

Introduction

Young people in the Middle East face a unique struggle to secure a larger stake in their economy and society. This generation faces deep and accelerating economic change, having lived through the oil boom and bust of the 1980s and the era of structural adjustments and liberalization of the 1990s. Now, as the Middle East's recent economic revival shifts to a downturn, future prospects for the region's young people are again at stake.

When Middle Eastern economies rebounded in 2002 after a decade of slow growth, young people expected to see improvements in their living standards. Instead, education systems have continued to be unsuccessful in preparing young workers for competitive labor markets; youth unemployment levels have remained the highest among developing regions; new job seekers have faced deteriorating quality of employment; and too many young people have been forced to delay marriage and family formation. The current global downturn will intensify this generational struggle for greater economic inclusion.

How Middle Eastern countries respond to the current crisis will determine whether their young citizens can exploit the new opportunities which lie beyond today's global slowdown. The path to economic recovery and regeneration must be consistent with long-term goals that have already been established: cultivating a skilled and entrepreneurial labor force, expanding the role of the private sector and reducing the lure of public sector employment, and building a solid foundation for the region's future middle class. Decisions made during the downturn will either accelerate this transformation or set the region back.

GLOBAL ECONOMIC DOWNTURN: WHAT IS NEXT FOR THE MIDDLE EAST'S YOUNG GENERATION?

The adjustment from a boom to a downturn poses three major challenges for Middle Eastern economies. First, the Middle East region is entering the downturn with large pre-existing education and labor market challenges which were not resolved during the boom era. With expanding access to education, young job seekers are increasingly more educated, aspiring for high quality jobs. However, these expectations are being dashed as the economic boom has not created sufficient quality jobs. As a result, young people continue to encounter low skilled, low wage employment.

Second, the global economic slowdown could ignite a new jobs crisis in the Middle East. The current downturn coincides with demographic pressures reaching their historic high, placing an unprecedented strain on the labor market. As global demand for goods, services and exports contracts, the formal private sector is likely to shed labor, diminishing labor market prospects for new and first time job seekers. The informal sector is likely to become a refuge, depressing already low wages and limiting opportunities for human capital development. These trends could impose new costs on Middle Eastern societies in the form of higher incidence of poverty, inequity, and a depreciation of skills and lower lifetime earnings among young people enduring long periods of unemployment or low quality employment.

Finally, the crisis also comes at a time when some Middle Eastern countries have enacted reforms to ease labor market regulations, scale back public sector employment,

and promote an active role for the private sector. These efforts are aimed at resetting expectations of young citizens away from the state and creating diversified economies which can harness their talents. With diminished trust in markets and the private sector, pursuing these reforms now is politically more difficult.

The economic environment is already creating some pressure across the region to increase public sector employment and subsidies. While this time of uncertainty may make a retrenchment or even reversal of some liberalizing policies more appealing, countries must resist this temptation because flexibility and openness in those markets are key to integrating young people.

EMERGING STRONGER THROUGH THE DOWNTURN: A PROPOSED POLICY AGENDA

This report, based on three years of research, provides a framework for addressing the economic challenges facing young people in the Middle East. The first part of this report is devoted to understanding the main causes behind the continued exclusion of young people. In section two, we analyze youth transitions, focusing on outcomes in the markets of education, employment, marriage and housing. In section three we look back to assess why many youth challenges have continued to persist despite the economic boom. We argue that a vital lesson of the boom years is that macro-economic improvements alone will not erase the deep inequities that divide the older and younger generations. Institutions in education, employment, and housing and credit markets often work against the welfare of young people and are responsible for their exclusion. Section four examines the potential impact of the global economic crisis on the lives of young people.

The final part of this report is devoted to assisting policy makers, the private sector and civil society organizations to address two profound challenges: first, to safeguard young people from the risks of becoming more excluded and vulnerable; second and more importantly, to seize the opportunity of having the largest youth cohort in the region's history to generate economic recovery and sustainable growth. In section five, we provide guiding principles and ten policy recommendations designed to meet both the challenges of the moment and those of the near future. In section six, we argue that these priorities underline the importance of Middle Eastern countries working together to emerge stronger out of the current crisis. We recommend fostering greater regional cooperation on policies, knowledge, and investment in order to improve the lives of current and future generations.