

Avoiding a Lost Generation in Arab Transition Countries

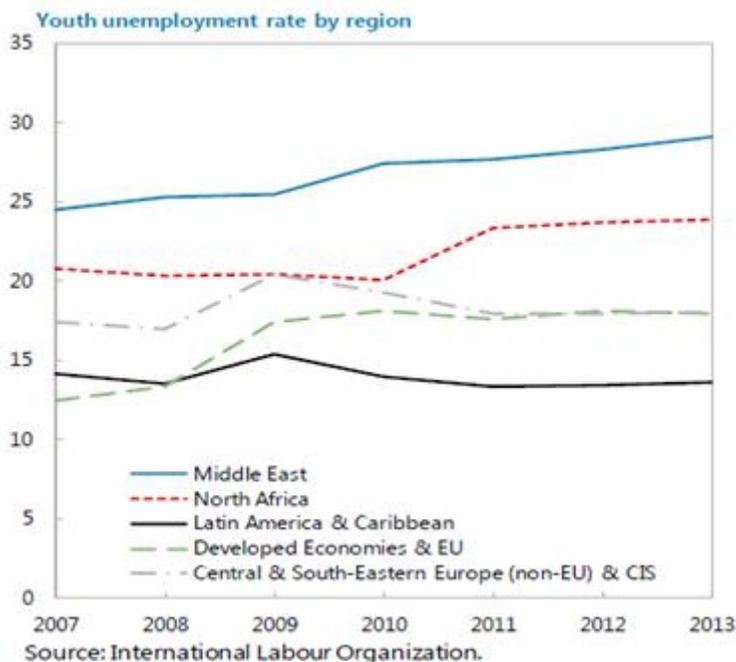
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With a significant and growing proportion of young people in the Middle East and North Africa region at risk of prolonged unemployment, the potential negative long-term scars to their careers, earnings, health, and well-being could be profound.

The energy, skills, and aspirations of young people are invaluable assets that no society can afford to waste. The IMF has previously given details on how to [avoid the lost generation](#). More recently, a [background note](#), prepared for a [regional conference co-hosted by the IMF](#), provides a brief overview of the challenges that the Arab Countries in Transition (ACTs)—Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen—face concerning youth employment, and discusses key areas in which education and labor market reforms are needed. Given countries' different problems and starting conditions, solutions will vary across countries.

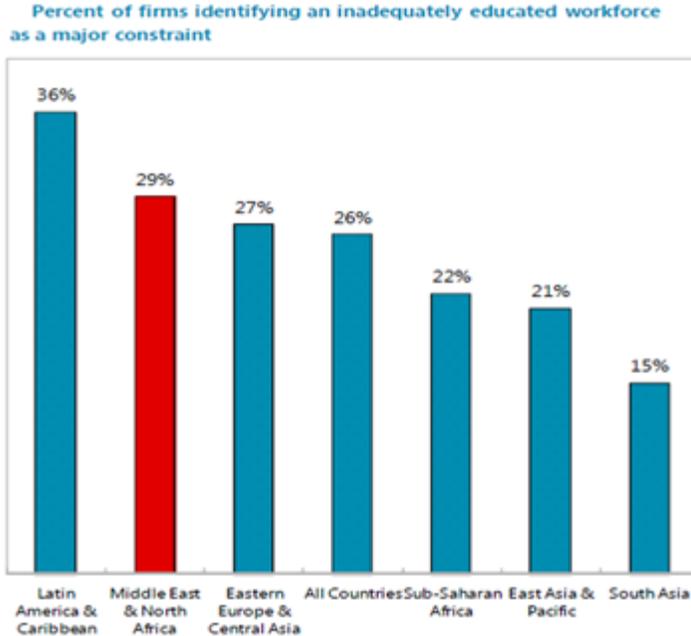
The note features prominently the work that has been done by international organizations—mainly the International Labor Organization and the World Bank—in the area of youth unemployment.



Educational system issues

- Students are not getting a good-quality education although the educational attainment of populations has been steadily improving
- Students are not acquiring the skills needed for success in the private sector

- Workers are offered few opportunities for lifelong learning



Source: World Bank, Enterprise Surveys.

Labor market issues

- Large distortions in the labor market through large public sectors
- Firms report labor market regulations as a constraint to doing business
- Minimum wage laws could price out of the market younger, first-time workers
- Severance pay, which does not appropriately serve the youth, is used as compensation for unemployment risk

Possible way forward

Improving the business climate and addressing public policy distortions so that private enterprises can grow are of fundamental importance to reduce unemployment overall. Reforms in education and in labor market policy are also needed to promote youth employment.

Education reforms: three elements of education reforms deserve to be highlighted:

- **Improving the quality of education:** for example through:
 - improving teachers pay and training

- moving away from rote learning
 - reviewing curricula to include a broader range of competencies such as problem-solving, communication, personal, and social skills
- Adopting an overall approach to **skills formation**, from basic education to entry into the labor market
 - **Linking education curricula**, especially in vocational schools, **to private sector needs**.

Active Labor market policies: there is evidence that vulnerable groups such as youth can benefit from programs that are targeted to their needs. For example, training or wage subsidies directed at vulnerable youth can significantly increase their chances of getting employment.

Such programs have been developed in several Arab Countries in Transition. When developing active labor market policies, it is important to adopt and adapt best practices (for example, targeting, training content, coordinating the roles of the public and private sectors), to combine active labor market policies for greater effectiveness, and to plan for appropriate evaluation and monitoring.

The success of active labor market policies is ultimately contingent on having a successful jobs and growth strategy.

For further details about each of the above policy options, please read the full note [here](#).