Most affected subgroups in young people’s transition to work in the MENA region

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1 Introduction
This Policy Research Brief discusses the issue of vulnerable young people’s transition to work (YPTW) in the Middle East and North Africa (MENA). Despite considerable improvements in educational attainment in the region, the benefits in terms of employment opportunities have stalled significantly. Strategies once used by governments to absorb educated labour have plateaued. Assaad (2013) describes how employment in the public sector has historically been used by regimes in MENA as a tool to appease groups from the most well-off classes and/or those with higher levels of education by providing quality jobs. This practice has led to distorted incentives for private and public employment, contributing to an enduring legacy of labour market segregation—or ‘dualism’—in the region.

However, the recent boom of educated youth and the declining role of the public sector in the economy have led to a crisis in the pre-existing social contract. This interpretation is validated in the data: while the MENA region has the highest absolute level of intergenerational mobility in terms of education in the world, it is also characterised by low intergenerational income mobility (Narayan et al. 2018). This sets MENA apart from many regions in the world: while educational attainment and income mobility are generally correlated, this is not the case in MENA.

Three important and interrelated phenomena are worth mentioning when trying to understand this contradiction of higher educational outcomes and lower employment outcomes in the region. The first is that despite increased educational attainment, the MENA region is characterised by low learning outcomes, and mismatches between the demand and supply of skills. Regional education systems are focused on rote learning and obtaining education certificates, rather than acquiring skills—especially transferable skills, and/or life skills for continuous and life-long learning. Educational systems should therefore strive to supply the skills demanded by the rapidly changing labour market to counteract the rise of graduate unemployment (WDR 2019, WEF 2017). The second is the role—or lack thereof—of the formal private sector. Although there is considerable variation across MENA, formal employment opportunities outside of the public sector tend to be scarce and/or unattractive to skilled youth. This is another legacy of dualism in the region: over-reliance on the public sector and state-owned enterprises and the acceptance of informal arrangements have collectively crowded out the potential development of a private sector.

FIGURE 1
Labour force participation rates and employment-to-population ratios for youth (15-24) and 15+ population

Source: ILO Global and Regional Indicators, modelled November 2018.
The third phenomenon pertains to YPTW for women and what Assaad et al. (2018) describe as the “MENA Paradox”: despite rapidly increasing educational outcomes, unemployment has increased and/or labour participation has declined for youth, partly due to the decreasing role of the public sector in absorbing labour. Although the MENA Paradox effectively impacts all youth, it particularly affects young women, given that educated young women are proportionally more likely to be hired in the public sector than educated young men. Therefore, a decreasing public sector has comparatively more significant impacts on young women’s employment perspectives. Gender-based exclusions in the private sector need to be confronted to avoid women’s low labour force participation and high youth unemployment—both of which lead to young women having to choose between waiting for marriage and assuming the traditional gender-roles of housewife and mother. Crucial changes need to be made to the labour market to significantly improve youth employment outcomes in MENA.

An analysis of labour market statistics in the region confirms that it is characterised by low levels of labour force participation (LFP) and high levels of youth unemployment, particularly among young women. Figure 1 presents LFP rates and employment to population (EtP) ratios across world regions for individuals aged 15 and older, and for youth (between 15 and 24). The Figure illustrates how MENA countries have the lowest LFP rates and EtP ratios in the world, a result largely driven by very low female LFP. The LFP rate among the 15+ population in MENA is 14 percentage points lower than the world average (47 to 61 per cent), and the gap is similar for youth (28 to 42 per cent).

Similar results are depicted for EtP, as the percentage point gap among the 15+ group (58 vs. 43 per cent) is similar to that for the youth (37 to 21 per cent). However, compared to the percentage point gap, the percentage difference is significantly greater for the youth than for the 15+ cohort. This confirms that the challenges faced by the youth in MENA are twofold: not only are lower levels of participation and employment inherent to the region, but these challenges also affect the youth more significantly than other age groups.

Low LFP rates and employment ratios in MENA are largely explained by poor labour market outcomes for women: female LFP in MENA is very low, and female unemployment is high, especially among young (15-24) women. Figure 2 shows LFP estimates across world regions disaggregated by age and gender. Although the world average female (15+) LFP is around 53 per cent, the average in MENA is only 20 per cent. Moreover, the LFP for young women is considerably low (13 per cent) compared to the world average (43 per cent).

Figure 3 presents unemployment rates estimated by ILO across world regions, also disaggregated by age and gender. It shows that, although the unemployment rate for men (15+) in MENA is higher than world averages (7.8 vs. 4.6 per cent), the difference in unemployment rates for 15+ women is much larger (19 vs. 5.4 per cent). The percentage point difference is even wider when considering young women, as the unemployment rate for women aged 15-24 in MENA is 40 per cent, compared to the world average of 12.5 per cent. Figures 2 and 3 illustrate that although unemployment is higher and LFP is lower for women than men around the world, the gap in MENA is significantly wider. Thus, while being young and female is a “double strike” in achieving successful labour market transitions across the world (Elder and Kring 2016), these effects are stronger and more pervasive in MENA, where social norms and gender-based exclusions further hinder transitions to work for women—especially young women.

**FIGURE 2**
Labour force participation rates among youth (15-24) and 15+ population

Source: ILO Global and Regional Indicators (modelled July 2018), 2019 estimates.
2 Vulnerable young people in MENA

Definitions of vulnerability are often multifaceted and depend on the type(s) of vulnerability considered. Different conceptualisations of vulnerability can centre around a range and combination of characteristics and indicators covering (but not exclusively) material precariousness, household composition, physical and mental health issues, lack of access to work or basic services (education, health, etc.), or lack of coverage from social programmes. Although these different perspectives are important, the study starts (due to its scope) by focusing on vulnerable employment. Nonetheless, aspects of vulnerability that affect YPTW and capabilities that, at least indirectly, affect employment-related outcomes are also considered.

Even after narrowing our focus down to vulnerable employment, it is still difficult to find a definition that is widely accepted. Lack of consensus in defining vulnerability or precariousness in the labour market can be explained by the difficulty in providing a broad definition that is both measurable and that considers different socio-economic realities. The ILO’s Solutions for Youth Employment (S4YE) report provides the following definition of vulnerable employment:

“(W)ork that is insecure and vulnerable to external shocks, where fluctuations in the economy or factors specific to the business can in turn affect workers with reduction of wages, termination of employment, more time doing unpaid work, and so on.”

To provide a quantitative measure for vulnerable employment, the S4YE report uses self-employment and unpaid family work as proxies, while recognising that not all self-employment among youth is necessarily vulnerable (ILO 2015, 51). Although this definition of vulnerable employment is a useful starting point, any concept of vulnerability in relation to labour market outcomes must clearly be extended to include people that are unemployed, facing difficulties entering the labour force (potentially leading to discouragement), or working in precarious jobs. Indeed, one of the key findings from the literature is that being employed does not preclude young people from facing instability, especially in MENA. In their study on School to Work Transitions (SWTs) covering Egypt, Jordan, Lebanon, the State of Palestine and Tunisia, Dimova et al. (2016) find that only 43.6 per cent of youth in MENA are given a written contract, meanwhile 37.7 per cent of salaried youth work excessive hours (over 50 hours per week), and that 39.5 per cent of employed youth have stated a desire to change jobs. These results further confirm that informal employment is the standard in the region, as 3 out of 4 of employed youth in the countries surveyed work in the informal sector.3

Yet, the focus on labour market outcomes alone does not consider other rooted vulnerabilities linked to individual backgrounds, characteristics, or capabilities. From the literature, we find that households in MENA characterised by low income levels, rural locations, and whose parents have low levels of educational attainment are highly vulnerable, given that these characteristics are associated with lower educational outcomes for young people—which, in turn, influences present and future employment outcomes. These effects are intensified for young women living in vulnerable households (Dimova et al. 2016, Ozdamar and Giovanis 2019). Other groups that are particularly vulnerable during transitions to work in MENA include young people: with disabilities; living in female-headed households; from households with chronically ill members; who have moved to urban areas for study and/or work; and international economic migrants, internally displaced persons, and forcibly displaced refugees, generally either employed in—or seeking—low-skilled job opportunities.
Focusing on the issue of vulnerable young people in education, a recent paper by Assaad, Hendy and Salehi-Isfahani (2019) explores inequality of opportunity in educational outcomes in eight MENA countries. The paper identifies and predicts educational outcomes for 18-year-olds from the most vulnerable households and compares the results with young people from other income groups using expenditure data. Relevant to the discussion on vulnerability, the authors investigate two additional characteristics of the poorest households: location (urban/rural); and educational attainment for both parents. Interestingly, the description of the 10 per cent most vulnerable households according to expenditure differs significantly across MENA countries, as can be seen in Figure 4. For example, all of the poorest households in Egypt live in rural areas while both parents lack any schooling at all (Type 1). Meanwhile, only 10 per cent of children and young people living in the poorest 10 per cent of households in Jordan belong to Type 1, while 46 per cent live in urban areas with either parent having a primary education or one illiterate parent and another with a secondary education (Type 6). These results confirm that there is a considerable level of heterogeneity across countries when it comes to identifying the most vulnerable groups and illustrate how narrow definitions of vulnerability are most likely unreliable in a region where many groups are marginalised and/or face significant obstacles transitioning into the labour market. 4

In sum, it is necessary to discuss both vulnerabilities related to labour market outcomes, and more rooted (broader) vulnerabilities that also affect transitions to the labour market. The different dimensions of vulnerability in labour market outcomes that we have covered include:

- work that is insecure and vulnerable to external shocks;
- (unskilled) self-employment and unpaid family work;
- precarious work (over 48 to 50 working hours per week);
- informal work (lack of written contract and/or with no contribution to social security);
- unemployment (especially for long periods); and
- inactive and/or discouraged job-seekers.

Meanwhile, the following rooted vulnerabilities linked to individual backgrounds, characteristics or capabilities were identified for young people:

- from economically disadvantaged households;
- affected by gender-based discriminations, especially for young women;
- from rural areas;
- with parents with low educational attainment levels;
- with, or from households with, disabilities or chronic illnesses;
from female-headed households;

- having moved to urban areas for study and/or work; and

- either international economic migrants, internally displaced persons or forcibly displaced refugees.

In conclusion, given the variety of dimensions to consider when discussing vulnerability across YPTW, the plural vulnerabilities should be used to acknowledge the multi-dimensional nature of the issue.

3 Empirical findings regarding school to work transitions

3.1 Young people's characteristics, NEETs, and YPTW

This section develops on the previous discussion to further understand YPTW and identify those people who are most negatively affected. The data presented in this section are based on the ILO's School-to-Work Transition Surveys (SWTS) from five MENA countries. Figure 5 shows the percentage of youth and young adults (aged 15-29) who are not in employment, education or training (NEETs), by self-reported economic background. Although the rate of NEETs is high for each quintile, it shows that the percentage of NEETs is greater for youth from poorer family backgrounds. These data provide some indication that poorer youth lack a smoother transition into the labour market. An important finding from the ILO SWTS reports is that successful transitions into satisfactory employment are shorter for youth with higher levels of education, except for Egypt. As Figure 6 shows, the average transition period for youth with tertiary education into satisfactory employment is nine months, while the average transition period for youth with primary education is twice as long, at 18 months. In addition to educational attainment levels, the gender dimension clearly plays an important role in determining successful transitions to work, as young women take longer on average to transition than men with similar educational attainment levels. Perhaps most strikingly, women with primary education take on average 31 months—almost three years—to transition into satisfactory employment. While this result might be partly explained by expectations related to traditional gender roles, it is clear that women with primary educational attainment face significant barriers to access satisfactory employment.

Despite there being a clear correlation between educational attainment and YPTW, higher overall educational attainment is not a guaranteed path towards stable employment in MENA. Dimova and Stephan (2016) show that of five MENA countries, higher levels of educational attainment are only clearly correlated with employment status in Jordan. One of the main findings from this paper is that work experience is often a more important determinant in achieving a successful SWT than education. This further demonstrates that to achieve lasting improvements for youth transitions into employment, the private sector needs to be included and incentivised to hire young adults, so that on-the-job training for crucial skills can be acquired. This has additional implications for educational policy, as more needs to be done in schools to combine the practical applications of skills to theoretical learning—for instance, through project-based learning, internships, dual-education apprenticeships, and other initiatives that provide young people with skills in demand in the labour market.

Summarising some of the findings from the SWTS on vulnerability in MENA: (i) individuals from relatively poorer backgrounds in the region are more likely to be NEETs; (ii) young people with higher levels of education are more likely to have shorter transition periods into stable and/or satisfactory employment, while women face longer transition periods than men (especially at lower levels of educational attainment); (iii) despite shorter transition periods, tertiary education is not clearly correlated with employment status; and, (iv) work experience tends to be a more important determinant of employment status than educational attainment level among young people.

FIGURE 5
Percentage of NEETs among youth population by economic background

Note: Values are based on data from Egypt, Jordan, Lebanon, State of Palestine, and Tunisia. Household income/economic situation is based on self-assessment.

Source: Values taken from Dimova, Elder and Stephan (2016).
FIGURE 6
Transition periods from graduation to stable and/or satisfactory employment, by gender and level of educational attainment

Note: Values are averages taken from ILO SWTS from Egypt, Jordan, Lebanon, and the State of Palestine. They represent the average duration (months) from school graduation to first stable and/or satisfactory job.
Source: Dimova, Elder and Stephan (2016).

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Measurability and data limitations of youth employment statistics

While data and empirical information are important, assessments based on aggregate indicators from labour force surveys generally do not allow a comprehensive appraisal of YPTW. This is especially true for (youth) employment and unemployment rates, which are imperfect measures given the high degree of fragmentation in MENA. As argued in Assaad and Krafft (2014): “the unemployment rate, being primarily driven by demographic rather than economic forces, is a poor measure of labour market health”. As an example, unemployment may be conceivably higher in countries where more skilled formal jobs are periodically made available, as the youth might be willing to wait for such opportunities. Conversely, it is possible that unemployment may be lower in countries where quality jobs are less available, as young people might take up informal employment opportunities, however reluctantly. Such arguments would mean that—all other things being equal—youth unemployment would be higher among wealthier households, and in upper middle-income countries. Therefore, comparisons of employment statistics across MENA countries sometimes only provide a superficial account for labour market dynamics.

Another dimension that is likely to impact formal and informal labour market incomes is that of internally displaced people, forcibly displaced refugees and economic migrants. In MENA countries with high shares of migrant workers (such as Jordan), informal jobs are often associated with poor working conditions and long working hours, which only displaced refugees or economic migrants are willing to take, making such jobs unattractive to nationals regardless of educational background. “These conditions may explain why even less educated workers are willing to remain non-employed as they queue for scarce public sector jobs rather than accept informal employment” (Assaad, Krafft and Salemi 2019).

4 Improving transitions to work for vulnerable young people: channels for social protection

The MENA region faces many socio-economic challenges when it comes to improving labour market outcomes for young people: slow pace of economic growth and lack of job creation, low levels of financial integration and enterprise creation; gender-based exclusion and inequality; corruption and lack of transparency; an over-reliance on the public sector and state-owned enterprises; and, for many countries, economic volatility caused by dependency on fossil fuels and food imports. Whether directly or indirectly, these issues significantly impact young people in their search for decent employment opportunities. Therefore, policy recommendations should—as much as possible—strive to be included as part of broader plans, whereby both supply- and demand-side obstacles in the labour market are discussed and addressed. Since such all-encompassing solutions lie beyond the scope of this brief, we discuss three circumstances where social protection policy can have a significant impact on improving labour market outcomes for disadvantaged and vulnerable young people.

First, MENA countries can do more to promote Active Labour Market Policies (ALMPs) that target vulnerable young people. Angel-Urdinola and Leon-Solano (2013) note that almost half of ALMPs delivered by public employment agencies in MENA target high-skilled unemployed individuals and have largely been developed in response to increasing levels of unemployment among young people with higher levels of educational attainment. Moreover, although most publicly provided ALMPs are open to both men and women, women are widely underrepresented in most countries (Angel-Urdinola et al. 2013), while many programmes are targeted at young men (Barsoum 2018: 49). As shown in Figures 3 and 4, YPTWs are, on average, more difficult for youth—especially women—from
poorer economic backgrounds and with lower educational levels. ALMPs that are aimed towards vulnerable youth can play a significant role in levelling transition periods across young people from different socio-economic backgrounds. Although many administrative challenges exist to the proper implementation of such programmes, it is worth highlighting the importance of including the private sector to form public-private partnerships, and of the decentralisation of employment services, so that ALMPs can account for local economic dynamics.

Second, the overall expenditure by MENA countries on ALMPs should increase significantly to account for rising youth unemployment. Barsoum (2018) provides comparisons between spending on ALMPs in MENA countries and those in European Union and finds that EU countries spend between 5 and 10 times more on ALMPs (as a percentage of GDP) than individual MENA countries. Furthermore, when considering spending on ALMPs as a percentage of GDP and per percentage point of unemployment, the available data show that spending is at least 30 times greater in the EU than in MENA countries (ibid., 51). It is striking how this is the case despite the level of political and economic urgency represented by the issue of youth (un)employment to the region. In addition to increased spending in ALMPs, many steps will be needed to institutionalise and administer these programmes so as to avoid duplication and other inefficiencies. To best ensure success and avoid programme fragmentation, ALMPs should be strategically and gradually integrated into new and existing social protection and policy frameworks, as part of a broader activation agenda to guarantee assimilation over the life-cycle.

Third, better targeting of existing social assistance programmes not only improves the well-being of vulnerable households, but it can also provide insurance for young people who might no longer need to accept informal, low-skilled work out of necessity. As noted in Jawad (2014), social assistance targeting of poor and vulnerable households has been lower in the Arab world than in other developing regions. Although steps have been taken in many MENA countries in recent years to improve the targeting of social protection via conditional cash transfers and ALMPs (Barsoum 2018, 45-6), these policies remain marginal to welfare systems in the region, while many households in the upper income quintiles still benefit significantly from social safety net programmes—notably through fuel and other non-targeted subsidies. As for the effects on labour supply, Salehi-Isfahani and Mostafavi-Dehzoeei (2018) find that the introduction of universal benefits in Iran had no effect on adult labour supply, but found some indication (albeit inconclusive) that universal benefits can have a negative effect on hours worked among the youth. Although more research needs to be conducted to better understand the effects of large-scale social protection programmes on youth employment, these findings provide some guidance for the work ahead.

References:


