



## **Dossier**

# The Youth Labor Market in the Mediterranean Area

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## Executive Summary

With the 2007 crisis, the global economy has shown a significant slowdown, which effects on labor market dynamics are still ongoing. Indeed, general unemployment is especially strong in those regions, such as South of Europe, North Africa and Middle East, where the effects of the crisis were more intense. In these areas, several structural issues also affect labor market. Low dynamism of public system, political instability and lack of policy coordination are perfect examples of the kind of issues that firms face in the Mediterranean area.

According to current trends, unemployment in the Mediterranean area is expected to rise by further 13 million people by 2018 (ILO 2014) with strong implications for important aspects such as:

- the quality of jobs, in terms of wages and social protection,
- the female participation rate,
- the employment of vulnerable people,
- the working poverty (workers living on less than 2\$ per day),
- the size of informal empowerment.
- the persistent unemployment

In 2013, youth unemployment was generally estimated to be 73,4 millions, that is 3,5 millions more compared with 2007. Expressed in percentage, the global youth unemployment rate has reached 12,6%, that represents 1,1% more than the level of 2007. Moreover, this negative trend is expected to continue. The youth unemployment ratio, indeed, should get to 12,7%, in 2014 and 12,8% in 2018, according to the projections (ILO 2013a).

The aim of this work is to show that besides the differences between these areas there are also similarities that link both sides of the Mediterranean Sea. These similarities represent the cornerstone of future initiatives and Regional policy intervention.

For each geographic area, the report considers crucial aspects of the youth labor market such as:

- the skills mismatch between firms and job-seekers,
- the effects of career expectation of young people on their educational choices,
- the youth entrepreneurship,
- the quality of jobs and the informal sector

### **Southern Europe**

In the southern countries of Europe, young people have been struck harder than others by the effects of economic crisis, as summarized by the unemployment rate which have reached dramatic proportions. In 2012, youth unemployment rate rose up to 23,7% in France, 35,3% in Italy, 54,8% in Greece, 37,7% in Portugal and 54,3% in Spain (ILO 2013b).

Several aspects can explain the recent disadvantage of young people. In most southern countries we can observe structural labor market problems, such as the rigid regulation and the general low demand of young workers by enterprises, due to the economic crisis. Another structural problem is the high dualism in the labor market among young entrants, who are usually employed with low paid temporary contracts, and insiders with permanent contracts.

The main aspects of the area:

- Skills mismatches are a big issue in youth labor market all across Europe. In 2012, Greece had higher unemployment rate for people with tertiary education than for those with primary one. In Portugal and Italy the unemployment rate for youngsters with tertiary education exceeds the one for same aged with secondary education. In the southern European countries, young people tend to be mostly under educated for their jobs. In other words, young entrants in the labor market are usually less prepared than what they are supposed to be. However, it is important to notice that new generations suffer much more over-education than older ones.
- In the Southern countries of Europe the majority of young people is not satisfied with the quality of their country's education and training systems. This counts for 61% of young people in Italy, 91% in Greece, 50% in France, 41% in Portugal, 74% in Spain and just 21% in Malta.
- Despite a quite good business environment, only 9,2% of young people in the European Union are involved in a new business initiative. Moreover, only 17,3% of youngsters affirm that they both have good business opportunities and the skills required to start a business.
- European countries, especially the southern ones, face a dual labor market. On the one side, there are the so called “insiders”, workers with permanent jobs and high level of social protection. On the other side, there are the “entrants”, usually young people, with temporary contracts and with low level of social protection.

## **North Africa**

Before the last economic crisis, the North African economy grew at 5% a year on average, and even after 2008, it kept growing at about 3% every year. Alongside the economic growth, North Africa showed a positive demographic dynamic, presenting now much younger societies than in European countries. Despite these years of economic growth, national economies were not able to create enough jobs to absorb all the new youngsters seeking their place in the labor market. Therefore, unemployment rate is nowadays especially high for young people. The situation appears generally more complicated for young women than for men, although there is a huge heterogeneity among countries related to female unemployment.

The key aspects of this area:

- As in the European southern countries, skills mismatches represent a big issue for North Africa labor market. In Egypt, Morocco and Tunisia, the unemployment rate by educational attainment shows that a job seeker is more likely to be unemployed with tertiary education than with primary or secondary education.
- Alongside a lack of job creation by the national economic systems, in North Africa, many young students choose their education path according to the general wrong expectation of obtaining a good public sector job. These expectations push young people to choose educational paths that may not be adequate to the labor market requirement.
- Despite structural problems in the business environment, youngsters in North African countries seem to be more likely to consider an entrepreneurial career. According to Kew, Herrington, Litovsky and Gale (2013), the fear of failure was much more lower in Egypt (35,9% of young people aged between 18 and 34) and Tunisia (14,1%) than in the countries of South Europe.
- Informality is a widespread aspect of North African economies. According to Angel-Urdinola and Tabane (2012), labor informality has sharply increased since the 80s as a consequence of: demographic changes, fast urbanization,

reduction in public administration employment, institutional constraints for starting new business. Because of this process, nowadays more and more people are employed with informal jobs, which are usually linked to low level of salary, social protection and mobility to formal sector employment.

## **Middle East**

The study of the labor market in Middle East area is a quite tough task for many reasons. First, military conflicts and political turmoil are still ongoing in all the area. Second, up-to-date and complete statistics on labor market situation are not easily available. In spite of these troubles, core elements of the youth labor market in Lebanon and Palestinian Territories are still observable. Third, Israel represents an exception in the area, being a well-developed economy.

In general terms, the Middle East is the region with the highest level of unemployment in the world. The total unemployment rate, considering all age groups, was about 11,1% in 2012. As usual, the young people are among those who suffer the most the lack of jobs. In all the region, youth unemployment rate was estimated at 28,1% in 2012, with a rising trend.

The main aspects of this area:

- As North Africa, Middle East region deals with structural issues of having high-skilled job seekers inactive or without job. When considering total unemployment rate by education attainment, Palestinian territories and Lebanon show that people with tertiary education are more likely to be unemployed or/and tend to accept works for which they are overqualified. However, in Israel, the situation is quite different from all the other countries in the area. The Israeli productive system is well developed and able to absorb a wide number of high-skilled workers.

- In countries with low demand of high-skilled graduates, starting entrepreneurial initiative might be a possible way out for many young people. However, the Middle East is experiencing a period of great tension and instability, that increases the business risks for investors and entrepreneurs. According to the World Bank ranking “Doing Business 2014”, the business environment of Lebanon and Palestinian territories is quite tough. These two economic systems, indeed, occupy respectively the 111<sup>th</sup> and the 138<sup>th</sup> overall positions on 148 economies. Also in this case, Israeli situation is quite different, being the more dynamic economy in the area.
- Informality is highly widespread in the Middle East. In Palestinian Territories, the share of people in informal employment in total non-agricultural employment was 58,5% in 2010. In other words, in non-agricultural sector, almost six workers on ten were engaged in informal employment (ILO 2013b)

### **What to do**

All the countries considered in the report present many similarities. There are an overall reduction in the quality of job opportunities and long lasting youth unemployment.

Moreover, Middle East, North Africa and South Europe share, with the due proportions, some common causes of youth unemployment. In all these areas, indeed, the report showed the presence of great skills mismatch between firms and job-seekers and the inadequacy of the productive systems to involve all the tertiary graduates. There is strong evidence (OECD 2010) that rigid and costly employment regulations, such those of the countries analyzed, are likely to reduce permanent formal employment in favor of less protected or informal employment. Another important aspect is the regulation on temporary contract. A good regulation on temporary contracts is as important as complicated because it has to balance the flexibility required by the firms with guarantees for workers. Young job-seekers also

need an efficient regulation on trial period and internships to gain experience and have a good skill matching.

However, youth unemployment is just a piece of the global unemployment issue. Policy makers cannot expect to solve youth unemployment focusing exclusively on youth oriented initiatives. Indeed, growth and positive macro-economic environment are essential to foster the overall labor demand and, therefore, youth employment.

## **Introduction**

The 2014 is expected to be a turning year for global economic recovery after years of weak growth. The 2013 showed the lowest increase in global GDP after 2009 plunge, with an overall growth rate of 2,2% (World Bank). With crisis in 2007, the global economy has shown a significant slowdown, which effects on labor market dynamics are still ongoing. Despite the expectations of growth in 2014, global unemployment increased in 2013. The lack of a strong improvement in the aggregate demand and the doubts about the timing and the intensity of the recovery, have created uncertainty among entrepreneurs and investors. Firms, indeed, tend to postpone investments in human capital in order to have more clear information on the situation developments. In other words, firms prefer to wait concrete evidence of the recovery before hiring new workers.

General unemployment is especially strong in those regions, such as South of Europe, North Africa and Middle East, where the effects of the crisis were more intense. In these areas, several structural issues also affect labor market. Low dynamism of public system, political instability and lack of policy coordination are perfect examples of the kind of issues that firms face in the Mediterranean area.

According to current trends unemployment in the Mediterranean area is expected to rise by further 13 million people by 2018 (ILO 2014) with strong implications for important aspects such as:

- the quality of jobs, in terms of wages and social protection,
- the female participation rate,
- the employment of vulnerable people,
- the working poverty (workers living on less than 2\$ per day),
- the size of informal empowerment.<sup>1</sup>

Moreover, persistent unemployment, especially in developed economies shows significant increase. In several OECD countries, the average time between two jobs is up to six month (for instance this time is approximately 9 months in Greece, 8 in Spain, 7 in Japan and 6 in the USA) (ILO 2014).

Long unemployment is extremely negative for several reasons. First, the longer a job seeker stays without any occupation the more his skills may become obsolete, making the research of a new job even more difficult. Second, long unemployment can cause fiscal problems for National Governments. Indeed, high rates of long unemployment mean persistent reductions in tax revenue and increases in social security costs. This situation might generate fiscal imbalance with negative effects on national deficits, and therefore, it is particularly dangerous in countries with weak public accounts or under budget constraints, such European ones.

These aspects of long unemployment contribute to a slower and weaker recovery of labor market even when there are the overall conditions for economic growth. In some geographic areas, the demographic pressure and the urbanization process might affect the dynamics of labor market.

The increase in the workforce, indeed, combined with the economic slowdown in last few years has contributed to generate frictions in labor market, especially for young

entrants<sup>2</sup>. Moreover, the average lifetime is getting longer in many countries, stressing the weaknesses of national pension systems.

In many countries, especially the developing ones, rural to urban transition is deeply changing the social structure as a whole. The growth of urban population, affects many aspects linked to labor market issues such as: the youth enrollment in education, the skill composition of the work force, and the quality of job-conditions, just to name but a few.

### **Youth Condition**

When speaking of young labor force international standards consider people aged between 15 and 24 years old who are either employed or unemployed over a specific period. Moreover, the OECD recognizes two main kinds of young people who face difficulties in getting employed<sup>3</sup>. On the one hand there is the group of so-called “left behind youth”. Youngsters who are part of it usually lack a diploma, live in remote areas, have low education and/or come from disadvantaged background. On the other hand there is the group of “poorly integrated new entrants” consisted of young qualified people, who face unemployment, inactivity and/or underpaid temporary jobs.

All data confirm the widespread perception that unemployment disproportionately affect young people compared to other typologies of workers. The ratio of youth to adult unemployment rates, that shows how many youngsters can be unemployed for each adult unemployed, has been barely modified in last the years, standing at 2,7 in 2013. That means that in 2013, in all the world, a youngster take three times more chance to be unemployed than an adult.

In 2013 youth unemployment was generally estimated to be 73,4 millions, that is 3,5 millions more compared with 2007. Expressed in percentage the global youth unemployment rate<sup>4</sup> has reached 12,6% that is 1,1% more than level of 2007. Moreover, this negative trend is expected to continue. Indeed, the youth unemployment ratio should get to 12,7%, in 2014 and 12,8% in 2018 according to the projections (ILO 2013a). This trend seems not to be homogeneous worldwide. On the one hand, some improvement are expected in developed regions while, on the other hand, an even higher youth unemployment in some developing regions. These differences are also due to labor market peculiarities at national or regional level.

Developing areas usually present more and peculiar challenges for youth trying to enter in labor market. These countries often show a higher ratio of young people out of education or who leave it early. Moreover, young people in developing economies are usually more involved in working poverty than ones in developed countries, becoming, therefore, more likely to work in informal economy in both urban and rural areas.

However, even in many developed countries the joint action of economic slowdown, weak labor market institution and lacking social protection, push a large number of young people to low quality jobs or informal employment. New young entrants often find occupations for which they are underpaid and either under-qualified or overqualified.

A concerning signal about the youngster discouragement on future opportunities is the dynamic of NEET rate. In 2010, the level of youngsters not in employment, education or training in the youth population (NEET) increased by 1,5% from 2006, reaching 15,8% as an average of OECD member states (ILO 2013a).

The idea of youth entrepreneurship to fight unemployment has become increasingly popular among policy makers all around the world. However, young people who try

to start a new business usually face more difficulties than expected. In the Mediterranean area, the fear of failure, the lack of credit and the general business environment are the main constraints of young people

All the aspects described above may represent a sort of “price” unfairly paid by youngsters for seeking job during difficult economic times<sup>5</sup>.

### **The policy debate**

During the last few years, policy makers, researchers and international organizations have engaged in a debate to improve the youth employment conditions.

The 101st International Labour Conference (ILC) was an important moment in this debate, which took place in Geneva in June 2012. The conference approved the resolution “The youth employment crisis: A call for action” that emphasizes the urgency for important and targeted actions to reduce the extraordinary youth unemployment.

In detail, the document identifies five core policy areas:

- ***Employment and economic policies for youth employment;*** Consisting in pro-employment macroeconomic policies in order to support stronger aggregate demand and improve access to finance for companies. Industrial and sector policies are important to make easier structural transformation
- ***Employability – Education, training and skills, and the school-to-work transition;*** reducing skills mismatch, since qualifications that do not meet labor market requirements remain the major constraints for the employability of young people;

- ***Labour market policies;*** targeting labor policies on young people to facilitate their entrance into the labor market; Such policies can be passive or active and are both linked with minimum wages policies;
- ***Youth entrepreneurship and self-employment;*** creating a favorable business environment that is essential for starting and successfully operating; and
- ***Rights for young people;*** ensuring labor rights based on international labor standards and enforcing labor laws and collective agreements.

The resolution just identified key policy areas being an important stimulus to national government action. Indeed, there is not a one-size-fits all solution to foster young employment. In other words: *“Improvements in youth labour market outcomes can only be achieved through an in-depth understanding of both global and country-specific employment and labour market issues. The analysis of youth labour markets, particularly of the issues that characterize youth transitions to decent work, is key for determining country-specific needs and for shaping policies and programmatic interventions.”*<sup>6</sup>

The aim of this work is to show that beside the differences between these areas there are also similarities that link both side of the Mediterranean Sea. These similarities represent the cornerstone of future initiatives and Regional policy intervention.

The follow parts of the report analyzes the causes and the policies of those areas where youth unemployment is particularly high: Southern country of the European Union, the Middle East, and North Africa. The next sections follow the same path considering, for each geographic area, crucial aspects of the youth labor market such as:

- the skills mismatch between firms and job-seekers,
- the effects of career expectation of young people on their educational choices,

- the youth entrepreneurship,
- the quality of jobs and the informal sector

## Southern Europe

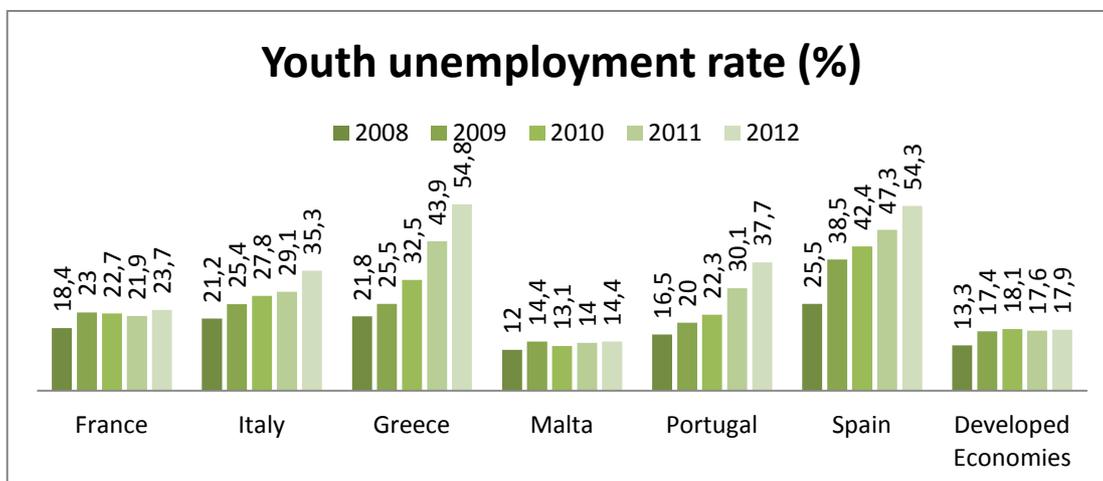
In this section we will present the major issues related to youth and job market in Southern Europe. With the expression “Southern Europe”, we refer to those countries which history is strongly related to the Mediterranean sea. More precisely, we consider in our analysis Portugal, Spain, France, Italy Greece and Malta.

In the first quarter of 2014 the European economy grew by 0,3% confirming the good signals of recovery started in 2013 in the European area. After years of deep crisis, the entire European Union showed a growth of 1,4% compared with the first quarter of 2013. (European Commission 2013) These positive signals, however, do not completely concern the Southern Countries of Europe where the recovery is expected to be much slower.

In these countries, young people have been struck harder than others by the effects of economic crisis, as summarized by the unemployment rate which have reached dramatic proportions.

While the youth unemployment rate in 2012 was 17,9% in the Developed economies and European Union, the southern countries experienced a tougher situation. In the same year the youth unemployment rate rose up to: 23,7% in France, 35,3% in Italy, 54,8% in Greece, 37,7% in Portugal and 54,3% in Spain (ILO 2013b).

**Figure 1: Youth Unemployment rate in Southern European Countries.**



Source: Elaboration based on ILO 2013b

Moreover, according to the ratio of youth unemployment rate to adult unemployment rate, a young-job-seeker in those countries is almost three times more likely to be unemployed than an adult one.

Another indicator of the youth disadvantage is the increase of the NEET<sup>7</sup> ratio in almost all the countries took in account. Between 2011 and 2012, this ratio increased in all countries except Malta reaching really high levels in Greece (21,8%) and Italy (23,9%) (ILO 2013b).

Young people in Europe have also the impression of being excluded from economic and social opportunities. This opinion is shared by the majority of young Europeans (57%) and especially in the southern countries (87% in Greece) (European Parliament/European Commission 2014). The feeling of being marginalized is another signal of the discouragement of young people, a fact, that have huge implication in their formation choices.

In this context of low opportunities, young people are more likely to move to other countries, especially in the European free-mobility area. Migrants from Southern Europe are usually younger and with higher education levels than before. The share of high-educated among all migrants is close to 60% in Spain and Italy, confirming

the lack of opportunities for young people (Jauer, Liebig, Martin, and Puhani, 2014). The main destinations of these young people are the north countries in the European free-mobility area. However countries such as Australia, United States of America and Canada are important destinations too.

Several aspects can explain the recent disadvantage of young people. In most southern countries we can observe structural labor market problems, such as the rigid regulation and the general low demand of young workers by enterprises, due to the economic crisis. Another structural problem is the high dualism in the labor market among young entrants, who are usually employed with low paid temporary contracts, and insiders with permanent contracts. However these structural issues are not the only aspects that influences the chances of young people in the labor market. We present hereunder other relevant causes of youth unemployment.

### **Skills mismatch**

Nowadays we see more and more unemployment due to the mismatch among the skills owned by job seekers and the skills required by the firms. In this context, over educated and over-skilled workers share the labor market with undereducated and under-skilled workers. Moreover acquired skills become rapidly obsolete after a period of inactivity, making even easier to slide down to long unemployment. Therefore, skills mismatch is a cost for workers. Indeed, on the one hand, over educated people can be employed in jobs that do not fit their real competences. On the other hand undereducated workers are push out of the market by the competition with more skilled workers. Less educated youngsters, indeed, are the last to be considered even for jobs that suit perfectly their abilities.

Moreover, employing workers at levels that not correspond to their skills implies a loss of productivity for all the overall society.

To be precise, there are two different kinds of skills mismatches. The first type is a mismatch between the demand and the supply of skills, considering the education attainments of unemployed and employed. The second type is related to the mismatch between the skills owned by youngsters and those required for their jobs (ILO 2013a).

Concerning the first type of mismatch, in developed economies, data show that less-skilled people are more likely to incur in the mismatch. This is represented in a higher unemployment rate for low-skilled people than for those with high skills. However, the evidence of the southern countries shows remarkable exceptions. In 2012, Greece had a higher unemployment rate for people with tertiary education than for those with primary one. In Portugal and Italy the unemployment rate for youngsters with tertiary education exceed the one for same aged with secondary education. This situation depends on a mix of con-causes and national specificities. Productive systems based on Small and Medium Enterprises are less likely to hire high skilled people than systems services oriented or with big industries. The low added value productions and the low level of investments in human capital are other reasons of this situation.

Regarding to the second type of mismatch, the data show that in the southern European countries young people tend to be mostly exposed to under education. In other words, young entrants in the labor market are usually less prepared than what they are supposed to be.

However, it is important to notice that new generations suffer much more over-education than older ones. Moreover, the level of over-skilled workers has increased steadily during the last years, meaning that young people are today more qualified

than before. Nevertheless, during the crisis people tend to be more likely to accept even those jobs that are over-qualified to do, with a crowding-out effect for less qualified workers.

Nowadays there is a growing attention to this kind of unemployment due to skills mismatch. For example, the well known Youth Guarantee ( see box) which is one of the many European initiatives that try to address this issue.

### **Expectations and available jobs**

As previously exposed, young people face skills mismatch while entering in the labor market. However, the fact to be over or under-qualified depends on several aspects, such as family background, and on choices made before the entrance in the labor market. One of these choices is whether to do the university or not, and in case, which faculty to choose. Informing young people about the skills that are requested in the labor market is important in order to reduce the asymmetric information between firm and job seekers. Knowing that young people could be more aware in choosing whether to have or not a vocational training or a tertiary education.

In the Southern countries of Europe, however, the majority of young people is not satisfied with the quality of their country's education and training systems. This counts for 61% of young people in Italy, 91% in Greece, 50% in France, 41% in Portugal, 74% in Spain and just 21% in Malta. This percentages show a growing discouragement among young people regarding university studies, even if data show that people less educated suffer the most skills mismatches. Therefore, informing young people of the available possibilities and of the skills required in the labor market becomes increasingly important.

In this context, Schools and Public Employment Services (PES) are really important to provide young people with proper information and with good training. In the southern countries, however, PES require to be reformed to enhance career guidance

services and to be more focused on young people necessity. The reorganization of PES become crucial alongside the implementation of the European Youth Guarantee Initiative. In 2012, the PES assisted around 9,4% of new entrants. However in countries such as Italy or Spain this percentage was less than 3%. For further details see "[ec.europa.eu/europe2020/pdf/themes/24\\_public\\_employment\\_services\\_02.pdf](http://ec.europa.eu/europe2020/pdf/themes/24_public_employment_services_02.pdf)"

### **Young entrepreneurship**

The idea of youth entrepreneurship to fight unemployment has become increasingly popular and widespread in the last few years in southern European countries. More and more the public opinion and young people consider this possibility both as a way to have satisfactory job and/or as alternative to unemployment. In other words, evidence shows that there are two main reasons for a young person to start a business: necessity and market opportunity. Usually, “necessity entrepreneurs” tend to have lower level of education and less success than “market opportunity ones” (Kew, Herrington, Litovsky and Gale 2013).

Policy makers and researchers agree on acknowledging the benefits of young entrepreneurship and the importance to encourage it. Young entrepreneurs, indeed, are generally more reactive to new economic and technological trends. They are likely to start business in high growth sector and to hire other young people (Simpson and Christensen 2009).

However, despite all the benefits, only 9,2% of young people in the European Union is involved in a new business initiative. Moreover, only 17,3% of youngsters affirms that they both have good business opportunities and the skills required to start a business<sup>8</sup>.

The fear of failure is one of the most important restraints to start new business. According to Kew, Herrington, Litovsky and Gale (2013), young people in the southern countries showed higher level of fear compared with same aged in the rest

of the European Union. In the all Union, 41,9% of young people aged between 18 and 34 years old expressed to have fear of failure. This percentage rise to 48,5 in France, 46,2 In Portugal 61,7 in Italy, 45,1 in Spain and 66,6 in Greece. Moreover, according to the World Bank project "Doing Business 2014", starting a new activity is not particularly easy in counties such as Spain, Malta or Italy, while getting credit is another issue of this area.

**Table 1: The ranking of Southern European Countries according to "Doing Business 2014"**

	Italy	Portugal	Greece	Spain	France	Malta
Starting a Business	90	32	36	142	41	161
Dealing with Construction Permits	112	76	66	98	92	163
Getting Electricity	89	36	61	62	42	115
Registering Property	34	30	161	60	149	77
Getting Credit	109	109	86	55	55	180
Protecting Investors	52	52	80	98	80	68
Paying Taxes	138	81	53	67	52	27
Trading Across Borders	56	25	52	32	36	34
Enforcing Contracts	103	24	98	59	7	122
Resolving Insolvency	33	23	87	22	46	64
<b>Total Ranking</b>	<b>65</b>	<b>31</b>	<b>72</b>	<b>52</b>	<b>38</b>	<b>103</b>

Source: Elaboration on World Bank "Doing Business 2014".

Note: The "Doing Business 2014 " is a ranking on the business environment of 189 economies.

one side, governments should provide an enabling business environment, with easy credit access, good regulation and efficient enforcement of the contracts. In the meanwhile, governments should encourage the creation of business development services and foster entrepreneurial culture in formal and non formal education..

### **Quality of jobs and Informal employment**

One of the clearest effects of the last economic crisis was the progressive spoil of the job quality alongside a growing incidence of informal sector. When speaking about

low quality of jobs, international standards consider both the low level of social protection and the low wages earned by workers.

European countries, especially the southern ones, face a situation of duality in the labor market. On the one side, there are the so called “insiders”, workers with permanent jobs and high level of social protection. On the other side, there are the “entrants”, usually young people, with temporary contracts and with low level of social protection. In Europe, an increasing number of young entrants are occupied in temporary and part-time jobs while older workers are usually employed with permanent contracts. Moreover, young entrants usually are forced to accept temporary works by the lack of other opportunities. In 2011, around 25% of young workers were occupied with a part-time contract in all Europe. During 2012, this percentage reached 32,3% in Greece and 27,5% in Italy. In 2011, another 40,5% of young European workers were employed with temporary contracts (ILO 2013a and ILO 2013b).

The increase in the share of informal labor market is another effect of the crisis. Indeed the informal sector acts like a buffer, increasing its size in recession and shrinking in recovery times (International Institute for Labour Studies 2011). In countries with high labor taxation and low enforcement mechanisms, firms might prefer to fire regular temporary workers in order to keep informal ones. Indeed, being subject to taxation, temporary workers are more expensive than informal ones, therefore firms might prefer to save cost replacing formal worker with informal ones. In times of crisis, informal jobs are more stable than others and, therefore, seem paradoxically preferable. However informal employment, by definition, excludes any kind of guarantee exposing workers to dangerous work condition, lack of social security, allowance and legally enforceable rights.

The young people share of total informal employment vary across countries, being approximately 20% in Spain, 18% in Greece 40% in Italy and 16% in France

(Packard, Koettl, and Montenegro, C. 2012). People occupied in informal economy are more likely to be men with a low level of education and to be occupied in manual, low-skilled jobs. This is particularly representative of the situation in countries such as Greece, Italy and Spain.

In order to not push even more youngsters in the informal sector, labor market policies should focus on reducing labor taxation and on designing a less rigid labor regulation.

**Box Policy:** An European policy to fight youth unemployment: the European Youth Guarantee

The Youth Guarantee is the new European scheme to ensure that no young people up to 25 years old stay unemployed or inactive for more than four months. This scheme wants to ensure that young people receive good quality offer of job, a traineeship, an apprenticeship or continued education. Moreover the Youth Guarantee seek to enable youngsters to find jobs that fit their education, skills and previous experiences and that increase their chance to find other jobs in the future. Each Member State has, or will have, a specific National Implementation Plan in order to better adapt the scheme to country specific context. However, all the National Plans present some core areas of intervention such as: traineeship to reduce skills mismatch, credit facilitation for young people, entrepreneurial culture and start-up services, just to name a few.

Member States should implement structural reforms to increase the chance of success of this scheme. The most needed reforms concerns increasing the effectiveness of Public Employment Services, as well as, the vocational education and training system. The International Labour Organization (ILO) has estimated the cost of this scheme around 21 billion of euro for the Eurozone.

The Youth Guarantee represent an important effort to reduce the young unemployment or inactivity. However almost the 80% of young people have not heard about the initiative launched in 2010 by the European Parliament (European Parliament/European Commission, 2014).

## **North Africa**

This section analyses the main aspects related with youth labor market in the North Africa. More precisely speaking about North Africa the section focuses on three countries: Morocco, Tunisia and Egypt.

Since 2010, North African countries have experienced a period of political turmoil and general instability. These protests had an overall negative effect on the regional economy but had also the merit of giving prominence to the rightful claims of young generations. Indeed, despite a steady economic growth in the last decade, these countries keep showing an extremely high youth unemployment rate.

Before the last economic crisis, the North African economy grew at 5% a year on average, and even after 2008, it kept growing more or less at 3% every year. Alongside the economic growth, North Africa showed a positive demographic dynamic, presenting now much younger societies than in European countries.

Despite these years of economic growth, national economies were not able to create enough jobs to absorb all the new youngsters seeking their place in the labor market. Therefore, unemployment rate is nowadays especially high for young people. However, there are important differences among countries. Morocco, for instance, succeeded in creating more available work places compared to the growth rate of overall labor force. In 2012, Morocco has one of the lowest youth unemployment rate

of the area with 17,4% of young people unemployed. However, Egypt and Tunisia showed an opposite trend with a bigger growth in labor force than in the employment. As a result of this process, in 2012 these two countries experienced high young unemployment rates, respectively 35,7% in Egypt and 29,3% in Tunisia, according to ILO estimation (ILO 2013b). Although the downturn in the population growth occurred during the last years, these data prove that the amount of job seekers is still much bigger than the employment capacity of these economies.

Moreover, the unemployment rate excludes by definition all the other people who are inactive, discouraged and out of education or training systems. Therefore, marginalized young people are even more than what reported by official statistics. The discouragement of young people seems even clearer when considering inactivity rate. Between 2010 and 2012, the overall inactivity rate of people aged 15-24 was higher than 65% in Egypt, 63% in Morocco and 68% in Tunisia.

The situation appears generally more complicated for young women than for men, although there is a huge heterogeneity among countries related to female unemployment. The differences in youth unemployment are particularly high in Egypt, where in 2012 young unemployment rate was 64,9% for women and 23,8% for men. This issue is less evident in Tunisia, where these rates are rather close, or in Morocco where there are more young women employed than men ( in 2012 respectively 15,7% and 18% in the unemployment rate according to ILO estimation). Also considering inactivity, the situation is worse for women, with an inactivity rate among young women that is about 80% in all the countries.

The lack of opportunities pushes more and more young people, especially tertiary educated, to search job elsewhere. Labor migration, however, shows some dark sides. First, low skilled migrants are more likely to be marginalized and to be at the bottom of the work pyramid. Second, skilled emigration might lowers the overall capacities of the native country economy. A wide literature, indeed, provides evidence of the

connection between economic growth and the presence of human capital (Keller, Silva, Murrugarra and Blomquist 2010).

### Skills mismatch

As in the European southern countries, skills mismatches represent a big issue for North Africa labor market. In Egypt, Morocco and Tunisia, the unemployment rate by educational attainment shows that a job seeker is more likely to be unemployed with tertiary education than with primary or secondary education. In Tunisia for instance, the unemployment rate for people with tertiary education was 29,2% in 2011. The same ratio for people with primary and secondary education was respectively 11,4% and 20,6% according to ILO database (ILO 2013b). Indeed, Tunisian economy did not succeed in creating enough jobs for high-skilled tertiary graduates who increased from 180'000 in 2000 to 336'000 in 2011 (OECD 2012).

Egypt and Morocco are in the same condition. In 2011, unemployment rate among people with primary education was 5,3% in Egypt and 6,8% in Morocco, while it was respectively 13,8% and 18,2% for people with tertiary education (ILO 2013b).

**Table 2: Unemployment rate by class of education**

	Egypt			Morocco			Tunisia		
	Primary level	Secondary level	Tertiary level	Primary level	Secondary level	Tertiary level	Primary level	Secondary level	Tertiary level
2008	1,1	14,6	16,4	7,4	20,8	19,6	9,1	13,4	20
2009	1,8	14,3	18,4	7,1	18,3	17,8	9,4	14	21,9
2010	1,5	12,8	18,9	7,2	17,7	17,4	8,4	13,7	22,9
2011	5,3	11,1	13,8	6,8	18,7	18,2	11,4	20,6	29,2
2012	\	\	\	6,8	18,1	18,1	\	\	\

Source: Elaboration on ILO 2013b

On the other hand, private sector firms quite often have trouble in filling free vacancies while there are so many young job seekers unemployed. This happens because the industrial and economic system relies mostly on low-skilled workers,

despite the big number of university graduates. This appears clearly in Tunisia, where between 2005 and 2011 the economic system created every year 70'000 new jobs. However, just 30'000 of these jobs were for high-educated workers, while approximately 65'000 people graduated each year (OECD 2012).

These data are well representative of a big mismatch issue between demand and supply of skills.

In order to start addressing this issue, North African countries should try to foster the sectors that are more likely to provide jobs to high-skilled job seekers instead of relying on public administration to hire new graduates. Moreover, a stronger partnership between universities and private sector may reduce the mismatches, providing students with more market-oriented skills.

### **Expectations and available jobs**

Alongside a lack of job creation by the national economic systems in North Africa, many young students choose their education path according to the general expectation of obtaining a good public sector job.

In Egypt and Tunisia, the majority of young people would prefer to be employed in the public administration than in private sector or self-employment. More precisely, in 2009, 53% of youngsters preferred public employment in Egypt, while in Tunisia this percentage was about 46%. However, in these two countries the percentage of people working in public administration aged between 25 and 29 was more or less about 18%. A public employment seemed not so attractive for youngsters in Morocco. In this Country, just 26% of young people favored a government employment assuming same pay and benefits, while the 41% preferred self-employment (OECD 2012).

Wrong expectations push young people to choose educational paths that may not be adequate to the labor market requirement. The considerable gap between expectations and available jobs caused discouragement and frustration among young people entering in the labor market. Moreover, these young job seekers may become easily unemployed waiting for a public employment instead of searching a job in private sector.

The importance of having precise expectations on the skills requirement of labor market becomes evident when taking in account the unemployment rate by educational degree. Between 2008 and 2010, North Africa was the region with the world highest number of graduates in social sciences, business and law (51% of total graduations). Moreover, just 10% of students chose technical studies such as engineering, while this proportion was about 20% in Asia and 11% in OECD's countries. In Tunisia, young people kept choosing social studies even if unemployment rate was lower for engineers (24,5%) than for graduates in economics, management and law (47,1%) and social science (43,3%) (OECD 2012).

Therefore, besides actions to foster the demand of high-skilled workers, governments should implement programs to better inform and readdress the expectation of youngsters in order to prevent skills mismatches, discouragement and reduce unemployment

### **Young entrepreneurship**

As pointed out before, youth entrepreneurship may represent a possible way out from unemployment for many young people. To foster it, governments should provide firms with both favorable business environment and targeted programs for young enterprises. According to the “Doing Business 2014” ranking, opening a start-up in Egypt, Tunisia and Morocco is much easier than in some countries of South Europe such as Spain, Italy or Malta. However, the general business environment shows

many structural problems. First, the political instability in the area discourages investments and business initiatives. Second, corruption and nepotism are widespread across North Africa. This stops productive small firms from growing and, therefore, from creating new job places. Moreover, firms in North African countries suffer from getting construction permits, protecting investors and getting credit. This last one is a great issue, especially for young entrepreneurs. For those, indeed, the main financial sources to start a business come from personal and family savings (Kew, Herrington, Litovsky and Gale 2013). Anyway, getting credit is a common bottleneck in all the geographic areas of this report.

**Table 3: The ranking of Middle East Countries according to "Doing Business 2014"**

	Egypt	Tunisia	Morocco
Starting a Business	50	70	39
Dealing with Construction Permits	149	122	83
Getting Electricity	105	55	97
Registring Property	105	72	156
Getting Credit	86	109	109
Protecting Investors	147	52	115
Paying Taxes	148	60	78
Trading Across Borders	83	31	37
Enforcing Contracts	156	78	83
Resolving Insolvency	146	39	69
<b>Total Ranking</b>	<b>128</b>	<b>52</b>	<b>78</b>

Source: Elaboration on World Bank "Doing Business 2014".

Note: The "Doing Business 2014 " is a ranking on the business environment of 189 economies.

Despite all these issues, youngsters in North African countries seem to be more likely to consider an entrepreneurial career. According to Kew, Herrington, Litovsky and Gale (2013), the fear of failure was much more lower in Egypt (35,9% of young people aged between 18 and 34) and Tunisia (14,1%) than in the countries of South Europe. The majority of young people was confident of owning the skills and the knowledge required to start an economic activity. Moreover, new start-up were more motivated by the perception of market opportunities (40,5% in Egypt and 56,3% in Tunisia) than by the necessity of employment (31% in Egypt and 42,3% in Tunisia).

In 2013, young entrepreneurs mainly come from a rich or solid family background. In Tunisia, the 42,8% of young new entrepreneurs came from the central one third of population in terms of income. In Egypt, the 44,9% of young enterprises were started by people coming from the richest 33% of the total population. Unlikely, data for Morocco were not available.

In this context, programs to foster young entrepreneurship should envelop facilitation of credit, entrepreneurship training, mentoring and services to expand their business. However, firms need to operate in a proper business environment to grow and create new jobs after the start-up phase. Therefore, as in the southern countries of Europe, the action of governments should be twofold, considering initiatives targeted on young entrepreneurship and structural reforms to improve the business environment as a whole.

### **Quality of jobs and Informal employment**

Informality is a widespread aspect of North African economies. Many countries of the region show some of the highest rate of informality in the world. According to Angel-Urdinola and Tabane (2012) labor informality has sharply increased since the 80s as a consequence of:

- demographic changes,
- fast urbanization,
- reduction in public administration employment
- institutional constraints for starting new business

Because of this process, nowadays more and more people are employed with informal jobs, which are usually linked to low level of salary, social protection and mobility to formal sector employment. In North Africa, as in Europe, youth

employment is not just matter of being employed, but mostly of the sort of contract young people is having. Indeed, only half of young men in employment can rely on a full-time contract. The majority of young people deal with: part-time or temporary contracts, informal employment or unemployment.

The evidence (Angel-Urdinola, Silva and Bodor 2011) shows that informality rate are very high for urban workers in private sector. Among these workers, young people aged between 15 and 24 are the most affected by informality. The employment rates of young workers in the informal private sector were about 45% in Morocco (2010) and 60% in Egypt (2006).

Informality rates are related to several factors. They are usually higher among worker in agriculture and low educated workers. Moreover, informality tends to decrease as wealth increase, being higher among poor people.

North African countries present different social and economic determinants of informal employment. Some countries, such as Morocco, still have a rural structure with an important agricultural sector. In other countries of the area, such as Egypt, workers are usually more educated and public sector still has a big share of total employment.

Labor regulation is another factor that affects informal employment. A rigid regulation, especially on dismissal cost, can discourage firms from hiring first-time job-seekers. On the one hand, the presence of information asymmetries discourages the employment of new young workers. In other words, firms prefer not to hire first-time workers without knowing their skills, especially, if the dismissal cost are too high. On the other hand, the normative structure makes it quite difficult to use short-term contracts or internships. In North African countries labor regulation is quite rigid. According to the Global Competitiveness Report (Schwab 2013), Morocco,

Tunisia and Egypt are respectively 122<sup>nd</sup>, 132<sup>nd</sup> and 146<sup>nd</sup> on 148 economies in the labor market efficiency ranking.

The presence of an inefficient labor market, with rigid laws and information asymmetries, affects the behavior of firms, pushing more and more young people in permanent informal employment.

### **Box Policies**

As said above, the labor regulation and structural problems do not simplify youth employment. However, in the last few years national governments have shown a raised awareness about young employment. Policy makers and international organizations have tried to implement programs to improve the situation. Some examples of these efforts are:

- The Egyptian “Youth Employment National Action Plan”. Started in 2010, this plan aims to create 3 million jobs by: providing more job opportunities in key economic sector and reducing skills mismatch improving labor market policies. Some of the main targets of this Plan are: building five business incubators and five technology centers, teaching entrepreneurship and management in 100 secondary schools and establishing one-stop-shops in each governorate. One-stop-shops are public offices where young entrepreneurs can find all the necessary paperwork to start a business. The aim of these offices is to foster start-ups and help young entrepreneurs with technical and formal support.
- The Tunisian “Social Contract” started in 2013. Among the many aims of the Social Contract one is focused on: achieving inclusive growth through fostering economy with high employment potential for the creation of a larger number of decent employment opportunities for both men and women.

- The Tunisian “Décret n 2012-2369 du 16 octobre 2012” regarding the initiatives included in the frame of National Employment Fund. These programs provide firms with financial support to improve employment and employability (le chèque d'amélioration de l'employabilité, le chèque d'appui à l'emploi) and to foster small enterprises (le programme d'appui aux promoteurs des petites entreprises).

Source: YouthPol eAnalysis of ILO

## Middle East

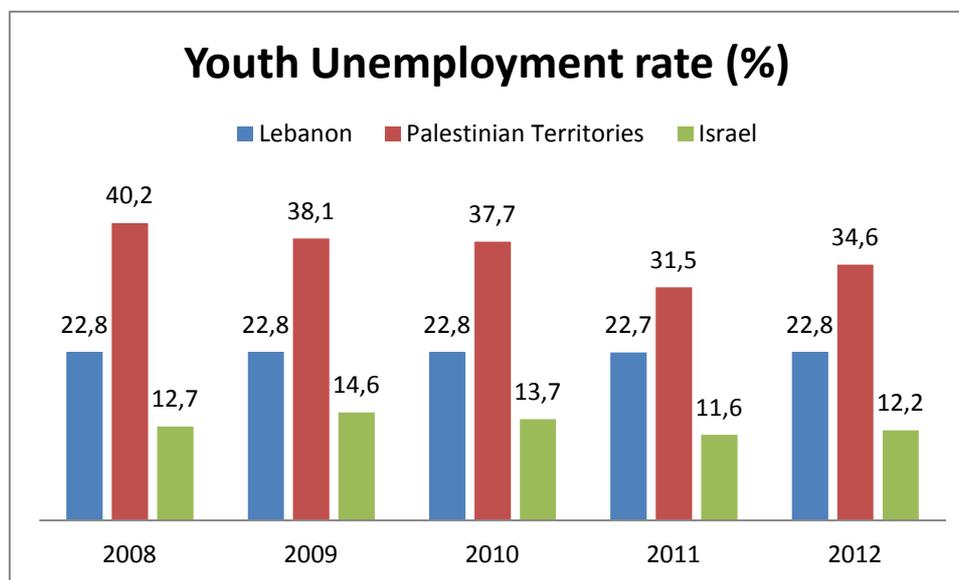
This section analyzes the youth labor market in the Middle East. More precisely, this part focuses on Lebanon, Palestinian territories and Israel. Speaking about Israel, the aim of this section is to focus on Israeli Arabs according to data availability. The study of the labor market in this area is a quite tough task for many reasons. First, military conflicts and political turmoil are still ongoing in all the area. Second, up-to-date and complete statistics on labor market situation are not easily available. In spite of these troubles, core elements of the youth labor market in Lebanon and Palestinian Territories are still observable. Third, Israel represents an exception in the area being a well-developed economy.

In the last years, after the explosion of Syrian conflict, the economic and social situation of the area has sharply become worse. According to the World Bank<sup>9</sup>, Lebanese economy is expected to grow 2,9 percentage points less than without the Syrian crisis. Moreover, the Lebanese public finances, that have always been structurally weak, are now facing raising strains that are probably unsustainable for Lebanese system.

Palestinian Territories, on the one hand, face daily tensions and difficulties with Israel. This situation, exasperated by the recent conflict, generates negative economic and social effects that, in turn, affect the already weak Palestinian labor market conditions. On the other hand, Israeli economy kept growing steadily in the last years (World Bank), showing low unemployment rates. However, the labor market conditions in Israel are not homogeneous between Arabs and Jewish workers. Israeli Arabs tend to concentrate in low-skilled jobs or sectors, with low wages and low social protection. Jewish workers are mostly employed in well paid high-skilled occupations. (Yashiv and Kasir 2014))

The Middle East is the region with the highest unemployment rate in the world. The total unemployment rate, considering all age groups, was about 11,1% in 2012. As usual, the young people are among those who suffer the most the lack of jobs. In all the region, youth unemployment rate was estimated at 28,1% in 2012, with a rising trend. Even worse was the situation in Palestinian Territories, where the percentage of young people in the labor force that are unemployed rose up to 34,6%. The scenario was relatively better in Lebanon where the youth unemployment was at 22,8% in 2012 (ILO 2013b). However, the ratio of youth unemployment rate to adult unemployment rate was higher in Lebanon (3,7) than in Palestinian territories (1,8). The fact that, in Palestinian Territories, a young person was 1,8 times more likely to be unemployed compared with an adult was probably due to an overall high unemployment rate. Moreover, regarding to the employment situation in Lebanon, the youth data showed above, are probably worse today because of the bad effects of Syrian conflict on Lebanese economy. In this context Israel is an exception showing remarkably low level of unemployment. The overall unemployment rate in Israel was 5,6% in 2011 and 6,8% in 2012 with youth unemployment respectively at 11,6% and 12,2% (ILO 2013b). Israeli Arabs count for 18,7% of the total working age population. Arab workers, especially men, have generally experienced higher unemployment rate than Jewish ones. (Yashiv and Kasir 2014))

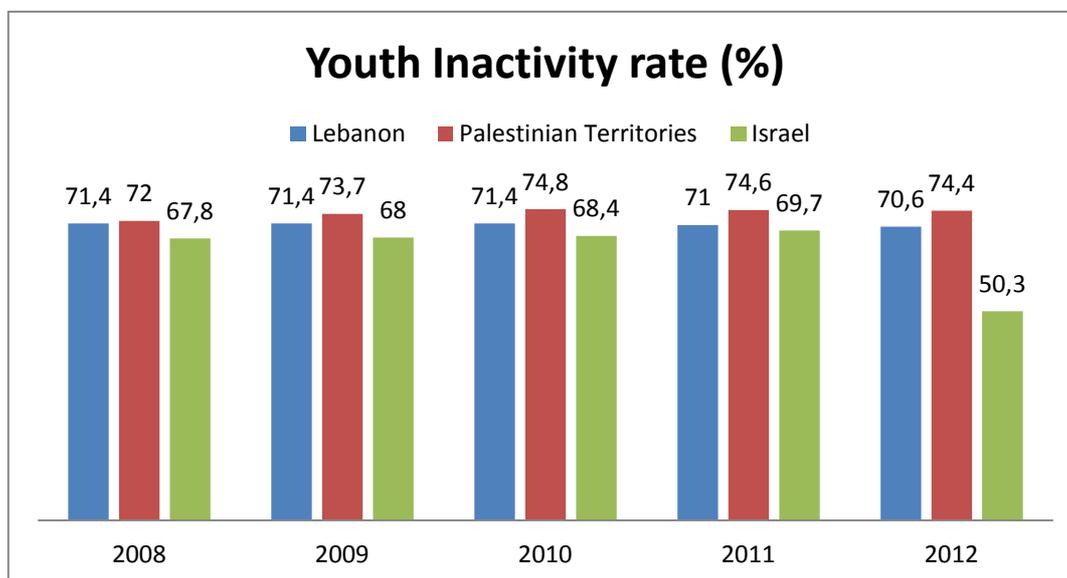
Figure 2: Youth Unemployment rate in Middle East Countries



Source: Elaboration on ILO 2013b

Inactivity rate is another indicator of the youth perspectives on the future. Between 2010 and 2012, the youth inactivity rate was constantly above 70% for people aged 15-24. More precisely, this rate was about 70,6% in Lebanon and 74,4% in Palestinian territories (ILO 2013b). These data are even more meaningful to show the proportion of the difficulties faced by young job seekers. Indeed, despite the youth labor force participation rate was quite low, young people had remarkable unemployment rates. In the same period, Israel showed comparable youth inactivity rates. Between 2008 and 2012, youth inactivity was steadily around 68% except for the year 2012 when it slumped to about 50% (ILO 2013b).

Figure 3: Youth Inactivity rate in Middle East Countries



Source: Elaboration on ILO 2013b

When considering young unemployment rate by sex in the Middle East, evidence shows that the 42,3% of young women in the labor force was unemployed in 2012. This data is considerably higher than the young male one, that was estimated at 24,3% (ILO 2013b). Moreover, the unemployment rate of young women is even more significant, considering that the female participation to the labor force was, and today still is, the lowest among all regions in the world. However, there is a great heterogeneity among Arabs countries. In Lebanon, for instance, the spread between male and female youth unemployment is considerably thinner than the Middle East average. In 2012, the Lebanese unemployment rate for young men was about 23,3% while for same aged women was 21,8%. In Israel, the situation is closer to western developed economies than to Middle East countries. In 2012 Israeli youth unemployment rate was 11,6% for men and 12,8% for women. However, the situation among Israeli Arabs is quite different, with a higher female unemployment rate.

### Skills mismatch

As North Africa, Middle East region deals with structural issues of having high-skilled job seekers inactive or without job. Unfortunately, precise data on skills mismatches in Middle East countries are not available. However, it is possible to point out the main aspects.

When considering total unemployment rate by education attainment, Palestinian territories and Lebanon show that people with tertiary education are more likely to be unemployed or/and tend to accept works for which they are overqualified. In Palestinian territories in 2008, the unemployment rate among tertiary graduated people (26,4%) was higher than for people with secondary education (23,6). In Lebanon in 2007, unemployment rate among people with tertiary studies was 11%, while it was respectively 9,7% for people with secondary education and 7,9% for those with elementary education. Nowadays this situation appeared even tougher for young people. In Palestinian Territories, evidence shows that about half of all graduates are unemployed for more than six month after graduation (Sayreand Al-Botmeh 2009). Moreover, the context force many high-skilled Palestinians to emigrate or to travel regularly in Israel to find a job. Also in Lebanon young people with high education suffer the most labor market dynamics. This happens even if only the 21,9% of total young labor force has a tertiary education attainment. Moreover, the economic and political situation limits either the career opportunities for youngsters or the possibilities to start their own business.

The instability of the area discourages investments and economic activities as a whole. Besides that, as in North Africa, Lebanon and Palestinian territories present economic systems that are unable to absorb the totality of young graduates. Indeed, the issue is not that there are too many graduates in humanities or social science, but is a lack of demand for new high-skilled workers that are forced to emigrate, to be unemployed or to be underemployed.

In Israel, the situation is quite different from all the other countries in the area. The Israeli productive system is well developed and able to absorb a wide number of high-skilled workers. Young job-seekers in Israel face the same level of skills mismatch of European ones. Between 2002 and 2012, the incidence of under-education on the Israeli labor market decreased steadily while the incidence of over-education stood at the same level (ILO 2013b). However Israeli Arabs face a different situation showing relatively low education levels and low access to high-skilled jobs. (Yashiv and Kasir 2014))

### **Expectations and available jobs**

In Palestinian territories and Lebanon families and youngsters consider achieving high skills through education the best way to guaranty them a better future and social mobility. Young Lebanese generations show the highest level of education of the region, especially for secondary and post secondary levels (Rarrbo 2009). Lebanese University system is capable to provide the labor market with high-skilled graduates, especially in sciences and mathematics. However, as discussed above, there is a structural problem on the demand side of skills market. Lebanese economic and productive structures are not able to absorb all the graduates who exit every year from university. Because of that, many young graduates are forced to accept labor for which they are over educated or to emigrate to find more suitable jobs. However, despite its quality, education system in Lebanon still presents inequality issues, in terms of relative inaccessibility of quality education for poor families.

In Palestinian territories the public investments in education have been the highest in the region compared to the GDP (Brakel, Hartl and Jaschinki 2009). Youth literacy is about 99,3% in 2011 (ILO 2013b) and enrollment in education system has significantly improved in the last years. Primary and secondary levels of education are free while a grant is required for tertiary education. Despite that, Palestinian territories show the second enrollment rate of the region, proving that education is a

top priority for Palestinian people. However, as in Lebanon, the productive system is incapable to absorb the majority of graduates who are forced to emigrate. This situation generates strong discouragement among young graduate people, as is clearly shown by the inactivity rate shown above.

Despite the high quality of universities, Israeli Arabs show a relatively low level of tertiary education. While the Arab share of total population was about 20% in 2012, the share of Arab students on university population was 10.8% in the same year. However, the Israeli Arab human capital has grown in the last years. The number of Arabs attending university is growing two times faster than the number of Jewish students. Despite these progresses, young Israeli Arabs have less opportunities and resources to improve their education compared to young Jew people. This is due to relatively low investments in education made by locals Arab authorities (Yashiv and Kasir 2014).

### **Young entrepreneurship**

In countries with low demand of high-skilled graduates, starting entrepreneurial initiative might be a possible way out for many young people. In general term, new young enterprises are important for the national economies in order to reduce unemployment, to support economic growth and to improve social engagement as a whole.

However, the Middle East is experiencing a period of great tension and instability that increases the business risks for investors and entrepreneurs. According to the World Bank ranking “Doing Business 2014”, the business environment of Lebanon and Palestinian territories is quite tough. These two economic systems, indeed, occupy respectively the 111<sup>th</sup> and the 138<sup>th</sup> overall positions on 148 economies. Going deeply, the main challenges for firms and entrepreneurs are: getting credit (respectively 109<sup>th</sup> and 165<sup>th</sup> positions), obtaining construction permits (179<sup>th</sup> and

131<sup>th</sup>), and registering property (112<sup>th</sup> and 122<sup>th</sup>). Moreover corruption and bad public administration are common issues in all the area. Despite all the political tension in the Middle East, Israel occupies the 35<sup>th</sup> position in the "Doing Business 2014" ranking showing the quality of the Israeli business environment. Getting credit (13<sup>th</sup>) and Protecting investors (6<sup>th</sup>) are the main strengths of the Israeli economic system.

In these countries, starting a new business is extremely costly and challenging (120<sup>th</sup> for Lebanon and 143<sup>th</sup> for Palestinian Territories) except in Israel (35<sup>th</sup>). In the Arabs countries, starting a business is extremely expensive in terms of money and time. This is a strong disincentive to start a new business especially in countries where the political and social situation are so unstable. However, despite all these difficulties, According to Kew, Herrington, Litovsky and Gale (2013), young people in Middle East (aged between 18 and 34) seemed more inclined to start new business than same aged in Europe. Unfortunately complete data on the preferences of young people are not available.

### **Quality of Jobs and Informal employment**

Informality is highly widespread in the Middle East. In Palestinian Territories, the share of people in informal employment in total non-agricultural employment was 58,5% in 2010. In other words, in non-agricultural sector almost six workers on ten were engaged in informal employment (ILO 2013b). In Lebanon, a large part of workers deal with informality. More than 20% of workforce is employed in the informal sector. Moreover, almost 40% of Lebanese workers in non-agricultural sector are self-employed. Considering that low-skilled workers in self-employment operate informally, the percentage of people dealing with informality in Lebanon rise considerably<sup>10</sup>.

Youth engagement in informal unemployment is usually higher than adult one. In Middle East there are no reasons to suppose differently, however precise data on youth informal employment are not available. Nevertheless, an estimation (Angel-Urdinola and Tabane 2012) of Lebanese informality by age groups, indicates that about the 70% of people aged between 15 and 24 are engaged in informal employment. This percentage is higher than the one for 25-34 aged people (55,8%). As usual, people employed in informal economy are more likely to be underpaid and with less opportunities of career.

In Israel, there is a big stratification in the labor market. On the one hand, the main part of Arabs men work in industries and sectors with low skills level such as, construction, commerce and manufacturing industries. On the other hand, the majority of Jews are employed in high skilled works and services, while just 15% of Arabs have the same occupations. The concentration of Arab population in low-skilled jobs has consequences on the wealth distribution. Indeed, the hourly retribution of Arab worker is 43% lower than that of a Jewish worker, while among women this percentage decreases up to 21%. Moreover, evidence shows that in recessions, Arab workers are more likely to be fired than Jewish ones. In the same way in times of recovery, Arabs have lower probability of finding a new occupation Jews (Yashiv and Kasir 2014).

### **Box Policy**

The International Labour Organization (ILO) has always carried out projects all around the world trying to address the all spectrum of labor issues. In Lebanon and Palestinian Territories, the ILO has promoted several initiatives such as:

- “Promoting the Rights of Women Domestic Workers” in Lebanon. This three years project, which ended in the symbolic date of may the first of 2014,

wanted to enhance the decent work condition of migrant domestic workers (MDWs) highly regarding to women. In the framework of this initiative, the main ILO activities are: build the capacities of the staff of the Lebanese Ministry of Labour (LML); provide technical and legal assistance to the LML in order to ensure MDWs social protection; raise the awareness of employers about the decent work for MMWs; foster the inclusion of MDWS in trade unions.

- “Strengthening labour market governance in the occupied Palestinian territory through reformed labour law and enhanced social dialogue.”. The aim of the is to support the attempts of the Palestinian authorities to reform the labor market legislation. In this framework, the main ILO activities are: support the MInistry of Labour to advocate for legislative reforms; implement training activities for Ministry officials workers and employers, develop an occupational health safety strategy for the Palestinian territories; participate in conciliation and mediation of labor disputes.
- “Towards Gender Equality and Women’s Empowerment in the occupied Palestinian territory”. This project, that will finish in December 2014, among other objectives wants to promote non-discrimination in the Palestinian labor market and enhance women's economic empowerment through the creation of new cooperatives. The main activities of this initiative are: raise awareness of gender-based based violence in the workplace; improve the stakeholders’ capacity to perform gender-neutral job evaluation and the raise awareness of pay equity; foster the creation of women cooperatives through the dissemination of financial and administrative management tools; promote linkage between local products and international markets.

Source: ILO website

Regarding the Israeli Arabs situation, the government of Tel Aviv has implemented many initiatives to improve the conditions of Israeli Arabs. In 2010 Israeli

Government approved a five-year lasting plan to foster economic development in 13 Arab towns (Israeli Government Resolution 1539). The plan, with 800 million NIS, seeks to create 18,000 new jobs in Arabs municipalities before 2014. In order to achieve this goal, the plan aims to develop: economic infrastructure; employment support services; subsidies for construction sector; local and regional transport; incentives for investors and firms. In these years the plan has been modified. In 2012, the Government Resolution 4193 increased the budget of the program, while the Government Resolution 4432 expands the coverage of the construction section to all Israeli Arab towns. (Yashiv and Kasir 2014).

## Conclusion

The previous sections showed that, despite some differences, all the countries considered in the report present many similarities. First, in all the areas, youth unemployment is remarkably high. Indeed, in 2012, youth unemployment rate was 54,8% in Greece, 35,3% in Italy, 35,7% in Egypt and 34,6% in Palestinian Territories.

Second, there is an overall **reduction in the quality of job opportunities** for young job-seekers. The lower quality is expressed in terms of low wages, low social protection, overusing of temporary contracts, high informality rate, and increase in the level of people employed in jobs for whom they are over skilled.

Third, long unemployment is a common issue among young graduates in all countries. As mentioned above, **long lasting unemployment affects both the self-confidence of young people and the obsolescence of the skilled acquired during the studies.**

These elements are spread everywhere in the Mediterranean area, without great differences between the two sides of the sea. These factors comport individual costs, in term of discouragement, dissatisfaction and lower quality of life, and social ones as

well. High youth unemployment, indeed, represents a cost for the overall society in terms of financial aids, unproductive use of (high-skilled) labor force and low youth participation in the social life as a whole.

Moreover, Middle East, North Africa and South Europe share, with the due proportions, some common causes of youth unemployment. In all these areas, indeed, the report showed the presence of great **skills mismatch between firms and job-seekers and the inadequacy of the productive systems to involve all the tertiary graduates.**

However, despite all the similarities, each country has specific aspects that require targeted initiatives, according to the place-based approach. That is why a **"one-size-fits-all" solution for youth unemployment in all countries is both undesirable and unrealistic.**

Despite the existence of countries specific aspects, both young people and firms of the Mediterranean area are facing the same labor market issues. This situation might be a great occasion, through intercultural dialogue and different experiences, to better identify the specific needs of young people and, therefore, some tailored solution in each Country.

As showed in the preview sections, several aspects influence youth unemployment and there are many areas of intervention.

Labor market institutions (formal and informal) have strong effects on labor market dynamics. Moreover, such institutions are likely to influence differently young entrants and adult insiders. There is strong evidence (OECD 2010) that **rigid and costly employment regulations are likely to reduce permanent formal employment in favor of less protected or informal employments.** Regulation on minimum wages has ambiguous effect. Indeed, a high minimum wages might have a **negative effect on youth employment**, excluding less productive workers from the

labor market. Moreover, minimum wage might become the reference wage for a considerable part of workforce, regardless the level of skills.

Another important aspect is **the regulation on temporary contract**. As explained above, permanent contracts are usually considered too costly for firms in terms of taxes and dismissal costs. Hence, employers usually try to use, as much as they can, less expensive and more flexible contract forms, such as temporary partnerships. A good regulation on temporary contracts is as important as complicated because **it has to balance the flexibility required by the firms with guarantees for workers**. Temporary contracts, indeed, could be extremely useful for youngsters too, in term of acquiring work experience before choosing the most suitable career. However, people on temporary contracts, especially youngsters, have more chances to be replaced or to lose their jobs than the ones with permanent contracts. On the other hand, a too rigid regulation might push even more young people in the informal sector, without any kind of social protection.

Young job-seekers also **need an efficient regulation on trial period and internships to gain experience and have a good skill matching**. With trial periods, employers have the possibilities to test the skills of young people without incurring in the costs of regular contracts.

Therefore, a first step to address youth unemployment might be the creation of a good regulation, providing correct incentives and targeted on youth needs. As said above, the involvement of all stakeholders and the adoption of a place based approach, that considers national and regional peculiarities, are extremely important.

The awareness of many governments about youth unemployment has risen since the economic and political crisis in the last few years. However, many programs about youth labor market conditions have been quite ineffective. This happens, and is still

happening, because of the low effectiveness of public employment agencies (PES) that usually provide low quality services for young job-seekers. Hence reforming the functioning of public employment services is an important mile stone, as many people claimed. These reforms should increase the participation of private sector in order to improve the skills training and the probability of matching. However, also in this case, a "one-size-fit-all" solution does not exist and every Country should face its own local specific issues concerning the reform of PES.

Another branch of possible interventions is related to young entrepreneurship. In the last few years, the idea for young people capacity to create their own start-up gained enthusiastic consensus from many parts. Governments and public opinion saw in fostering young entrepreneurship the chance to partially solve youth unemployment and overall growth at the same time. However, the path is harder than expected. **Young entrepreneurs, indeed, have to face many and varied challenges** to succeed in their business initiative. **Credit restriction, corruption and a not favorable general economic situation** are only some of these challenges. Moreover, in South Europe, North Africa and Middle East young people are generally risk adverse regarding business initiatives and with a high fear to fail.

Initiatives that want to enhance young entrepreneurship should act in several directions. Firstly, by providing young entrepreneurs with start-up services targeted on sectoral/regional specific needs. Secondly, by creating a favorable business environment and removing market failures for all enterprises. Thirdly, by fostering enterprise culture and entrepreneurship education in schools and informal education channels. Finally, by providing post start-up services to companies that want to grow and expand their business. All these initiatives are crucial to remove the markets failures and the bottleneck in youth labor market.

However, youth unemployment is just a piece of the global unemployment issue. **Policy makers cannot expect to solve youth unemployment focusing exclusively**

**on youth oriented initiatives.** Indeed, growth and positive macro-economic environment are essential to foster the overall labor demand and, therefore, youth employment. In this perspective, in one hand there are initiatives, such as those mentioned above, to insure the proper functioning of the match between demand and supply of labor (especially youth one). On the other hand, there are macro-economic policies to foster economic growth and to create new jobs and opportunities. Youth unemployment reduction necessary passes through a successful implementation of both types of initiatives. However, the overall economic recovery and a positive business environment remain fundamental preconditions to create new jobs.

## Notes

1It has to be noticed that the crisis of 2007 did not stop the worldwide working poverty reduction nor the decreasing rate of vulnerable employment “per se”. The crisis, even though did not change the trend, has affected it in terms of intensity and timing.

2Demographic changes are usually considered by public opinion connected with frictions in labor market. The common idea is that old workers avoid the entrance of young job seekers solely because they keep working longer in their lifetime. This is the so called “lump of labor fallacy” or, in other words, the misconception that there is a fixed number of jobs and one worker can easily replace another.

3See OECD, 2010, “*Off to a good Start? Jobs for Youth*”; Organisation for Economic Co-operation and Development, Directorate for Employment, Labour and Social Affairs; (Paris).

4Youth unemployment rate is the number of unemployed youth divided by the youth labor force,

5See ILO, 2010, “*Global Employment Trends for Youth: Special issue on the impact of the global economic crisis on youth*”; section 3.3; (Geneva).

6See ILO, 2013, “*Global Employment Trends for Youth 2013: A generation at risk*”; pp 61; (Geneva).

<sup>7</sup>The NEET ratio tries to catch discouragement of young people that are not captured by unemployment statistics.

<sup>8</sup>See Kew, J., Herrington, M., Litovsky, Y., Gale, H., (2013). Calculation based on a sample of People aged between 18 and 34 years old.

<sup>9</sup>See World Bank, (2013), “*Lebanon - Economic and social impact assessment of the Syrian conflict*”, Washington DC; World Bank

<sup>10</sup>See for further details: Kawar M, and Tzannotos Z., (2013) “*Youth employment in Lebanon: Skilled and Jobless*”, Policy Paper, The Lebanese Center For policy Studies.

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