

YOUTH UNEMPLOYMENT IN THE SOUTH OF THE MEDITERRANEAN: A CHRONIC CHALLENGE TO DEVELOPMENT AND STABILITY

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Youth Unemployment in the South of the Mediterranean: A Chronic Challenge to Development and Stability

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Unemployment among youth, aged 15 to 24 years old according to the International Labour Organization (ILO)'s definition,¹ is the highest in the south of the Mediterranean,² and in the larger Middle East and North Africa (MENA), compared to other regions in the world. This problem is exacerbated by very low labour force participation rates for this age group in the region, also compared to other regions. Furthermore, this issue of high youth unemployment is not a recent development but has been chronic in the region for at least the last three decades,³ as shown in detail further on.

Youth unemployment south of the Mediterranean is a major challenge, and a symptom of deeply-rooted problems in the region's labour markets. Unemployment is largely a youth unemployment issue. The problem is mainly one of new entrants' transition from school age to work (Assaad & Krafft, 2016) but with consequences that could easily shape the entire life trajectories of individuals in the region and also have widespread impacts on their societies and even neighbouring countries.

Such worrying and chronic challenges in the region's labour markets have been largely shaped by structural deeply-rooted issues, reflected in the rise of work informality as a result of falling public employment, and a slow growth of formal private employment in the region throughout the last few decades, which will be discussed in detail in the paper.

This paper aims to provide policy recommendations to address such chronic problems in the region, focusing mainly on Southern Mediterranean countries in North Africa, Egypt, Tunisia, Algeria and Morocco, excluding Libya because of the exceptional impact of the civil war on its labour market during the last decade.

The paper first explores some prominent implications of low employment among the youth, for their own lives and their societies. It then proceeds to examine the magnitude of the problem in the selected countries and its development across the last three decades, relying mostly on ILO estimates, which, unlike national estimates, have a few missing entries in that extended period, and also allow for disaggregation by age groups and gender that might not always be available for national estimates. Next, the paper highlights the now-established explanation of the youth employment problem in the region and how it developed, before finally moving to the recommended policy measures, both domestic and through regional cooperation, to address this chronic problem that has played a major role in the radical political and social shocks in the region in the last decade.

Implications of youth unemployment

High rates of unemployment are problematic for any age group, since unutilised human capital impacts both unem-

1. Please consult the definition here: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_422439.pdf

2. Southern Mediterranean countries are: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, and Tunisia (https://ec.europa.eu/home-affairs/what-we-do/policies/international-affairs/southern-mediterranean_en).

3. As shown by ILOSTAT statistics (<https://ilostat.ilo.org/>)

ployed individuals and the economy at large. However, unemployment of the youth and new entrants to the labour market might be even more problematic as it could have longer-lasting implications on the individual's life, and far more widespread economic, political, social and security consequences in a given country or region.

One straightforward impact of unemployment on youth is the direct loss of income during the unemployment spell itself. Moreover, there is empirical evidence from outside the Southern Mediterranean region that income loss due to a spell of unemployment at a young age, and for new entrants to the job market, could extend for several years, even long after the individual has been employed. It is estimated that one year of early unemployment could have a long-lasting "wage scar", which means that an individual who suffered from such a spell of unemployment in their youth might earn less than an individual who did not, even decades later. This scar generally stems from the individual accumulating less job experience and firm-specific skills early on, and even suffering from potential repeated incidence of unemployment later in their career (Gregg & Tominey, 2005). In this respect, the magnitude of youth unemployment in the south of the Mediterranean might thus result in a significant percentage of workers suffering from such a wage scar. However, there is a need for empirical research on this phenomenon in the region to test its impact and highlight its scope.

The wage scar of youth unemployment is further exacerbated by a relatively similar health scar. Unemployment of more than six months is found to have direct short-term consequences on the health of young people, which include developing harmful habits, such as smoking and al-

cohol consumption, in addition to suffering psychological illness, with symptoms including anxiety, lack of concentration, restlessness, depression, and sleeping disorders. Furthermore, several of these health problems are found to persist in the long term into adulthood, decades after the unemployment spell has ended, and these health problems can be directly attributed to that early unemployment period (Hammarstrom & Janlert, 2002).

In addition to such scars and implications of early unemployment for the individuals themselves, high levels of youth unemployment also have widespread significant consequences for their societies, and even beyond. A highly significant consequence of such a phenomenon is political and social instability, which in turn discourages private investment and slows economic growth (Alesina & Perotti, 1993), as empirically proven in the region (Abdelkader, 2017; Sweidan, 2015). In fact, the most recent and prominent example of such impact are the uprisings in Arab countries throughout the previous decade, also known as the Arab Spring, which in some countries resulted in a relatively peaceful ousting of heads of states who had been in power for decades, and led in others to devastating civil wars that are still ongoing. It is agreed that the dominant share of youth in the Arab countries' populations, combined with chronic high levels of youth unemployment, low quality of available jobs, namely informality (Devarajan & Ianchovichina, 2018), and weak social safety nets for the unemployed, have contributed to the growing frustration among the youth throughout the years, who took part in the eruption of the uprisings in the region (Prince et al., 2018).

In addition, low employment rates in young females during their transition to the labour market, which generally ex-

tends to adult age, as explained later, could also lead to higher fertility rates and population growth, as evident in the region in the last few decades (Krafft, 2020). Higher fertility rates could be problematic in already fast growing populations, as in countries of the south of the Mediterranean, especially with their limited natural resources, mainly water and arable land.

Furthermore, youth unemployment among males is argued to be a main cause of crime in a given society, in line with the General Strain Theory (Baron, 2008), which suggests that individuals unable to achieve reasonable-perceived goals – mainly material ones – legitimately might likely resort to crime to achieve them (Brezina, 2017). Low quality work, in terms of low pay and informality, is also suggested as a possible factor (UNDP, 2013). Empirical data from various societies, mostly in developed countries, proves the link between youth unemployment and crime, and demonstrates how, compared to adult unemployment, youth unemployment in particular is a cause of crime, especially burglaries, robberies, thefts and drug offences (Fougere et al., 2009; Carmichael & Ward, 2010; Gronqvist, 2011). Nevertheless, there is a paucity of empirical research on such a link in the south of the Mediterranean, which is needed to establish this relationship in the region and highlight its magnitude.

Besides crime, youth unemployment is also a proven driver of radicalisation and violent extremism (RVE). Youth unemployment has been found to play a significant role in domestic violent extremism in the Middle East, North Africa, Afghanistan and Pakistan since the late 1990s (Bagchi & Paul, 2018), and in transnational violent extremism as well, through Al-Qaeda's and ISIS's recruitment of

over 25,000 foreign fighters from more than 100 countries between 2011 and 2016 to fight in Iraq and Syria. It is suggested that youth unemployment might encourage RVE through channels such as lowering the opportunity cost of violent extremism or exacerbating feelings of exclusion (Abdel Jelil et al., 2018).

Consequences and spillovers of youth unemployment also extend beyond individual countries that suffer from such a phenomenon, and into their regional neighbours, mainly through increasing irregular migration. There is strong evidence that youth unemployment is a significant driver of irregular migration for youth in the south of the Mediterranean, and the broader MENA region, and elsewhere in the world, who search for better opportunities away from their home countries. The role of youth unemployment in irregular migration is complemented with other determinants, including individual wealth and other labour market factors, such as job sector and contract type (informality), if the person is employed (Dibeh et al., 2018).

Youth employment problem in the south of the Mediterranean

Youth unemployment in the south of the Mediterranean is the highest globally, compared to other regions, by a wide margin. The combined youth unemployment rate for the ten Southern Mediterranean countries in 2019 was 26.1% compared to 19.6% for the second highest region, South Asia, and a world average of 15.3% (World Bank, 2021). Furthermore, youth unemployment in the region is obviously a chronic problem, as figure 1 demonstrates, since the region has persistently witnessed the highest youth

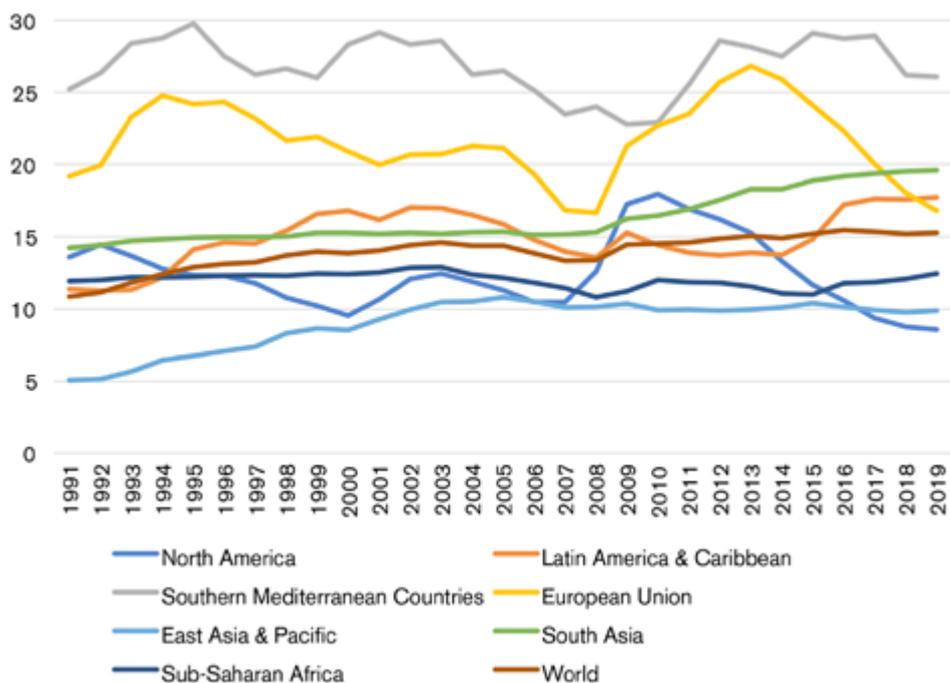
unemployment rates globally for at least the last three decades. The full range of the data reflects deeply-rooted determinants, and not contemporary challenges or recent unsuccessful policies. In addition, and as the figure shows, the problem seems to be worsening, as the youth unemployment rate has been rising in the region during the last decade, following a relative improvement in the 2000s.

Youth unemployment in the region is even more problematic taking in consideration how young the region's population is. In 2021, almost half of the population in the Southern Mediterranean, precisely 46.8%, is under 24, with the majority of this percentage (31% of the population) below the age of 15 (ILO, n.d.), which makes it one of the youngest regions in the world, after Sub-Saharan

Africa, with 62% of the population under 24, and South Asia, with 47% (World Bank, 2021).

Figure 2 shows total youth unemployment rates for the Southern Mediterranean countries of interest to this paper in North Africa, Egypt, Tunisia, Algeria, and Morocco. It shows the changes in trends of total youth unemployment from one country to another during the last three decades, with unemployment in the four countries rising during the last decade, as the region's average suggests, but with Egyptian youth unemployment falling in the last few years, simultaneously with the launch of an economic reform programme in 2016, which is a result of falling male unemployment in particular, as will be highlighted in detail later. The rate of youth unemployment in 2019

Figure 1. Unemployment, youth total (% of total labour force ages 15-24)



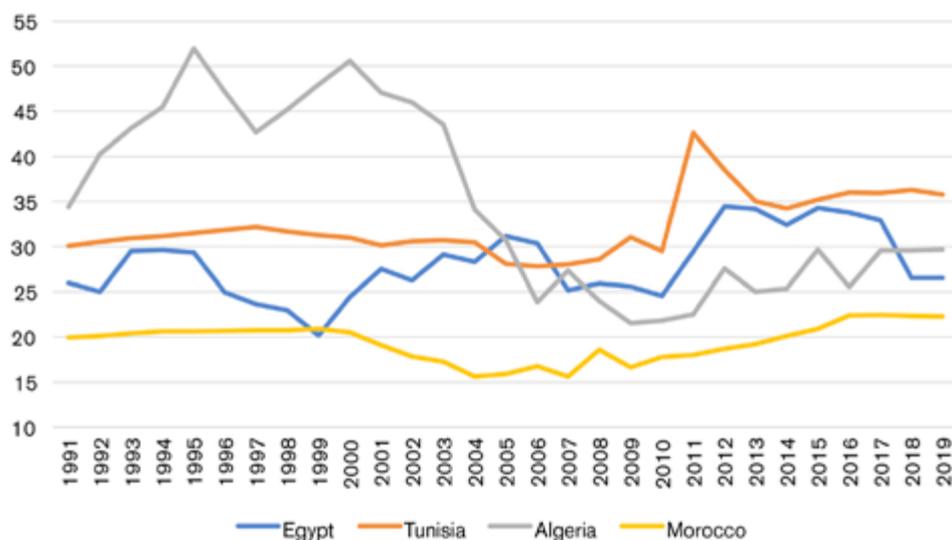
Source: Prepared by the author based on data from the ILO, ILOSTAT

was the highest in Tunisia, at 35.8%, followed by 29.7% for Algeria, then 26.5% and 22.3% for Egypt and Morocco, respectively (World Bank, 2021).

Unemployed youth might invest in their skills while searching for jobs, through education or training, to increase their chances of getting a higher-quality job opportunity. However, a significant proportion of youth in the region are found to be not in education, employment or training (NEETs), which means that they are inactive and discouraged. NEET status among youth is usually associated with long-term unemployment as a result of underdeveloped skills, and is found to be the highest in the region among Moroccan youth, as almost 30% of all young Moroccans aged 15-24 are NEETs, followed by 28% of Egyptian youth, 25% in Tunisia, and about 22% in Algeria (Lopez-Acevedo et al., 2021).

Gender disaggregation of youth unemployment data demonstrates a gap between female and male youth in unemployment, which varies in size across the four countries of interest, and helps explain the high rates of total youth unemployment in the region. As figure 3 shows, the gender gap is significantly large in Egypt, where the female youth unemployment rate was 53.4% in 2019, compared to 18.2% for male youth; the figure also shows that the gap has widened in the last five years, the period of the reform programme, as male youth unemployment steeply fell, while female unemployment rose sharply. The gender gap in youth unemployment is also large in Algeria, amounting to almost 20%, while it is smaller in Tunisia, with a difference of only 4%, and almost no gender gap in youth unemployment in Morocco (World Bank, 2021).

Figure 2. Unemployment, youth total (% of total labour force ages 15-24)

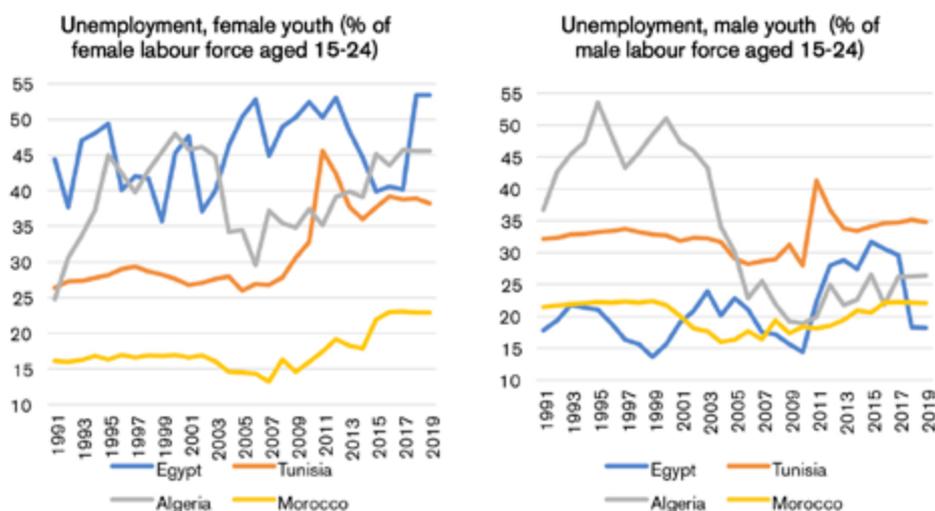


Source: Prepared by the author based on ILO estimates, World Bank, world development indicators database

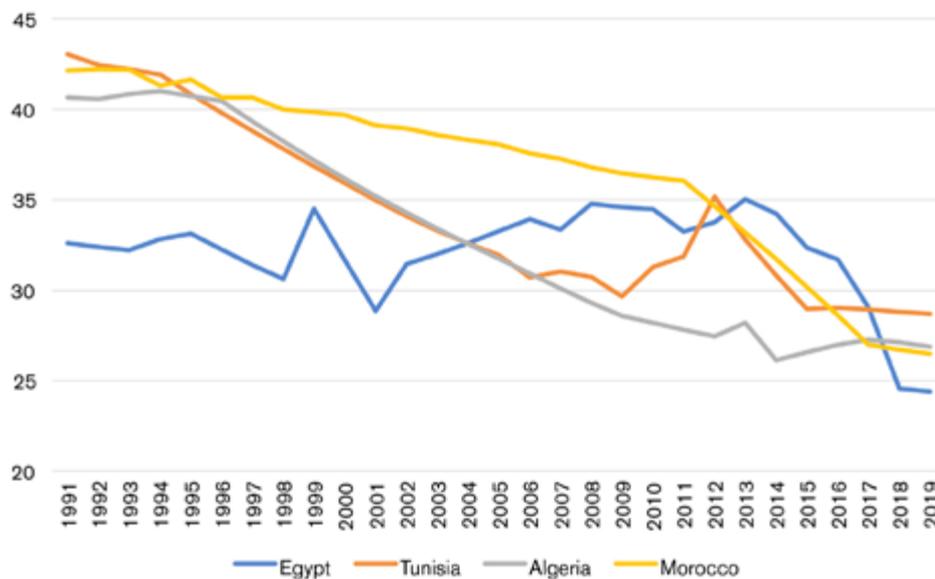
What is noticeable from such data is that even though unemployment among young males in Egypt, Tunisia, Algeria and Morocco is generally high and above the world average, they are mostly not among the highest, perhaps except for Tunisia, and are comparable, and even lower than a wide array of developing and developed economies, including for example Spain, Italy, Brazil, India, Sweden, France, and Finland. On the contrary, it is young female unemployment, specifically in Egypt and Algeria that seems exceptionally high and is among the highest in the world, pushing up the total youth unemployment rate (World Bank, 2021). Nevertheless, and as highlighted in the next figures, even employment among young males is increasingly under pressure in the region, as reflected by the deterioration of other indicators, namely the labour force participation rate and employment rate. If such deterioration persists, employment of young males in the region might also end up being in a much worse place.

Unemployment rates, showing unemployed youth as a percentage of youth labour force (defined as economically-active youth, who are able, willing and actively seeking work), might not reflect the actual magnitude of the employment crisis and the employment gender gap of youth in the region, and the four countries of interest in particular. The reason is that the youth labour force participation rate (youth labour force, as a percentage of total youth) in the south of the Mediterranean is the lowest among the world's regions, at 26.4% (ILO, n.d.), compared to a world average of 41.2% (World Bank, 2021). Figure 4 shows youth labour force participation rates for Egypt, Tunisia, Algeria and Morocco, which have been falling steeply over the last three decades and in 2019 ranged between 24.4% in Egypt and 28.7% in Tunisia. This means that while the unemployment rate shows the proportion of youth in the labour force who are unable to find a job, the proportion who are in the labour force to begin with is small in

Figure 3. Unemployment, % of labour force for ages 15-24, by gender



Source: Prepared by the author based on ILO estimates, World Bank, world development indicators database

Figure 4. Labour force participation rate for ages 15-24, total (%)

Source: Prepared by the author based on ILO estimates, World Bank, world development indicators database

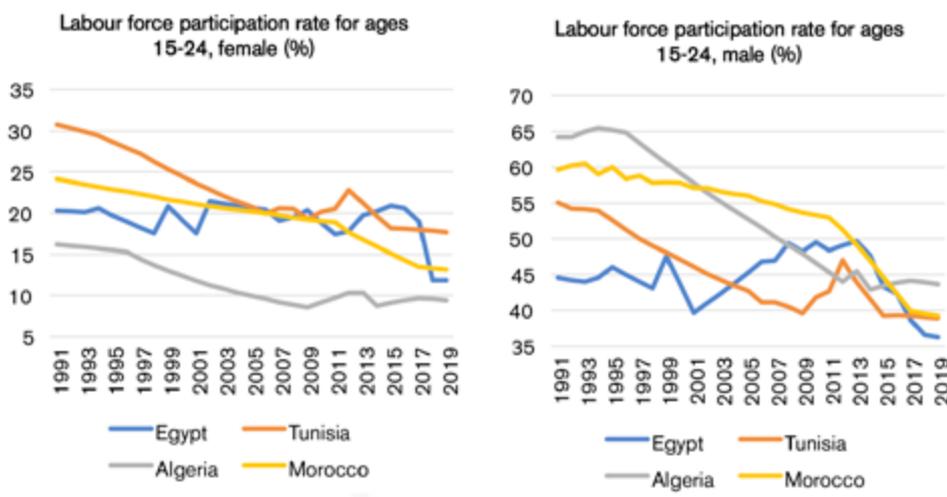
the region and has been falling throughout the last three decades at least, for reasons that will be explained later.

Gender gaps are also well highlighted in youth labour force participation rates in the region, and are large and evident in the four countries of interest, even in those that have small or no gender gaps in youth unemployment rates, like Morocco, as highlighted previously. In Egypt, Tunisia, Algeria and Morocco the labour force participation rate for youth males is more than double that of youth females, as figure 5 shows, and such a wide gap has been persistent over the last three decades, during which the labour participation rates of both genders have been falling. Such a gap in both labour force participation rates and unemployment rates indicates that a far smaller share of

young females than males in the region is actively seeking work and, amongst those, a smaller share is successfully able to work, which is translated into far smaller absolute numbers of working young females in the region than working males. This gender gap in the region's labour markets is explained later on through the youth employment dynamics, especially in relation to the shifts in the quality of available jobs in the region, over the last few decades, and how these shifts have affected young males and females differently.

Hence, the status of the region's youth in the labour market might be better reflected in the employment rate instead, which is the percentage of all youth who are actually employed, whether total or disaggregated by gender. As figure 6 shows,

Figure 5. Labour force participation rate for ages 15-24, by gender (%)



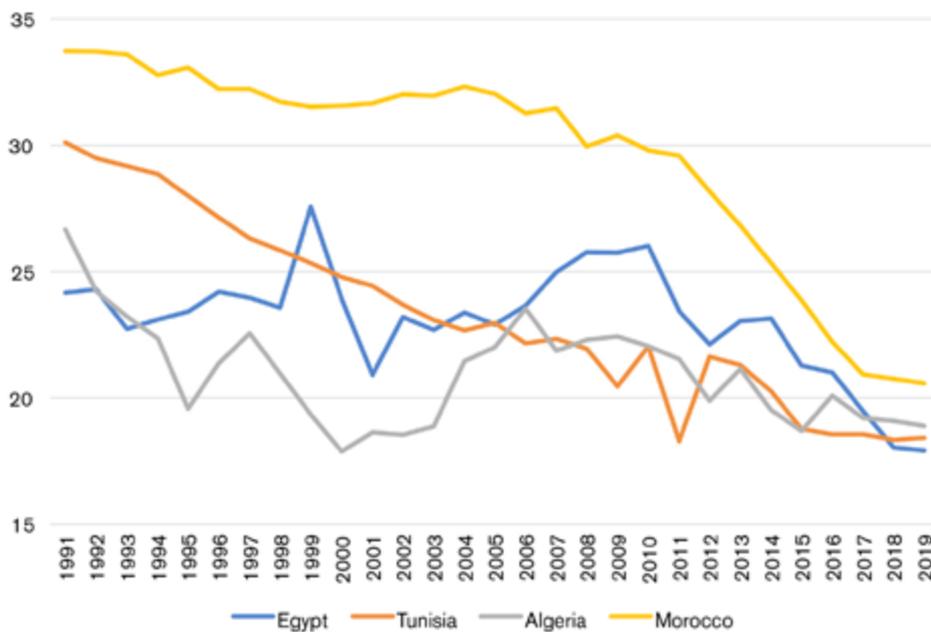
Source: Prepared by the author based on ILO estimates, World Bank, world development indicators database

the employed percentage of the youth population in the region in 2019 ranged from 17.9% in Egypt to 20.6% in Morocco. Figure 7 also highlights the gender gap in youth employment in the region, since only 5.1% of all young females in Algeria are employed, with a roughly similar rate in Egypt, and higher rates in Morocco and Tunisia, at 10.2% and 10.9%, respectively. On the other hand, the employment rates among young males ranged from a low of 25.4% in Tunisia to 32.1% in Morocco, while the employment rates, whether total, female or male, have been declining throughout at least the last three decades (World Bank, 2021).

Similar to what the unemployment rates have highlighted, even though employment rates among young males in the four countries are still low, and have

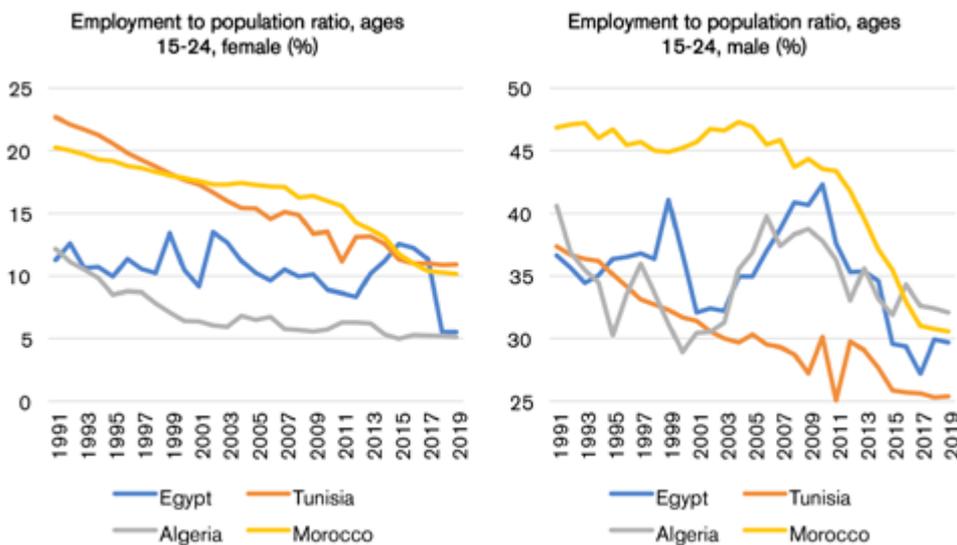
been declining, they are generally comparable to numerous developing and developed economies in Europe, Asia and Latin America, and do not reflect an exceptional crisis in the region for young males. Nevertheless, a unique situation is evident in the employment rates among young females in the region, even more than what is highlighted by the unemployment rates. Ranging between 5% and 11%, employment rates among young females in the four Southern Mediterranean countries under study, and in fact across the entire MENA region, is definitely among the lowest globally (World Bank, 2021), which pulls down the total employment rate in the region significantly. But as explained earlier, the continuous decline of young male employment rates in the region might well, if it persists, bring youth male employment in the region among the worst globally.

Figure 6. Employment to population ratio, ages 15-24, total (%)



Source: Prepared by the author based on ILO estimates, World Bank, world development indicators database

Figure 7. Employment to population ratio, ages 15-24, by gender (%)



Source: Prepared by the author based on ILO estimates, World Bank, world development indicators database

Informality and youth employment dynamics in the south of the Mediterranean

It might appear then from the previous data that the youth employment problem in the south of the Mediterranean is in fact more of a female youth employment problem, as reflected in the recently falling unemployment of young males in Egypt, for example, compared to a surge in young female unemployment. However, there is more to the issue. Young males in the region have also been suffering during the last decades but mainly from a sharp deterioration of job quality⁴ in terms of the rise of informality (CAPMAS, 2020), side-by-side with the falling employment rates. In fact, these two main symptoms of youth employment in the south of the Mediterranean, exceptionally low female employment and deteriorating job quality for males, are two sides of the same coin, and can both be explained by the same causes, mainly to the declining availability of formal jobs compared with rising supply of labour due to demographic changes.

It is widely established by now that in Egypt, Tunisia, Algeria and Morocco, and in the entire MENA region as well, what came to be known as the “Arab Social Contract” (Devarajan & Mottaghi, 2017), or the “Authoritarian Bargain” (World Bank, 2004), characterised by mass public employment and access to subsidised goods and services in return for no political voice, has led to the public sector becoming the dominant employer in labour markets in the region, mainly through bloated state bureaucra-

cies, during the third quarter of the 20th century. Such dominance has taken several forms, even including legal guarantees by the state to employ graduates of certain educational levels (World Bank, 2004).

However, countries in the region embarked on economic liberalisation programmes as early as the 1970s, which were accelerated due to the economic crises that hit the region in the 1980s with the fall of oil prices, pushing the countries towards more economic stabilisation and structural adjustment programmes – in partnership with international financial institutions – which cut back the growth of public employment and curtailed its role in the labour market in order to decrease its fiscal burden (World Bank, 2004). For example, the share of the public sector among jobs obtained by educated new entrants into the labour force has fallen from 75%-80% in Egypt and Tunisia in the mid-1970s, to 25%-30% in the 2010s. It also fell in Algeria from more than 70% in the mid-1980s to about 50% in the 2010s, as Algeria was able to maintain greater public employment through oil and gas revenues, similar to the Gulf countries (Assaad & Barsoum, 2019). In Morocco too, the share of the public sector among all jobs, which was smaller than in neighbouring countries to begin with (Assaad, 2004), declined from the early 1990s to about 8.1% in 2019 (Lopez-Acevedo et al., 2021).

The decline in public employment has slowed, or even slightly reversed since the Arab Spring, at least in the following few years, as governments in the region tried to appease their citizens again using public employment – a main compo-

4. The Egyptian annual labour survey measures jobs quality through formality, measured in terms of availability of official contract, insurance and permanence.

ment of the long-standing authoritarian bargain (Assaad & Barsoum, 2019). However, a new wave of economic liberalisation programmes in the south of the Mediterranean in recent years will probably push public employment down again. In Egypt, for example, with the launch of an economic liberalisation programme in 2016, in partnership with the International Monetary Fund (IMF), total public employment has already and sharply declined from 6.7 million employees in 2015 to 5.6 in 2020, a decline of 1.1 million public jobs, or 16.4%, in 5 years (CAPMAS, 2020). It is probably a main cause behind the sharp decline of young female employment rates in Egypt since the programme was implemented, simultaneously with a rise in employment among young males, which will be explained in more detail later.

The decline of employment opportunities in the public sector, since the early 1990s, was not compensated by job creation in the formal private sector. The latter remains underdeveloped in the region, mainly as a result of the weak institutional framework and discouraging business environment, related to uneven state interventions and cronyism, which hamper private-driven growth and job creation in the south of the Mediterranean (Hertog, 2016). Instead, such a gap in job creation gave rise to a surge in informal low-quality employment in the region that is characterised by absence of formal contracts, or insurance and health benefits, and dominance of self-employment in micro enterprises. In Egypt, the share of informal employment in total non-agricultural employment in the mid to late 1980s was 37.3% (Kiaga & Leung, 2020); it has increased since then to 50% in the latest figures (ILO, 2018). In Tunisia, informality among non-agricultural employment stood at 35% in the early to mid 1980s (Kiaga & Leung,

2020), and has now increased to 53.5% (ILO, 2018). And, in Morocco, informality among non-agricultural employment, which amounted to 44.8% in the 1990s (Kiaga & Leung, 2020), has spiked to 75.6% in the latest data (ILO, 2018), while in Algeria, informality among total employment, which stood at only 18% in the early 1990s, has increased several fold, to 56.8% in the latest figures of 2017 (Beggat, 2017).

Such a sharp rise in informality to compensate for the fall in public employment, and the slow growth of formal private employment in the region, is the main factor that has shaped the employment problem in the south of the Mediterranean, and in the broader MENA region, and has produced varying dynamics for young males and females (Assaad, 2014).

For young females, the less educated generally do not participate in the labour force at all, and when they do, they are mostly confined to home-based self-employment or unpaid family work, and have limited access to waged work (Assaad et al., 2020). Educated young women, especially married ones, on the other hand, tend to strongly favour public employment for its working conditions and benefits, even compared to private formal employment. Such conditions include long-term secure contracts, shorter work days, maternity benefits, family paid leave, and more. Educated and less educated women alike also tend to largely avoid informal employment as they deem it to lack reservation working conditions, especially since informal employment is generally associated with small workplaces and few co-workers, mostly men, increasing risks of sexual harassment and reputational harm to women, who as a result prefer large workplaces with numerous co-workers,

which are characteristics of public employment (Assaad, 2017). Consequently, young educated women in the south of the Mediterranean normally queue for long years for a public job, then withdraw from the labour force altogether when they lose hope of finding one, which explains the high unemployment and low labour force participation rates among young – which also extends to adult – females in the region (Assaad et al., 2020). This also helps explain the sharp decline in young female employment rates in Egypt, simultaneous with the significant decline of public employment, during the years of the recent reform programme.

For males, withdrawing from the labour market is not a viable option. Young males, the less educated ones, with little or no chance of landing a public job because of the latter's minimum educational requirements have thus been joining the informal labour market immediately with little delay in their transition to working age. On the other hand, educated young males, who do possess the minimum requirements for public employment, are faced with scant formal employment opportunities in the public or private sectors, and initially choose not to work in the informal sector after they graduate, which they deem inadequate for their educational investment. They thus prefer to queue for public employment opportunity, as young educated females do, for periods that could extend to a few years, until, unlike most females, they finally get frustrated and accept informal employment. The socioeconomic background of educated youth does play a role in such a transition. Educated youth with a high socioeconomic status, measured by parents' educational attainment, are far more likely in the region than educated youth with low socioeconomic status to obtain a formal job, either in the public sector or the formal private sector (As-

saad et al., 2019). Moreover, educated youth with a high socioeconomic background in particular could afford to queue for a long time for a formal job, relying on their family resources, especially in Egypt, while educated youth of a low socioeconomic background, and with fewer such resources, either fall back on informal jobs in the case of males, or exit the labour market in the case of females (Assaad & Krafft, 2014).

This dynamic explains the main symptoms of male unemployment in the south of the Mediterranean; it explains why male unemployment in the region is predominantly a youth unemployment problem, since it is youth and new entrants who could remain unemployed, or even outside the labour force, queuing for public jobs for a few years, but have to eventually fall back on informal employment as they grow older and fail to find a formal job. It also explains why unemployment among young males is far higher for the educated compared to less educated males, since the latter have no reason to queue for public jobs that they have no chance of getting, and thus accept informal employment immediately, while more educated young males are the ones who meanwhile remain unemployed (Assaad, 2014). This could explain the rise in young male employment rates in Egypt during the reform programme and the decline in public employment, since this sharp decline might have led young educated males to lose hope faster in finding a public job, which might have prompted more young educated males to accept informal employment with shorter queuing.

Such dynamics are clearly evident in the data. In Egypt, according to national estimates in 2019, unemployment was the highest among young males at 10.1% for the age group 15-19, and 13.1% for the group 20-24, which falls to 8.4% for

the age group 25-29, then 3% for the age group 30-39, and continues to fall for the rest of working-age groups as well. Labour force participation is also lowest for young males, at only 19% for males aged 15-19, and 44% for 20-24, which then jumps to 83.1% for 25-29, and to 93.1% for males in their 30s and 40s. And as explained, unemployment for Egyptian males is the lowest among the illiterate, at only 1.5%, followed by those who can read and write but with no degree, at 2.6%, while it is the highest for males with a university degree or higher, at 10.5%, followed by intermediate and above intermediate degrees, with unemployment rates of 6.7% and 6.6%, respectively (CAPMAS, 2020).

In Tunisia, as well, national estimates show that first entrants represent in total 96.4% of all individuals demanding jobs, registered at labour offices. Unemployment is also associated with education, as 26.9% and 15.8% of individuals with high or secondary education degree, respectively, are unemployed, compared to 6% for the uneducated, and 8% for those with a primary education (INS, 2020). Algerian data reflects the same dynamics in the labour market. Unemployment among males is at 28.1% for the age group 15-19, and 22.2% for the 20-24 group, it then drops to 15.4% for males aged 25-29, 8.4% for the group 30-34, and continues to drop for all age groups up to retirement age. Unemployment among males in Algeria is also higher for the educated, at 11%, 8.4% and 10.7% for males with intermediate, secondary and high education, respectively, while it stands at only 2.5% for the uneducated, and 6.4% for those with a primary education (ONS, 2020). Relatively higher unemployment rates for males with intermediate or primary education in Tunisia and Algeria, compared to Egypt, for example, are mostly a result

of the possibility of getting a public sector job with such degrees in Tunisia and Algeria, which encourages queuing and unemployment at these levels of education (Assaad & Krafft, 2016). And also in Morocco, unemployment is the highest among the youth, at 24.9% for the age 15-24, which falls to 15.1% for the age group 25-34, and falls to 2.1% for those aged over 45. Moreover, unemployment among the educated is 15.7%, compared to only 3.1% for the uneducated (HCP, 2020), similar to the symptoms in Egypt, Tunisia and Algeria.

Policy recommendations: how to address low employment among youth in the south of the Mediterranean

The youth employment problem in the south of the Mediterranean is thus mainly an issue of scarcity of formal employment, which delays young males' transition to employment, and forces young females to withdraw completely from the labour force. Nevertheless, the focus of policy action should not only be on creating formal employment to facilitate the integration of educated young males and females into the labour market but also to create formal jobs, with official contracts, insurance benefits and better wages for the less educated as well, who do not feature in the unemployment data, as they immediately accept informal work, in the case of young males, or do not engage in paid work at all, in the case of females. Addressing informality will not only help tackle labour market issues in the south of the Mediterranean but will also contribute to solving other issues, including poverty. Informality is closely correlated

to in-work poverty in the region, since a large proportion of informal workers in the south of the Mediterranean are poor. For example, almost half of all informal workers in Egypt live in poverty, which is a far larger share than poverty in other types of work (CAPMAS, 2019).

- Returning to increasing public employment, in order to boost formal employment, as some governments in the region have tried to do after the Arab Spring, is not the answer to the youth employment problem in the region, since this will simply reinforce the imbalances and distortions that have forced the governments to cut back public employment during the last three decades in order to decrease the fiscal burden of public wages.

Instead, governments in the region should encourage the private sector to grow and create more high-quality formal jobs. This could only be achieved by deep-rooted institutional reforms and improvements to the business environments in order to facilitate establishing and running private formal businesses and ensure a level playground with no privileges to politically-connected or favoured business people, or to public companies, which distort competition, discourage new private investments and hamper the growth of the private sector. Such reforms are perhaps the most difficult to execute in the short term, especially because of the powerful vested interests, both from public and private parties, which will strongly challenge such necessary reforms and work to maintain the status quo.

- Besides the need for encouraging the formal private sector to grow and create new jobs, it is also necessary to encourage the formalisation of the large

informal private sectors in the south of the Mediterranean, which are forced into informality and predominantly subsistence micro-size as a result of high entry barriers to the formal sector – especially the regulatory burden and cost of corruption (Ayadi & Sessa, 2017). Helping informal enterprises to legally formalise would enable them to grow larger in size and number of employees; this will provide better quality jobs for their predominantly male employees, while attracting more female workers who would be more accepting of the new formal status and improved working conditions. Successful experiences suggest that formalisation could be encouraged through changing the cost-benefit equation of formalisation by minimising the financial and non-financial costs of formalisation and increasing its benefits to the enterprises. This includes cutting the registration fees, preferably to zero, especially for micro enterprises, while facilitating the registration process, and ensuring it requires very few documents and days. Informal enterprises could also be encouraged to formalise through incentives that include tax exemptions, scheduled for a number of years after registration, and removed gradually, in addition to temporary exemptions of employers' contributions to social insurance schemes of employees, to encourage formalisation of labour in these enterprises and not only formalisation of the business itself (FICCI, 2017).

- A policy measure that is closely interconnected is improving the access of Micro, Small and Medium-Sized Enterprises (MSMEs), whether newly-established or formalised, to finance. Lack of access to credit is a main challenge to this kind of enterprise in the region, which hampers their growth

and job creation capabilities, with only half of MSMEs accessing bank loans in Tunisia and Morocco, and a negligible 6% of MSMEs in Egypt (Ayadi & Sessa, 2017). Governments in the south of the Mediterranean, and their partners in the larger MENA region and the European Union (EU), could play an active role in improving access to credit to MSMEs through providing direct credit lines and schemes, credit guarantees to the banking sector to encourage more loans to MSMEs, and through financing and providing technical expertise to an expanded network of business support centres, which offer financial guidance and training to medium, small, and micro business owners (Amer & Selwaness, 2021).

- Macroeconomic policies could also play their role in encouraging formal job creation in the private sector. More trade liberalisation and openness could boost the competitiveness of the private sector in the region and encourage its growth and contribution to output and employment. Services trade specifically in the south of the Mediterranean, which is one of the most restricted globally, could largely benefit from more openness to encourage its growth and creation of high productivity jobs, especially for women (Suleiman, 2021b). Trade openness does not contradict the simultaneous need for active industrial policies to encourage the growth of labour-intensive manufacturing and high productivity service sectors, which are export-oriented and seek to integrate the Southern Mediterranean economies into the global, and also shorter regional, value chains.
- In addition to encouraging the creation of more formal jobs, governments in the south of the Mediterranean will

also have to ensure that formal private employment offers a minimum of adequate working conditions in order to make it more attractive, especially for women, who, as highlighted above, do not prefer private formal employment in the region due to its harsher working conditions. Governments have to enact minimum wages in the private sector, which are absent in some countries in the Southern Mediterranean (e.g., Egypt), regulate working hours and bonuses, guarantee maternity benefits, paid leave and provision of childcare services, encourage flexible work arrangements to accommodate various needs, and ensure the safety of women in workplaces and transportation (Assaad & Krafft, 2015).

Such efforts could be complemented by encouraging collective bargaining in the labour market to improve workers' benefits by facilitating the establishment and activities of labour unions, which generally face restrictions in the region as they are generally perceived to pose a political threat to the regimes. These reforms of working conditions in the private sector could nonetheless prove challenging, as they might risk slowing down formal job creation (in terms of number of workers or hours) by increasing labour costs to the private sector and inducing substitution of capital or informal labour, for formal workers, or simply by cutting production. Such a challenge is universal and will not be easy to address, and will require balancing the work-benefits/employment trade-off through a package of integrated reforms that extend beyond the labour market. For example, improving working conditions could go side-by-side with increasing flexibility of the labour market to allow employ-

ers to better adjust to various shifts. Moreover, governments could offset part of the potential costs of improvements of working conditions in the private sector by introducing selective progressive reductions, including on payroll taxes and employers' contributions to the insurance system, while compensating the loss in public revenues through other fiscal reforms, such as cutting universal subsidies on some goods and services (World Bank, 2019). Such fiscal reforms are already being implemented in the region, for example as part of Egypt's reform programme, and have proven successful in producing primary budget surpluses and improving the fiscal space in the last few years (MOF Egypt, 2021), which could be employed as a tool to balance potential costs of working conditions reforms.

- Furthermore, governments in the region need to dedicate more efforts and resources to digital transformation as a tool for job creation, and to enable the private sector to play a larger role in the telecommunications industry, to improve the coverage and quality of the digital infrastructure in the region. Regional cooperation among Southern Mediterranean countries, and with their neighbours, especially in the EU, could help ramp up digital transformation. Cooperation in the transfer of digital technologies and know-how, flow of direct investments, sharing of data and best practices, and integration of cross-country digital services and marketplaces, could all push forward digital transformation in the region. Digitalisation could play an active role in increasing female employment rates in particular through bypassing some of its main challenges, including inadequate workplaces and sexual harassment risks in work or transportation, and inflexibility of working hours that collide with domestic work and/or childcare burdens that fall disproportionately on women. Digital platforms and marketplaces could help women market and sell goods produced in their self-employment micro enterprises, often at home. Remote work using digital technologies could also enable young and educated females to overcome the lack of acceptable job opportunities in their local labour markets by enabling remote provision of services in the national market or even exporting such services to international markets as well. Digitalisation would also create more jobs in science, technology, engineering and mathematics fields, which would boost young female employment, since they outnumber and outperform males in the region's universities in these fields but end up occupying fewer jobs than their male counterparts (Suleiman, 2021a).
- Simultaneous with the efforts to create more formal jobs for youth with all levels of education there is also a need for reforms of the education systems in the region. It is true that educational attainment has sharply risen in the south of the Mediterranean during the last few decades, especially for females, but this did not necessarily yield adequate productive skills as a result. Education systems in the region have had good outcomes in terms of quantity but not quality, as educational institutions in the region increase the supply of certificates and degrees but with less focus on skills that are useful to the job market. This is reflected in the weak performance of the region's countries in comparable international tests for mathematics and sciences, for example. The explanation is that

public employment and promotion, which relied on credentials rather than productivity, was the main inducement of education for decades in the region, which in turn emphasised the significance of degrees over skills in the education systems in the region (Salehi-Isfahani, 2012). This skills dilemma in the region is also a product of private higher education institutions, which are found not to produce better labour market outcomes than public ones (Assaad et al., 2018). Hence, merely boosting investments in education will not be enough, but it is necessary to reform education in the region to focus on equipping students with modern skills required for work in a high productivity, competitive private sector that is open to global fast-changing markets rather than on obtaining credentials that are only useful for public jobs, which is what prevailed for decades in the region's education systems (Assaad & Krafft, 2014).

- And, finally, there needs to be further cooperation on regulated mobility of labour between countries of surplus labour in the south of the Mediterranean and neighbouring countries of labour shortage whether in low or high skills sectors, including Gulf countries and the EU. Regional cooperation would help ease both job and labour shortages in different countries, while facilitating flow of remittances and transfer of skills, and decrease security risks through continuous data sharing and monitoring. Limited mobility of individuals, especially across the Mediterranean to the EU, hampers trade in services in the region via mode 4 of exporting services; that is, through temporary movement of natural persons to provide services abroad, which deprives all parties

from gains of services trade to both output and employment (Suleiman, 2021b).

Conclusion

Exceptionally low rates of youth employment and deteriorating jobs quality are common characteristics of labour markets in the south of the Mediterranean, and in the larger MENA region as well. Such problems are both a result of the political economy of the region and also a key driver of the radical changes that it has been witnessing for more than a decade now, which could arguably have had global-scale spillovers, mainly through the civil wars and subsequent surge of migration from the region, and the reactions it caused in host countries.

The deep roots of such a problem pose a serious challenge to addressing it, as they will require equally deep reforms that extend across the economic, political and social spheres. However, the magnitude of the problem and its implications, and the likelihood that it will deteriorate even more due to demographic factors and more shrinkage of public employment, necessitate serious national policy measures and close cooperation with regional partners. Such national and regional efforts should be informed by a dialogue with stakeholders, including labour and trade unions, non-governmental organizations (NGOs) and civil society organizations (CSOs), local municipalities, and youth of different backgrounds in order to formulate regional and national policy measures that are complemented side-by-side with local specific measures tailored and best suited to various contexts on the sub-national level, whether geographic, demographic, cultural or economic.

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