

The Education Paradox in the Southern and Eastern Mediterranean – Youth, Human Capital and Transition to Work

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This article aims to demonstrate that education is a success factor in the southern and eastern Mediterranean (SEMED) region¹ and that if certain conditions hold true, it can act as a driver for growth, development and inclusion. Relevant skills, especially digital and green, are a prerequisite to achieving economic revival and moving towards a more sustainable and equitable labour market. The findings in this article are based on the recent ETF report (2021), “Youth in transition in the Southern and Eastern Mediterranean: Identifying profiles and characteristics to tap into young people’s potential,” which included case studies in Egypt and Jordan. The report takes the status of the outlook for young people in the region in relation to the changing labour market and social conditions and offers policy reflections to improve the situation.

Regional Overview: Persistently High Youth Unemployment, the Gender Gap and Underutilization of Human Capital

For the young people in the southern and eastern Mediterranean region, the labour market situation presents several challenges and a shortage of economic opportunities, Israel being an exception to the rule.

Unemployment rates in the region are much higher for young people than for the total population and, conversely, employment rates are much lower than for the total population, showing steady or negative trends over the past decade. Youth unemployment across the Arab Mediterranean countries (AMCs²) is among the highest globally, providing a major challenge for policymakers in these economies. The figures further worsen in the case of young women, in spite of a much lower activity rate in the first place: less than 20% participate in the labour market in all AMCs, and those who do, are almost twice as likely to be unemployed than men. In Algeria, Jordan and Palestine, not even one in ten young women are active in the labour market, and of these, more than one in two faces unemployment, reaching rates as high as 67% in the case of young Palestinian women.

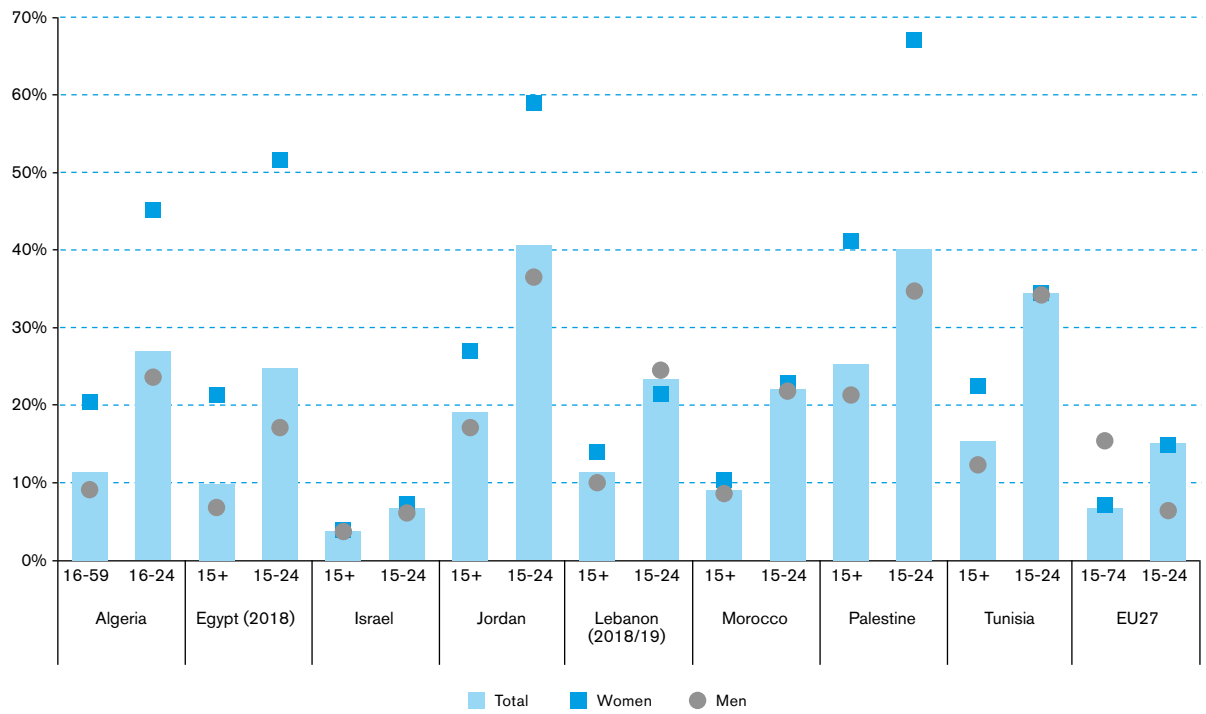
What sets the region apart from most other parts of the world is a high unemployment rate among tertiary educated youth. Although in recent decades, it can be observed that countries in the region have made significant progress in expanding access to education, especially among women,³ the improved education level of the population in the region has not translated into better labour market outcomes. The perceived mismatch between labour demand and the supply of graduates has been a central driver behind unemployment for many countries in the region, creating a paradox whereby AMCs exhibit an inverse correlation between educational attainment and employment. In other words, increased levels of education appear to lead to

¹ The southern and eastern Mediterranean region stretches from Morocco to Syria. This article covers Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine* and Tunisia. *This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the member states on this issue.

² Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia.

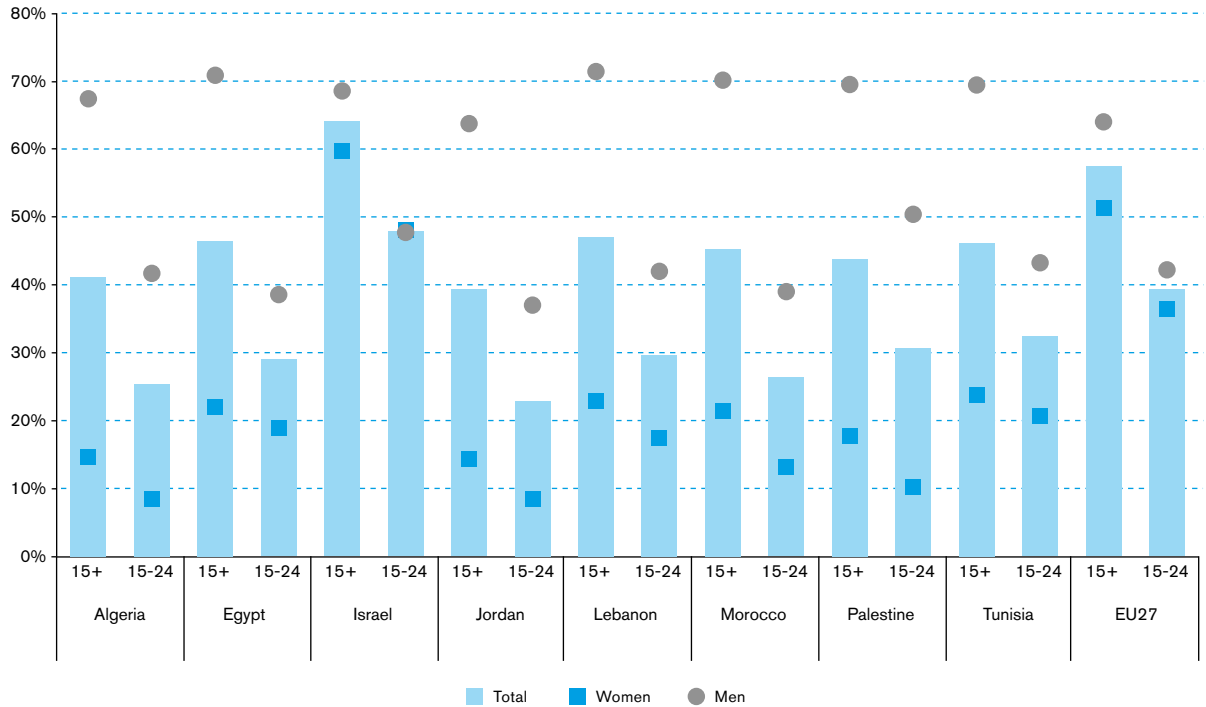
³ Literacy levels, overall educational attainment and tertiary education rates have risen substantially.

CHART 24 Unemployment Rate in 2019, Population 15+ and Youth



Source: ETF, Key Indicators on Education, Skills and Employment, 2020.

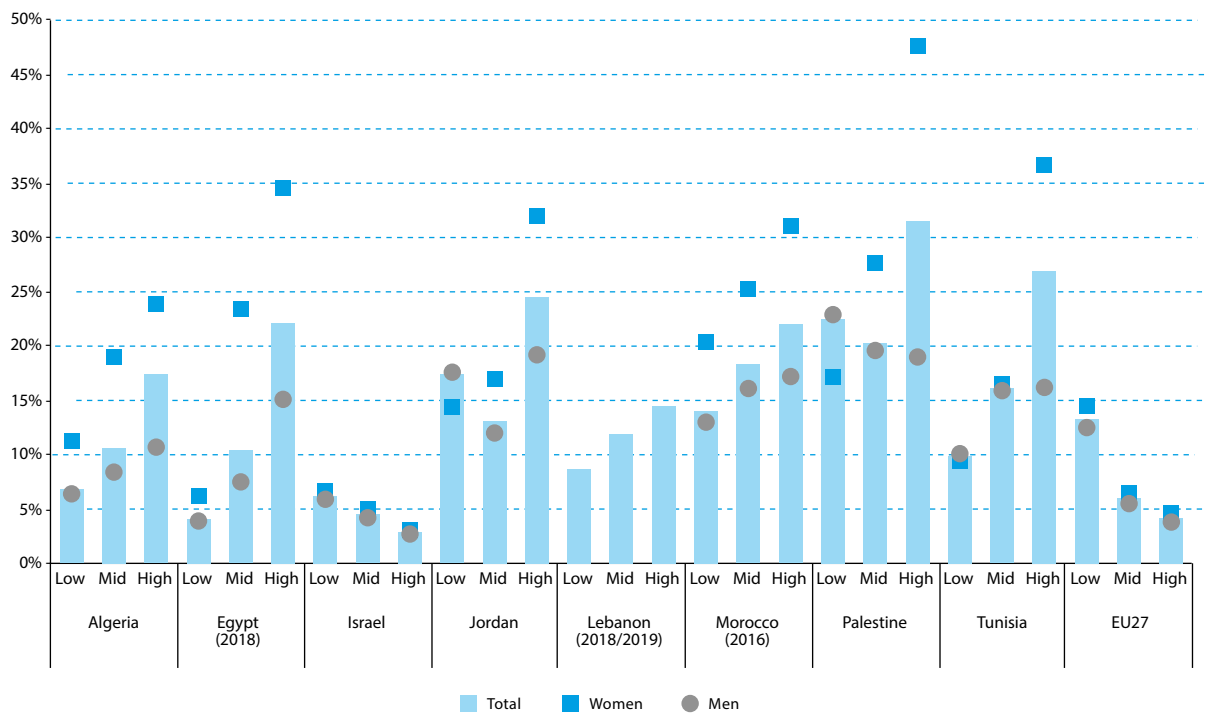
CHART 25 Activity Rate in 2019, Population 15+ and Youth



Source: ILOSTAT modelled estimates 2020 and Eurostat 2020.

CHART 26

Unemployment Rate by Educational Attainment in 2019



Source: ETF, Key Indicators on Education, Skills and Employment, 2020.

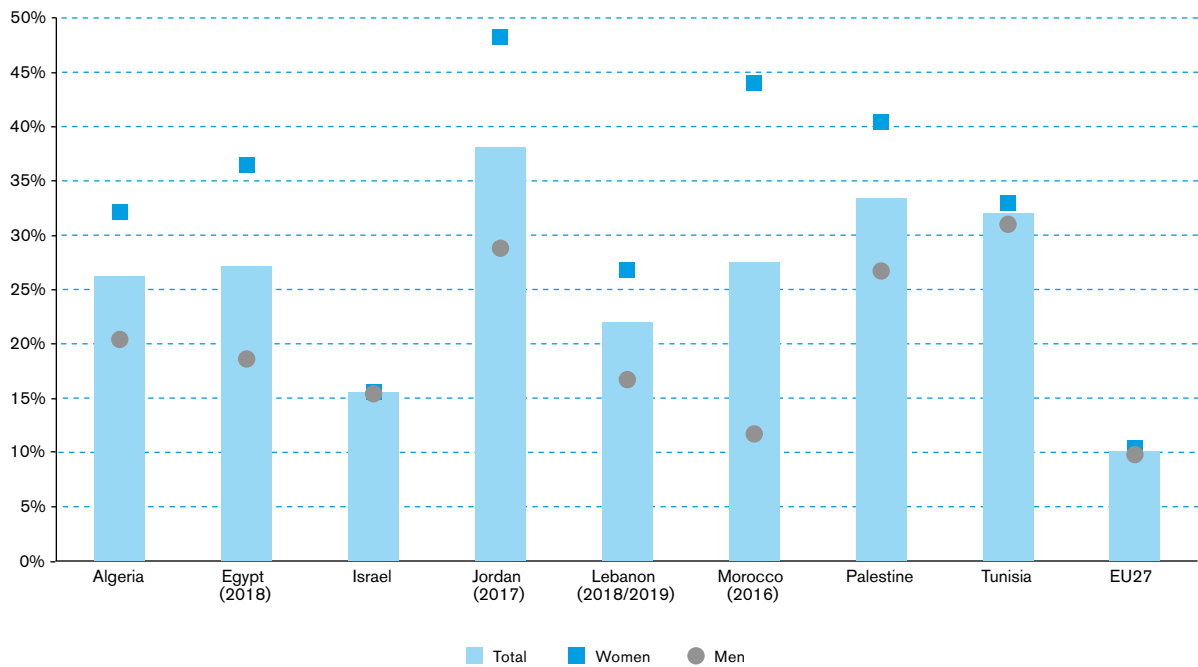
higher unemployment rates, implying that youth are not receiving an adequate return on their investment in education. The latter holds especially for women, who achieve higher levels of educational attainment than men, but have failed to attain better labour market outcomes (the unemployment rate of women with tertiary education in 2019 exceeded 30% in the majority of SEMED countries, reaching a worrying 48% in Palestine). Higher education qualifications are often poorly used, either through underqualified employment or because young women with university degrees withdraw completely from the labour market.

Unemployment, however, does not provide the full picture of the real situation of youth in these countries. Among the large youth cohorts in SEMED, there is a significant share who are neither in education nor employment. The region is in fact also char-

acterized by high rates of NEETs (Not in Employment, Education or Training), whereby many young people are excluded from the market, are inactive or disengaged (more than one in four youths in all AMCs). A remarkable percentage of NEETs in the region is composed of inactive, mostly educated females, due to the dominant traditional role of women as caregivers, who often disengage from the labour market to cater to family and home duties. Therefore, there is a great deal of youth labour underutilization across the countries of the region, with an especially high youth labour underutilization rate for women.⁴

The inability of the economies to generate enough decent formal work for the growing number of youths is one of the main driving forces behind the precarious labour market situation. Many young people who enter the labour market are forced into the informal

⁴ The youth underutilization rate in this context is defined as the sum of the non-utilized labour potential (unemployed and inactive non-students) and the underutilized potential of young workers in precarious situations (such as a lack of contract, social security and benefits, long working hours, etc.). The youth labour underutilization rate reached 46% in Palestine, 44% in Tunisia, 34% in Jordan and 26% in Lebanon, with a consistently higher youth underutilization rate among females compared to males, across the countries (DIMOVA, R., ELDER, S., and STEPHAN, K. 2016, *Labour market transitions of young women and men in the Middle East and North Africa*, ILO)



Source: ETF, Key Indicators on Education, Skills and Employment, 2020.

economy (48% of employed youth in Jordan, 60% in Lebanon, 92.2% in Egypt, 86.1% in Tunisia and a staggering 95% in Palestine in 2015⁵), with poor working conditions and limited social security. Many youths also end up in jobs which are not in line with their skills and qualifications with high occupational mismatches; a situation that suggests the rigidity of the education systems. As a result, many higher-qualified graduates have to accept positions below their level of formal qualifications or remain unemployed. In addition, vertical mismatch is reflected in the significant increase in university enrolment, which is not sufficiently matched by demands from occupations requiring higher levels of education. The private sector, which elsewhere in the world is an important driver of youth employment, is underdeveloped in the region. SEMED countries have, historically, largely relied on the public sector as a source of employment. In recent decades, however, the large public sectors have been shrinking consid-

What sets the region apart from most other parts of the world is a high unemployment rate among tertiary educated youth, the improved education level of the population in the region has not translated into better labour market outcomes

erably, thus offering little in the way of new openings for young people (especially true for women, given their high tendency to work for the public sector). Concurrently, the large industries that were recently privatized are still trying to find their way in a competitive international environment, while small businesses often operate in the informal economy and lack the resources needed to help young people transition from school to work.

⁵ Based on the ILO School-to-Work Transition Survey results. See: SADEQ, T. (2016). *Labour Market Transitions of Young Women and Men in the Occupied Palestinian Territory: Results of the 2015 school-to-work transition survey*. ILO, Mastercard Foundation

Education as a Success Factor in Egypt and Jordan

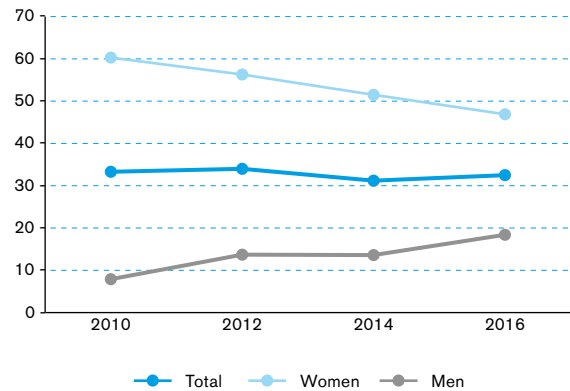
Building on more in-depth evidence⁶ regarding the situation of young people in two case studies, Egypt and Jordan, the report points to innovative findings on the role of education, which put in question the traditional yet recurrent labour market analysis. In both country-case studies (Egypt and Jordan), the fact that young university graduates display both higher unemployment rates and employment rates suggests that youth with tertiary education face strong challenges in entering the world of work, but also that higher education pushes young people to enter the labour market (either as employed or unemployed), and therefore keeps them active and possibly engaged.

NEETs⁷ aged 15-29 years old constitute one-third of all young people in both pilot countries (8 million in Egypt and 0.9 in Jordan), with the majority of them being women. However, the situation is changing over time, revealing important shifts among young people. Egypt, for example, shows increasing percentages of students to the detriment of the share of caregivers. These changes occurred differently in various sub-groups: between 2010 and 2016, the percentage of women in higher education increased by 10 p.p., and the share of homemakers dropped by 15 p.p. The latter may suggest important upcoming labour market shifts in relation to gender, with significantly more young women in education, who could potentially enter the labour market in the near future. In fact, in spite of a fairly stable youth NEET rate in Egypt between 2010 and 2016, taking a closer look at the gender dimension reveals an important trend: in this period the share of NEETs among women has been steadily falling, while young men are experiencing the opposite: they are significantly less often employed and more often unem-

ployed. This implied a significant reduction in the NEET gender gap: in 2010, the difference was 52.4 pp, whereas in 2016 it halved to 28.5 pp.

CHART 28

Share of NEETs in Youth Population Aged 15-29 Years Old in Egypt



Source: Calculations based on Egypt – LFS Data (2010-2012-2014-2016).

A two-step cluster analysis⁸ classifying NEETs into major segments shows that Egypt and Jordan display similar characteristics: the most important distinction is in fact gender, as women constitute more than 70% of the NEETs aged 15-29 in both countries. The typical NEET profiles consist of either single unemployed men actively looking for work, or married caregiving women who have disengaged from the labour market: most female youths not in employment or education are caregivers (75% and 87% in Egypt and Jordan respectively in 2016) and have a family, while the majority of young NEET men never married and declare themselves as unemployed (63% in Egypt and 75% in Jordan in 2016). The discouraged workers⁹ consist mainly of men (around 70% of the category in both countries in 2016), and more often people with primary education. In both countries, the effect of education on the probability of being NEETs is U-shaped: the likelihood of becoming a NEET increases for those with no education and higher levels

⁶ Microdata quantitative analysis of Labour Force Surveys in Egypt and Jordan (2010-2012-2014-2016), online consultation meeting with stakeholders, interviews with key experts in each of the SEMED countries concerned, and two ad-hoc, small-scale surveys with youth in Egypt and Jordan.

⁷ NEETs are classified as unemployed caregivers, discouraged workers (“inactive” not employed and not looking for a job), disabled and other (not specified).

⁸ This statistical technique identifies groups of respondents that exhibit similar response patterns, taking into account various attributes, i.e. not only those related to the labour market itself (such as being unemployed), but also social and demographic. It allows all young NEET people to automatically be grouped in a way that maximizes the differences between groups and minimizes the variations within a group.

⁹ In Egypt, the category of “discouraged worker” has increased significantly, rising from 3.4% for men in 2010 to 25.3% in 2016. This implies that a large portion of Egyptian youth are inactive and not looking for a job, thereby signalling a deterioration of the labour market situation (or at least of its perception), especially for young men.

of education, while primary and general high-school graduates display lower rates.

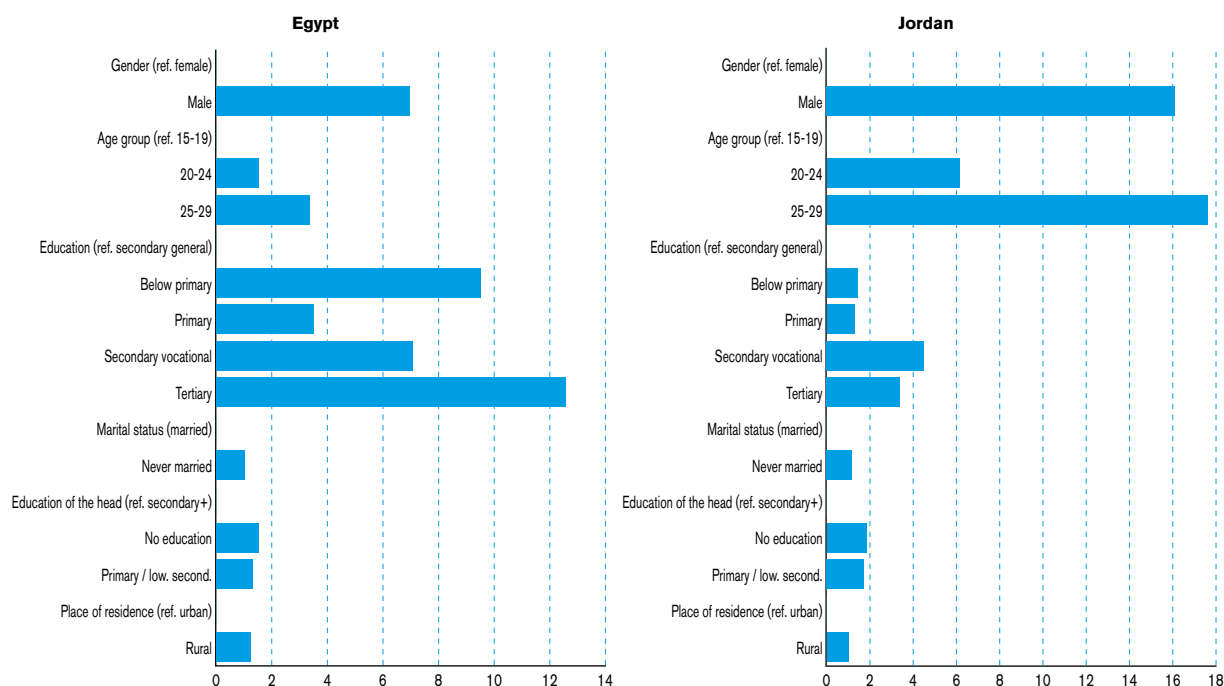
To explore the correlation between educational attainments and the probability of certain labour market outcomes, several logistic regressions were applied to LFS data. The main conclusion of these analyses is that education is a success factor in both countries in terms of employment chances, albeit in different ways. Not all is gloomy, then. In Egypt, a person with tertiary education has the highest chances of being employed: almost 13 times more likely than a person with general secondary education. A similar situation, with a much lower odds ratio, is noted for below primary, again suggesting the U-shaped effect of education. The next important predictor is gender: being a man increases the probability of employment by 595% compared to being a woman. The same holds in Jordan, where young men are 16 times more likely to be employed than women. In Jordan, however, vocational education is the pathway that yields the highest return among all education levels: youth with

secondary VET are 349% more likely (almost four times) to be employed than those with no education, while people with tertiary education are 238% more likely. On the other hand, the educational attainment of the household head is inversely proportional to the likelihood of being employed for a young person, as the latter decreases when the education level of the household head increases.¹⁰ This seems to be clearly linked to the need to find a job due to the socio-economic context of the family.

Regional Policy Reflections in Times of COVID

COVID-19 has generated a massive disruption in youth's access to education and employment opportunities, making the complex situation in the SE-MED region even more challenging. The resetting effect of the pandemic, however, could also represent an opportunity to accelerate the transformation toward new development models, based on a so-

CHART 29 Probability of Being Employed, Youth Aged 15-29 Year in 2016 – Results (odds ratios) of Logit Regressions



Source: Calculations based on Egypt – LFS Data (2010-2012-2014-2016).

¹⁰ When the family head has no education, the probability of being employed for a young person is 53% and 83% higher than when the household head has secondary education, in Egypt and Jordan respectively, and 32% - 73% higher when the household head has primary education.

cio-economic and ecological transformation that puts individuals at the heart of their policy agendas and that respects human well-being and the environment. The rise in new forms of youth employment¹¹ (e.g. the gig and platform economy¹²), emerging sectors, new technologies, accelerated digitalization of jobs and new forms of digital learning are all opportunities that governments need to grasp to provide new prospects for younger generations. Fostering the transitions toward more digital and green systems comes with both opportunities and uncertainties. Building up the resilience of individuals and companies and developing agile, coordinated and targeted public policies will be key to tackling youth unemployment and improving the quality of existing jobs.

Specific support will be needed for new graduates and young women who, as shown by the most recent studies on the topic, will be disproportionately affected by COVID-19.¹³ Different national and international programmes have tried to address this with limited success: coordination among different initiatives has proven to be difficult. While this has negatively affected some results, several successful policy initiatives have also appeared in the region, primarily addressing youth skills and the transition from school to work, as well as reinforcing the public-private dialogue to engage in partnerships that can align the education system with labour market demands. Young people need to develop the skills needed to adapt to the rapidly evolving labour market needs. Education should increase its relevance by focusing on competencies for the 21st century and sectors with job creation potential. New technologies and new forms of employment are rapidly

gaining ground in the region, and, as a rule, youth are at an advantage.¹⁴

Basic digital skills, given their increasing importance in shaping the future of work especially after the COVID-19 pandemic, could be critical in upskilling and reskilling unemployed or inactive youth for their immediate labour market integration. Despite the unprecedented disruptions, the pandemic created opportunities for sectors such as ICT, e-commerce, finance and insurance. Digital skills will allow young people to benefit from the acceleration of digitalization, playing a vital role in school-to-work and work-to-work transitions and keeping young people and adults in their jobs. Unfortunately, the education systems of most of the AMCs have not been able to keep up with the shift towards high-tech sectors, where continued investments in education, innovation and connectivity by both the government and private sector are needed to enhance job creation in the context of high global integration and rapid technological change.¹⁵ In this regard, it might be useful to consider the key competences adopted in the EU Key Competences Framework and incorporate them in the education system. At the same time, governments need to ensure that their economic stimulus policies and measures are aligned with ambitious digital and wider environmental protection goals, for example, through measures promoting private investment in economic transformations and technological innovations such as renewable energy, smart green cities, green public transport systems and digital solutions. Such sectoral policy measures could form the basis of economic revival and represent a shift towards a more sustainable and equitable labour market.

¹¹ See for example: OECD (2019). "The Future of Work: OECD Employment Outlook 2019." OECD

¹² The conditions offered by the gig and platform economy are intertwined with local situations and sometimes increase youth precariousness. More often, they provide jobs to young people who, alternatively, would have remained jobless or disengaged from the market. However, they pose serious risks related to job insecurity, such as unstable wages, low bargaining power and atypical working hours, all of which lead to unstable livelihoods.

See for example GRAHAM, M, HJORTH, I., LEHDONVIRTA, V. (2017). "Digital labour and development: impacts of global digital labour platforms and the gig economy on worker livelihoods." *European Review of Labour and Research*, 23(2):135-162.

¹³ ETF, EMEA, EMNES (2021). "Education and Training Policies in response to COVID-19, Preparing for the Recovery – A focus on Arab Mediterranean Countries"

¹⁴ In Tunisia, for example, a gaming community of at least 600,000 players is growing steadily. Starting as amateurs, they have formed the basis for a start-up gaming industry in the country. The country is on the verge of developing a thriving gaming industry (like South Korea), which could help create thousands of jobs: there are now five companies which are dedicated to gaming development and some of them, such as Digital Mania, are worth more than \$1 million and are offering employment opportunities to youth. However, this requires state-of-the-art training and a more conducive business environment, allowing online payment and freelancer status. The industry is also attracting young women, though to a lesser extent. Tunisian gamers could help revitalize the economy and lead the country's digitalization.

¹⁵ WORLD ECONOMIC FORUM, WORLD BANK. (2018). *The Arab World Competitiveness Report 2018*.