

# Youth, education and employment in the Euro- Mediterranean region: Incomplete transition & Further opportunities and challenges

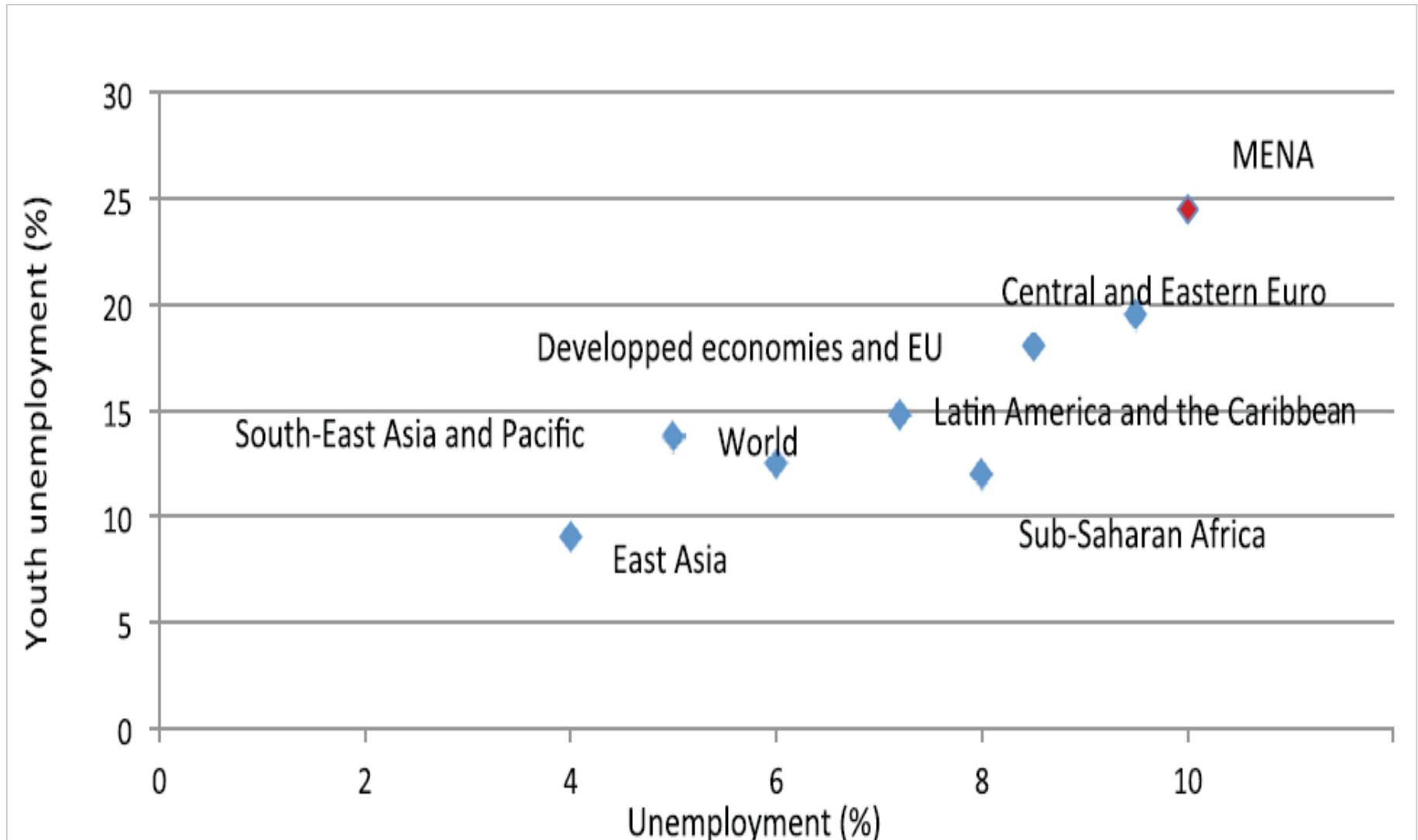
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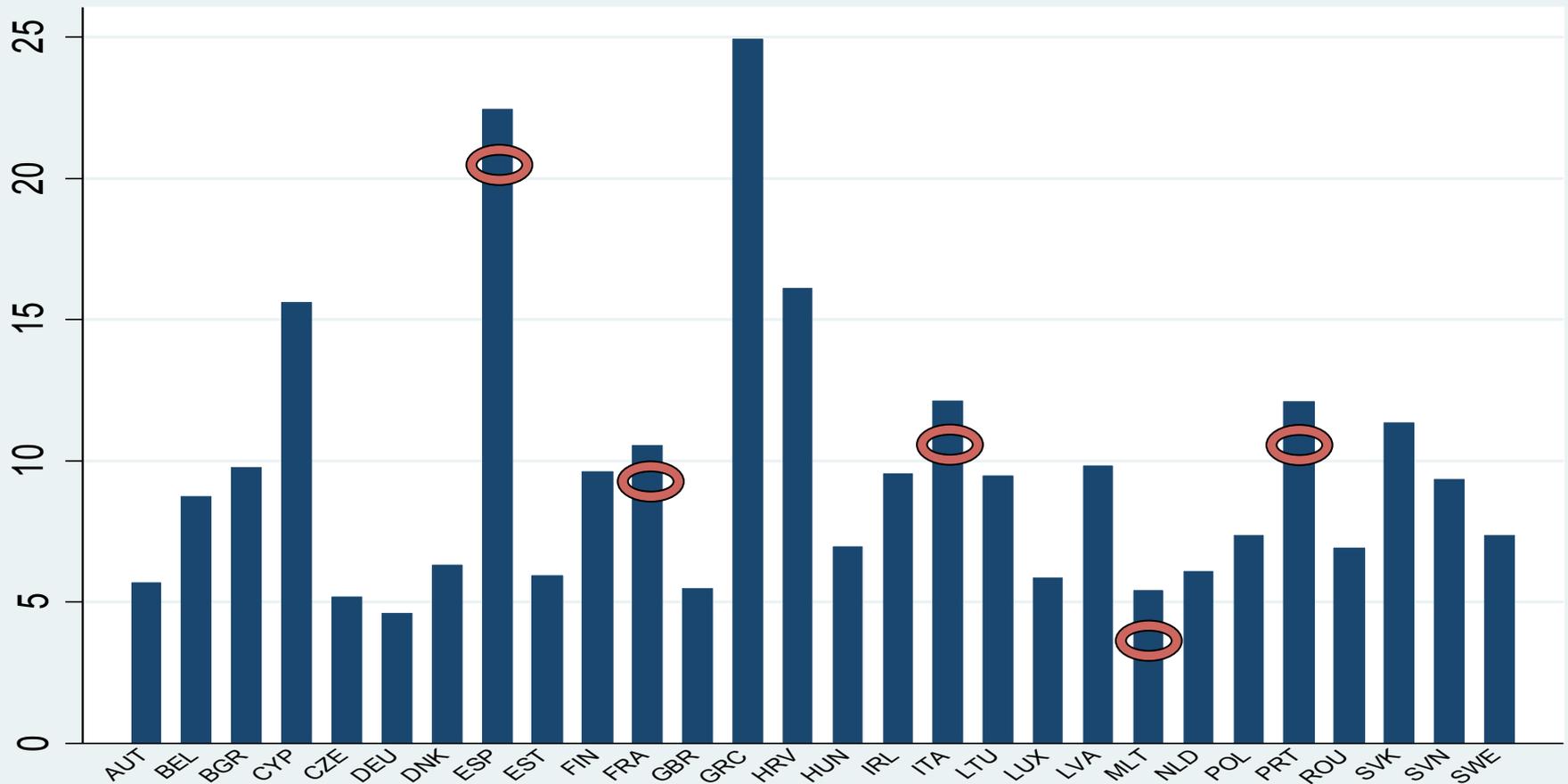
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# Unemployment situation in the MENA region

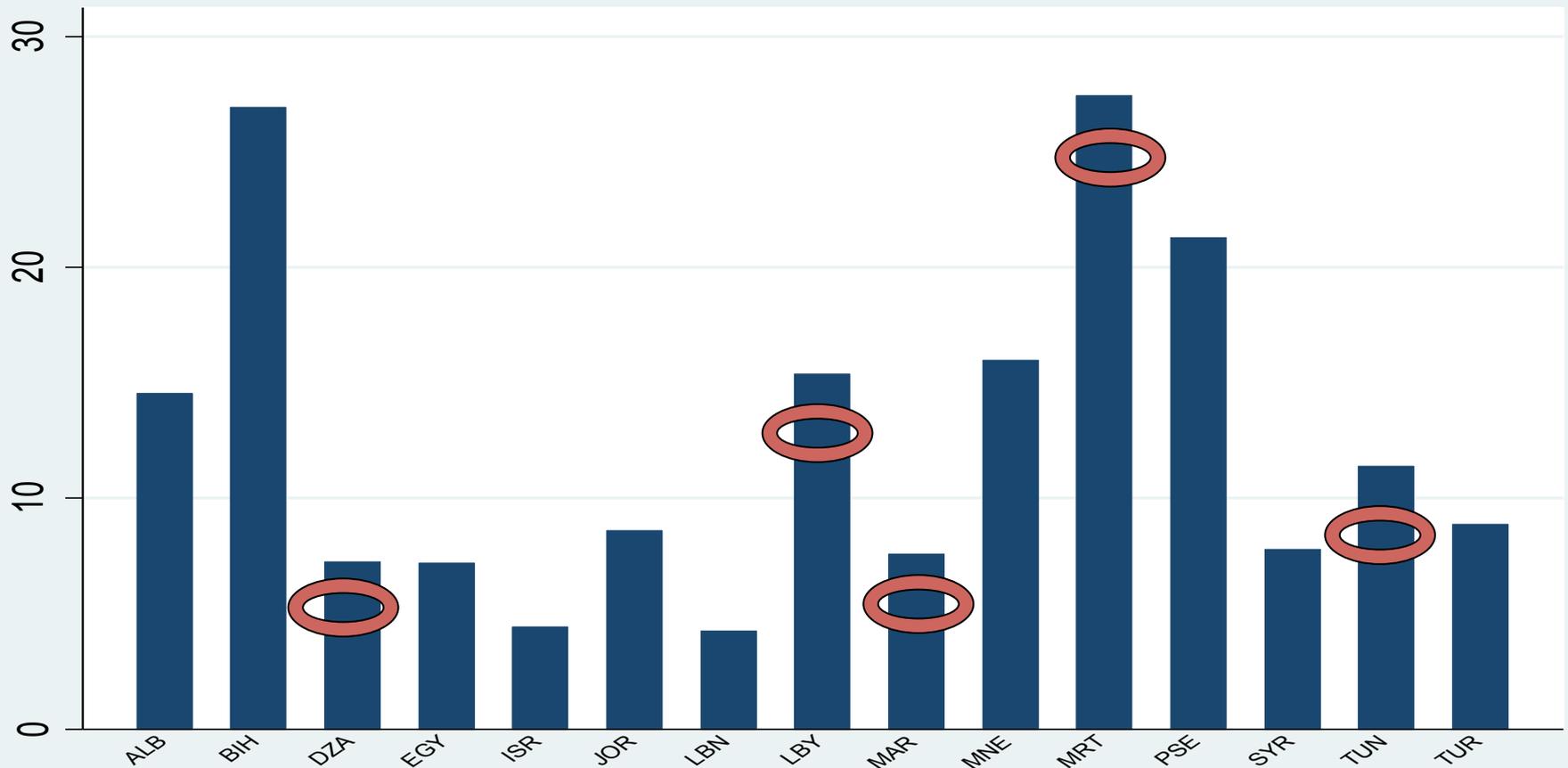


# Unemployment situation in EU 28 (2015)



Source: own elaboration using ILOs' data. ISO 3-digit country codes are used to identify the countries. AUT: Austria, BEL: Belgium, BGR: Bulgaria, CYP: Cyprus, CZE: Czech Republic, DEU: Germany, DNK: Denmark, ESP: Spain, FIN: Finland, FRA: France, GBR: United Kingdom, GRC: Greece, HRV: Croatia, HUN: Hungary, IRL: Ireland, ITA: Italy, LTU: Lithuania, LUX: Luxembourg, LVA: Latvia, MLT: Malta, NLD: Netherlands, POL: Poland, PRT: Portugal, ROU: Romania, SVK: Slovak Republic, SVN: Slovenia, SWE: Sweden.

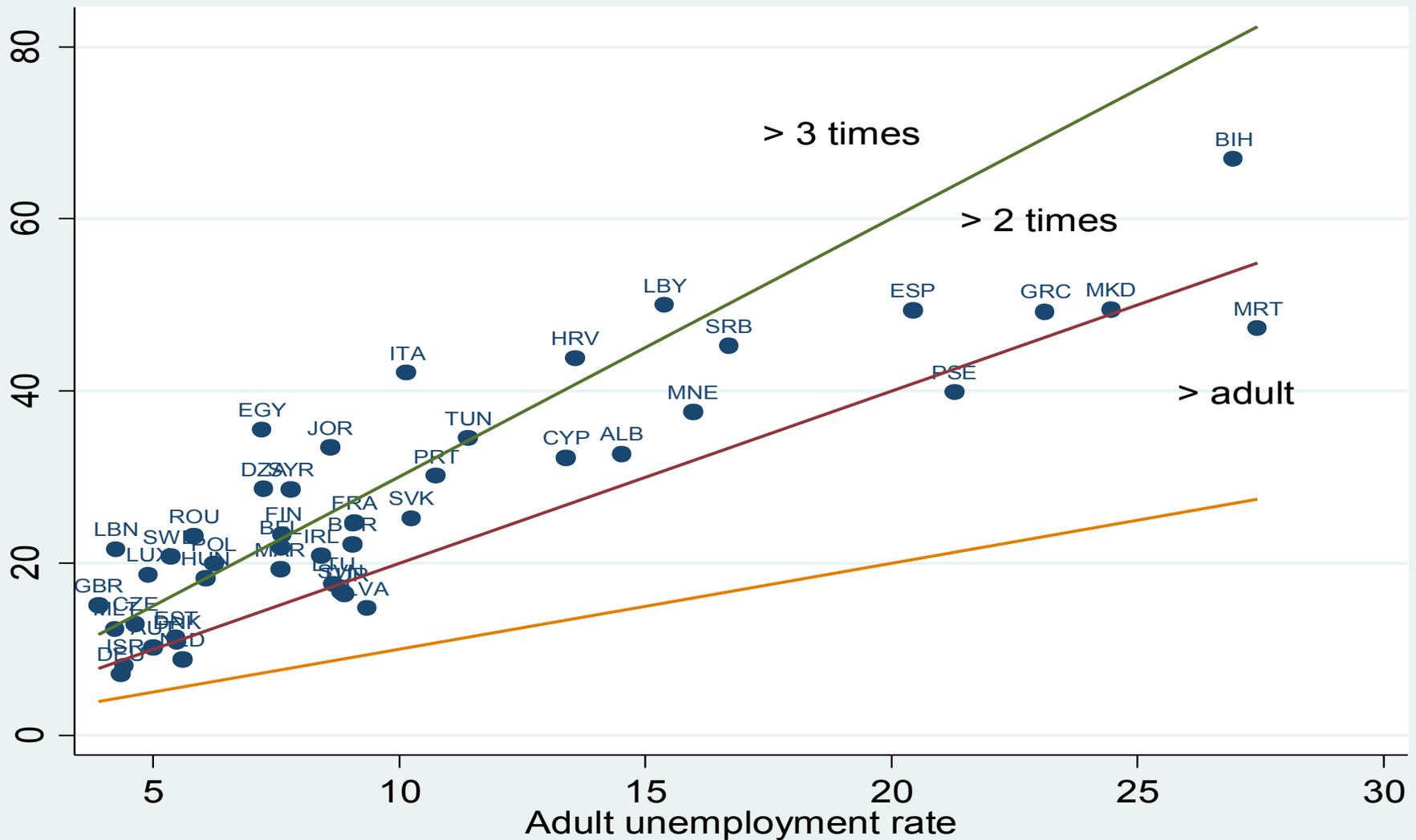
# Unemployment situation in South Med (2015)



Source: own elaboration using ILOs' data. ISO 3-digit country codes are used to identify the countries.

ALB: Albania, BIH: Bosnia and Herzegovina, DZA: Algeria, EGY: Egypt, ISR: Israel, JOR: Jordan, LBN: Lebanon, LBY: Libya, MAR: Morocco, MNE: Montenegro, MRT: Mauritania, PSE: Palestine, SYR: Syria, TUN: Tunisia.

# Unemployment of youth in Euro-Med (2015)



# Key issues (1)

- **High unemployment rates among the youth** have important economic and social consequences:
- **On the one hand**, labour market conditions is one of the most relevant pull factors to explain migration flows from countries to others with better labour prospects.
  - Immigration among youth is increasing and the destination areas are also changing from traditional ones and not only addressing EU countries as the main destination (United Nations, 2016).
- **On the other hand**, the high unemployment rates are also discouraging youth to participate in the labour market (European Training Foundation, 2015b).
  - NEET (Not in Employment, Education or Training) rates are also very high in the region. For instance, and according to latest estimates of the ILO (2014), the NEET rate for the age group 15-24 in Algeria is 23%, in Egypt is 28%, Israel 16% and 25% in Jordan and Tunisia, while in the European Union is around 12.5%.

# Main destination countries of emigrants

SOURCE	MAIN DESTINATION (% OF TOTAL MIGRANT STOCKS IN 2013 ABOVE OR EQUAL 5%)
<b>Albania</b>	Greece (45%), Serbia (19%), Bosnia and Herzegovina (16%), Croatia (7%)
<b>Algeria</b>	France (81.5%)
<b>Bosnia and Herzegovina</b>	Croatia (32.5%), Serbia (26%), Montenegro (11%), Slovak Republic (8%), Macedonia (8%)
<b>Egypt</b>	Saudi Arabia (38.5%), Kuwait (14.5%), UAE (9%), Jordan (8%), United States (5%)
<b>Israel</b>	United States (40.5%), Palestine (17%), Germany (7%), Canada (7%), United Kingdom (6%)
<b>Jordan</b>	Saudi Arabia (38.5%), UAE (18%), US (10%), Palestine (7%)
<b>Lebanon</b>	Saudi Arabia (20%), US (15.5%), Australia (12%), Germany (11%), Canada (11%), France (6%)
<b>Libya</b>	Italy (26%), UK (14%), Israel (12%), Vietnam (8%), Egypt (6%)
<b>Mauritania</b>	Senegal (30%), Nigeria (25%), France (12%), Mali (10.5%), Spain (7.5%), Ivory Coast (6.5%)
<b>Montenegro</b>	Albania (39.0%), Serbia (23.4%), Bosnia and Herzegovina (19.5%), Croatia (8.8%)
<b>Morocco</b>	France (30.5%), Spain (25.5%), Italy (14%), Belgium (6.5%), Netherlands (6%), Israel (5.5%)
<b>Palestine</b>	Jordan (52.5%), Lebanon (14%), Saudi Arabia (12.5%), Libya (7%), Syria (6%)
<b>Syria</b>	Saudi Arabia (25%), Lebanon (19%), Jordan (18%), Turkey (15%)
<b>Tunisia</b>	France (59%), Italy (17%), Germany (5%)
<b>Turkey</b>	Germany (47.9%), France (8.5%), Netherlands (6.5%), Austria (5.1%)

Source: own elaboration from World Bank Bilateral Migration Matrix 2013

## Key issues (2)

- **A characterising feature is that education is not a guarantee against unemployment:**
  - Data suggest that youth unemployment rate in the region increases consistently with the level of education attained. In countries such as Egypt, Jordan or Tunisia, youngsters having completed their tertiary education have been found two to three times more likely to be unemployed than those with primary education or less (ILO, 2015).
  - This contrasts the situation in most developed and developing regions where unemployment decreases as the level of education rises.
  - The main reason for these high unemployment rates for more educated workers is the existence of skill mismatches in labour markets across the region (Ayadi and El Mehdi, 2013).
  - There is also an issue with quality of education and to extent it prepares the students to the labour markets.
  - Further evidence shows that over-education can explain the skill mismatch in Tunisia, Jordan and Egypt (EMNES working paper (2018))

## Key issues (3)

- **Labour demand remains the prime determinant of how much and what type of jobs are created – but constraints are persistent**
  - First, macroeconomic conditions and the institutional frameworks are not supportive for business development and job creation, as regularly highlighted in the World Bank Doing Business reports or by the World Economic Forum (2016).
  - Labour market regulations are identified as an important impediment to employment creation and more broadly a core constraint to business expansion. The negative effects of a rigid regulatory framework and the resulting risk-averse behaviours of employers are particularly severe for first time job seekers.
  - The high share of the public sector in terms of employment (Behar and Mok, 2013) and the high presence of informal firms and jobs (OECD, 2009) also represent an important limit to the creation of high quality jobs and to a higher productivity growth.
  - The impacts of was dis-industrialisation of the Mediterranean

# Key issues (4)

- Labour market policies should not only concentrate on the supply side but they should be designed as a comprehensive package of measures involving supply and demand policies and looking for positive synergies among them. (Union for the Mediterranean ad hoc work group on job creation (2016))
- The main policy objective should be to improve workers' employability and to achieve a better match, and to create more and better opportunities for jobs by means of sustained and inclusive growth on the demand side.
- Governments should continue to increase resources devoted to more efficient Active Labour Markets Policies (ALMPs), and focus on vocational and education trainings, orientation, intermediation and career guidance. These policies should be actively monitored.
- Further regional integration and people mobility should also allow new opportunities of jobs to emerge (Ayadi et al (2017), IEMED-EMNES-EMEA study).

# Regional Integration Impact on Youth Employment

2040	Reference		Scenario: Trade Barriers & Risk			
	Employment	Youth Employment	Employment		Youth Employment	
			change from reference		change from reference	
	1000s persons	1000s persons	in 1000s persons	in %	in 1000s persons	in %
Albania	1053	102	29.1	2.8%	2.8	2.8%
Algeria	15303	1594	476.6	3.1%	82.5	5.2%
Bosnia and Herzegovina	982	29	24.2	2.5%	0.6	2.2%
Egypt	46172	5681	1622.9	3.5%	201.6	3.5%
Israel	5187	830	21.5	0.4%	3.8	0.5%
Jordan	2844	371	96.0	3.4%	13.7	3.7%
Lebanon	1933	304	74.8	3.9%	16.0	5.3%
Montenegro	208	15	2.6	1.2%	0.2	1.0%
Morocco	15103	2077	441.6	2.9%	83.2	4.0%
Tunisia	4331	414	165.2	3.8%	22.4	5.4%
Turkey	33671	5504	880.7	2.6%	142.9	2.6%
EU28	216033	17747	264.3	0.1%	23.9	0.1%

Source: GEM-E3-MED

# Regional Integration Impact on Youth Employment by economic activity

1000s persons in 2040 (in addition to reference scenario)	Albania	Algeria	Bosnia and Herzegovina	Egypt	Israel	Jordan	Lebanon	Montenegro	Morocco	Tunisia	Turkey	EU28
Agriculture	9.0	33.2	5.1	28.3	1.8	8.0	7.4	0.2	251.		-	62.2
Energy	4.4	83.6	3.5	64.4	-	3.6	12.	0.7	6	11.2	21.2	-
Chemical Products	0.6	13.7	1.4	64.5	8.5	4	1.6	4	-0.5	4.9	8.1	0.2
Other energy intensive	1.3	11.7	2.0	284.	2	4.3	3.7	3	21.4	5.8	49.8	-6.0
Electric Goods-Other	0.0	1.1	2.0	23.4	-	2.9	0.1	7	30.7	10.3	43.5	-
Equipment goods	-	0.3	0.7	1.2	-	6.3	0.2	0.0	7	30.7	10.3	22.0
Transport equipment	0.1	0.3	0.7	1.2	0.2	0.2	0.2	2	5.3	2.5	17.9	2.9
Consumer Goods Industries	1.1	22.1	1.7	442.	9	0.7	2.8	0.2	0.6	6.1	-2.8	100.
Textiles and Clothing	0.0	-4.8	0.1	100.	3	1.6	2.9	-	0.1			-
Construction	14.	271.	11.	483.	3	8.8	7.1	2	27.3	12.0	63.6	36.5
Transport	1	6	7	3	8.8	7.1	1	1	93.0	44.8	6	13.5
Communication	1.2	4.9	0.4	60.7	0.2	5.4	3.0	4	-	44.8	6	13.5
Business-Financial Services	0.6	2.2	0.3	27.9	0.1	3.2	2.1	0	13.4	3.4	2.6	13.5
Public Services	2.1	54.4	3.0	758.	0	2.2	5	2	-2.2	2.1	2.8	4.7
Recreational and other services	0.7	0.2	0.8	80.6	0.9	6.4	3.0	7	39.2	34.5	7	100.
Total	29.	476.	24.	1622	21.	96.	74.	2.5	-	-	-	100.
	1	6	2	.9	5	0	8	5	6	2	7	3

# Regional Integration Impact on Youth Employment by economic activity

- The regional integration impacts are differentiated by country, sector and over time (short-run / long run)
  - In the short run removing trade barriers will expose sectors that were previously protected into intense competition and jobs will get lost.
  - In the long run the adoption of common production procedures, the removal of non tariff barriers, increasing governance and process harmonization reduces investment risk and increases output and employment
- Key measures :
  - Timely upgrade of human capital focusing on specific skills/activities
  - Reduce Investment risks: Improvement of quality control, good governance and process harmonization to high standards

# Regional Integration Impact on Youth Employment by economic activity

- Using a Computable General Equilibrium model:
- Quantified the impact on youth employment creation of deeper regional integration of Mediterranean countries.
- If the regional integration status quo is maintained and countries take action to reduce public budget deficits, to improve their trade balance and to upgrade their infrastructure, youth unemployment rate is foreseen to be reduced from 25.7% in 2015 to 17.6% in 2040 (that amounts the creation of no less than 4.4 Millions jobs).
- This situation is compared with a scenario of deeper regional integration considering two different layers: gradual abolishment of tariff and non-tariff barriers, and process harmonisation among countries and increased governance.
- Under this alternative scenario, there are net additional 570,000 youth jobs as compared to the shallow integration scenario. This positive impact is due to an improving in overall economic activity (lowering the investment risk supports economic growth better than removing tariff barriers) and a better alignment of skilled labour with capital.

# Automation & digital economy impact on employment

- Artificial intelligence, machine learning, digitalization trends and new technologies
- These changes are impacting the future of work (e.g. types, organization of works and revenues derived from these works)
- These changes are and will question the traditional academic/education institutions role and the way they organize the curricula and teaching
- There is a skill mismatch trend in the OECD and South med countries – in the OECD over 1 in 4 adults report a mismatch between their current skills and qualifications required and that more than 35% of the skills demanded for jobs across industries will change by 2020.
- OECD shows that 14% of jobs are highly automatable – this is over 66 million workers that would be affected.
- According to McKinsey Global Institute, robots could replace 800 million jobs by 2030.
- The risk of automation is the highest among the youth, which is striking and very worrying
- Low skills and physically repetitive, and back office jobs will be automated
- Digital economy is providing large opportunities (e.g. finance, health, energy....)

# Automation & digital economy impact on employment

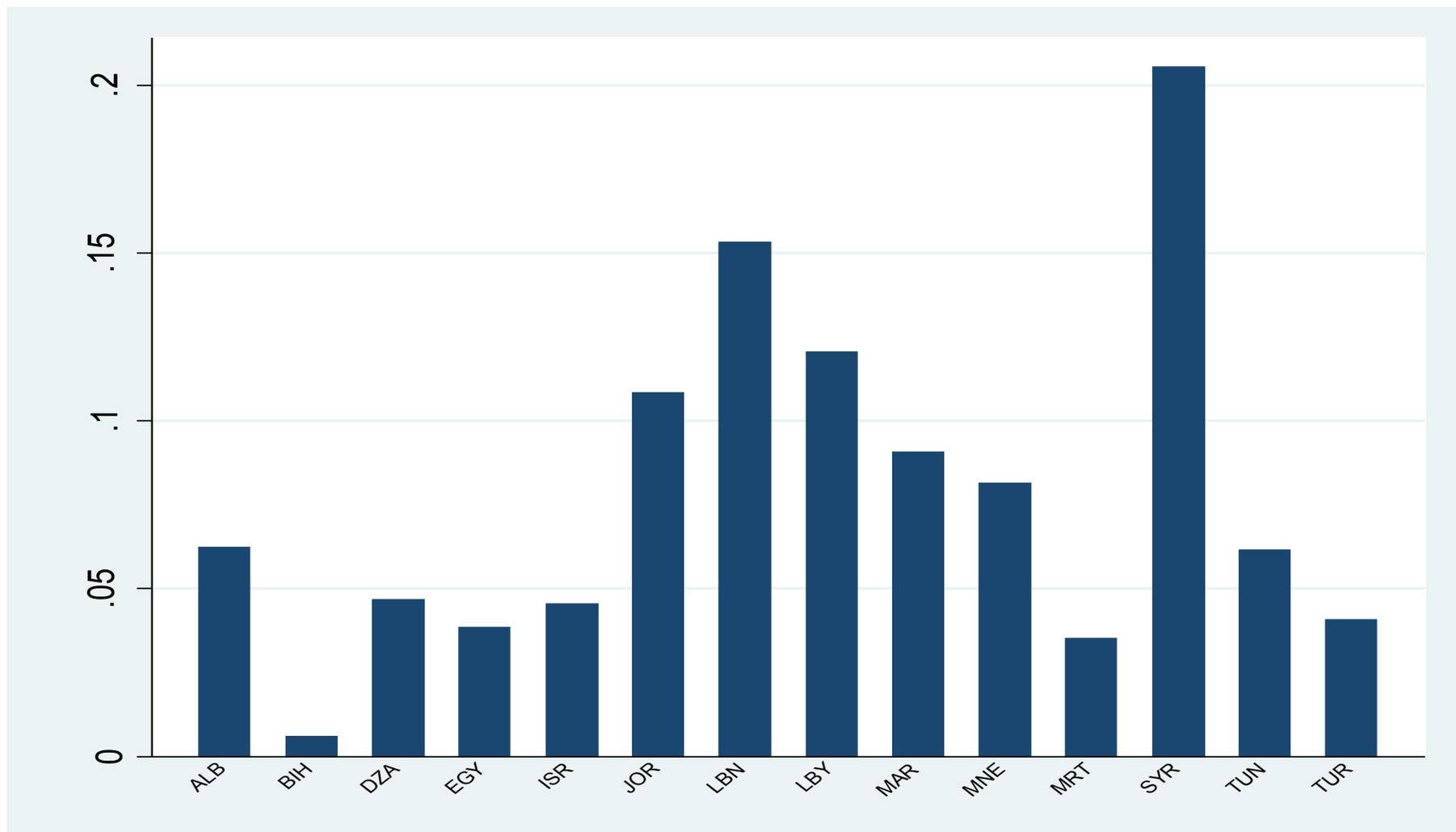
- To prepare for 2030, people should be able to think creatively, develop new products and services, new jobs, new processes and methods, new ways of thinking and living, new enterprises, new sectors, new business models and new social models.
  - Entrepreneurship, social business, technological parks, clusters..
- Increasingly, innovation springs not from individuals thinking and working alone, but through co- operation and collaboration with others to draw on existing knowledge to create new knowledge.
  - Role of networks and capacity building
- The constructs that underpin the competency include **adaptability, creativity, curiosity and open-mindedness**
- The education/academic institutions must change to adapt

# Recommendation

- The Mediterranean requires a reinforced, accelerated, differentiated deeper regional integration process with no artificial boundaries using a **multi-dimensional comprehensive and novel infrastructure**, innovation and industrial policy (underlined in a co-development strategy) and a novel education policy agenda implemented across several sectors and their nexus: transport, energy and de-carbonization, water, digital economy, blue economy, sustainable urban development), and strengthened cooperation on innovation, R&D, education, employment and young employability programmes, and social agenda issues (e.g. youth and women empowerment).
- The guiding principles and targets of this new policy for the region will develop new constructive dynamics, which will boost investment, regional projects and infrastructure development and will perceive migration as a driver for economic development not a threat to security.
- This will create a multiplier effect in terms of economic growth and job creation

# Thank you

# Stock of emigrants as share of total pop (2013)



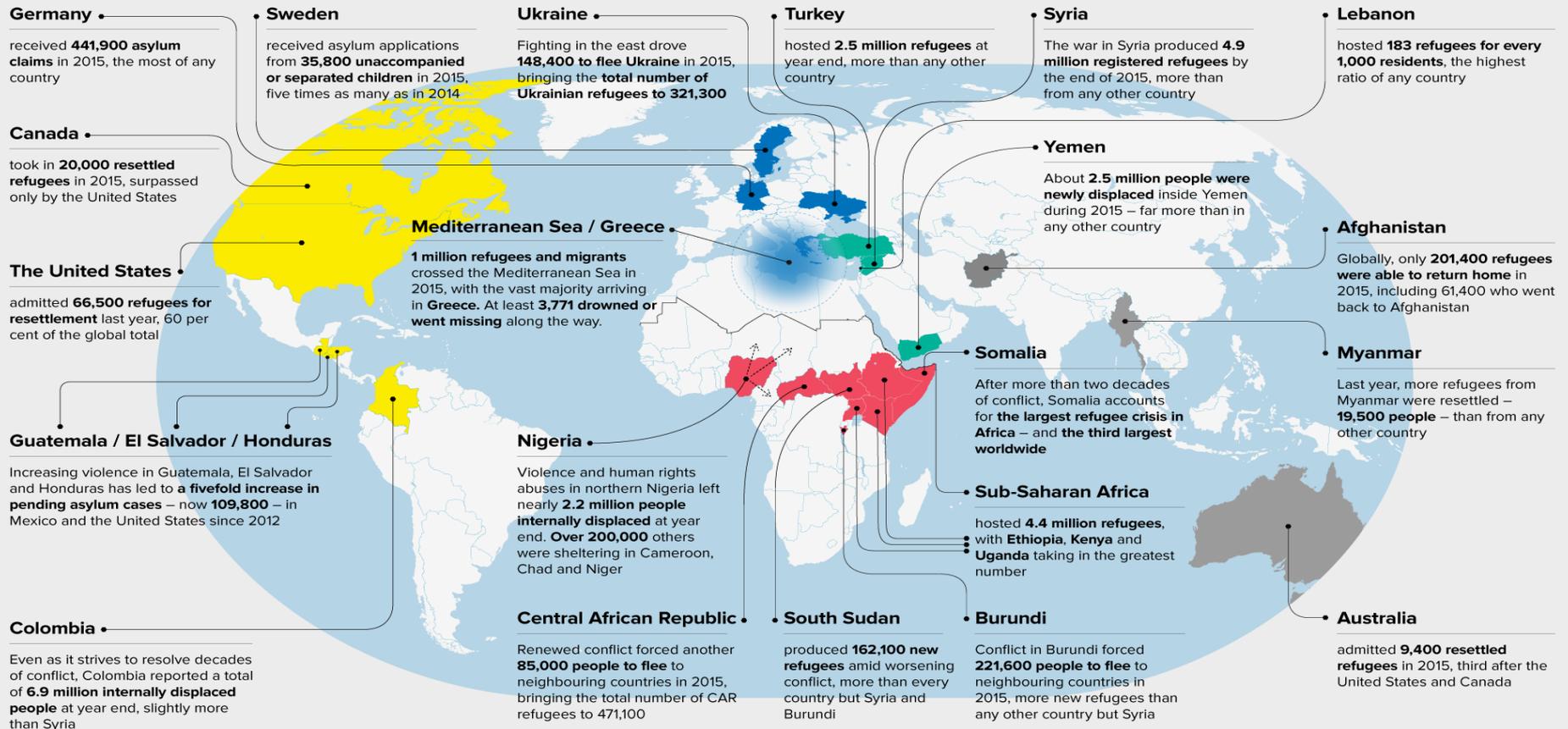
Source: own elaboration from World Bank data. Value for Palestine is 96% (not shown in the figure).

# Global refugee and displacement phenomenon

## 2015: Forced Displacement Hits a Record High

Conflict and persecution caused global forced displacement to escalate sharply in 2015. Now at the highest level ever recorded, it represents immense human suffering around the world.

Source: UNHCR / 20 JUNE 2016



The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

# Regional integration & employment creation (1)

- More and better jobs can be generated by improving competition in product markets through deregulation, but also by investing in infrastructure and adopting smart-specialization strategies that would bring more benefits from further regional integration.
- More coordination between countries in the region through deeper regional integration can boost employment through different channels:
  - Better access to markets through the **elimination of trade barriers** could create new opportunities for competitive firms that, in turn, would increase labour demand and contribute to generate new jobs in the region.
  - The **elimination of tariffs on imports** could make domestic prices to fall to lowest region prices. Initially, domestic production falls, but domestic consumption increases and total imports also increase.
  - Larger markets as a result of regional integration may allow firms to exploit economies of scale, thus driving down costs and prices to local consumers. It may also increase the range and variety of products which are available to consumers. The reduction in tariffs leads to trade creation among the participants in the liberalised region.

# Regional integration & employment creation (2)

- The effect of the tariff reduction on economic welfare can be decomposed into three effects:
  - the gain to consumers from lower domestic prices,
  - the loss of profits to producers and;
  - the loss of tariff revenue to the government.
- Under standard assumptions, consumer gain exceeds the producer and government loss from reducing tariffs and that there is an overall gain in national welfare as a result of this policy change.
- Similar results are obtained for **the case of non-tariff barriers**. A part of trade creation, trade diversion also occurs: imports from a third external country are now displaced by imports from partners that are now cheaper in relative terms and, this also contribute to job creation.

# Regional integration & employment creation (3)

- Although the effects of further integration would be positive in the medium and long run, there could be **initial displacement of workers**.
- Importing in theory creates more competition that forces domestic firms to become more efficient or if not to disappear and it also provides better access to new technologies and transfer of know-how.
- Those firms that ride the wave of continuing transition toward higher productivity in tradable activities typically pay higher wages to their workers, and these workers tend to have greater skills and be in less routine occupations; but low-skilled workers and workers undertaking routine jobs could be damaged by this situation.
- For this reason, policy efforts should understand the dynamics and be devoted to minimise the negative effects of this transition.

# Regional integration & employment creation (4)

- If closer integration via competition improves the efficiency with which factors are combined, it is also likely to induce **greater investment**.
- While this additional investment is taking place, countries may experience a medium-term growth effect.
- If such investment is associated with faster technical progress or accumulation of human capital, long-run growth rates may also be improved.
- Infrastructure development could be improved and provide better access to markets through more efficient transport networks that could also attract more foreign direct investment that would reinforce the positive effects on integration on the labour markets.

# Regional Integration

- Regional integration is considered to take place through two main channels:
  - I. Trade integration: Creation of free trade areas, abolishment of tariff barriers and quotas. This layer of integration reduces trade costs and facilitates growth through the removal of market imperfections.
  - II. Regulatory and law integration: Process harmonisation, adoption of common policies, regulations and measures on key sectors. This layer of integration essentially leads to reduction of investment risks.
- The performance of the Regional Integration scenario is evaluated against a reference scenario which provides a “business as usual” outlook for the macroeconomy, sectoral value added and the composition of employment over different sectors and ages.
- Using a Computable General Equilibrium model

# Regional Integration Impact on Youth Employment

- The impact is differentiated across countries and sectors and over time.  
**The key insights are:**
- Early action is required to prepare the human capital with the necessary skills for an integrated economy
- Abolition of trade barriers has diverse effects in the national economies (depending on the competitiveness of the sectors they may lose or gain market shares). The impact is larger in countries that already have high trade barriers
- The impact from process harmonization, institutional improvement and investment de-risking is found to provide the best prospects in terms of youth employment job creation in the long run. This is mainly due to:
  - i) the positive impact on overall economic activity (lowering the investment risk supports economic growth better than removing tariff barriers)
  - ii) Alignment of skilled labour with capital. Increasing the capital stock allows the utilization of skilled labour. In certain countries and sectors a key driver for youth employment is skills mismatching with high unemployment rates in youngsters with tertiary education)