

»» Unemployment in North Africa – men without jobs are not the only problem

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Unemployment in North Africa is a widely discussed topic in the media and the political arena. The debate centres on young, unemployed males. On closer inspection, however, it is clear that women suffer particularly from underemployment, while men are more deeply affected by the consequences of informalisation of working conditions. The combination of informality, unemployment and the overqualification of workers is an explosive mix that may spark social unrest in the region. This Focus addresses the economic factors of these developments and highlights the economic policy changes that need to be introduced.

The high unemployment rate in North Africa is a widely discussed topic in the political arena, development cooperation and the media. The debates have often failed to shed adequate light on the gender aspects of unemployment. This Focus will attempt to close this gap by examining the economic developments that have brought forth these gender-specific characteristics of unemployment in North Africa and continue to perpetuate them. Women suffer most from underemployment while men are burdened by informal and precarious employment relations. The analysis of the phenomenon outlined here focuses on the four countries Algeria, Egypt, Tunisia and Morocco. These four are not just the region's economic centres but also its most densely populated countries.

Unemployment remains high despite educational expansion

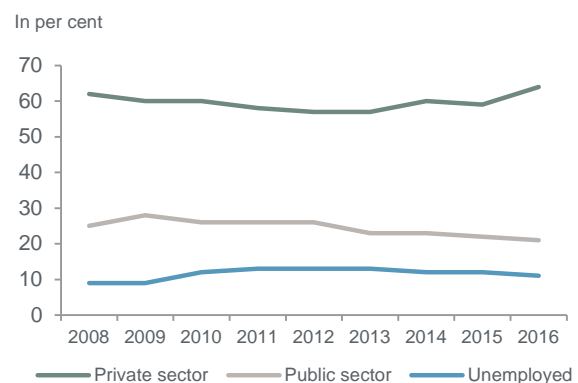
Between 1980 and 2010, the four North African countries were able to expand their population's school enrolment rates more significantly than the other emerging countries (Assad 2013)¹. This success led to an increase in the number of university graduates after 2010. In 1990, under 15% of a cohort was enrolled, whereas today it is around 40% (World Bank – WDI 2018). With the exception of Morocco, women today outnumber men in university enrolments in North Africa. In Algeria 64% of graduates are female, in Egypt 54%, in Morocco 47% and in Tunisia 65% (UNESCO 2018)². However, the generally higher level of education, especially among women, does not improve their chances of finding a job. What are the reasons?

The discrepancy between educational success and high unemployment is due to the transformations of the economies and their effects on the labour market. The low oil price has put particular pressure on the economies of Algeria and Egypt, which rely heavily on energy exports. After the

Arab Spring and the resulting political uncertainties, fewer tourists visited Egypt, Morocco and Tunisia. Tourism revenues, which form a large part of the export sector, suffered from this development. The number of public servants was reduced or no longer expanded in a bid to bring government expenditure in line with falling revenues from the falling state income. State-owned enterprises and the public sector had previously been strong drivers of demand for labour, particularly for graduates and women. But the structural adjustments resulting from economic transformations meant that the state was hiring increasingly fewer workers. Not only was the private sector unable to create sufficient new employment quickly enough but many jobs emerged in the lower-wage ranges. As a result, many workers are overqualified for the private sector or cannot find work there in the first place. This has led to rising unemployment, especially among young, highly trained (graduate) job-seekers, with women being particularly affected.

The graph below highlights once again the changes in the regional labour market using Egypt as an example (Figure 1).

Figure 1: Egypt – labour force participation by sector



Sources: World Bank, Thompson Reuters, own calculations

The share of public sector employees has decreased since 2009 and especially after 2012. The private sector share of employment also dropped significantly until 2013 but rose again thereafter – particularly in 2015 and 2016. Weak demand for labour in the private sector combined with the retreat of the state led to rising unemployment after 2009 (keyword: global economic and financial crisis). Unemployment is falling again but remains high. In addition to economic difficulties, the problem of underemployment has been exacerbated by strong population growth. The supply of labour in the region has grown by some 15% since 2008.

In addition to the retreat of the state and weak growth in demand for workers, labour markets in the region are particularly suffering from informalisation. The share of informal employees has grown in all countries, even though the shares of self-employed persons and agricultural workers have dropped. Accordingly, the traditional indicators, such as the number of self-employed persons or the share of workers in agriculture, are no longer helpful for estimating the size of the informal sector. It now also includes larger enterprises and even some state-owned enterprises. The informal character of these enterprises is defined by inadequate registration, sporadic tax payments, failure to make social security and pension contributions or incomplete social protection of the employees. According to estimates by the ILO (2014), the share of informal employees in the total population outside the agricultural sector in the Middle East and North Africa lies between 31 and 57%, with strong variations between the individual countries. In Egypt only around 30% of employees contributed to a pension insurance plan in 2009, in Morocco the share was around 16% in 2011 and in Tunisia 40% in 2011 (ILO Country Profiles 2018). Pension insurance contributions in Algeria have not yet been surveyed. Labour market experts estimate that the share of informal employees in Algeria is around 45% (Souag and Assaad 2017)³.

The unemployment indicator does not fully capture the problem

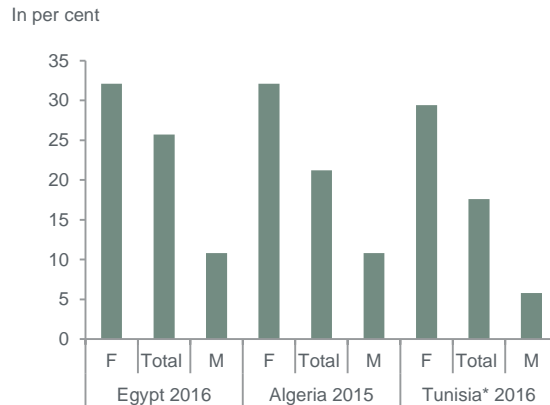
Regardless of the statistical data, almost all labour market experts believe that the problem of underemployment is significantly larger. The unemployment figures only capture part of the population – the segment that is actually available to the labour market. But part of the workforce is no longer available because they believe they do not have much of a chance of finding work or are currently unable to work because they are in training, for example. With reference to this finding, labour market experts have attempted to more accurately capture the extent of the unemployment problem through the use of specific indicators.

The NEET indicator, for example, which stands for Not in Education, Employment or Training, provides more insight into the extent of the underemployment problem. Current figures for Egypt, Algeria and Tunisia show very clearly that the share of young people who are not in education, employment or training is very high (Figure 2). The level is above the general unemployment rate for Egypt and Algeria and slightly below it for Tunisia. At the same time, the values for women in the three countries are at an even higher level. No data are available on the share of young people in Morocco who are not in education, employment or training, so a NEET share could not be determined for that country.

Female labour force participation is particularly low

Figure 3 shows the gap between female and male labour force participation. It is obvious that the problem of female underemployment affects almost all cohorts and not just young women. Male labour force participation, in turn, rises to a normal level after they have completed a degree course

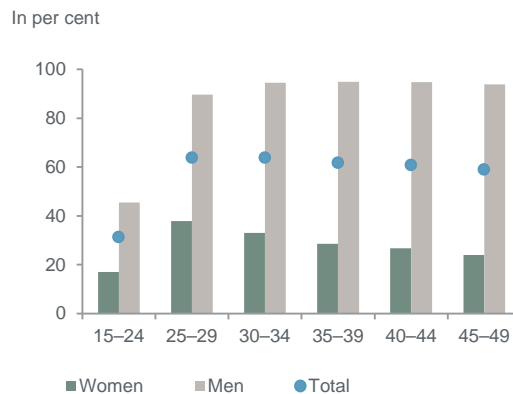
Figure 2: Percentage of young people (15–29) who are not in education (including university), employment or training



Sources: World Bank, UNESCO, Thomson Reuters (*own calculations)

or vocational training. Without exception, the high underemployment rate is due to the extremely low female participation rates. The problem of low female labour force participation becomes increasingly clearer when we look at the statistics. Here it is safe to assume that underemployment among young males is of a temporary nature. Studies conducted by the ILO also confirm this (2017⁴, 2016⁵).

Figure 3: Labour force participation by gender and age in 2017 (formal and informal)



Source: ILO

Temporary underemployment is associated with the transition from the completion of training or a degree to the start of employment. It may also have to do with the very strong desire of many graduates to work in the public sector. To achieve this, many graduates accept a waiting period during which they are either unemployed – if they can afford it – or earn only temporary and low incomes. Waiting for a better job (which can take up to two years) is frustrating for many young people because (temporary) employment in the private sector means not just compromising on income but also on the type and quality of employment (ILO 2016). Taking a job in the private sector is often associated with deskilling and deterioration in the stability and quality of the employment relationship.

Many young people are well trained as a result of the educational expansion described above. But the skills acquired at university are not adequately remunerated or often cannot be applied because the work is performed in low- to medium-skilled sectors. The question is whether the waiting period is growing in the course of the ongoing retreat of the state and whether this also increases the underemployment rate, especially with regards to the strong growth in the supply of labour, including among men. Further job cuts are currently underway in the public sector in Egypt and Tunisia. Thanks to its revenue from natural gas extraction, Algeria has been able to prevent further job cuts in the public sector but natural gas reserves are also limited.

Informalisation exacerbates female underemployment

Unlike men, many women do not enter the labour market after earning their degree or stop working again shortly after taking their first job. This usually coincides with the birth of their first child. The difficulties women face in balancing family life with a career is common the world over and not an exclusive feature of the Muslim world. Nevertheless, women in North Africa grapple with the specific structural transformations in the labour market. Employment in the public sector used to guarantee more family-friendly working hours (part-time employment), childcare and arrangements such as maternal leave, making it easier to combine family life and work. Because of the transformations outlined above, however, such high-quality employment contracts are now increasingly difficult to obtain. Although all North African countries have clear and unambiguous rules on the entitlements of female workers (Table), many women are denied their rights owing to lack of controls and the large share of informal employment.

Another ILO study from 2016 on the transition of young people into the labour force in selected countries of North Africa and the Middle East also identified an inadequate provision of social protection and services for women. Only around 12.1% of working women in Tunisia have the opportunity to take maternal and/or parental leave. Childcare is available to only about 4.7% of employees in Egypt and some 4.4% in Tunisia. No figures are available for the other countries. The current trend in North Africa – the retreat of the public sector and the informalisation of working life – is particularly unfortunate for women, especially mothers. Compared with men, women are not only struggling with lower wages, temporary employment and deskilling. Most

women are completely excluded from the labour market.

Table: Legal provisions and scope

Country	Maternal leave/ parental leave	Costs covered	Rate of coverage in the year 2000	Regulation on childcare
Algeria	15 weeks	Social system	N.A.	None
Egypt	13 weeks	In part	33–65%	From 100 employees
Tunisia	12 weeks	In part	33–65%	None
Morocco	15 weeks	Social system	10–32%	From 50 employees

Source: ILO (2015) Maternity and paternity at work. Law and practice across the world. Geneva

Conclusion

Regardless of their age, women are most affected by the high unemployment rate in North Africa. Contrary to widespread assumptions, young men in the region suffer primarily from informal employment. The retreat of the state from economic activity in the course of structural adjustment has left a gap in the labour market which the private sector has not filled in the same quality. Whereas work in the public sector guarantees a good salary and stable employment conditions, jobs in the private sector are paid less and are often informal. The informalisation of the labour market is particularly hard on women and partly responsible for driving them out of the labour force. The debate on unemployment and underemployment in North Africa should more closely address this gender imbalance. In order to tackle the problem of male and female underemployment and unemployment, growth rates in the private sector need to be increased on a massive scale. To achieve this, the governments would have to shift their focus away from large enterprises, among other things. Large enterprises are productive and internationally competitive but smaller and medium-sized enterprises have the greatest impact on the labour market. Policymakers should therefore ensure that the obstacles hampering the growth of small and medium-sized enterprises are removed. But the removal of barriers should also be accompanied by the formalisation of employment. The state and its institutions should support SMEs in the creation of proper employment relationships. This would also have a positive impact on the hiring of women, although female labour force participation would need to be supported by additional measures as well. All this could help to prevent the social dynamite being perpetuated by this gender imbalance from detonating. ■

¹ Assad (2013) Making Sense of Arab Labor Markets: The Enduring Legacy of Dualism. IZA Discussion Paper No. 7573

² UNESCO (2018) Institute of Statistics – Education, Graduates of Tertiary Education. Accessible at: <http://data.uis.unesco.org/> Last accessed on: 4 May 2018

³ Souag, A. and R. Assaad (2017) The Impact of the Action Plan for Promoting Employment and Combating Unemployment on Employment Informality in Algeria. IZA – Institute of Labour Economics, Nr. 10966.

⁴ ILO (2017) Youth and Employment in North Africa: A Regional Overview Geneva.

⁵ ILO (2016) Labour market transitions of young women and men in the Middle East and North Africa. Geneva.