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What is the Nature of the Employment Challenge in the GCC Countries?

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What is the Nature of the Employment Challenge in the GCC Countries?

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Abstract

The Arab countries of the MENA region have adopted state-led development paths since the nineteen-sixties and seventies. The government and the public sectors have become the main employer for the expanding labor force (Cammett et al., 2015). Salehi-Isfahani (2012a) identifies high youth unemployment as one of three employment problems in the Middle East and North Africa countries due to the weakening role of the state and their incapability to absorb the increasing number of graduates.

In this paper, I extend Salehi-Isfahani's (2012a) analysis in four directions. First, I focus on high youth unemployment rates in the context of the oil rich, high-income Gulf Cooperation Council countries. Second, due to the conceptual measurement problems of unemployment and the segmented nature of labor markets in the GCC countries which tends to blur the distinction between national and foreign labor unemployment, I examine two additional labor indicators: labor force participation rates and the employment-population ratios. Third, I investigate the gender dimension of these labor indicators and distinguish between female and male rates/ratios. This dimension has been completely overlooked in the examination of the Middle East and North Africa labor markets. Finally, I examine a longer period of two decades (2000-2020) for their different labor measures.

Analysis shows that for the Gulf Cooperation Council countries as a group, youth unemployment rates are lower than in the comparator group of other high-income countries, although the employment-population ratios are comparable.

The real challenge to the Gulf Cooperation Council countries arises from the gender bias against females. Female youth unemployment rates, labor force participation rates, and employment-population ratios are lower than the male youth rates. Female youth labor force participation rates and employment-population ratios are lower in the Gulf Cooperation Council countries than in the other high-income countries comparator group.

The bias seems however to have improved in some Gulf Cooperation Council countries in the last decade. Female youth labor force participation rates and employment-population ratios improved relative to that of the male youth in some countries.

Keywords: Gulf Cooperation Council; labor markets; female youth; unemployment rate; labor force participation rate; employment-population ratio

1. Introduction

The Arab countries of the Middle East and North Africa (MENA) region have adopted state-led development paths since the nineteen-sixties and seventies.¹ The government and the public sectors have become the main employer for the expanding labor force (Cammett et al., 2015). After the end of colonialism and gaining independence, the Arab MENA countries have embarked on modernization efforts. These efforts have been based on the development of a formal education system, the role of the government in spearheading economic activity through the development of agriculture and industry, and a large government administrative apparatus.

Salehi-Isfahani (2012a) points out that the formal education system served employment in the public sector. Over time, however, this approach has created *three employment problems* in the MENA countries: high youth unemployment, low productivity, and long waiting times between graduation and landing public sector jobs.²

The average youth unemployment rate (YUR) for the examined period 2000-2007 is almost 26 percent compared to nearly 20 percent in middle-income countries. The long waiting time, (nearly years), between graduation and getting hired, he contends, is attributable to low turnover and high reservation wages. The low turnover in the formal labor markets is an outcome of stringent labor laws, job security, and cultural resentment of laying workers off (Assaad et al., 2010; Dhillon and Yousef, 2009; Egel and Salehi-Isfahani, 2010; Salehi-Isfahani, 2012b; Yassine, 2012). The high reservation wages are caused by oil rents in oil exporting countries, while in oil importing countries, they are caused by the “opportunity cost” or the missed opportunity of working in oil exporting countries.

The problems of high youth unemployment, low labor productivity and long waiting times can be explained in terms of three factors. First, the combination of population growth, free public education, and low real per capita growth rates have resulted in *excess supply of graduates* who seek employment in the government administrative apparatus and the public sector or state-owned enterprises.

Second, *education quality* has been deteriorating and has become more focused on “diplomization” or certification rather than learning, as Salehi-Isfahani (2012a) argues. High population growth rates coupled with free education and little investment in public education and vocational training have resulted in the decline in education quality and labor productivity. The deteriorating education quality limits the substitutability of employment in the public sector and the profit-seeking private sector.

1 The MENA countries, according to the World Bank regional classification, include Algeria, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Libya, Malta, Morocco, Syria, Tunisia, West Bank and Gaza, and Yemen, in addition to the six Gulf Cooperation Council countries (GCC)-Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. The Arab MENA countries do not include Iran, Israel, and Malta. The League of Arab States enlists Mauritania, Somalia, and Sudan in addition to the World Bank’s Arab MENA countries as Arab countries. In this paper, in the discussion of modernization efforts, I refer to the Arab countries who have been colonized and gained independence, namely Algeria, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia, and Yemen.

2 He examines 12 Arab and non-Arab Middle East countries (as opposed to the MENA countries defined by the World Bank or League of Arab States): Algeria, Egypt, Iran, Iraq, Jordan, Libya, Morocco, Saudi Arabia, Syria, Tunisia, Turkey, and Yemen. His list therefore classifies Turkey as a MENA country.

Third, *the inequality of opportunity*, as Salehi-Isfahani (2012a; 2012b) argues, and/or corruption may have exacerbated the high YUR, the long waiting times, and the diminishing labor productivity in the workplace. Diminishing labor productivity may have resulted from the negative productivity spillover of low competence workers in the workplace.

In this paper, I extend Salehi-Isfahani's (2012a) analysis in four directions. First, I focus on high YUR, which is one three employment problems, in the context of the oil rich, high-income GCC countries. Second, due to the conceptual measurement problems of unemployment and the segmented nature of labor markets in the GCC countries which tends to blur the distinction between national and foreign labor unemployment, I examine two labor indicators - labor force participation rate (LFPR) and the employment-population ratio (EPR) – in addition to YUR. Third, I investigate the gender dimension of these labor indicators and distinguish between female and male rates/ratios. This dimension has been completely overlooked in the examination of the MENA labor markets. Finally, I adopt a longer period of two decades (2000-2020) in examining the different labor measures.

Unlike the other MENA countries Salehi-Isfahani (2012a) examines, this paper finds that the average YURs in the GCC countries in 2000-2020 are lower than in the comparator group of the other high-income countries. It also finds that the average EPRs in the GCC countries are close to the comparator group average ratios. These two seem to be a good signal about the performance of labor markets and economic policies in the GCC countries. On the downside, average youth LFPRs are lower.

The analysis reveals a gender bias against female youth in the GCC countries as a group. The female YUR is a multiple of the male YUR. In the comparator group, the female YUR and male YUR are on par. The GCC female youth LFPRs and EPRs are also lower than the GCC male youth LFPRs and EPRs. They are also lower than the comparator group female youth LFPRs and EPRs.

Accordingly, high youth unemployment is not the employment challenge in the context of the high-income, GCC countries, as Salehi-Isfahani (2012a) argues in the context of 12 MENA countries. Rather, *the real employment challenge that the GCC countries face is the bias against female youth*.

The bias seems however to have improved in the last decade in some GCC countries. The female youth LFPR improved relative to the male youth LFPR in Bahrain, Qatar, Saudi Arabia, and the UAE in the last decade. The female youth EPR also improved in Qatar and the UAE.

2. Youth Unemployment, Labor Force Participation, and Employment

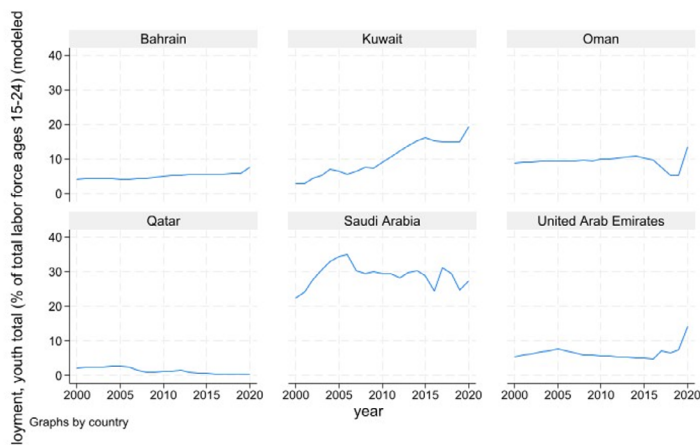
a. Youth Unemployment

To assess the youth unemployment challenge in the case of the oil rich, high-income GCC countries, I start by analyzing YURs over the past two decades (2000-2020) in the six GCC countries. The unemployment rate (UR) is the percentage of the labor force that is unemployed. The labor force comprises people ages 16-64

who are currently employed, or unemployed but seeking work as well as first-time job seekers.³ YUR is the percentage of the labor force ages 15-24 who are unemployed.

The YUR over the past two decades for each of the GCC countries is presented in Figure 1 and Table 1. The figure shows the total YUR was the lowest in Qatar followed by Bahrain and the highest in Saudi Arabia.⁴ The rate consistently increased over time in Kuwait.

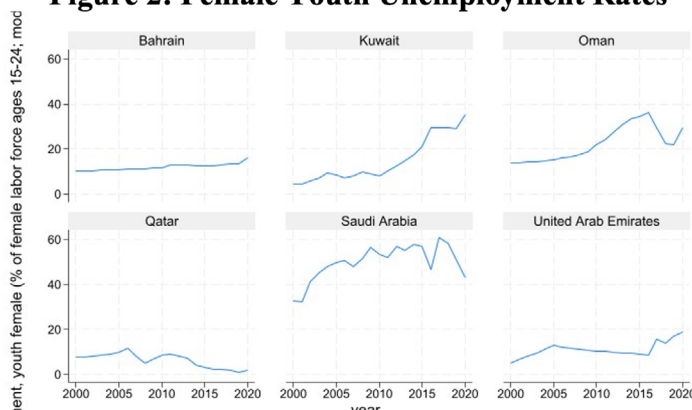
Figure 1: Total Youth Unemployment Rates



Source: World Bank’s World Development Indicators (accessed May 8, 2023)

Figures 2 and 3 show the female and male YURs. Female and male YURs were the lowest in Qatar and highest in Saudi Arabia. Female YUR followed an upward trend in Bahrain, Kuwait, Oman and Saudi Arabia, as Figure 2 shows. Although the male YUR was highest in Saudi Arabia, it followed a downward trend since 2006, as Figure 3 shows. In Kuwait, the male YUR followed an upward trend similar to the female YUR.

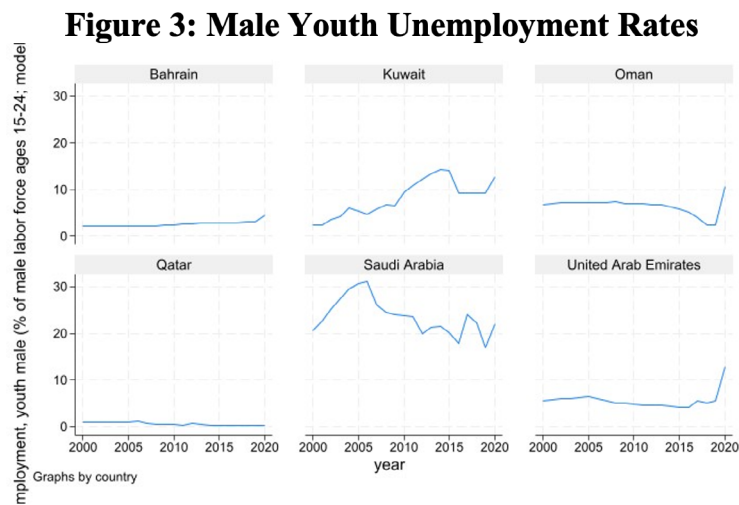
Figure 2: Female Youth Unemployment Rates



Source: World Bank’s World Development Indicators (accessed May 8, 2023)

3 According to the US Bureau of Labor Statistics, those who are not counted in the labor force include the military personnel, federal government employees, retirees, the disabled, the discouraged workers who stopped seeking employment, and some agricultural workers.

4 I use the term total to refer to both genders.



Source: World Bank’s World Development Indicators (accessed May 8, 2023)

These figures suggest that the performance of youth unemployment in the GCC countries has been *heterogenous* (variable) across the six GCC countries. The performance has also been heterogenous over time.

To revisit Salehi-Isfahani’s (2012a) high youth unemployment finding in the context of the GCC countries, I compare the average YURs in the high-income GCC countries to the average YURs in other high-income countries.⁵ Table 1 shows that the average GCC YURs in 2000-2010 and 2010-2020 were about 10 and 11 percent, respectively. These rates are lower than the comparator group rates of about 17 and 18 percent in 2000-2010 and 2010-2020, respectively.

⁵ Other high-income countries include Australia, Austria, Bahamas, Barbados, Belgium, Brunei Darussalam, Canada, Channel Islands, Chile, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, French Polynesia, Germany, Greece, Guam, Hong Kong (China), Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Macao (China), Malta, Netherlands, New Caledonia, New Zealand, Norway, Poland, Portugal, Puerto Rico, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Trinidad and Tobago, United Kingdom, United States, Uruguay and Virgin Islands.

Table 1: Youth Labor Indicators in the GCC Countries (Percent; period average)

Country	Labor Force Participation Rate			Employment Rate			Unemployment Rate		
	Total	Female	Male	Total	Female	Male	Total	Female	Male
2000-2010									
Bahrain	41.8	25.5	53.7	40.4	23.1	53.0	4.5	10.9	2.2
Kuwait	31.6	24.2	37.9	29.5	21.8	36.0	6.0	7.5	5.2
Oman	36.9	21.4	50.0	33.3	17.7	45.9	9.4	16.1	7.1
Qatar	64.6	33.2	80.7	64.8	30.5	80.0	2.0	8.3	0.9
Saudi Arabia	17.9	7.4	27.8	13.5	4.0	21.5	29.7	46.3	25.9
UAE	50.2	27.3	62.7	48.9	25.0	60.9	6.4	10.0	5.6
Total	40.5	23.2	52.1	38.4	20.4	49.5	9.7	16.5	7.8
2010-2020									
Bahrain	41.5	26.0	53.1	39.6	22.9	52.2	5.7	13.2	3.0
Kuwait	26.6	17.9	34.1	22.6	14.1	30.1	14.3	21.6	11.3
Oman	38.6	14.8	55.1	35.3	10.8	52.6	9.4	28.3	5.8
Qatar	70.2	36.2	80.9	69.0	34.4	80.0	0.8	4.5	0.3
Saudi Arabia	18.5	8.7	27.7	13.4	4.1	22.2	28.5	53.9	21.2
UAE	50.9	31.5	62.1	49.5	27.4	58.5	6.6	12.1	5.5
Total	41.1	22.5	52.2	38.2	19.0	49.3	10.9	22.3	7.8
Other High-Income Countries									
2000-2010	46.7	42.0	50.7	39.0	34.4	42.8	16.8	18.3	16.1
2010-2020	44.2	39.8	47.7	36.2	32.3	39.3	18.2	19.6	17.9

Note: Author's calculations based on World Bank's World Development Indicators (accessed May 8, 2023)

The average female YURs were about 17 and 22 percent during the same period compared to about 18 and 20 percent for the comparator group. The average male YURs were about 8 percent in both decades compared to 16 and 18 percent for the comparator group. These rates suggest that the GCC YURs were not higher than the YURs for the comparator group.

However, a comparison of the female YURs to the male YURs within the GCC countries shows that the female YUR was double the male YUR in 2000-2010 and was nearly triple the rate in 2010-2020. In the comparator group, the average female and male YURs were very close to each other in both decades.

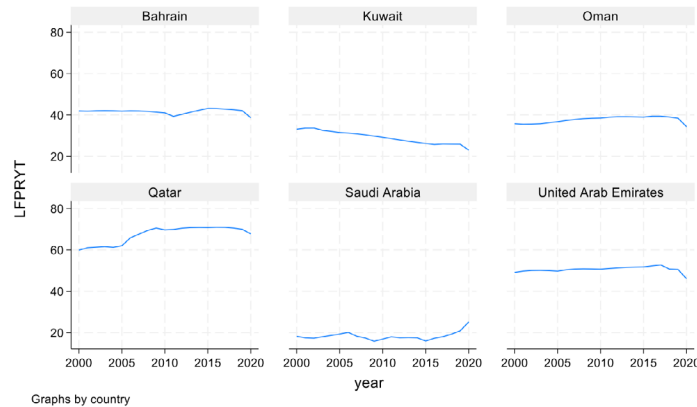
b. Youth Labor Force Participation

The LFPR is the percentage of the working-age population who are in the labor force. It provides a population-wide labor perspective of employment and unemployment and is an estimate of the economy's active workforce.⁶ Focusing on youth (ages 15-24), youth LFPR is the percentage of youth labor force in the noninstitutionalized working-age population.

Figures 4, 5, and 6 show that total, female, and male youth LFPR declined in Kuwait. In Oman, total youth LFPR rose mostly due to the increase in male youth LFPR. In Qatar, total youth LFPR rose over time. However, this rise masks a decline in male youth LFPR starting in 2009 and an increase in female youth LFPR starting in 2011. In Saudi Arabia, total and male youth LFPR fluctuated between 2000 and 2015 but increased sharply since then. The same pattern is observed for female youth LFPR between 2000 and 2017 with a sharp increase afterwards. In the UAE, total and female youth LFPR consistently increased until 2017 and declined afterwards, while male youth LFPR exhibited a u-shaped curve until 2015 but declined afterwards.

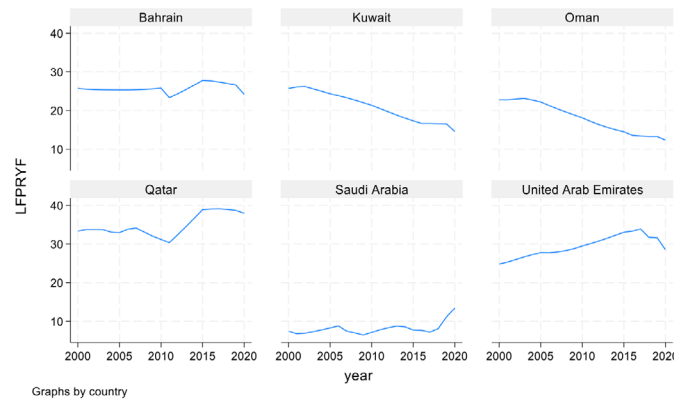
6 For a discussion of the impact of changes in the LFPR on the economy, see <https://www.bls.gov/opub/mlr/2018/beyond-bls/down-and-down-we-go-the-falling-us-labor-force-participation-rate.htm>

Figure 4: Total Youth Labor Force Participation Rates



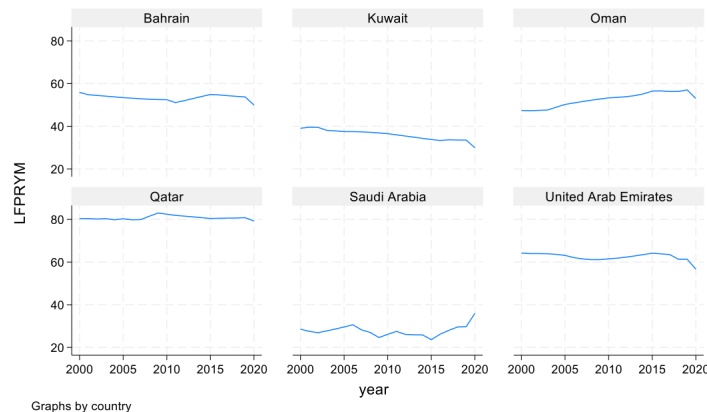
Source: World Bank's World Development Indicators (accessed May 8, 2023)

Figure 5: Female Youth Labor Force Participation Rates



Source: World Bank's World Development Indicators (accessed May 8, 2023)

Figure 6: Male Youth Labor Force Participation Rates



Source: World Bank's World Development Indicators (accessed May 8, 2023)

Similar to youth unemployment, youth LFPR figures suggest *heterogenous* performance across the GCC countries and over time. Saudi Arabia had the lowest total, female and male LFPR, while Qatar had the highest. Kuwait experienced consistent decline over the past two decades, while the UAE experienced consistent increases in total and female LFPR until 2017.

How do LFPRs compare to the other high-income countries comparator group? Table 1 shows the average total and female youth LFPRs are higher in the comparator group than in the GCC countries. The average total youth LFPRs were 6 and 3 percentage points higher in the comparator group in 2000-2010 and 2010-2020, respectively. The difference was quite striking for female youth LFP rates. In the comparator group, the average female youth LFPRs were nearly 19 and 17 percentage points higher than the GCC female youth averages in 2000-2010 and 2010-2022, respectively.

A comparison of GCC female to male youth LFPR supports the gender bias against female youth. The average GCC female youth LFPR is less than half the average GCC male LFPR in 2000-2010 and 2010-2020. It should be noted though that despite the decline in Kuwait's LFPR, the average female youth LFPR relative to that of male youth was the highest in the GCC countries. The relative female youth LFPR increased between 2000-2010 and 2010-2020 in Bahrain, Qatar, Saudi Arabia, and the UAE. It decreased in Kuwait and Oman.

To conclude examining the youth challenge from the youth LFPR perspective, there is a gender bias against female youth labor force participation. The bias is based on LFPR comparisons to the other high-income country comparator group and the GCC male youth. Yet, evaluating the bias relative to GCC male youth LFPR, the bias seems to have declined in Bahrain, Qatar, Saudi Arabia, and the UAE in the last decade.

c. Youth Employment

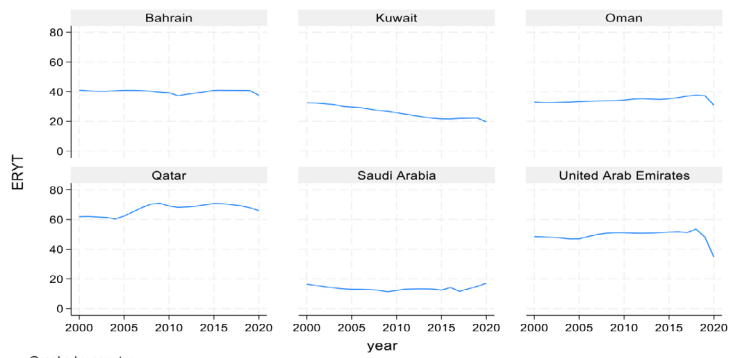
An important component of LFPR is the EPR. The EPR is the number of people employed as a ratio of the working age population (15-64).⁷ The youth EPR is the ratio of employed youth to youth population.

Comparing the UR to the EPR, a fall in the UR may not necessarily indicate an improvement in job creation. The UR may fall due to discouraged workers aborting job searches and quitting the labor force altogether. The EPR, unlike UR, is unaffected by seasonal variations or short-term fluctuations in the labor market. As a result, it is often considered to be a more reliable indicator of employment and job creation compared to UR.

Youth EPRs are presented in Figures 7-9 and Table 1. The figures indicate that total, female, and male youth EPRs were the highest in Qatar followed by the UAE and Bahrain and the lowest in Saudi Arabia. In Kuwait, the rates consistently declined. The total youth EPRs consistently increased in Oman and the UAE until 2019 but dropped in 2020. In Oman, the female and male youth EPRs decreased and increased steadily, respectively.

⁷ The ratio measures the number of job holders relative to the adult population, tracks the pace of job creation over time and provides an indication on how well the economy uses its labor resources (Donovan, 2015).

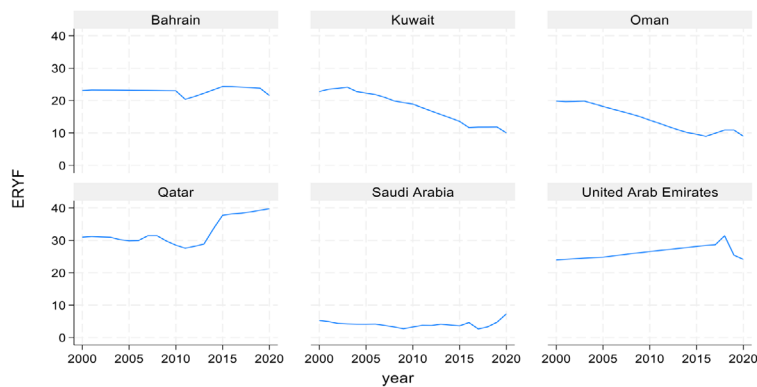
Figure 7: Total Youth Employment-Population Ratios



Graphs by country

Source: World Bank's World Development Indicators (accessed May 8, 2023)

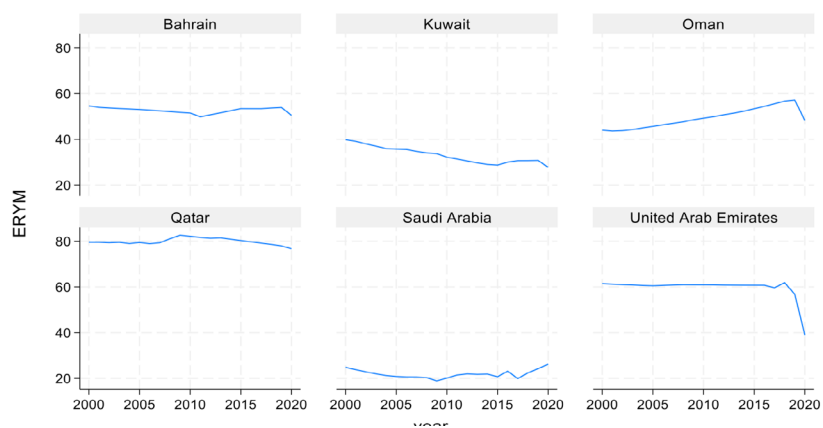
Figure 8: Female Youth Employment-Population Ratios



Graphs by country

Source: World Bank's World Development Indicators (accessed May 8, 2023)

Figure 9: Male Youth Employment-Population Ratios



Source: World Bank's World Development Indicators (accessed May 8, 2023)

Table 1 shows that 38 percent of the GCC total youth population are employed. About half and one-fifth of the male and female youth population are employed, respectively. Among the GCC countries, Qatar has the highest youth EPRs for total, female, and male youth, while Saudi Arabia has the lowest.

How do the EPRs in the GCC countries compare to those in the comparator group? The GCC average total youth EPRs were similar to those of the comparator group, while the average male youth EPR is higher. The average female youth EPR was lower than in the comparator group.

To conclude examining the youth challenge from the youth EPR perspective, there is a gender bias against female youth EPR. The bias is based on comparisons to the other high-income country comparator group and the GCC male youth. Yet, evaluating the bias in relation to the GCC male youth employment-population ratios,⁸ the bias seems to have declined in Qatar and the UAE in the last decade. However, it did not change in Bahrain or Saudi Arabia but worsened in Kuwait and Oman.

3. Labor Market Policies and Reforms

What explains the improvement in the bias against females in the GCC labor markets? The GCC countries have adopted legal measures that help reduce the bias against the employment of females and encourage them to participate in the labor force. Except for Oman, the GCC countries adopted International Labor Organization (ILO) Discrimination Convention (No. 111). Convention 111 defines discrimination and “forbids distinction, exclusion or preference based on race, color, sex, religion, political opinion, national extraction, or social origin.” Parties to the convention are therefore required to set up and align national policies to guarantee equality of treatment and opportunity.

Efforts have also been made by some GCC countries to ensure that females are not remunerated differently from males. Saudi Arabia and the UAE are parties to the ILO Equal Remuneration Convention (No. 100). This convention could be thought of a special case of Convention 111 pertaining to anti-discrimination on sex basis. Convention 100 defines the term remuneration to include the ordinary, basic or minimum wage or salary and any additional emoluments whatsoever payable directly or indirectly, whether in cash or in kind, by the employer to the worker and arising out of the worker’s employment. The term equal remuneration for men and women workers for work of equal value refers to rates of remuneration established without discrimination based on sex.

Besides international agreements, Saudi Arabia, the UAE, and Bahrain have taken strides to empower women through domestic legal and labor policy reforms. The Country Director of the GCC Countries, Middle East, and North Africa, at the World Bank, Issam Abousleiman, vigorously defends the progress of Saudi Arabia, UAE, and Bahrain in expanding opportunities of women. He highlights the fundamental labor policy reforms in these three countries to empower women and expand available opportunities to them. Table 2 shows the nature and dates of relevant women-empowering reforms in the GCC countries.

⁸ This is based on comparing the average female youth employment-population ratio relative to that of male youth in 2000-2010 and 2010-2020.

Table 2: Business and Legal Reforms in the GCC Countries in Support of Women Empowerment

	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
Mobility						
Can a woman:						
choose where to live in the same way as a man?	.	.	.	.	2020	2021
travel outside her home in the same way as a man?	.	.	.	.	2020	2021
apply for a passport in the same way as a man?	2007	2011	2022	2008	2020	2019
travel outside the country in the same way as a man?	1971	1971	.	.	2020	2021
Pay						
Does the law mandate equal remuneration for work of equal value?	2022	.	.	.	2012	2021
Can a woman work:						
at night in the same way as a man?	2022	.	.	1971	2021	2020
in a job deemed dangerous in the same way as a man?	2021	.	.	1971	2021	2020
in an industrial job in the same way as a man?	2022	.	1971	1971	2021	2020
Marriage						
Is the law free of legal provisions that require a married woman to obey her husband?	.	.	1971	.	2020	2021
Can a woman be head of household in the same way as a man?	2019	1971	.	1971	2020	2020
Is there legislation specifically addressing domestic violence?	2017	2021	.	.	2016	2020
Can a woman obtain a judgment of divorce in the same way as a man?	.	.	.	.	.	.
Does a woman have the same rights to remarry as a man?	.	.	.	.	.	.
Parenthood						
Is paid leave of at least 14 weeks available to mothers?	.	.	.	.	.	.
Paid maternity leave						
length (number of days)	45; 60	70	42; 50	50	70	45; 60
start date	1977; 2014	1971	1976; 2013	2006	1971	1982; 2023
Does the government administer 100% of maternity leave benefits?	.	.	.	.	.	.
Is there paid leave available to fathers?	1995	.	.	.	2007	2021
Is there paid parental leave?	.	.	.	.	.	2021
Shared days	.	.	.	.	.	0
Days for the mother	.	.	.	.	.	7
Days for the father	.	.	.	.	.	7
Is dismissal of pregnant workers prohibited?	1978	.	.	.	2020	2020
Entrepreneurship						
Does the law prohibit discrimination in access to credit based on gender?	2021	.	.	.	2020	2020
Can a woman:						
sign a contract in the same way as a man?	1971	1971	1971	1971	1971	1971
register a business in the same way as a man?	1971	1971	1971	1971	1971	1971
open a bank account in the same way as a man?	1971	1971	1971	1971	1971	1971
Assets						
Do men and women have equal ownership rights to immovable property?	1971	1971	1971	1971	1971	1971
Do sons and daughters have equal rights to inherit assets from their parents?	.	.	.	.	.	.
Do male and female surviving spouses have equal rights to inherit assets?	.	.	.	.	.	.
Does the law						
grant spouses equal administrative authority over assets during marriage?	1971	1971	1971	1971	1971	1971
provide for the valuation of nonmonetary contributions?	.	.	.	.	.	.
Pension						
Is the age at which						
men and women can retire with full pension benefits the same?	.	.	.	.	2020	2000
men and women can retire with partial pension benefits the same?	1978	1978	1993	.	1971	2000
Is the mandatory retirement age for men and women the same?	1971	1971	1971	1971	2020	1971
Are periods of absence due to childcare accounted for in pension benefits?	2021	.	.	.	1971	2000

Notes: “.” Indicates a negative answer to the question. The provided date indicates a positive answer to the question and when the reform was in place.

Saudi Arabia has recently enacted several reforms that give women social and economic freedoms. In 2020, Saudi Arabia granted women domestic and foreign mobility by giving them the rights to choose where to reside and head households and to obtain passports and travel outside the country on their own in the same way as men. To support women's motherhood and retirement in the long run, Saudi Arabia prohibited the dismissal of pregnant women and equalized the retirement age of men and women. To improve work equality and pay, in 2021 Saudi Arabia granted women the right to work at night, in jobs deemed dangerous, and in industrial jobs.

In 2019, the UAE enhanced women's foreign mobility by granting them the right to obtain passports on their own. A year later, the UAE allowed women more work-related freedom and perhaps higher pay by granting them the rights to work at night, in jobs deemed dangerous, and in industrial jobs. It also allowed women to head households. In 2021, the UAE followed suit of Saudi Arabia and expanded women's domestic and foreign mobility by giving them the rights to choose where to reside and travel outside the country on their own in the same way as men. Furthermore, the law mandated equal remuneration of men and women for work of equal value.

Similar to Saudi Arabia and the UAE, Bahrain undertook labor policy reforms that improve work equality and pay for women. In 2021, Bahrain allowed women to work in jobs deemed dangerous in the same way as men. In 2022, Bahrain reformed the labor law to mandate equality in remuneration between men and women for work of equal value and allow women to work in industrial and dangerous jobs.

4. Conclusion

In this paper, I extend Salehi-Isfahani's (2012a) analysis of the employment problems in the MENA region to the oil rich, high-income GCC countries. The analysis finds that the major employment problem in the GCC countries is not the high youth unemployment rates.

The real youth challenge lies in the gender bias against females. The bias is observed for the different labor indicators: youth unemployment rate, labor force participation rate, and employment rate. However, the bias seems to be improving in some GCC countries over time.

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