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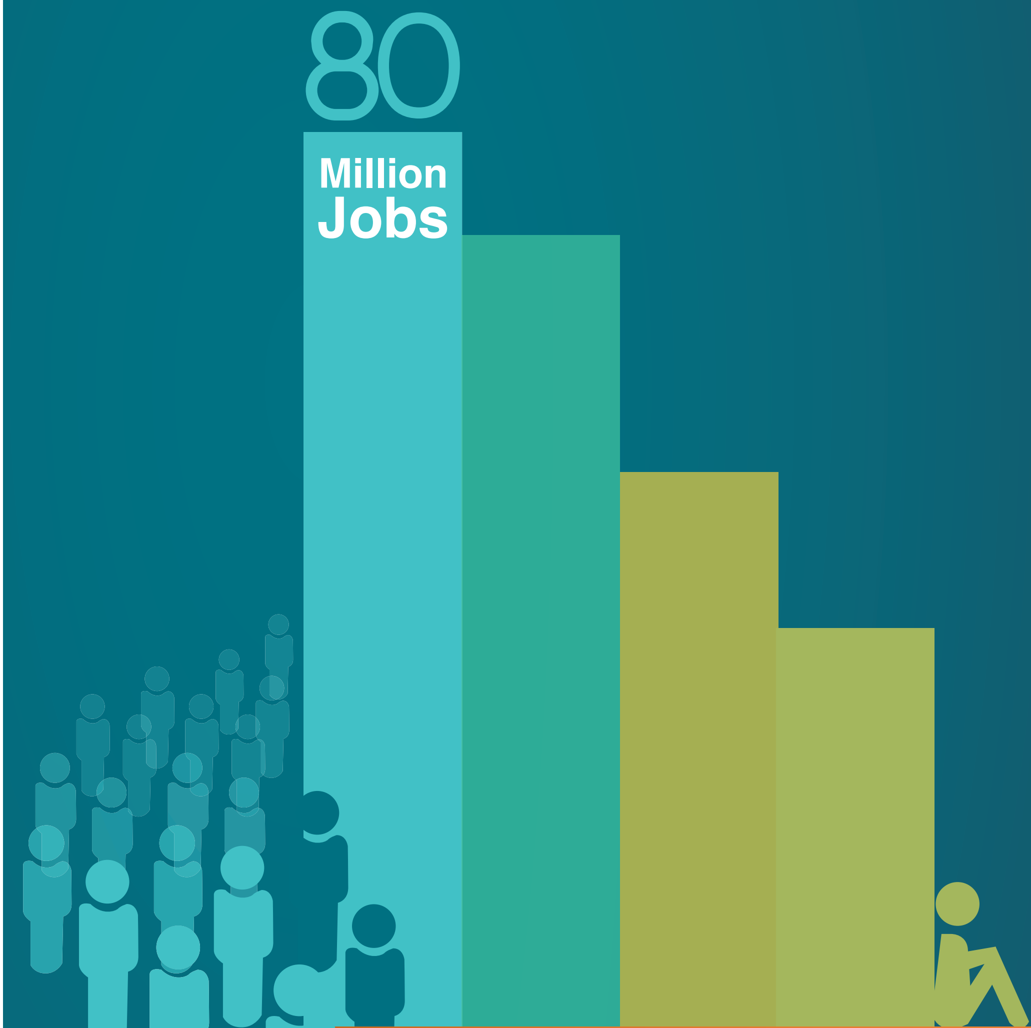

Enabling Job Creation In the Arab World

A Role for Regional Integration?

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Contents

Opening remarks

While official and non-official Arab institutions conduct many studies across the various categories of the Arab community on how best to tackle, improve and reduce the high level of unemployment, several economic and social factors still pose difficult challenges and all sectors urgently need to find practical day-to-day solutions to this crisis. Creating jobs and empowering Arab citizens to feel their productive capability are social and personal necessities that can contribute directly to social stability, security and well-being.

From this perspective, the report produced by the Arab Thought Foundation in cooperation with PwC and the support of the Saudi Human Resources Development Fund, serves the primary goal of the FIKR12 conference. FIKR12 aims at scientifically determining the nature of the Arab world labour market and its future needs during the next 20-50 years. The report bases its insights on a field survey and in-depth interviews with the various components affecting the Arab economies and their labour markets.

Through diagnosing differences and differentiation between Arab economies, the report also examines the nature of the crisis that the Arab labour markets face, without excluding the monitoring of the common nuances between these economies.

The report's methodology focuses on researching and investigating the nine main components of the Arab economic structure in order to understand their outputs, the general outlook for the Arab economies, and the impact of business, specifically economic competitiveness, on the economy.

In its preparation, the report covered myriad topics, including:

- Methods of optimum integration between education, the economy and economic competitiveness;

- The current state of entrepreneurship and the role of institutions in encouraging Arab youth to engage in entrepreneurial activities;

- Current government policies and action plans;

- The comparison of Arab youth's vision for the future with that of their non-Arab counterparts, and the impact of the Arab Spring on that vision;

- The cultural reality and its impact on employment and the labour market;

- Labour mobility in the Arab world and its impact on development;

- Regional integration and its role in promoting economic growth, stability and well-being, and the obstacles that prevent the minimum level of economic integration among Arab countries.

Accordingly, the Arab Thought Foundation is proud to present this first report of its kind in the Arabic language. This report is expected to become a reliable reference and database extracted from the heart of the Arab reality that will empower all those interested in Arab economic development in general and jobs creation in particular.

The report will be particularly beneficial to decision-makers who can review the results and apply them in drafting and implementing policies that shift their economies from the current development patterns to patterns based on the optimal use of Arab natural, financial and human resources, and build economies that are characterized by diversity and competitiveness and generate plentiful and rewarding employment opportunities, especially in the present hectic conditions of international competition promoted by the giant globalised economies.

HRH Prince Khalid AlFaisal
President of the Arab Thought Foundation

The Ministry of Labor and its affiliates: Human Resources Development Fund (Hadaf), Technical and Vocational Training Corporation (TVTC) and General Organization for social Insurance (GOSI), have sought to forge a comprehensive strategy to reduce unemployment rates and create new job opportunities. All within the framework of continued efforts to develop the labor market and enhance the competitive capacity of the national economy.

The strategy is constantly maintained to solve the evolving challenges of the national workforce and recruitment needs in accordance with evidence based approaches and a clear mutual vision. Its capability to reflect the labor market as an integral part of the macro economy is one of the many advantages for applying this overall strategy. It takes into account the concerted efforts of related bodies and stakeholders to launch in-depth programs that aim at regulating the labor market through the principle of partnership. It is done through fully activating the policies and mechanisms of both the public and private sectors.

This move has encouraged allied organizations to launch an array of programs and initiatives that help create new job opportunities for both genders on a fast track, train the national workforce and initiate a number of programs such as Women Employment, Telework, Wage Protection System, the National Unemployment Assistance (Hafiz), Taqat Channels for employment support and other diverse incentive programs.

HRDF strongly believes in investment in human capital and the workforce in an attempt to reduce unemployment. We seek to spread this culture through supporting studies as well as taking part in them. We aim to share the results with the ever changing Arab world, against the backdrop of increasing graduates and unemployment rates. And our knowledge is increasing from fact-finding studies that address the future needs of the Arab labor market.

The study presented to you today, addresses the crucial role we play in enhancing the regional integration in solving youth unemployment among the Arab states, and launches an interactive dialogue in order to positively mobilize a social and economic movement toward tackling the unemployment issues. However, challenges still remain in creating over 80 million new jobs by 2020. This against a concerning backdrop where one out of four job seekers in the Arab world is unemployed, the highest global unemployment rate. As a result, we should be armed with a clear vision of the future that helps form a detailed understanding of the needs of the Arab economy and make future plans to make a paradigm shift and comprehensive reform at every level.

Ibrahim Al-Moaiqel
Director General of the Human Resources Development Fund

The Arab world is bursting with a young and ambitious population, who rightly have high hopes for the future. Fulfilling these expectations presents the region with a great challenge – not least in creating an environment in which each young person can fulfill their professional potential.

Although the challenge is significant, the rewards are also great. That is precisely why we undertook this survey on behalf of the Arab Thought Foundation, the results of which I am pleased to present in this report. I hope it will make a contribution to our understanding of how the Arab world can work together to meet these challenges and reap the rewards.

The survey covers a host of issues that are pertinent to youth unemployment, and we hope to stimulate fresh debate on this topic by presenting insights from the survey on how regional integration might play a role in addressing youth unemployment. Designing and launching such a survey was itself a challenging task: while much work has been done on the topic of youth unemployment at the national level, the intention of this study was to contribute a more holistic view of the issues as they relate to the Arab world as a whole. Yet the Arab world is made up of a very diverse set of countries and affiliations. How can one study take both a holistic view and account for the significant variations that exist within the region?

The task at hand was therefore to deliver an analytically rigorous study that allowed for insights to be drawn across the region as a whole while also accounting for differences at the sub-regional level. A quantitative survey of over 350 participants from across the region yielded many interesting results, as well as some unexpected ones. Additional insights and key nuances inherent in such a diverse region were then further investigated through numerous in-depth discussions on youth unemployment with key stakeholders from around the Arab world. We are pleased to present the findings from both the quantitative survey and the qualitative discussions in this report.

On behalf of PwC, I hope this report stimulates interesting debate at the FIKR12 conference, and plays a modest role in helping our region develop a constructive approach to solving youth unemployment in the Arab world.

Emad Tinawi
Partner

Executive summary

The Arab world faces the critical challenge of creating 80 million jobs by 2020. Today, around one in four Arab youth are unemployed – the highest rate in the world – and the direct opportunity cost of youth unemployment to the region is estimated at $40-50bn annually.

In this context, the Arab Thought Foundation, an international, independent non-profit and non-governmental organization founded by HRH Prince Khaled Al Faisal, aims to take a lead on this regional issue.

While the issue of job creation has been examined in a number of studies, comparatively little attention has been paid to the role of regional integration in relation to the issue of Arab youth unemployment.

This report addresses this gap by asking if enhanced regional integration can contribute to the creation of jobs in our region.
The report is based on data gathered through a survey of over 350 people from 20 different Arab countries conducted from July-September 2013, and on the findings of a series of in-depth face-to-face interviews with key stakeholders in late October and early November.

The report's key findings are:

There is near-unanimous agreement that regional integration is important for addressing the problem of youth unemployment in the Arab world. However, regional integration in the Arab world today is perceived as limited and inefficient, and survey respondents were also pessimistic as to whether the Arab world can achieve a greater degree of regional integration in the future.

A strong domestic economy is regarded as crucial for improving youth unemployment. Although a majority of survey respondents also felt that the events of the Arab Spring have had little or no impact on youth unemployment, 65% of people expect the region's economy to improve in the next 12 months.

The education system needs to do more – both in producing people in sufficient quantities to enhance the economy and in teaching the 'soft skills' that employers in the region say the value above traditional academic skills.

There is a clear recognition that entrepreneurship and small and medium enterprises (SMEs) have an important role to play in tackling youth unemployment. Moreover, survey respondents felt that the private sector should shoulder the burden for increasing levels of entrepreneurship and driving SME growth.

There is widespread agreement that youth in the region are unwilling to take many of the jobs already available in lower-paid economic sectors, such as the service sector. Survey respondents felt that a wholesale change in cultural attitudes is the only solution to this problem.

People in the region regard improved labor mobility as having a positive role to play in addressing youth unemployment. Most survey respondents felt that levels of labor mobility are currently lacking.

Survey respondents felt that governments in the region need to take a more strategic approach to combatting youth unemployment than is currently the case: most people characterized their government's current employment policy as 'minimal' or 'ad hoc'.

While the survey revealed some clear trends at the regional level, on certain issues there was a notable diversity of opinion. The differences between the views of respondents from the Gulf Cooperation Council (GCC) and the rest of the Arab world were often the most pronounced.

Overall, the results of the survey indicate that the region is looking to the private sector to champion the drive towards economic growth and, ultimately, job creation.

Governments can facilitate this by not only creating attractive and efficient business environments in their own countries – but also by enabling businesses to operate across the region without friction.

This will be a joint project where the public and private sector players will need to work hand in hand towards a desired outcome.

Introduction

The Arab world faces the critical challenge of creating 80 million jobs by 2020. Today, around one in four Arab youth are unemployed – the highest rate in the world – and the direct opportunity cost of youth unemployment to the region is estimated at $40-50bn annually.

But the potential costs are not just economic. Many observers have attributed the recent upheavals of the Arab Spring directly to the effects of chronic youth unemployment, raising the possibility of continued or future instability if the problem is not addressed.

The social and demographic trends underlying the current levels of youth unemployment can be traced to the 1950s, when a sharp drop in infant mortality combined with rising fertility rates to create a youth bulge.

These demographic trends, together with greater female participation in the workforce, translated into significant pressure on the region's labor market in the following decades. From 1996-2006 the labor force in the Arab world grew three times faster annually than the rest of the developing world.[1]

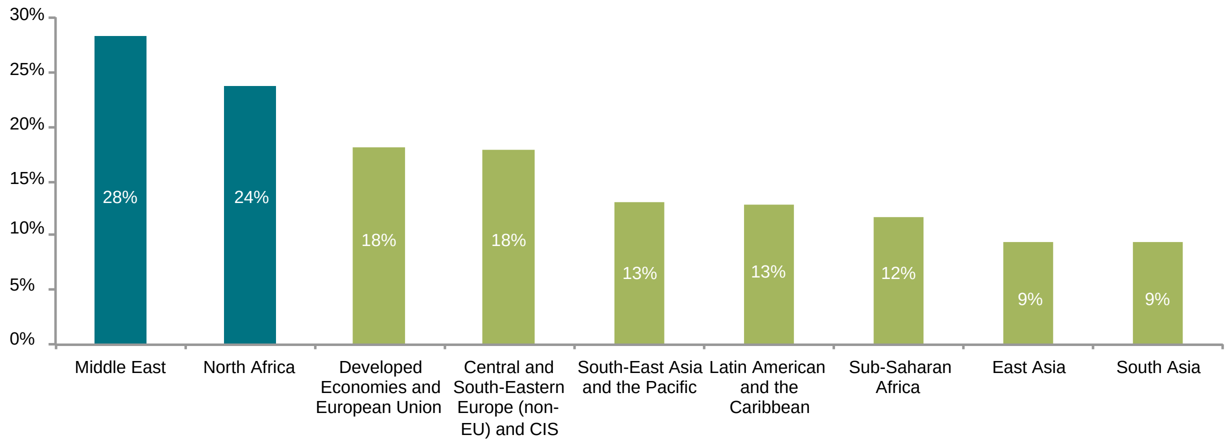
At the same time, the region's pace of economic and private sector development failed to grow rapidly enough to accommodate the rising youth population. Accordingly, for every new job created in the 1980s there were two new entrants to the labor market reaching working age, and by the late 1990s for every new job there were four new jobseekers.[2]

The Arab world has known about the problem of youth unemployment for a long time, and the issue has occupied a prominent place on the agendas of national governments, civil society organizations and NGOs, academics, and regional and international organizations since at least the early 1980s.

However, up to now the initiatives that have been put in place to address the problem have either not worked fast enough or have not yet had the desired impact.

Education has provided a common lens through which to examine the dynamics of youth unemployment. A large body of work attempts to account for the fact that in many Arab countries unemployment rates are highest among the most educated segment of the youth population, often pointing to a mismatch between the skills emphasized in the region's education system and those required for the jobs market.

Figure 1: Youth unemployment rates, 2012



[1] Adeel Malik and Bassem Awadallah, "The economics of the Arab Spring," Centre for the Study of African Economics, 2011
[2] Economic and Social Commission for Western Asia, Analysis of Performances and Assessment of Growth and Productivity in the ESCWA Region, 2004

Societal issues that play into regional youth unemployment have also received significant attention, from examinations of the cultural and legal obstacles that prevent women from playing a productive role in regional economic development to studies of prevalent attitudes to work among Arab youth populations.

A large body of literature also addresses the problem of youth unemployment in relation to weak private sector performance, evaluating issues such as how burdensome bureaucracy and regulations that create barriers to labor mobility and stifle innovation and entrepreneurship.

Another common approach addresses the fact that human security in Arab countries, which is an essential prerequisite for economic development, is often threatened by political, social and economic structures – and in some cases by the impact of civil war or external military intervention.

In this context, the Arab Thought Foundation, an international, independent non-profit and non-governmental organization founded by HRH Prince Khaled Al Faisal, aims to take a lead on this regional issue.

The FIKR12 conference, to be held in Dubai on 4th and 5th December, 2013, under the theme of 'Arab World Jobs Agenda', will help to shape the debate, educate stakeholders and convene the right players to provide a platform to discuss future scenarios and potential innovations surrounding the issue of youth unemployment in the Arab world.

Given the Arab Thought Foundation's work as a pan-Arab organization whose mission is to help advance regional economic development, as well as the survey respondents' strong endorsement of the benefits of increased regional integration for tackling youth unemployment, this report will in particular attempt to understand the obstacles and potential approaches to regional economic integration. Collaboration by regional governments on improving the business environment will help to drive private sector growth, while greater regional alignment of legal and administrative structures will encourage increased intra-regional trade and investment, ultimately improving the Arab world's economic competitiveness and driving job creation.

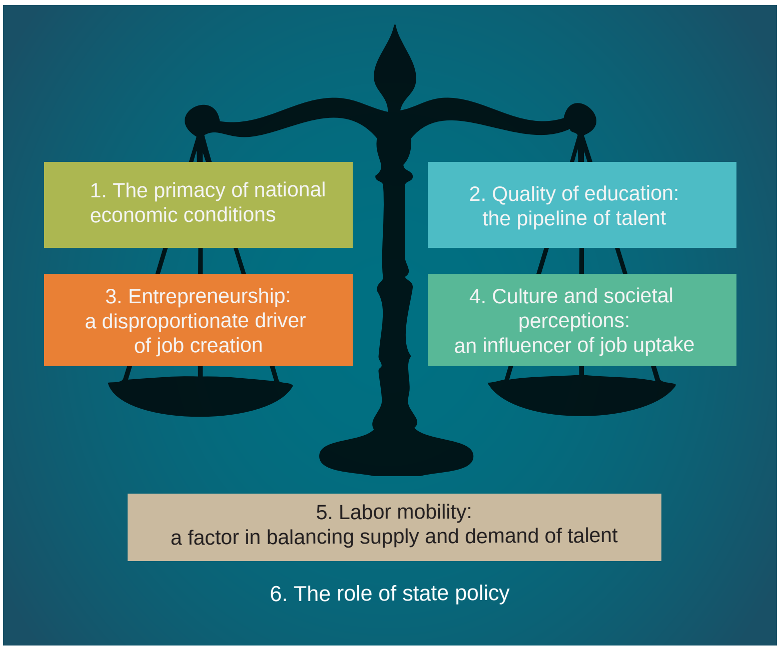
Preliminary research revealed that, in the body of work to date, comparatively little attention has been paid to the role of regional integration in relation to the issue of Arab youth unemployment.

This may in part be due to the inherent challenges of studying such vastly different countries through a common regional lens. There are enormous variations in the social, economic, political and cultural conditions of the different countries that make up the Arab world, and these unique factors all play into unemployment issues in distinct ways. Nevertheless, it is time to take a more holistic view of unemployment in the Arab world, and to consider how the region as a whole may contribute to addressing the issue, in spite of national differences.

As such, this report sets out to reflect on what role enhanced regional integration might be able to play in addressing the issue of Arab youth unemployment, in the hope that a fresh approach to the issue will help to stimulate constructive debate.

It does so by examining six key elements of the employment ecosystem – economic conditions, quality of education, entrepreneurship, culture and societal perceptions, labor mobility and the role of state policy – through the lens of regional integration. (see Figure 2 below)

Figure 2: Key elements of the employment ecosystem



In order to provide the context for this study, PwC's International Survey Unit from July-September 2013 conducted a survey of respondents from 20 different Arab countries. The survey design team was charged with developing a study that did not overlook variations in countries as diverse Saudi Arabia, Libya or Mauritania, but that would also yield holistic insights from across the region in order to create a common denominator for regional analysis.

In order to achieve this design mandate, the set of 20 Arab countries were segmented into three groups based on shared key characteristics (see Figure 3 below). In this way, large numbers of respondents could be surveyed while still recognizing meaningfully different patterns of employment behavior.

Similarly, so that certain questions could be targeted at the appropriate audience types, survey respondents were likewise divided into five stakeholder groups: government, private sector, academia, civil society, (face-to-face interviews only) and the youth population.

Furthermore, so as to ensure further detailed insights were captured across stakeholder groups and countries, the results of the survey were discussed in a series of in-depth face-to-face interviews with selected representatives of each of the five stakeholder groups in late October and early November.

This report presents the key results of the survey and the insights from the face-to-face interviews, and on that basis reflects on what role regional integration might play in addressing the problem of Arab youth unemployment

Figure 3: Country groupings

1 Resource-rich, labor-abundant countries	2 Resource-rich, labor-importing countries	3 Resource-poor countries that are net importers of oil and gas and exporters of labor
Algeria	Bahrain	Egypt
Iraq	Kuwait	Jordan
Libya	Oman	Lebanon
Sudan	Qatar	Mauritania
Syria	Saudi Arabia	Morocco
Yemen	United Arab Emirates	Palestinian Territories
		Somalia
		Tunisia

Key findings
The importance of regional integration

The long-standing issue of unemployment in the Arab world has attracted much attention and analytical review, and has stimulated a great body of work assessing the situation and providing recommendations. However, one aspect of the subject that is notably under-represented in the literature is the potential of greater regional integration to help address unemployment in the Arab world.

Regional integration is a concept that, when implemented, may range from small scale, informal collaborations between two or more Arab countries to full scale economic and political integration, as in the European Union.

This study does not take a position on the appropriate nature or level of regional integration. Nor does it impose a formal definition of regional integration on survey respondents.

Rather, this study has encouraged respondents to interpret regional integration in the way that they deem most appropriate to our current context in the Arab world and envisage how regional integration may help to reduce our unemployment challenge.

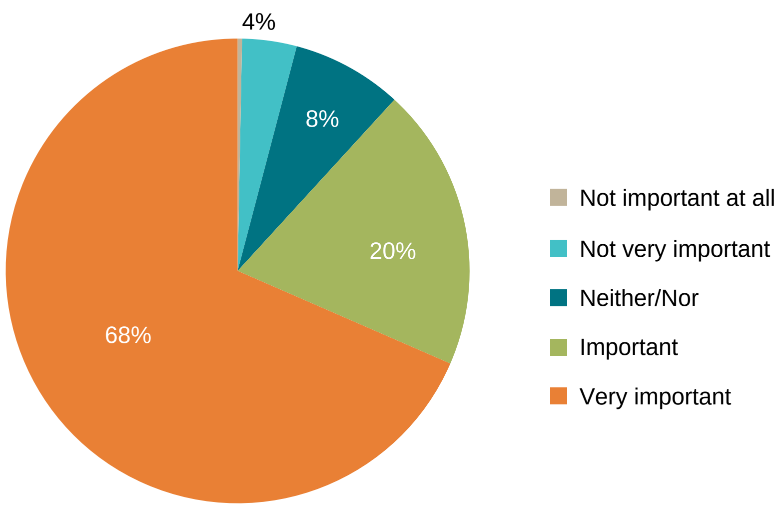
The results of the survey show that there is very strong agreement that regional integration is important in addressing the problem of youth unemployment in the Arab world.

"Increased regional integration would be positive for the region's economy; it would allow Arab countries to export more easily and to draw on a greater pool of talent"

-- Vice President of major pan-Arab conglomerate

Figure 4: The importance of regional integration

Q: How important do you think it is to have regional integration to address youth unemployment issues?



This near-unanimous verdict on the importance of regional integration was matched by a correspondingly strong feeling that regional integration across the Arab world today is neither sufficient nor effective.

Only 12% of respondents view regional integration as above average levels and three-quarters of respondents noted that this integration is less than effective.

The implication is that while regional integration may be important for tackling unemployment, there are steps to be taken to improve the potential impact of integration efforts.

As would be expected, beneath the broad consensus on the importance of regional integration, there are different attitudes to the issue emerging from different parts of the Arab world.

Respondents from Group 1 countries – Algeria, Iraq, Libya, Sudan, Syria and Yemen – were the most critical of current levels of regional integration, with 90% of them characterizing it as low or very low. Respondents from Group 2, constituting the countries of the Gulf Cooperation Council (GCC), were the most positive, with 37% of them describing current levels of regional integration as effective or very effective.

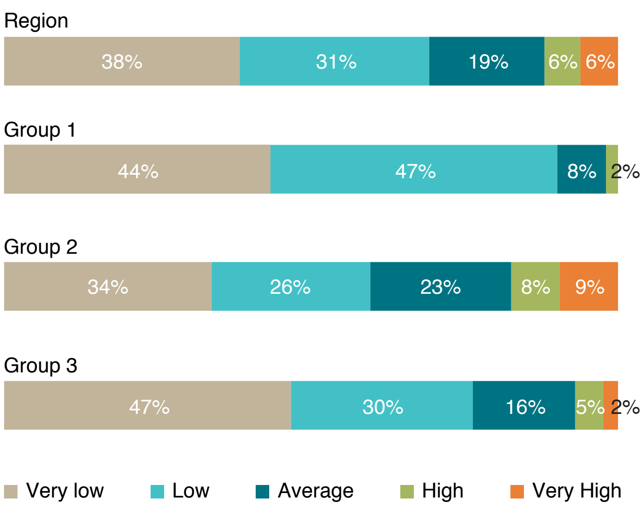
It is perhaps unsurprising to witness this range of opinion. The GCC itself represents one of the strongest examples of regional integration in the Arab world. Not only are collaborative policies in place, but the challenges faced by the GCC states are much more similar in nature than those faced by non-GCC states.

Given the strong opinion of the importance of regional integration, this study seeks to understand how participants view the potential roles that regional integration may play in reducing unemployment.

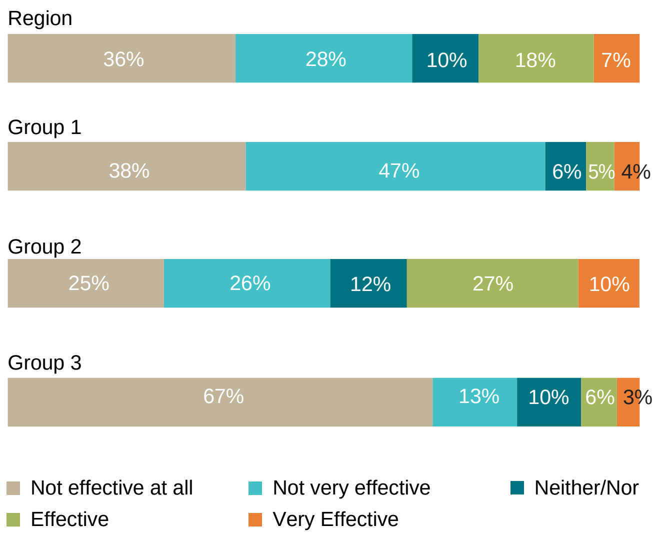
To do so, the survey investigated each of the six main drivers of unemployment in the Arab world in turn, identifying the key issues and how regional integration may have a role to play.

Figure 5: Current level and effectiveness of regional integration

Q: How would you assess the current level of regional integration?



Q: How would you assess the effectiveness of current levels of integration?



The primacy of national economic conditions

"Economic growth is the most important thing in addressing unemployment… everything else is secondary"

-- CEO, large GCC company

Regardless of their own country's level of economic development, survey respondents from across the region unanimously identified a strong domestic economy as crucial for tackling youth unemployment.

Alongside this view, interview participants noted that while the importance of the economy in creating jobs is not a new insight, there is a risk that at times it is overshadowed by the focus on moving nationals into jobs. It is critical to balance both sides – economic growth to create a greater overall number of jobs while also increasing the employability of each country's nationals.

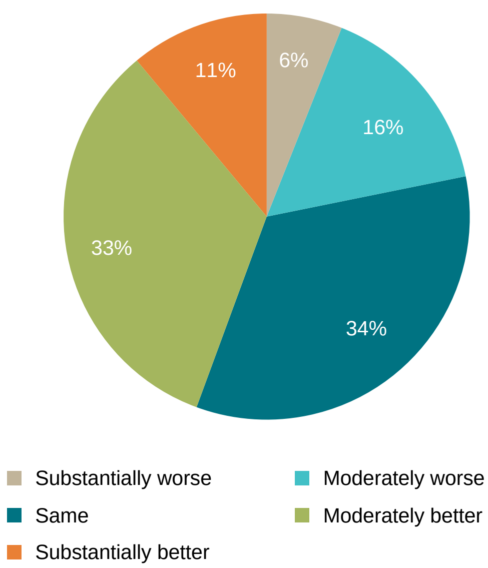
There is growing optimism among respondents that economic conditions will improve.

Across the survey respondents, 44% felt that current economic conditions in their respective countries are better than 12 months ago and 65% anticipate improvement over the next 12 months.

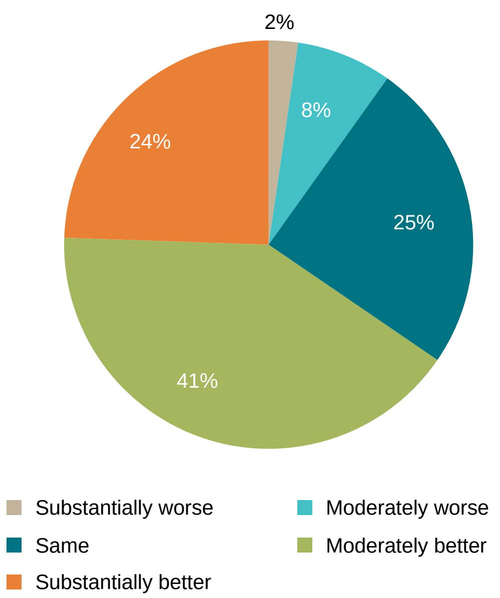
This optimism – and the uptick in optimism about the coming 12 months as compared to the past 12 months – is likely to be the results of a number of countries emerging from difficult political situation, a gradual improvement in certain sectors of the global economy, and an increase in the price of oil.

Figure 6: Regional economic confidence

Q: Would you say economic conditions in your country are better or worse compared to 12 months ago?



Q: Do you expect economic conditions in your country to be better or worse in 12 months' time?



Economic optimism ranges substantially across the region; certain countries may require efforts to stimulate greater job creation.

The GCC (Group 2) were the most bullish about economic prospects while respondents from countries with a poor natural resource base (Group 3) were the most likely to feel that economic conditions have seen a decline over the past 12 months. 55% of respondents from GCC countries viewed current economic conditions as better than a year ago, perhaps as a result of high oil prices. Meanwhile, 57% of Group 3 countries viewed economic conditions as worse than a year ago, possibly due to the knock-on effect of continued political unrest.

Looking ahead is more promising, with 76% of respondents from Group 2 countries and 65% of respondents from Group 3 countries anticipating better conditions in the coming year. Even within Group 1, nearly 80% of respondents believe the economy will be at least as strong if not improve over the next year.

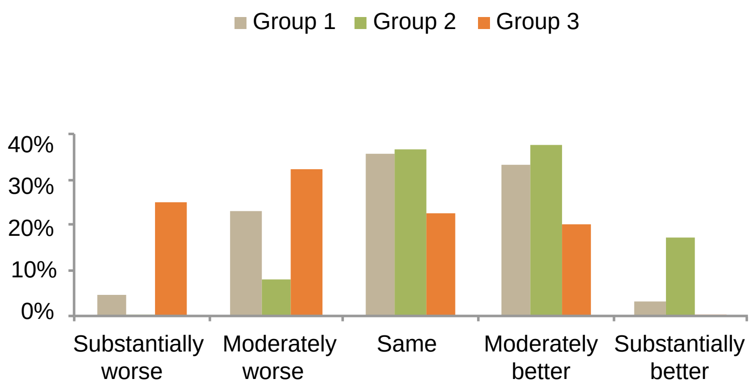
The positive outlook, if it transpires, would serve as a boon to addressing the unemployment issue. Nevertheless, regional variations in economic performance must still be contended with.

Furthermore, while the positive view of the GCC is encouraging, hydrocarbon-based economies are typically not labor-intensive and create disproportionately few jobs.

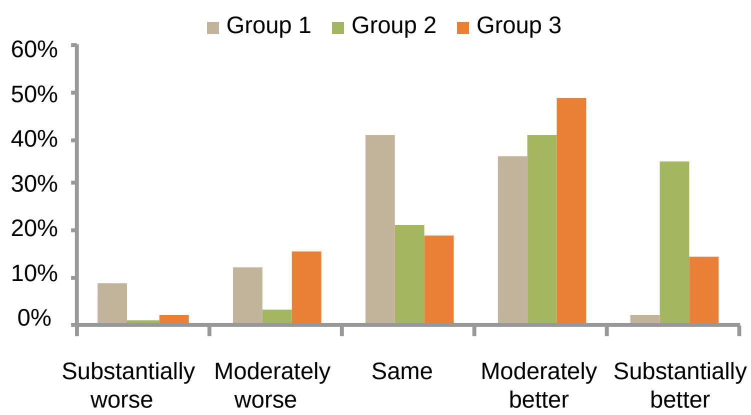
While regional variations may persist and the intensity of the unemployment challenge may vary across countries, stronger regional growth and improved economic competitiveness will benefit the entire Arab world in terms of job creation, with improved investor confidence, greater inflows of capital and more competitive industries all contributing to the employment challenge.

Figure 7: Regional variations in perceptions about economic conditions

Q: Would you say economic conditions in your country are better or worse compared to 12 months ago?



Q: Do you expect economic conditions in your country to be better or worse in 12 months' time?



In reviewing the factors identified by survey respondents as having the potential to increase their country's competitiveness in the global market place, it is worth asking how they may be implemented on a regional basis.

For instance, the transportation and communications network - identified as the second most important factor in increasing a country's competitiveness - is increasingly under discussion at the regional level. Plans to build the GCC rail network and the possibility of increasing connections beyond the GCC would require regional cooperation and greatly increase the economic potential of counties.

While improvements to domestic legal and administrative frameworks and efficiency of goods markets are a priority, one might also consider the potential benefits of greater regional alignment of legal and administrative structures.

Collaboration by regional governments on improving the business environment may also improve the contribution of the private sector in stimulating economic growth.

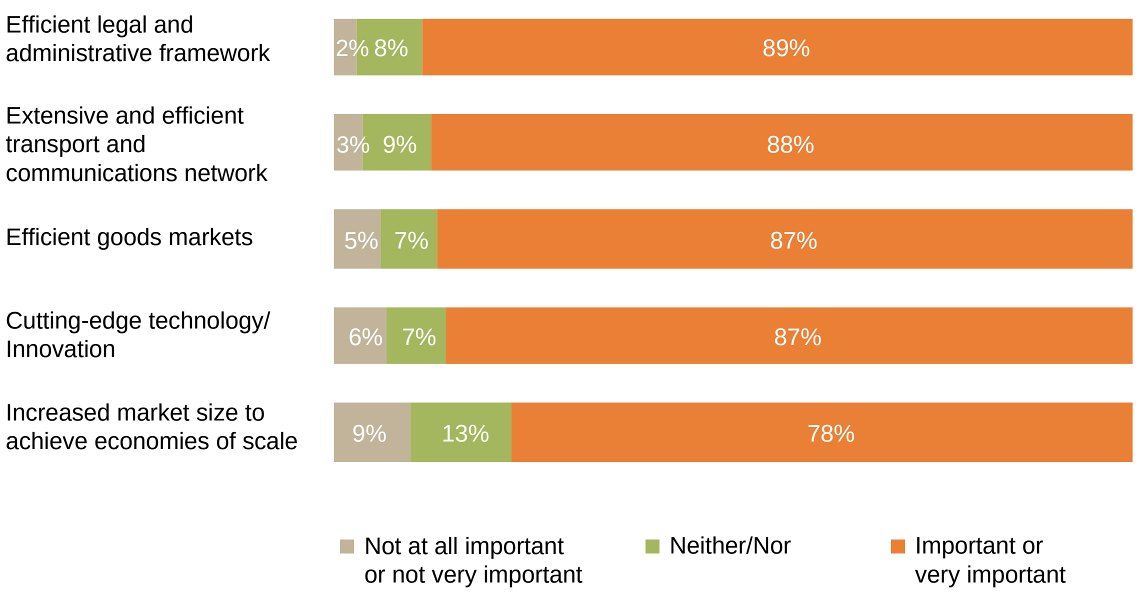
Survey respondents expressed strong beliefs that the responsibility for generating economic growth and job creation lies as much with the private sector as with government.

"The role of the private sector is very simple and clear: we need to make sure we are competitive and grow and have enough work in order to generate jobs for youth"

-- CEO, large GCC company

Figure 8: Increasing economic competitiveness

Q: How important or unimportant are the following factors in increasing your country's competitiveness in the global market place?



Quality of education: the pipeline of talent

An educational system that produces young people equipped with the right set of skills for the labor market is clearly a crucial component of tackling the challenge of unemployment in the region. Unsurprisingly, the results of the survey resoundingly confirmed this assessment, with 97% of respondents considering education as an important or very important issue in relation to tackling youth unemployment.

Figure 9: The importance of education

Q: How important do you believe raising educational levels is in relation to improving youth unemployment?

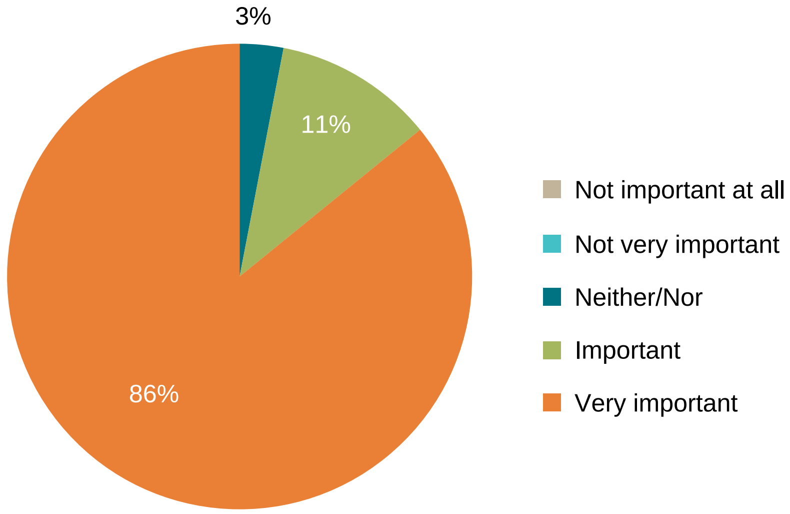
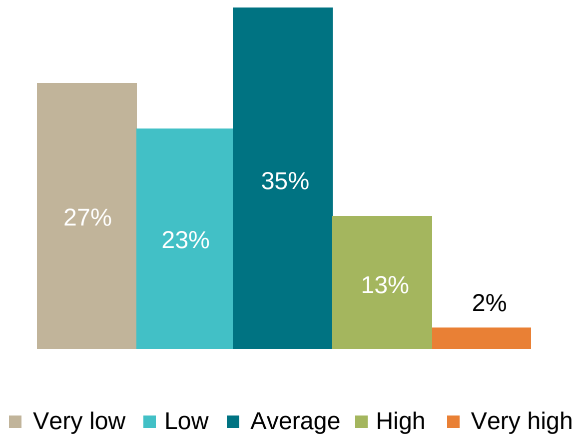
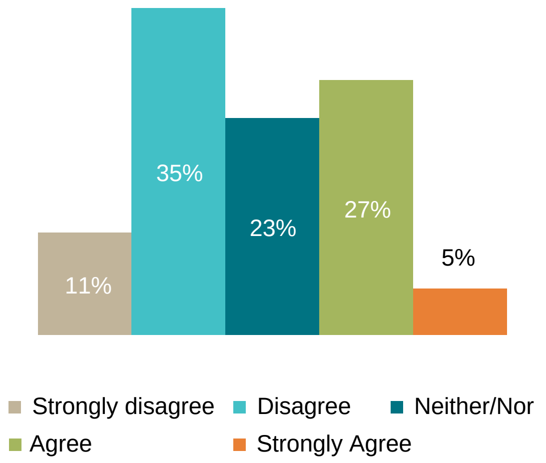


Figure 10: Education in the Arab world: standards, skills and quantities of graduates

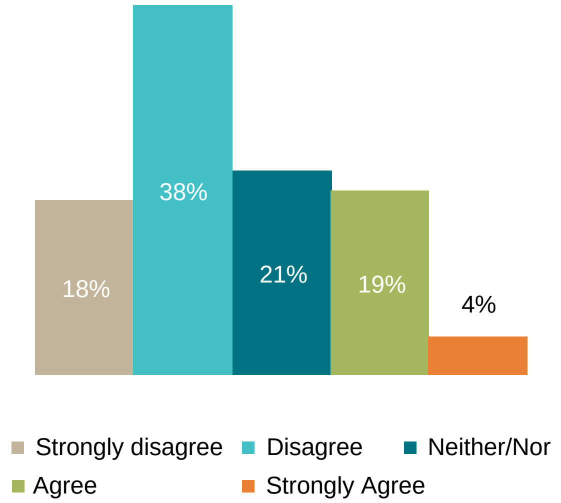
Q: How would you rate the overall education system in your country with respect to international standards?



Q: Does the education system in your country provide people with adequate skills to enhance the economy?



Q: Does the education system in your country provide people in sufficient quantities to enhance the economy?



In spite of the importance of education there were very negative perceptions of the quality of education in the region.

Only 15% of respondents region-wide rated the overall quality of their country's education system as high or very high in relation to international standards.

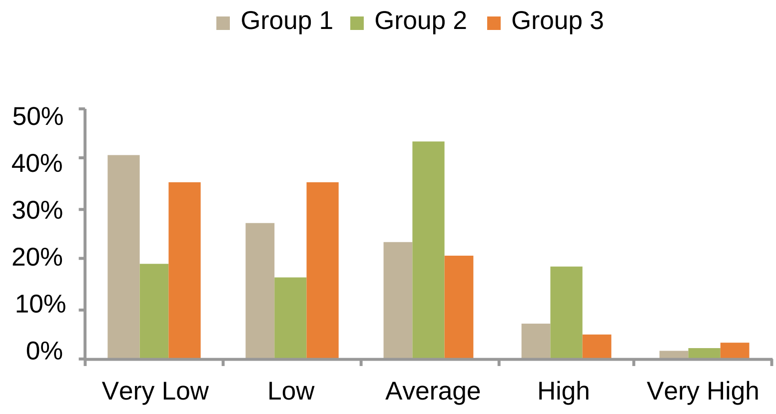
46% of respondents disagreed or strongly disagreed that the education system in the country provides people with adequate skills to enhance the economy, while over half of respondents did not think their country's education system provides people in sufficient quantity to enhance the economy.

There were notable differences at the sub-regional level in terms of satisfaction with the education system.

While the survey demonstrated overall agreement that education in the region requires further upgrading, Group 1 respondents were the most critical of their countries' education system. 75% of Group 1 respondents disagreed or strongly disagreed that their schools and universities equip young people with adequate skills to meet the needs of the economy.

Figure 11a: Regional variations in perceptions of education

Q: How would you rate the overall education system in your country with respect to international standards?



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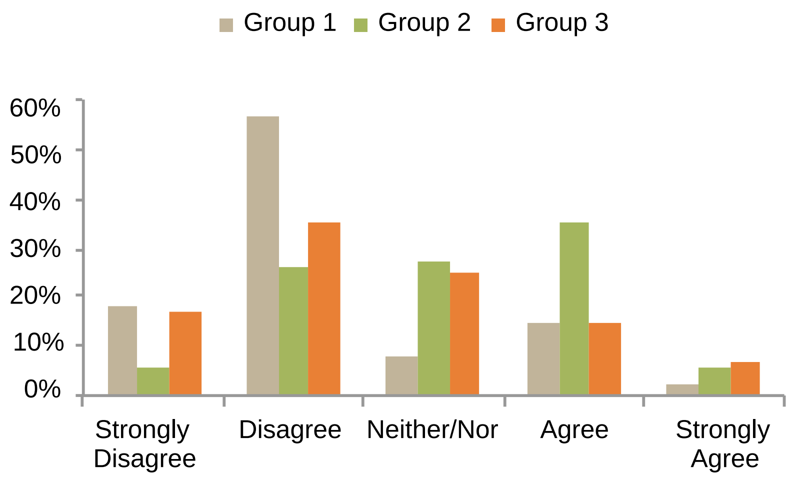


By contrast, 41% of respondents from the GCC rate their country's education system as able to provide people with adequate skills.

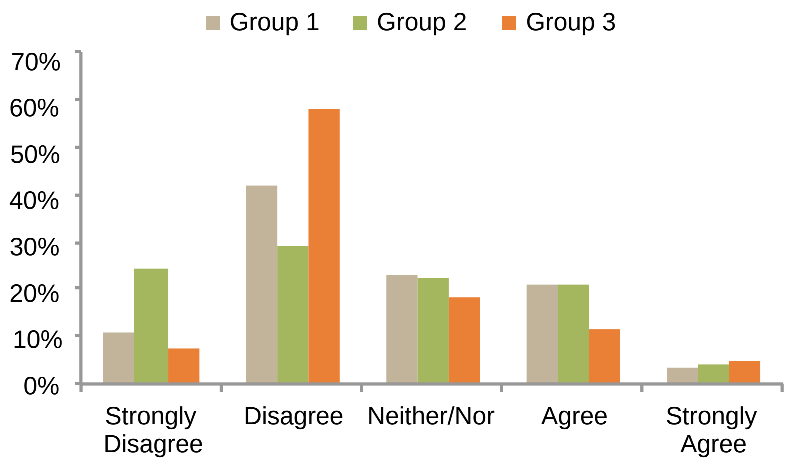
This notable diversity of opinion between the different country groups seems to indicate that there is fertile ground for further discussion and debate on education in the region.

"In the GCC, they have a relatively lower number of educated people than the rest of the Arab world. Other parts of the Arab world have the required expertise and qualifications but lack the appropriate jobs"

-- Senior GCC government official

Figure 11b: Regional variations in perceptions of education

Q: Does the education system in your country produce people in adequate numbers to enhance the economy?



One of the key insights of the survey was to demonstrate the strength of demand for the private sector to play a greater role in customizing education to the needs of the economy.

When respondents considered different options for improving the quality of high school and university education in their country, solutions involving collaboration with the private sector ranked the highest.

Nearly half of respondents cited engaging employers in the education system as likely to have the greatest impact on improving higher education in the region.

Figure 12: The private sector's role in education

Q: Which of the following do you feel would have the greatest impact in high schools and higher education?

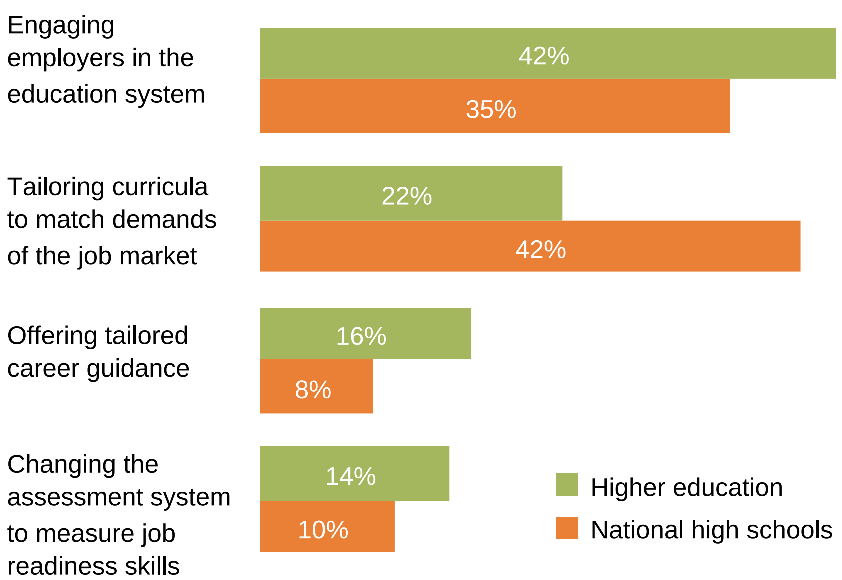
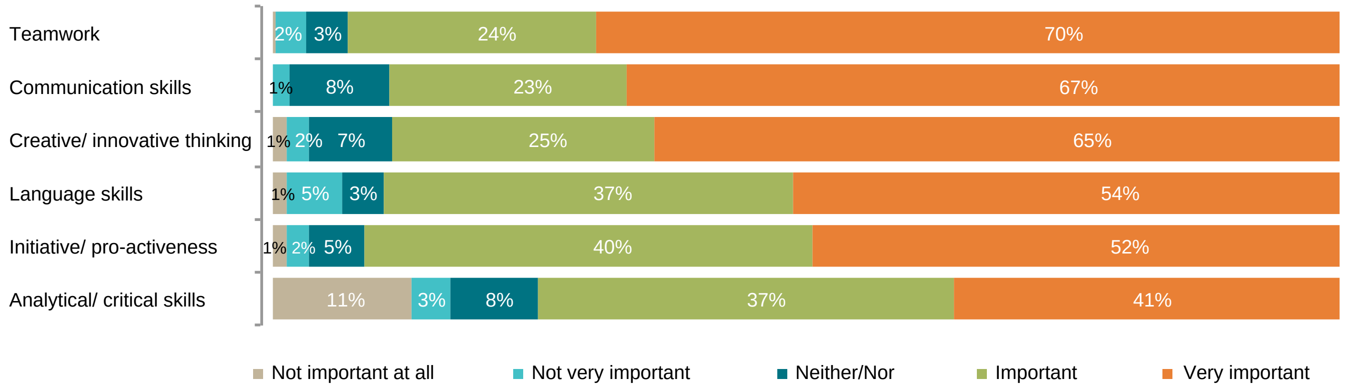


Figure 13: The skills valued by employers

Q: When recruiting a graduate, how important do you consider the following skills to be?



There is increasing emphasis placed by employers on the 'soft skills' of the youth entering the workforce.

The private sector values certain skills that are often harder to teach in the classroom than traditional academic subjects, and which receive less coverage in the region's educational curricula.

Survey respondents indicated that when recruiting a graduate, they consider 'soft skills' such as teamwork and communication to be more important than more traditional analytical and critical skills.

"In addition to soft skills and critical thinking, other attributes are also important. For example, work ethics and etiquette are very valuable at the workplace and need to be taught"

-- Director, major international company

Entrepreneurship: a driver of job creation

The region's governments and multinational corporations alone cannot create the jobs required to address the youth unemployment challenge.

Entrepreneurs who create and build their own small and medium enterprises (SMEs) also have an important role to play.

SMEs employ disproportionately more people than large companies and therefore act as an accelerator for job creation.

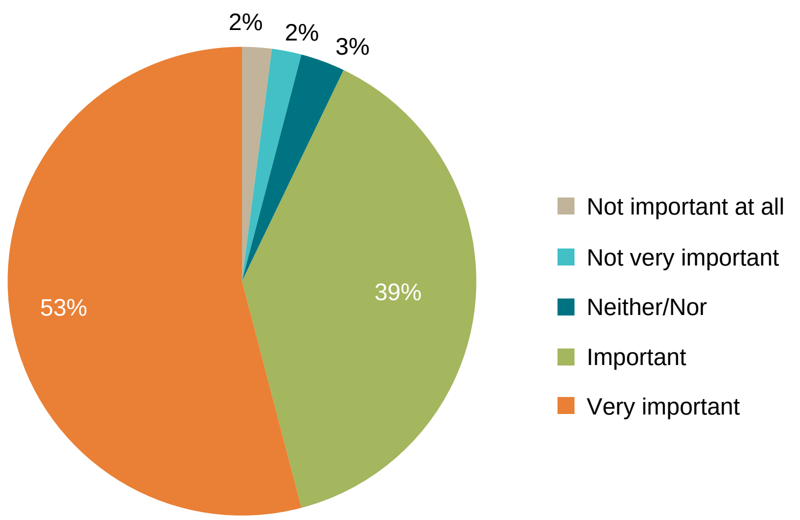
At the same time, SMEs contribute to healthy economic growth, often feeding into the supply chains of emerging local industries.

In many Arab countries where the main drivers of the economy are technology-intensive rather than labor-intensive industries (such as oil and gas), or where sectors of the economy rely heavily on foreign labor (such as the service sector), homegrown entrepreneurial activity can provide a unique conduit for absorbing nationals into the labor market.

These benefits of SMEs are recognized, as seen by the 93% of respondents that characterize entrepreneurship as important or very important for tackling unemployment.

Figure 14: The importance of entrepreneurship

Q: How important do you believe increasing entrepreneurship levels is in relation to improving youth unemployment?



However, there has already been significant focus on SME development in the Arab world, to the extent that many respondents believe there is already a sufficient number of entrepreneurs in the economy.

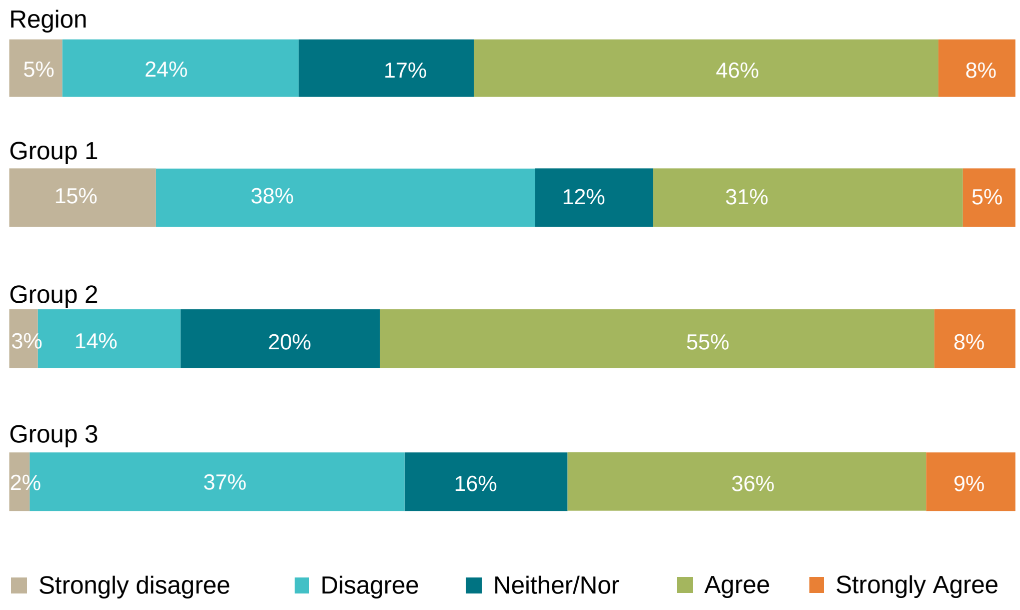
Over half of all respondents - 54% - felt that their country currently produces a sufficient number of entrepreneurs.

This sentiment is particularly prevalent among GCC respondents and may be indicative of the efforts that have already been channeled into entrepreneurship initiatives in the Gulf. Alongside the focus on creating jobs for nationals, a large number of SME-support institutions, small business incubators and national SME programs have sprung up in the GCC.

By contrast, respondents from Group 1 and 3 countries are more inclined to disagree that there are sufficient entrepreneurs in their countries, suggesting that there is scope to support the SME sector in these countries in particular.

Figure 15: Level of entrepreneurship

Q: To what extent do you agree or disagree that your country produces a sufficient number of entrepreneurs?



“Currently, there doesn’t seem to be a strong connection between Arab entrepreneurs and the local population in terms of sharing expertise”

-- Director, major international company

The private sector is viewed as having a critical role in driving SME growth and entrepreneurial activity.

When asked to consider who should have responsibility for increasing levels of entrepreneurship, 67% of respondents identified the private sector. A clear majority of respondents from Groups 1 and 3 expressed this opinion.

Respondents from Group 2, the GCC, felt that the government should shoulder the burden for growing entrepreneurship – in particular the Ministry of Labor.

This points to something of a regional divide in which respondents from the GCC look towards their governments to stimulate entrepreneurship while the rest of the region relies on the private sector.

When asked what measures would be the most effective for increasing levels of entrepreneurship, survey respondents identified providing incentives for large companies to support and host entrepreneurs as the top choice. With growing numbers of multinational corporations expanding in the Arab world, such initiatives may be more effective if implemented on a region-wide basis.

In addition, regional governments might also consider co-operating on providing an environment for SMEs to be able to explore opportunities and expand beyond their borders.

Figure 16: Responsibility for increasing entrepreneurship

Q: Who should take responsibility for increasing levels of entrepreneurship?

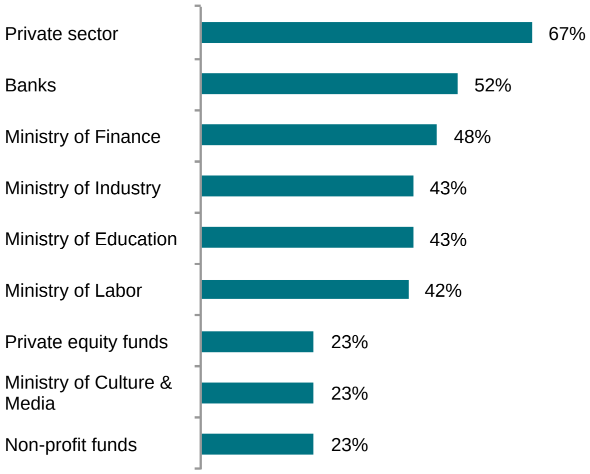
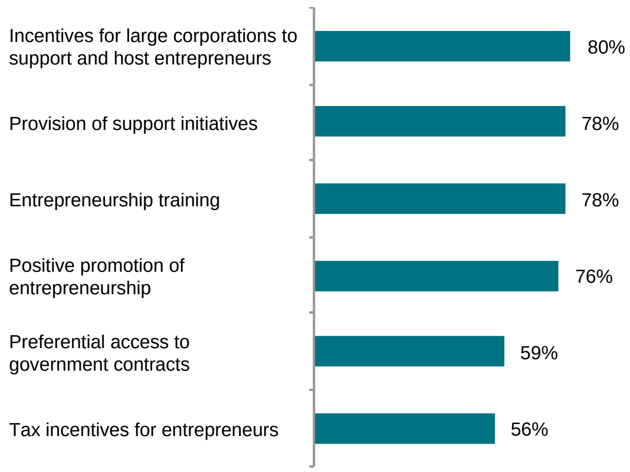


Figure 17: Enabling entrepreneurship

Q: Which initiatives will have high or very high impact on enabling your country to increase levels of entrepreneurship over the next five years?



Culture and societal perceptions: an influencer of job uptake

"Youth coming out of university are expecting an easy life once they come into the job market. The public sector must manage their expectations"

-- Young person, working in the private sector

There is widespread agreement that the unemployed youth in the region are not just unable to find jobs, but that they are unwilling to take many of the jobs already available in lower-paid economic sectors, such as the service sector.

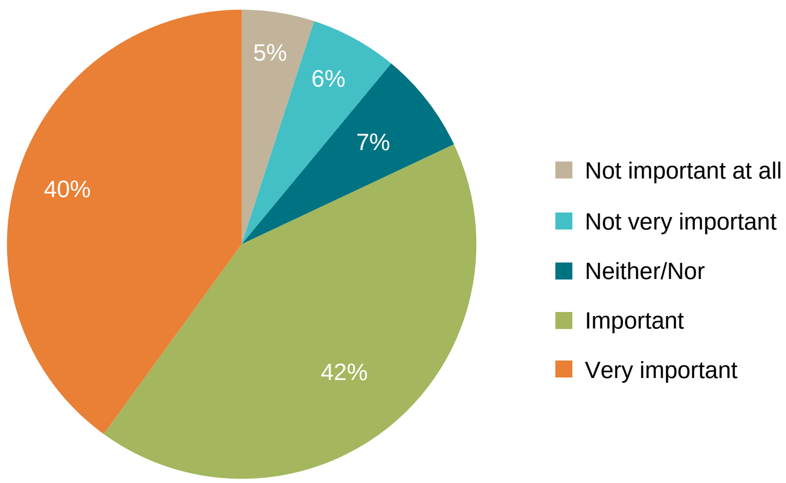
These cultural and societal biases influence the supply of available and willing labor, which contributes to high non-participation in the workforce or to voluntary unemployment.

The employment challenge in the Arab world is not just about creating new jobs for nationals – it is as much about encouraging uptake of existing jobs and a smoothly functioning labor market that matches supply of labor with demand for labor.

In recognition of these biases, the results of the survey show that 82% of respondents considering cultural biases to be either important or very important in relation to improving youth unemployment.

Figure 18: The importance of cultural issues

Q: How important do you believe cultural perceptions are in relation to improving youth unemployment?



Over 60% of respondents agreed that youth are unwilling to take low-medium paying jobs, which is likely to drive a breakdown in the labor market's ability to clear.

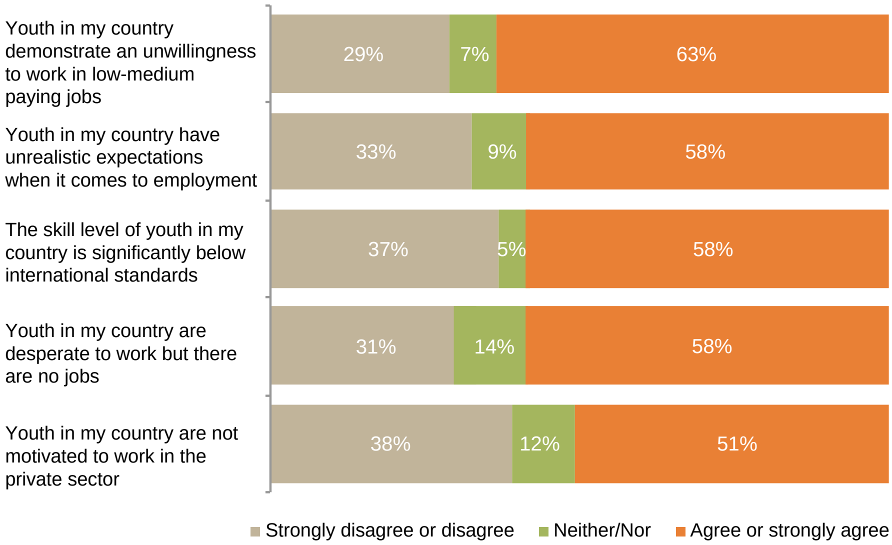
Similarly, there is as much agreement (58%) that youth have unrealistic expectations of employment as there is that youth are desperate to find jobs which are unavailable or that low skill levels are preventing employment.

Of particular concern is the perception that youth are not motivated to work in the private sector.

The survey results allocate a significant role to the private sector in creating jobs and driving entrepreneurship. With 51% of respondents also believing there is a bias among the youth against the private sector, the labor market will face additional challenges in matching young people to jobs.

Figure 19: Youth and their employability

Q: To what extent do you agree or disagree with the following statements about youth and their employability?



It is not just the youth that exhibit employment biases; Arab youth also appear to face a number of cultural and societal barriers to being able to move into employment.

Nepotism emerges as a prominent issue, with 69% of respondents agreeing that nepotism contributes to youth unemployment.

This challenge takes the form of discouraging youth from seeking work in an open labor market as well as preventing willing job seekers from taking jobs that are effectively held for those more closely connected to the employer.

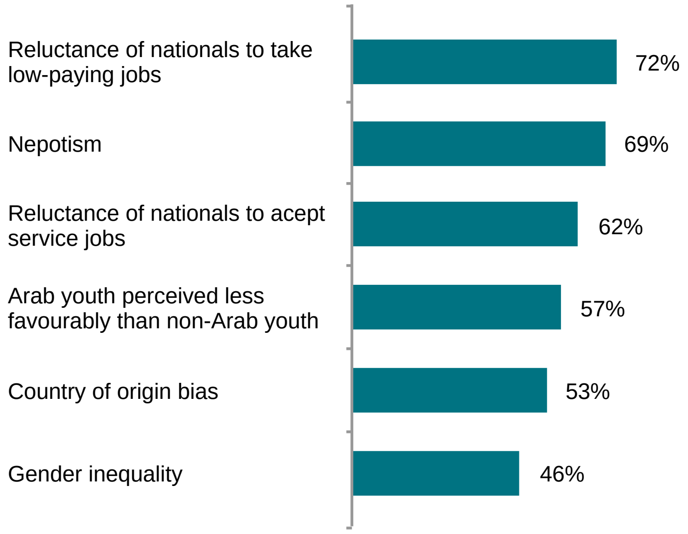
Overall, nepotism contributes to the “stickiness” of the labor market and reduces incentives for young people to work hard to find suitable employment.

57% of respondents also believe that Arab youth are perceived less favorably than non-Arab youth and over 50% see a bias based on country of origin.

These preferences by employers towards non-Arabs and expats are a significant motivator to governments to promote workforce nationalization initiatives, but in doing so, create additional distortions that prevent a well-functioning labor market.

Figure 20: Cultural factors contributing to youth unemployment

Q: Do you agree or strongly agree that the following cultural factors contribute to youth unemployment?

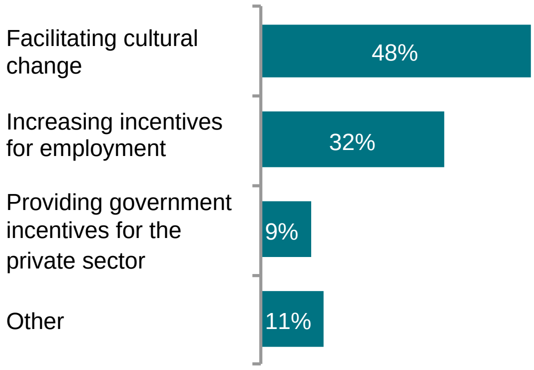


The solutions proposed by respondents revolve around changing cultural and mental attitudes – a difficult ambition to succeed in, but one that may benefit from collaborative efforts.

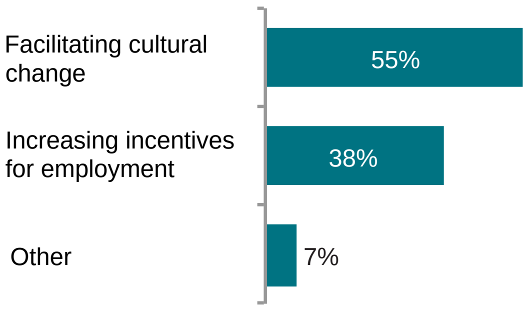
While efforts may be lead on a country-by-country basis, greater cooperation on joint initiatives between countries may potentially accelerate outcomes, and a concerted effort to address this regional trend stands to benefit all participating countries.

Figure 21: What is needed to tackle cultural issues contributing to youth unemployment

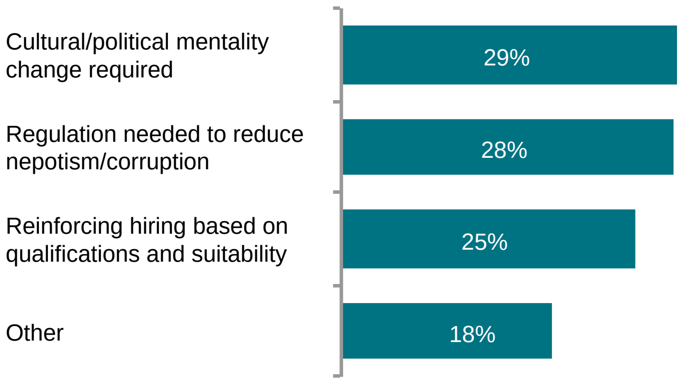
Q: Can you suggest a possible solution to address reluctance to accept low-paying technical jobs?



Q: Can you suggest a possible solution to address reluctance to accept service jobs?



Q: Can you suggest a possible solution to address nepotism?



Labor mobility: balancing supply and demand

"Labor mobility in the region is essential to achieve employment holistically instead of by country."

-- Young person, working in the public sector

While labor mobility is critical at the national level, there are also potential benefits to regional labor mobility. However, greater transnational labor mobility brings with it associated political and security complexities.

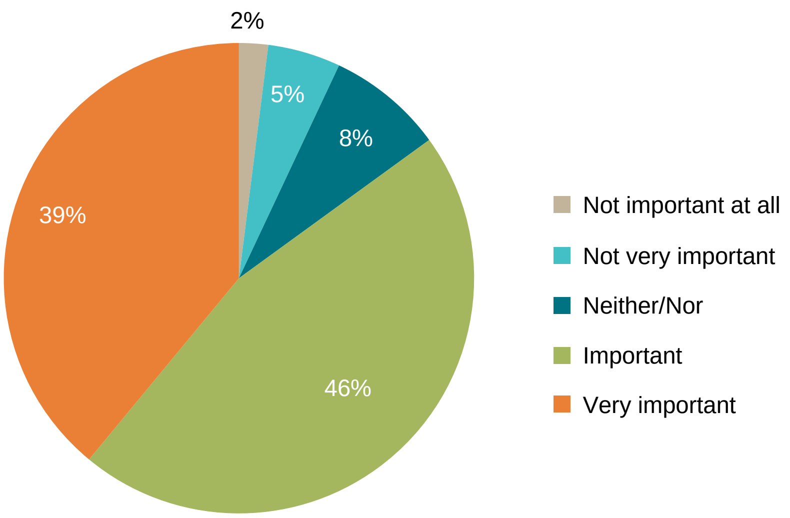
Neither the survey nor our analysis of the survey advocates a particular position in this regard; however, we hope that this presentation of the survey data serves to stimulate a fruitful discussion on labor mobility.

Furthermore, labor mobility may only improve the effectiveness of an economy in which there are sufficient volume and range of jobs. Greater mobility will not in itself serve as a solution to lack of employment opportunities.

Labor mobility's important but nuanced role in the job ecosystem is recognized by the 85% of survey respondents that viewed it as important or very important for addressing Arab youth unemployment.

Figure 22: The importance of labor mobility

Q: How important do you believe labor mobility is in relation to improving youth unemployment?



Less than a third of survey respondents agreed that there is sufficient labor mobility throughout the Arab world, and nearly one third saw no risks to greater labor mobility.

This suggests strong initial advocacy for greater labor mobility (including transnational mobility). The greatest support for labor mobility comes from Group 1 countries, with 41% strongly disagreeing that current levels are sufficient. Over 50% of both Group 2 and Group 3 respondents also disagreed that there is sufficient labor mobility in the Arab world.

However, there is widespread recognition that with greater mobility governments perceive greater risk. Respondents identified the top three risks as security risks, the risk of immigrant labor taking the jobs of nationals, and political risks. As anticipated, labor mobility remains a highly complex issue to address.

Figure 23: Sufficiency of labor mobility in the Arab world

Q: Is there sufficient labor mobility throughout the Arab world?

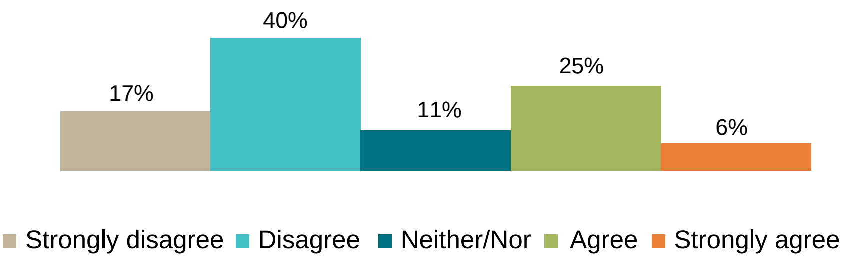
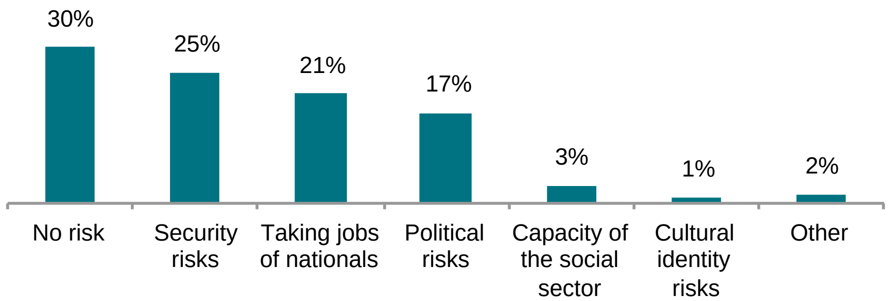


Figure 24: Sufficiency of labor mobility in the Arab world

Q: What do you think your government perceives as the most significant risk associated with increased labor mobility in the Arab world?



In spite of the widespread agreement that greater labor mobility is required, there is low confidence that this will be achieved in the next five years.

Less than 30% of respondents expressed any level of confidence that labor mobility will significantly increase in this timeframe.

Survey respondents identified visa considerations as the factor having the biggest impact on restricting labor mobility throughout the Arab world – closely followed by political considerations and bias towards hiring nationals. The latter two factors in particular illustrate the often politicized nature of policies and debates surrounding labor mobility in the region.

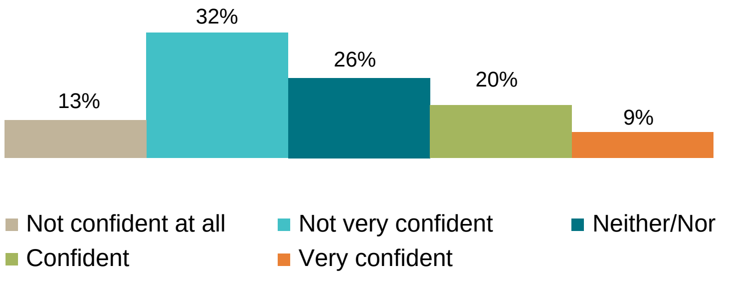
While – as in most aspects of the debate around youth unemployment – there is a diversity of factors involved in the discussion around labor mobility, this subject remains particularly complex and has perhaps not been well understood or analyzed. Yet it is for these very reasons that it is important that the dialogue on the issue continue.

"Open borders, develop economic agreements and free trade. Create better jobs based on international standards. Equal laws for nationals and non-nationals."

-- Survey respondent

Figure 25: Confidence in increasing labor mobility

Q: How confident are you that labor mobility can significantly increase across the Arab world in the next 5 years?



“The major obstacle is unbalanced mobility - the countries with more opportunities receive a lot of expats, but other countries do not receive as many.”

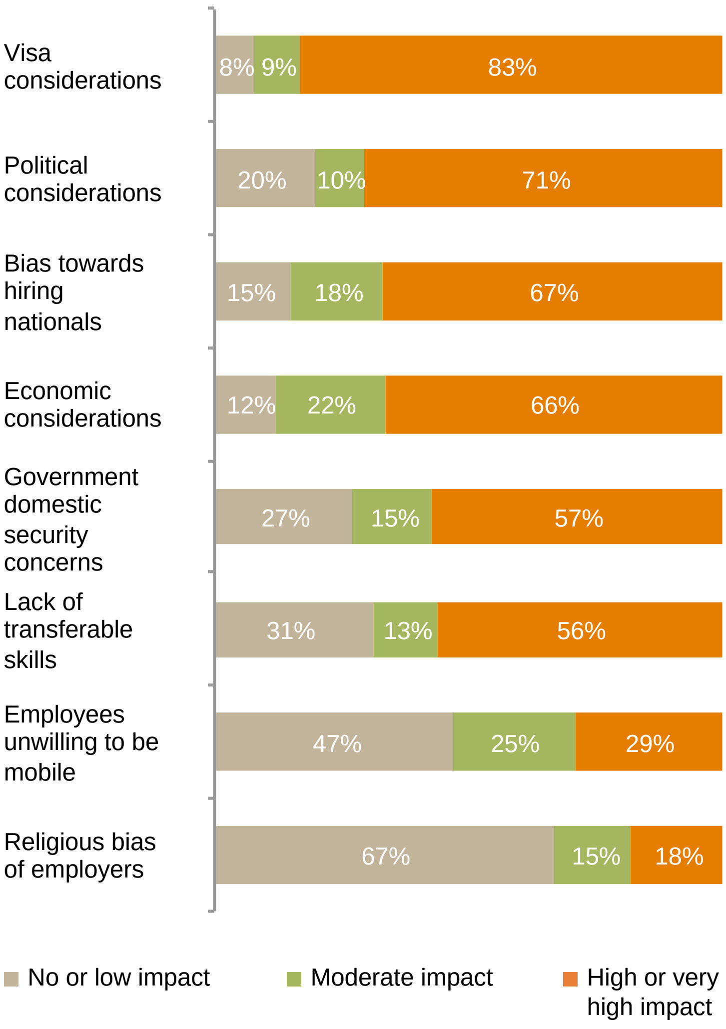
-- Survey respondent

“One of the big problems is that countries do not wish to take in huge numbers from conflict stricken countries. These countries believe that they will just move in with their families as refugees and not contribute. The unrest must be settled before labor mobility can be achieved.”

-- Survey respondent

Figure 26: Factors restricting labor mobility

What impact do the following factors have on restricting labor mobility in the Arab world?



The role of state policy

State employment policies clearly have a role to play across all aspects of the unemployment challenge, influencing both the supply of and demand for labor.

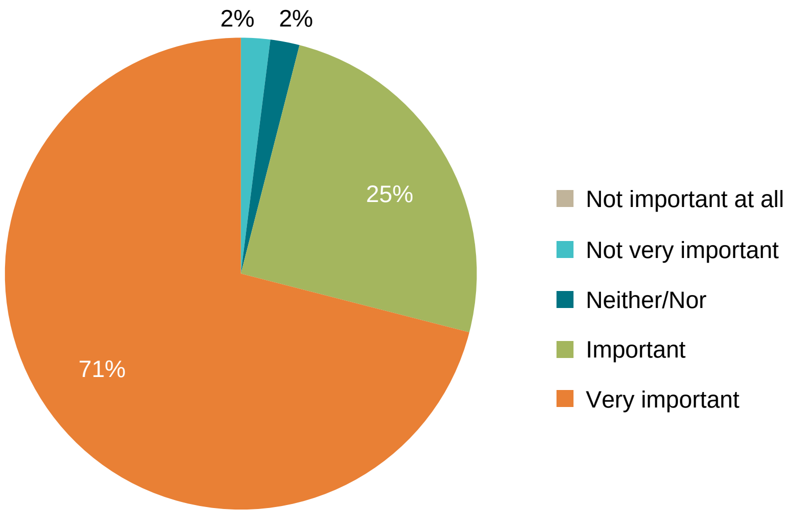
The survey results underscored the crucial role of the state, with 96% of respondents characterizing strategic employment policy as important or very important in relation to improving youth unemployment.

Governments have an important role to play in engaging with the private sector and in creating an attractive business environment in their own countries. But given the importance survey respondents placed on regional integration, governments might also consider working with the private sector to explore business opportunities on a region-wide basis.

As the results of the survey have shown, there is also a strong feeling that there may be a role for greater regional integration in addressing unemployment. If this discussion continues, as we hope that it will, consideration of the roles of both state policy and regional cooperation may become more closely interconnected in the future.

Figure 27: The importance of state policy

Q: How important do you believe strategic employment policy is in relation to improving youth unemployment?



Less than two-thirds of respondents agreed that their governments are committed to addressing youth unemployment.

Only a quarter of respondents considered their government not to be committed. However, given the pressing nature of the unemployment issue, we might hope to see higher numbers fully agreeing that commitment to the issue exists.

There is some stark contrast at the sub-regional level. Once again, the GCC countries were the most likely to consider their government very committed to youth unemployment, while there is a greater spread of opinion among non-GCC states. This again likely reflects the focus that GCC governments have increasingly been placing on unemployment and the slate of new policies that have been launched in the Gulf.

Figure 28: Perceptions of government commitment to youth unemployment

Q: How would you describe your government's commitment to youth unemployment?

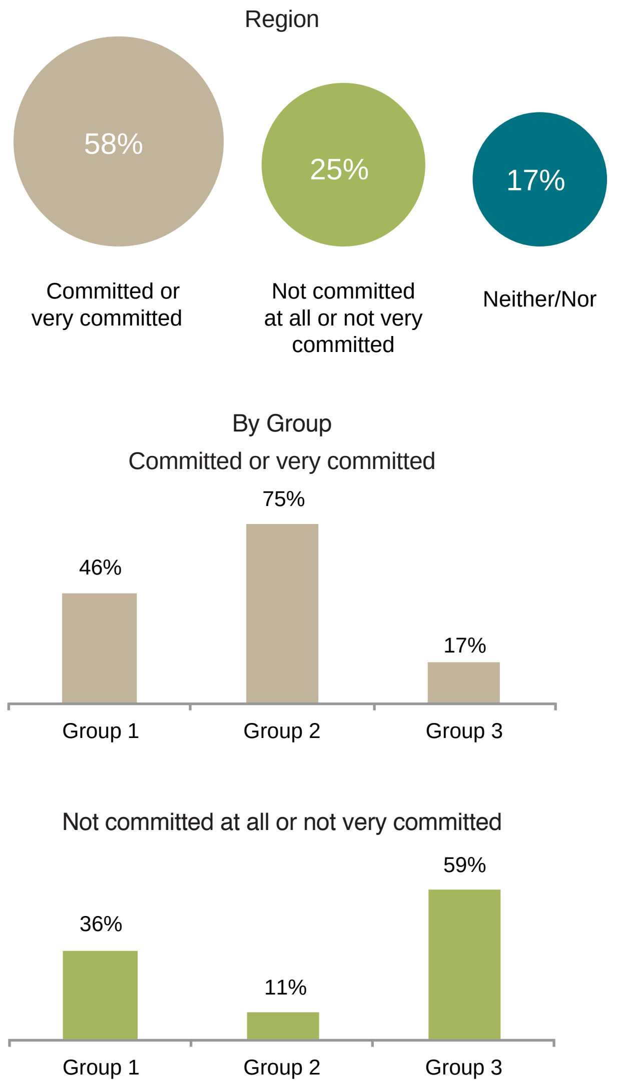
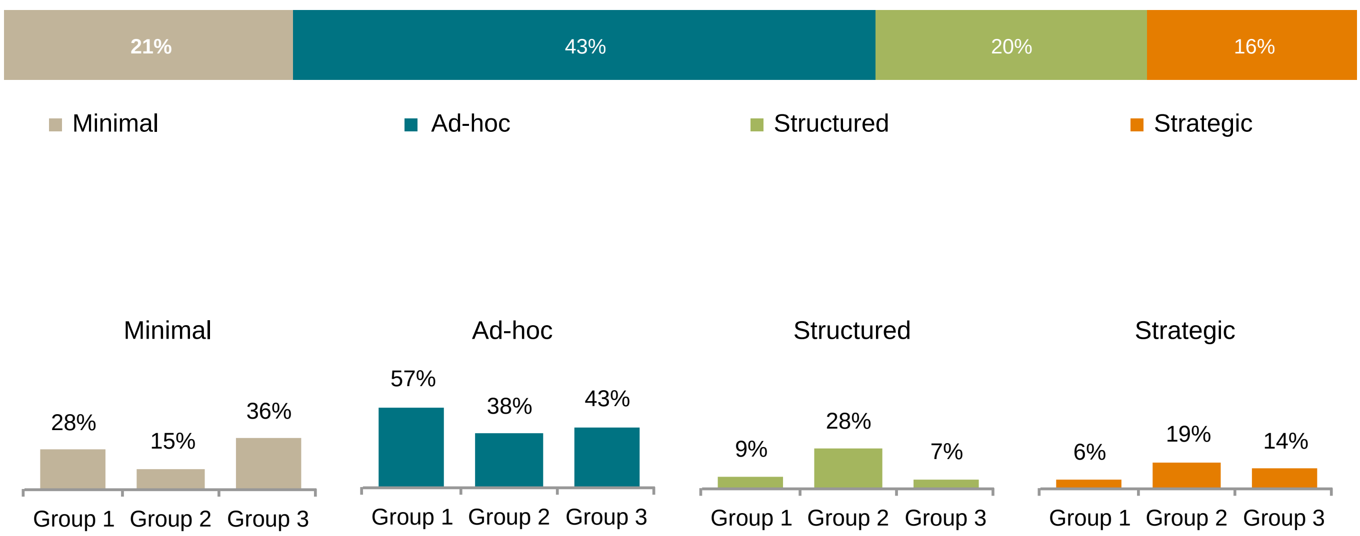


Figure 29: Perceptions of government employment policy

Q: Which of the following best describes employment policy in your country?



Minimal

“There is no employment policy, it’s all subjected to politics. The private sector is minimal, there is no strategy to absorb young men and women.”

Ad-hoc

“There is no stability behind the policies - some are not based on informed knowledge on the economy etc. Others are initiated by international organizations and most are simply incoherent.”

Structured

“I think the government has clear objectives and targets. Investing in employment is a top priority in their long-term strategy.”

Strategic

“The new generation know what strategies/new plans/ future visions are needed. It is important not to follow the past.”

“The public sector’s role depends on the government’s resources; large public budgets mean more support and a bigger role of hiring, such as in the case of GCC countries”

-- Senior government official

Over half of respondents from every group did not feel that their government takes a structured or strategic approach to employment issues.

While commitment is an important component in regional governments’ policies to youth unemployment, it is only the first step: executing on that commitment is an equally, if not more, important factor.

According to the results of the survey, almost two thirds of respondents from around the region regard their government’s employment policy as either minimal or ad hoc. Group 3 respondents were most likely to describe their government’s employment policy as minimal, while respondents from the GCC (Group 2) were most likely of the three groups to characterize their government’s employment policy as structured or strategic.

The greater tendency for GCC respondents to describe their government’s employment policy as structured or strategic is likely to reflect the high-profile campaigns undertaken by GCC states in recent years to reduce the dependency of their economies on foreign labor and to more effectively integrate their citizens into the private sector. Policies, such as ‘Saudization’ in Saudi Arabia and the associated ‘Nitaqat’ program, and similar ‘localization of talent’ programs in other Gulf states are increasingly being systemically introduced and are felt by workers, employers and investors, although with mixed impact.

Outside the GCC, factors such as political instability and lack of political capacity have often created barriers to the development and implementation of effective employment policies.

Nevertheless, tackling the problem of youth unemployment in the Arab world will require a greater proportion of governments to take a structured or a strategic approach to the issue.

The survey results have indicated that there may be a role for greater regional integration to stimulate the regional economy, maximize the impact of involving private sector in training and talent development and address issues such as regional labor mobility. As such, a strategic employment policy should not only be based on national considerations, but should also take into account regional trends.

As such, regional integration may become both a product of, and a means for, the Arab world to move from being a region whose employment policies are perceived as minimal and ad hoc, to a region that is viewed as taking a structured and strategic approach to the issue of youth unemployment.

Moving towards greater regional integration…

This survey has allowed us to examine the roles played in the youth unemployment ecosystem by national economic conditions, education, entrepreneurship, culture and societal perceptions, labor mobility, and state policy. In particular, we have studied these issues in order to understand if there is a potential role for greater regional integration to play in easing Arab world unemployment.

There is near unanimous agreement on the importance of having greater regional integration as a means of addressing the youth unemployment issue. Participants from the face to face interviews highlighted a number of benefits that can be hoped for from promoting integration.

In particular, it was noted that greater regional integration could raise economic competitiveness, improve export potential and strengthen the region's economy overall. Interviewees advocated for activating Arab free trade agreements, developing a system of incentives and rewards for companies to expand into other Arab countries, and even the creation of a regional fund for tackling youth unemployment.

Another main benefit that was clearly expressed by participants was the potential to improve labor mobility, thereby increasing access to a greater pool of talent and improving the job placement of unemployed talent into available jobs. Participants noted that any efforts at regional integration that were designed to address unemployment issues should include a relaxation of laws governing labor mobility.

There was also an emerging belief that improved integration and mobility may contribute to solving the problem of cultural tensions between distinct groups within the Arab world. With greater mobility comes a greater opportunity to attend forums, conduct more research and build improved understanding of different cultural and socio-economic groups.

It was duly recognized that this was an optimistic scenario and contingent on young people having the means and mindsets to move around the region with a view to learning and improving their situation. Nevertheless, it appears that there is a growing sentiment to begin the discussion on how we, as a region, can make these sorts of advances possible.

What was striking in the face to face interviews was that of the benefits envisioned from greater regional integration, these were almost entirely economic in nature. There is a strong instinctive agreement that greater regional integration will strengthen economies and ultimately drive greater job creation.

However, there is little detailed understanding of the potential magnitude or specific means by which these improvement may be felt. There appears to be an absence in the body of work conducted to date of a study that outlines different potential options for greater integration and attempts to quantify the economic benefits, costs and risks of pursuing each option.

Such an exercise to identify potential integration scenarios and quantify the impact, costs and risks of each would be a valuable exercise. Without such an analytical approach to compare the opportunity with the risks, the fear of the associated risks threaten to overwhelm the debate. And, indeed, these risks are significant.

"Activating the Greater Arab Free Trade Agreement has the potential to uncap the economic potential of many Arab countries."

-- Trainer, Regional NGO

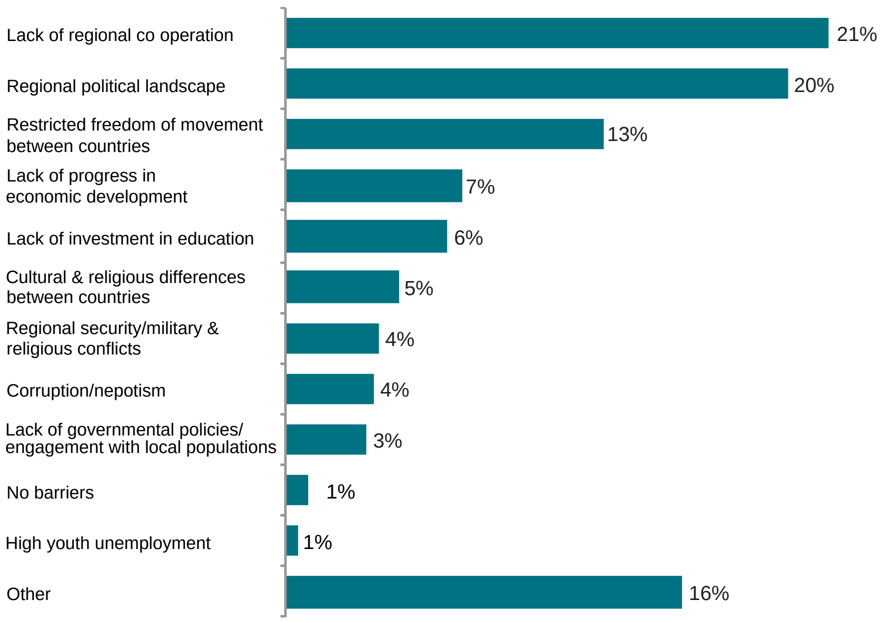
While many potential benefits of greater integration have been forcefully advocated, there is a similarly strong concern over the potential risks. These are for the most part viewed as political and security risks. Large inflows of foreign nationals bring with them new challenges to the balance of society that governments oversee.

Interview participants note that the political and security risks have become increasingly conjoined following the events of the Arab Spring. Civic uprisings have damaged much of the fabric of cultural cohesion and put new pressures on governments, in particular those overseeing large or diverse populations.

In addition there is a perceived risk that incoming workers take local jobs from the national labor force. Job creation and job security for nationals is an increasingly important mechanism for maintaining the stability of society, especially in the face of growing populations and shifting global economic conditions.

Figure 31: Barriers to regional integration

Q: What barriers do you see to regional integration in addressing youth unemployment?



"Enhanced regional integration would help to combat issues such as racism and cultural tensions between Arab countries, which recently have gotten worse."

- Trainer, Regional NGO

"Better labor mobility would be positive for the region's economy: it would allow Arab companies to draw on a greater pool of talent."

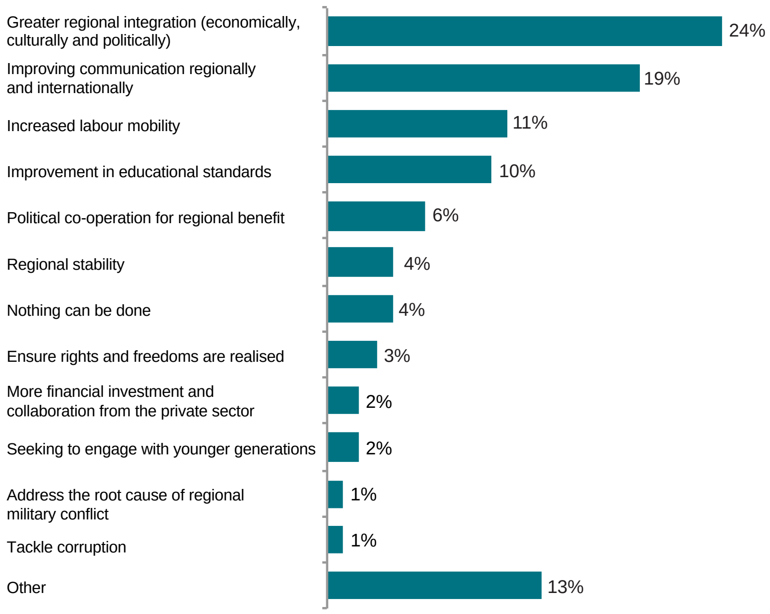
-- Director, Research organisation

Furthermore, it was noted by survey respondents and face-to-face interviewees that there may be unwillingness to take advantage of greater regional integration. Cultural differences, a reluctance to leave families behind and an inability to relocate large families may disincentivize workers from seeking jobs in different countries, or may challenge their ability to smoothly fit into new societies.

However, yet again, while many of the potential risks of greater integration are instinctively understood, little work has been done to detail the nature or potential magnitude of the risks. A multitude of different options exists for introducing varying degrees, timeframes or intensities of greater integration. Each option brings with it different levels of risk and cost as well as varying degrees of potential impact and benefit.

Figure 32: How to overcome barriers to regional integration

Q: What needs to be done to overcome these barriers?



"Everyone agrees on regional integration in principle, but there is a limit to how much we can accept people coming in from abroad. We have to think about the potential impact on unemployment rates amongst our own nationals."

-- Vice President, CEO, major GCC company

"In the case of the GCC, regional integration has been in place for quite some time, so we can clearly see it's not the solution to the problem. Any GCC citizen can work freely for a private company in any GCC country, and yet we still face a problem with youth unemployment."

-- Vice President, major GCC company

It is likely because of this diverse range of viewpoints on the potential benefits and risks of greater integration – and the lack of detailed analysis around risks and benefits – that there is such a varied perspective on the likelihood of the region actually seeing greater integration. The results of the quantitative survey as well as the feedback from the face-to-face interviews provide a very mixed view on whether regional integration is likely to significantly increase over the next 5 years.

45% of survey respondents thought that increased regional integration is likely or very likely to come about within the next five years, while 41% felt it is unlikely or very unlikely.

This is one of the most evenly distributed range of opinions expressed in the survey results, and indicates a good degree of uncertainty around whether regional integration will increase in the coming years. However, given the overwhelming agreement that greater integration is important, we believe it is a subject that warrants further attention in future.

Decision makers in the region would benefit from being provided with a greater understanding of the spectrum of potential integration options, and a detailed analysis of the anticipated risks, costs, impacts and benefits associated with each option. Without this form of input, the discussion on the potential of regional integration to play a role in reducing unemployment is likely to remain at too high a level to stimulate meaningful change.

"There already is regional integration – look at the GCC. However, there is a limit to how much we can accept people coming in from abroad in order to protect the unemployment rates among our own nationals."

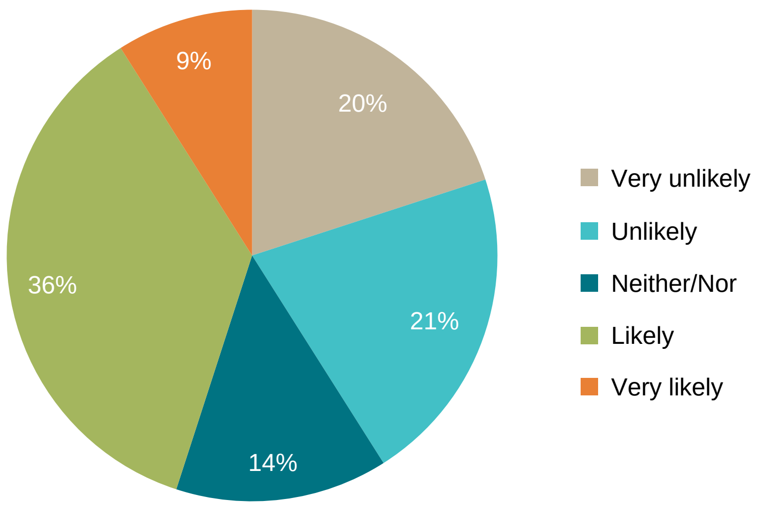
-- CEO, major Arab company

"Regional integration is a very important idea… however, it is challenging to achieve in this period due to the current issues between individual countries"

-- Manager, regional NGO

Figure 30: The likelihood of increased regional integration in the next five years

Q: How likely is it that there will be increased regional integration in the next five years?



It is also important to note that greater regional integration does not imply full economic integration. There are a host of alternative, smaller-scale and creative initiatives that may be considered. International experiences have demonstrated that even smaller, more focused integration initiatives can begin to tackle unemployment issues without tying countries into the risks of more comprehensive integration.

Educational institutions have a long history of forming transnational networks, the navigation of which can constitute a form of bottom-up regional integration. This model may have particular relevance for the Arab world: where formal systems of regional integration and mobility are politically contentious, exchange programs backed by schools, universities or vocational training institutes have the advantage of only requiring the government to play a facilitating rather than a leading role.

The European Union's (EU) Lifelong Learning Program, which promotes exchanges, study visits and other networking activities with the aim of creating links between individuals, institutions and countries, provides an example of such a framework. Multilateral labor mobility schemes limited to or targeted at particular groups can also constitute a middle ground where full regional integration is difficult to achieve. For example, the North American Free Trade Agreement (NAFTA) simplifies processes for skilled workers from Canada, Mexico and the United States to work in each others' countries.

Such schemes can also occur on a bilateral basis and for the purpose of plugging a particular gap in the labor market. The Canadian-Mexican Seasonal Agricultural Worker Program (CSAWP) matches workers from Mexico to farms in Canada where there is a shortage of labor.

Regional co-operation on youth unemployment would constitute another stepping stone towards meeting the challenge through greater regional integration. For instance, EU leaders in June 2013 contributed €6bn to a regional youth unemployment fund. Such activities need not be limited to governments. The Baltic Sea Labor Forum serves as a platform for the exchange of experience and communication for labor market actors in the Baltic Sea Region, and in 2013 drew together multiple stakeholders to discuss youth unemployment.

Such initiatives are used purely as examples of the wide range of regional cooperation that may occur to jointly address unemployment issues. This study does not advocate for any particular set of initiatives.

However, it is the intention of this report to stimulate greater consideration of the subject. Given the strength of opinion on the importance of greater integration, the wide range of potential approaches to greater integration, and the absence of detailed cost, benefit and risk analysis of the available options, we hope that further work will be done to understand the potential role of greater regional integration in addressing unemployment in the Arab world.

Conclusions

The results of the survey indicate that there may be a role for regional integration to play in addressing the youth unemployment challenge.

Moreover, they also confirmed that the region is looking to the private sector to champion the drive towards economic growth and, ultimately, job creation.

Governments can facilitate this by not only creating attractive and efficient business environments in their own countries – but also by enabling businesses to operate across the region without friction.

This will be a joint project where the public and private sector players will need to work hand in hand towards a desired outcome.

The private sector should think regionally, not just locally. Businesses should look for markets and consumers across the Arab world, rather than just in their own country.

Entrepreneurs should likewise work and collaborate transnationally, seeking opportunities for growth around the region.

And governments should endeavor to provide a regional framework in which all this is not only possible, but is actively encouraged.

None of these steps are easy, and the results of the survey have shown that there is a broad range of attitudes in the Arab world about how they should be taken.

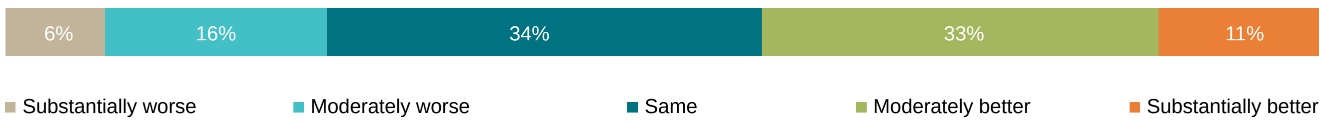
Rather than shy away from the challenging discussions that these issues raise, it is important to recognize and accept these differences as the basis for an open and fruitful dialogue on the role regional integration might play in addressing the issue of Arab youth unemployment.

The Arab Thought Foundation, with this survey, and through the debate it aims to stimulate at the FIKR12 conference, hopes to have made at least a first step to promoting and facilitating such dialogue.

Annex 1: detailed survey findings

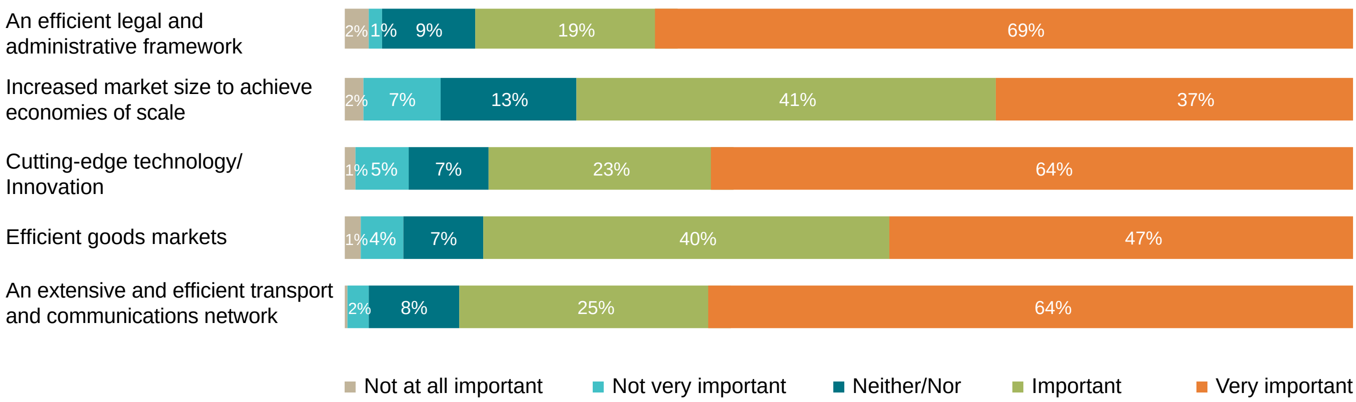
Economic outlook

Q: Would you say economic conditions are better or worse compared to 12 months ago?



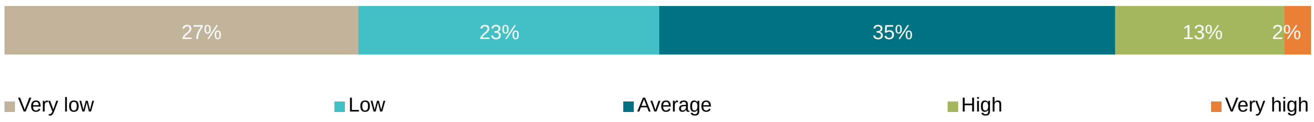
Q: Do you expect the economic conditions in your country to be better or worse in 12 months' time?

Q: How important or unimportant are the following factors in increasing your country's competitiveness in the global marketplace?



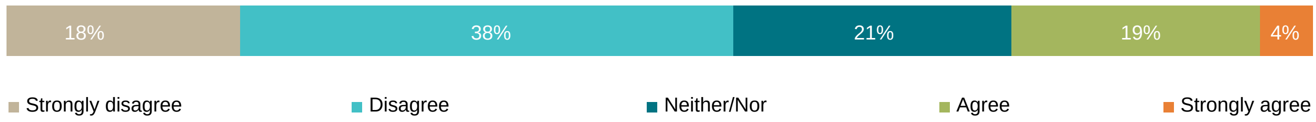
Education

Q: How would you rate the overall education system in your country with respect to international standards?



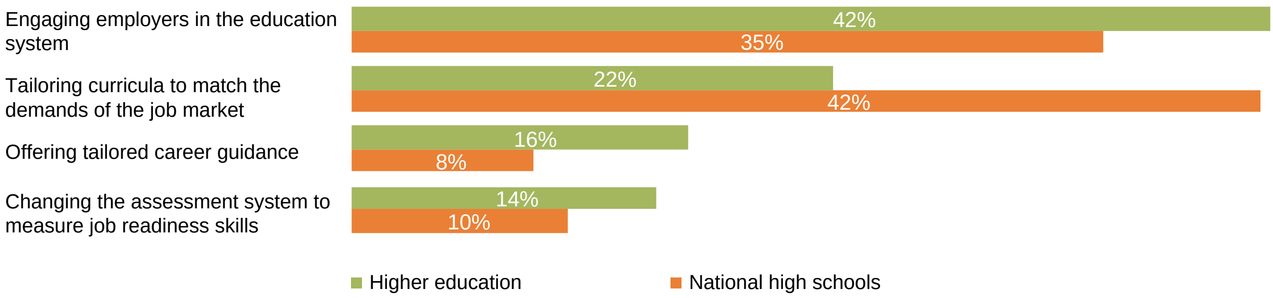
Q: Does the education system in your country provide people with adequate skills to enhance the economy in your country?

Q: Does the education system in your country provides people in sufficient quantities to enhance the economy in your country?

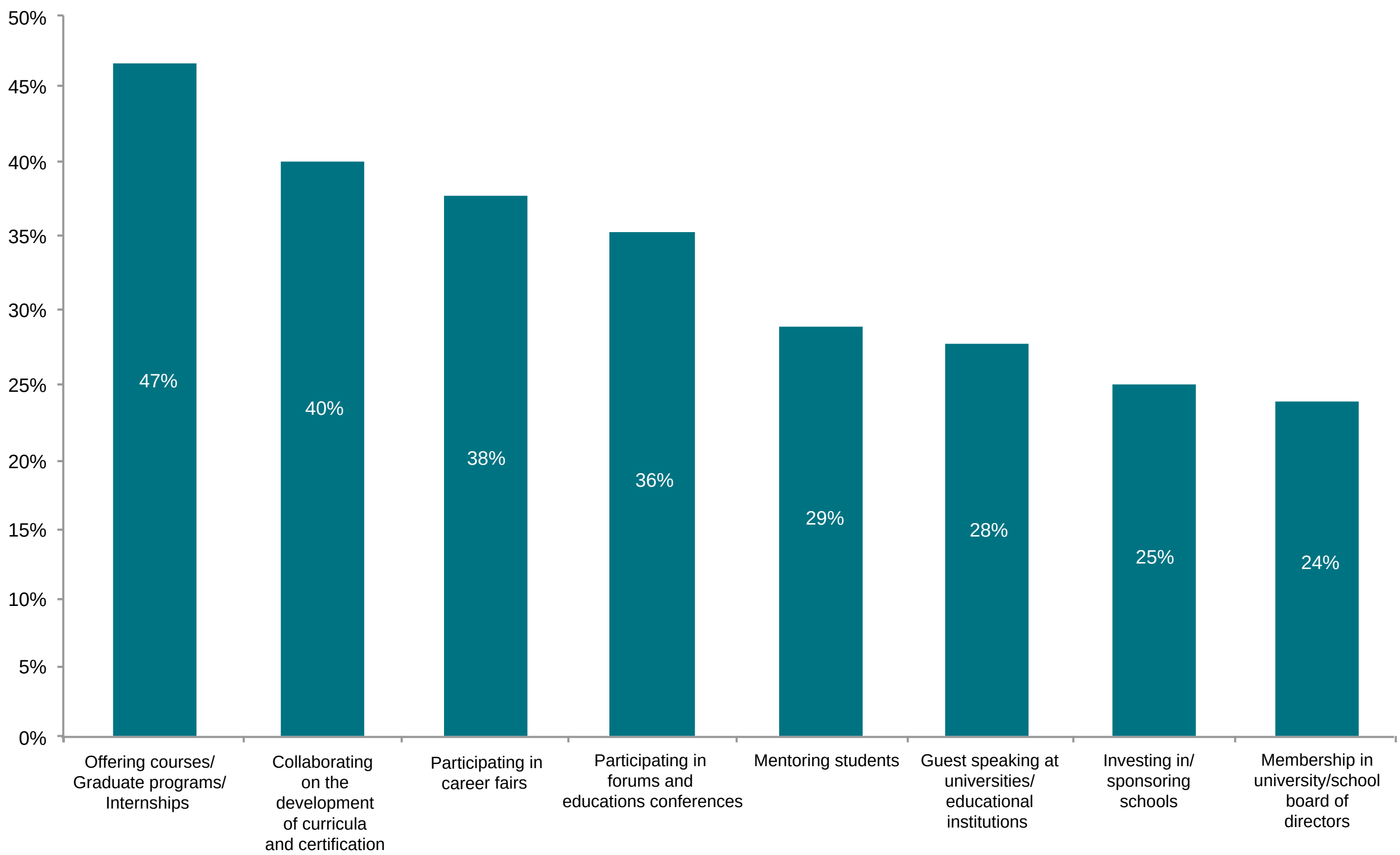


Education

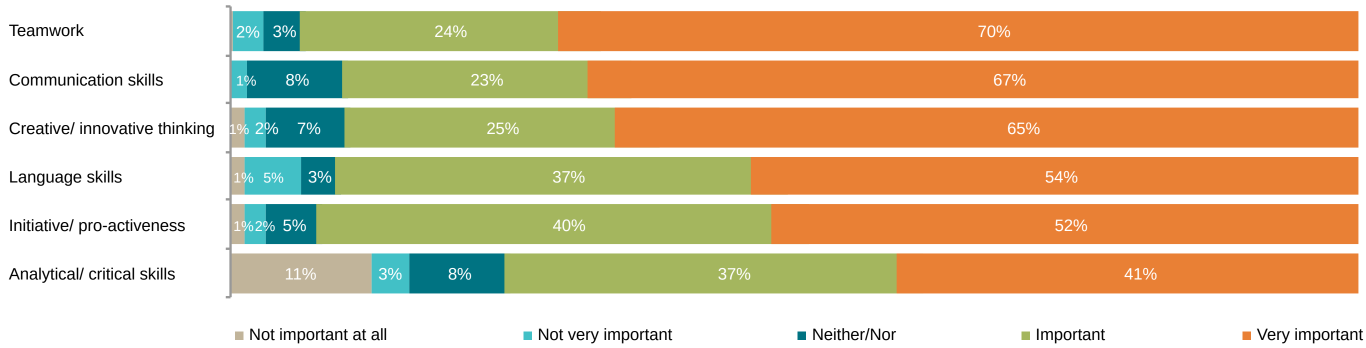
Q: Thinking about improving the quality of education in your country, which of the following factors do you feel has the greatest impact in National high schools and higher education?



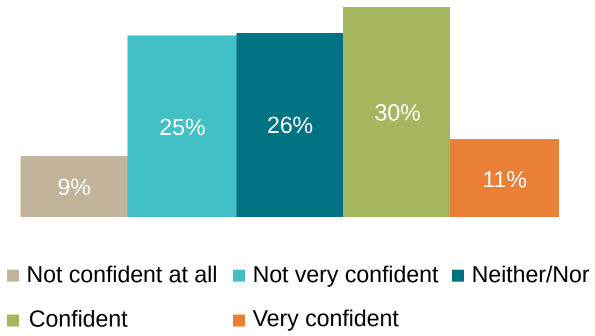
Q: Which of the following initiatives would your organisation be likely to undertake?



Q: When recruiting a graduate, how important do you consider the following skills to be?

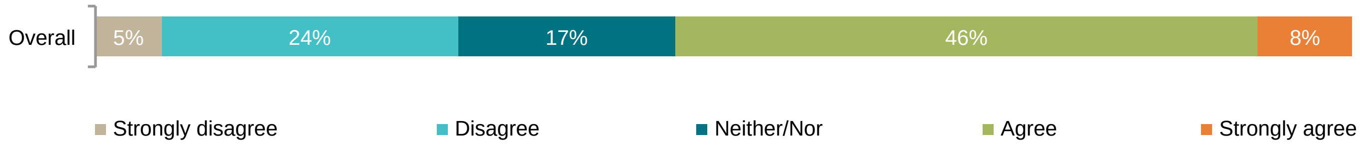


Q: How would you assess your level of confidence that education levels in your country will reach the standards required by business within the next 5 years?

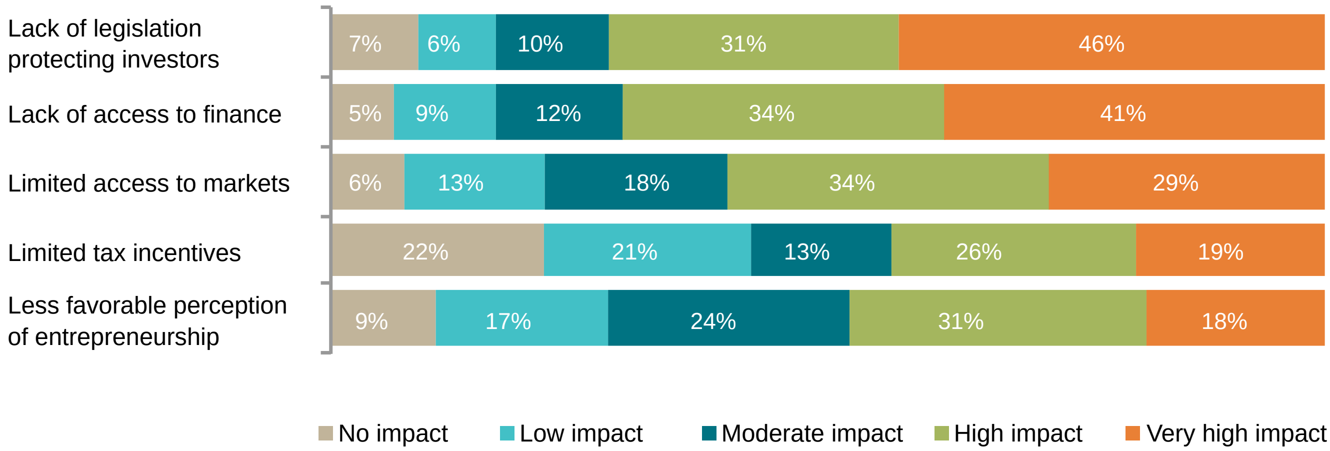


Entrepreneurship

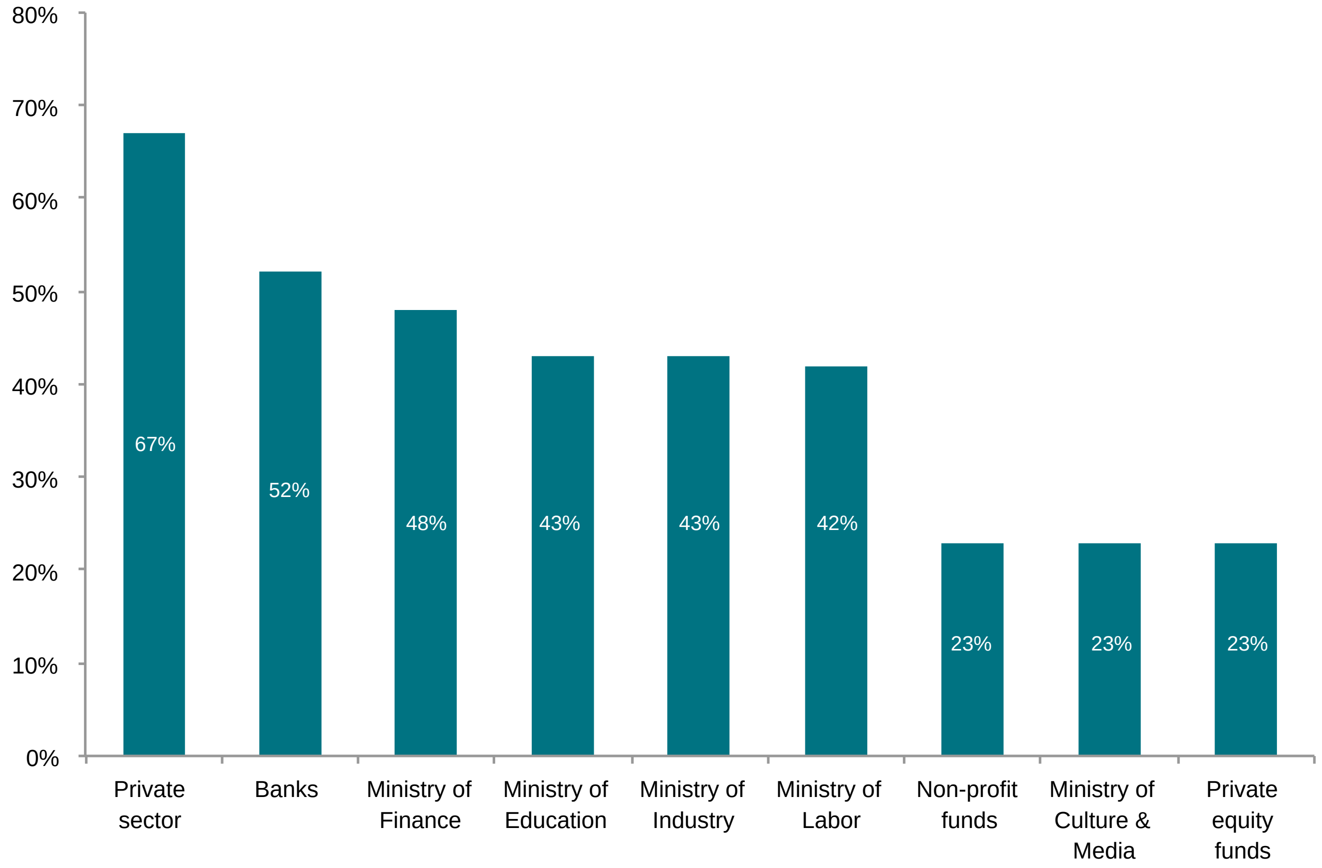
Q: Is the number of entrepreneurs your country currently produces sufficient?



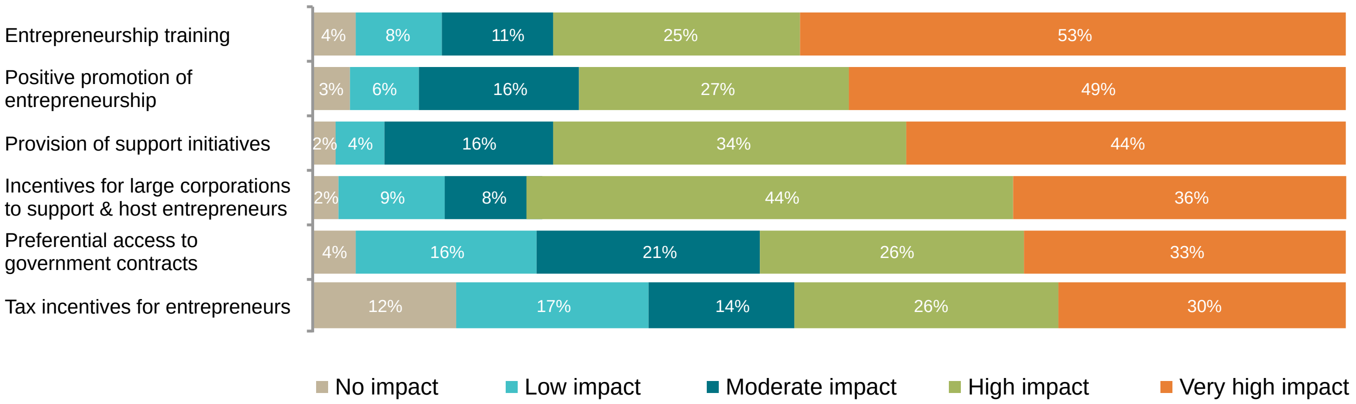
Q: What impact do you think the following factors have on limiting levels of entrepreneurship in your country?



Q: Who do you think should be responsible for increasing levels of entrepreneurship in your country?



Q: What impact will the following factors have on enabling your country to increase levels of entrepreneurship over the next 5 years?

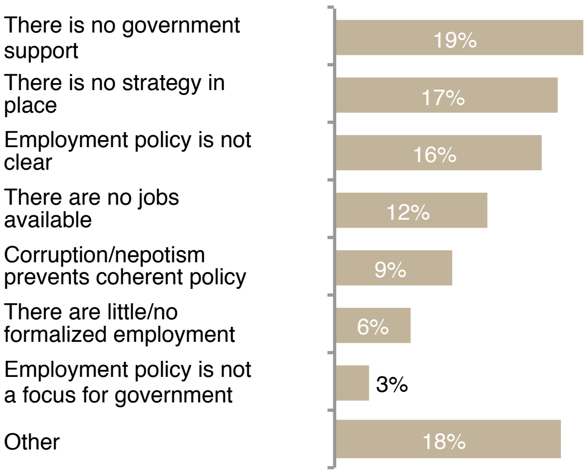


Employment policy

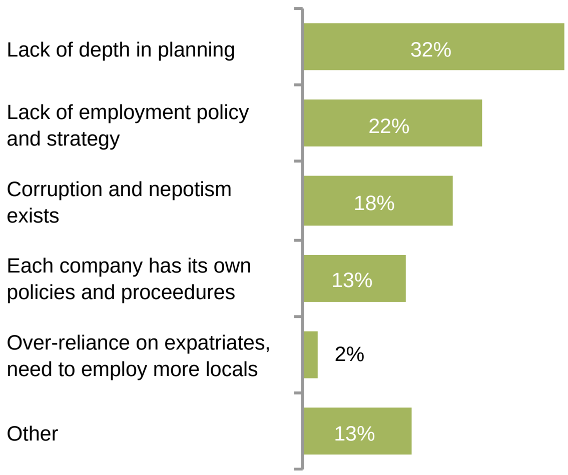
Q: Which of the following terms best describes the employment policy in your country?

Base: 342

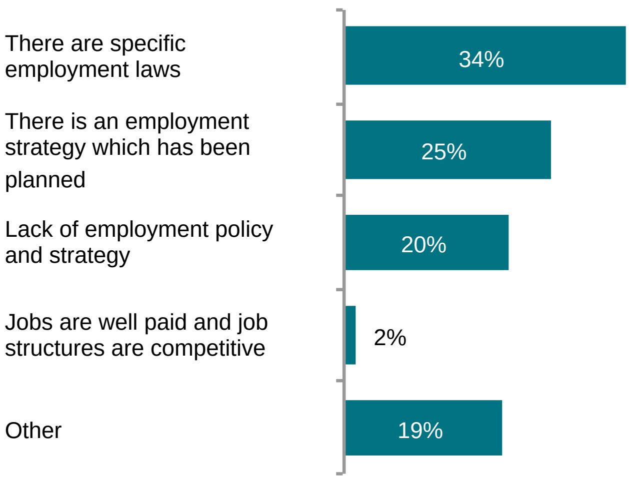
Q: Why would you describe employment policy as minimal?



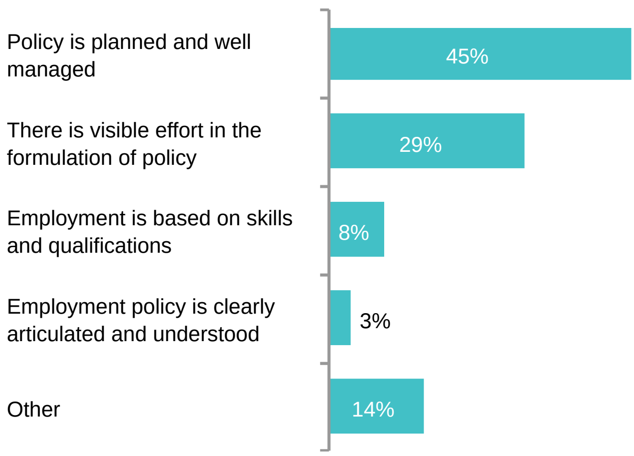
Q: Why would you describe employment policy as ad-hoc?



Q: Why would you describe employment policy as structured?



Q: Why would you describe employment policy as strategic?

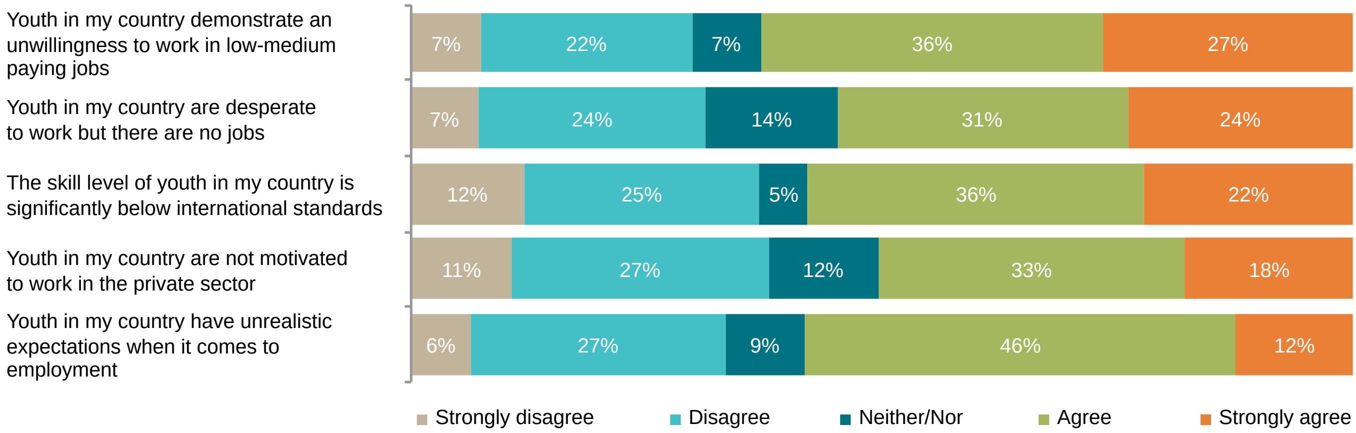


Q: How would you describe you government's commitment to youth employment?

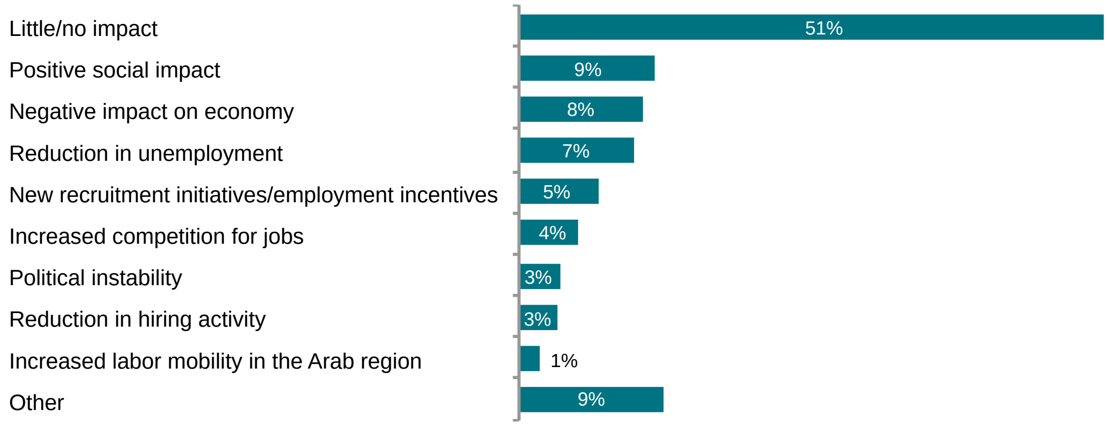
Q: How confident are you that effective policy will be put in place to address youth employment in the next 5 years?

Youth perception

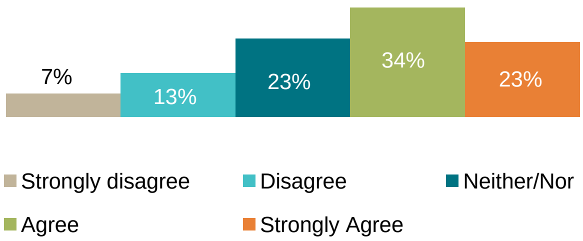
Q: To what extent do you agree or disagree with the following statements about youth and their employability?



Q: What impact, if any, have the events of the Arab Spring had on youth employment?

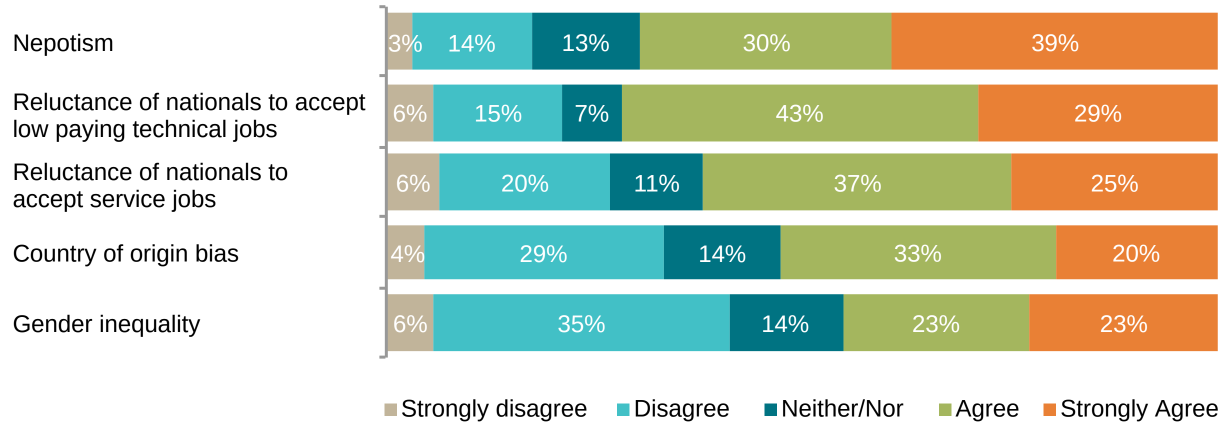


Q: In terms of employability, are Arab youth perceived less favorably than non-Arab youth?

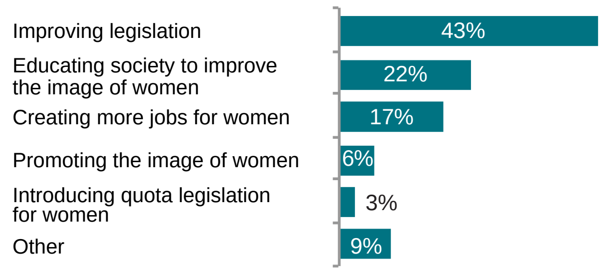


Cultural factors

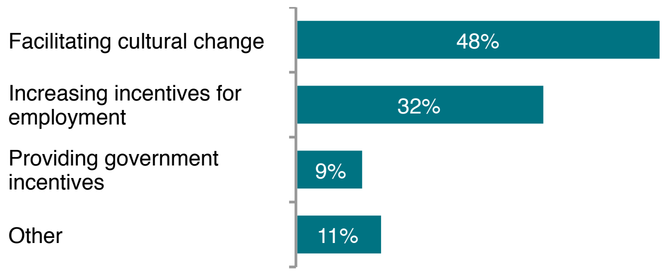
Q: Do the following cultural factors contribute to unemployment?



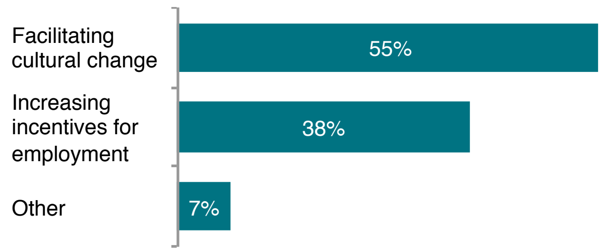
Q: Can you suggest a possible solution to address gender inequality?



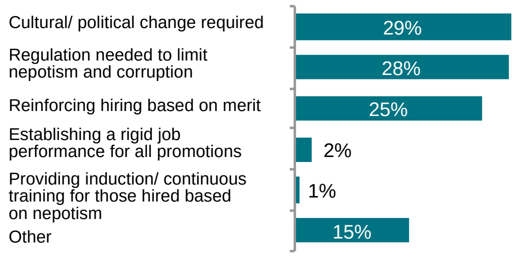
Q: Can you suggest a possible solution to address reluctance to accept low paying technical jobs?



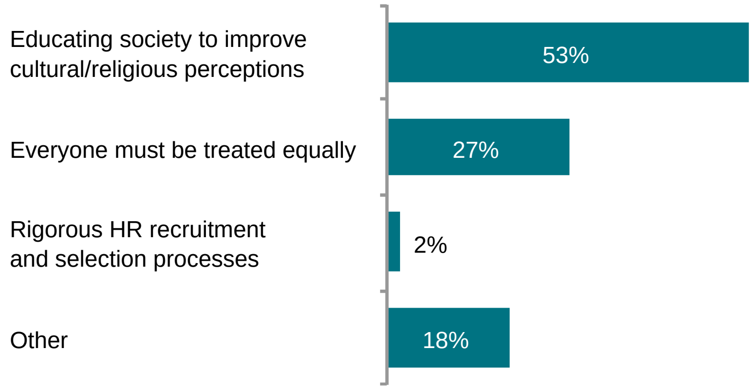
Q: Can you suggest a possible solution to address reluctance to accept service jobs?



Q: Can you suggest a possible solution to address nepotism?



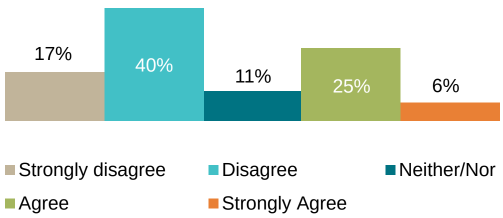
Q: Can you suggest a possible solution to address country of origin bias?



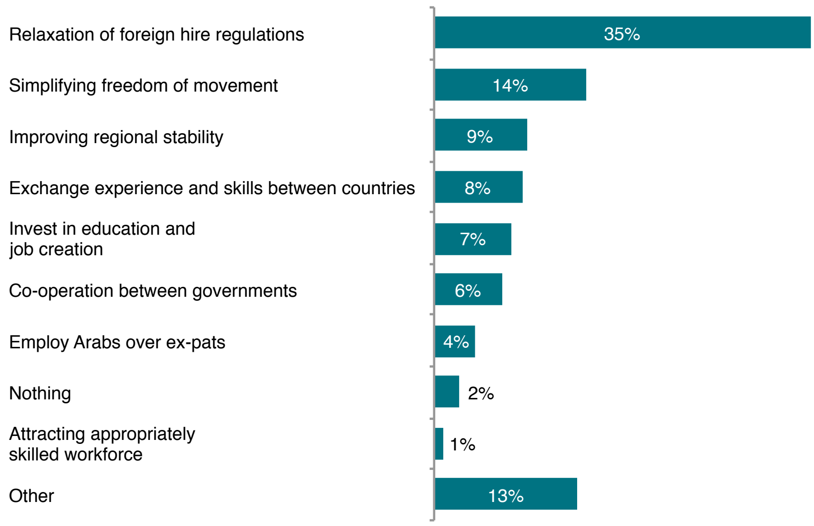
Q: How confident are you that these cultural issues will change in your country over the next 5 years?

Labor mobility

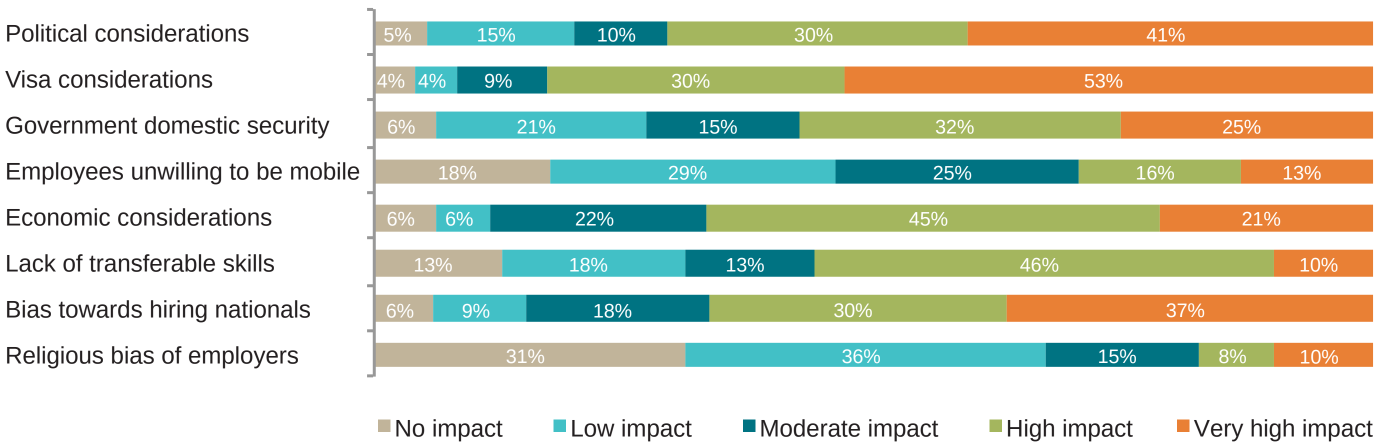
Q: Is there sufficient labor mobility throughout the Arab World?



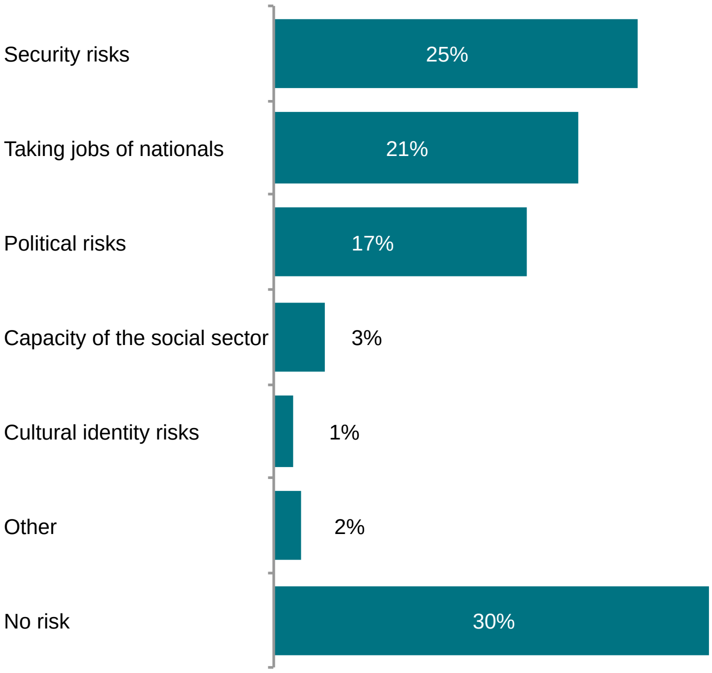
Q: What do you think needs to be done to increase the levels of labor mobility across the Arab World?



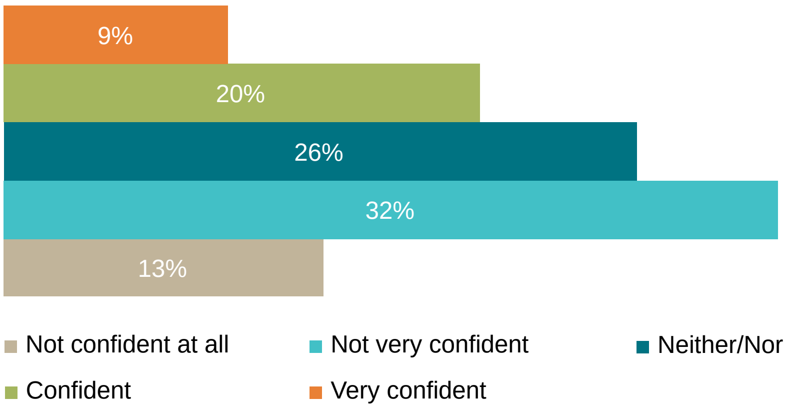
Q: What impact do you think the following factors have on restricting labor mobility throughout the Arab World?



Q: What do you think your government perceives as the most significant risk associated with increased labor mobility in the Arab World?

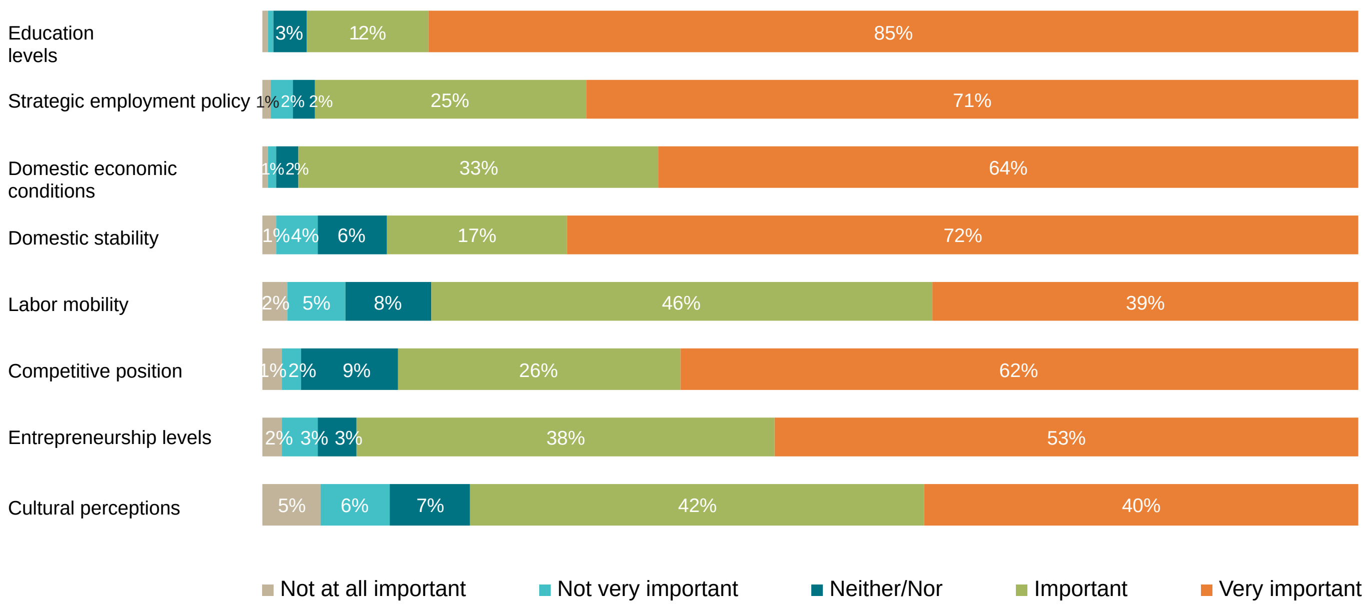


Q: How confident are you that labor mobility can significantly increase across the Arab World within the next 5 years?



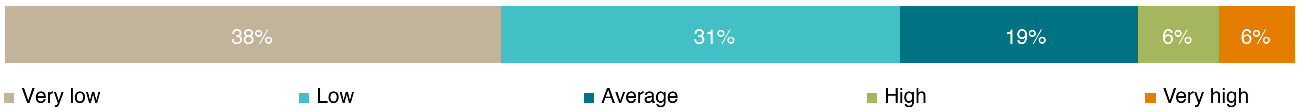
Improving youth unemployment

Q: How important do you believe each of the following factors is in relation to improving youth unemployment in your country?

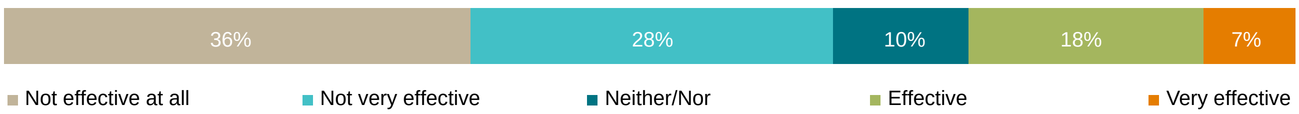


Regional integration

Q: How would you assess current levels of regional integration?

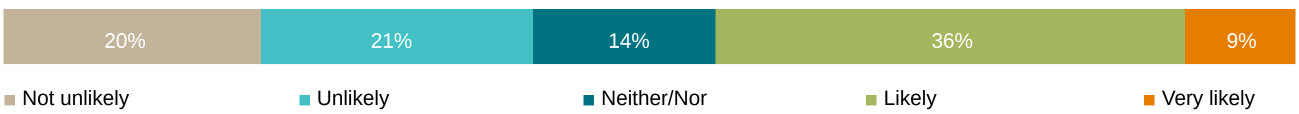


Q: How would you assess the effectiveness of the current levels of integration?

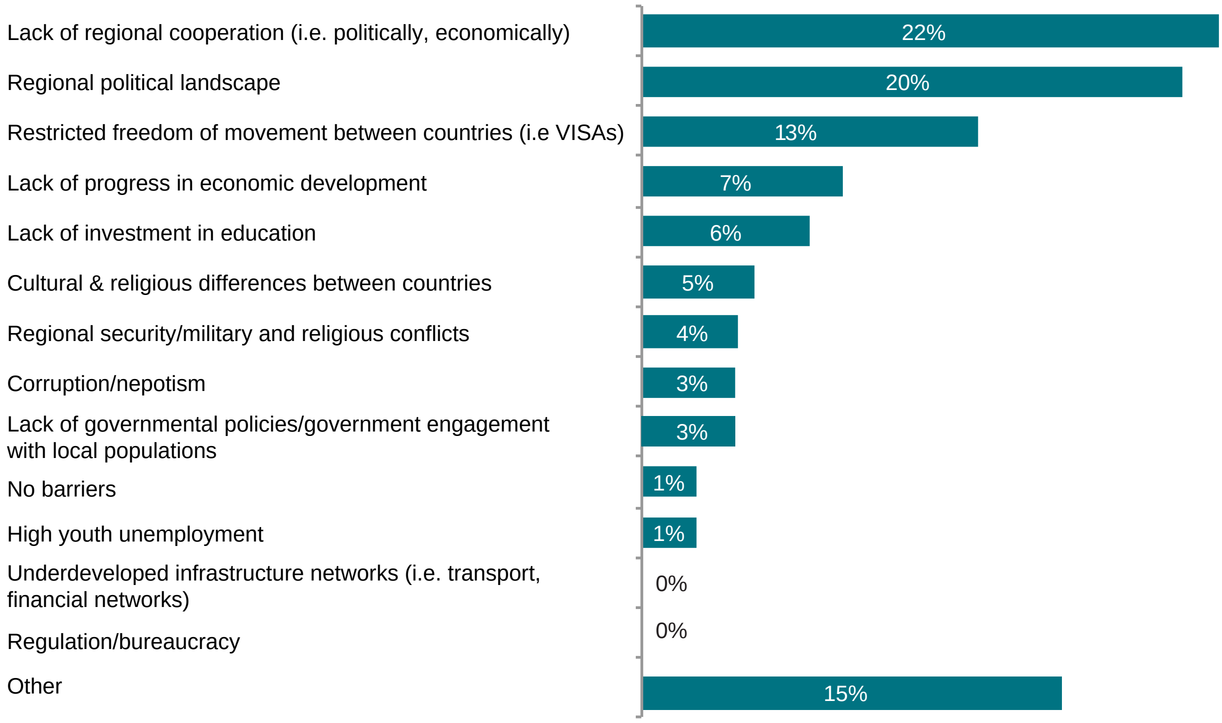


Q: How important do you think it is to have regional integration to address youth unemployment issues?

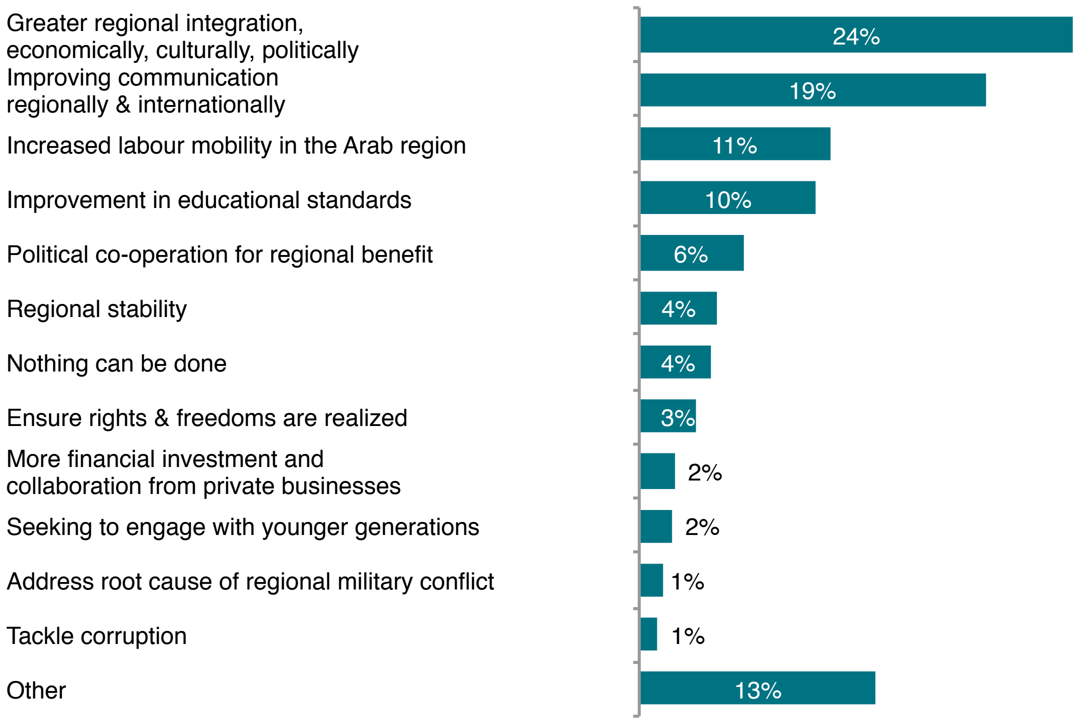
Q: How likely is it that there will be increased regional integration within the next 5 years?



Q: What barriers do you see to regional integration?



Q: What needs to be done to overcome these barriers?



Annex 2: Methodology

The findings of the report are based on a region-wide survey carried out by the International Survey Unit (ISU), PwC's in-house center of excellence for research, insight and analytics, and a series of face-to-face interviews carried out by PwC's Dubai-based project team.

The survey sampled the views of respondents in Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, the Palestinian Territories, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, the United Arab Emirates and Yemen.

These countries were categorized into three groups based on certain shared characteristics, (see Figure 33) while survey respondents were also divided into five stakeholder groups (see Figure 34).

The survey was developed to elicit opinions surrounding seven key themes (the economy, entrepreneurship, education, employment policy, the perceptions of the youth, culture, and labor mobility), as well as to test the hypothesis that enhanced regional integration would help to address to problem of Arab youth unemployment.

The survey was conducted from July-September 2013 via telephone interviews carried out by ISU, using a standard questionnaire based on the themes and hypothesis.

The respondents to the survey were key stakeholders within each of the five stakeholder groups.

Due to the variations in the number of responses from each country, and in order to allocate each of the countries a representative stake in the survey results, the number of responses from each country were weighted according to GDP.

Following the completion of the survey, PwC and the Arab Thought Foundation co-operated on compiling a list of key representatives from each stakeholder group who could comment at length on the results of the survey. 16 in-depth interviews were conducted by members of the PwC project team in person and by telephone in late October and early November 2013.

Figure 33: Country groupings

Group1: Resource-rich, labour abundant countries	***Group 2:*** Resource-rich, labour-importing countries	***Group 3:*** Resource-poor countries that are net importers of oil and gas and exporters of labour
Algeria, Iraq, Libya, Sudan, Syria, Yemen	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	Egypt, Jordan, Lebanon, Mauritania, Morocco, Palestinian Territories, Somalia, Tunisia

Figure 34: Stakeholder groupings

Public sector	Private sector	Academia	Civil society	Youth
Senior members of government and government - related bodies	Managerial and senior employees of multinational companies, SMEs and entrepreneurs	Employees of K-12 schools, universities, vocational institutes, and other educational organisations	Members of NGOs, non-profit organizations and research institutes concerned with the issue of youth unemployment	Anyone under 25 who is still in full-time education or has been employed for less than 18 months

Annex 3: Acknowledgements

The design and conduct of the survey and production of the report would not have been possible without the support and input of numerous stakeholders, including the 354 survey respondents and the participants in the face-to-face interviews.

Survey interviewees: The team is very grateful to all the survey respondents across the Arab world who gave their valuable time to provide us with their views on the challenges associated with Arab youth unemployment.

Follow up interviewees: We would also like to thank the participants in the follow-up face-to-face interviews who enriched the report with their insights on the results of the survey (see table right). Our sincere thank also to those face-to-face interviewees who preferred to remain anonymous.

Name	Position	Country
Abd Al Rahman Al Zaghloul	Trainer – International Youth Foundation	Jordan
Mourad Khawaja	Field Officer at Ruwwad	Jordan
Sabreen Taha	Amman Net and Radio	Jordan
Abdul Hafiz Ghoga	Vice-Chairman and spokesperson of the NTC	Libya
Touria Benlafqih	Programme Manager – Enactus	Morocco
Nihal El Deeb	Clinical Research Coordinator at The Weill Cornell Medical College	Qatar
Habes Howali	RasGas	Qatar
Dr. Nader Kabbani	Director of Research and Policy at Silatech	Qatar
Salma Mousa	Research Assistant at Arab Center for Research and Policy Studies	Qatar
Ahmed Al Badr	Director of Corporate Strategy and Performance at MASIC	Saudi Arabia
Mutaz Sawwaf	CEO at CPC Holding	Saudi Arabia

PwC: The survey and the development of this report was conducted in collaboration with PwC United Arab Emirates. We would specifically like to thank the team: Emad Tinawi, Firas Masri, Matthew Burnard, Ghaith Abdul Rahman, Steven Dennehy and The International Survey Unit.

Report design: Our thanks also to Fleur Bittard who designed this report.

Annex 4: Profiles

ATF Profile

The Arab Thought Foundation is an international, independent and non-governmental organization founded in 2001 with a guiding mission to help advance the economic, social and cultural development of the Arab region.

The Foundation believes that open and constructive dialogue between the business community, academia and civil society is imperative for the future development of the region. By sharing knowledge, nurturing creativity and building on this dialogue, practical solutions for our collective future can be forged.

ATF is headed by HRH Prince Khalid AlFaisal, governor of Mekkah Province; our board of trustees and Board members are a fine selection of the most prominent businessmen and intellectuals in the Arab world.
The Establishment of Arab Thought Foundation was born of our belief of corporate social responsibility and the role of the private sector in the rise of the Nation; a conviction that carries a mission and takes a role.

Our mission is to achieve Arab cultural cohesiveness, promote the Arab identity, while being open to other cultures of the world. Our role is to launch initiatives, programs and forums that employ intellectual discourse for the benefit of development, and render the development enrichment to thought.

Between the mission and the role, we go forward to establish an Arab cultural partnership and ensure the advancement of the values of diligence and creativity. We believe that positive creative intellectual discourse inspires those who work for development with the dreams of renaissance and with developmental projects and dreams of renaissance; the nation draws paths for a better future and pave these roads with success.

Our Goals:

- Promote pride in the Arab nation's core values and identity through appropriate cultural programs and activities

- Entrench values and promote events that serve to reject all causes of disunity, in order to achieve Arab national solidarity, and mainstream efforts that serve the higher interests of Arab societies

- Enhance all fields of knowledge, focusing on future studies and better utilization of modern technologies.

- Honor the pioneers, support the innovators and sponsor the talented among the Arabs

- Promote communications with Arab immigrant brains and institutions and draw upon their experiences.

- Coordinate and communicate with individuals, regional and international civil society organizations concerned with the Arab intellectual and cultural solidarity

- Initiate cultural and media related projects that contribute to disseminate the Arab intellectual discourse on the international scene, and correct the erroneous perceptions held towards the Arab society

Central to the Foundation's program is the celebrated FIKR gathering, an annual event providing a unique platform for ideas exchange and creative thinking. FIKR is the only truly cross-sector and cross-cultural gathering in the Arab world, bringing together a diverse community of senior academics, business leaders, representatives from civil society and most importantly, Arab youth - the future of the region. FIKR is held each year in a different Arab Capital.

FIKR aims at representing all voices of the Arab World and generate the most interesting and challenging ideas. It offers to the Arab communities a unique platform for ideas exchange, creative thinking and innovation.

HRDF profile

The Human Resource Development Fund was established by virtue of Cabinet Resolution No. 107 dated 29/4/1421 H as a financially and administratively independent legal entity, with the aim of “supporting national workforce training and employment in the private sector”. It plays a pivotal role in enhancing the Saudi Labor Market, promoting the numbers of Saudi nationals in Saudi jobs and giving job seekers of both genders the opportunity to achieve their aspirations to get appropriate jobs in the Private Sector.

HRDF aims to provide a well-trained competent Saudi cadre to become a national workforce that is both competitive and stable through initiatives and programs that correspond to the needs of the labor market. For example, the national program of “Hafiz” to assist job seekers and provide them with rehabilitation, training, and employment services, in addition to the employment channels program “Taqat” using various employment channels that serve to facilitate the employment of job seekers in the private sector. It also sponsors programs which seek to place more females and people with disabilities into employment.

HRDF has also developed a “Strategic Partnerships” Program which aims to facilitate employment of Saudi job seekers in major private sector enterprises, a wage subsidy program associated with additional employment and many other programs and initiatives.

HRDF conducts research and studies related to labor market and national workforce rehabilitation and training. In addition, it supports funding of field programs, projects, plans, and studies, intended to employ Saudi nationals, and provides loans to existing and KSA-based private institutions in charge of educating and training the national workforce.

In order to achieve these objectives, the HRDF provides financial subsidies, and contributes to the costs of national workforce education and training in private sector jobs, and subsidizes a portion of the salary for job seekers recruited in the private sector.

The HRDF is working at present to improve and develop the performance of the labor market through the development of a “Knowledge Center” to become a national and regional source of human resources development and labor market knowledge. It will promote knowledge sharing, management and protection in order to assist in increasing the efficiency and effectiveness of HRDF programs and services. This Knowledge Centre will improve the access to relevant knowledge through multiple channels such as the “National Labor Observatory” with an aim to serve all concerned parties by providing the most up-to-date and important data, indicators and statistics relating to the Saudi Labor Market.

PwC profile

PwC has been established in the region for more than 30 years, and has offices in 12 countries: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian Territories, Qatar, Saudi Arabia, and the UAE, employing around 2,700 people.

Complementing our depth of industry expertise and breadth of skills is our sound knowledge of local business environments across the Middle East.

We have a reputation for providing quality professional services to a well-diversified client portfolio, both in the public and private sectors. We always strive to create value for our clients and to provide them with a competitive advantage by combining our international capabilities and local market knowledge with our extensive range of skills and industry expertise. We have been, and continue to be, driven by the aspiration to exceed client expectations.

Our regional network functions as one seamless practice unit structured on the basis of industry lines which facilitates the deployment of our industry specialists across the region, whenever and wherever required. Our premiere Consulting Services practice provides a wide range of advisory services to clients across the region.

PwC is committed to providing employment opportunities for emerging young talent in the Arab region and throughout the world.

PwC has consistently been rated as the top employer of choice for graduates. Most recently, PwC UK was voted the UK’s Top Graduate Employer in the Times Top 100 Graduate Employers 2012-2013 survey for a record 9th year running.

In the Arab world, PwC’s People and Change practice has provided governments across the region with strategic advice on how to tackle the youth unemployment challenges. Notable clients include the Saudi Arabian Ministry of Labor and Saudi Arabia’s Human Resources Development Fund.

مؤسسة الفكر العربي

ARAB THOUGHT FOUNDATION