

**Expert Group Meeting on**  
**“Strategies for Eradicating Poverty to Achieve Sustainable Development for All”**  
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**Education and Entrepreneurship to address Youth  
Unemployment in MENA Region<sup>1</sup>**

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<sup>1</sup> This work benefited from a research work on youth unemployment conducted when I was research fellow at UN-WIDER.

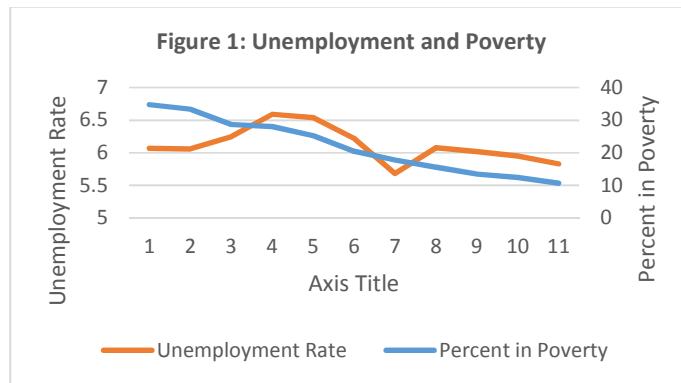
In MENA region<sup>2</sup>, there are more than 100 million youth aged 15 to 29, representing 30 percent of the total population. This huge demographic dividend offers an opportunity to achieve a significant leap forward in development if the youth potential and capacity for innovation can be fully recognized and channeled towards the productive sectors of the economy. Taking the youth seriously is, therefore, a critical step that will help pave the way towards more sustainable and inclusive growth.

Realizing the youth potential, however, requires enlarging job opportunities, enhancing access to education, and promoting entrepreneurial culture.

***Youth Unemployment: A major Concern in MENA region***

High and persistent unemployment is a challenge for MENA region’s economies. Because of the substantial increase in working age population and the increase in the share of young persons, the number of unemployed in the region is increasing over the years.

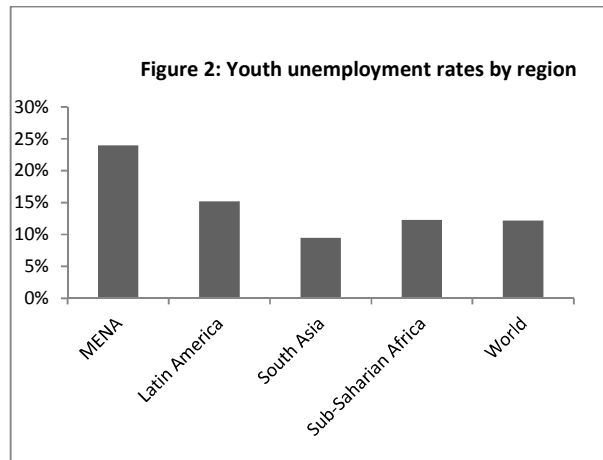
Youth unemployment in countries like Egypt, Syria, Tunisia, and Yemen has increased further as a consequence of the current economic and social deadlock they are facing. Worse, it became source of instability in the region as the new governments failed to find adequate solutions. The situation is further complicated by the lack of necessary financial resources and the narrowing economic prospects for the region.



Source of data: WBI (2015)

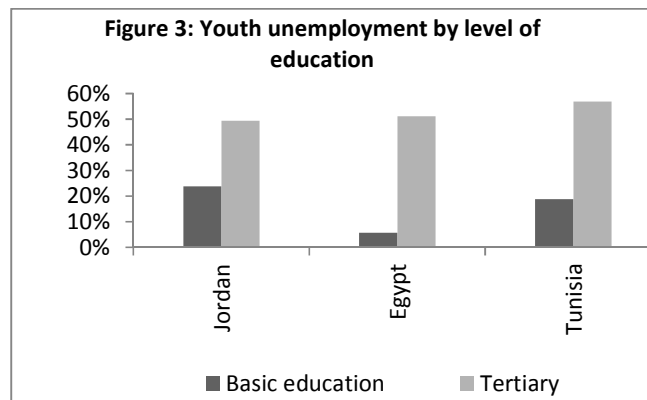
There is a significant risk that the high and persistent levels of youth unemployment may have a long lasting negative impact on youth. Youths with long periods of unemployment will likely reach adulthood being unemployed, slashing any hopes of social mobility even later in life. This will increase income inequality and threaten the social cohesion and integration of the nations. Needless to say, it will hamper the efforts to alleviate poverty and achieve inclusive development (Figure 1).

<sup>2</sup> We focus on MENA countries with worst youth unemployment (Egypt, Morocco, Jordan, and Tunisia).



Source of data: KMIL (2015)

Unemployment essentially concerns the youth and is linked more to the problem of insertion into the labour market (World Bank, 2004). Youth unemployment rate in the region is about 25 per cent, among the highest in the world (Figure 2). The situation is even worse for young women with an unemployment rate of about 40 per cent. Compared to other global regions, the area exhibits the highest rates of labour force increase over the last three decades, making the fact that the unemployment rate for young age groups reaches 40 per cent in some MENA countries a major concern.



Source of data: Integrated Labour Market Panel Surveys, ERF

For some MENA countries, providing more schooling does not seem to help to solve the youth unemployment problem (Figure 3). Youth with higher education attainment are often suffering the most from unemployment. This surprising correlation between youth unemployment and education attainment reflects a mismatch between the type of skills provided to the youth by the education system and the skills that are needed in the labour market.

This situation is typical in countries where education and training systems are not adequately linked to the economic environment. Indeed, graduates, misinformed about the country's working conditions and requirements, have educational profiles that are inconsistent with reality, a fact that makes their first attempt at labour market entry difficult. Based on a survey among 1500 youth and 1500 employers in Egypt, Jordan, Morocco, Saudi Arabia, and Yemen, a report by the International Finance Corporation (IFC) and the Islamic Development

Bank shows that taught skills and knowledge in the Arab schools often have little or no connection to the labour market needs.

The few existing studies suggest that demographic trends and the prominence of the public sector, which cannot feasibly absorb all the labour market entrants, are the main causes of youth unemployment in many MENA countries. The inadequate past development models, resulting in low and unstable growth rates, together with the concentration on low value-added economic activities, are also mentioned as major reason behind the high levels of unemployment in some IDB member countries. The lack of dynamism in the private sector because of the unfavourable business climate, the weakness of the education and training system, and bad governance, are additional causes of low job opportunities in the region.

### Education and the Skill Mismatch

Education systems differ generally in the way they try to match their outputs with the needs of the society. The ability of an education system to provide young people with the right mix of knowledge and experience to prepare for active citizenship is among the main structural factors that can explain differences among countries in terms of their youth's involvement and economic development.

It is often assumed that more education implies a greater likelihood of being employed. However, there are two other salient factors which determine whether young people succeed economically once they leave the education system. The first one is the degree to which the education system can teach specific rather than general skills needed by the future job seekers. The second one is the extent to which the education institutions can coordinate with the private and the public sector to ensure an efficient job market placement of the recent graduates. A greater emphasis on specific and well-targeted skills and, effective partnership between schools and firms lead to a successful transition from education to the labour market. Indeed, closer links between the educational system and firms helps an employer to better assess the potential productivity of a given job seeker in the job that he wants to fill.

The focus on the quality of human capital as the key driver of economic growth has led to an increased emphasis on providing quality education. Studies confirm that poverty and inequality are negatively correlated with measures of school attendance and performance and that the lack of training is a major constraint on the labour market access. This underscores the importance of quality education for achieving economic development and inclusiveness, as the increase in the quantity of education alone does not guarantee a better access to economic opportunities

**Table 1: Quality of Education in MENA countries (ranking from 1 to 7).**

	Higher education and training	Availability of research and training services	Efficient use of talent	Country capacity to retain talent	Quality of math and science education	University-industry collaboration in R&D
Egypt	3.2	2.7	2.5	2.9	2.6	2.4
Jordan	4.7	4.5	3.2	3.8	4.2	3.8
Morocco	3.4	4.0	2.9	3.4	4.0	3.2

Source of data: Global Competitiveness Report (2016)

Despite a significant progress during the last 40 years, MENA countries are still lagging behind the world average in terms of the quality of education. For instance, the majority of countries are scoring very low in terms of retaining and use of talents. Moreover, the collaboration between the education system and the university in terms of research and innovation is not strong enough, which explains the high unemployment rates among university graduates (Table 1).

Below average achievements in terms of the quality and the quantity of education in the MENA countries are compounded by the fact that the workplace has dramatically changed over the past couple of decades. The increased automation and robotisation has reduced the reliance on unskilled as well as some skilled workers. And the workplace continues to change and evolve at a rapid pace. According to some recent studies, 65% of the primary school students today will be employed in jobs that do not currently exist, and the average youth of today will change jobs 10 times or more in their lifetime, compared to three to four times for their parents' generation<sup>3</sup>. Overall, the world is moving toward a knowledge-based economy. We therefore need to equip our youth with the right set of skills that will allow them to excel in the world of the future.

### **Entrepreneurship as a Panacea to Youth Unemployment and Poverty**

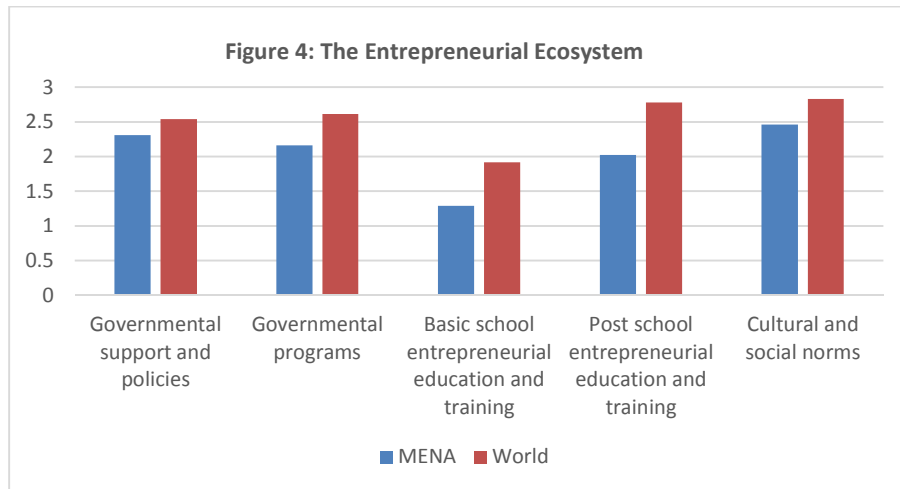
Given the important role of small and medium-size businesses (SMEs) and the incapacity of the formal labour market to provide enough jobs, governments in the MENA region should focus more on alternative forms of income generation.

SMEs play a particularly important role in broad-based employment potential. Jobs in small and medium enterprises (SMEs) account for more than half of all formal employment worldwide. This is particularly the case in low-income countries, where SMEs represent on average about 66 percent of permanent, full-time employment. This comparatively high share of employment by SMEs suggests a significant role in broad-based income generating potential including for the poor and SMEs tend to play a central role in poverty reduction strategies among developing countries.

The informal economy still accounts for a large share of economic activity in many MENA countries and provides jobs and income for the poor, including those who have lost their jobs or cannot find work in the formal sector. However, informal activity does not promote sustainable growth and is not effective in combating poverty, since it distorts the market, depriving individuals from basic protection and public spending, including social spending. In this perspective, promoting youth entrepreneurship could be an interesting option to address youth unemployment and poverty. Indeed, entrepreneurship is a process of harnessing needed skills to access the market, generate incomes, and create further employment. Moreover, given the diversity of the SME sector, it can accommodate a wide variety of skill sets and provide opportunities to escape poverty.

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<sup>3</sup> United States of America Department of Labor, Future work: Trends and Challenges for Work in the 21st Century, 1999



Source of data: Global Entrepreneurship Monitor (2016)

According to Global Entrepreneurship Monitor (2016), about 40% of interviewed people showed intentions to start an entrepreneurial career and that about 50% see starting a new business as a good opportunity. Moreover, more than 75% of people in MENA countries<sup>4</sup> think that entrepreneurship is a good career choice and that it gives access to higher social status. Despite the recognition of the important role of entrepreneurship, the quality of entrepreneurial ecosystem in MENA region is still weak. Particularly, the education system and the governments programs and policies seem to be not supporting enough entrepreneurial activities in MENA countries (Figure 4).

The lack of entrepreneurship skills is an important obstacle for the disadvantaged groups, such as youth, to access to the market and benefit from the existing business opportunities. Evidence shows that the most effective schemes to improve entrepreneurship skills are those involving employers' organizations in the design and the implementation of skills upgrading initiatives. Indeed, employers know more what types of skills are required and can help ensure that the schemes provide a high level of general training to enhance entrepreneurship skills.

Therefore, MENA countries should work closely with the private sector to support programs to disseminate entrepreneurship skills and to assist marginalized people (youth and women) to become entrepreneurs through business planning training, access to financial resources, utilizing the resources of diverse public and private partners, etc.

Education in MENA region should also play a role in providing students with basic knowledge and experience to increase their awareness of the business world. It should teach them how to pitch to investors and create a business plan, and how to think like an entrepreneur.

### ***Youth unemployment: the way forward***

Economies of the MENA region have not been able to create the jobs needed for the increasing labor force. In addition, MENA countries have produced more college diplomas than the market can absorb. Such a mismatch between what the labour market offers and young people expectations continues to grow, creating frustration among the youth.

<sup>4</sup> Egypt, Morocco, Jordan, and Tunisia

Youth unemployment involves transition from school to work and from single to married. Such a fragile situation for young people suggests particular policy prescriptions. MENA countries need to target skills development through improving the quality of education and training systems. Better training programmes and private sector incentive schemes that help to fill the skills gap are also needed to improve employability among youth.

On the other hand, entrepreneurship and self-employment are effective ways to address poverty and reduce unemployment among young people. Accordingly, targeting marginalized people through specific programs to support entrepreneurship and to promote entrepreneurial values and norms could help addressing youth unemployment and poverty. In addition, improving access to financial services to meet the needs of small and medium-sized enterprises is necessary to support young entrepreneurs<sup>5</sup>.

While youth-focused labor market policies are crucial, they will not be enough to address long-term challenges. MENA countries should adopt new development models that could promote global competitiveness and labor-intensive growth. The MENA countries need to transform their commodity-based economies to knowledge-based economies. Indeed, the recent developments in the world economy confirms that knowledge, innovation and technology are the main drivers of economic growth, job creation and poverty alleviation. The MENA countries have also to encourage the private sector to improve opportunities for youth employment and develop the financial sector which has been shown to be very important in fostering inclusiveness. Finally, investing in the key areas and underprivileged regions could, address regional inequality, release pressure on the big cities, and improve labor market efficiency.

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<sup>5</sup> <https://www.wider.unu.edu/publication/youth-unemployment-arab-world>