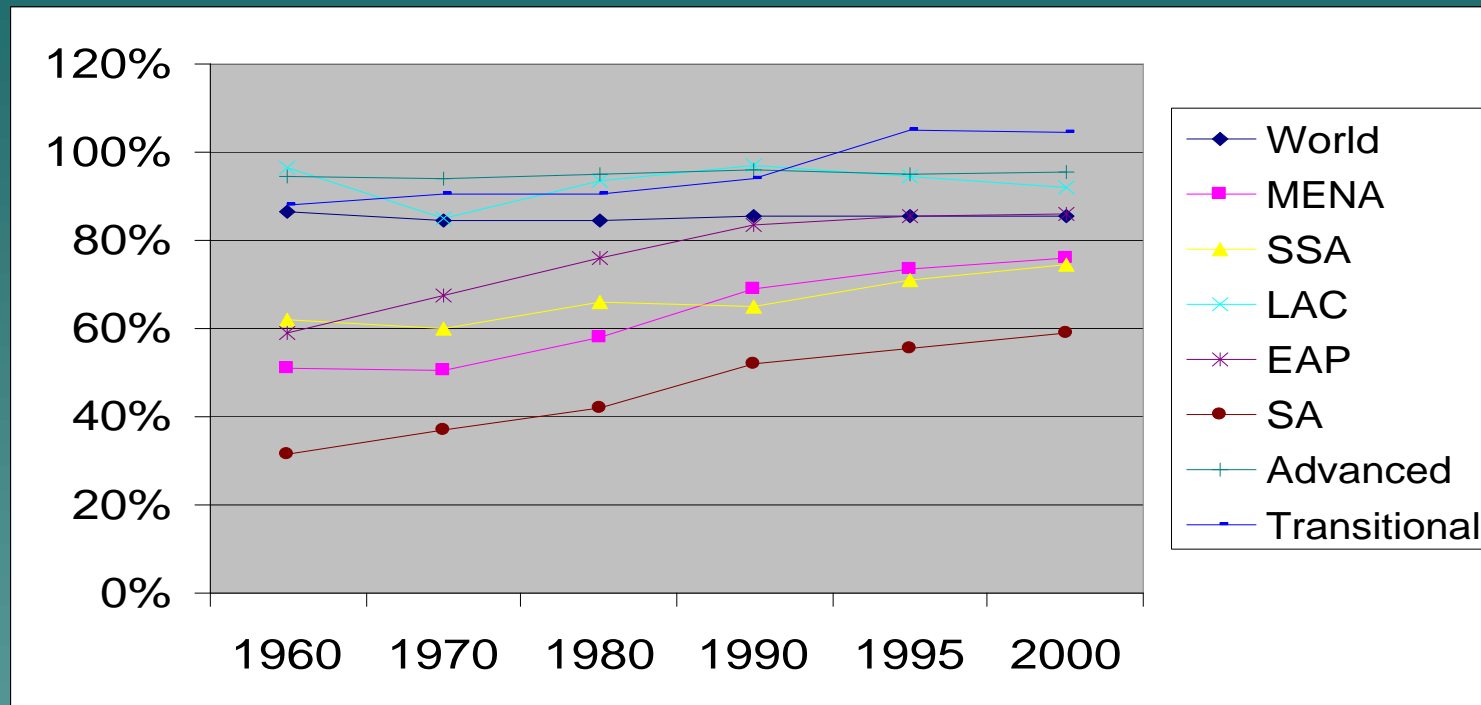
- ◆ Large influx of workers (due to migration, or demographic factors) does not necessarily increase unemployment rates...
- ◆ ... if labor markets operate efficiently.
- ◆ Macroeconomic conditions are more highly correlated with unemployment rates (youth and adult) than are demographic changes.
- ◆ Improving labor market efficiency and creating a favorable business environment should be a priority.

3. THE ROLE OF EDUCATION



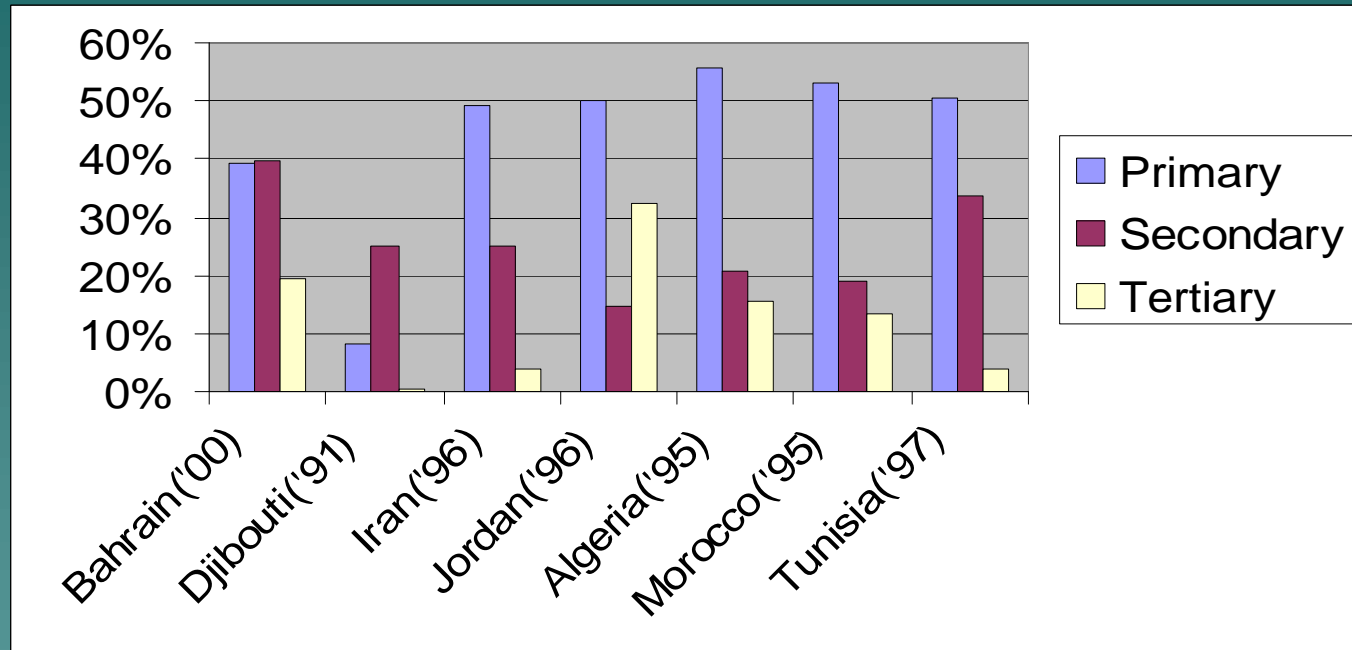
- ◆ Average years of schooling increased 400% since 1960 - more than any other region.
- ◆ Similar gains across most MENA countries.

Gender Differences in Education



- ◆ Differences in average years of schooling are falling regionally, but persist between MENA countries.
- ◆ Gender differences in *illiteracy rates*, while also falling, are highest in the world.

Education & Unemployment



- ◆ Unemployment rates generally decline with level of educational attainment...
- ◆ but are high for educated in some countries.

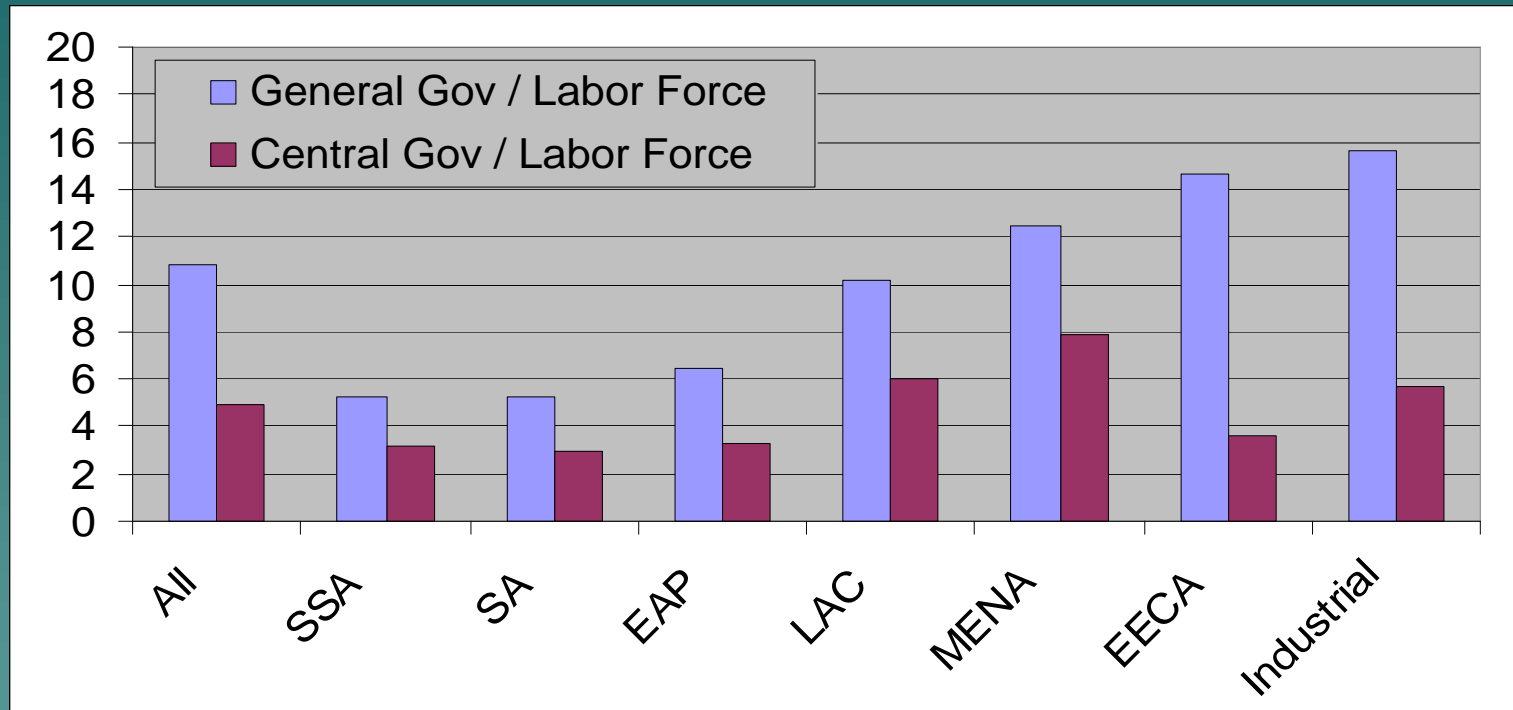
Returns to Education in MENA

- ◆ Private returns to education are typically 5-15%.
- ◆ Returns increase with level of education!
- ◆ Social returns low: increases in education are not associated with higher growth/capita or real wages.

Possible Reasons:

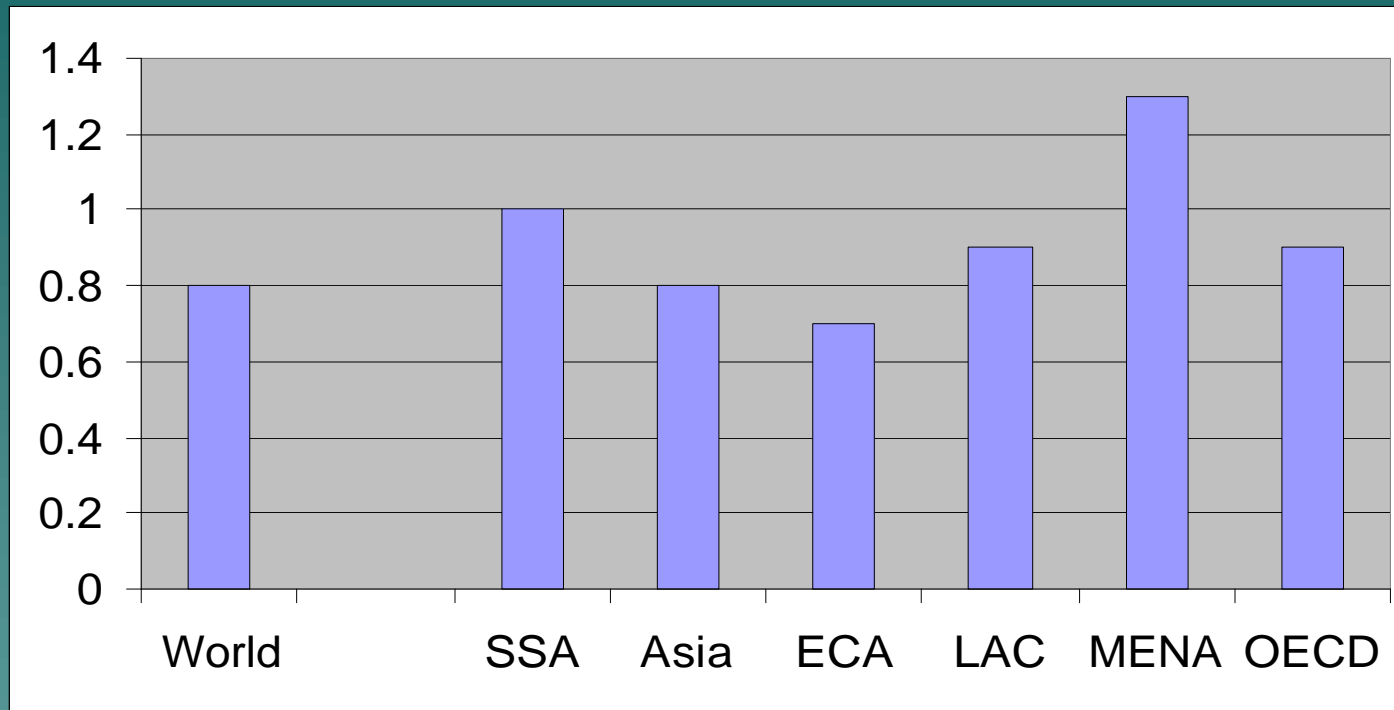
- ◆ Government Employment: MENA governments provided high wage jobs to graduates (Pritchett, 1999 & World Bank, 2004).
- ◆ Quality: large school enrollments reduced the quality of education (Dessus, 2001).
- ◆ Labor Demand: employers value easily-measurable credentials though rote memorization (Murphy & Salehi-Isfahani, 2003).

4. LABOR DEMAND



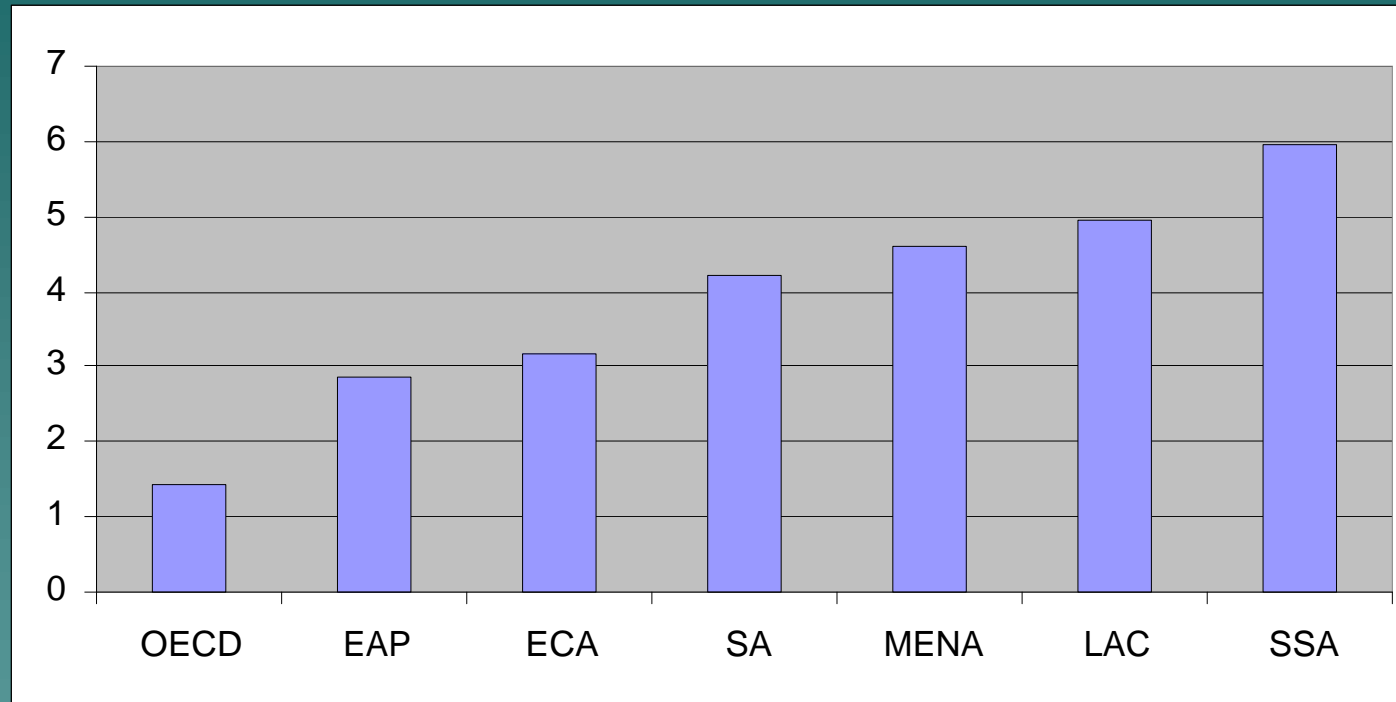
- ◆ Civilian government employment in MENA is the highest in the world, but...
- ◆ Large differences across MENA countries.

Public / Private Sector Wages (1990s)



- ◆ Wages tend to be higher in the public sector than in the private sector.
- ◆ Also, higher benefits - including maternity leave.
- ◆ Encourages search for public sector work.

Business Environment



- ◆ The overall business environment index is weak, but not the worst in the world.
- ◆ Especially: over-regulation, barriers to entry, high start-up costs, and weak enforcement of contracts.

Labor Market Institutions & Rigidity

- ◆ MENA has the highest labor market rigidity index among developing regions.
 - This is mainly due to size of the public sector.
- ◆ Minimum wages are low & weakly enforced.
- ◆ Unionization is second only to LAC.
 - Unions are associated with higher unemployment rates for females and youth.
- ◆ Days of maternity leave with pay is lower than in any other region
 - Encourages females to wait for public sector jobs.

5. CONCLUSIONS

- ◆ Demographic trends, rising female LFP rates, and migration patterns do not necessarily, on their own, lead to higher regional unemployment rates.
- ◆ Higher levels of educational attainment did not translate into greater economic growth.
- ◆ Main contributing factors to the youth employment situation: public sector wage premiums and bureaucratic obstacles to private sector enterprises.
- ◆ These findings re-enforce the findings of 2004 MENA Development Report on employment.