Chapter 11

Unemployment Persistence, Risks of Skill Obsolescence, and Impacts on the Knowledge Economy in Arab Countries

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ABSTRACT

This chapter looks at the unemployment problem in Arab economies. It shows how unemployment has been persisting during the last years with the implied risks of knowledge obsolescence and other economic and social implications. Under the absence of policy actions that are likely to reduce the effects of knowledge obsolescence, Arab economies with high unemployment rates lose in terms of competitiveness and efficiency but also in the development of knowledge economy. Special training programs, besides more business oriented educational sessions, are likely to minimize the impacts of knowledge obsolescence. Descriptive statistics as well as regressions analyzes are used to show most of the dimensions of the unemployment problem in Arab economies.

INTRODUCTION

This chapter is important as it shows how human resources could affect the quantity and the quality of economic and social prosperity. When labor markets are not able to absorb the human resources coming from the educational and training systems as flows of skilled segments needed to enhance labor productivity, the duration, the waiting time and the number of job seekers lead to further economic and social degradations and unnecessary social costs.

The structure of each of the Arab economies as described in the previous chapters and mainly in chapter 7, appears to be resilient and is likely to be implicitly constraining access to new knowledge...
based opportunities. Other chapters in this present book are emphasizing the market imperfections and constrained adoption of new knowledge paths. Labor markets may be observed as also characterized by imperfections that constrain skilled labor as well. These constitute major hypotheses that are directing the analysis pursued in the present chapter.

The scarcity of qualified human resources during the era of political independence of these countries has been pushing towards giving hiring priority to the public sector. But structural adjustments policies have questioned this priority and reduced hiring policies have been implemented at the level of the public sector. With a growing private sector, the preferences for the public sector have been clearly pursued with the perceptions that private businesses provide inferior working opportunities even when higher salaries are practiced (Driouchi & Relfeirs, 2012).

This chapter is devoted to the issue of unemployment in relation to the development of knowledge economy in Arab countries. It shows how unemployment and mainly that of skilled labor may persist even under further engagement of Arab countries in different components of knowledge economy. These high and persistent levels of unemployment in relation to skills, may lead to the obsolescence of the knowledge gained earlier by the human capital during the previous training period. But, this question raises other issues related to the efficiency of the educational and training systems besides the job offers and the perceptions employers have about the length of unemployment. The reduced contributions of organizations and job seekers to lifelong learning opportunities may also affect the outcomes from the overall training and labor market systems. Most of these elements are addressed from a literature review perspective.

The chapter is organized in three parts where the first one looks at the most important and significant publications on the unemployment issue in the Arab World. The second section is mainly based on the introduction of descriptive statistics and shows the major trends governing unemployment in the Arab region. The last section discusses the risks of knowledge and skills obsolescence in relation to the persistence of high unemployment levels.

1. UNEMPLOYMENT AND YOUTH CHALLENGES IN ARAB COUNTRIES

There is evidence that North African countries have been facing high rates of unemployment for their youth during the past few years. But this trend also appears for countries of the Middle East. In the Middle East and North Africa, the youth unemployment rate at 25 per cent, is the highest in the world according to series of publications (ILO, 2012). World Bank researchers are finding that the actual number of jobless people between the ages of 15 and 29 in the region could be much higher as many young people who are out of school and out of work are not reflected in the statistics. Research has found that unemployment and under-employment are taking a toll on young people, often forcing them to wait years to obtain housing, get married and have children. As a consequence, young men between the ages of 25 and 29 in the region have the lowest marriage rates in the developing world at only 50 per cent. The 2013 ILO employment report (ILO, 2013a) and the one on Global Youth unemployment Trend (ILO, 2013b) says clearly that it is not easy “to be young in the labor market today” (p. 1). The total costs of unemployment include not finding a job and getting part time and inappropriate occupations. The reports indicate that the costs of long-term unemployment continue to rise and undermine the growth potential of economies. Skills mismatch has become a persistent and growing problem according to the report. Skill obsolescence is thus becoming increasingly serious. The latest ILO report (ILO, 2013b) clearly mentions the difficulties related to jobs and skills.
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