

# The Boom Times: How Did the Young Fare?

Successful transitions to adulthood entail young people acquiring skills while in school that empower them as workers in the employment market; engaging in a purposeful search for careers rather than idly waiting for life-long jobs; and, in time, being able to settle down and start families by drawing on savings and access to credit to afford housing.

However, despite six years of relatively high growth in the Middle East between 2002 and 2008, the transition to adulthood for many young people has remained stalled and, in some ways, outcomes have worsened. Young people continue to struggle in attaining job-relevant skills and high quality education. They continue to wait for good jobs, enduring long spells of unemployment or spending their most productive years trapped in informal jobs that fail to prepare them for better positions. In turn, young men and women increasingly delay marriage and family formation, unable to meet the costs associated with these life stages. Moreover, since outcomes in these spheres are interdependent, failure in one transition spills over into others, resulting in a debilitating state of *waithood*, when young people are left waiting to achieve a full state of adulthood.

## EDUCATION: ACCESS, EQUITY AND QUALITY

Countries in the Middle East have made significant investments in initiatives aimed at enhancing education and training for young people, especially over the last six years. On average, Middle Eastern countries have spent 5 percent of their gross domestic product (GDP) on education in recent years in contrast to an average of 3 percent spent in East Asia and Latin America.<sup>1</sup> Access to education has improved on the whole, and attainment in terms of years in schooling has expanded. However,

education systems continue to face two particular challenges: guaranteeing the equity of educational access and improving the quality of public education.

Education systems in the region are proving unsuccessful at fostering greater social equity. The inequitable access to higher education across the region is exacerbating the exclusion of young people from lower socioeconomic backgrounds. High repetition and dropout rates continue in some countries, particularly among low-income youth, and low enrollment remains a common problem in rural areas in the region. Students from low-income backgrounds are also more likely to end up in the vocational education and training (VET) track. In Jordan, for example, the majority of those in VET programs are from low-income backgrounds, while 95 percent of those pursuing the academic secondary track come from middle- and upper-income backgrounds.<sup>2</sup>

In regard to educational quality, countries across the region, including most notably Jordan, have had some success in reforming curricula. However, on the whole, instruction in the region at all levels of the education system remains dependent on outmoded pedagogy. Limited attention is given to cultivating critical thinking and problem solving skills, and the continued dependence on rote teaching methods stifles creativity and independent thinking. Poor outcomes in skills acquisition are reflected in the low average scores of Middle Eastern countries in international examinations. For example, results from the 2007 Trends in International Mathematics and Science Study (TIMSS) examinations show that a significant number of the region's students fail to meet the test's lowest performance benchmark, indicating merely

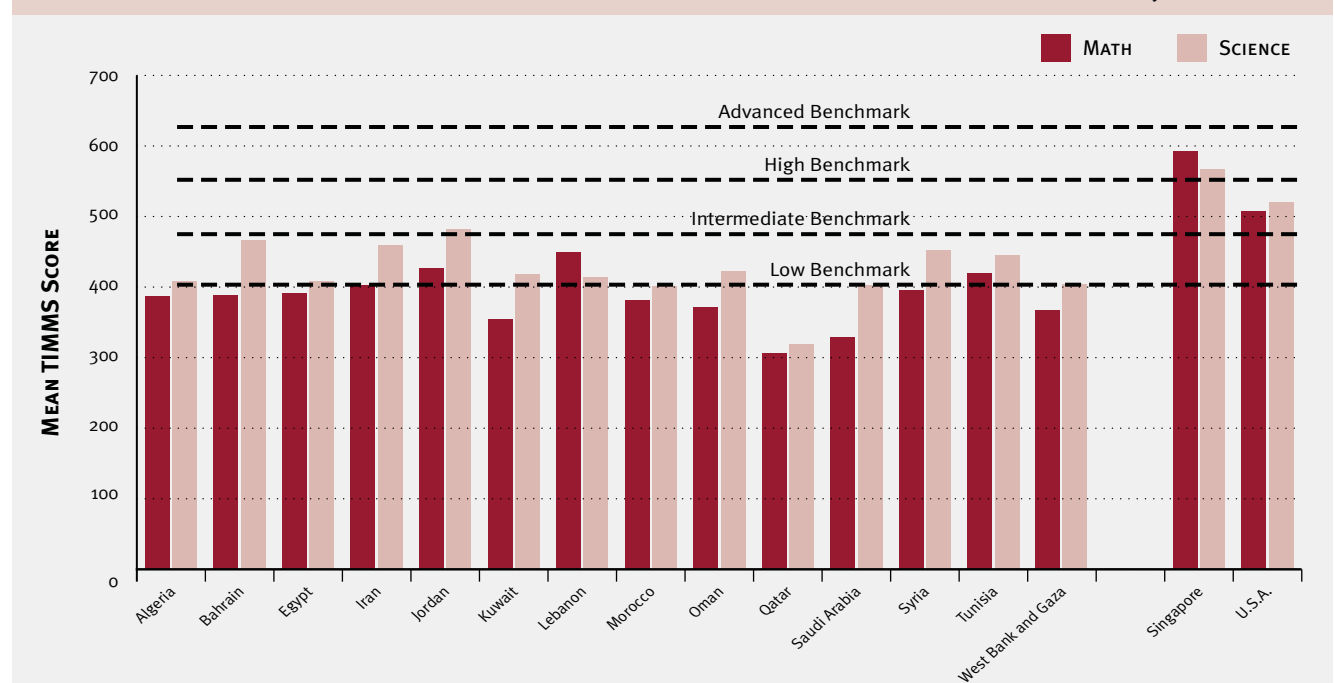
some basic or elementary knowledge of the subject area (See Figure 1).

The poor quality of education leaves graduates unprepared for the increasingly competitive labor market, with representatives of the region's private sector regularly voicing concerns that new graduates lack job-ready skills. In a recent survey, more than 25 percent of firms in the region report the lack of skills among workers as a major constraint on business growth, representing a higher rate than in other regions such as Latin America and Africa (See Figure 2 on page 8). In an effort to impart young people with a wider set of skills, governments in the region have invested heavily in VET programs; however, these investments have been undermined by the low quality of training, weak linkages between curricula and the labor market, and high administrative fragmentation (See Box 1).

## THE TRANSITION TO THE LABOR MARKET: UNEMPLOYMENT, LONG WAITS AND INFORMALITY

The economic revival between 2002 and 2008 had a positive impact on job creation in many Middle Eastern countries. In Egypt, Morocco, Syria and Jordan, for example, total unemployment rates were reduced between 3 and 6 percent over this period.<sup>3</sup> In many cases, however, job creation has favored older and more established workers or, in some cases, migrant laborers over young, new workers. In Jordan, for example, of the 55,000 additional jobs created annually between 2001 and 2007, 63 percent went to expatriate workers.<sup>4</sup> In turn, labor market prospects for young people remained depressed, as reflected in a 2006/2007 Gallup Poll, wherein young people in several countries within the region reported a sense of weakening employment prospects (See Figure 3 on page 8). Even

**FIGURE 1: MEAN 8TH GRADE TIMSS SCORES FOR PARTICIPATING MIDDLE EASTERN COUNTRIES, 2007**



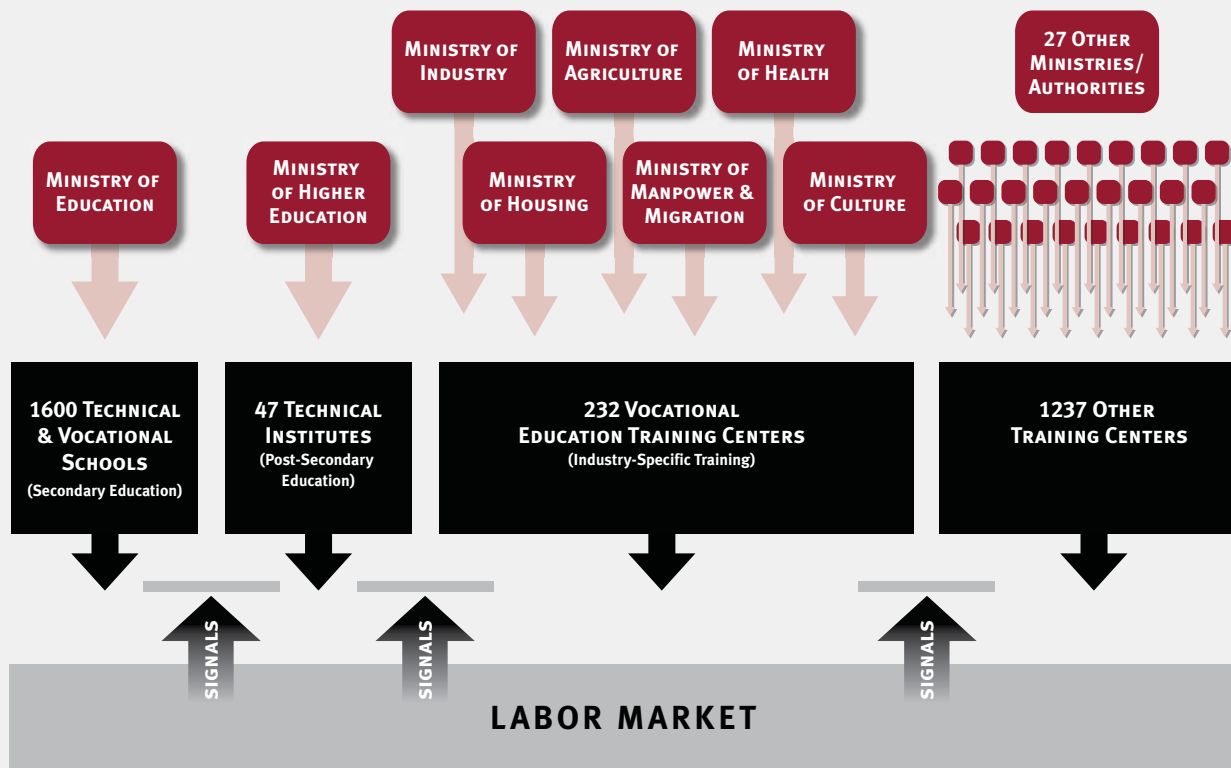
Source: Ina V. S. Mullis et al., *TIMSS 2007 International Mathematics Report*, (Chestnut Hill, MA: TIMSS & PIRLS International Study Center, Boston College, 2008); Michael O. Martin et al., *TIMSS 2007 International Science Report*, (Chestnut Hill, MA: TIMSS & PIRLS International Study Center, Boston College, 2008).

### BOX 1: A FRAGMENTED APPROACH TO VOCATIONAL EDUCATION AND TRAINING IN EGYPT

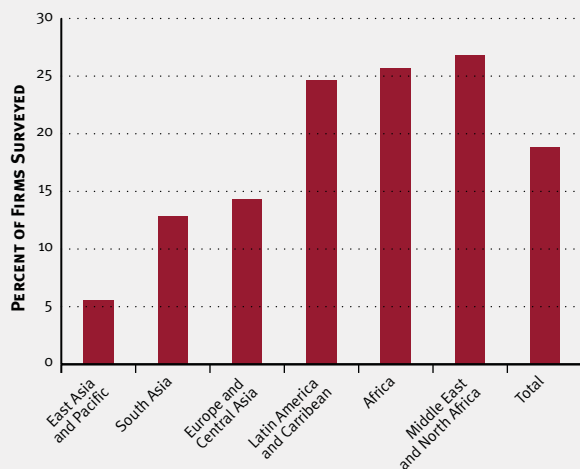
Vocational education and training in Egypt is undermined by the lack of a common vision and strategy and a highly complicated administrative structure. There are 1,237 vocational training centers in Egypt, affiliated to 27 ministries or authorities, which operate somewhat independently in 19 governorates. The Ministry of Education administers around 1,600 technical and vocational schools while the Ministry of Higher Education manages 47 middle technical institutes. Additionally, six other ministries run 232 vocational education training centers.

Vocational education and training suffers from a lack of coordination due to the large number of agencies involved in regulating and providing programs. Furthermore, there is little coordination between training programs and the needs of the labor market: curricula are outdated and are not reviewed frequently, and many training centers provide pre-designed training courses which do not necessarily meet the needs of industry and the private sector.

#### VOCATIONAL AND TECHNICAL EDUCATION STRUCTURE



**FIGURE 2: FIRMS IDENTIFYING SKILLS OF LABOR FORCE AS A MAJOR CONSTRAINT ON BUSINESS DEVELOPMENT**



Source: Data from World Bank Enterprise surveys in 37 countries (2008).

in the context of high economic growth, young people, especially young women, continued to face challenges in regard to unemployment and low quality employment (See Box 2).

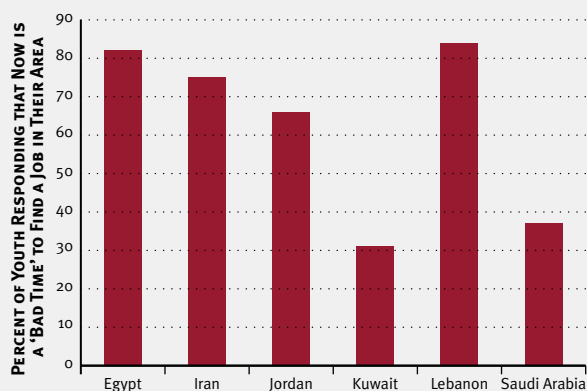
In the Middle East, the aggregate unemployment rate for those between the ages of 15 and 24 remains at nearly 25 percent, compared to the world average of 14 percent. Faced with high unemployment rates and competition for jobs among their large peer group, youth also make up a large share of the region's total unemployed. In Syria, youth comprise 61 percent of the total unemployed population.<sup>5</sup> In the United Arab Emirates (UAE), 81 percent of unemployed nationals are youth.<sup>6</sup>

Education is not a guarantee against unemployment in the Middle East—in fact, unemployment rates in some countries are highest among those youth with relatively high levels of educational attainment (See Figure 4 on page 10). In Iran, for example, young men and women with upper secondary education face unemployment rates of approximately 24 percent and 57 percent, respectively.<sup>7</sup>

Similarly, among young men in Egypt, university graduates have the highest rates of unemployment; among women, those with post-secondary institution certificates are most likely to be without a job.<sup>8</sup> Furthermore, returns to education in the labor market (particularly for secondary and post-secondary graduates, and particularly in the private sector) are declining.<sup>9</sup> Young people with secondary and post-secondary education are experiencing deteriorating employment prospects, especially in terms of job quality (See Box 3 on page 11).

During young people's school-to-work transition in the Middle East, long unemployment durations are common. For example, more than half of unemployed Syrian youth in 2005 had been searching for a job for more than one year.<sup>10</sup> In Egypt, those between the ages of 20 and 24 reported searching for an average period of 34 months.<sup>11</sup> For many, the state of prolonged unemployment reflects a mismatch between expectations and the quality of jobs available. In Egypt, the socioeconomic background of a young person has been shown to affect their waiting times and choices.<sup>12</sup> Youth from middle-class, urban backgrounds are generally slower to enter

**FIGURE 3: YOUTH ATTITUDES TOWARD LOCAL JOB PROSPECTS, 2006/2007**



Source: Data from Gallup World Poll 2006/2007. Figure source: Ahmed Younis, "Arab Youth Between Hope and Disillusionment: Toward a New U.S. Strategy in the Middle East," (presented at the Brookings Institution, Washington D.C., November 8, 2008).

## BOX 2: HIGH GROWTH IN JORDAN AND MOROCCO, BUT HAS IT BEEN PRO-YOUTH?

**JORDAN** has experienced many macroeconomic improvements over the last few years. Its annual GDP growth rate between 2000 and 2007 averaged 6 percent and nearly 55,000 additional jobs were created per year. Despite this growth and rapid job creation, unemployment in Jordan has remained high, particularly for youth. As of 2007, the total unemployment rate in Jordan remained at 13 percent, and youth aged 15 to 29 comprised 73 percent of the unemployed. Data indicate that between 2001 and 2007, 63 percent of new jobs created in Jordan were filled by foreign workers.

For young Jordanians, the recent period of growth has not meant better employment opportunities: while education reforms have led to improved enrollments and quality, the labor market has assumed a greater informality and job creation has been concentrated in low skilled positions. These jobs have been shunned by many young Jordanians.

Currently, it is estimated that 200,000 jobs will be needed for new labor market entrants during 2009-2015. In addition to this number, about 172,000 jobs will also need to be created for the existing number of unemployed. While Jordan has shown that it can create jobs, the questions remains whether it can create the types of jobs that are commensurate with a labor market increasingly defined by more educated workers.

**MOROCCO** experienced an estimated GDP growth rate of 6.5 percent in 2008. Along with this growth, the total unemployment rate has dropped more than 6 percentage points in the past decade, falling below 10 percent in 2007 for the first time in 35 years. However, many of the improvements in unemployment rates during the last few years mask significant disadvantages among youth, women, and educated workers. In part, the decline in the overall unemployment rate resulted from a drop of 8 percentage points in the labor force participation rate. This signals that youth are staying longer at school. While this would otherwise be a positive sign, young *educated* workers are more likely to experience long-term unemployment than those with a basic level or no education. Around two-thirds of the unemployed with secondary level degrees or higher are unemployed for at least a year.

Furthermore, employment prospects for youth in urban areas remain particularly bleak. Nearly 76 percent of unemployed Moroccan youth live in urban areas. Urban unemployment nearly doubled between 1982 and 2000, rising from 12 to 22 percent. In 2007, this rate dropped down to 15 percent; however, it was still nearly four times higher than the rural unemployment rate.

**Information on Jordan is drawn from:** Taher Kanaan and May Hanania, "Youth Exclusions in Jordan," in *A Generation in Waiting*, ed. Navtej Dhillon and Tarik Yousef (Washington, D.C.: Brookings Institution Press, forthcoming 2009); Susan Razzaz and Farrukh Iqbal, "Job Growth without Unemployment Reduction: The Experience of Jordan," (Washington, D.C.: World Bank, 2008).

**Information on Morocco is drawn from:** Brahim Boudarbat and Aziz Ajbilou, "Moroccan Youth in an Era of Volatile Growth, Urbanization and Poverty" in *A Generation in Waiting*, ed. Navtej Dhillon and Tarik Yousef (Washington, D.C.: Brookings Press, forthcoming 2009).

the labor market than both the poor and the rich.<sup>13</sup> These youth can afford to search longer for good jobs than the poor because they are able to depend more on family support than those from low-income family backgrounds. However, they lack the connections that wealthier youth can draw on to actually secure decent jobs. Young people from poor backgrounds are likely to enter the market more quickly, but often engage in lower quality jobs at the expense of completing formal education.

For low-income youth, in particular, the quality of jobs available is of increasing concern, as they are often pushed into unpaid family work or the informal sector. Jobs in the informal sector offer little in the way of job security or stability, but increasingly new entrants to the labor market are finding their first jobs in this sector. As an example, job creation for new entrants in Egypt between 1998 and 2006 was greatest in the informal sector.<sup>14</sup> By 2006, more than 70 percent of first-time job entrants in Egypt found employment in the informal

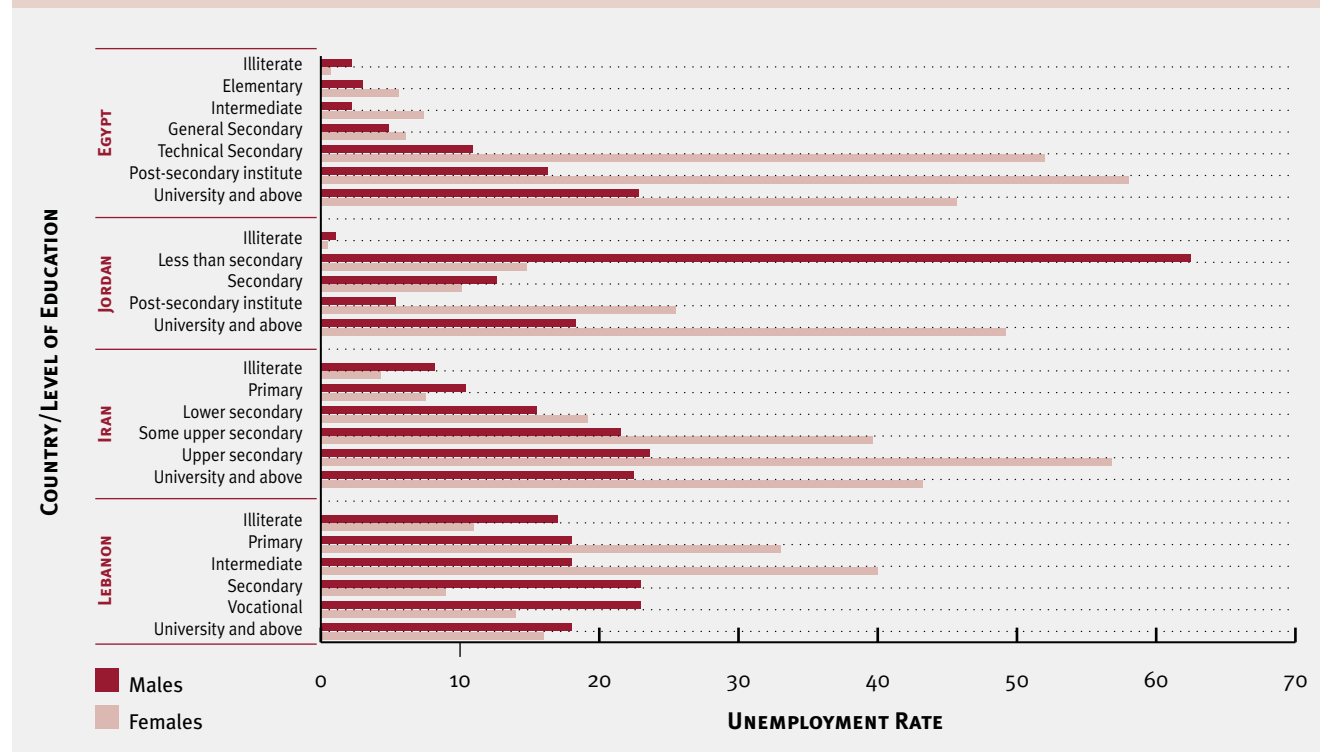
sector. Furthermore, half of those who found work with formal private sector employers did not have a formal work contract; even more lacked coverage under social security systems.

The nature of one's first job can have a major impact on future employment prospects and career trajectories. A recent study in Egypt shows that only 11 percent of Egyptians who find their first jobs in the informal sector are able to secure formal second jobs later, while only 7 percent of those with formal first jobs move on to informal second jobs.<sup>15</sup> Well-educated, urban Egyptian men who start out in the informal sector show some mobility and are most able to secure better jobs in the future. On the other hand, young Egyptian men with low levels of educational attainment and those living in rural areas

face more difficult transitions. Similarly, young women in Egypt experience less job mobility and are more likely to be trapped in the informal sector once they have started an informal job, eventually exiting the labor market.

Overall, young women in the Middle East face the most difficult school-to work transitions. Only two out of every ten working age women have jobs; in contrast, seven out of ten working age men are employed. While a portion of these numbers may be explained by a desire not to work, the existence of high female unemployment indicates that many women in the region want jobs but are unable to secure them.<sup>16</sup> Furthermore, women also face much longer wait periods than do young men. In fact, this particular phenomenon is one that remains almost unchanged, showing no signs of improvement as compared to men.<sup>17</sup>

**FIGURE 4: UNEMPLOYMENT RATES BY LEVEL OF EDUCATION IN SELECTED MIDDLE EASTERN COUNTRIES**



Source: Navtej Dhillon and Tarik Yousef, ed., *A Generation in Waiting* (Washington, D.C.: Brookings Institution Press, forthcoming 2009).

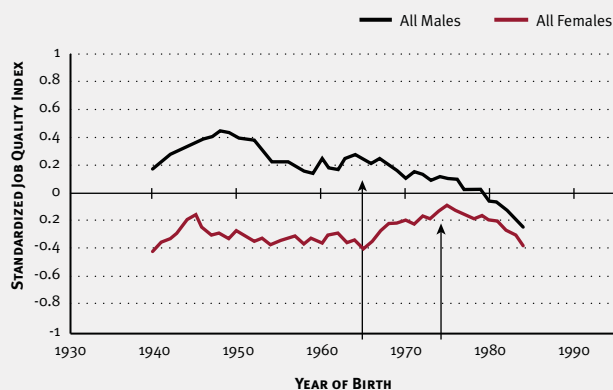
### BOX 3: EGYPT'S NEW LABOR MARKET ENTRANTS: SEARCHING IN VAIN FOR GOOD JOBS

For young people, a good first job need not be a permanent job, but it should provide a decent wage for time worked, access to regular work and some job security. These are important stepping stones towards building a career. Recent research by Assaad on the school-to-work transition in Egypt demonstrates declining outcomes for young Egyptians when it comes to the quality of first jobs. When viewed in terms of a standardized job quality index, the ability of young men in Egypt to secure good first jobs has dropped steadily for those born since 1965. For young women, prospects for securing a first good job has declined for those born since 1975 (Figure A). For those with lower education, the quality of first jobs has remained steady although quite low, while for men and women with secondary education and above, the quality of the first job has decline precipitously (Figure B).

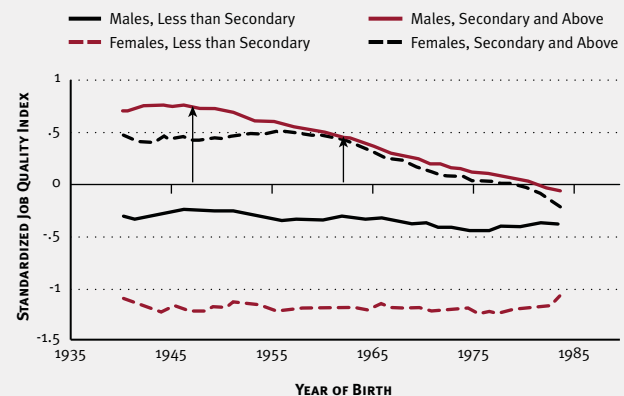
Assaad's standardized job quality index is built on the International Labor Organization's decent jobs framework, which takes into account earnings, job stability, aspects of under- and over-employment, type of workplace and access to social insurance. Drawing from official data, in this job quality index for the Egyptian labor market the mean job quality value is given a value of 0. In this context, a 'good job' is considered one with a value of 0.5 or above.

Notably, within the findings of the standardized job quality index, 72 percent of young Egyptians never secure good jobs. Of those who do secure good jobs, 64 percent do so with their first jobs. This figure underlines the importance of the quality of one's first job in terms of long-term career outcomes: the quality of one's first job in Egypt largely defines one's career trajectory.

**FIGURE A: JOB QUALITY IN FIRST JOB BY YEAR OF BIRTH (10-YEAR MOVING AVERAGE)**



**FIGURE B: PREDICTED JOB QUALITY IN FIRST JOB BY SEX, EDUCATIONAL LEVEL AND YEAR OF BIRTH (10-YEAR MOVING AVERAGE)**



Source: Ragui Assaad and May Gadallah, "Pathways from School to Work for Egyptian Youth," Middle East Youth Initiative Working Paper (Washington, D.C.: Wolfensohn Center for Development at the Brookings Institution and the Dubai School of Government, forthcoming 2009); Ragui Assaad, "Intergenerational Inequality in MENA: Demographic, Economic, and Institutional Determinants" (plenary presentation at the 15th Annual Economic Research Forum Conference, Cairo, Egypt, November 23–25, 2008).

In sum, despite a period of high economic growth, young people across the region who are engaged in the transition from school to work face a series of disappointing scenarios. Many find themselves unprepared and under-qualified for jobs in emerging industries in the private

sector. In turn, they queue for jobs in the public sector even as these sectors retrench. Increasingly, however, youth face the prospect of not finding work in either the public sector or the formal private sector. Instead, many have to settle for low-skill, low quality informal jobs,



hoping to eventually transition to formal sector employment. This path bodes poorly for their labor market prospects in the short- and long-term, and impacts their ability to make decisive steps in the transition to family formation.

### THE TRANSITION TO FAMILY FORMATION: MARRIAGE, HOUSING, AND ACCESS TO CREDIT

Unable to secure the economic independence and social status that comes with gainful employment, young people in the Middle East make adjustments by delaying their plans to marry and form families of their own. While early marriage continues to be the norm in a few

poorer countries and in rural areas, the regional trend is toward an often involuntary delay of marriage. This is particularly true for young men in the Middle East, who are delaying marriage for longer periods than their counterparts in other developing regions. In a region where marriage and forming a family are considered fundamental rites of passage to adulthood, the involuntary delay of marriage is a form of exclusion and is generating new social and economic difficulties by protracting the transitions of young people.

The involuntary delay in marriage in the Middle East can be attributed to joblessness and low quality employment. Recent data from Iran shows that having a job and

#### BOX 4: OIL AND REAL ESTATE BOOMS: LEAVING THE YOUNG OUT

**H**ousing options for young people came under particular stress during the region's recent oil boom. Such booms lift incomes generally, however they can redistribute wealth in inequitable ways because of how they affect asset prices. Land and housing prices are particularly sensitive to oil price increases because the expenditure of oil reserves expands demand and tends to raise the price of non-tradable goods (including housing) relative to imported goods. As a result of these factors, the Middle East has recently experienced a housing boom wherein housing—already considered expensive in the region before the oil boom—has become increasingly costly.

Further, the region's housing boom was largely driven by investment from the Gulf countries directed at real estate in neighboring countries. Arab expatriates residing in the Gulf have also contributed by seeking opportunities to invest their remittances at home, and real estate and housing are favored markets because such investments provide solid returns that are easily managed from abroad. The recent housing boom was also reinforced by the rising number of

Iraqi refugees who, since 2003, have sought safe accommodation and secure investment of their wealth in neighboring states such as Egypt, Jordan and Syria.

As demand for housing and property has increased in recent years, young people have been disproportionately affected in several ways. Because they have greater difficulty than older persons in securing credit, they have found it difficult to purchase housing as prices have increased. In a well-functioning credit market, youth can borrow against future income and still afford to purchase an appreciating house, as long as incomes rise in pace with housing prices. However, even a well-functioning credit market may not be sufficient to maintain youth access to housing. Where an economic boom is based on the production and export of knowledge-intensive goods, such as in East Asia, personal incomes of educated youth are more likely to rise in tandem with housing prices. Oil booms, on the other hands, do not depend as heavily on human capital inputs and thus generally do not raise incomes at the same rate as housing prices.



the number of years spent in employment are the two strongest predictors of marriage.<sup>18</sup> In Egypt, poor labor market outcomes among young men mean that many are unable to afford the high costs associated with marriage or to adequately signal their eligibility for marriage to potential brides and their families.<sup>19</sup>

The oil boom has raised young people's expectations of living standards—including aspirations for nuclear family living arrangements upon marriage. However, the boom has also increased obstacles to actualizing these expectations, especially in regards to independent living (See Box 4). Across the Middle East, the cost of purchasing housing remains out of reach for most young people. In Algeria, Lebanon and Morocco, for example, a middle-income family would need to accumulate nine years of their entire income to afford an average home in a major city. Housing costs in Egypt, Jordan and Tunisia are comparatively lower, but still out of reach for most individuals.<sup>20</sup>

The inability to access credit intensifies the challenges young people face in finding affordable housing. The most important role of credit markets is to allow individuals to smooth their consumption by borrowing against future income. Here, credit markets in the Middle East are failing youth. Access to housing credit is difficult enough for established adults: housing credit is a small share of total loans, estimated at around 7 percent in Egypt and Algeria and 10 percent in Tunisia (compared to 44 percent in the United States).<sup>21</sup> But young people, at the start of their adult lives, lack the collateral, steady jobs and reputational capital needed to qualify for the limited credit available in the region.

Renting is not always a viable alternative for young couples in the Middle East due to supply constraints. Across the region, rent control laws and open-ended rental contracts mean that there is little turnover in the rental market, and landlords have few incentives to rent out available properties to young people. To secure rental

housing, new tenants often must pay significant amounts of 'advance rent.' Subsequently, for young prospective renters, problems renting a property have effectively mirrored the problems of purchasing housing, requiring considerable amounts of start-up capital.

## THE COSTS OF EXCLUSION

Regional economies collectively face direct costs from poor outcomes for youth in terms of foregone wages and restricted economic opportunities. In terms of foregone wages alone, youth joblessness costs the region nearly 7 percent of its GDP annually (See Table 1). In Jordan, the costs of youth exclusion as a whole (including an assessment of youth joblessness, early school dropout, adolescent pregnancy, and youth migration) amount to nearly 7.3 percent of GDP, and in Egypt, they amount to a staggering 17.5 percent of GDP annually or close to 19 percent of value added by the country's agricultural sector. During the economic upturn, these costs restricted growth and further development. Now, during the downturn, these costs impinge on economic recovery and regeneration.

**TABLE 1: THE COSTS OF YOUTH JOBLESSNESS IN THE MIDDLE EAST AS PERCENT OF GDP**

COUNTRY	TOTAL	MALE	FEMALE
Egypt (2004)	7.29%	1.53%	5.66%
Jordan (2002)	4.14%	0.88%	3.31%
Lebanon (2004)	2.74%	0.43%	2.03%
Qatar (2004)	0.57%	0.12%	0.38%
Syria (2004)	9.09%	1.19%	8.08%
<b>Total MENA</b>	<b>6.60%</b>	<b>1.28%</b>	<b>5.26%</b>

**Source:** Jad Chaaban, "The Costs of Youth Exclusion in the Middle East," Middle East Youth Initiative Working Paper 7 (Washington, D.C.: Wolfensohn Center for Development at the Brookings Institution and the Dubai School of Government, 2008).

**Notes:** The definition of the joblessness rate is the summation of the unemployment rate and the inactivity rate of youth who are not in school. This is used to capture the labor force participation gap between males and females since females' labor force participation rates are much lower than those for males in the region. This data assumes a target unemployment rate for youth equal to the adult unemployment rate.