A New Social Contract:
Enhancing Employability in the Arab World

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Introduction: The third Arab Development Symposium (ADS)—the topic of the present note, covers issues related to the double transition from education to work in the Arab World. It was held in Kuwait in November 2014. The previous two symposia focused on "Food and Water Security in the Arab World" and on small and medium enterprises "Reinvigorating the Developmental Role of SMEs in the Arab Countries".

The ADS is a joint effort between the Arab Fund for Economic and Social Development and the World Bank (Middle East and North Africa Region) to provide an opportunity for policymakers, practitioners and academicians to share ideas and experiences on topics which are high on the Arab development agenda. As such, the ADS series complement other fora for research and knowledge sharing and dissemination.

Overview: The employability symposium conveyed two main messages: (a) dissatisfaction with the quality of education in the Arab region, and (b) the need for a new social contract that would facilitate comprehensive reform in education and economic systems. Of the many ideas and themes that emerged at the symposium, there was consensus about eight main themes, three of which are supply-related, three demand-related, and two-contextual. There are, of authors are grateful to Hana Brixi and Juan Manuel Moreno from the World Bank for their comments.

1 Both were held in Kuwait City in March 2011 and June 2012, respectively.

3 These include the Economic Research Forum (ERF), the Research Initiative for Arab Development (RIAD), and the Arab Spring Development Initiative (ASDI.)
course, variations among countries as well as success stories as documented out in the recent World Bank report *Trust, Voice and Incentives: Learning from Local Success Stories in Service Delivery in MENA*.

**Supply themes.** Despite the impressive improvement in access to education as indicated by substantial increases in student enrollment at various education levels- basic, secondary and higher education, the quality of outcomes remains low by international standards with graduates deficient in 21st century skills such as effective oral and written communication in both the native language and a second international language notably English, entrepreneurship, problem solving, creative thinking and information and communication technology (ICT) skills, and civic competencies.

Low quality of education is also reflected in the weak ability of graduates to use the knowledge and skills acquired through education to produce economic wealth, improve productivity, and meet emerging labor market needs.

Deficiencies in the education systems are mainly due to serious weaknesses in governance (particularly transparency and accountability), teachers’ academic and pedagogic preparation, curriculum, quality assurance, and participation of various stakeholders as well as the prevalence of selectivity and rigid tracking over inclusiveness.

**Demand themes.** Labor markets are inefficient due to exclusion of over half the women and youth, and inequitable due to allocation of higher income jobs to the public sector that adds limited value to the economy and gives little importance to merit in access to jobs.

The public sector dominates over the private sector because it is both the regulator and the main ‘client’ of the education system. Wages are higher and productivity is lower in the public sector than in the private sector particularly in the weaker uncompetitive small and medium enterprises (SMEs). And the private sector is dominated by monopolies allied with the political regimes.

The high rate of youth unemployment is caused by several factors, notably continuous high population growth; low productivity growth rates; dependence on oil and lack of diversified economies particularly in the oil-exporting countries; preference for cheap expatriate labor over national labor, especially in the Gulf countries, due to the high reservation wage of nationals; weak demand due to rentier economies; and inefficient employment enabling mechanisms such as retraining programs, manpower projections, job placement services and incentives for hiring nationals; and lack of effective communication between colleges and employers.

**Contextual themes.** Education is not a top priority on the political agendas of Arab governments. Political commitment to substantial reform of the education system is neither serious nor continuous. And the existing social contract, which is based on the rentier system, is a barrier to a holistic education reform that promotes employability skills. The World Bank MENA Economic Monitor issue of April 2015 entitled *Towards a New Social Contract* provides a detailed discussion of the social and political context for reform in education and other sectors of the economy.

There are significant variations among and within Arab countries with regard to the context of the relationship between education and employability. Some of these variations reflect social and political values that resist change while others refer to vested interests of influential groups that support the status quo. But there are also cultural values that support educational reform.

**Policy recommendations.** There are at least six broad policy areas that need to be undertaken to improve the education system and facilitate the double transition from education to work. These recommendations are broadly in line with the findings of the 2013 flagship report *Jobs for Shared Prosperity: Time for Action in the Middle East and North Africa*.

First, replace the logic of selection in the education systems with the logic of learning through a holistic reform including reforming assessment systems, focusing on 21st century skills, promoting technical and vocational training, establishing independent quality assurance and accreditation systems, and creating employment enabling mechanisms.

Second, make employability count through partnership among various stakeholders- public...
officers, private sector, NGOs, service providers, parents, students, and community leaders, and more broadly through a new social contract based on accountability and transparency which replaces the rentier system with a competitive private sector and a fully reformed education system.

Third, redistribute state revenues through cash transfers to citizens rather than public sector wages. This releases the pressure on public employment and allows citizens to start their own businesses in the private sector.

Fourth, stop free public higher education in incremental steps because the government should only subsidize the higher education of lower and middle classes. This leads to more accountability in education as well as higher quality. And the poor can still receive public financial support in education.

Fifth, change relevant laws pertinent to education and labor in order to enhance employability; and secure political commitment to implement the new laws.

Finally, close the information and knowledge gaps between the education system and employers through a mechanism of data collection, monitoring and evaluation, dissemination of relevant data, and reform of assessment and certification.