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## **Economic Growth, Youth Unemployment, and Political and Social Instability**

*A Study of Policies and Outcomes in Post-Arab Spring Egypt, Morocco, Jordan, and Tunisia*

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prepared for the UNRISD project on  
New Directions in Social Policy:  
Alternatives from and for the Global South

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# **Introduction to Working Papers for New Directions in Social Policy: Alternatives from and for the Global South**

This paper is part of a series of outputs from the research project New Directions in Social Policy: Alternatives from and for the Global South.

The project examines the emergence, nature and effectiveness of recent developments in social policy in emerging economies and developing countries. The purpose is to understand whether these are fundamentally new approaches to social policy or welfare systems which could offer alternative solutions to the critical development challenges facing low- and middle-income countries in the twenty-first century. This research aims to shed light on the policy options and choices of emerging/developing countries; how economic, social, political and institutional arrangements can be designed to achieve better social outcomes given the challenges of the contemporary development context; how the values and norms of human rights, equity, sustainability and social justice can be operationalized through “new” social policies; and how experiences, knowledge and learning about innovative approaches can be shared among countries in the South. For further information on the project visit [www.unrisd.org/ndsp](http://www.unrisd.org/ndsp).

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## Contents

Acknowledgements .....	v
Summary.....	vi
Introduction .....	1
Project background .....	1
A brief historical context: roots of the Arab spring.....	1
Youth unemployment and disillusionment.....	4
International financial institutions and their policy influence .....	5
Outline .....	6
Literature Review .....	7
Methodology.....	9
Assumptions and research questions .....	9
Methods and data.....	10
Analysis of International Monetary Fund Article IV Reports .....	11
Inclusive growth and skills mismatch .....	13
Skills mismatch .....	14
Case Studies.....	16
Egypt.....	17
Policy environment and labour market characteristics.....	17
IMF influence .....	18
Progressive steps .....	20
National strategy and planning .....	21
Human capital and capacity building .....	22
Direct provision of jobs .....	22
Morocco.....	25
Policy environment and labour market characteristics.....	25
IMF influence .....	27
National strategy and planning .....	28
Human capital and capacity building and the direct provision of jobs .....	31
Jordan .....	32
Policy environment and labour market characteristics.....	32
IMF influence .....	33
National strategy and planning .....	34
Human capital and capacity building .....	36
Direct provision of jobs .....	38
Tunisia .....	39
Policy environment and labour market characteristics.....	39
IMF influence .....	40
National strategy and planning .....	41
Human capital and capacity building .....	42
Active labour market programmes and initiatives.....	42
Quantitative Findings .....	43
The political economy of human capital development.....	43
Growth, employment nexus.....	45
Theoretical approach .....	45
Indicators .....	46
Bivariate comparisons .....	47
Panel regression output: relationship between labour force participation and growth	49
Conclusion.....	51
Skills mismatch .....	53

Weakening of the social contract.....	53
“Saudi-ization” of labour.....	54
Role of voice.....	54
Regional conflict .....	54
Promising policy developments .....	54
Public works projects .....	54
Social and solidarity economy.....	55
References .....	57
Appendices .....	65
Appendix A. Indicators .....	65

## **List of Tables**

Table 1. Secondary and Tertiary School Completion Rates: 2016.....	3
Table 2. Youth Labour Force Participation Rates: Egypt, Jordan, Morocco, and Tunisia; 1990–2014.....	3
Table 3. GDP per capita: Egypt, Jordan, Morocco, and Tunisia; 1991, 2000, 2010, 2014.....	4
Table 4. New labour market entrants, new postsecondary graduates, and approximate jobs added 2014.....	7
Table 5. Select obstacles to firm growth: percent of employers indicating obstacle, 2013.....	15
Table 6. Labour Market Panel Survey of Youth (percent indicating reason for unemployment).....	16
Table 7. Unemployment in Egypt, 2017.....	20
Table 8. Unemployment in Morocco, 2017.....	26
Table 9. Unemployment in Jordan, 2017.....	33
Table 10. Remittances as a percentage of GDP: 2014.....	39
Table 11. Unemployment in Tunisia, 2012.....	40
Table 12. Indicators list.....	46
Table 13. Descriptive Statistics.....	47
Table 14. FE, PCSE regression output.....	51

## **List of Charts**

Chart 1. Real Wage Growth: 2000–2015.....	15
Chart 2. Youth labour force participation rates and GDP/cap, Jordan.....	48
Chart 3. Youth labour force participation rates and economic growth, Morocco.....	48
Chart 4. Youth labour force participation rates and economic growth, Tunisia.....	49
Chart 5. Youth labour force participation rates and economic growth, Egypt.....	49

## Acronyms

ALMP	Active Labour Market Policies and Programme
ANAPEC	National Agency for Employment Promotion and Skills
ANETI	Agence Nationale pour l'Emploi et le Travail Indépendant
BTP	Brevet de Technicien Professionnelle
BTS	Brevet de Technicien Supérieur
CAE	Chèque d'Amélioration de l'Employabilité
CAIP	Contrats pour l'Adaptation et l'Insertion Professionnelle
CAP	Certificat d'Aptitude Professionnelle
CESE	Economic, Social and Environmental Council
CSO	Civil Society Organization
EPP	Employment Promotion Programme
ESCPWA	United Nations Economic and Social Commission for Western Asia
E-TVET	Employment-Technical and Vocational Education and Training Council
FDI	Foreign Direct Investment
FE	Fixed Effects
GCC	Gulf Cooperation Council
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFI	International Financial Institution
ILMPS	Integrated Labour Market Panel Surveys
ILO	International Labour Organization
IMF	International Monetary Fund
INGO	International Non-Governmental Organization
MVTE	Ministry of Vocational Training and Employment
MENA	Middle East and North Africa
M&E	Monitoring and Evaluation
NAP	National Action Plan
NEET	Not in Education, Employment, or Training
NES	National Employment Strategy
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
OFPPT	Office of Vocational Training and Employment Promotion
PCSE	Panel Corrected Standard Errors
PEE	Programme to Encourage Employment
PROMESS	Promotion of Organizations and Mechanisms of Social and Solidarity Economy
SDG	Sustainable Development Goal
SFD	Social Fund for Development
SIDA	Swedish International Development and Co-operation Agency
SIVP	Stage d'Initiation à la Vie Professionnelle
SSE	Social and Solidarity Economy
TES	Technical Education Strategy
TVET	Technical Vocational Education and Training
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNRISD	United Nations Research Institute for Social Development
USAID	United States Agency for International Development
WDI	World Development Indicators
YEP	Youth Employment Promotion

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## Summary

This study examines the youth employment policies that have been implemented in Egypt, Jordan, Morocco, and Tunisia following the Arab Spring, questioning whether, after the conclusion of this series of massive social protests, new policies and institutions have emerged to address the deep-seated and intensifying crisis of youth unemployment.

Considering the significance of youth unemployment in driving the Arab Spring revolts, policy recommendations issuing from national governments and international financial institutions (IFIs) (and also from bi-lateral aid agencies, to which we pay less attention in this study) should reflect the dramatically altered environment of the region after 2011. Accordingly, our primary research questions are the following: since the Arab Spring, what new and innovative policies and programmes have emerged that address youth unemployment; what factors motivate these policy choices; and to what extent do economic growth prescriptions affect the domestic youth employment policies in the countries taken into consideration for the case study?

To answer these questions, we have conducted a mixed methods study, utilizing a policy prescriptive approach to identify policy change and to better understand the implications of policies chosen—whether the policies directly address youth employment or are indirectly related to youth employment via economic growth-oriented policy choices. We have also taken advantage of the panel nature of data available for these countries, using fixed effects panel estimators, panel-corrected standard errors estimators, and systems of Seemingly Unrelated Regressions to identify the effect that economic growth has had on labour force participation rates among the youth in Jordan, Morocco, Tunisia, and Egypt over the period of 1990 to 2013.

We have observed a wide range in the new policies pursued as well as in the institutional infrastructure required for their effective implementation. What is common across most of these countries, however, are the regional conflict, constraints on policy autonomy, and an inadequate number of new jobs that are created annually to absorb the rapidly increasing number of unemployed, which impede policy creation. In addition, we have found that, across the countries taken into consideration in our study, economic growth, as measured by GDP per capita, appears to be unrelated to an increase in labour force participation rates among the youth.

We have seen encouraging developments in the emerging social solidarity economy in Morocco and, to a lesser extent, in Tunisia. Moreover, Tunisia's new constitution explicitly acknowledges the importance of youth employment in not only reducing poverty, but also strengthening social stability. In addition, Egypt's heavy investment in large infrastructure projects suggests a willingness to pursue public work projects in order to address the country's persistent unemployment crisis. Moreover, post-Arab Spring ministry-level initiatives underscore Jordan's interest in doing away with the economic growth-led policies of the past and focusing on youth employment to a greater extent.

# Introduction

## ***Project background***

This study is supported by the United Nations Research Institute for Social Development (UNRISD), and it constitutes a component of the larger project, “New Directions in Social Policy: Alternatives for the Global South,” which aims to examine the emergence, nature, and effectiveness of recent developments in social policy in emerging economies and developing countries. The purpose of the study is to understand whether these fundamentally new approaches to social policy or welfare systems can offer alternative solutions to the critical developmental challenges confronting low- and middle-income countries in the 21<sup>st</sup> century.

As noted in the United Nations’ Sustainable Development Goals (SDG), unemployment, and youth unemployment in particular, is a major concern with respect to poverty reduction. Youth unemployment is referenced throughout the SDG. SDG 4.4 calls for substantially increasing the number of youth and adults with the skills that are necessary for securing decent jobs by 2030. SDG 8.6 calls for substantial reductions in the percentage of youth who are not employed, not in education, and not in training (so called NEETS) by 2020. Moreover, in alignment with the direction we have adopted with this study, SDG 17 calls for increased policy coherence, which, among other things, permits greater policy autonomy for developing countries.

Our study has surveyed the post-Arab Spring youth employment policies that have been adopted in Egypt, Morocco, Jordan, and Tunisia. In addition, the study examines whether and how the economic policies implemented in these countries led to high levels of youth unemployment prior to the Arab Spring. It also analyses whether, after the conclusion of this series of massive social protests, new policies and institutions have emerged to provide innovative solutions that address the problem. While the topic of this study concerns youth employment policies, we have made some effort to briefly describe new or revised employment programmes as a means to illustrate the way in which these policies operate on implementation. A richer description of youth employment programmes in the region can be found in Barsoum (2013).

Our review of the literature concerning youth employment policies in the region has revealed that the topic has not found adequate representation in recent studies, with the exception of studies that address the topic in the broader context of social policy analyses (e.g., Jawad, 2014, 2015; Devereux, 2015). Potential reasons behind the lack of research on the topic could include the relative lack of data and information available to researchers or the fact that there is little to be found on the ground in terms of state-level youth employment policy, or both, among others. Our review of the literature suggests that the relative lack of publicly available information pertaining to youth employment policy and the lack of policies themselves has less to do with an absence of concern on the part of policymakers and more to do with external constraints on policy autonomy. It is this line of argument that we have chosen to pursue in this study, including our particular examination of the role of IFIs, particularly the IMF, in policymaking in the selected countries.

## ***A brief historical context: roots of the Arab spring***

The Arab Spring of 2010 and 2011, and the political and social upheaval that it brought about, was meant, as the name suggests, to herald a renaissance in the Middle East and North Africa (MENA) region. It notified governments and ruling parties across the

region that the time had come for substantial reform, if not revolution, and that solutions to the economic stagnation and the slow unraveling of the social safety net would come not from ruling parties and IFIs, but from the people themselves.

Calls for “justice, freedom, and human dignity” sounded throughout the uprisings in the region. These cries stemmed from the failure of decades of market-led reforms to translate into significant improvements in the quality of life for the vast majority. In her investigation of the structural roots of Arab Spring in Egypt, Bargawi (2014:219) concluded that “economic policy choices over the 2000s . . . contributed to the economic and social outcomes witnessed in the run up to the 2011 uprisings,” a diagnosis that can also be extended to other countries in the region. Hanieh (2014) located IFI loans, their related debt, and their impact on economic and social concerns such as unemployment at the heart of the uprising in Tunisia. Noueihed and Warren (2012) noted that the job creation that managed to take place in the region prior to 2011 favored older workers and expatriates, largely bypassing the region’s youth. Indeed, it could be said that these three demands—justice, freedom, and human dignity—are inherent in the demand for decent work: justice, in the sense that many view employment and the means to earn a living as rights and their denial as injustice; freedom, as with decent work comes the freedom to fully engage in and contribute to society as a citizen; and dignity, in the sense that work leads to self-actualization.

As has been the case in sub-Saharan Africa (Prince 2014), economic growth (as measured by increases in GDP per capita) has not translated into improvement in terms of wellbeing or labour force participation rates for youth across the MENA region. Yet, despite the evidence (e.g., Bayliss et al. 2011), IFIs have continued to hew to neoliberal market-oriented policies such as trade openness, low taxes, “flexible” labour markets, and smaller governments. A review of IMF and World Bank policy recommendations (authors’ database of IMF and World Bank public documents) have indicated that these institutions still focus on “public sector consolidation” and “tightly managed” government budgets for the countries included in this study. In each case, structural reform for the promotion of economic growth is advised as a pre-condition for improving social outcomes, especially employment. Although large shares of the region’s population have remained excluded from the labour force even after years of such reforms, these institutions maintain that market liberalization will generate the proverbial rising tide.

When the promised benefits failed to materialize, the people of the region, particularly the better-educated youth with higher expectations from their governments, took to the streets and demanded jobs. To some observers, this call for jobs signaled something of critical import—the failure of human capital development as a market-based means to foster social mobility and shared prosperity. Indeed, while the World Bank may categorize many of the countries in the region as “middle-income,” decades of relatively high and increasing rates of literacy and educational achievement have done little to improve wellbeing or more importantly, the nebulous but vital sense of opportunity for the vast majority of the inhabitants of the region. While the IMF has, in a post-Arab Spring moment, salted its policy recommendations with anti-poverty language, its guiding principles remain rooted in neoliberal economics—grow the economy and the rest will sort itself out.

**Table 1. Secondary and Tertiary School Completion Rates: 2016**

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Egypt</b>	complete lower secondary				44.4						
<b>Egypt</b>	complete tertiary				16.4						
<b>Jordan</b>	complete lower secondary	42.4				70.4	73.3		74.1		
<b>Jordan</b>	complete tertiary					41.7	26.9		27.1		
<b>Morocco</b>	complete lower secondary										
<b>Morocco</b>	complete tertiary										
<b>Tunisia</b>	complete lower secondary					37.1		39.3	40.5	39.8	
<b>Tunisia</b>	complete tertiary										12.4

**Table 2. Youth Labour Force Participation Rates: Egypt, Jordan, Morocco, and Tunisia; 1990–2014**

	1990	2000	2010	2014
<b>Egypt</b>	33.8	31.5	34.1	33.9
<b>Jordan</b>	28.3	28.1	26.6	25.3
<b>Morocco</b>	48	42.5	36	36.4
<b>Tunisia</b>	41.4	36.4	31.1	31.6

World Development Indicators, labour force participation rates, youth total (% of total labour force ages 15–24) modeled ILO estimate

Contrary to some of the chief tenets of human capital theory, the high secondary and tertiary education rates in this cluster of countries have not translated into robust employment opportunities for the youth (Table 1). Low labour force participation rates for the youth (Table 2), assumed to be a key driver of political and social instability in the region, have declined steadily over the better part of the last decade. In our study, they currently range across the countries from 25.3% in Jordan to 36.4% in Morocco, which are well below the already low global average of 47.3%.<sup>1</sup> The UN's Economic and Social Commission for Western Asia reports,

[Even] with an educated labour force, opportunities for decent employment were curtailed after the implementation of structural adjustment programmes and a general freeze on public sector recruitment in the 1990s. The private sector could not fill this void, leading to the proliferation of informal jobs, mainly in low value-added service sectors.... Arab youth with higher education qualifications, in particular, became disenfranchised and increasingly sought to migrate, considering it their only employment option. (ESCWA 2014b:21)

Potential explanations for this disconnect between the tremendous investment in primary and secondary education in these countries and the high levels of youth unemployment are numerous, including population growth outpacing the ability to create employment opportunities,<sup>2</sup> the global economic downturn, the lack of a comprehensive national policy framework, or a combination of these factors.

<sup>1</sup> It is likely that these are conservative estimates, considering the modest capacity for collecting and reporting in several of these countries.

<sup>2</sup> Arab countries undoubtedly face demographic challenges. The MENA region has the most youthful population in the world, with 60% of the population under the age of 25 and more than 28% between the ages 15 and 29. Whether or not these facts adequately explain youth unemployment is addressed later in this study.

**Table 3. GDP per capita: Egypt, Jordan, Morocco, and Tunisia; 1991, 2000, 2010, 2014**

	1991	2000	2010	2014
<b>Egypt</b>	\$5,976	\$7,811	\$10,620	\$10,040
<b>Jordan</b>	\$6,425	\$7,695	\$11,253	\$11,490
<b>Morocco</b>	\$4,260	\$4,398	\$6,419	\$7,140
<b>Tunisia</b>	\$5,720	\$7,610	\$10,678	\$10,900

World Development Indicators, GDP per capita, PPP (constant 2011 International \$)

This observed disconnect between modest economic growth in the early and mid-2000s and youth employment may be attributed to weak public institutions and the relative lack of persistent active labour market policies and programmes (ALMPs) that has the capability to translate economic growth into investment for the wellbeing of its citizenry and, *ipso facto*, future economic growth. However, certain prerequisites for sustainable programmes include policies that grant reliable funding to the programmes, regulations that guide their implementation, and a system of monitoring and evaluation that can serve as a means of facilitating continuous improvement.

In their analysis of social policy in the region, Karshenas et al. (2014) drew a line from budgetary imbalances in the 1980s to the Arab Spring. They argued that these historical budgetary imbalances led many countries to adopt market-oriented economic policies that led to the decline of their state-led social safety net and ALMPs. A network of international NGOs emerged to fulfill many of the core functions that the states had been responsible for, thereby further weakening state capacity and authority. Ultimately, state-guaranteed employment was dropped as governmental policy, causing youth unemployment to reach the crisis level that eventually triggered the Arab Spring protests (Fergusson and Yeates 2013; El-Said and Harrigan 2014; Mossallem 2015).

### **Youth unemployment and disillusionment**

The 8<sup>th</sup> annual ASDA'A Burson-Marsteller Arab Youth (ASDA'A Burson-Masteller 2016) presented the opinions of the youth between ages 18 and 24 from 16 countries in the MENA region on a range of subjects that were related to their personal aspirations and their perspectives on the economy.<sup>3</sup> The survey revealed that hold the lack of employment opportunities to be the top reason young people are attracted to the Islamic State/Daesh, highlighting a possible link between high youth unemployment and rising radicalism. In light of this, it is especially worrying that a substantial percentage (37%) of the youth surveyed replied that they disagreed with the statement: "There are good job opportunities in the area I live in," with other surveys suggesting that this could be an underestimation (see Table 6 below).

While our study focused primarily on identifying the policies and programmes that were put into place post-Arab Spring to address youth unemployment, the findings from the ASDA'A Burson-Marsteller survey align closely with the sentiments expressed to us during the course of our research. Concern prevails among the region's youth with regards to their country's ability to equip them with the necessary education, skills, and employment opportunities for living a life of their own choice—a fulfilling life in which

<sup>3</sup> The survey took place between January 11 and February 22 2016, a period that closely corresponds with the period of our field research.

they can successfully support themselves, raise a family, and contribute to society. The roots of this pessimism lie, in some cases, in the decades of autocracy and nepotism that restricted access to opportunity to a privileged few; in other cases, the roots lie in sclerotic education and training systems, supported by threadbare safety nets, that severely penalize failure (Mossallem 2015; Devereux 2015; ESCWA 2014; Arab Republic of Egypt 2015).

Nonetheless, there are encouraging signs to indicate that new institutions are taking form and that established institutions are reconsidering the requisite aspects in addressing youth unemployment in the region. We have highlighted several of these encouraging signs below, but we have also taken the pains to describe the context in which these institutions, policies, and programmes are attempting to emerge. Regional conflict, internal suppression of dissent, an overburdened and under-resourced bureaucracy (despite its arguably disproportionate size—a topic that we have attempted to address throughout), refugee crisis, and collapsing oil prices all combinedly militate against the successful implementation of even the best-intentioned ideas.

### ***International financial institutions and their policy influence***

A common denominator across the four countries in our study is the influence of IFIs in policy development, including the policies that are ostensibly aimed at youth employment. For a long time, the World Bank and the IMF have been active players in the macroeconomic policymaking of these countries through the conditions placed on the receipt of grants and loans sanctioned by these institutions. In this study, the influence of the IMF on pre- and post-Arab Spring policy has been of particular interest to us (e.g., Stiglitz 2002; Fergusson and Yeates 2013; El-Said and Harrigan 2014; Mossallem 2015).

Our working assumption has been that, considering the importance of youth unemployment in driving the Arab Spring revolts, policy recommendations from IFIs (and from bi-lateral aid agencies, to which we have paid less attention in this study) should reflect the dramatically changed environment in the region after 2011. However, we found that this has not been the case. In her article that analyses the economic policy in post-Arab Spring Egypt, Bargawi (2014) reported that IFI-initiated economic policies adopted by the Mubarak regime contributed to high levels of youth unemployment. Similarly, Hanieh (2014:123) cited recommendations from the World Bank that Tunisia would need “to engage in a series of comprehensive and politically sensitive reforms,” which included terminating some ALMPs such as AMAL (see description in the Tunisia case study below) due to the supposed burden it imposed on the national budget. In the countries included in our study, we found that policies to reduce public sector employment—a common IFI recommendation—were being pursued.

The fact that IFIs are able to exert this sort of influence over policy development in the region should not come as a surprise given the size of the total grants and loans provided by IFIs in comparison with the annual budget expenditures for these countries. We have attempted to assess the degree of this influence by examining the national accounts data available on both annual total expenditures of central government budgets and annual disbursements of International Bank for Reconstruction and Development (World Bank) loans, International Development Association (World Bank) credits, and IMF credits.<sup>4</sup> In the years leading up to the Arab Spring, World Bank and IMF loans

<sup>4</sup> These figures were calculated with individual country data on World Bank and IMF grants and loans with data from the World Development Indicators and the IMF's International Financial Statistics (used to create a proxy variable for the size of World Bank and IMF grants and loans [and excluding grants and loans from other IFIs]); annual central

and credits ranged in size from the low amount of only 4% the size of Jordan's annual budget expenditures in 2005 to 11% as large as the total annual budget expenditures in both Morocco and Tunisia in 2010 and 2008 respectively to over a third the size (35%) of the total annual budget expenditure of Egypt in 2006. It is our contention that the World Bank and IMF policy recommendations are generally closely adhered to when grants and loans of this magnitude are concerned.

Our study has proceeded from the premise that policymaking at the state level is heavily influenced by IFIs and that this influence is reflected both in the robustness of a given country's system of ALMPs and where a country chooses to direct its resources. The practice of "conditionality," or the requisite to adopt or reform policies in exchange for grants or loans from IFIs, is well-established in the literature (e.g., Babb and Buira 2005; Henisz et al. 2005; Woods 2000). Kentikelenis et al.'s (2016) study of IMF conditionality between 1985 and 2014 found little evidence supporting the notion that the IMF simply validates "home-grown" policy recommendations. Rather, the IMF continues to impose *de facto* conditions on countries that receive its assistance—conditions that often impose real constraints on social policies and programmes.

Egypt's recent \$12 billion loan from the IMF demonstrates a clear example of this dynamic. In order to receive the loan, Egypt agreed to the creation of a value-added tax, which was considered to be regressive by many, raised the price of gasoline, reduced electricity subsidies, floated its currency, "optimized" the public sector wage bill, and reformed the public sector management of state-owned enterprises (New York Times 2016a, 2016b; IMF 2016b). While IMF Managing Director Christine Lagarde averred that these are "homegrown" policies, they were also very similar to the policies associated with IMF loans across the developing world since the 1980s (Henisz et al. 2005).

As noted above, our primary concern in this study is to determine the extent to which these four MENA countries have either adopted new labour market policies or strengthened existing ones in order to address youth unemployment. However, given the influence of IFIs on policy development in these countries, we have also investigated whether their official policy recommendations with respect to youth unemployment programmes and institutions supporting them have changed substantially post-Arab Spring.<sup>5</sup> Accordingly, we have also examined the pre- and post-Arab Spring policy recommendations contained in the IMF's Article IV Consultations—the end result of IMF consultants' regular (mostly annual) field visits with government and central bank officials—in order to better understand the policy framework within which the Arab Spring countries have had to function.

## **Outline**

This paper is structured as follows:

First, it provides a brief review of the relevant and recent literature pertaining to youth unemployment in the MENA region. Second, it addresses the research questions and methodologies utilized in the qualitative and quantitative portions of the study. Third, it

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government expenditures data in local currency were extracted from the IMF's International Financial Statistics database and converted to constant 2011 dollars; the relative size of IFI influence was compared to total annual budget expenditures. We believe that presenting the size of the World Bank and the IMF influence better reflects their relative magnitude to overall government investment in the economy and in social programmes than presenting grants and loans as a percentage of GDP, which is more commonly done.

<sup>5</sup> For a fuller examination of IFI policy recommendations in the MENA region, pre- and post-Arab Spring, see Mossallem (2015), *The IMF in the Arab World: Lessons Unlearnt*.

offers an analysis of the Article IV Consultations issued for Egypt, Morocco, Jordan, and Tunisia, questioning whether the IMF's policy recommendations changed in light of Arab Spring. Case studies for the four countries analysed are included. Each country case provides a brief overview of the policy environment and labour market characteristics, national strategies and planning efforts, human capital and capacity building activities, and efforts aimed at the direct provision of jobs. Fourth, it presents findings from the quantitative portion of the study, specifically targeting the relationship between neoliberal economic growth prescriptions of the type promoted by IFIs and the labour force participation rate among the youth in the region, between 1990 and 2014. Finally, the paper concludes with recommendations and general observations that we find relevant to the broader conversation concerning youth unemployment in the region.

## Literature Review

Attempts at economic growth in most countries in the MENA region during the 1990s failed to fully address calls for more and higher quality employment opportunities for the vast majority in the region, particularly its youth. According to some analysts (al-Nashif and Tzannatos 2013; El-Said and Harrigan 2015; UNDP and ILO 2013; Bellin 2013), the sharp focus of the region on increasing privatization and trade openness, reducing debt and inflation, and attracting foreign direct investment “glossed over two decades of skewed economic policies, a widening social protection deficit, and the absence of institutionalized social dialogue between governments, workers, employers, and other segments of society” (al-Nashif and Tzannatos 2013:18). The economic growth that did occur was not inclusive (Benar 2007), leaving out a growing population of well-educated and skilled Arab youth who had benefitted from decades of state-level investment towards improving education outcomes.

Others (Malik and Awadallah 2011) argued that not only was the economic growth in the region not inclusive, the MENA region's difficulty in developing a globally competitive private sector was a major underpinning of the Arab Spring. This, coupled with low levels of political accountability among elected officials and the weak political voice of citizens, translated into a weakened ability of the governments in the region to fully appreciate many of the social consequences of IFI-encouraged economic reforms.

Writing of Jordan, Assaad noted, “The employment challenges faced by these increasingly educated new entrants co-exist with an economy that is creating a large number of low-quality informal jobs in construction and services that are mostly being filled by a growing legion of foreign workers” (Assaad 2012:3). Salehi-Isfahani argued that a disappointing ability to translate relatively high educational achievement into employment opportunities has contributed to “[an] erosion of social trust in education as the path to social mobility that has been the hallmark of post-independence social and economic development in MENA countries” (Salehi-Isfahani: 2012).

**Table 4. New labour market entrants, new postsecondary graduates, and approximate jobs added 2014**

	Egypt (2014)	Jordan	Morocco	Tunisia
<b>New entrants...</b>	650,000	60,000	300,000	80,000
<b>... of which, New postsec grads</b>	344,000	9,365	88,000	69,000
<b>Jobs created</b>	435,000	10,000	160,000	75,000

Source: Authors' calculations based on WDI data, and from ILO (2014)

In her study of social protection systems in the MENA region, Jawad illustrated the connection between high rates of unemployment, including the rates among the youth, and the lack of access to employment-based social protection systems. She noted that no more than 40% of Arab populations were covered by formal social protection. Jawad went on to suggest that, in a post-Arab Spring policy environment, the policies and programmes designed to address any unemployment resulting from the “youth bulge” should contribute to the resolution of the larger social protection question by serving as sources of revenue generated by higher rates of youth employment (Jawad 2015).

In their largely qualitative study of economic reform and instability in the Middle East, Harrigan and El-Said (2014) questioned whether “economic liberalization as promoted by the IMF and World Bank [has] had a negative impact on formal social welfare provisions in the Middle East.” The answer was in the affirmative, given that periods of economic growth had not been sustained, and as growth slows, poverty increases. Moreover, they argued that the austerity required as a condition for support from the IMF and World Bank ultimately undermines regimes and promotes political and social instability (El-Said and Harrigan, 2014). Similarly, a recent International Labour Organization report revealed that the uncritical adoption of trade liberalization policies in the region since the 1990s has potentially contributed to social unrest, partially through social exclusion and increasing unemployment rates for even the well-educated youth (UNDP and ILO, 2013). El-Said and Harrington (2014) noted that Tunisia’s insistence on maintaining social spending during its structural adjustment period (but not until rioting resulting from the implementation of IFI-required cuts to food subsidies, which were soon restored) enabled it to implement reforms while simultaneously reducing poverty, making it the exception to the rule in the region.

For all the hope for social, political, and economic transformation engendered by the Arab Spring uprisings, the MENA region can hardly be said to have advanced economically, socially, or politically as a result. Modest gains in these areas, particularly reductions in unemployment, have eroded in the years following the Arab Spring, although only partly due to it.

Since 2011, most Arab economies have been dramatically impacted by social unrest, the surge in commodity and energy prices (for oil importers), recessionary impacts affecting private and public sectors, increased uncertainty for investors and greater demands for expansionary expenditure for economic recovery and social justice. The unrest has already had a huge direct cost, and has also contributed to a decline in economic activity and increased unemployment. Since 2010, the decline in regional unemployment rates has been reversed. (UNDP and ILO 2012:18)

A more thorough review of the literature on the causes and consequences of the Arab Spring is beyond the scope of this paper. However, the selection of recent studies presented here suggests two issues of critical importance to our topic of choice: first, a clear thread can be drawn from pre-Arab Spring economic policy through austerity and rising youth unemployment to growing social unrest; and second, the failure to fully address youth unemployment post-Arab Spring, through new policies and programmes, can only contribute to future unrest in the region.

The remainder of this paper will examine the post-Arab Spring policy and programme development in Egypt, Morocco, Jordan, and Tunisia, specifically as it concerns youth unemployment. The qualitative portion of the study is supplemented in the later sections

of the paper with quantitative analyses of the potential causal relationship between neoliberal growth-oriented policy prescriptions in the region and youth unemployment. By considering them together, we intend to contribute to a more substantive understanding of the importance of youth employment policies in the region.

## Methodology

We have conducted a mixed methods study of the dynamic relationship between youth employment policies and economic growth strategies in Egypt, Morocco, Jordan, and Tunisia, in order to understand and explain past policy choices, their outcomes, and recent responses to youth unemployment. All these countries, with the possible exception of Egypt, have seen the relatively steady economic growth in the early and mid-2000s decline significantly in the recent years, due in large part to recent national political instability and armed conflict in the region.

### ***Assumptions and research questions***

The assumptions motivating our study concern national-level youth employment policy development and the dynamic relationship between youth labour force participation rates and economic growth. Specifically, our prior assumptions are the following:

- neoliberal economic growth-oriented policy prescriptions by IFIs promote austerity in developing countries, with negative effects on investments in institutions and social programmes that are designed to reduce poverty and promote economic self-sufficiency;
- the weak institutions that result from this austerity are inadequately equipped to create, implement, and sustain the sorts of programmes necessary to promote growth, expand employment opportunities, and lead to economic self-sufficiency; and
- the resulting unemployment and erosion of public institutions contributes to political and social instability, thereby undermining economic growth and increasing reliance on assistance from IFIs to maintain the state and the economy.

The primary research questions that follow from these assumptions are given below:

- What new and innovative policies and programmes have emerged since the Arab Spring that address youth unemployment? What are the drivers behind these approaches?
- To what extent do neoliberal economic growth prescriptions influence domestic policies and institutions as they relate to youth employment?
- Is the often-cited root cause of youth unemployment—a “skills mismatch” between the skills demanded by employers and the skills supplied by the education and training system—supported by the evidence?

In addition to a literature review that roughly spans the time period between 1990 and 2016 and a review of secondary source material (unpublished reports, gray papers, ministry reports, and so on), the following mixed-methods approach was pursued to address these questions.

## Methods and data

### Qualitative analysis

For the qualitative portion of the study, we employed a policy prescriptive approach to better understand the implications of the policies chosen, whether directly related to addressing youth employment or indirectly related via economic growth-oriented policy choices. Components of this portion of the study included the following:

- an emphasis on primary research, supplemented by desk research;
- a key informant approach, with a focus on ministry-level interviews (given the objective of the study to identify emerging national policies and programmes);
- a “snowball” approach to identify additional interview subjects; and
- an expansion of the type of interview subjects to include administrators of NGOs with direct experience in working with unemployed youths as well as local academics with publication records that include work on youth unemployment policy and programmes.

In total, we conducted 40 separate interviews sessions (15 in Morocco, 9 in Tunisia, 9 in Jordan, and 7 in Egypt) that included approximately 50 individuals. These semi-structured interviews constituted several open-ended questions and were primarily at the ministry level (60%), with NGO officials, academics, and students comprising the remainder of the sample.

A critical part of our qualitative analysis was an analysis of 26 IMF Article IV memos, covering a range of years prior to and post 2011 for each of the four countries. Following Ray and Schmitz (2016), our analysis consisted of close reads by two team members, in addition to conducting simple searches using key words and phrases such as “economic growth,” “growth,” “youth,” “unemployment,” “youth unemployment,” “poverty,” “poor,” “subsidy/ies,” “fuel,” “food,” “security,” “business,” “employer,” “state-owned enterprise,” “trade,” “jobs,” “public,” “public sector,” “skills,” “shortage,” “mismatch,” “inclusive,” among others.

In addition, we reviewed 289 IMF documents dating back to September 2010 using similar key word searches. These documents included press releases, speech transcripts, survey findings, policy papers, working papers, country reports, and news articles published by the IMF. Our focus, however, was on IMF Article IV memos, given that they provide, among the publicly available documents, the clearest and most detailed guidance provided by the IMF.

### Quantitative analysis

We exploited the panel nature of data available for each of the four countries included in our study, primarily using fixed effects panel estimators<sup>6</sup> with robust standard errors,

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<sup>6</sup> Fixed effects panel models control for country-specific unobservable determinants of youth unemployment, which are significant concerns with panel datasets similar to the one used in this study. One limitation of using fixed effects estimators, however, is that time-invariant variables, such as geographic characteristics, drop out of the models, making estimations of the coefficients for these variables impossible to determine. Instead, all of the effects of time-invariant factors are absorbed in the error term in fixed effects models. Random effects models are better suited for the use of time-invariant variables. However, Wooldridge (2006) noted that fixed effects models are the more appropriate models while using panel data to determine policy effects over time. All models are estimated using fixed effects estimators and cluster robust standard errors in Stata 14. According to Baum (2000), the presence of heteroskedasticity using *xttest3* in Stata 14 is confirmed, and so, robust standard errors have been employed in the models. In post-estimation tests, the Schwartz Bayesian Information Criterion has been employed in order to confirm

in order to identify the effect that various economic growth-based indicators have on labour force participation rates among youth in Jordan, Morocco, Tunisia, and Egypt over the period from 1980 to 2013, considering the importance placed on growth by IFIs. All models are estimated using Stata 15.

Following Cooray et al. (2017) and their estimation of the relationship between labour force participation rates and economic growth, Kheng et al. (2011) and their estimation of the relationship between economic growth indicators and human capital, and in keeping with the literature related to the relationship between economic growth, human development, and employment outcomes, the economic growth indicators considered include GDP per capita; metrics of openness to trade, including exports as a percentage of GDP, imports, and foreign direct investment; access to sound money (a measure of inflation); domestic credit to private sector banks as a percentage of GDP; and the total value of World Bank loans and grants.

Data was drawn primarily from the World Bank's World Development Indicators and the IMF's International Financial Statistics and also substantially from other publicly available data, including data from the Quality of Government<sup>7</sup> database and the Economic Research Forum's Integrated Labour Market Panel Surveys.

## **Analysis of International Monetary Fund Article IV Reports**

The IMF holds bilateral discussions with member countries on a near-annual basis, as mandated in the Articles of Agreement that IMF loan recipients must accept. In these Article IV Consultations, as they are known, the IMF and local economists survey a country's economic development needs and agenda and offer policy recommendations that are meant to aid further growth. A common criticism directed at the IMF is that these consultations are insufficiently attentive to the local context, needs, and political exigencies of the countries they address and instead offer a set of policies that are uniformly structured around market liberalization and shrinking the public sector (Mossallem 2015; Ray and Schmitz 2016). The Arab Spring has provided a recent opportunity to determine whether this criticism has any merit.

The Arab Spring protests were engendered by widely-held concerns concerning jobs and the economy, and one would expect the IMF to modify their policy prescriptions in light of such a momentous shift in the domestic political climate (Challand 2014). Accordingly, we have examined the Article IV Consultations for Egypt, Morocco, Jordan, and Tunisia, both in the immediate run-up to the events of Arab Spring and a few years afterwards, in order to determine whether the IMF's policy approach in fact underwent any such change. For the pre-Arab Spring reports, we reviewed Egypt's 2008 and 2010 Consultations, Morocco's 2009 Consultation, Jordan's 2009 and 2010 Consultations, and Tunisia's 2010 Consultation. For the post-Arab Spring reports, we reviewed Egypt's 2014 Consultation, Morocco's 2012 and 2015 Consultations, Jordan's 2014 Consultation, and Tunisia's 2012 and 2015 Consultations.

Persistently high levels of unemployment are identified as a key economic issue in the pre-Arab Spring Consultations for Egypt, Morocco, and Tunisia, with the Morocco and

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that the cluster robust standard errors models have more explanatory power than either a model using simply robust standard errors or a simple model that does not account for heteroskedasticity.

<sup>7</sup> Teorell, J., S. Kumlin, S. Dahlberg, S. Holmberg, B. Rothstein, A. Khomenko, and R. Svensson. 2016. *The Quality of Government OECD Dataset*. Gothenburg: The Quality of Government Institute.

Tunisia Consultations specifically referring to youth unemployment. Additionally, the Consultations for these three countries recognized the adverse macroeconomic impact of the global recession and granted that there was some room for state spending to act as a countercyclical stimulus. Jordan was somewhat of an outlier in both of these respects, however, as its Consultations focused much more narrowly on reducing public debt and current account deficits, with a strong emphasis on maintaining moderate monetary policy and ensuring the stability of the financial sector.

Despite the awareness evidenced in the reports that these countries' unemployment rates have not substantially improved in response to recent market reforms and that the global economic downturn could worsen them further, they conspicuously refrain from advocating robust ALMPs or expanding public sector employment. As the Egypt 2010 Article IV Consultation puts it, "Rather than containing the negative spillovers of the (global economic) crisis, the focus of policy should be addressing fiscal vulnerabilities and structural rigidities . . ." Common policy recommendations across the four countries' Consultations include continuing privatization of state-owned enterprises, replacing universal fuel and food subsidies with targeted cash transfers, instituting a value-added tax, adopting preventative measures against possible inflationary pressures, and keeping public sector wages and pension costs down. The Consultations also recommend adhering to ongoing market-oriented reforms, despite possible temptations to change course in the wake of recessionary pressures. Virtually, the only solution to unemployment considered in the Consultations is growing the private sector by promoting competitiveness, making the regulatory environment more business friendly, and signaling fiscal restraint. The concluding item in Tunisia's 2010 Consultation, which acknowledges the country's serious youth unemployment problem in its opening paragraph, is indicative of the basic tenor of this approach: "[IMF staff] welcomes the new impetus to structural reforms to achieve higher growth. Plans to further enhance business climate and competitiveness, including through continued liberalization and openness, to develop high-value-added services, to make better use of the unemployed skilled labour force, and to diversify export markets, are key in developing new sources of growth."

The events of the Arab Spring and the ensuing social unrest and political change feature prominently in the subsequent Article IV Consultation reports for these countries, with the exception of Morocco, which had its internal stability less affected by the Arab Spring protests than the other countries did. The Consultation reports now all identify high unemployment, particularly among the youth, as a severe problem confronting these countries. Despite recognizing both of these situations and giving them prominent positions in the reports' economic narrative, only Tunisia's 2012 Article IV Consultation established any connection between the two, and it revealed that the root of the problem lay in state intervention rather than market failure:

The previous regime's state-centered development model delivered for several years high growth and stability but favored a few privileged, and left unemployment at a high level, substantial economic and social disparities across regions, and a sense of denied opportunities. In 2011, amid domestic and regional turmoil, Tunisia experienced a severe recession, its external position deteriorated and unemployment reached unprecedented levels.

From the rest of the Consultations, however, one would have little idea that frustration with widespread unemployment and recent economic policy was the driving force behind the protests across the region. Jordan's 2014 Consultation, for example, put

“corruption and political rights” at the center, while Egypt’s 2014 Consultation cited vague “political tensions” against a backdrop of “chronic economic problems.” While these were certainly factors that fed popular discontent, the Consultations largely remained silent about the well-documented employment-related grievances expressed by the Arab Spring protestors in these countries (authors’ analysis of Article IV consultations; Mossallem 2015).

In general, the content of the post-Arab Spring Article IV Consultation reports is remarkably similar to that of the pre-Arab Spring reports. Beyond calling for continued investment in infrastructure and education, particularly vocational training in lieu of traditional university curricula, the IMF has consistently warned against fiscal expansion and greater reliance on public sector employment, insisting that any solution to the unemployment crises must come from the private sector. The dilemma is stated especially clearly in Jordan’s 2014 Consultation, in which the report presents beyond question, as far as the IMF is concerned, the path that Jordanian policymakers must pursue:

Jordan’s key challenge is to create jobs amidst ongoing fiscal consolidation [...] To absorb the new entrants to the labour force, Jordan will need to increase employment by an estimated 400 thousand full-time positions over 2013-20. These new jobs will need to be generated by the private sector, as employment in the public sector as well as emigration to the Gulf can no longer absorb as many Jordanians as they used to. Staff stressed that, in the absence of further reforms to labour and product markets, creating that many jobs would require an average annual real GDP growth to 6.1 percent – a tall order. Current growth forecasts would only generate 275 thousand jobs. (International Monetary Fund, 2014)

Although none of the other Consultation reports that we reviewed openly conceded how unlikely their neoliberal policy prescriptions would be in achieving the necessary job growth, they all described the policy terrain in roughly these terms: Private sector growth is the only way these countries can realistically address unemployment, and policymakers in these countries must dedicate themselves to attracting foreign direct investment (FDI), further privatizing state-controlled industries, reducing hiring costs by loosening employee protections, and removing wage and price controls.

### ***Inclusive growth and skills mismatch***

While little changed following Arab Spring in the specific policies that the Article IV Consultations recommend, two terms have begun to appear in the language of the reports, warranting closer examination: “inclusive growth” and “skills mismatches.” The reports have admitted that recent economic growth has not made much of a dent in the countries’ high rates of unemployment, but they insisted that this growth be made more “inclusive.” These reports have also frequently asserted that the structural unemployment in these countries is a result of “skills mismatch,” which implies an unqualified youth workforce that lacks the skills required by private sector employers. The use of these terms is particularly striking, as they are referred to several times throughout the later Consultations, while they are largely absent from the Consultations issued before the Arab Spring. We will now address each of them in turn.

The word “inclusive” appears only once in the six pre-Arab Spring Article IV Consultations we surveyed: in Egypt’s 2010 Consultation report. In contrast, “inclusive” and its cognates are used 65 times in the main text of the six post-Arab Spring Article IV Consultations we reviewed, not counting the appearances in the headings, tables of

content, and accompanying press releases. Given the prevalence of “inclusive growth” and “inclusiveness” in these documents, one would expect the IMF to specify policies that should foster greater inclusion. However, it is unclear what exactly about this growth is supposed to be inclusive and how it differs in substance from the previous growth-oriented policies that the IMF had been advocating. Presumably, the IMF in these Consultation reports claims that further promoting the private sector will deliver the necessary inclusiveness; however, the underlying mechanism by which this should occur is never clearly identified.

The “inclusion” mentioned here seems to be a reference to the greater absorption of women and currently unemployed youth into formal private sector labour markets. The actual labour market reforms they have proposed, however, are not ones that the Arab Spring protestors or labour advocates would likely characterize as inclusive or equitable. Morocco’s 2012 Consultation, for example, claimed that “given the limited space for macroeconomic policy to boost demand in the short term, the need for trade and financial liberalization, structural reforms in labour and product markets, and greater access to finance has arguably grown more urgent.” Likewise, Egypt’s 2014 Consultation advised that “structural reforms aimed at improving the business climate will support employment . . . Reforms to public service pay should also help by limiting reservation wages, thereby creating incentives towards private sector employment.” Considering the fact that these are merely the standard neoliberal labour market reforms that the IMF has been promoting for decades, it is hard not to see this newfound emphasis on inclusiveness as anything other than a hollow rebranding strategy.

### ***Skills mismatch***

The question of a possible “skills mismatch” that is responsible for youth unemployment is, fortunately, less vague and more amenable to empirical investigation. While there is some degree of skills mismatch in any economy, it is unlikely that it can account for more than a small percentage of the region’s youth unemployment, despite the attention it has received in these reports. As Fergusson and Yeates (2013) found in their analysis of World Bank documents related to youth unemployment, we also discovered that the number of unemployed and annual new entrants to the labour market are simply much greater than the current levels of job growth in all four of the countries included in the study, and it is implausible that any level of skills improvement would create the private sector job growth required to bridge this gap (see Table 4). Furthermore, we would expect to find workers’ wages being bid upwards if there was a regional shortage of skilled workers, as those with the requisite skills would become more valuable due to the limited supply, but there is little evidence of this happening in these countries’ labour markets. In fact, Chart 1 suggests that real wage growth among these countries has remained stagnant from 2000 to 2015, with Egypt demonstrating considerable volatility over this period.

**Chart 1. Real wage growth: 2000–2015**



Source: Author's calculations from dataset for International Labour Organization's 2016 Global Wage Report 2016/2017: Wage inequality in the workplace

Employer surveys from the region do not provide much evidence for this contention either. As shown in Table 5, employers in Egypt, Jordan, Morocco, and Tunisia reported that political instability, low access to finance, and corruption were the primary barriers to private sector growth. A skills shortage, as indicated by a poorly educated workforce, is considered by employers to be a relatively minor obstacle to growth.

Nonetheless, the Article IV Consultation reports as well as a number of policy documents produced by various ministries in these countries repeatedly invoke a skills mismatch as a key factor for depressing employment.

**Table 5. Select obstacles to firm growth: percent of employers indicating obstacle, 2013**

Economy	Year	Access to finance	Corruption	Courts	Crime, theft, and disorder	Electricity	Poorly educated workforce	Labour regulation	Political instability	Tax rates
<b>Egypt</b>	2013	10.4	5.5	0.2	4.4	9.2	<b>1.8</b>	2.4	48.8	3.9
<b>Jordan</b>	2013	31.2	4.6	1.4	0.6	1.8	<b>4.8</b>	6.0	10.6	23.2
<b>Morocco</b>	2013	9.8	20.6	4.6	1.2	2.4	<b>12.9</b>	2.6	7.7	8.8
<b>Tunisia</b>	2013	10.2	4.3	0.0	1.0	0.4	<b>10.2</b>	1.5	49.8	2.4

Author created table from 2013 World Bank Enterprise Survey data, downloaded from <https://www.enterprisesurveys.org/portal/index.aspx#/library?dataset=Enterprise%20Survey>, December 1, 2017

In their 2016 report on the constraints on private sector growth in the MENA region, de Lima et al. (2016) analysed the World Bank's Enterprise Survey, a survey of over 6000 manufacturing and service sector firms in eight countries from 2013 to 2014. They found that the average share of workers under 30 years of age in the private sector

across the region is 43%. The survey results suggest that firms with higher percentages of young workers provide more training than other firms, which de Lima et al. interpret as evidence of a skills deficit among younger workers. This practice, however, could be just as well explained by endogenous factors including a propensity for firms that hire a younger workforce to also be firms that have more progressive human resources policies and provide more incumbent worker training. The authors only speculated the cause behind the higher tendency for these employers to train; yet, they asserted that graduates do not have the skills required to compete in the private sector. Results from a recent survey of youth, related to their labour force attachment (Table 6), suggests that the reasons for unemployment have less to do with inadequate skills than with too few employment opportunities.

**Table 6. Labour market panel survey of youth  
(percent indicating reason for unemployment)**

Reason unemployed Egypt, Jordan, Tunisia. Youth 15-24, 2010-2014	
Absolutely no work	61.3
No work corresponding to qualifications	18.7
No work at acceptable pay	7.2
No work at suitable employer	6.3
No work at suitable location	2.5

\*Author analysis of Egypt, Jordan, Tunisia – Integrated Labour Market Panel Surveys, ILMPS, Egy-1988-1998-2006-2012, Jor-2010, and Tun-2014y, Economic Research Forum

A focus on skills gaps bears the implication that high levels of unemployment throughout the region are the fault of outdated education systems and poor preparation on the part of the unemployed. This notion has been common currency in workforce development programming and policymaking in parts of the West for decades, particularly in the United States. Several economists (e.g., Cappelli 2014; Krugman 2014) have criticized this line of economic reasoning for its tendency to shift the burden from employers, who ought to either raise wages to attract the labour supply they require it or provide more on-the-job training, and policymakers, who ought to manage the economy such that there are ample employment opportunities, onto educators and workers. Coming from an institution like the IMF, such analysis appears to absolve their market-led policies of the long-standing failure to absorb the existing workforce into formal labour markets. Given the continued severity of unemployment in these countries and the volatile political atmosphere that the Arab Spring caused, it is perhaps somewhat shortsighted to recommend that these countries rely on skills training initiatives and the private sector alone to defuse the mounting employment-related tensions.

## Case Studies

This section provides an overview of the new policies and programmes that emerged post-Arab Spring in the four MENA countries covered in this study. Policymakers in the countries chosen have, at minimum, discussed a range of policies and initiatives—typically characterized by ambitious language and lofty goals but with few metrics and minimal specifics in terms of implementation, in order to address their respective youth unemployment problems. Efforts range from defining state-level commitment and permitting INGOs to create additional programmes (at the lower end of the spectrum) to constitutional reform, complete with committees charged with implementation (at the

upper end of that same spectrum). The question of achieving sufficient scale and the ability to reach the numbers necessary to make substantial differences in youth unemployment are likely closely related to where a state's effort might lie on this spectrum.

## **Egypt**

### *Policy environment and labour market characteristics*

For policy analysts, Egypt perhaps simultaneously represents the most promising and most frustrating policy environment among the four countries included in our study. On the one hand, proponents of the sort of revolutionary change that was desired seven years ago can point to only a handful of identifiable changes in the policy environment, without much confidence that these will result in fundamental change. On the other hand, Egypt's Arab Spring uprising arguably represented the largest groundswell of popular support in the region, with the images from Tahrir Square in January of 2011 defining the Arab Spring for many in the West. Despite mounting frustration with the Sisi government, activists and reformers appear to be adopting the long view regarding the pace of change.

In terms of how it perceives the functioning of the labour market, Egypt, more than any of the other three countries covered in our study, appears to operate within a highly laissez-faire, market-oriented policy-development environment. Youth unemployment is seen as a problem that can be best solved by economic growth rather than through state intervention. Employment is viewed as a favourable but secondary outcome of policies that have been created to promote economic growth. The few public initiatives and state-supported programmes that specifically target youth employment, including supporting self-employment, have been limited in scope and impact.<sup>8</sup><sup>9</sup>

Beginning in the 1980s and continuing to the present, the IMF and the World Bank have encouraged the Egyptian government to undertake a series of structural reforms that have often weakened the state's ability to fund social programmes, among other things. Calls for deregulation led to privatization schemes benefitting the country's elite, to cuts in agricultural subsidies, and to a considerably *reduced* scope for the public sector. The subsequent cuts to public sector employment reduced the percentage of population employed in the sector from 9.2% to 8.1% between 2000 and 2010 (Baddock et al. 2015).<sup>10</sup>

These economic factors, coupled with the steadily increasing disaffection among both the military and the wider population for Mubarak's rule and his moves to position his son, Jamal Mubarak, as the next Egyptian president, were among the immediate precipitating events of the January 2011 protests and the occupation of Tahrir Square. These protests led to Egypt's first democratic presidential election in mid-2012, which was won by Mohammed Morsi, the Muslim Brotherhood candidate. Morsi led the drafting of a new constitution that was approved by referendum in December 2012.

<sup>8</sup> E.g., Egypt@Work, supported by the MasterCard Foundation, was a \$5 million four-year initiative designed to serve "at-risk" youth between the ages of 15 and 34. It trained 12,681 youth, of whom 78% were placed in employment. In other words, over four years, this highly-touted training programme succeeded in assisting 9,891 youths find employment, roughly 2,500 per year. Each year Egypt adds approximately 600,000 new entrants to the labor market.

<sup>9</sup> In contrast, Morocco, Jordan, and Tunisia have explicitly focused on youth unemployment, either in their post-Arab Spring constitutional reforms, in their ministry policies and programmes, or both.

<sup>10</sup> It should be noted that public sector employment in the MENA region during this period was, on the average, already lower than that in the OECD countries: 6.6% and 7.8% respectively.

Deep divisions in the Egyptian society between pro- and anti-Islamists led to renewed protests and social instability that continued through the first half of 2013, at which time Morsi was deposed by the military and replaced by the interim president Adly Mansour, who was the chief justice of the Egyptian Supreme Court. Throughout the summer of 2013, pro- and anti-Morsi protesters clashed, providing the Egyptian military—led by the chief of staff of the Egyptian Armed Forces, Field Marshall Abdell Fattah el-Sisi, a pretext for violent suppression of the protests. By March 2014, Sisi had resigned from the military, and two months later, he ran virtually unopposed for president (e.g., Brownlee et al., 2015 for a more thorough accounting of Sisi's rise). Unlike Morocco and perhaps Tunisia, constitutional reforms providing youth with a greater say in economic and political life have not emerged in post-Arab Spring Egypt. In fact, Sisi's government has quickly earned notoriety for its human rights abuses, with the youth who led the Arab Spring uprising among his primary targets.<sup>11</sup>

There is little argument about the fact that security concerns continue to overshadow most other policy decisions in Egypt at the moment.

Since the revolution in 2011 and the coup in 2013, regional conflict and the resulting collapse of the tourism industry have contributed to a steady rise in youth unemployment, from 26% in 2010 to 42% in 2014. Regional instability and the growing activity of the Islamic State in the Sinai have resulted in a policy environment that is dominated by security concerns and the necessity to maintain order. There are implications of this policy focus for youth unemployment and for employment in general, at least as far as the government is concerned: political instability has frightened off investment, whether foreign or domestic, and until there is some semblance of order, the investment needed to create jobs will not likely occur (Khan 2014).

Domestic security concerns have also led to heightened scrutiny and suspicion directed towards the NGOs operating in Egypt, many of which exist for the purpose of educating and training the youth for employment.<sup>12</sup> Restoring political stability and investor confidence are seen by IFIs as prerequisites for reviving economic growth to pre-Arab Spring levels and are, therefore, perquisites to addressing youth unemployment in a more comprehensive manner. In its proceedings from the Deauville Partnership meetings,<sup>13</sup> the IMF noted that reviving the private sector in these countries would require, first, political stability and improvements in the business climate. The authors noted that this would take time (IMF 2013).

### *IMF influence*

Prior to 2011, the IMF's Article IV Consultation documents outlined a series of recommendations for Egypt, which were consistent with its avowedly pro-market neoliberal bent. Article IV recommendations in 2008 (IMF 2009a) and 2009 (IMF 2010a) included the following:

- strengthening public finances by increasing taxes and administration reforms
- privatizing state enterprises and supporting public/private partnerships

<sup>11</sup> For a full accounting of human rights abuses under President al-Sisi, see Human Rights Watch's 2015 report on Egypt, <https://www.hrw.org/world-report/2016/country-chapters/egypt>

<sup>12</sup> See <http://www.loc.gov/law/foreign-news/article/egypt-ngo-protest-decree-defining-terrorist-organizations/>

<sup>13</sup> Held in May of 2011, shortly after the Arab Spring revolts, the G8 convened representatives from the five Gulf Arab countries, Turkey, Jordan, Morocco, Tunisia, Egypt, and Libya to outline steps toward maintaining pre-Arab Spring economic reforms in the face of rapidly increasing tensions in most of these countries. Substantial loan guarantees were offered, conditional on the adoption of austerity measures and the rejection of populist pressure for increasing import tariffs on luxury items, increasing tax rates on corporations and wealthy individuals, reversing privatization of state-owned enterprises, among others.

- tightening monetary policy
- promoting austerity measures that focus on reducing wages and energy subsidies

These pre-2011 Article IV recommendations focused on measures that reduced public expenditure, which arguably contributed to greater social inequality and to the conditions that led to Arab Spring. Privatization of state enterprises is one such example. In his study of 69 state-owned enterprises that Egypt privatized between 1994 and 1998, Omran (2004a) noted that, while profitability and dividends generally increased, privatization was associated with a significant decline in employment. Moreover, Omran (2004b) found no significant difference in performance between state-owned enterprises (SOE) and the SOEs that were privatized. Similarly, in their study of the intersection between macroeconomic policies and employment in Egypt, Haq and Zaki (2015) noted that Egyptian privatization efforts beginning in the 1990s were associated with GDP growth, but they had no measurable employment benefits. They instead recommended a more employment-focused macroeconomic framework to address youth unemployment.

Given the revolt's roots in a deep grievance for weak economic opportunity for Egypt's youth, one would assume that the Article IV recommendations issued in the years following the Arab Spring would, at least, acknowledge these concerns and, at most, turn the IMF's considerable influence toward support for fundamental change in Egypt's economy. Instead, the 2014 Article IV Consultation (IMF 2015a) suggested a degree of tone-deafness and a doubling-down on market-oriented solutions to Egypt's youth unemployment problem. The recommendations included the following:

- increasing investment from FDI and public/private partnership;
- reforming the labour market by addressing i) (a perceived) skills mismatch and between the skills offered by the Egyptian youth and the skills demanded by Egyptian employers; and ii) reducing public sector reservation wage;
- moving towards cash transfer scheme and reducing subsidies through better targeting; and
- increasing private sector involvement in the labour market, including greater support for entrepreneurship and Small and Medium Enterprises.

The recommendations continued to emphasize the primacy of the market in solving Egypt's youth unemployment problem, except they now included a focus on the often-trotted out artifice of a "skills mismatch" (see discussion above) without any rigorous evidence to support it. This particular assertion performs a double-duty in that it shifts blame for youth unemployment to Egypt's institutions and, ultimately, its youth alongside deflecting attention from the failure of market-led policies.

The International Labour Organization (ILO) reported that 78% of Egypt's 3.5 million unemployed are between the ages of 18 and 30, and 90% of them have some sort of secondary or postsecondary academic certification (El Zanaty 2014). Of all the workers with secondary education and greater qualifications, only 42% have access to work contracts. This figure falls to 6% among the population with less than a secondary education. Table 7 provides additional data concerning Egyptian unemployment, including the percentage of the unemployed that has completed some level of tertiary education. These figures are noteworthy in that they shed light on one of the proximate causes of the Arab Spring revolts, especially in Egypt: the failure of the economy to provide adequate employment opportunities, particularly for those who can presumably be most easily employed.

**Table 7. Unemployment in Egypt, 2017**

	Egypt	MENA Region
Population in the labour force	31,149,000	150,133,060
% of unemployed	12	11.45
% of unemployed between the ages of 15 and 24	35	29.1
% of total unemployed with tertiary education	33	27.2

Source: World Development Indicators, 2017, <http://data.worldbank.org/data-catalog/world-development-indicators>, modeled ILO estimates

Employment-related emigration to Gulf Cooperation Council (GCC) countries is encouraged and promoted as a de facto employment policy by the Egyptian government since the 1970s (Tsurapas 2018). Egypt's 3.4 million emigrants is equal to just over a tenth of its total labour force and makes up nearly 4% of its total population, ranking the country 18<sup>th</sup> globally in terms of work-related emigration<sup>14</sup> (World Bank Group 2016a).

Egypt's youth employment policy environment is somewhat fractured, as it relies on multiple plans with varying levels of specificity. Similar to other countries in the region, youth employment is addressed through a series of often disconnected and uncoordinated programmes and initiatives that are led by various donor agencies with different Ministry sponsorships. In her recent study of ALMPs in Egypt, Barsoum noted that Egypt's 180+ ALMPs are offered by "a myriad [sic] set of players, spanning the gamut from governmental institutions, quasigovernmental bodies in partnership with international donors, civil society organizations with support from local or international donors; and the private sector" and that this multiplicity of actors contributes to the lack of coordination in general (Barsoum 2017: 170, 174).

### *Progressive steps*

It cannot, however, be said that there has been no movement towards addressing youth unemployment in Egypt. Institutional reform, as with the country's Technical Vocational Education and Training (TVET), has been undertaken, and various plans that had been in existence since before 2011 have received renewed attention. For example, in early 2015, former Egyptian Prime Minister Ibrahim Mehleb announced that, through activities outlined in the Ministry of Manpower's National Action Plan for Youth Unemployment (NAP) (Ministry of Manpower and Migration, and International Labour Organization 2009), two million Egyptians would be employed the following year. Outcomes from the National Action Plan are not publicly available and were not made available to us.

Barsoum also suggested that subsidies and the political pressure to maintain public sector employment as the preferred ALMP for the country's educated youth crowds funding and support for ALMPs that would better serve women or those employed in

<sup>14</sup> Of the top 10 remittance receiving countries in the MENA region in 2014, Jordan, Egypt, Morocco, and Tunisia ranked 3<sup>rd</sup> (10.3%), 5<sup>th</sup> (6.8%), 6<sup>th</sup> (6.4%), and 7<sup>th</sup> (4.8%), as a percentage of GDP, respectively.

the informal sector. She concluded that Egypt, in a similar manner as many other countries of the region, must integrate and coordinate its ALMPs within the country's broader welfare system. Regardless of whether public sector employment crowds out the private sector, the failure to build a coordinated system that can create and maintain clear youth employment policies implies the worsening of youth unemployment and the potential expansion in the number of youth seeking employment in the informal labour market (Barsoum 2017).

### *National strategy and planning*

#### **The Ministry of Planning's Strategic Framework for Economic and Social Development**

The Strategic Framework for Economic and Social Development (Arab Republic of Egypt, Ministry of Planning and International Cooperation 2012), jointly developed with the Japan International Cooperation Agency in 2012, outlines a framework for policy creation through 2022. The Framework merits mention here, as it represents one of the few Ministry-level attempts to (as it states) serve as a "basic starting point (for) social discussion" regarding sustainable development and its implications for "justice, equality, and equal opportunities" (p.3). Highly descriptive yet short on detail, the Framework does not promote specific policies but suggests initiatives that might be undertaken in order to improve economic and social development. It is unclear whether and to what extent any of the suggestions contained in the framework have been pursued to date.

#### **Egyptian Forum for Youth Employment Promotion**

In March 2014, representatives from Egypt's Ministry of Planning and International Cooperation, Ministry of Education, and Ministry of Manpower and Migration, along with representatives from the private sector, civil society, trade unions, and development organizations, convened to launch the Egyptian Forum for Youth Employment Promotion (YEP) (Ministry of Planning and International Cooperation et al., 2014). The meeting intended to identify policy priorities designed to address youth unemployment. The participants of the meeting coalesced around four key priorities. In rank order according to the level of support among the 30 representatives, they were (1) the introduction of monitoring and evaluation (M&E) mechanisms for labour market policies; (2) the provision of labour market information; (3) the provision of career guidance at an early stage; and (4) public works programmes.<sup>15</sup> Selecting the introduction of an M&E system and the collection of labour market information as top priorities suggests an acknowledgement among YEP representatives that the absence of these elements has contributed to Egypt's weak workforce development system.

While the launch of YEP suggested a concerted effort at the state level to address youth unemployment, it should be noted that funding and administration of the Employment Promotion Programme (EPP), the parent programme of YEP, is provided by Deutsche Gesellschaft für Internationale Zusammenarbeit, albeit in partnership with the Egyptian Ministry of Education and the National Center for Human Resources Development. This is suggestive of either an inability or an unwillingness on the part of the national government to fully support what is one of the most promising initiatives to emerge

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<sup>15</sup> Conspicuous by its absence is any mention of a skills-gap in this list, suggesting that this is seen as less of a source of unemployment by the ministries than it is by the IMF.

from Egypt since 2011. There is evidence that EPP, and presumably YEP, are continuing to operate into 2017.<sup>16</sup>

### *Human capital and capacity building*

#### **Technical and vocational education and training**

Egypt's Ministry of Education operates the country's secondary school-based TVET system. As with other youth employment-oriented programmes that were in existence prior to 2011, the Arab Spring brought renewed focus on TVET, with multiple aims, including those related to improving the system for examining and assessing technical secondary education, to integrating industry-related specializations into technical secondary education and testing new models for future TVET programming.

In 2011, the Ministry of Education articulated these aims in its Technical Education Strategy (TES) (2011/2012–2016/2017), referring to it as “a framework for technical education in Egypt . . . with the aim to establish a technical education system that plays a crucial role in economic and social development by providing high quality education that fosters scientific, creative and critical thinking, learning for life, social values, and technical skills” (UNESCO-UNEVOC 2012).<sup>17</sup> There is little evidence that Egypt has made any progress towards the implementation of the recommendations toward improving its TVET system outlined in the TES.

#### *Direct provision of jobs*

Barsoum (2017) provided a thorough overview of Egypt's ALMPs, sorting them into four categories: public sector employment, vocational training, employment (or “job matching”) services, and the Social Fund for Development. Two common denominators across these efforts to address youth unemployment, except for public sector employment, are a lack of coordination within a unitary workforce development system and the weak or inconsistent funding provided to the hundreds of NGOs and vocational training programmes that have been set up to assist employment and training.

Since the 1960s, public sector employment has been considered as a part of the system of political patronage in Egypt, whereby educated youth are provided public sector employment in exchange for political and social stability (which some refer as a “social bribe”). This may, however, be a case of post hoc ergo propter hoc fallacy; the provision of public sector employment to an otherwise potentially discontent youth population may have bought about a certain measure of stability, at least prior to 2011; however, other valid reasons are likely at play. Scarce (formal) private sector employment opportunities and the reluctance on the part of better-educated Egyptian youth to simply accept any job sharply contrasts with the attraction of public sector employment's relatively good pay and benefits, its ability to confer some degree of social status, and ultimately its ability to secure a place in the Egyptian middle class.

Nonetheless, and in line with the recommendations from the IMF (International Monetary Fund, 2010a), Egypt reduced recruitments into the public sector during Mubarak's last years in power, and educated youth were encouraged to take the

<sup>16</sup> However, as we were unable to secure interviews with any Egyptian ministers, despite numerous requests, we cannot confirm the extent to which the priorities identified by the YEP have been addressed.

<sup>17</sup> Downloaded from [www.unevoc.unesco.org/go.php?q=World+TVET+Database&ct=EGY](http://www.unevoc.unesco.org/go.php?q=World+TVET+Database&ct=EGY), June 1, 2016.

relatively few private sector jobs on offer in the oil, gas, and finance industries. As is the case in other countries of the region, the supply of labour far exceeds the demand, and blaming educated youth for their alleged obstinacy does little to change the fact that there are simply not enough jobs on offer to make a significant difference in the nation's youth unemployment rate (e.g., Adly, 2016).

### Social Fund for Development

Chaired by the Prime Minister and funded largely through bi-lateral aid and IFI grants (primarily from the United Nations Development Programme), the Social Fund for Development (SFD) was established in 1991 as Egypt's primary social safety net programme. The SFD's mission is to address the needs of the population that is most adversely affected by the country's various structural adjustment programmes. The SFD operates as a semi-autonomous organization with a mandate to "(1) reduce poverty by supporting community level initiatives, (2) increase job creation and employment opportunities, and (3) encourage small and micro enterprise development" (El-Mahdi 2011:100).

In post-Arab Spring Egypt, the SFD plays a supportive role in creating employment opportunities for youth through the reduction of the interest rates on loans to entrepreneurs, funds labour-intensive infrastructure projects, and improves living conditions in particularly poverty-stricken areas. The UNDP's website lists several accomplishments of the SFD, including

- "supporting 178,253 micro- and small-enterprises through the provision of a total of 3 billion EGP (approx. \$500m) in loans and creating an estimated 217,991 jobs, with 44 per cent of loans going to female-owned businesses;
- training 957 staff in to increase SFD's services and delivery, and developing a 'Strategic Results Framework' to enhance its results-based management systems;
- supporting 13 banks and their employees in credit and value chain management, Islamic banking and agricultural financing;
- training a total of 657 specialists on management of small agricultural projects and start-up businesses; and
- implementing 64 new infrastructure projects and 392 community social service projects to provide social protection, better infrastructure and services to the poorest districts of Egypt"<sup>18</sup>

In their quasi-experimental impact evaluation, Abou-Ali et al. (2009) found that the SFD produced positive outcomes in literacy, sanitation, and poverty in general. However, the authors also noted that the SFD's impact on employment has been mixed. While the fund's literacy investments have exerted no measurable impact on employment, its investments in road maintenance and improvement have produced modest but significant employment gains. None of our interviewees, however, credited the SFD with contributing significantly to efforts that are specifically designed to reduce youth unemployment.

### Migration and mega-projects

In addition to public sector employment, migration and mega-projects are the two employment strategies that were most frequently mentioned in response to our questions about state-level youth employment policy. As with other labour-exporting countries in the region, migration could act as a safety valve for discontent by removing pressure

<sup>18</sup> [www.eg.undp.org/content/egypt/en/home/operations/projects/poverty\\_reduction/SFD.html](http://www.eg.undp.org/content/egypt/en/home/operations/projects/poverty_reduction/SFD.html), June 22<sup>nd</sup>, 2016

from the domestic unemployed labour force and providing a substantial source of income and remittances. Advocates for a formal system of ALMPs view the country's reliance on exporting unemployed workers for maintaining social stability as a strong indictment of the prevailing economic growth approach to workforce development, noting that economic growth strategies have proven insufficient for the task of adequately employing Egypt's youth.

Mega-projects, as components of broad, comprehensive public works programmes (e.g., the United States' Depression-era New Deal programmes, the Mahatma Gandhi National Rural Employment Guarantee Scheme, the South African Expanded Public Works Programme) can be effective employment and skills development strategies when they are properly managed. The opportunity for skill development and labour market advancement is considerable in these long-term, often highly technical projects, and the potential to apply these skills for the further development of the country should not be overlooked. Moreover, Egypt's publicly funded<sup>19</sup> investment in mega-projects has gained support from a wide range of multinational firms, IFIs, and bi-lateral aid agencies. Support has been committed for infrastructure development and improvement, housing construction, power generation, industrial zones and parks, retail development, and the widening of the Suez Canal. Whether these projects have the scope and breadth to employ sufficient numbers of youth, particularly those with postsecondary credentials, remains unclear.<sup>20</sup>

### Entrepreneurialism

As in other countries in the region, entrepreneurialism is promoted as a viable employment strategy for the youth. Entrepreneurial-focused projects, such as INJAZ Al-Arab, a youth-oriented entrepreneurial training programme operated by the INGO JA Worldwide, exist and are expanding in number.

Experts we consulted pointed out several difficulties in relying on entrepreneurialism to adequately address youth unemployment. First and foremost, Egypt's Ministry of Investment, the ministry with the primary responsibility for managing and overseeing the country's investments in entrepreneurs, has suffered from high turnover among staff members and ministers (three within a six-month period in 2015). This lack of stability has led to a lack of confidence among potential beneficiaries and supporters of the Ministry's programmes. Second, issues related to land allocation and funding needed for start-ups were cited as barriers, with many young entrepreneurs resorting to crowd-funding to raise investment funds. Finally, the government has not made labour market information available to researchers and entrepreneurs, making planning difficult for anyone who aims to create employment opportunities for appropriately utilizing available labour.

<sup>19</sup> Estimates vary, but as much as 80% of the \$8 billion. The Suez Canal widening project was raised by the public through state-issued development bonds.

<sup>20</sup> While data on the employment impacts of Egypt's mega-projects are scarce, the Oxford Business Group's 2014 online article provides some rough estimates. Excluding the Suez widening and power generation projects, the authors estimate that, across the planned housing construction, technology parks, and retail development projects, Egypt will generate an additional 80,000 jobs over the next 10 years (<https://www.oxfordbusinessgroup.com/overview/mega-projects-abound-nation-rebuilds-itself>). In June 2015, the Financial Times reported that the Egyptian government estimates that the Suez widening project will create an additional one million new jobs (<https://www.ft.com/content/2c18da3a-3aa8-11e5-bbd1-b37bc06f590c>).

## **Morocco**

### *Policy environment and labour market characteristics*

Unlike in Egypt, Arab Spring revolts in Morocco were largely non-violent and short-lived. They, however, resulted in substantial reform, at both the policy and civil society levels. Constitutional reform and the creation of various fora for the youth to engage in shaping policy are direct results of the responsiveness of a popular monarch and of youth and civil society actors who led protests to demand these changes.

In his opening statement to the United Nation's Committee on Economic, Social and Cultural Rights in September of 2015 (Ministry of Economic and Social Affairs and Kingdom of Morocco 2015), the Kingdom of Morocco's Minister of Employment and Social Affairs, Abdeslam Sedikki, called the Committee's attention to a lengthy list of plans, programmes, and projects that were designed to improve human rights in the country. Among these were Morocco's Integrated National Strategy for Youth, a National Strategy for Employment, and a National Plan for Human Development. Of the four countries covered by our study, Morocco appears to have moved the furthest towards addressing the issues that led to the 2011 uprisings in the region. Its new constitution

includes provisions that relate to the protection of property, free initiative and entrepreneurship, free competition, the right to strike, the right to cultural and artistic creativity and scientific and technical research. It consecrates the right to access to medical treatment and health care, social protection, modern education, vocational training, physical and artistic education, adequate housing, employment [...] It also ensures the participation of young people and women in economic and social development, establishment and implementation of policies that are oriented to persons and groups with special needs, achievement of sustainable human development, and making economic, social and territorial solidarity a core value of the Moroccan society" (emphasis added) (Ministry of Economic and Social Affairs, Kingdom of Morocco 2015:4)

Activity on the ground has reflected these ambitious goals, including those concerning youth employment. In our interviews, ministry officials cited numerous plans and initiatives that were already underway. New offices have been created to collect, analyse, and apply labour market information, and job-matching offices are operating throughout the country.

These efforts have occurred against a backdrop of persistently high youth unemployment. Youth unemployment rates in Morocco have ranged from a low of 15.3% in 1998 to a high of 20.4% in 1999 and have hovered around 17.5% since 2011. According to Morocco's Ministry of Youth and Sport, 18% of the youth between the ages of 15 and 29 have given up looking for work, another 21% are housewives, and 5% are inactive for other reasons, such as health. The Ministry also estimated that 87% of those employed are in informal employment and thus lack the protections afforded by formal employment contracts. In rural areas, 68% of women and youth are reported to be underemployed or engaged in unpaid agricultural work (Ministry of Youth and Sport 2014).

Morocco's economic underperformance is not a recent development. Since the early 1970s, Morocco's GDP growth has lagged well behind that of other lower-middle income countries (at 3.33% vs. 5.35% respectively). The same holds for per capita GDP growth (at 2.05% vs. 3.84%) (World Bank 2016b). Multiple and competing

explanations for Morocco's slow growth have been offered, ranging from the supposed role that institutions play in hampering political parties in the policymaking process (Cherkaoui and Ben Ali 2007) to deindustrialization (Rodrik 2015; Ali and Msadfa 2017) and the failure of neoliberal reforms (Zemni and Bogaert 2009). Whatever the underlying cause may be, growth in Morocco has been sluggish for long and has not translated into significant increases in employment rates for Morocco's youth (see Table 8 below).

As with the other countries included in our study, Morocco faces the stark reality that recent levels of job creation are inadequate, considering the growing number of new entrants into the labour force each year (see Table 4).<sup>21</sup> This shortage is felt most acutely by those entering the formal labour market<sup>22</sup> with either secondary or postsecondary diplomas. According to the Kingdom's newly created l'Observatoire National du Développement Humain (National Observatory for Human Development), there are approximately 80–90,000 postsecondary graduates each year and an additional 150,000 graduates from the vocational education system. They compete for roughly 160,000 job openings each year, resulting in over 60,000 graduates who are annually added to the already high stock of unemployed (data gathered from the interview with the Moroccan official charged with collecting labour market data for l'Observatoire, January 17, 2016).<sup>23</sup>

**Table 8. Unemployment in Morocco, 2017**

	Morocco	MENA Region
<b>Population in the labour force</b>	12,714,484	150,133,060
<b>% of unemployed</b>	9	11.5
<b>% of unemployed between the ages of 15 and 24</b>	17.4	29.1
<b>% of total unemployed with tertiary education</b>	18.5	27.2

Source: World Development Indicators, 2016, <http://data.worldbank.org/data-catalog/world-development-indicators>, modeled ILO estimates

Moreover, a substantial portion of this meager job growth is believed to occur in the informal sector, where the skills threshold required to land a job is typically much lower. L'Observatoire reported that nearly two-thirds of the jobs created in Morocco each year do not require any educational qualification. The high number of school dropouts, especially girls, further expands the pool of youths between ages 15 and 24 who are unemployed and do not possess a degree. Current employment policies and insertion programmes do not provide much support to this less educated population, as they mostly target candidates having a middle school diploma at least (data gathered from the interview with the Moroccan official charged with collecting labour market data for l'Observatoire, January 17, 2016). Additionally, the government has invested heavily in introducing technology in the agricultural sector, which has increased productivity at the cost of displacing many young workers. Illiteracy rates in rural areas are as high as 80%, and the new technology that the government promotes requires a degree of literacy that many lack. This reported “skills mismatch,” as the argument

<sup>21</sup> The CIA World Fact Book for 2016 reports that 39.1% of Morocco's labor force is in the agricultural sector, 20.3% in industry, and 40.5% in services.

<sup>22</sup> Estimates vary, but officials at l'Observatoire estimate that up to 49% of the working age population works in the informal economy.

<sup>23</sup> By its very nature, the informal economy is difficult to measure. Estimates for the size of the informal economy in Morocco range widely, but Saif (February, 2016), writing for Al-Hayat, puts it at approximately 30% of the total workforce and 40% of economic activity in Egypt. Othmane and Mama (2016) modelled the size of the Moroccan informal economy and estimated that it made up 42.9% of GDP in 2015.

goes,<sup>24</sup> prevents the unemployed from filling existing positions in relatively high-paying jobs (per interview with Moroccan official charged with collecting labour market data for l'Observatoire, January 17, 2016). Additionally, l'Observatoire noted that secondary and postsecondary graduates lack the skills required by growth sectors such as the aeronautics, IT, automotive, and renewable resources industries.<sup>25</sup>

Notably absent from this list are policy efforts to expand the number of positions available in the public sector. Currently, these jobs represent only 9% of the total employed population, compared to an average of 18% for Organization for Economic Co-operation and Development (OECD) countries (author's calculations from Baddock et al. 2015). However, they remain highly sought-after by college-educated youth for their benefits and job security. Despite the opportunity that these occupations provide to educated Moroccans, IFIs such as the IMF view them as an unsustainable burden on the country's budget and call for their reduction. The government has responded by attempting to improve efficiency and productivity of its already relatively small public sector by tying promotions to performance rather than to seniority (World Bank 2016b).

This three-pronged problem—an inadequate number of jobs to meet the demand of a growing labour force, the lure of the informal sector and its lower skills requirements, and a purported skills mismatch<sup>26</sup>—could be the factors that contribute to the large numbers of youth who withdraw from the formal education system and end up unemployed for extended periods. These individuals are collectively referred to as NEETs (Not in Education, Employment, or Training), and at present, they comprise nearly 50% of Moroccan youth or approximately 4.5 million (data collected from the interview with the Moroccan official charged with collecting labour market data for l'Observatoire, January 17, 2016).<sup>27</sup>

### *IMF influence*

The fact that the country was able to avoid conflict in 2011 and following it says more about deft political moves in the kingdom (described below) than about substantive changes in employment policy, particularly as it relates to the economic policies recommended by the IMF in its Article IV reports.

For example, the 2009 Article IV report on Morocco (IMF 2010b) provided a very familiar list of standard neoliberal recommendations, including

- continuing with trade liberalization policies, including moving to a more flexible exchange rate regime;
- reforming the subsidy programme by replacing the universal subsidy with a targeted subsidy that should not be more than 2% of the GDP;
- providing temporary support to protect employment through job training and a reduction in social security contributions;
- implementing structural reforms to increase productivity by improving the business environment and raising capital investment;

<sup>24</sup> See discussion of skills mismatch above.

<sup>25</sup> The Massachusetts Institute of Technology's Observatory of Economic Complexity (Simoes et al., 2017, downloaded from <http://atlas.media.mit.edu/en/profile/country/mar/> on May 9, 2017) reports that aeronautics constitutes approximately 1% of Morocco's exports, IT between 2–5%, automotive 10–12%.

<sup>26</sup> See Table 4 for evidence contrary to the skills mismatch claims.

<sup>27</sup> While estimates of NEET rates in developing countries are difficult to obtain and fall beyond the scope of this study, Assaad (2013) used census data from the IPUMS-International database to estimate NEET rates in 2012 for Egypt and Jordan. In Egypt, Assaad estimates that approximately 31% of youth were NEET, with this figure disaggregating to 53% for women and 8% for men. In Jordan, these figures are 45% 53%, and 27% respectively. These figures suggest that the estimate of 50% reported in our interviews with officials from l'Observatoire is likely accurate.

- improving the efficiency and composition of public spending and simplifying tax and trade regimes; and
- implementing market-oriented reforms related to education, health, and the judiciary, alongside sector strategies to increase investment, production, export, and employment.

Following the Arab Spring, the IMF's stance has hardly changed (IMF 2013; IMF 2016). Its recommendations included the following:

- reductions to the wage bill by ensuring that no new wage increases are given in the public sector;
- increased emphasis on trade liberalization in the hopes that this will result in higher economic growth;
- enactment of reforms in the labour market by increasing private sector involvement; and
- implementation of tax reforms.

Policy emphasis reflected in the post-Arab Spring recommendations remains on increasing productivity and the assumption that this growth will benefit the broader labour market and presumably the unemployed Moroccan youth.

### *National strategy and planning*

#### L'Observatoire National du Développement Humain (National Observatory for Human Development)

As noted from the minister's remarks above, Morocco has taken a number of steps towards addressing youth unemployment, including the creation of l'Observatoire National in January 2015 to monitor workforce development indicators and the labour market. L'Observatoire, which is composed of representatives from the government, the private sector, and labour unions, grew out of the Ministry of Employment and Social Affairs and now operates as a semi-autonomous office that reports directly to the president of the government. It is responsible for conducting evaluations of ALMPs, monitoring job quality and the quality of professional organizations, addressing employment-related conflicts, and proposing and reviewing labour laws (data collected from the interview with the Moroccan official charged with collecting labour market data for l'Observatoire, January 17, 2016). L'Observatoire has a partnership until 2025 with the ILO's office in Morocco for developing its structure and working processes.

#### Ministry of Finance

Morocco's Ministry of Finance monitors economic performance, including changes in labour demand, the employability of new entrants into the labour market, and the data used to ensure labour market transparency (including gender-sensitive budgeting).<sup>28</sup> The Ministry is also responsible for providing technical assistance and policy recommendations to other ministries and to the parliament with respect to programme and policy impact, monitoring and evaluation, and labour market performance. While the Ministry has been in existence for decades, the Arab Spring and the ensuing constitutional reform have renewed its focus on youth employment, thereby leading to the recent establishment of the Economic Forecasting Department. This department is tasked with reducing inequalities that affect youth access to the labour market and tracking employment statistics related to youth employability (interview with Ministry of Finance official, January 20, 2016).

<sup>28</sup> Available at [transparencymaroc.ma](http://transparencymaroc.ma) and [finances.gov.ma](http://finances.gov.ma)

### Ministry of Employment's National Agency for Employment Promotion and Skills

As with other employment-related institutions in Morocco, the creation of the National Agency for Employment Promotion and Skills (ANAPEC) in 2001 preceded the Arab Spring but has recently garnered increased attention and governmental support. ANAPEC's national network of 74 employment and training offices serves as the main state-supported labour market intermediary between job seekers and employers. While it operates several ALMPs, ANAPEC is not an ALMP itself but instead acts as the institutional infrastructure from which Morocco administers much of its broader workforce development system. The primary function of ANAPEC is job matching, but its offices also provide space for non-technical training, job fairs, and interviews with prospective employers. ANAPEC's services are currently available only to those who hold at least a secondary school credential, and staff pay is partly dependent on the number of individuals placed into jobs.<sup>29</sup>

ANAPEC is funded by the Moroccan government, with an annual budget in 2016 of approximately \$100 million for the entire network—an amount which has not substantially increased since 2009 (Angel-Urdinola et al. 2013). Data on ANAPEC's performance was not made available to researchers, but Angel-Urdinola et al. found that in 2009 ANAPEC posted 27,638 vacancies and placed 4,355 of its 517,000 jobseekers (41% of whom were women and 33% university graduates).

### Office of Vocational Training and Employment Promotion

While not new, the Office of Vocational Training and Employment Promotion (OFPPT) has also received greater attention in post-Arab Spring Morocco. The OFPPT serves primarily to coordinate various private sector, NGO, and ministry education and training programmes. Along with the Mohammed V Foundation for Solidarity and the Al-Omran Group, the OFPPT has recently been appointed as one of the lead partners in the Kingdom's "Professional Training Centers" initiative. The initiative complements and strengthens many of the country's existing youth employment programmes, concentrating on poor, out-of-school youth, providing them with training in electrical engineering, software development, web development, graphic design, business management, and several other professions. As it only became operational in 2016, it is too early to know whether this urban youth-based initiative will be made available to rural youth.

### National Employment Strategy

Morocco's National Employment Strategy (NES) represents a significant leap forward in terms of addressing the country's youth unemployment issue. Adopted in 2015, the NES is a ten-year plan to, as one ministry official stated, place employment at the center of public policymaking by including employment in the agenda of all ministries. The NES acknowledges that weak job growth is a primary cause of youth unemployment and has accordingly made job creation a priority, especially focusing on projects that specifically target low-skilled and rural youth and women. The NES promotes human capital development as a poverty reduction strategy, rather than simply as a means to meet employers' skill needs, and speaks of a right to employment for men and women (ILO 2015).

<sup>29</sup> This type of "pay for performance" payment scheme is consistent with policy recommendations forwarded by the World Bank in its series of employment and training publications issued in 2013 (see Angel-Urdinola et al., 2013; World Bank, 2013). In the countries where this payment scheme has been implemented, it has contributed to the practice known as "cream-skimming," or focusing resources on individuals who are most likely to benefit. While this practice may boost employment placement rates, it also has the effect of neglecting services for those in need of more intensive education, training, and employment services (e.g., Barnow, 2009).

Key components of the NES include a review of the youth labour market and employment policy, the inclusion of youth employment strategies in a national action plan, a series of capacity building programmes and national policy dialogues to formulate and implement youth employment policy, and the modernization of youth employment services and programmes, especially those that address the needs of youth in rural areas (ILO 2015). Most importantly, the NES also focuses on improving governance as it relates to ALMPs and policies. In particular, the NES outlines plans for reforming labour regulations, building capacity within institutions responsible for employment and training, and increasing the use of labour market data, information, and analysis in programming and policymaking. With respect to labour regulations, the NES calls for the easing the hiring process and for implementing measures to protect vulnerable workers. The NES also calls for the expanded use of “workforce intermediaries,” which can include NGOs, postsecondary institutions, labour unions, and private vendors, charged with facilitating connections between job-seekers, education and training programmes, and employers. With regards to capacity building, NES objectives include dedicating staff members to managing employment and training programmes and increasing institutional capacity to fight against employment discrimination and to enforce labour laws.

### **Stratégie Nationale Intégrée de la Jeunesse**

Another direct outgrowth of the Arab Spring with implications for youth employment was the adoption in 2014 of la Stratégie Nationale Intégrée de la Jeunesse (Integrated National Youth Strategy) (Moroccan Ministry of Youth and Sport 2014). Drafted by the Ministry of Youth and Sport and the Interministerial Committee for Youth, the Strategy identifies five priority areas: increasing economic opportunities for the youth and improving their employability, increasing youth access to basic services, promoting youth participation in social and civic life, promoting respect for human rights, and strengthening institutional communication and governance.

### **The Economic, Social, and Environmental Council**

The Economic, Social and Environmental Council's (CESE) Committee on Employment and Professional Training was first established in Morocco's constitution in 1992, but its activity has increased post Arab Spring. The Committee, appointed by the King and the parliament, is an independent consultative entity that exists to advise the Moroccan government on matters related to employment, trade unions, business development, and economic development. The CESE commissioners draft opinions on the programmes, projects, and laws that Moroccan ministry officials present to it. The Committee published its first post-Arab Spring opinion on youth employment in December 2011, noting that youth employment measures remain limited in terms of impact and that there is a need for rationalized and territorial governance based on coherent institutional structures, continuous observation of the intersection between training and employment, and an expansion of the role of intermediation in the labour market (Benmoussa 2011). The report also recommended that the government promote entrepreneurship as an employment strategy for youth and that additional investments be made in training. Current priorities include youth employment, which the Committee recognizes to having been made complicated by the country's “youth bulge,” self-employment, and articulation of a vision for an education and training system that meets the needs of not just economic development but also the development needs of the country, recognizing that “the (growth-oriented) macroeconomic model has reached its limits” (CESE commissioners, interviewed on January 20, 2016).

### The High Council for the Promotion of Employment

Established in the Moroccan Labour Code in 2003<sup>30</sup> and serving as a coordination mechanism for employment policies, the High Council for the Promotion of Employment has played a more significant role in shaping youth employment policy in Morocco since the Arab Spring. The Council is an advisory organization chaired by the Ministry of Employment and Social Affairs and includes representatives from ANAPEC, chambers of commerce, professional associations, and unions. It is responsible for coordinating government policy on employment and advising on all matters concerning employment at the national level, including, among others

- creating the general guidelines for the government's employment policy;
- identifying measures to promote employment, including those related to youth integration and management of the labour market; and
- monitoring and evaluating these measures

### Youth Council

Morocco's post-Arab Spring constitutional reforms include the establishment of a nationwide participatory youth council (Consultative Council of Youth and Associative Action) and the establishment of quotas for youth representation in the parliament. The Country's Youth Council is intended to provide youth with a venue for increased participation in the Kingdom's political, social, and economic life. These steps and the establishment of the "Parallel Youth Government," a sort of voluntary, independent shadow parliament, represent innovative steps on the part of the kingdom to respond to calls by youth during the Arab Spring for reform rather than for radical change. It is believed that Moroccan youth will be better positioned to advocate for improvement in youth employment policy through better representation at the policymaking level. Critics of these efforts, however, have pointed to the absence, five years on, of the regulatory frameworks required to guide and inform youth contribution to local governance and national policy. Moreover, they have noted that, to date, there are no efforts to collect data and evaluate the contribution of the Youth Council (interview with representative of a youth-focused NGO in Rabat, January 15, 2016).

### *Human capital and capacity building and the direct provision of jobs*

The government of Morocco supports a limited number of programmes that are designed to address youth unemployment from a variety of angles, including programmes that focus on "complementary education" (or soft skills), tax incentives for companies that hire youth, technical assistance for entrepreneurs, and efforts to create a stable macro-economic environment in order to encourage business investment, among numerous others. A number of smaller programmes directly serve youth, although they largely focus on "employability" skills rather than technical or "hard" skills or promote self-employment and entrepreneurship.

Moukawalati (My Enterprise) is a state-funded loan programme that targets young entrepreneurs between ages 25 and 45 who have a small business project requiring funding. The funding provided ranges from 50,000 to 500,000 dirhams (\$5,354 to \$53,540).

IDMAJ (Insertion), administered by ANAPEC, is Morocco's state-supported paid internship programme. IDMAJ provides firms that hire interns on contract with waivers

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<sup>30</sup> See <http://www.emploi.gov.ma/index.php/fr/presse/actualites/10-emploi/173-cspe-emploi.html>

for the related social security and tax liability. These waivers can be extended up to three years. ANAPEC also pays firms 25,000 DH (or \$2,677) per university graduate hired on full-time, unlimited duration contracts (as per interviews with ANAPEC officials and staff members in a Casablanca center, January 17, 2016).

The Morocco Career Center Programme is a USAID-supported pilot programme that aims to improve the employability of the youth and to act as an intermediary between employers and the youth graduating from universities and vocational centers.<sup>31</sup>

In May 2012 and again in 2014, the World Bank provided Morocco with \$100 million in the form of the Morocco First Skills and Employment Development Policy Loans. Providing additional evidence of IFIs' focus on closing a presumed skills gap, the loans' primary objectives were to improve the skills match between the ones provided by the postsecondary and vocational education systems and the ones demanded by the labour market, in order to improve the effectiveness of ALMPs, to improve job quality, and to strengthen the country's labour market information system. Evidence of Arab Spring's influence on the issuance of the loan can be found throughout the documentation supporting the loan, particularly in the Programme Document issued on May 4, 2012 (Word Bank 2012), in which the authors noted that

The events in Morocco since the Arab Spring represent real pressure for meaningful and quick change and there are high expectations among the population that proposed reforms will be implemented in a credible manner . . . (and) the Government's 2012–2016 employment plan could raise large expectations among the population that, if unmet, could have political and social repercussions . . . While addressing these issues was important for poverty reduction and social inclusion before the Arab Spring, *it has become even more important because it also determines future political stability.* (Emphasis added)

This document goes on to identify several risks to effective policy implementation, including macro-economic risks (global economic slowdown, high food and fuel prices, and weather-related agricultural problems), governance risks (implementation difficulties, political interference, and accountability), implementation capacity risk (particularly at the university level and with ANAPEC), and programme coordination risk (coordination across all of the loan's sub-grantees) (Word Bank 2012).

## ***Jordan***

### ***Policy environment and labour market characteristics***

The Syrian civil war and the descent of Iraq into ever-deeper conflict have produced a refugee crisis in Jordan that, despite coping efforts, has begun to overwhelm the country's social services and the economic infrastructure. This regional conflict has succeeded the events of Jordan's Arab Spring as the driving force behind policy at the state level in the recent years. It would be impossible to overstate the effect that the refugee crisis, now in its eighth year, has had on Jordan's labour market and economy. The country's population has swollen by one-third as up to three million refugees from Syria and Iraq (UNHCR reports 700,000 registered refugees, while ministers quote figures between two and three million)<sup>32</sup> attempt to escape civil war and conflict.

<sup>31</sup> Downloaded April 15, 2016 from [www.irex.org/projects/morocco-career-center-programme](http://www.irex.org/projects/morocco-career-center-programme)

<sup>32</sup> See [www.refworld.org/country,,UNHCR,,JOR,,5851864b4,0.html](http://www.refworld.org/country,,UNHCR,,JOR,,5851864b4,0.html)

Up to 80% of these refugees and migrants (including many from sub-Saharan Africa, Egypt, and Morocco) are not in the refugee camps along the borders but instead find their way into Jordanian towns and cities, where they enter the informal labour market and potentially displace low-skilled Jordanians (interview with Jordanian Ministry of Labour officials, January 20, 2016). UNHCR reports that, between November 2015 and December 2016, 33,800 Syrian refugees had obtained work permits. Making matters more difficult for low-skilled Jordanians, Syrian and Iraqi refugees are reported to be better skilled and willing to work for lower wages than the workers they are displacing. The ILO (2015) reported that Syrian and Iraqi refugees, however, lack the basic labour law protection that is extended to Jordanian workers, and the process by which these refugees can retain a work permit has only recently been made clear and addressed by policy.<sup>33</sup>

Nevertheless, Jordan has not closed its borders but rather attempts to provide refugees with health and social services, placing a significant strain on the country's resources. In addition, and in partnership with Swedish International Development and Co-operation Agency (SIDA) and the ILO, Jordan has recently proposed a multi-part strategy to address both Jordanian and Syrian refugee unemployment, including an emphasis on conducting sector-based assessments with regards to employing Syrian youth, adopting a national apprenticeship system, and developing phone-based applications to facilitate transitions to employment.<sup>34</sup>

The recent influx of refugees is not the only way that regional conflict has affected Jordan's economy. Major trade routes have been closed or restricted in the wake of these wars, undermining national initiatives to attract foreign investment and spur job growth. The conflict-related increase in transportation costs is jeopardizing the competitiveness of Jordanian goods, as exports must now be shipped through the Red Sea to the Mediterranean Sea. This, in turn, has substantially driven up business costs, leading several large firms to close operations, thereby deterring further investment. World Bank figures suggest that net foreign direct investment has dropped by almost two-thirds between 2006 and 2015.<sup>35</sup> Against this backdrop, job growth remains sluggish: the addition of 31,000 net new jobs during the second half of 2015 represented the largest gain in recent years, with 23,000 added in the first half of 2015 and 17,000 added in the second half of 2014.<sup>36</sup>

**Table 9. Unemployment in Jordan, 2017**

	<b>Jordan</b>	<b>MENA Region</b>
Population in the labour force	2,446,266	150,133,060
% of unemployed	12.2	11.5
% of unemployed between the ages of 15 and 24	31.3	29.1
% of total unemployed with tertiary education	37	27.2

Source: World Development Indicators, 2016, <http://data.worldbank.org/data-catalog/world-development-indicators>, modeled ILO estimates

### *IMF influence*

Prior to the Arab Spring, the IMF's Article IV recommendations to Jordan (IMF 2009b; IMF 2010c) differed minimally from Morocco and Egypt's recommendations in that

<sup>33</sup> See [www.ilo.org/beirut/media-centre/news/WCMS\\_570884/lang--en/index.htm](http://www.ilo.org/beirut/media-centre/news/WCMS_570884/lang--en/index.htm)

<sup>34</sup> See [www.ilo.org/global/topics/youth-employment/projects/sida/WCMS\\_484201/lang--en/index.htm](http://www.ilo.org/global/topics/youth-employment/projects/sida/WCMS_484201/lang--en/index.htm)

<sup>35</sup> <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?end=2015&locations=JO&start=2006>

<sup>36</sup> Jordanian Department of Statistics, 2015 and 2016

they largely adhered to the standard list of neoliberal prescriptions, focusing on “managing the prospective slowdown (in the Jordanian economy) while guarding against vulnerabilities—especially in the still-large current account deficit” as the key near-term priority. This overarching recommendation, however, translated into a set of austerity measures, including

- maintaining the reduction in food and fuel subsidies implemented in 2008;
- maintaining the existing exchange rate for the dinar;
- reducing public debt by limiting the growth of spending on wages and pensions, and implementing civil service reforms (in order to “free up domestic financing to support private sector growth”);
- keeping inflation in check by tightening monetary conditions;
- facilitating greater openness to trade;
- phasing out utilities and wheat subsidies;
- “liberalizing” or privatizing the water and energy sectors of the economy in order to reduce costs, thereby attracting greater levels of FDI; and
- generally improving the business environment for the private sector

After the Arab Spring, Article IV reports acknowledged the “headwinds” faced by Jordan as a result of regional conflict, refugee crisis, and fluctuations in gas inflows from Egypt. Throughout the 2014 Article IV report (IMF 2014), phrases such as “inclusive growth” and “job creation” were elevated to the level of “Policy Theme”. Nonetheless, the list of recommendations read much like those from years prior to 2011:

- “maintain the momentum on fiscal and public utility reforms . . . while making policies more equitable and ‘growth friendly’”;
- support “inclusive growth” and “job creation” by enabling a business climate that is better suited for investment;
- reduce public sector hiring and pay and better prepare new entrants for the labour market with the skills they need to enter (which are still absent) private sector jobs;
- continue with fiscal consolidation in order to “reverse a crowding out of the public sector”; and
- reverse Jordan’s labour market outcomes by “creating a more level playing field for investors (and) reducing skills mismatches”

There is remarkably little in the 2014 Article IV report, the most recent issued on Jordan, that addresses unemployment in a substantive way, rather than reiterating the position that creating a business-friendly environment through cutting subsidies, cutting the public sector, privatizing public utilities, and addressing an asserted but unproven “skills mismatch” are all preconditions for creating employment opportunities. Until these are accomplished, the implication is that unemployment generally, youth unemployment in particular, and poverty will continue to be intractable problems.

### *National strategy and planning*

#### **National Employment Strategy**

The most comprehensive assessment of Jordan’s labour market is its National Employment Strategy 2011–2020 (NES). Written in the months following the Arab Spring, the NES provides a detailed analysis of Jordan’s economy and outlines steps that can be adopted to improve employment prospects for the country’s youth. In the foreword to the NES document, Jordan’s Minister of Planning and International Cooperation, Dr. Jaffar Hassan, has stated the country’s predicament in stark terms. He

noted that, “Youth unemployment rates have remained in the double digits for more than a decade, and women’s participation in the labour market is among the lowest in the world. Moreover, periods of strong growth have not resulted in strong job creation for Jordanians, which clearly indicates a structural dysfunction that needs to be addressed” (Ministry of Labour and Ministry of Planning and International Cooperation 2011:vii). In a separate foreword, Jordan’s Minister of Labour, Dr. Maher Alwaked, has provided perhaps the most encouraging perspective of any Ministry covered in our regional research by calling for an “overarching employment strategy” that is “carefully planned, managed, monitored, and integrated in all other social and economic strategies and programmes” and contrasting this approach with previous assumptions that employment was simply an “outcome of other strategies and policies” (Ministry of Labour and Ministry of Planning and International Cooperation 2011:viii). Framing Jordan’s unemployment problems in this way marked a departure from growth-centered employment strategies, at least rhetorically, and suggested that the NES would represent a proactive approach by the Jordanian government to establish a cohesive set of state-level policies that address unemployment as a primary concern rather than a hoped-for outcome of economic growth strategies.

Key elements of the NES include, among several others

- gradually replacing foreign workers with Jordanians;
- supporting employment projects and programmes;
- supporting vocational education and training;
- enhancing investment in employment;
- supporting an “entrepreneurship culture”;
- supporting labour market employment projects; and
- supporting workers’ rights (to social security, insurance, and so on)

In considering the potential of the NES, it is important to recognize that this ambitious plan was drafted just prior to the onset of the Syrian civil war and (and the beginning of the refugee crisis with it) and prior to the rise of IS in the region. The combination of these factors has very likely had a limiting effect on the implementation of the NES.

### Vision 2025

Jordan’s Vision 2025, launched in 2015 and promoted as a blueprint for economic and social development, also proposed a number of policy changes that directly target youth unemployment. In the report, commissioned by King Abdullah, workforce participation was identified as the “single biggest challenge over the next decade” and Jordan’s current development model was seen as “clearly not creating the number and quality of jobs demanded” (Ensour 2014:part 1 27). Vision 2025 went on to state that the top priority for Jordan’s educational system and labour markets “should be to provide meaningful opportunities for Jordanians to work in Jordan,” as opposed to continuing to export workers to the GCC countries, Europe, and the United States (Ensour 2014:part 248, 252–258).

Among the recommended policy objectives related to unemployment, Vision 2025 listed the following:

- creating media campaigns to encourage Jordanians to accept certain low-skilled jobs and participate in vocational training;
- providing specialized employment and training programmes for the youth, the disabled, and women; and

- building and utilizing a labour market information database for the improvement of ALMPs

## Education

Despite significant gains in literacy and secondary and postsecondary completion rates in the recent decades, there are serious concerns about the quality of education provided in Jordan, particularly with respect to preparation for employment. Regarding higher education especially, several ministry officials noted the inadequate development of graduates' technical and soft skills as problems that could be addressed through reforms in curricula and pedagogy. Following successive years of large numbers of students failing the General Secondary Certificate Examination (Tawjihi), Jordan's Ministry of Higher Education has recently lowered the minimum passing score, which has raised concerns that educational quality at the postsecondary level will continue to decline. Critics of the current system of higher education in Jordan allege that there is little guidance from the Ministry of Higher Education with respect to whether and how universities should adopt more practical, applied curricula that are better aligned with labour markets (according to interviews with officials at Jordan's Ministry of Industry and Trade and the Ministry of Labour, January 20–21, 2016).

Alternative views regarding the type of reform needed point toward university entry requirements set by the Ministry of Higher Education (rather than by the universities themselves) and eliminating the accepted practice of permitting the purchasing of a spot for those who score below the entry standards (known as "muwazi"). This practice is believed to push universities and colleges to lower their entry standards, weaken their curricula, ultimately turning out graduates unprepared for the labour market, and perhaps providing anecdotes, but not evidence, of a skills gap.<sup>37</sup>

There has lately been a renewed focus on the importance of two-year community colleges in preparing students to enter the labour market. The current postsecondary educational structure has been described as an inverted pyramid, with a relatively small number of community college graduates at the bottom and a much greater number of university graduates at the top. The Ministry of Higher Education and Scientific Research is exploring approaches to reverse this ratio by promoting community colleges as effective alternatives to four-year institutions and by instituting policies that enable community college students to apply the credits they earn towards four-year institutions. The certificates and degrees awarded by community colleges are generally more vocational in nature than those offered by universities, and they tend to be more responsive to employer skill needs. Complicating these efforts, however, are the entrenched attitudes regarding community colleges among the youth, including concerns about how students in community colleges are perceived socially and doubts regarding the value of degrees awarded by these institutions (interview with minister at Jordan's Ministry of Higher Education and Scientific Research, January 20, 2016).

## *Human capital and capacity building*

### Employment and training programmes

While it would be difficult to identify a system of ALMPs in Jordan, many of the stronger programmes in operation are rooted in specific ministries and are able to draw on these institutions' authority and resources. For example, in 2013, the National Aid

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<sup>37</sup> <http://www.jordantimes.com/opinion/daoud-kuttab/how-reform-education-system>

Fund, a Ministry of Social Development programme that provides cash assistance to needy families, implemented a new training and employment programme targeting young adults who are over 18 years of age, have no disability, and are members of households that receive Fund aid. This programme aims to train 1000 youths per year, with programme completers either accepting positions within existing businesses or starting their own. The Ministry of Social Development has also created a micro-finance programme to provide seed capital for small businesses (1,000 to 3,000JD [\$1,407 to \$4,222]) as well as marketing and trademark assistance.<sup>38</sup>

The bulk of the training burden falls on the Jordanian government, education system, and network of NGOs and CSOs. The National Center for Human Resources, a division of the Ministry of Labour, has renewed its focus on youth training, and the Ministry of Education has partnered with the German Jordanian University to support Open Source Software Communities—partnerships for encouraging technical education with the expectation that this will boost economic growth and reduce unemployment (interview with Ministry of Labour and Ministry of Education officials, January 20–21, 2016).

Somewhat contrary to the assertions from the IMF that a “skills mismatch” is at the heart of youth unemployment, the NES suggested that employers are currently doing relatively little to address the supply side issues.

At the higher education level [community colleges and universities], the number of graduates specialized in education, humanities, and non-technical and professional fields continues to exceed demand, and employers complain through surveys that education is not ‘applied’ enough. *Ironically, compared to other countries, Jordanian employers do little internal training to fill this gap.* (Ministry of Labour and Ministry of Planning and International Cooperation 2011:vi) (emphasis added).

Beginning in late 2015, the Ministry of Labour began implementing a programme that provides relocation subsidies to companies that relocate to rural areas in an effort to reduce unemployment rates among rural women. The Ministry of Social Development adopted steps to expand its microfinance programme offerings (interview with officials in Jordan’s Ministry of Labour, January 20, 2016). In addition, the Development and Employment Fund has expanded its support for self-employment programmes and microenterprise programmes (interview with officials in Jordan’s Ministry of Labour, January 20, 2016).

A sentiment frequently expressed during our fieldwork is that there is a general feeling among policymakers that, as with Egyptian youth, Jordanian youth, particularly young men, are uninterested in pursuing work in the private sector and are content to wait for long periods of time for openings in the public sector. At present, 42% of formally employed Jordanians work in the public sector.<sup>39</sup> From the perspective of Jordanian youth, however, there is the general sense that good public sector jobs can be attained only through patronage (interview with youth activists affiliated with several organizations, January 20–22, 2016).

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<sup>38</sup> The European Bank for Reconstruction and Development and the World Bank reported that microfinance investment has been significant only in Tunisia and has been negligible in other countries in the MENA region, including Jordan (de Lima et al., 2016).

<sup>39</sup> Authors’ calculation from IMF Global Finance Statistics, Main Aggregates, and Balances dataset

## National Employment-Technical and Vocational Education and Training

Adopted as part of Jordan's 2006 National Agenda,<sup>40</sup> the Employment-Technical and Vocational Education and Training Council (E-TVET) became operational in 2008. It drafted a work plan for the 2014–2020 period, which aligns with the NES objectives from 2013. The current strategy has as its vision

[assisting] the Jordanian Labour Force, and in particular the youth, in securing decent employment at sustainable levels, and enabling them to consistently upgrade their knowledge and skills to keep pace with technological, economic and social change and opportunities in an increasingly globally competitive environment. (E-TVET Secretariat 2013:5)

Conscious of the existing deficits in the country's workforce development system, the strategy is organized around five main policy categories: governance, relevance of education and training for employability, inclusiveness of the E-TVET system, performance measurement, and sustainable and effective funding. This strategy is distinct from similar strategies adopted in the other three countries in that its approach to workforce development appears to be more oriented toward human capital development rather than simply toward providing employers with a steady supply of employees. The strategy aims to ensure that the outcomes of participation include “the full development and utilization of the diversity of talents in the society” and works to remove the stigma attached to vocational training by “[giving] appropriate vocational and technical training an equal (comparable) status to that of academic training” (E-TVET Secretariat 2013:6). The strategy also recognizes the weaknesses inherent in the current, highly fragmented E-TVET system “where no single body has authority to make resources allocation decisions or set priorities on a sectoral basis across the E-TVET sector” (E-TVET Secretariat 2013:6). Equally noteworthy is the strategy's suggestion that, since the benefits of a high-performing E-TVET system are shared between the individual and employers, employers should share the financing burden partially through an employer-paid payroll tax to fund the system (E-TVET Secretariat 2013:12).

### *Direct provision of jobs*

#### Labour emigration

Several of our interview subjects acknowledged that exporting labour is seen as a legitimate workforce development policy, with provisions for encouraging workers to migrate to the Gulf States to find work. Remittances contribute significantly to the national revenue and household income (see Table 10), and exporting human capital to the Gulf States is presumably preferable to having hundreds of thousands of unemployed workers at home. Additionally, these work opportunities abroad often provide workers with skills, such as construction and engineering related skills associated construction for the Dubai Expo in 2020 and the World Cup in Qatar in 2022—skills that are difficult to obtain either through the existing employment opportunities in Jordan or from the existing Jordanian education and training programmes.

<sup>40</sup> Jordan's National Agenda 2006–2015 included a focus on poverty alleviation, part of which included the provision of assistance to the unemployed and expanding microfinancing services to the poor. Notably, while it did not explicitly address youth unemployment, the National Agenda called for the elimination of structural unemployment as a preliminary step along a path to laying the foundation for transitioning to a knowledge economy by 2017 and becoming a world-class competitor in the global knowledge economy beginning in 2018 (see United Nations Jordan, 2005, 2006–2015 National Agenda: *The Jordan We Strive For*).

**Table 10. Remittances as a percentage of GDP: 2014**

Country	Remittances in \$US billions	Percent of GDP
<b>Egypt</b>	\$20.4	6.8
<b>Jordan</b>	\$3.8	10.3
<b>Morocco</b>	\$6.7	6.4
<b>Tunisia</b>	\$2.3	4.8

Source: World Bank (2016). Migration and Remittances Factbook 2016, Third Edition

Despite these benefits, this employment strategy contains several inherent risks. Work opportunities in the GCC countries are highly dependent on global commodity markets, and the current low price of oil will likely lead to a ramp down in production, with widespread redundancies in the expatriate labour force. In the long term, Jordan must also contend with the Gulf States' efforts to nationalize their labour forces and the specter of violent extremism. Saudi Arabia, for example, is attempting to deal with its own unemployment problems by effectively reducing the number of foreign workers hired by limiting the amount of time expatriates can work in the country. They are placing quotas on the number of foreign workers in sectors that may appeal to Saudi nationals and enforcing strict penalties on companies that fail to comply with these quotas. This has resulted in increasing numbers of recently unemployed young men who are returning home to Jordan with hardly any economic prospects.<sup>41</sup>

## **Tunisia**

### *Policy environment and labour market characteristics*

Throughout the course of our interviews, Tunisia was referred to as the exemplar of the hopes associated with the Arab Spring. The self-immolation of Mohamed Bouazizi in 2010 led directly to the revolt that swept the region in 2011, ultimately leading to the removal of President Ben Ali from power, constitutional reform, and a visible effort to put into place policies and programmes that address youth unemployment. These policies and programmes were looked at as a blueprint for reform throughout the region. Tunisia's new constitution, adopted in 2014, confirmed the revolution's "victory over dictatorship" and codified several vital reforms related to employment rights, education, and social security. However, by January 2016, the new government had resorted to the imposition of curfews throughout the country in an attempt to quell protests by the unemployed. Five years of effort on the part of the Marzouki and Essebsi governments failed to address Tunisia's growing unemployment problem. A running war with extremists along the border with Libya and the temporary collapse of its tourist industry due to terrorist attacks at the Bardo Museum and a resort in Sousse hindered the implementation of the promised reforms. As is the case throughout the region, the refugee crisis and security situation create an exceedingly difficult environment for policy development and implementation (e.g., Abdelkarim 2014).

<sup>41</sup> For example, Saudi Arabia's policy regarding Saudization is rooted in the country's decades-old effort to increase the percentage of Saudi nationals employed by firms operating in the country. In 2011, Saudi Arabia expanded this effort through the implementation of "Nitaqat," a policy whereby Saudi firms are required to employ specific percentages of Saudi nationals, based on firm size, or risk being closed out of contracts with the government (e.g., Chance, 2011, Saudization Update). Similar policies have been adopted throughout the GCC.

**Table 11. Unemployment in Tunisia, 2012**

	Tunisia	MENA Region
Population in the labour force	3,930,458	150,133,060
% of unemployed	12.8	11.45
% of unemployed between the ages of 15 and 24	29.3	29.1
% of total unemployed with tertiary education	31	27.2

Source: World Development Indicators, 2016, <http://data.worldbank.org/data-catalog/world-development-indicators>, modeled ILO estimates

Economic growth has begun to recover slowly since the Arab Spring, with GDP per capita increasing from \$10,703 in 2012 to \$11,617 in 2015. There is, however, little noticeable change in the percentage of youth actively involved in the labour market (Tunisia's labour force participation rate for youth in 2014 was 31.6%, little change from its 2010 rate of 31.1%). According to officials in the Ministry of Professional Training and Employment, in a good year, the Tunisian economy produces 70,000 jobs in the formal labour market. This rate of job growth is, however, inadequate, as there are currently 600,000 unemployed out of a population of 10.5 million, with over 200,000 additional individuals joining the labour market each year. Only 10% of university graduates are able to find work in the first year after graduation (interviews with officials at the Ministry of Professional Training and Employment, January 24, 2016).

As in other countries of the region, graduates from Tunisian postsecondary institutions are willing to postpone joining the labour market until openings in the public sector become available, likely for the same reasons noted in the other case studies: job security, benefits, and above-average wages (work in the public sector pays, on an average, 700DNR per month [\$285], while the average wages in the private sector are only 500DNR per month [\$204 US]). This tendency is further encouraged by the fact that the majority of businesses in Tunisia employ five workers or fewer, with relatively few private sector jobs paying wages or providing benefits comparable to the public sector.

In a post-Arab Spring move that was designed to ease entry into the public sector for the long-term unemployed, the formal exam for serving in the public sector was removed and replaced with the length of time on the unemployment rolls. While it would bring about some equality into the labour market, this policy change could end up further reducing the number of openings for postsecondary graduates and other new entrants into the labour force. Large numbers of Tunisian youth have already left the country to seek employment elsewhere. According to ministry officials, 54.1% of Tunisian emigrants working abroad are between the ages of 15 and 29, while only 28 per cent of the Tunisian population is between the ages of 18 and 30 (interview with official at the Tunisian Employment Observatory, January 25, 2016).

### *IMF influence*

Prior to 2010–2011, the IMF policy guidance followed a familiar pattern, focusing primarily on reducing the size of government and opening Tunisia's economy up to market-led reforms. Some of the key recommendations in its 2010 Article IV Consultation with Tunisia (IMF 2010d) included the following:

- reforms targeting food and energy subsidies towards the most vulnerable groups;
- reforms in social security to encourage sustainability;

- reforms to the tax regime in order to make it more business friendly through the reduction of taxes on profits and increase in VAT; and
- reforms to increase the focus on trade liberalization and openness as key drivers of growth

In the year following the Arab Spring revolts and subsequent to the adoption of a new constitution, Article IV Consultations indeed appeared to reflect an understanding of youth unemployment as a primary driver of revolt and included language to this effect. However, many of the recommendations were hardly altered in terms of emphasis from consultations prior to 2010–2011 (IMF 2012; IMF 2015). These recommendations included, among others

- encouragement of tax reforms to increase revenues and improve transparency and equity;
- limits on public sector wage increases in an effort to contain the current expenditures;
- continued calls for subsidy reforms;
- reforms to promote employment and inclusive growth by addressing a purported skills mismatch;
- increasing access to finance by Small and Medium enterprises;
- increasing spending on infrastructure to provide employment opportunity; and
- strengthening the investment climate to boost economic growth and create jobs

### *National strategy and planning*

#### Ministry of Vocational Training and Employment

The Ministry of Vocational Training and Employment (MVTE), the principal ministry responsible for workforce development services and programmes in Tunisia, emerged from the Jasmine Revolution with a renewed interest to address youth unemployment. In its public documents and pronouncements, the MVTE outlined four new foci. First, the MVTE intends to offer greater support for programmes aiming to improve “employability,” including increased support for coaching, scholarships, and soft skills training. Second, the MVTE will increase the efforts devoted to job placement, which are primarily carried out through wage and benefits subsidies to employers for hired workers. Third, the MVTE is planning regional partnerships that are focused on decentralizing service delivery and management to the regional levels, empowering locally elected officials, local actors, and communes, and providing financial support for local employment projects. Interviews with ministry officials, however, indicated that the implementation of these partnerships is slow due to the lack of agreement among key players with regards to the appropriate metrics for measuring and monitoring. Fourth, the MVTE is interested in supporting entrepreneurship, particularly among the youth with secondary and postsecondary credentials (interview with officials at the Tunisian Ministry of Vocational Training and Employment, January 25, 2016).

#### Technical and vocational education

Tunisia’s vocational education system, operated by the Tunisian Agency for Technical Cooperation, pre-dates the Arab Spring, but it has recently received renewed interest and support. It provides technical skills training and consists of

- Certificate of Professional Aptitude (Certificat d’Aptitude Professionnelle—CAP) for individuals with the equivalent of a middle school diploma;

- Professional Technician License (Brevet de Technicien Professionnelle—BTP) for individuals with a secondary school diploma; and
- Advanced Technician License (Brevet de Technicien Supérieur—BTS) for individuals with a secondary school diploma, who have also completed the BTP

### **Agence Nationale pour l’Emploi et le Travail Indépendant**

Agence Nationale pour l’Emploi et le Travail Indépendant (ANETI), a semi-autonomous agency within the MVTE, is responsible for the implementation of the various training and placement programmes of the MVTE. It is managed by a Director General and is overseen by a board of directors that meets once quarterly. ANETI operates 110 offices across the country and acts as the Tunisian equivalent of the United States’ system of “one-stops” or the United Kingdom’s system of “JobCentres.” Each ANETI office provides the same set of four services: information and orientation, job placement, assistance with microenterprise development, and labour market analysis. ANETI employs nearly 1500 workers, with 84% of them being stationed in one of its 110 employment offices. Chief among ANETI’s responsibilities are the implementation and coordination of the AMAL, PEE, CAIP, CAE, and FORSATI programmes, which are described below (interviews with officials at the Tunisian Ministry of Vocational Training and Employment, January 25, 2016).

### *Human capital and capacity building*

#### **Social and solidarity economy**

The Tunisian government is taking a fresh look at the social and solidarity economy in order to support social enterprises, local associations, and cooperatives. Still in the early stages and with only a small number of staff members who are tasked with implementation, the MVTE’s social enterprise efforts are being implemented in phases and will include a monitoring and evaluation system. The first phase is a pilot phase wherein a small set of social entrepreneurs with complementary qualifications (e.g., in business management and technical skills) are selected and funded by the Ministry and the Banque Tunisienne de Solidarité via zero interest loans. Any profits are expected to be reinvested in the enterprise. The MVTE’s “think big, start small, scale fast” approach utilizes the evidence produced by the evaluation to select the best performing pilot programmes for expansion in the second phase of the initiative. However, ministry officials noted that unspecified “regulatory issues” are slowing down the implementation process. Moreover, the officials noted that the microenterprise space in Tunisia is very crowded, with multiple NGOs and CSOs involved and a significant need for coordination at the state level (interview with officials at the Ministry of Training and Vocational Education, January 25, 2016).

### *Active labour market programmes and initiatives*

#### **Programme to Encourage Employment**

The Programme to Encourage Employment (PEE) focuses on the rather undefined set of “employability” skills that are thought to be absent in Tunisia’s unemployed youth. Like its predecessor programme AMAL, it targets secondary school graduates, 28 years and older, and is aimed at assisting the long-term unemployed. PEE also provides a monthly stipend of 200DNR (\$81) for the first six months and then 150DNR (\$61) for each month up to two years of unemployment. Internships with partnering employers are also a component of the programme.

## Stage d'Initiation à la Vie Professionnelle and Contrats pour l'Adaptation et l'Insertion Professionnelle

Since the 1980s, Tunisia has supported internships for college graduates, with approximately 60,000 graduates participating annually in the recent years. Stage d'Initiation à la Vie Professionnelle (SIVP) functions as Tunisia's private sector internship programme for university graduates, while Contrats pour l'Adaptation et l'Insertion Professionnelle (CAIP) provides internships for individuals who have dropped out of postsecondary education. CAIP, initiated in 2012, offers individuals state-subsidized on-the-job training (up to 400 hours). Participating employers are expected to hire the interns upon completion of their twelve-month internship. Actual placement rates are unknown, and there has been no evaluation of these programmes to date. According to the officials with whom we spoke, an impact evaluation has been designed; however, it has not been implemented due to the difficulty in identifying a comparison group and disagreement with the World Bank, the funder of the evaluation, with respect to the appropriate method for doing so. As a result, expansion of these programmes is on hold until the evaluation is complete.

## Chèque d'Amélioration de l'Employabilité

Still in its initial implementation phase, Chèque d'Amélioration de l'Employabilité (CAE) is designed to provide the unemployed with the coaching and practical skills that are required to enter the labour market. Key components include firm-specified training and internships in either the private or the non-profit sectors.

## FORSATI

FORSATI ("my chance" in Arabic) was developed in 2015 with the assistance of psychologists and is still in its early implementation phase. Once fully implemented, however, FORSATI aims to serve the unemployed in Tunisia's poorer regions with customized training, employment counseling, and personalized mentoring. FORSATI participants will be prepared to either accept private sector jobs, domestically or internationally, or become self-employed.

## Quantitative Findings

### ***The political economy of human capital development***

A focus on youth employment implies assumptions about the role that human capital development plays in an economy, i.e., that individual and societal well-being are driven, at least partially, by the increase in the value of the human capital that can be caused to bear on the institutions necessary for economic growth. For Becker (1993) and other neoclassical economists, investment in human capital was both an individual and a societal responsibility, considering the fact that the anticipated returns would accrue to both. In turn, the resulting economic growth would theoretically provide the wherewithal and the motivation for increased investments in human capital, thereby creating a symbiotic relationship or, as Suri et al. (2011) have put it, a virtuous cycle that fuels continued growth and investment in human development more generally.

These countries, as well as others in the region, have significantly invested in human capital over the recent decades by, for example, expanding public education, subsidizing higher education, establishing vocational training programmes, opening educational

opportunities for girls and women, and with varying degrees of success, attempting to create ALMP systems to facilitate matches between employers and the unemployed.

Educational outcomes reflect this investment, and one could argue that the economic growth that did occur in these four countries for much of the 15 years leading up to the Great Recession reflected these improved outcomes. However, the inability of economic growth to translate into greater labour market participation rates for the youth suggests that a vital link between growth and employment is broken or altogether missing. Acemoglu and Robinson (2012) posited that these missing elements include sound institutions and a political climate that is conducive to responding to the will of the citizenry, factors that are often absent in the countries covered in our study. Dependency theorists take a less sanguine perspective on the potential for improvements in human capital to ever translate into development that benefits the majority of individuals in low- and middle-income countries (Frank 1966; Ocampo 2005; dos Santos 1970), suggesting that development has rarely, if ever, been the motivation for the involvement of Bretton Woods institutions in the economies of the developing world.

This inability to translate economic growth into improved employment opportunities in traditional public and private sector enterprises, and all that this entails, has led to a proliferation of employment and training programmes with majorly weak connections to the labour market and a focus on policies and programmes that promote entrepreneurship; in other words, the state is limited in its ability to help with employment in the public or the private sector. Therefore, one should learn the way to become self-employed. This dynamic contributes to something of a vicious cycle, whereby the lack of employment opportunities contributes to social instability, leading to a reticence on the part of foreign firms to invest; the resulting poverty and the sense of little opportunity spurs unrest and instability (and extremism) (IMF 2013); instability further erodes the willingness to invest on the part of foreign firms.

At the same time, IFIs, including the IMF, have strongly encouraged the dismantling of state-owned enterprises, strongly discouraged public sector employment, and promoted fiscal austerity, thereby resulting in the further eroding of the very institutions that are needed to assist in securing education, employment, individual agency.

Economic growth, as measured by increases in GDP, has long been asserted to be the vehicle through which wellbeing is improved when it is not presented as an end in itself. It forms the core of the dominant, neoliberal paradigm in development economics and brings with it a limited set of tools that can affect growth. The application of these tools are often the quid for the quo of grants and loans to developing and middle-income countries, the acceptance of which tends to constrain individual states' ability to implement policies that are potentially more beneficial to their citizenry. Despite statements to the contrary, the IMF continues to chip away at policy autonomy in these four countries and promote fiscal and monetary policies that primarily serve to develop the economy, and only secondarily, if at all, to improve wellbeing (De Martino 1999; Kentikilinis et al. 2016).

Our review of Article IV reports and our analysis of the current policies and programmes that are meant to address youth unemployment in the region strongly suggest that, despite the encouraging language contained in IFI documents that points to the contrary, post-Arab Spring policy strongly resembles pre-Arab Spring policy in most respects. Specifically, recommendations that countries in the region open up to trade, create an environment amenable to foreign direct investment, create a regulatory

climate that eases business development and operation, reduce tariffs on imports, and provide greater access to credit remain part of the standard list of advice provided by IFIs today, despite mixed results in bringing about significant improvement in youth unemployment rates prior to Arab Spring.

In this context of constrained policy autonomy, human capital development and its attendant policies and programmes are viewed much in the way that its bloodless terminology would suggest—as a means to provide the labour force that is required to meet the needs, however small or transient, of those firms operating in the MENA region. Education, in the Aristotelian sense of being a prerequisite for a fair and democratic society, is subverted in the push toward addressing a “skills mismatch” or the shortage of the technical skills required by employers at a particular moment in time.

In this dynamic, economic growth can occur alongside improvements in human capital development, while employment remains stagnant or worsens as the benefits of economic growth are captured by an elite rather than being invested in such a way that improves labour force participation rates. Certainly, some of the steady and marked decline in the labour force participation rates among youth in the region can be attributed to the rapid increase in population over the past few decades—absolute numbers of employed individuals increase, but simply at not nearly the rate that is required to keep pace with the growing population. To account for this, we have included in the models below an indicator [perpop1564] that measures growth in the region’s working age population in order to estimate the relationship between economic growth and labour force participation rates.

### ***Growth, employment nexus***

Cruces et al. (2017) explored the assumed relationship between growth and employment, noting from the outset that, even in developed countries, the linkages between growth and employment are often difficult to identify. They noted that economic growth in Latin America has been associated with multiple improvements in labour market indicators, including youth employment, which is, to a large extent, due to the adoption of redistributive policies and programmes in many of these countries, rather than the market-oriented structural reform policies adopted in prior decades. However, in his study of the relationship between employment and economic growth in Jordan, Kreishan (2011) called into question the relevance of Okun’s Law,<sup>42</sup> suggesting that Jordan’s unemployment cannot be explained by economic growth or the lack thereof. Ball et al. (2015) suggested that even the IMF itself may have doubts regarding the applicability of Okun’s Law.

### ***Theoretical approach***

This study is based on the premise that a root cause of the Arab Spring uprisings was, among others, the persistent and growing rates of youth unemployment and that the likelihood of further uprisings could be mitigated through the introduction of policies and programmes that are specifically designed to reduce youth unemployment. As noted elsewhere in this report and throughout the development literature (e.g., Caraway et al. 2012), employment policy has been driven, either directly or indirectly, by prescriptions set forth in IFI loan and grant documents and has been largely tied to the strategies that have first and foremost been designed to create an environment that is conducive to

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<sup>42</sup> Okun’s Law (1962) suggests that there is a negative short-run relationship between unemployment and economic growth, i.e., as GDP increases, unemployment decreases to some extent.

economic growth. This strategy, however, begs a fundamental question: Has economic growth actually led to improvements in youth labour force participation rates as promised by these policy prescriptions? This empirical question has only rarely been addressed in the development literature (Cooray et al. 2017; Fox and Oviedo 2008; Kreishan 2011; Gaddis and Klasen 2012).

Our intent with this section of the report is to empirically test the relationship between economic growth, as measured by the change in GDP per capita, and youth labour force participation rate of all youth between the ages of 15 and 24.<sup>43</sup> Similar to Cooray et al. (2017), the functional form of our models is as follows:

$$Lfpr15-24it = f(zg, zp, t) + Ci + Eit$$

where  $Lfpr15-24$  represents labour force participation rates for country  $i$  at time  $t$  and is explained as a function of  $zg$ , a vector of economic growth-based variables,  $zp$ , a vector of polity and aid variables, and  $t$ , which represents time. A set of indicators, denoted by  $Ci$ , represents the four countries included our models. We employ a fixed effects (FE) estimator to account for country-level unobservable influences on  $Lfpr15-24$  (Cooray et al. 2017), and according to Reed and Ye (2011), panel-corrected standard errors (PCSE), which may be better suited for panels with relatively few observations and time periods, to test the sensitivity of our results for different empirical specifications.<sup>44</sup>

Data for this portion of the study are drawn from the World Bank's Development Indicators, the IMF's Government Finance Statistics, and the Quality of Government Dataset compiled by the Quality of Government Institute at the University of Gothenburg. The indicators used in these models are described in Table 12. Definitions for these indicators can be found in the Appendix.

## Indicators

Based on our review of the literature, our field research, and our analysis of IMF Article IV Consultations, we have selected indicators that best represent state-level policy decisions that should theoretically drive labour force participation among the youth. These indicators align with Washington Consensus-type policy prescriptions, and they should, at least partially, address the question of any relationship between economic growth prescriptions and labour force outcomes for the youth.

**Table 12. Indicators list**

Indicator	Description
<b>Labour force participation rates youth (15–24)</b>	
<b>GDP per capita (PPP constant 2011 \$)</b>	as a measure of economic growth
<b>Freedom to Trade Internationally Index (ranging from 0–10, with 0 corresponding to low freedom to trade)</b>	as a measure of openness to and capacity for international trade
<b>Regulatory Climate Index (of credit, labour, and business regulations, ranging from 0–10, with 0 corresponding to high barriers to conducting business)</b>	as a measure of ease of conducting business

<sup>43</sup> The definitional differences between unemployment and labor force participation rates, we believe, are outweighed by the more accurate identification of both the depth of unemployment, and of those not counted among the unemployed as well as the greater availability of data on labor force participation rates data.

<sup>44</sup> The authors also estimate a system of seemingly unrelated regressions (SUR) assuming contemporaneous cross-equation error correlation. Coefficients for the primary variable of interest, GDP/cap, were similar in magnitude and direction to those produced by FE and XTPCSE estimators. Finally, assuming the potential for unit roots, the authors conducted a unit root test (Levin-Lin-Chu in Stata 15) and found that our Ifpr data was stationary.

<b>Foreign Direct Investment net inflows (% of GDP)</b>	as a measure of perception of investment climate
<b>Access to Sound Money Index (ranging from 0–10, with 0 corresponding to high inflation)</b>	as a measure of the effect of inflation on lending and borrowing
<b>Polity2 Index (ranging from 0–10, with 0 corresponding with the least democratic states)</b>	as a measure of democracy
<b>Total Debt Service (% of GNI)</b>	as a measure of debt repayments
<b>International Bank for Reconstruction and Development (IBRD) loans and International Development Association (IDA) credits (current \$)</b>	as a measure of IFI investment
<b>Domestic Credit to the Private Sector by Banks (% of GDP)</b>	as measure of banking sector strength
<b>Listed Domestic Companies (total domestic companies listed in a country's stock exchange)</b>	as a measure of change in business creation
<b>Working age population (15–64 years, as a percent of total population)</b>	as a measure of the effect of the “youth bulge” on the size of the labour market, assuming that the entry of working age youth into the labour force outpaces the exit of older workers from the labour force

Table 13 lists the 12 variables included in the analysis, providing minimum, maximum, mean, standard deviation and number of observations for each.

**Table 13. Descriptive statistics<sup>45</sup>**

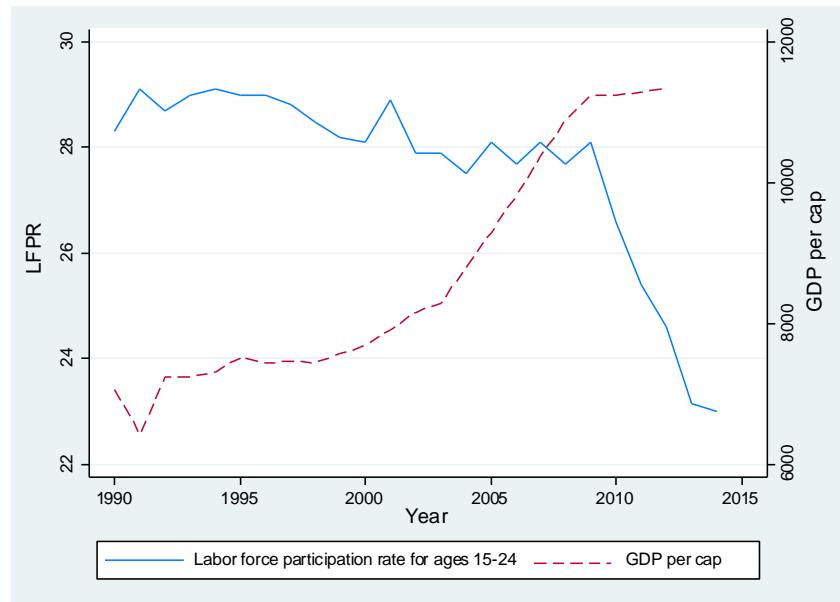
Variable	Obs	Mean	Std Dev	Min	Max
<b>Labour force participation rate: 15–24 year olds</b>	92	35.14	6.54	24.6	48.8
<b>GDP/cap</b>	92	\$7435	\$2078	\$3905	\$11340
<b>Polity Index</b>	160	2.68	0.96	0.83	6.10
<b>Freedom to trade Index</b>	66	5.44	1.58	0.40	7.77
<b>Regulatory climate Index</b>	64	5.74	0.77	4.44	7.55
<b>FDI inflows</b>	157	2.38	3.24	-0.60	23.58
<b>Sound money Index</b>	68	7.64	1.15	5.65	9.68
<b>Debt service</b>	172	6.42	3.85	0	18.76
<b>IBRDIDA</b>	180	\$1.41b	\$1.17b	9075000	\$4.91b
<b>Credit to private sector</b>	193	39.67	20.6	10.58	91.60
<b>Listed Domestic Companies</b>	97	237.04	289.44	13	1148
<b>Working age Population</b>	132	58.70348	5.134878	47.8	69.7

### *Bivariate comparisons*

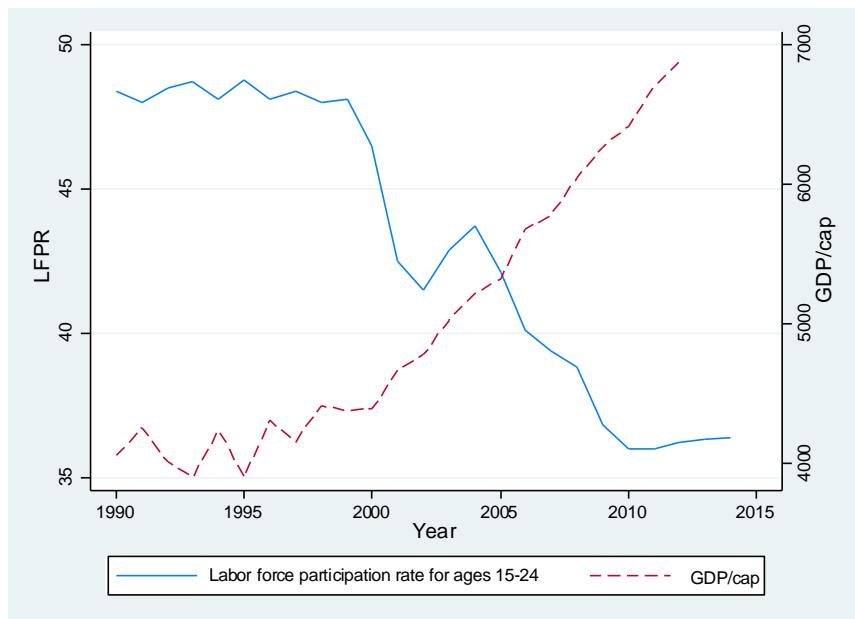
The outcomes shown in charts 1–4 motivate this analysis. A comparison of trends in youth labour force participation and economic growth, which is our main variable of interest, is provided for Egypt, Jordan, Morocco, and Tunisia between 1990 and 2014. With the exception of Egypt between 2000 and 2008, youth labour force participation and economic growth move in divergent directions over the majority of this period.

<sup>45</sup> Representing 4 groups (Egypt, Jordan, Morocco, and Tunisia) from 1980–2014

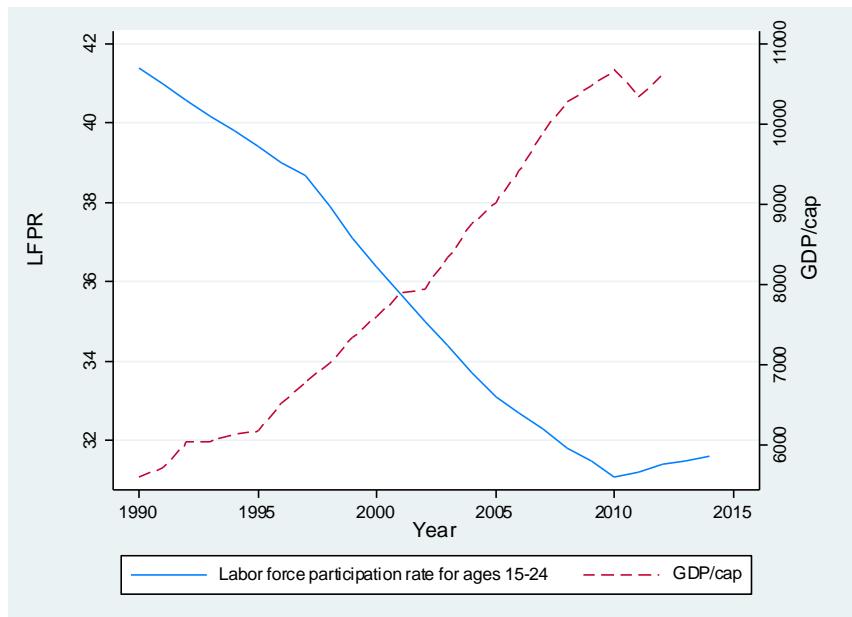
**Chart 2. Youth labour force participation rates and GDP/cap, Jordan**



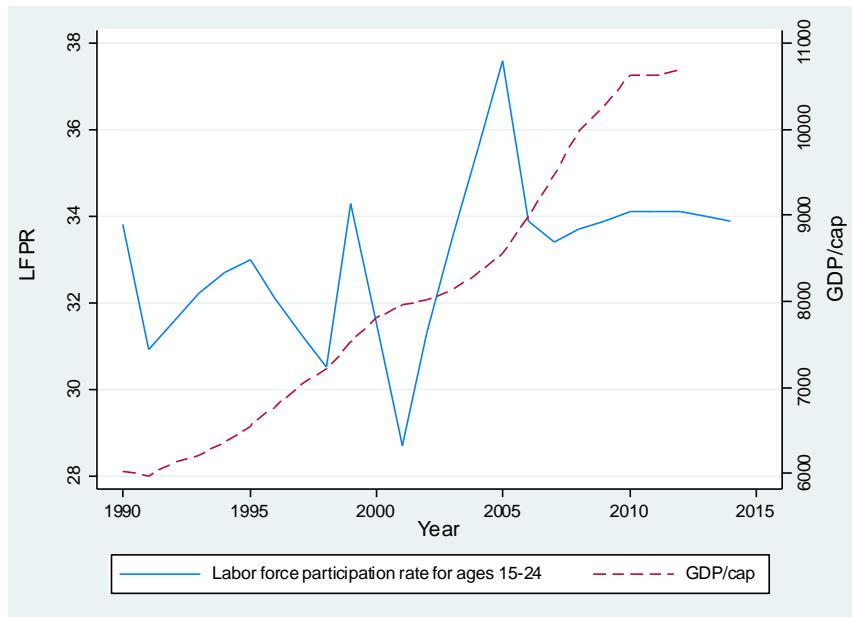
**Chart 3. Youth labour force participation rates and economic growth, Morocco**



**Chart 4. Youth labour force participation rates and economic growth, Tunisia**



**Chart 5. Youth labour force participation rates and economic growth, Egypt**



### **Panel regression output: relationship between labour force participation and growth**

While the bivariate relationships between growth and labour force participation rates are illustrative, demonstrating a causal relationship requires modelling to control for other factors that may drive labour force participation rates. The findings in Table 14, while exploratory in nature, are consistent with the graphs above that demonstrate an inverse relationship between economic growth and labour force participation rates for youth. The FE and the PCSE panel regression output demonstrates, among other things, that economic growth (as measured by GDP per capita) is either negatively associated with

the labour force participation rate among youth or has no statistically significant relationship. Moreover, this relationship, or the lack thereof, is robust even when controlling for differences across the four countries with regards to the freedom to trade internationally, regulatory climate, FDI inflows, and so on. It may be argued that the negative relationship between economic growth and youth labour force participation rates may be explained by the return of older workers to the labour force as the economy improves, thereby leading to a crowding out of younger workers, or that, as economies grow, the youth are less motivated to enter the workforce in order to earn an income. However, this position is difficult to maintain when one considers that the (generally declining) trends in labour force participation rates for all workers and for the youth are very similar across the period and that the cultural and economic factors noted above would seem to weigh against the movement out of the labour force based on increasing GDP per capita.

The findings call into question the assumption underpinning IMF policy prescriptions (e.g., Ball et al. 2015) for the region (as well as most of the developing world) over the past 25 years that holds that economic growth leads to greater labour force participation rates. While there appears to be a positive relationship between trade and labour force participation rates among the youth, as indicated by the significant and positive coefficients for Freedom to Trade Internationally and FDI (consistent with Iqbal and Nabli 2004; OECD 2014), indicators that, in our model, proxy for IFI policy prescriptions, such as the regulatory climate, access to sound money, and bank lending to the private sector are each statistically insignificant, which suggests that there is no relationship between these alleged drivers of economic growth and labour force participation among the youth.

The relatively large in magnitude and significant coefficient for IBRD and IDA loans and grants should also be noted; it suggests that IFI assistance to the region may play a beneficial role in terms of labour force participation but mediated via a factor other than economic growth. Finally, we are unable to demonstrate any relationship between labour force participation rates for the youth and our indicator that measures growth in the working age population.

**Table 14. FE, PCSE regression output**

Fixed Effects, Panel Corrected Standard Errors Output		
	LFPR15-24	LFPR15-24
GDP/cap	-0.344*** (-9.47)	-0.201 (-1.55)
Working pop	0.00166 (0.75)	-0.00885 (-1.14)
Freedom to trade	0.0194* (2.13)	0.0193* (2.19)
Regulatory climate	-0.0717*** (-4.88)	-0.0547* (-2.25)
FDI	0.0228** (3.00)	0.0204* (2.44)
Sound money index	-0.0304*** (-3.46)	-0.0117 (-0.76)
IBRDIDA	0.115*** (5.08)	0.111** (2.72)
_cons	4.589*** (7.13)	3.790*** (3.65)
N	52	52

## Conclusion

In the years since the Arab Spring uprisings, efforts in the four countries included in this study to address youth unemployment have been decidedly mixed. There is a general sense in Egypt that ministerial pronouncements and lofty language in policy documents will produce little in the way of actual improvements in the youth unemployment situation. More promising, however, is the potential for the various mega-projects underway to absorb an increasing share of Egypt's unemployed. A common sentiment echoed throughout the duration of our field work was the notion that there is a general absence of a guiding vision from the government for youth employment, which can be both understood by the broader population and is evident in the form of new institutions, policies, and programmes. At present, Egypt's Forum for Youth Employment Promotion is possibly the most concrete proposal to emerge post-Arab

Spring reforms; however, there is little evidence that it is being implemented and even less evidence that it is recognized by the unemployed youth as existing for their benefit.

Jordan's ongoing refugee crisis, though perhaps beginning to abate, will possibly present a substantial strain on the kingdom's social safety net, including its employment and training programmes, for years to come. It has also endured steep declines in trade revenue following the closure of regional trade routes, which has led to steep declines in trade revenue, thereby further hobbling job growth. Provided it can maintain some momentum behind the promising efforts implemented post Arab Spring (e.g., implementing some of the key elements outlined in the National Employment Strategy or maintaining the level of skepticism with respect to finding an economic growth-led solution to job creation), Jordan possesses many of the constituent elements that are required to create a workforce development system that can effectively address youth unemployment.

Morocco's constitutional reforms are a clear indication of the recognition of the urgent necessity to address youth unemployment, and it has taken steps at both the policy and programmatic level to act on these reforms. Of particular promise are the steps adopted to integrate youth voice into policy and planning. However, Moroccan policymakers need to address the management challenges confronting their ambitious reform efforts. A review of the many initiatives and programmes that constitute the emerging employment and training system suggests that Morocco risks creating a patchwork quilt of donor-driven programmes, each with potentially overlapping or conflicting objectives. This lack of harmonization among the various programmes and initiatives, as well as the disparity among the numerous youth-oriented NGOs, was a concern that was often voiced during our fieldwork. Morocco has several institutional platforms that it can use to develop, implement, and evaluate youth employment policy, but whether the country succeeds in addressing youth unemployment depends on how well these efforts are coordinated, and how long they receive political and financial support from the Moroccan government and international donors.

Like Morocco, Tunisia's labour market reform efforts are embedded in the country's constitution, and like Morocco and Jordan, there appears to be a serious commitment at the national level<sup>46</sup> toward addressing youth unemployment, even if the existing programmes currently lack coordination and ministry-level oversight. However, like Jordan, efforts to reform Tunisia's labour market are undermined by the enormity of the country's security concerns and conflict in neighbouring Libya.

Our exploratory examination of the relationship between growth and labour force participation suggests that none of these countries have been served particularly well by neoliberal policy prescriptions from IFIs. However, it must be noted that a beneficial relationship between labour force participation rates among youth and both foreign direct investment and trade, broadly defined, does appear to exist, even if most of the other market-oriented indicators show either no or a negative relationship with labour force participation rates. It must also be noted that levels of assistance from the World Bank, as measured by IBRD and IDA grants and loans, are associated with a large and positive effect on labour force participation rates.

Several observations were common across our field work in each of these countries.

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<sup>46</sup> Provided this commitment can be maintained; an October 2, 2017 article in *Foreign Affairs* (Yerkes, 2017) suggests that the pre-Arab Spring old guard is being returned to positions that would enable them to roll back many of the hard-fought for gains from recent years.

## ***Skills mismatch***

As noted above, the IMF's focus on skills mismatch appears to be a relatively new development, judging from our review of its Article IV Consultation memos, which reveal a significantly greater regularity in post-Arab Spring documents. In pre-Arab Spring Consultations, skills and education are often mentioned but almost solely in terms of a general need for greater levels of support and then primarily to serve a broader population. After the Arab Spring, Article IV Consultations make frequent use of the specific term "skills mismatch," almost exclusively as an explanation for high levels of unemployment. As noted above, there is reason to doubt that youth unemployment can be explained, even partially, in terms of skills mismatch—education levels have been steadily on the rise, wages are not being bid up, job creation lags far behind the demand for jobs, and little evidence has been provided to substantiate these claims of a mismatch.

There is considerable pessimism, however, among those we interviewed about the willingness of current leadership to affect real change in the way the country formulates, implements, and evaluates policy, regardless of overall economic health. If the past is prologue, the restoration of economic growth could do little to increase transparency in policymaking or to base policymaking on evaluation-generated evidence of programme effectiveness. Indeed, we were unable to identify any policy or programme evaluations of youth employment in the course of our research. Beyond a few IFI-funded evaluations of IFI-funded programmes and ILO analyses of the labour market in general (e.g., ILO 2003; ILO and SIDA 2013; Barsoum et al. 2014; ILO 2017), rigorous evidence of the impact that past or current programmes have had or are having could not be identified. When we questioned the reasons behind this, our interview subjects referred primarily to limited labour market data for all but the broadest indicators (Morocco was the exception in that it has taken an entirely different tack with regards to using labour market data for shaping policy discourse).

## ***Weakening of the social contract***

Another common denominator across the vast majority of our interviews is the sense that any sort of social contract that may have existed between workers and the government and, between workers and business (if it ever existed), is under considerable strain. Expectations are low among those we interviewed, including government officials, with regards to the idea that the government can address the youth unemployment crisis in these countries on its own—this is more the case in Egypt and Jordan than in Morocco and Tunisia. An ongoing need for guiding legislation, committed bureaucratic infrastructure, predictable and sustainable funding support for ALMPs, and an objective M&E system that can create the evidence base for continuous improvement and programmatic expansion, not to mention a continued necessity for decent jobs for the large majority of the region's youth, suggest that post-Arab Spring policy and programming environment for youth unemployment remains significantly inadequate for the task.

Loyalty to the King (in Jordan and Morocco) or the fear that the Muslim Brotherhood or the IS would fill any vacuum opened by continued revolt in the streets has (particularly in Egypt) has, for now, worked to quell dissent and reduce the likelihood of a return to revolt on the scale seen during the Arab Spring. However, given that a major cause of the 2011 unrest, which is youth unemployment, remains unresolved and continues to worsen, it is an open question as to how much longer these forces can act as brakes on future uprisings.

## ***“Saudi-ization” of labour***

Exporting labour is considered a legitimate workforce development policy in each of these four countries, with provisions made to encourage workers to migrate to the Gulf States to find work. Remittances contribute significantly to national revenue and household income. However, a larger part of the explanation for this encouragement to migrate may have to do with its function as a relief valve for potential strife back home. Unfortunately, some of the interviewees noted that the Gulf States were now attempting to deal with their own unemployment problems by closing the relief valves from their end, thereby effectively reducing the number of foreign workers hired. As this trend increases, we can expect pressure on the home governments to find work for their citizens to a greater extent. Recent drops in oil prices and a desire among the GCC countries to employ more of their nationals have cut off a key source of employment for the Jordanians who are unable to find work domestically. These new constraints on Jordan’s already strained labour market threaten to overwhelm the state’s struggling social services and economic infrastructure.

## ***Role of voice***

We found that much of the discontent felt by the youth was due to the vast gap between what they felt they required (in terms of education, jobs, a future, and so on) and what society was providing. Moreover, they felt that there was no way to communicate their needs to authority, and more often than not, ad hoc communication drew backlash. As a result, Arab Spring demands included calls for some formal way to incorporate the youth into the political process. This generation of the region’s youth are the most educated and most highly skilled generation in the country’s history. Yet, the youth voice is often missing when it comes to the formulation of policies that address their own needs and aspirations. While Egypt and Tunisia appear to lag with regards to integrating youth voice into the policymaking process, Morocco seems to have taken these calls to heart, with the formation of youth councils at the local level and a quota for youth representation in the parliament. Most of the initiatives described in this study are partnerships between government officials and international organizations, with the youth being largely excluded from their design and implementation. Open public debate on the challenges facing the region’s youth is limited, if not entirely absent.

## ***Regional conflict***

Youth unemployment is also inextricably tied to the broader regional economy. It is difficult to overstate the impact that conflict and its outcomes—economic slowdown, reduction in the recruitment of foreign workers in the GCC countries, diminishing investment, and so on—are having on the region’s ability to fully address its youth unemployment problem. Moreover, adherence to neoliberal policy recommendations that emphasize austerity over investment in human development has resulted in a reduction in recruitment in the public sector—the sector of choice for educated youth looking for some degree of employment stability, benefits, and decent pay. The now-common practice of blaming the youth for not possessing the skills required by the global economy appears disingenuous in light of the wide array of contributing factors to youth unemployment.

## ***Promising policy developments***

### *Public works projects*

To the extent that they cohere to a high-skilled, high-wage strategy that aims to employ the youth in decent jobs, public works initiatives have the potential to at least partially

address the youth unemployment problem. Several of the interviewees indicated that there is still a great need for state-led youth employment strategies that take existing human development needs as their starting point rather than attempting to anticipate the ever-changing needs of the market with an appropriately skilled labour force. Education and healthcare are two sectors that were identified as needing heavy public investment and support. Infrastructure beyond mega-projects, such as Egypt's Suez Canal project, including roads, housing, education, healthcare, and sanitation, was considered to be another area where governments could marshal resources for the improvement of their countries' long-term economic outlook while creating immediate job opportunities for the unemployed youth.

### *Social and solidarity economy*

The inability of economic growth to translate into significant improvement in labour force participation rates for the youth in three of the four countries covered in our study, even when controlling for population growth, suggests that (as noted by Moroccan CSCE ministers) economic growth-oriented strategies have reached their limits in terms of creating meaningful change in the labour market. Decades of opening economies wide to global trade, of attempting to maintain low interest and stable exchange rates, of slowing the expansion of the public sector and reducing public subsidies have not slowed, except in Egypt, the steady decline of youth labour force participation rates. Moreover, it would appear to be highly unlikely that a return to post-recession economic growth levels could successfully reverse this decline, even if it managed to slow the rate of decline.

Efforts to create a social and solidarity economy (SSE) in the region date back to 1984 at least, when the Moroccan government formalized by-laws and regulations governing and supporting the creation of co-operatives (Dossa 2014). In 2010, the Moroccan Network for Social and Solidarity Economy convened stakeholders, policymakers, and practitioners in Kenitra, Morocco in order to explore the potential for establishing social and solidarity programmes. Subsequent meetings were hosted by the African Network for Social and Solidarity Economy and the National Union of Tunisian Cooperatives in Hammamet, Tunisia, in 2013, and in Marrakesh in 2014. One outcome of these activities has been greater support for Morocco's cooperative sector, which is represented by its Office of Cooperation Development.<sup>47</sup>

Tunisia has acknowledged this potentiality with investments toward the expansion of its SSE, and ILO investments in the expansion of cooperatives throughout the region continue under the Decent Work Programme that aims to put the SSE on a firm footing in the region (e.g., ILO 2011; ILO 2013; Borzaga and Galera 2014). Indeed, through its Promotion of Organizations and Mechanisms of Social and Solidarity Economy (PROMESS), the ILO aims to create no fewer than 50 SSE projects per governate and no fewer than 1000 jobs per governate between 2016 and 2019, by investing in building out the SSE infrastructure in the country.<sup>48</sup> More recently, SSE has been integrated into the Tunisian government's five-year plan for economic and social development,<sup>49</sup> and draft legislation codifying SSE is expected to be submitted to the House of People's Representatives in 2017, with the aim of full implementation in the first quarter of 2018.<sup>50</sup> While focused on the agricultural sector, if approved, the legislation would

<sup>47</sup> See <http://www.odco.gov.ma>

<sup>48</sup> A brief description of this effort can be found at [www.ilo.org/global/topics/cooperatives/projects/WCMS\\_532871/lang--en/index.htm](http://www.ilo.org/global/topics/cooperatives/projects/WCMS_532871/lang--en/index.htm)

<sup>49</sup> See reference to [www.ilo.org/global/topics/cooperatives/news/WCMS\\_550310/lang--en/index.htm](http://www.ilo.org/global/topics/cooperatives/news/WCMS_550310/lang--en/index.htm)

<sup>50</sup> See <https://www.tap.info.tn/en/Portal-Economy/9485116-draft-law-on-social> for an overview

create a higher council of solidarity economy and a national observatory for SSE (interview with official at Ministry of Finance, January 24, 2016).

Funded by the Finnish Ministry of Foreign Affairs, cooperatives for Bedouin women in Egypt have been organized in order to provide income-generation and employment opportunities in their communities (ILO 2015).

While neither public works projects nor the still very nascent SSE efforts in the region are meant to directly address youth unemployment, both perhaps offer alternative solutions to the problem, rather than continuing to rely on the sort of ineffective economic growth-oriented policy prescriptions that have come to characterize much of what constitutes employment policy in the recent decades.

Important metrics related to wellbeing have undoubtedly improved in the region over the past several decades—maternal deaths have steadily declined, education completion rates for both women and men have risen, sanitation systems have improved. However, with the exception of Egypt, labour force participation rates for the youth have steadily declined. No clear relationship emerges between economic growth and labour force participation rates for youth from our study of these four countries (indeed, where significant, this relationship is often negative, controlling for other factors related to labour force participation). If the channel through which economic growth translates into societal wellbeing is assumed to be employment, then it would seem that this assumption is unfounded. Further research into this topic appears to be merited.

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## Appendices

### Appendix A. Indicators

**Labour force participation rates, youth 15–24.** Labour force participation rate is the proportion of the population aged 15 to 24 that is economically active: all people who supply labour for the production of goods and services during a specified period. Unpaid workers, family workers, and students are omitted.

**GDP per capita (PPP, constant 2011 US \$).** GDP per capita based on purchasing power parity (PPP). PPP GDP is the gross domestic product converted into international dollars using PPP rates. An international dollar has the same purchasing power over GDP as the U.S. dollar in the United States. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current international dollars based on the 2011 ICP round.

**Polity2.** Scale ranges from 0–10 where 0 is least democratic and 10 most democratic.

**Freedom to Trade Internationally.** The index ranges from 0–10 where 0 corresponds to “increasing tax rate on international trade”, “slow import or export process”, “small trade sectors relative to the population and geographic size”, “exchange rate controls are present and a black-market exists”, and “restrictions on the freedom of citizens to engage in capital market exchange with foreigners” and 10 corresponds to “no specific taxes on international trade”, “swift import or export process”, “large trade sectors relative to the population and geographic size”, “no black-market exchange rate”, and “no restrictions on the freedom of citizens to engage in capital market exchange with foreigners”. The index consists of the following indicators: taxes on international trade, regulatory trade barriers, actual size of the trade sector compared to the expected size, difference between official exchange rate and black market rate international capital market controls.

**Regulatory Climate Index.** The index ranges from 0–10 where 0 corresponds to “low percentage of deposits held in privately owned banks”, “high foreign bank license denial rate”, “private sector’s share of credit is close to the base year-minimum”, “deposit and lending rates is fixed by the government and real rates is persistently negative”, “high impact of minimum wage”, “widespread use of price controls throughout various sectors of the economy”, and “starting a new business is generally complicated” and 10 corresponds to “high percentage of deposits held in privately owned banks”, “low foreign bank license denial rate”, “private sector’s share of credit is close to the base-year-maximum”, “interest rates is determined primarily by market forces and the real rates is positive”, “low impact of minimum wage”, “no price controls or marketing boards”, and “starting a new business is generally easy”. The index consists of the following indicators: credit market regulations, labour market regulations, business regulations.

**Foreign Direct Investment, net inflows (% of GDP).** Foreign direct investment refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy with control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10% or

more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship. Data is in current U.S. dollars.

**Access to Sound Money Index.** The index ranges from 0–10 where 0 corresponds to “high annual money growth”, “high variation in the annual rate of inflation”, “high inflation rate”, and “restricted foreign currency bank accounts” and 10 corresponds to “low annual money growth”, “low or no variation in the annual rate of inflation”, “low inflation rate”, and “foreign currency bank accounts are permissible without restrictions”. The index consists of the following indicators: average annual growth of the money supply in the last five years minus average annual growth of real GDP in the last ten years, standard inflation variability in the last five years, recent inflation rate, freedom to own foreign currency bank accounts domestically and abroad.

**Total Debt Service (% of GNI).** Total debt service is the sum of principal repayments and interest actually paid in currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF.

**IBRD loans and IDA credits (current US \$).** IBRD loans and IDA credits are public and publicly guaranteed debt extended by the World Bank Group. The International Bank for Reconstruction and Development (IBRD) lends at market rates. Credits from the International Development Association (IDA) are at concessional rates. Data is in current U.S. dollars.

**Tariff Rate.** Simple mean applied tariff is the unweighted average of effectively applied rates for all products subject to tariffs calculated for all traded goods. Data is classified using the harmonized system of trade at the six- or eight-digit level. Tariff line data were matched to Standard International Trade Classification (SITC) revision 3 codes to define commodity groups. Effectively applied tariff rates at the six- and eight-digit product level are averaged for products in each commodity group. When the effectively applied rate is unavailable, the most favored nation rate is used instead. To the extent possible, specific rates have been converted to their ad valorem equivalent rates and have been included in the calculation of simple mean tariffs.

**Domestic Credit to Private Sector by Banks.** Domestic credit to private sector refers to financial resources provided to the private sector by financial corporations, such as through loans, purchases of non-equity securities, and trade credits and other receivable accounts, that establish a claim for repayment. For some countries, these claims include credit to public enterprises. The financial corporations include monetary authorities and deposit money banks, as well as other financial corporations in which data is available (including corporations that do not accept transferable deposits but do incur such liabilities as time and savings deposits). Examples of other financial corporations are finance and leasing companies, money lenders, insurance corporations, pension funds, and foreign exchange companies.