

# Young people

Unutilized resources

# 05



## Key messages

01



Youth unemployment in the Arab region has been the highest worldwide for the past 25 years. It is 3.8 times higher than of adult workers.

02



Youth unemployment in the region is 26 per cent compared with a global average of 12.8 per cent.

03



About 85 per cent of working young people in the region are in the informal sector.

04



Youth unemployment leads to scarring throughout the life cycle of young people, in the form of social exclusion, poverty, income inequality, marginalization, exploitation, discouragement, political instability, social unrest and violence.

05



Inequality in employment is seen across generations. Persistent youth unemployment in the region indicates that young people face unique barriers over and above those faced by other workers.

06



Young workers suffer high poverty rates. Globally, 12.8 per cent of employed young people lived in extremely poor households in 2019, compared with 13.3 per cent in the Arab region.

07



The number of unemployed persons in the region is expected to rise from 14.3 million in 2019 to 17.2 million in 2030, even without taking into account the impact of the COVID-19 pandemic and the substitution effect of automation.

08



Up until 2019, prior to the pandemic, it was estimated that the region needed around 33 million jobs to ensure an unemployment rate of 5 per cent by 2030.

09



One in two young women in the region is estimated to not be in employment, education or training, compared with one in five young men.

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The best way to translate economic growth into reduced inequality is by creating decent employment opportunities that reduce poverty and narrow the income gap between high and low earners.

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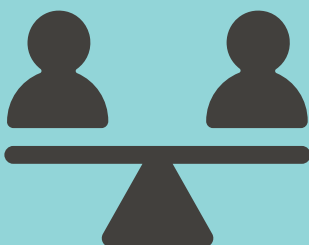
### A. Overview of youth unemployment

Youth unemployment (people aged 15-24) is the most significant socioeconomic challenge facing the Arab region. Youth unemployment in the region has been the highest worldwide for the past 25 years, estimated at 26 per cent compared with a global average of 12.8 per cent. Youth unemployment in the region is 3.8 times higher than total unemployment. Moreover, an estimated 85 per cent of working young people are in the informal sector.<sup>69</sup> The Arab region is also characterized by the



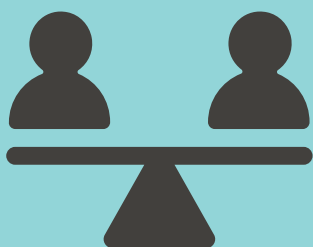
“The future promise of any nation can be directly measured by the present prospects of its youth.”

— John F. Kennedy



56 per cent of people in the Arab region (54 per cent males and 58 per cent females) believe that creating job opportunities for young people is the most important policy to reduce social and economic inequality in the Arab region.

— ESCWA survey, 2022



The energy, skills, and aspirations of young people are invaluable assets that Arab societies cannot afford to waste. With a significant proportion of young people across the region suffering prolonged unemployment, the potential negative long-term scars to their careers, earnings, health, and wellbeing are profound.

The economic and social costs associated with youth unemployment, including greater income inequality, are high.

largest gender gaps in labour force participation and employment worldwide. Within the 15-24 age group, the female labour force is 80 per cent smaller than its male counterpart.

Unemployment, which until the 1980s was confined to less well-educated segments of the Arab population, now affects a large share of young educated people and university graduates. It affects both young people who did not complete formal education, and those with secondary and tertiary qualifications, with the potential to negatively impact yet another generation of young people across the region.

A large number of unemployed young people adversely affects a community's economic growth and development. It also has serious social repercussions because unemployed young people feel left behind, leading to social exclusion, poverty, income inequality,

marginalization, exploitation and discouragement, as well as potential political instability and social unrest. Youth unemployment can also lead to violence, delinquency and other crimes to secure financial resources and help support family members.<sup>70</sup> Furthermore, unemployment can result in "scarring" throughout the life cycle of young people. Being unemployed when young can affect people in adulthood, including through lower pay, continued unemployment, and fewer opportunities. It may also cause mental health issues for adults in the 40s and 50s, which in turn affects their ability to find or maintain a job.<sup>71</sup>

Young people looking for jobs face challenges on both the supply and demand sides. On the supply side, there are demographic pressures, weak education systems that do not prepare young people for work, skills mismatch and weak skills, lack of information on existing job opportunities and career guidance resources

for job seekers, and a lack of employment experience. In addition, there are often mismatches between the expectations of educated job seekers and the salaries and benefits of available jobs. Women face all these supply factors and additional ones related to unpaid care work and conservative social norms.

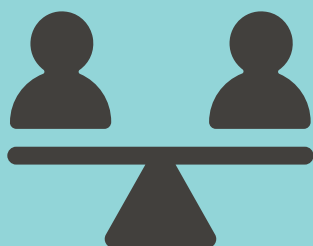
On the demand side, companies struggle with limited access to infrastructure, finance and global markets, and face regulatory constraints. In the public sector, relatively high wages, benefits and job security continue to attract young people, and encourage them to wait for increasingly scarce positions.

The inability of Arab economies to create enough decent employment opportunities poses several challenges. Owing to limited opportunities in the formal sector, many young people have sought employment in the informal sector. This has widened the inequality gap since

informal sector jobs do not provide insurance coverage, basic entitlements, or social protection coverage. Moreover, informal jobs typically entail low pay, erratic hours, uncertain employment status, and hazardous working conditions.

Young people are likely to be in working poverty. At the global level, 12.8 per cent of employed youth lived in extremely poor households in 2019, compared with 13.3 per cent in the Arab region.<sup>72</sup> Persistent working poverty underscores the need for social protection systems that help shore up income security. Without proper social security and decent jobs, employment alone is not a guarantee against poverty.

The COVID-19 pandemic has disproportionately affected the employment of young people. This has reignited fears that another “lost generation” of young people will emerge, who will be denied access to good quality



In 2015, Egypt pursued a strategy to improve standards of living through a series of economic reforms. Many of these measures were aimed to strengthen the investment climate and deliver better-quality goods and services, by boosting public infrastructure quality, investment and tourism. Between 2016 and 2019, these reforms were successful in driving stronger exports and attracting additional tourism revenues, and were associated with a sharp drop in unemployment, especially among young people. Unemployment in Egypt among young people dropped gradually from 34.4 per cent in 2015 to 24.3 per cent in 2021.

— — — — — Source: ILOSTAT

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and sustainable job opportunities as they transition into the labour market. The youth unemployment rate in the region during the pre-pandemic period 2015-2020 was very high, standing at 23 per cent. A notable exception was Egypt where youth unemployment fell from 34.3 per cent in 2015 to 24.3 per cent in 2021. As a result of the pandemic, there were significant increases in youth unemployment reaching nearly 32 per cent in Morocco,

36.5 per cent in Tunisia, and 55 per cent in Jordan in the fourth quarter of 2020 (between 3 to 10 percentage points above pre-crisis levels). In addition, at least 2.4 million jobs were lost in the Arab region in 2020 owing to the pandemic. The number of unemployed persons is expected to rise from 14.3 million in 2019 to 17.2 million in 2030, even without taking into account the impact of the pandemic and the substitution effect of automation.<sup>73</sup>

## B. Youth unemployment and demographic dynamics

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High population growth has resulted in a young age structure in the Arab region. Those in the 15-24 year age group constitute about 20 per cent of the population, and those aged 15-29 make up around 30 per cent of the population – or some 110 million people – in a region in which 60 per cent of the population has not yet reached the age of 30.<sup>74</sup> During the first half of this century, a large proportion of the region's population will move into their most productive years, creating an opportunity to realize a demographic dividend. It would be tragic for the region if the benefits of this demographic dividend are squandered, inevitably leading to potential unrest, protests and increased polarization. However, the youth bulge has

so far proven to be a burden rather than a demographic opportunity.<sup>75</sup>

The even growing working-age population in Arab region requires the creation of more jobs. Up until 2019, prior to the pandemic, it was estimated that the region needed around 33 million jobs to ensure an unemployment rate of 5 per cent by 2030. To increase the female labour force to match participation levels in middle-income countries, the number of jobs needed could be as high as 65 million. Many young people dropped out of the labour force during the pandemic because of a lack of opportunities, and the pandemic also caused an increase in youth unemployment.

## C. Gender dimension of youth unemployment

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Inequality in female youth unemployment is evident between Arab countries and within them. On average, women are 2.6 times more likely to be unemployed than men.<sup>76</sup> Female youth unemployment in the region, which is the highest worldwide, stands at 40 per cent. This is more than double

the unemployment rate of young men (19.8 per cent).<sup>77</sup> By comparison, global youth unemployment rates for males (12.4 per cent) and females (12.8 per cent) differ only marginally.<sup>78</sup> Algeria exhibits the highest disparity among young men and women, with almost 50 per cent more

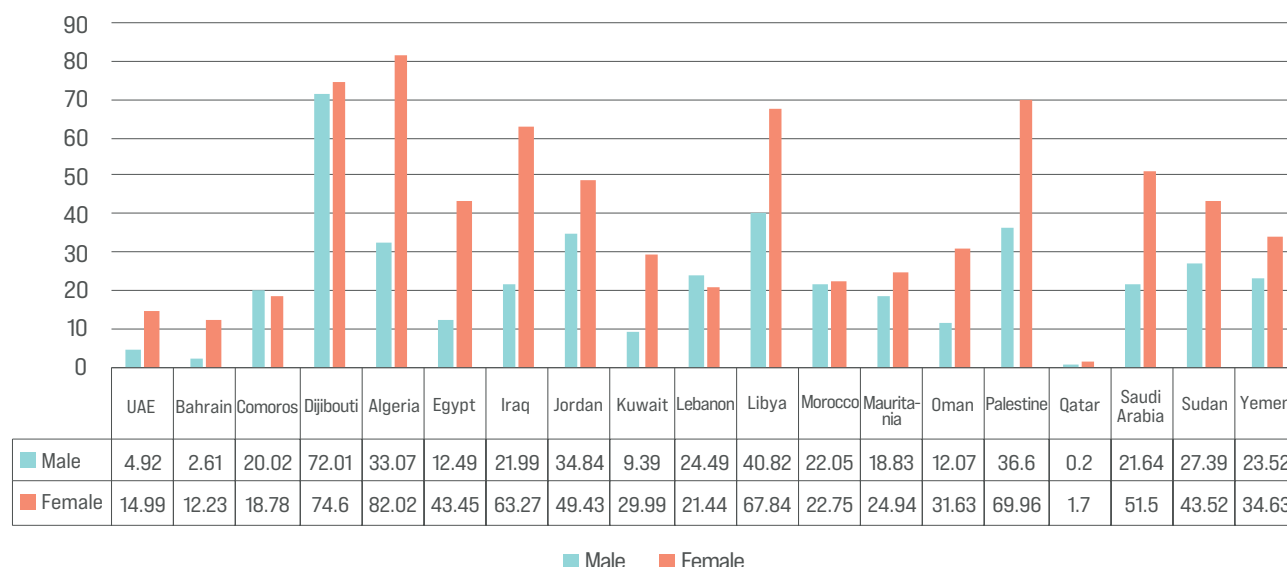
unemployed females. In contrast, Lebanon has 3 per cent more unemployed young males than females. In many Arab countries, high unemployment rates for young women are attributed to issues related to unequal opportunities, and discriminatory practices that treat men and women differently. For example, in some Arab countries, business registrations require the approval of a male family member, thus restricting women's entrepreneurship opportunities.

While young women have achieved remarkable gains in educational attainment over the past five decades, these have not been translated into real and meaningful increases in labour force participation. While the literature commonly emphasizes the positive impact of increased education on employment opportunities, the Arab region faces a paradox. Increased education levels are not always positively correlated with more and better employment opportunities, especially among women whose educational performance has significantly improved over the years. The likelihood of

being unemployed is considerably higher among women with a university education than among those with lower educational attainments. This paradox is reflected in the fact that women with no education, on the one hand, and those with secondary qualifications, on the other, are more likely to join the labour force compared with women who have higher education qualifications.

Education may increase a woman's chance of getting a decent job but, paradoxically, women with more education find it more difficult to get a job. However, it is important to note that this negative correlation between educational attainment and employment is experienced by both men and women in the region. Moreover, there is a persistent gap between yearly increases in jobs and in graduates. For instance, around 11,000 to 15,000 new jobs have been generated annually in Lebanon during the past decade, whereas the annual number of university graduates far exceeds that, estimated at between 23,000 to 43,000 every year.<sup>79</sup>

Figure 18. Average youth unemployment in Arab countries by sex, latest available year



Source: ILOSTAT.



In the Arab region, one in two young women is estimated to not be in employment, education or training (NEET), compared with almost one in five young men. There is a gender gap in the NEET rate of 34 percentage points in the region, almost double that of the global gender gap (17.2 percentage points).<sup>80</sup> The fact that young women are twice as likely as young men to fall into this category, and that the gender gap is so pronounced in the Arab region, reflect the deeply-entrenched social and cultural norms that limit women's educations and career goals.

The pandemic accentuated unemployment among women. Women's jobs were particularly hard hit, as they are more likely to work in the informal economy and service sectors that were most affected by the lockdowns.

ESCWA analysis of online job postings found that they unintentionally avoid gender bias in their demand for skills, but job advertisements themselves are discriminatory by explicitly mentioning the needed gender for a set of skills that can be done by either women or men (box 3). Furthermore, the majority of female-targeted job openings are in entry-level positions, and the lowest share of jobs targeting women are in management and senior-level positions. In addition, the data reveal that while job postings in the Arab region are inclusive of and accessible to persons with disabilities, that does not mean that the jobs themselves are inclusive and accessible to them.<sup>81</sup>

### Box 3. Male accountant needed

**Description:** Managing all general accounting operations, preparing reports on the current financial position of the company, analysing financial data and providing accounting insights, managing and tracking all financial movements, updating purchase and sales records, submitting periodic financial reports, and proposing financial solutions to fix any financial problems.

**Educational level:** Bachelor's degree.

**Experience level:** 10-4 years' experience.

Although the functions of the job could be done by either a man or a woman, the announcement exclusively requests a male candidate

Source: ESCWA analysis based on data generated by ESCWA Skills Monitor, 2022..



## D. Barriers to youth employment in the Arab region

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Inequality in employment is witnessed across generations in the region. The youth unemployment rate in the Arab region is 3.8 times higher than that

of adult workers, highlighting that young people face unique barriers over and above those faced by other workers.

### 1. Poor quality education

Arab Governments have provided free education and instituted a meritocratic system of selection into higher levels of schooling, which is the cornerstone of equality of opportunity policy in many Arab countries. However, much remains to be done to improve the quality of education for both men and women, especially since the Arab region still lags behind the world average. An estimated one in every five children, adolescents and young people in the region is not enrolled in school. This situation is more pronounced among girls, which maintains the education gender gap.

While school and university enrolment rates have increased, the quality of education has deteriorated significantly, resulting in high unemployment rates among young, new college graduates. This unique phenomenon among those with high levels of educational attainments is representative of the region. Training systems and curriculums are not in line with the needs of the labour market, leading to a significant skill mismatch.

Education itself is an important aspect of inequality of opportunity. Educational attainment depends significantly on parents' backgrounds and on community characteristics. Since the labour market values higher-



“Research has shown that quality higher education – particularly with a focus on soft skills and internships – boosts the potential of graduates to secure their first jobs after graduation. It is the first job after graduation that is the essential first step to moving forward. You don’t have to see the whole staircase, just take the first step.”

== == == == == Martin Luther King Jr.

skilled jobs, young people from privileged backgrounds have better outcomes in their transitions into the labour market. Research has found that inequality of opportunities explains a significant part of the inequality

in educational achievements in most Arab countries. While the education system in the region has performed relatively well in expanding opportunities in access to schools, it has not improved quality.

## 2. Prolonged school-to-work transition

Young people in the region often search for years before finding work. While data on unemployment duration in the Arab region are limited, evidence from three countries where such data is available (Iraq, Jordan and Yemen) indicate that almost half of unemployed Iraqi young people, a third of unemployed Jordanian young people, and over a fifth of unemployed Yemeni young people have been looking for a job for at least one year. These figures do not include discouraged youth who have given up actively seeking work.<sup>82</sup>

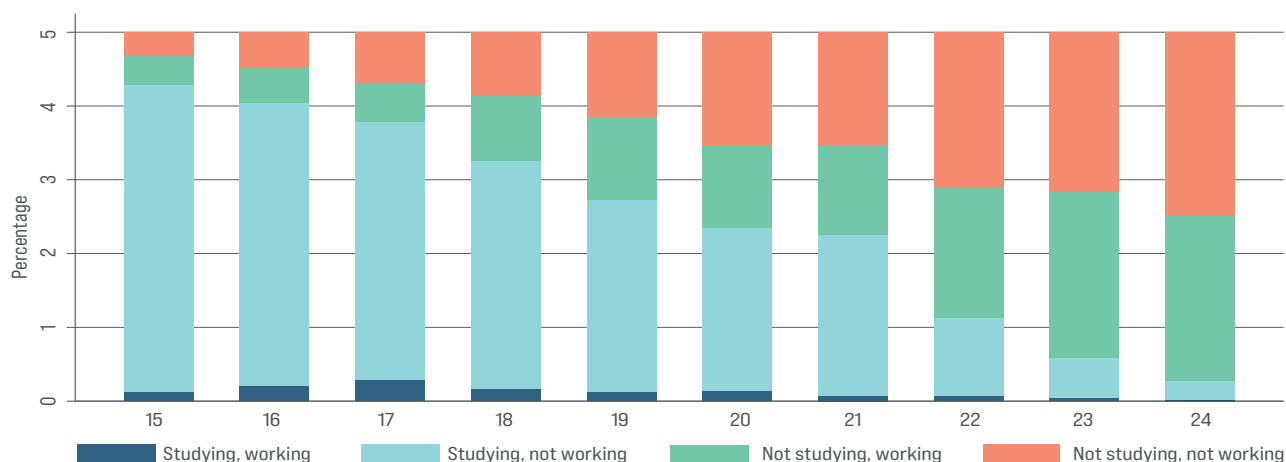
Delayed transition to working life affects other pathways to adulthood, including marriage, homeownership, and civil participation. This delay in making the transition to adulthood has been termed “waithood”, reflecting a

waste of youthful energy and potential. This “waithood” experience places young people in a position of prolonged adolescence, forcing them to remain single for long periods of time while trying to save money to marry.<sup>83</sup>

The impact of secondary school dropout on the work outcomes of young people in 10 developing countries was analysed, and emphasized the impact of this factor on youth unemployment. High dropout rates affect work prospects, exacerbate income inequality, and determine employment patterns given that the formation of a skilled workforce is key to economic development and growth.

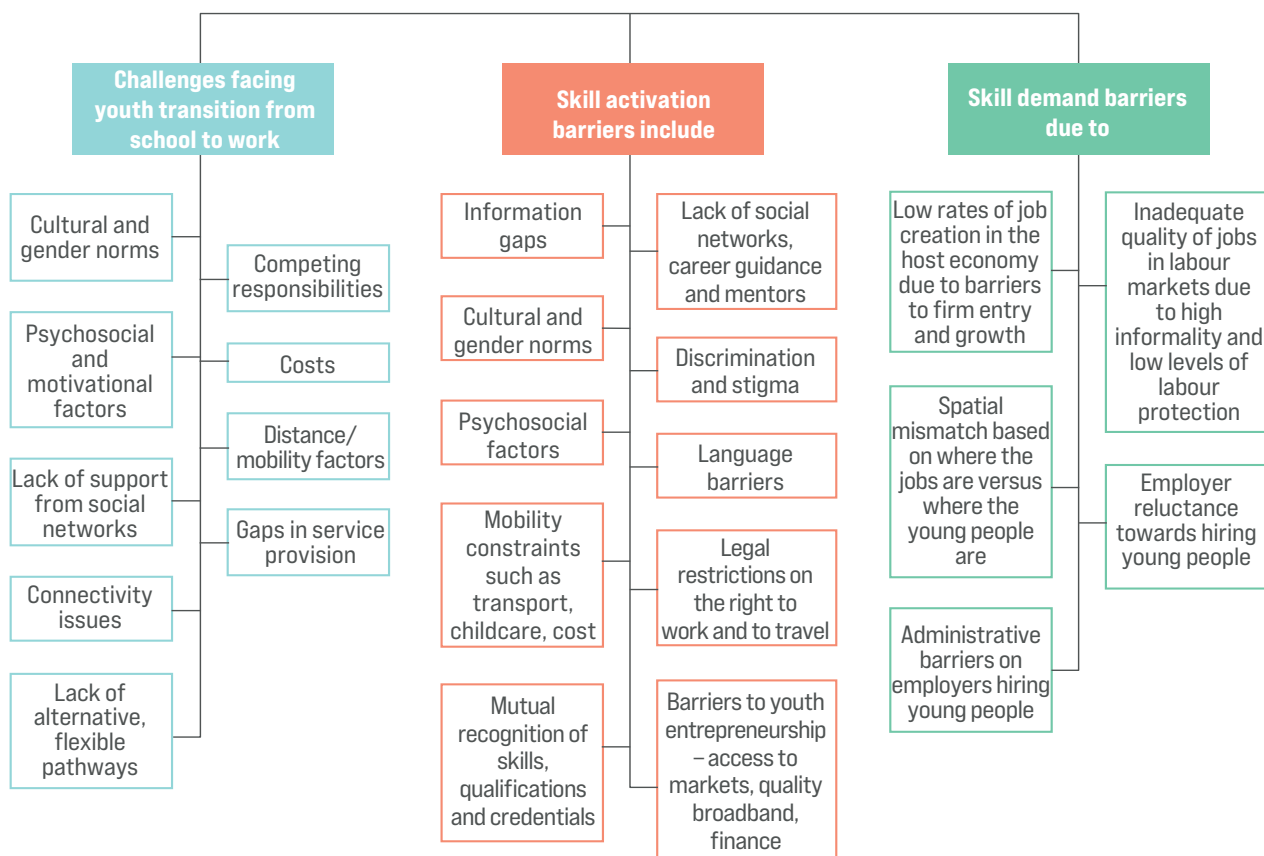
Figure 19 below shows four groups of Arab young people disaggregated by employment and education

Figure 19. School to work transitions in Arab countries with available data



**Source:** ESCWA calculations based on data compiled from ILO school-to-work transitions surveys. Data is available for Egypt, Jordan, Lebanon, the State of Palestine and Tunisia.

Figure 20. School-to-work transition barriers



Source: Compiled by ESCWA.

status. While the “studying and not working” group decreases gradually with age, the share of young people who are not studying and working increases. Notably, the share of young people who are neither studying nor working increases also increases with age. Young people aged 22-24 who are not working or studying constitute between 30 and 40 per cent of the youth population.

For Arab young people, difficulties in managing the transition from school to work continue to pose serious barriers. Figure 20 shows three broad challenges in that regard: skills supply, skills

activation, and skills demand. These three sets of challenges are related to existing inequalities among certain groups. For example, cultural and gender norms affect young women’s engagement in the labour force, while language barriers mostly affect unprivileged youth who could not benefit from quality education that equip students with sound language skills. Moreover, the extent to which these barriers are present and experienced varies widely between countries, and between urban and rural areas.

### 3. Poor economic performance and job creation

A distinguishing feature of the Arab region's weak economic performance is high unemployment rates and a persistent lack of success in creating enough jobs for young people. High youth unemployment rates are largely due to a lack of job opportunities, but also to barriers to entering the labour market. The low availability of high-skilled jobs and the low value placed on skills gained through vocational training are also significant factors. The reasons for this overall poor economic performance are a combination of supply-side factors, such as the region's demographics; and demand-side factors, including the inability of the private sector to create sufficient economic activity to absorb new labour entrants and an over-reliance on the public sector to generate required jobs. Moreover, State fragility and conflict have had devastating effects on the region's ability to attract foreign investment, consolidate development gains, and enhance economic and social prosperity to create employment.

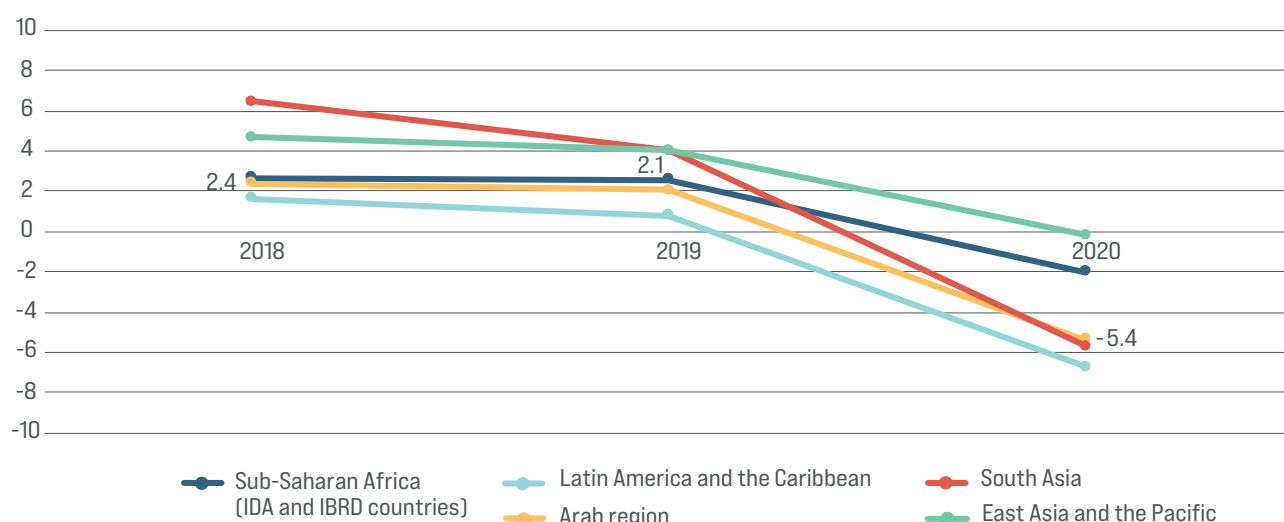
Consequently, youth unemployment in the Arab region must be examined against a backdrop of overall poor

employment performance. In the past three decades, the share of the region's working-age population has expanded by 17 per cent, but the employment-to-population ratio increased by less than 1 per cent, resulting in the lowest level of employment creation among all regions in the same period. Furthermore, most employment creation happened in the informal private sector and the public sector.

There are five broad reasons why the formal private sector in the Arab region is not creating enough decent and inclusive jobs. Understanding the following reasons is central to creating practical solutions to reduce unemployment:

- Low-productivity economies with wide deficits in youth participation and gender equality, a large informal sector, and a limited role of the formal private sector, particularly in employment creation.
- Despite relatively high GDP growth rates in recent years prior to the pandemic, opportunities for aggregate productive and

Figure 21. GDP growth rate by region



Source: World Bank data.

decent employment fell short. Jobs were mainly created in informal low value-added production and the public sector, which also added to political polarization. Consequently, aggregate labour productivity and real wages stagnated or dropped in real terms.

- The low inclusivity of women in the labour market. The main difference between the employment profile of the region and the rest of the world is an extremely low women's labour force participation rate, which is caused by weak job creation in Arab economies, structural constraints, attitudinal barriers, and gender dynamics that discriminate against women.
- The challenge facing many Arab countries is not so much a bloated public sector, but rather the failure of public sector policies to achieve successful economic structural transformation and diversification. This failure pressures many Governments, especially in oil-rich economies, to create inclusive public employment opportunities, resulting in limited jobs in the formal private sector.
- Conflicts in several Arab countries have damaged the region's attraction to foreign

investment, thus undermining prospects for sustainable development.

Ensuring a sustainable creation of new jobs for young people, thus reducing youth unemployment, depends on achieving higher economic growth rates, and on the labour intensity of said growth. The Arab region's economic growth rates lag behind those of sub-Saharan Africa and of East Asia and the Pacific. The economic recovery that began with 4.1 per cent growth for the Arab region in 2021 is expected to continue at 3.7 per cent in 2022 and 3.6 per cent in 2023.<sup>84</sup> These projections were made before the greatest cost-of-living crisis in recent years and the Russian invasion of Ukraine. However, economic growth does not always result in less unemployment. For example, in Saudi Arabia, private sector economic growth does not equate to an increase in employment levels, as the vast majority of private sector jobs are held by expatriate workers.<sup>85</sup> In Jordan, by contrast, economic growth resulted in additional jobs in low-skilled and low-paying industries, such as the construction and garment industries.<sup>86</sup> While jobs may be available in these low-skilled industries, educated young people are reluctant to take them, preferring instead to remain unemployed.

#### 4. Weak public employment services

Public employment services connect jobseekers with employers. In their work at national level, they prioritize people who are long-term unemployed, including young people who have never worked, in addition to people not currently defined as unemployed, persons with disabilities and home carers.

Public employment services in the Arab region are largely underdeveloped, and function in a complex socioeconomic environment that includes high

and persistent rates of youth unemployment and informality. The role of Arab Governments in labour market intermediation is constrained by several obstacles, including a lack of funding, and capacity. Despite the important role of public employment services in job search and matching processes, less than 5 per cent in Algeria and 9 per cent in Jordan of employed young people state that such agencies have helped them transit into employment. Using public employment services in looking for a job is common

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among female job seekers in Algeria and Jordan, but much less popular than using informal networks such as friends and relatives. This highlights another potential layer of inequality in the region in terms of the role of connections and informal networks in awarding employment contracts. Such issues can be tackled by introducing regulations to curb corruption

and nepotism, and by strengthening competitive recruitment, meritocracy and transparency in public institutions. Moreover, policymakers in Arab countries need to evaluate active labour market policies to assess their effectiveness and improve the planning and delivery of employment programmes.