



How Active Labor Markets Policies Can Help Address Unemployment in the MENA Region



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Reducing unemployment is one of the top economic imperatives for policymakers around the world. And that's especially so in the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region. Youth unemployment rates average 25 percent in the MENAP oil-importing countries and 20 percent in the region's oil exporters. And with a large number of young people preparing to enter the labor force in many of these countries over at least the next five years—125 million youth aged 15-24 years old live in MENAP today—those unemployment rates could go even higher.

Reducing unemployment and fostering job creation requires a comprehensive policy agenda that combines social and economic policies. Experience in successful emerging markets shows that this agenda starts with a favorable and stable macroeconomic environment, and includes policies that level the playing field among enterprises; improve access to productive resources and financial services for all segments of the population.

In the context of persistently high unemployment rates, active labor market policies (ALMPs), which work directly with the unemployed to break out of their unemployment, have become increasingly popular.

ALMPs work by enhancing the employability of job seekers, more aptly connecting workers and jobs, and promoting job creation and labor force participation. If designed appropriately, they cannot only reduce unemployment, but also reduce poverty and improve equity as well.

ALMPs typically fall into the following five categories.

Table 1. Typology of Active Labor Market Policies (ALMPs)

Program Type	Goal
Training and retraining programs	Improve the employability of workers through providing skills
Intermediation services	Reduce information asymmetries in the labor market
Wage or employment subsidies	Foster the employment of individuals with lower productivity
Public works programs	Provide temporary employment with a training element
Self-employment programs	Provide technical and financial support to unemployed persons to set up their own businesses

Among these different types of ALMPs, training programs are the most popular and commonplace in the MENAP region, because they can develop job seekers with the specific skills and training that employers are looking for. Temporary wage or employment subsidies can help provide a bridge to employment at organizations by reducing the cost of new hires to employers, while public works programs can provide temporary employment, potentially including a training element.

ALMPs, however, can be undermined if program beneficiaries simply replace other workers, if programs find positions for workers who would have found a job regardless, or when candidates with a high likelihood of finding employment are selected into the programs. There is also a risk that beneficiaries would be stigmatized and negatively viewed by employers, failing to land a job.

A number of AMLPs have enjoyed success in both developed countries (Job Corps in the United States and New Deal for Young People in the United Kingdom) and developing countries (*Jóvenes* in Latin America) and they represent good examples for how countries in the MENAP region can improve their own programs.

Firstly, ALMPs must be able to target those candidates most likely to benefit, which is a challenge for MENAP, where many countries lack formal unemployment insurance and, therefore, an accurate database of those out of work. Secondly, some ALMPs can be complex to implement which can be a hurdle for those countries without the necessary institutional capacity to do so. And finally, policymakers must have the data and tools to monitor, evaluate, and improve their programs, something that has been rarely done in MENAP so far.

Addressing these three key areas would lay a platform for the success of ALMPs across the MENAP region, and help lower unemployment rates and boost living standards across the regions.

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