

# A New Policy Agenda

**A**s regional economies adjust to new and uncertain economic terrain, the following principles should guide the actions and interventions of various stakeholders:

- ***Do no harm:*** The first goal of policy should be to do no harm. At a time when policy makers are rushing to solve urgent youth problems, quick fix solutions can do harm to the long-term goals of economic development. In regard to employment generation, the best-designed policies are those that strike a balance between short-term solutions for immediate problems, such as the rising ranks of unemployed graduates, without jeopardizing long-term goals, such as encouraging those still in school to seek a more balanced portfolio of skills. Job creation for skilled workers might be urgent, and even politically desirable, but basing eligibility for such job creation programs on credentials has the unintended effect of bolstering existing distorted incentives for diplomas and degrees and worsening the mismatch of skills for future job market entrants.
- ***Adopt a long-term perspective:*** Policies should be long-term and treat the youth bulge as a window for reform that benefits the whole of society. These reforms should be geared toward using the region's large youth population to prepare Middle Eastern economies for the competitive global economy. As the youth bulge will begin to decrease in some countries in the future, the region has a closing opportunity to maximize gains from its demographic gift and to foster a more effective use of its human capital investments.
- ***Understand the role of institutions and incentives:*** Recognition of the role of institutions and incentives that shape the behavior of youth and their families when making choices about education, employment, and family formation should be integrated into policy and program formulation. By reforming institutions, new incentives can be created for skill formation, productive job search, changing mindsets and empowering young people to make better decisions about their future.
- ***Formulate integrated policy responses:*** Policy reforms should constitute a holistic, integrated response to the challenges of waithood. Policy should be designed to take into account the interconnectedness between outcomes in education, employment, access to credit and housing, and family formation so that improvements in one area do not impinge on incentives in others. Further, recognition of this interconnectedness implies that interventions in some areas may be more effective and easier to implement than in others.
- ***Invest in monitoring and evaluation:*** Effective monitoring and evaluation must be streamlined into policy and program formulation and implementation in the region. Rigorous, independent impact evaluations are critical to achieving real progress in addressing the major challenges facing young people. Sound evidence promotes better understanding about what works, enhances cross-country sharing of best practices, boosts capacity in the region, and improves policymaking and spending toward more effective youth development. To date, few projects aimed at young people have (or can be) evaluated in terms of

impact. The lack of monitoring and evaluation across the region has led to a squandering of investments on ineffective programs. Monitoring and impact evaluation, therefore, must be integrated in the design of programs and interventions in order to provide “real time” feedback and facilitate mid-course corrections, as well as to evaluate the efficiency and effectiveness of expenditures.

- **Scale up promising initiatives:** The region offers a growing range of potentially successful models and strategies for youth-oriented policy and programs, especially those initiated by the private sector and civil society. Each of these programs offers a distinct model in terms of information, outreach, and support to specific sub-groups of youth. Investments should be targeted at not only creating new initiatives but scaling up and replicating interventions which show promise.
- **Public works programs:** Governments should establish labor intensive public works programs which are in line with long term development goals.<sup>31</sup> Such programs would a) provide temporary wage employment for vulnerable young people; b) integrate components of skill formation and human capital development to bolster their future income generating potential and c) support emerging industries. For example, employing large numbers in infrastructure maintenance and housing construction is a traditional source of job creation in many countries; new public works programs can provide training to young workers in specialized environmentally friendly construction techniques, enhancing the value of such employment as it prepares young people for new emerging industries and allows them to be competitive globally.
- **Support small- and medium-size enterprises (SMEs):** SMEs account for a significant share of total employment across the Middle East in both the formal and informal sectors. Moreover, the global economic crisis will likely result in the SMEs absorbing a large number of those who will be losing jobs in larger formal sector enterprises. At the same time, the SME sector can cater more to local consumers and serve domestic demand for goods and services. To support them, governments should ensure that SMEs have access to credit and information and communications technology to better inform small entrepreneurs of market challenges and opportunities.
- **Schemes for hiring or retaining young employees:** Policy makers can foster job creation for young people by providing tax relief and other financial incentives to formal private sector businesses (small and large) to retain young workers and recruit first-time job seekers. Employers in industries, such as tourism, who are likely to lay off workers in the downturn should be supported through a publicly funded scheme wherein employers are encouraged to retain workers with reduced hours.

## POLICY PROPOSALS

Based on the principles outlined above, we propose ten policy recommendations to be considered for implementation on the national and local level. These recommendations aim to both address the short-term job crisis and support the long-term goals of human capital development.

### 1 Countries committing to fiscal stimulus should target jobs for young people.

Several Middle Eastern countries have committed to substantial fiscal stimulus packages in order to revive demand and contain the threat of rising unemployment. It is critical that these packages provide for job creation and human capital development geared toward young people, as they are most vulnerable to economic adjustments and already face high rates of unemployment. Not only is this vital for improving labor market prospects for the young, but also to ensure greater intergenerational equity in the future. This can be achieved through a number of interventions:

- **Engage in a national dialogue:** Governments should engage in open dialogue involving private sector, civil society, and citizens to provide transparent information on the economic crisis, risks and opportunities, as well as roles and responsibilities. This is critical to bolstering confidence and resetting expectations of young people toward a private sector driven economy.

## 2 Promote access to secondary and university education for marginalized groups.

Youth from poor socioeconomic backgrounds have reduced access to education, especially at the secondary and tertiary level. Their transition from education to the labor market often involves dropping out of school early and starting work in the informal sector or being inactive (neither in school nor in employment). In this regard, the provision of targeted monetary incentives for students from low-income backgrounds to continue on to secondary and university education should be considered.

## 3 Reform university admission policies to promote better skills development.

How universities select students influences how and what students learn at lower levels of education. Thus, the lure of university education in the region suggests using university admission policies to change learning incentives for students at the primary and secondary levels. Future firm competitiveness will depend on a supply of labor with a range of skills such as teamwork, critical thinking, leadership capability, and problem-solving. University admissions policies that place a high value on such skills can provide students and parents with the incentives to acquire them. In this regard, university admission criteria should be changed to give more weight to past work experience and volunteerism that promote the development of life skills at younger ages. By expanding the assessment of applicants to these areas, regional universities would send strong signals about the importance of life skills, leading students and their parents to invest more in these areas. In addition, university admission exams should be reformed to test a broader range of skills beyond rote memorization, such as writing and critical thinking.

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**PROPOSAL THREE:** Reform university admission policies to promote better skills development.

**PROPOSAL FOUR:** Reform public sector hiring practices.

**PROPOSAL FIVE:** Invest in scaled-up volunteerism and service learning programs for young people.

**PROPOSAL SIX:** Expand training schemes targeting young people carefully.

**PROPOSAL SEVEN:** Raise the value of informal jobs through investments in skills development.

**PROPOSAL EIGHT:** Invest in the social services sector for job creation and human capital development.

**PROPOSAL NINE:** Invest in technology to provide better job information, matching and career counseling.

**PROPOSAL TEN:** Provide social protection for all workers.

#### **4 Reform public sector hiring practices.**

While public sector employers in the region are hiring smaller numbers of high school and university graduates, these jobs are still highly desired and may become more so at a time of economic insecurity. In the long run, governments should change their employment practices, especially with respect to lifetime job guarantees, to remove the distortion effects of public sector employment. Deep changes in the civil service code are not politically feasible, especially during a slump, but the public sector could introduce merit-based pay and promotion measures that stress productivity, in turn sending better signals to young people, their parents and schools.

Intermediate steps that can be taken to transmit these signals by the public sector include introducing assessments and interviews to the hiring process that evaluate personal traits, academic records, language abilities and functional numeracy. Written exams for prospective labor market entrants and judicious use of recommendation letters from teachers and employers would begin to direct government hiring away from current methods, which are based on educational credentials and little proper evaluation of skills. Such reform efforts would begin to reduce the negative grip of government employment on skill formation in the region.

#### **5 Invest in scaled-up volunteerism and service learning programs for young people.**

Given the long waits young people face in finding their first jobs, service learning can act as a bridge between education and employment. Volunteer positions can enable young people to develop new skills and build social capital. However, in the Middle East, service learning is under-developed and there are no credible national programs focused on getting young people to contribute to their societies. To resolve this gap, government, the private sector and civil society should work together to establish a Youth Corps, a publicly funded program that

provides grants and guidance to local non-profit institutions (e.g., schools, hospitals, clinics, housing projects) and stipends to young people to undertake volunteer positions for one or two years.

#### **6 Expand training schemes targeting young people carefully.**

As the economy changes and new sectors of job creation emerge, investments in training young people will be critical. While there are few rigorous evaluations of the effectiveness of training interventions in the Middle East, evidence from developed countries points to the limited impact of such programs on improved job prospects and earnings.<sup>32</sup> Thus, Middle Eastern governments should engage in a careful and temporary expansion of training programs that have shown some success, while implementing evaluation schemes that allow policy makers to measure the impact of these programs.

#### **7 Raise the value of informal jobs through investments in skills development.**

High priority should be given to policies that raise the value and skill enhancement of informal jobs so that they provide valuable work experiences for youth. Significant numbers of young people are starting their careers in informal micro, small-, and medium-size enterprises. These enterprises are less likely to invest in training and skills development for their young workers. Governments should experiment with new incentives—e.g. training funds or vouchers—to encourage the use of private training providers (both non-profit and for-profit) in the informal sector.

#### **8 Invest in the social services sector for job creation and human capital development.**

The social sector, where public and private interests intersect around the provision of social services, provides great opportunities for job creation, the development of human capital, and fulfilling the long-term needs of citizens in

various domains. There are three main goals with regard to investing and supporting the social service sector. First, there should be policy efforts to develop young people's skills in key social services and to increase incentives for young people to take on professions in this sector. Particular focus should be on services that are currently underserved, including health care and education. Second, increased professionalization and rewards should be developed to increase young people's interest in these occupations. Finally, the 'infrastructure' of the social sector should be supported to foster the emergence of social entrepreneurs and innovation in service provision. This can include relaxing legislation for the formation of social ventures, increasing access to credit for initiating and scaling up of successful service delivery programs, and providing technical support and capacity building to existing programs.

## **9 Invest in technology to provide better job information, matching and career counseling.**

Young people need better information, advice, and career counseling on the changing realities of the labor market. The Middle East has an underdeveloped infrastructure—limited career centers at schools and universities, shortages of well trained career counselors, and limited use of modern technology and virtual social networking—to provide timely and relevant information to young job seekers. Information flows can be enhanced by public-private partnerships that invest in career centers, training of counselors, and the adoption of innovative solutions to reach youth (e.g., mobile phone text messaging for job alerts).

## **10 Provide social protection for all workers.**

The heart of this new strategy involves replacing old job protection rules and regulations with social protection and social insurance policies. Eliminating job protection rules and regulations is politically difficult, if not impossible, and may exacerbate existing negative feelings toward competitive markets. But the implementation

of mechanisms such as unemployment insurance, in the context of greater institutional flexibility for private sector employers, helps eliminate the institutional rigidities that protect established workers at the cost of job creation for youth. Many countries in the region, such as Egypt and Syria, are exploring such social protection policies for workers. Despite—or perhaps especially because of—the current economic downturn, these policies should be developed to have broad coverage, offer real protection, and be financially sustainable.