The case of Yemen

Carnegie Middle East Center Conference: Arab Youth Unemployment: Roots, Risks and Responses
Thursday, February 10, 2011
Country Background

- Nearly half of the population lives on less than US$2 a day
- Social development indicators - such as child malnutrition, maternal mortality and educational attainment are amongst the lowest in the Arab World
- Nearly half the population of 23 million people are under the age of 15, and seventy percent are under 25
- Mean age of the country 17

- Youth (aged 18-30) represent 30% of the total population and close to 50% of the working age population in Yemen
- 3 conflicts
- Rapid urbanisation
- Growing water scarcity
Unemployment and Youth unemployment

• Official unemployment rate cited is 15%

• Official Youth unemployment in Yemen 25%

• Unofficial unemployment rate est. 25%

• Unofficial youth unemployment rate 35-40%

• Regional and gender disparities

• Open unemployment however is an elastic concept in Yemen where very few can afford not to work and the majority perform some time of informal, irregular employment as a means of survival.
## Root causes of youth unemployment

### Daunting Demographics
- Worlds highest population growth
- 200,000 youth entering the labour market annually and raising
- 2 million new jobs will have to be created by 2020
- Job creation will be unable to keep pace with the number of jobseekers.

### Stagnating economy
- Declining hydrocarbon revenue
- Currency weakness
- Negative image abroad and lack of infrastructure
- Development assistance remains significantly below LDC averages.

### Sclerotic Labour Market
- Weak job placement and linkages services
- Negative public sector employment
- Limited private sector job creation

### Education - LM mismatch
- Focus on quantity not quality
- Focus on “hardware” not “software”
- Education output largely deinked from the needs of the economy,
### Risks of youth unemployment

#### For Youth

- Personal tragedy – crushed aspirations
- Poverty and despair – especially for young families
- “Waithood” – marriage and housing
- Frustration and disillusion – potential source of conflict

#### For Political Regimes

- Tunisia offers a warning - social grievances can quickly escalate to broader demands
- Unemployment can feed local political grievances
### Policy Responses

#### Macro-economic responses

- high profile, emergency response measures
  - Public sector wage increases
  - tax cuts
  - subsidies
  - Social security expansion

- $US 110M cost

- RoGY rationale:
  - Immediate measures to placate protestors

**Challenges:**
- May serve immediate needs but can the State afford this in Skills the main barrier

#### Labour Market responses - Graduates Unemployment Fund

- 180,000 unemployed students – how now become a top priority.

- Fund to create 50,000 jobs for graduates annually.

- RoGY rationale:
  - Targeted measures to address most vocal protestors

- Challenges:
  - Where will the jobs come from?
  - Target cohort to most difficult to employ
<table>
<thead>
<tr>
<th>Labour market policies - GCC Labour Migration</th>
<th>Labour market policies - Micro enterprise</th>
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<tbody>
<tr>
<td>• Policy initiative launched in 2009</td>
<td>• Micro-enterprise adopted in 2008 as key mechanism to address poverty and unemployment in Yemen.</td>
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<td>RoGY rationale:</td>
<td>• The Government of Yemen backing the capacity building and growth of the microfinance sector in Yemen.</td>
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<td>• Pressure release valve</td>
<td>RoGY rationale:</td>
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<td>• Remittances and skills repatriation to</td>
<td>• Microfinance recognised as key job creator</td>
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<td>fuel domestic growth</td>
<td>• Micro and small business can drive local economic development</td>
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<tr>
<td>GCC rationale:</td>
<td>• Challenges:</td>
</tr>
<tr>
<td>• Vested interest in preventing instability</td>
<td>• Resistance to brain drain</td>
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<td>in Yemen</td>
<td>• Security Concerns from GCC</td>
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<td>Domestic political considerations</td>
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<td>• Security Concerns from GCC</td>
<td>• Weak lending culture, limited outreach, weak macro-economic situation</td>
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Policy Recommendations

• You can’t “rob Peter to pay Paul”

• Short-term solutions can build long-term resentment

• Emergency employment packages rarely work unless they are structured effectively

• Don’t ignore the small businesses

• GCC or bust

• It’s not ‘how much’ but ‘how’

• “Plugging cables” creates immediate impacts

• PPPs offer recipes for success.
<table>
<thead>
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<th>RoYG – Silatech Construction Skills GGC Training Initiative</th>
<th>Silatech Micro-Enterprise Solution</th>
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<tbody>
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<td>• PPP between the Government, Silatech and the private sector</td>
<td>Solution to support the growth of youth run-businesses</td>
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<tr>
<td>• Focus training, qualifications and placement services for Yemeni workers in GCC construction projects</td>
<td>• Integrated partnership with microfinance institutions, entrepreneurship education &amp; business support service providers</td>
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<td>• Yemen Gov budgetary support and infrastructure provision</td>
<td>• Over 8,500 businesses including 800 start-ups now supported</td>
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<td>• Private sector endorsement of quals and investment into ethical manpower solutions</td>
<td>• Employment impact of more than 15,000 jobs.</td>
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<td>• 1,000 people qualified, and scaling now to train and place up to 20,000 Yemenis a year.</td>
<td>• 50,000 businesses support by 2013,</td>
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