1. Introduction

Youth unemployment is a key issue in the Middle East and North Africa. The recent social unrest in the region can be linked to frustration with difficulties in transitioning from school to the labour force as the unrest was dominated by young educated people.

This helpdesk report discusses youth (un)employment and labour force (non)participation in MENA, with a particular focus on Egypt. It first provides an overview of unemployment trends, which have affected youth and women to a greater extent. It then outlines structural obstacles to addressing youth unemployment, focusing on:

- High share of public-sector employment
- Challenging business environment and difficulties with private sector development
- Labour market rigidities
- Social dialogue
- Migration and non-national workers
- Skills mismatch
Some of the barriers discussed will apply to unemployment more generally, affecting both young people and adults. The report will then look at active labour market policies in the Arab region, focusing on technical and vocational education training and entrepreneurial support. Very little is known about the impact of youth-oriented active labour market programmes as programme and project evaluations are rare throughout the region.

2. The state of (un)employment in MENA

Unemployment is a key concern in the Middle East and North Africa, amounting to 10.1 per cent in 2010 (approximately 10.3 percent in the Middle East and 9.8 percent in North Africa), compared to a world average of 6.2 per cent (Tzannatos, Haq and Schmidt, 2011: 53; ILO, 2011a: 49-50). In the years leading up the global economic crisis (from 2004 to 2008), the unemployment rate in the Middle East decreased by 1 per cent. This downward trend stagnated, however, in 2008 (ILO, 2011a: 49). Rates of unemployment in both Arab sub-regions increased marginally in 2009 and eased in 2010 (Tzannatos, Haq and Schmidt, 2011: 53).

High unemployment rates in the Arab region, combined with low labour force participation has produced very low levels of employment-to-population ratios (Tzannatos, Haq and Schmidt, 2011; ILO, 2011a). These low rates compared to the rest of the world 'is largely attributable to very low rates for women and young people' (Tzannatos, Haq and Schmidt, 2011: 52). In 2010, the unemployment rate for women in the region was estimated to be 15 per cent, compared to 7.8 per cent for men (ILO, 2011a: 51). Key factors affecting employment of women are related to the structure of the labour market and the economic environment, which in many cases are not welcoming to women. The lack of economic diversification outside of the male-dominated oil industry is often cited as a cause of high female unemployment; as well as a less favourable business environment, which hinders women's entrepreneurship. Employer discrimination is also a factor, particularly if women are married; maternity leave and child care are considered costly and reduce the chances of women gaining a job (Chaaban, 2010; ILO, 2010).

The ratio of youth to adult unemployment rates (representing the relative difficulties faced by youth in finding employment, as compared to adults) varies greatly among countries in the region: in Egypt, the youth unemployment rate is estimated as over eight times as high as the adult rate, while in the West Bank and Gaza Strip and in Morocco, the rate is two times as high. Throughout the region, there is a higher youth unemployment rate among young women (Morgandi and Smiledski et al., 2010: 13). The downsizing of the public sector, where the majority of educated young women seek jobs has contributed to growing female youth unemployment in MENA (ILO, 2010).

The high unemployment rate (particularly among youth and women) represents only a part of a greater problem. The ease in unemployment rates in MENA in 2010 is partly explained by the fact hat during the economic crisis, many women dropped out of the labour market, thus reducing the number of unemployed (Tzannatos, Haq and Schmidt, 2011: 53). Further, many of the existing jobs are of 'low quality, underpaid, insecure and without respect for basic labour standards or representation of workers. This is reflected in the high share of the informal sector in many countries in the region and the persistence of working poverty' (ILO, 2011a: 51). This sector generally comprises of jobs in unregistered enterprises, which do not pay taxes, self employed and other unskilled labourers.

The informal sector's share of employment has grown due to economic reforms in various MENA countries, including Algeria, Morocco and Egypt. The Egyptian case is the most pronounced, whereby
the share of informal employment among new labour market entrants rose from 15 per cent in 1975 to 32 per cent in 2005. The informal sector has the benefit of having few barriers to entry and exit; the downside however is the absence of social security and safety nets, income fluctuations and seasonality (Chaaban, 2010: 19). In 2009, 37 per cent of people in MENA with a job (40.4 per cent in North Africa and 32.7 per cent in the Middle East) had a vulnerable job, working either as own-account workers or as unpaid contributing family workers (Tzannatos, Haq and Schmidt, 2011: 53).

One of the striking features about youth unemployment in MENA is the high share of well-educated youth among the unemployed. Young entrants to the labour force have become more educated than ever before. They are unable, however, to capitalise on this investment as the labour market is not providing sufficient good quality jobs for them. This is due to the lack of good private sector jobs and stagnation in growth of the public sector (a traditional source of employment for educated youth) (Angel-Urdinola and Semlali, 2010). This is in contrast to the common view that increasing educational attainment improves access to employment opportunities. Despite great gains in female education, the labour force participation rate of young women in the Middle East increased by less than 2 per cent between 1988 and 2008 and decreased in North Africa from 25.2 to 22.9 per cent (ILO, 2010: 10).

The recent social unrest in the Arab region can be linked to frustration with challenges in the school-to-work transition as the unrest was dominated by young educated people (Tzannatos, Haq and Schmidt, 2011). Many measures taken in the Arab region since the economic crisis were planned beforehand. In other cases, pre-existing reform plans continued in areas of ‘fiscal consolidation, liberalisation of certain sectors and rationalisation of their tax, subsidy and social protection regimes’. Some of these plans may be reversed, however, in light of the protests. Egypt, for example, has announced a 15 per cent increase in public-sector salaries and pensions in February 2011. In Tunisia, some contracts of precarious nature were converted into permanent contracts (Tzannatos, Haq and Schmidt, 2011: 51).

In all countries in the region, there is a recognition that youth employment issues are a top priority and this has been incorporated into national development plans. National action plans for youth employment have also been developed and in some countries (including Egypt and Tunisia), regional action plans have been developed to address youth employment issues (ILO, 2011a).

The case of Egypt

Individuals 15 to 29 years old comprise one-quarter of the total population of Egypt and approximately 22 per cent of the total labour force. Young people also account for the greatest proportion of all unemployed Egyptians: ‘8 out of 10 unemployed in Egypt are youngsters entering the labour market for the first time’ (Angel-Urdinola and Semlali, 2010: 3). Difficulties with first entry, referred to as ‘youth insertion’ or ‘school-to-work transition’ is considered to be the primary cause of high youth unemployment. It takes approximately 7 years for youth to transition from school to work, compared to an average of approximately 1.4 years in developed countries (Angel-Urdinola and Semlali, 2010: 3; see also UNDP, 2010).

Despite greater education among young entrants in Egypt, 58.5 per cent of youth aged 18-29 are reported to be out of the labour force (not working, not searching for work, nor willing or interested in work). Many young people are opting to work in the informal sector and/or withdrawing from the labour force. Young employees in Egypt are approximately 1.7 times more likely to work in the
informal sector than prime-age adults. They are also 2 times more likely to work in temporary employment (Morgandi and Smiledski et al., 2010: 24-25).

There are tremendous gender disparities: women who are out of the labour force (83 per cent) are 3 times more than men (27 per cent) (UNDP, 2010: 39). Among youth who are in the labour force, 34.5 per cent are employed and 7 per cent are unemployed. Gender disparities are found here too: 6 times more young men are employed than women in the same age group. Thus, male youth are more likely to be employed; and female youth are more likely to be out of the labour force (UNDP, 2010: 39). Female labour force participation rates in Egypt are among the lowest in the world. This is considered a tremendous waste in potential resources, especially when considering that young women have never before been educated in such large numbers (Klau, 2010).

These gender disparities cannot be explained by marriage alone or by preference for not working. Rather, employment data for young women and men reveal unequal employment opportunities (UNDP, 2010). Young females, for example, are much more likely to be employed in the public sector (35 per cent of females versus 8.3 per cent of males). Government employment is seen as more egalitarian along gender lines and flexible; and has thus been particularly popular among women. As such, the decline of employment opportunities in the public sector has affected female youth employment to a greater extent (UNDP, 2010).

Women face various barriers in the private sector, related in large part to difficult working conditions, including the predominance of males and fear of sexual harassment (Barsoum, Rashed and Hassanien, 2009; Assaad and Barsoum, 2007). On a larger scale, reliance on oil-related revenues has distorted the structure of the Egyptian economy by increasing jobs in sectors that are traditionally male dominated, such as construction and services (Assaad and Barsoum, 2007).

There have been some efforts to improve working conditions in private firms and to make them more gender-friendly, in order to boost women's economic participation. The Gender Equity Model Egypt (GEME) programme, for example, involves a certification programme that audits the policies of participating firms and provides training to them to become more female friendly. At the end of the programme, firms that pass the audit receive a Gender Equity Seal. There has been slow uptake of this programme, however, among firms of all sizes (Vishwanath et al., 2010).

3. Structural challenges to improving unemployment

There are various structural challenges that have been identified in the literature as hindering progress toward addressing unemployment (for youth and adults) in the Middle East and North Africa. These include:

- High share of public-sector employment
- Challenging business environment and difficulties with private sector development
- Labour market rigidities
- Social dialogue
- Migration and non-national workers
- Skills mismatch

High share of public-sector employment
The large employment share of the public sector is a characteristic feature of the Arab region: 'according to 2004 data, the public sector in the Arab region represented some 29 per cent of total employment, and wages absorbed some 38 per cent of current public expenditure. This is almost double the world average, excluding China'. There has been little discernible change in this share since the financial crisis, although there are variations across countries in the region. Public sector reforms and policies designed to encourage privatisation have done little to change this general regional pattern of employment (Tzannatos, Haq and Schmidt, 2011: 54).

The public sector continues to provide incentives for educated youth to queue for public sector jobs. Government jobs are seen as more respectable. They provide various benefits, including generous medical and pension benefits, transportation benefits, and relatively short work hours. In addition, public sector real wages have remained competitive with private-sector wages. This phenomenon of queuing for public sector jobs has contributed to long periods of unemployment for youth and has undermined the search for other prospects, including entrepreneurship, among the young and educated. Queuing is particularly pronounced among women, who comprise a greater share of public sector employment and for whom public sector jobs are particularly attractive. The slow down in public-sector hiring has resulted in many women dropping out of the labour force entirely (Angel-Urdinola and Semlali, 2010; Chaaban, 2010).

Benefits of public sector jobs increased after the recent uprisings in Arab countries. Civil servants in most countries, including Egypt, were given salary increases (Tzannatos, Haq and Schmidt, 2011).

The case of Egypt

Almost 27 per cent of workers in Egypt are employed in the government and in the public sector (according to the 2006 Census) (Klau, 2010: 19). Despite the fact that Egypt has actively pursued a policy of privatisation for over a decade, and abolished the guaranteed employment scheme in the 1990s, public sector jobs are still attracting a large share of young graduates. According to a recent Gallup survey, 62 per cent of young people would prefer a government job over working in a business (Patil et al., 2010: 45). Government employment in Egypt, as elsewhere in the region, means a more stable career path, greater protection in relation to termination of contracts, a more reliable pension plan, social insurance, and comfortable working conditions (Klau, 2010; Patil et al., 2010). Other factors that could explain the preference for the public sector include a general mistrust in private sector practices and a lack of entrepreneurial spirit (Klau, 2010).

The current entry level hiring in the public sector is formula-based. While initially designed to reduce the risks of favouritism in hiring, it has also resulted in little proper evaluation of actual skills. In order to address this, the public sector could introduce merit-based pay and promotion criteria that stress productivity. In order to address overstaffing, voluntary retirement schemes could be put in place (Angel-Urdinola and Semlali, 2010).

Challenging business environment and difficulties with private sector development

There have been various efforts in recent years to support private-led growth and job creation in MENA throughout the years in order to address over-reliance on the public sector and the segmentation of labour markets (whereby a small number of educated youth benefit from employment security in the public sector and a large segment of uneducated youth alternate between joblessness and precarious employment) (World Bank in Kolev, 2009: 55). Such reform efforts have included
investments in labour intensive sectors and financial market reforms (Egypt) and investment in productive sectors (Tunisia) (Kolev, 2009).

Despite progress with market-oriented reforms, the private sector throughout MENA remains weak. This is attributed to highly regulated product markets; limited progress in integrating into the world economy through trade and investment; policy uncertainty and unequal implementation of rules; and skepticism among public officials of the ability of the private sector to be an engine of growth (Benhassine et al., 2009; Kolev, 2009).

Benhassine et al. (2009) recommend that in order to encourage private sector development, formal and informal barriers to the new entry of firms need to be removed. This includes requirements that give discretion to public officials to exclude some investors (and give others an advantage), such as sector-ministry approvals for various activities in Egypt, Syria, Tunisia and many Gulf countries. Other barriers to entry that need to be addressed are high operating costs, difficulties in accessing inputs and factor markets, and difficult exit of firms. In addition, greater transparency on transactions involving privatisations, public land transactions, subsidies, and procurement tenders, would also reduce room for discretionary behaviour and improve accountability in every public institution that interacts with the market.

The case of Egypt

The legal, regulatory and tax environment for business transactions, private sector development and entrepreneurship in Egypt has improved markedly in the past decade. The country has ranked among the top ten reformers measured by the Doing Business Indicators of regulatory burden in three of the last four years (Angel-Urdinola and Semlali, 2010). Business entry, including the registry process, has been streamlined through ‘one-stop shops’. Procedures are now clearer, simpler, easier to comply with and less subject to discretionary enforcement (Angel-Urdinola and Semlali, 2010; Tzannatos, Haq and Schmidt, 2011; UNDP, 2010).

Despite this progress, private investment in Egypt remains low, compared to international standards. This is attributed to various factors, including:

- Uncertainty, stemming from macroeconomic instability: concerns over growth rates, inflation and unemployment have deterred investment;
- Perceptions of unfair competition: competition is thought to be constrained by dominant firms or unfairly advantaged and/or connected individuals. In addition, the enforcement of new competition laws and policies has not been systematically and broadly effective;
- Corruption: corruption is considered to be an ongoing factor in obtaining approvals. Delays, high cost or uncertainty associated with such approvals can deter entry and new investment (Angel-Urdinola and Semlali, 2010).

Small and medium enterprises (SMES) account for a large share of total employment in Egypt and are particularly important in creating jobs for young workers. SMEs face a number of constraints, however, including lack of human and financial resources and over-regulation. The burden of compliance with rules and regulations often forces such enterprises to remain informal (Klau, 2010). In response to the financial crisis, enterprises in Egypt were given support in the form of various tax reductions in exemptions (Tzannatos, Haq and Schmidt, 2011)
Labour market rigidities

Several countries in the Arab region have recently been amending their labour legislation with the aim of balancing flexibility with sufficient protection from arbitrary, unfair or discriminatory actions by employers. Changes in legislation throughout the region, including in Egypt (2003), Tunisia (1994 and 1996) and Jordan (1996), have aimed to improve flexibility for employers, particularly with regard to hiring and firing. These rules are still seen as overly rigid, however. Further, firing remains costly for employers due to lengthy bureaucratic procedures, high payments and biased labour court decisions. Severance payments are often relied upon as insurance for unemployment as social insurance systems are rare (Kolev, 2009; ETF, 2006).

The case of Egypt

Labour regulation and labour taxes in Egypt are considered to have acted as a constraint on employability. In contrast to earlier labour legislation, the Labour Law of 2003 gives employers in the formal private sector more flexibility, particularly in relation to the termination of contracts for reasons of force majeure or negative economic circumstances. The law also allows for greater flexibility in working hours and allows for fixed-duration contracts and employee probation for up to three months. It also introduces the right to strike peacefully (Klau, 2010; Amer, 2007; ETF, 2006).

Given that the law applies only to new employment contracts rather than existing ones, its effect on labour market regulations are considered to be small. Nonetheless, it could improve the willingness of foreign companies that had previously been reluctant to invest in Egypt (Amer, 2007).

Despite these reforms, entrepreneurs in Egypt find that mandatory benefits and contributions continue to constrain employment creation, especially among youth and women. Although the termination of workers due to redundancy is legally authorised under the 2003 law, firing costs remain high by international and regional standards; the costs of dismissal of a redundant worker in Egypt are among the largest in the world. In addition, firms face complicated procedures that involve notification and consultation with the Ministry of Manpower and Migration for dismissals (Angel-Urdinola and Semlali, 2010).

Social dialogue

Social dialogue is based on the principles of rights of freedom of association and collective bargaining. Employer and worker representation and dialogue is an important condition for how the labour market and the macro economy functions. Social dialogue can help to inhibit bankruptcies among employers and industrial unrest by workers. The effectiveness of social dialogue increases with the representativeness of employers’ associations and trade unions (Tzannatos, 2009).

A key problem in the Arab region is a lack of social dialogue institutions and mechanisms (ILO, 2011b; Tzannatos, 2009). Even though all countries have ratified all or some of the related ILO Conventions, implementation and enforcement is weak. Organisations of employers and workers remain weak and the role of the State in promoting and participation in social dialogue is poorly understood. Governments have in the past tried to control avenues and processes of social dialogue and have restricted it to questions of wages or working conditions. They have excluded discussion on labour rights or legislation, broader socio-economic development goals or other issues related to employment, education or the State's role in society and the economy (ILO, 2011b). The few
functioning national institutions for social dialogue exist mainly in North Africa. Trade unions in Tunisia, Algeria and Morocco have enjoyed a degree of independence, and employers' organisations have been relatively developed and active compared to elsewhere in the region and globally.

It is common in Arab countries for youth to be excluded in the decision-making processes on issues that affect them. Strengthened institutions for social dialogue can be critical in fostering more positive attitudes among young people and employers (ILO, 2011a). Youth organisations and youth representative bodies should be given greater support (Morgandi and Smiledski et al., 2010). There have been some national youth initiatives that have aimed to engage youth in decision making in relation to their needs and concerns. These include the National Youth Corp in Jordan, which involves youth in social integration and in the country's development; the Labour Market Information and System in Yemen, which aims to develop strategies for employment, technical and vocational training with an emphasis on youth needs; and the ICT Youth Capacity Building Project in Egypt, which involves community development and communications advancement (Chaaban, 2010).

The case of Egypt

Independent trade unions have emerged only recently in Egypt. Prior to this, trade union activities ranged from compulsory membership of a single trade union to executive interference in all union activities through the Ministry of the Interior (ILO, 2011b).

Although employers and workers organisations exist in Egypt, 'the potential of social dialogue for finding accepted solutions to labour market challenges is not fully used in Egypt. For example, in a recent survey analysing the impact of the crisis on the textile sector, hardly any of the firms reported consulting workers' representatives or unions in relation to any measures taken in response to the crisis' (Klau, 2010: 21).

Egypt's Decent Work Country Programme (2010-2013), which was drafted prior to the January revolution, prioritises youth employment, social protection and social dialogue. The social dialogue component emphasises the institutional setting and capacity building, with priority attached to freedom of association and collective bargaining (ILO, 2011b).

Migration and non-national workers

A distinguishing aspect of MENA labour markets (particularly in the Gulf countries) is the significant number of expatriates in the labour force. Private sector employers often prefer foreigners over nationals due to their skills-set, lower salaries, higher productivity, and flexible hiring arrangements (Al-Masah Capital Ltd., 2011). Although data on labour migration is scarce, available information indicates that migration within and without the region is significant, and that young people are the primary actors (Morgandi and Smiledski et al., 2010).

The Arab region has been successful in creating jobs at a faster rate than others: the employment response to output growth, for example was almost double in Arab countries compared to Asian economies (Tzannatos, Haq and Schmidt, 2011: 61). These jobs, however, have largely been filled by non-nationals. In the case of Jordan, for example, GDP growth and employment generation have not resulted in a decline in unemployment. Jordanian's job preferences did not match the supply of jobs created and most of the newly created job supply was met by non-Jordanians (Chaaban, 2010).
The influx of foreign nationals that are willing to accept relatively lower wages has produced in some cases a private sector with wages and employment conditions that are more commonly found in the country of migrants. This has resulted in an unwillingness of nationals to be employed in the private sector and persistent reliance on public sector employment (Tzannatos, Haq and Schmidt, 2011).

**Skills mismatch**

High youth unemployment rates in the Arab region is due in large part to mismatches that affect Arab labour markets and are related to geography, employability and expectations: ‘jobs are created in areas different than where the unemployed are; many new labour market entrants have a skills mismatch with what the market wants; and a large number of individuals are voluntarily unemployed, not willing to accept jobs at the prevailing wages’ (Chaaban, 2010: 7).

MENA produces more graduates in humanities and social sciences than in science and technology. The skew toward humanities and the social sciences is greater in the Arab region than in much of Asia or Latin America. Although these courses may have been appropriate for employment within the public sector, they fail to impart the right knowledge and technical skills required in the changing business environment (Al-Masah Capital Ltd., 2011; E4E, IDB and IFC, 2011). The current education system also places little emphasis on problem solving, group work and interactive teaching methods that could help with the development of soft skills (Al-Masah Capital Ltd., 2011). These refer to interpersonal skills, language and personal habits and the ability to think creatively and independently (Angel-Urdinola and Semlali, 2010).

Efforts have been made in some contexts to address the mismatch between education courses and the skills required for future employment. The German Jordanian University (GJU), founded in 2005, is considered to be a model approach in the region. It is based on Germany’s universities of applied science that connect academia to industry. Such connections are fostered in a variety of ways, including: the presence of top private sector leaders on the university board; hiring faculty and staff with strong industry connections and experience; and providing students with industry experience during the studies (E4E, IDB and IFC, 2011).

**The case of Egypt**

Despite improvements in quantitative indicators for education in Egypt, the overall quality of education is considered inadequate and the link between the education system and the labour market and with policies promoting employment, economic growth, competitiveness, or technological development is weak (Klau, 2010; ILO in Angel-Urdinola and Semlali, 2010). More than 70 per cent of students in higher education in Egypt are in humanities and social science (Angel-Urdinola and Semlali, 2010). While appropriate for civil service jobs, this line of study has been ill suited for national development strategies that have been drawing increasingly on private initiatives and the expansion of the manufacturing, construction, tourism and other service sectors. This mismatch has resulted in serious economic bottlenecks and high levels of youth unemployment (Klau, 2010; Angel-Urdinola and Semlali, 2010). Employers in the country have expressed dissatisfaction not only with deficiencies in technical/occupational skills but also regarding soft skills (Angel-Urdinola and Semlali, 2010). Aside from a small number of large local firms and multinational corporations, the vast majority of firms do not provide employees with any structured training (Klau, 2010).
4. Active labour market programmes

Given the pressing challenge of addressing youth unemployment, many governments in the Arab region have been developing and implementing specific Active Labour Market Programmes (ALMPs) for youth. The aim of ALMPs is to enhance employability and to promote job creation, with the ultimate aim of reducing and preventing (long-term) unemployment and increasing labour force participation. (Angel-Urdinola, Semlali and Brodmann, 2010). Although not a substitute for structural reforms and economic growth, ALMPs have come to be seen as an important component of labour market policy (Morgandi and Smiledski et al., 2010).

Active labour market programmes typically involve employment services, labour market training, wage subsidies, public works, and self-employment promotion. Many such programmes have been donor-funded, given limited government budgets and in some cases the weak institutional capacity of national players (ETF, 2006). The most common measures are technical and vocational education training (TVET) courses and self-employment schemes for the unemployed and young people (ETF, 2006).

**Technical and vocational education training**

The aim of technical and vocational education training is to enhance the skills of young entrants to the job market and to make them more employable. TVET systems in MENA, however, suffer from a range of problems. These include:

- A lack of overarching vision at the highest level of government that would serve to guide and coordinate reforms;
- Weak links between TVET and the labour market, reflected in outdated curricula and teaching methods;
- Lack of involvement of the private sector in TVET governance;
- Fragmentation and inadequate coordination among TVET suppliers (Kolev, 2009; ETF, 2006).

Positive examples of TVET programmes in the Arab region include the training academy of Egypt's Al Araby group; INSIM, a private sector TVET provider from Algeria; and the Saudi-Japanese Automotive High Institute, SJAHI, which provides international recognised qualifications. Drawing on lessons from these examples and others, four conditions for successful TVET programmes are identified:

- The first of the conditions for success is industry involvement: there are numerous ways of ensuring this. INSIM, for instance, prides itself on the strong links its faculty has with business, its internships, and its private sector orientation.
- The second condition for success is that there needs to be recognition for the TVET qualifications: without this, the training that students receive will not make them truly marketable to prospective employers.
- The third condition for success is the assurance of employment upon qualification. Clearly, this is of great importance to the students, as this is their motivation for investment in the course. Students from all three of the institutions examined here have very high rates of employment. In fact, Al-Araby and SJAHI both guarantee placement for their graduates.
- The final condition for success is a strong business model. All three examples focus on sectors with significant growth to ensure strong demand from students. As a result, an education provider like INSIM can charge robust tuition rates. In addition, Al-Araby and SJAHI are able to
sell the goods and/or services produced by the trainees. In this way, the costs of the training programs are subsidised (E4E, IDB and IFC, 2011: 57).

The case of Egypt

Despite efforts to support TVET in Egypt over the past years, the Egyptian economy still lacks the critical mass of workers with the necessary training and skills. Young people have been unwilling to forgo university for vocational and technical training. There needs to be a change in perception that views TVET as equally valuable, socially and economically (UNDP, 2010).

There have been some positive developments, such as the involvement of private sector partnerships and firms engaging in some on-the-job training. For the most part, however, TVET in Egypt suffers from many of the same problems identified in the Arab region as a whole. In particular, the TVET system in Egypt is largely fragmented with over 1,200 vocational training centres, affiliated to a number of ministries and government agencies that operate largely in isolation of one another. There is little coordination between training programmes and the needs of the labour market, and curricula do not necessarily meet the needs of industry or the private sector. Training programmes fail to adjust to the type and quality of skills required by employers. There are shortages of modern and advanced specialisations and few practical training workshops. In addition, there is poor accountability as annual budgets are based on the prior year’s expenditure rather than on performance (Angel-Urdinola and Semlali, 2010; UNDP, 2010).

The UNDP (2010: 172-173) provides some recommendations for how to improve vocational education programmes in Egypt. This involves subsuming individual initiatives under a plan that contains the following elements:

- The promotion of close inter-linkages between TVET providers and employers, regardless whether the TVET providers are publicly or privately funded;
- An active involvement of employers via some form of incentive scheme;
- Greater involvement of manufacturers in the provision of curriculum content, equipment, and training of trainers, with close support from government/sectoral training councils;
- International branding of trainees and prospect of mobility for further education and employability;
- Employer-driven packages of training and training related services
- An accredited training organisation that delivers accredited training programs/courses, within an integrated system for quality assurance and certification.
- The various training councils should dynamically draw on the Information and Decision Support Center (IDSC) Observatory in providing market information and directives, as well as prosperous vocations that not only fill a labour market gap but move the links within the TVET market itself in a productive manner’.

Entrepreneurship and self-employment

Small and medium enterprises play an important role in the Arab region, both in the formal economy and even more so in the informal sector (E4E, IDB and IFC, 2011). Fostering entrepreneurship has become a strategy for tackling youth unemployment; throughout MENA, governments, NGOs and private sector organisations are increasingly relying on entrepreneurial development programmes for young people. A recent gallup poll found that 16 per cent of young Egyptians aspire to start a
business in the next 12 months. Eight-nine per cent of those who plan to start a business can be classified as doing so out of necessity, indicating that ‘many young Egyptians view entrepreneurship as a viable alternative to earn a living’ (Patil et al., 2010).

Starting a business involves business entry and business outcome concerns. Business entry challenges include access to capital and financing, licensing processes and availability, and qualified labour. Business outcome concerns include elements needed in the marketplace and society to enable businesses to grow and achieve long-term sustainability and success. This requires government policies that ensure business owners can trust their assets and property will be safe within the country and that rule of law will be applied in the event of business dispute. Young people throughout the country are more optimistic about business outcome factors than business entry variables. As such, policy-makers should ensure that they address barriers to entry (Patil et al., 2010).

The case of Egypt

The legal environment for business transactions and thus for entrepreneurship has greatly improved in Egypt. Nonetheless, entrepreneurship is still not very common among young Egyptians. The key obstacle cited is absence of financing (UNDP, 2010). Access to finance is an even greater challenge for female entrepreneurs: ‘given that evidence that most business loan application rejections in Egypt are based on lack of acceptable collateral, this could be a major constraint for female entrepreneurs’ (Vishwanath et al., 2010). Access to market and access to networks were other challenges identified by women entrepreneurs (Grabundzija, 2009).

The UNDP (2010: 143) recommends that various structural factors need to be addressed in Egypt in order to create an environment conducive to greater young entrepreneurship. These include: new legislation to deal with bankruptcy and protection from creditors in order to reduce the risk associated with starting a business; formalisation of real estate ownership; access to suitable, affordable and serviced land (particularly for smaller start-up businesses); clearer rules and procedures for licensing of activities; greater access to finance; greater access to relevant information; and improvements in the competitive environment and reductions in barriers to new entry.

Impact assessment of ALMPs

Very little is known about the impact of youth-specific active labour market programmes in the Arab region. Programme and project evaluations are rare throughout the region. As such, there is a weak evidence base for making decisions about how to address youth unemployment (Tzannatos, 2011; Angel-Urdinola, Semlali and Brodmann, 2010; Morgandi and Smiledski et al., 2010; Kolev, 2009).

Tzannatos (2011: 16) argues that ‘despite the heavy emphasis placed on active labour market programmes, neither has employment creation accelerated nor has unemployment been reduced to any significant extent’. The scope of youth-specific ALMPs have often been limited. Although they have been helping to fill the gaps left by the failure of initial education and training to prepare young people for the job market, their impact is limited in the absence of high private sector job creation and well-functioning labour markets (Kolev, 2009). Awad et al. (2008) find that despite the existence of some good practice examples in the region, success stories remain limited due to the persistence of structural challenges (many of which are discussed in section 3 of this helpdesk report).
integration of ALMPs with other policy instruments is thus very important (Angel-Urdinola, Semlali and Brodmann, 2010; ETF, 2006).

Angel-Urdinola, Semlali and Brodmann (2010) conducted a recent survey of non-public ALMPs in nine Arab countries: Morocco, Algeria, Tunisia, Egypt, Lebanon, Syria, Jordan, the Palestinian territories and Yemen. Their study helps to address the large gap in evidence and provides some guidance for policy-makers and financiers for reforms to improve the efficiency of existing programmes and the design of new ones. Their findings include:

- Programme type and objective: most of the interventions aim to enhance youth employability; labour market training is the most common type of intervention, accounting for 93 per cent of all interventions included in the inventory. A majority of the training programmes (64 per cent) focus solely on teaching hard skills and are conducted in-class (71 per cent). Only a few programmes provided on-the-job training internships and/or voluntary services.
- Targeting: most programmes in the inventory (81 per cent) are not targeted; however, in practice, beneficiaries are mainly urban, educated males. This is due in part to the lack of flexible schedules (often required for females) and the urban focus of programmes.
- Signaling: the vast majority of programmes (90 per cent) lack any type of accreditation and certification that would provide a 'signal' to employers of the value added of ALMPs. Very few of the programmes (less than 15 per cent provide some type of job matching services. As such, the majority of workers often rely solely on personal and family connections.
- Monitoring and evaluation: in the absence of monitoring and evaluation, the benefits of interventions are largely unknown. While most programmes did conduct some sort of internal evaluation, there were few that relied on external evaluators and of these, few involved rigorous programme evaluations. Only one programme in the inventory conducted a randomised impact evaluation to assess programme impact. This was the Community Youth Mapping Programme in Egypt that aims to provide life skills to economically disadvantaged youth. The evaluation found that beneficiaries were more knowledgeable about the subjects covered in the programme than those who had not taken the classes; and they felt more confident in their ability to solve problems.

The study provides the following recommendations:

- Programme type and objective: increase the number of programmes focusing on employment services and job search assistance (they tend to have a positive impact in the short-run and are cost-effective). Ensure that training programmes shift from traditional methods (in-class and focused on hard skills) to more comprehensive packages that provide employment services and practical experience; address the needs of employers; and teach hard and soft skills needed in the current and future economic climate.
- Targeting: low-income school drop-outs should be increasingly targeted. Programmes should also provide more flexible and alternative schedules such that more young women could take part.
- Signaling: training programmes should provide beneficiaries with a diploma upon training completion. Apprenticeships and on-the-job training should be provided to signal hard skills by providing work experience; and letters of recommendation should be provided to signal soft skills. The government should be involved in setting a national qualification framework in order to articulate defined standards.
- Monitoring and evaluation: for large programmes, monitoring and impact evaluation should be integrated into the design of programmes in order to provide ongoing feedback and opportunities
for adaptation. Impact evaluations should be conducted prior to scaling up programmes and indicators need to be established in order to assess programme performance.

- Partnership and collaboration: coordination between private and public ALMP provision is essential, in addition to coordination with all relevant stakeholders. For example, government agencies, training providers and the private sector all need to be involved in designing training programmes and establishing accreditation systems.

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6. Additional information

Experts consulted:
About Helpdesk research reports: Helpdesk reports are usually based on two days of desk-based research. This particular report was based on three days of research. The reports are designed to provide a brief overview of the key issues; and a summary of some of the best literature available. Experts are contacted during the course of the research, and those able to provide input within the short time-frame are acknowledged.