

ERF Policy Brief

Human Capital Accumulation and Conflicts: Insights from the MENA Region

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About the authors

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In a nutshell

- *Violent conflict is one of the most important development challenges facing the world and especially the Middle East and North Africa (MENA) region. In fact, the Arab Spring was accompanied by an unprecedented economic destruction in recent history. This policy brief examines the microeconomic effect of conflicts with a special focus on human capital accumulation. We analyze the implications on labor market outcome, public health, and child welfare in conflict affected-countries.*

Conflicts in the MENA region

The Middle East and North Africa (MENA) region is among the regions that suffered most from different types of conflicts, compared to other regions. Indeed, Figure 1 confirms this fact since the MENA region has the highest level of battle-related deaths that witnessed a strong increase between 2010 and 2015 then decreased until 2019 due to the de-escalation in Iraq and Syria.

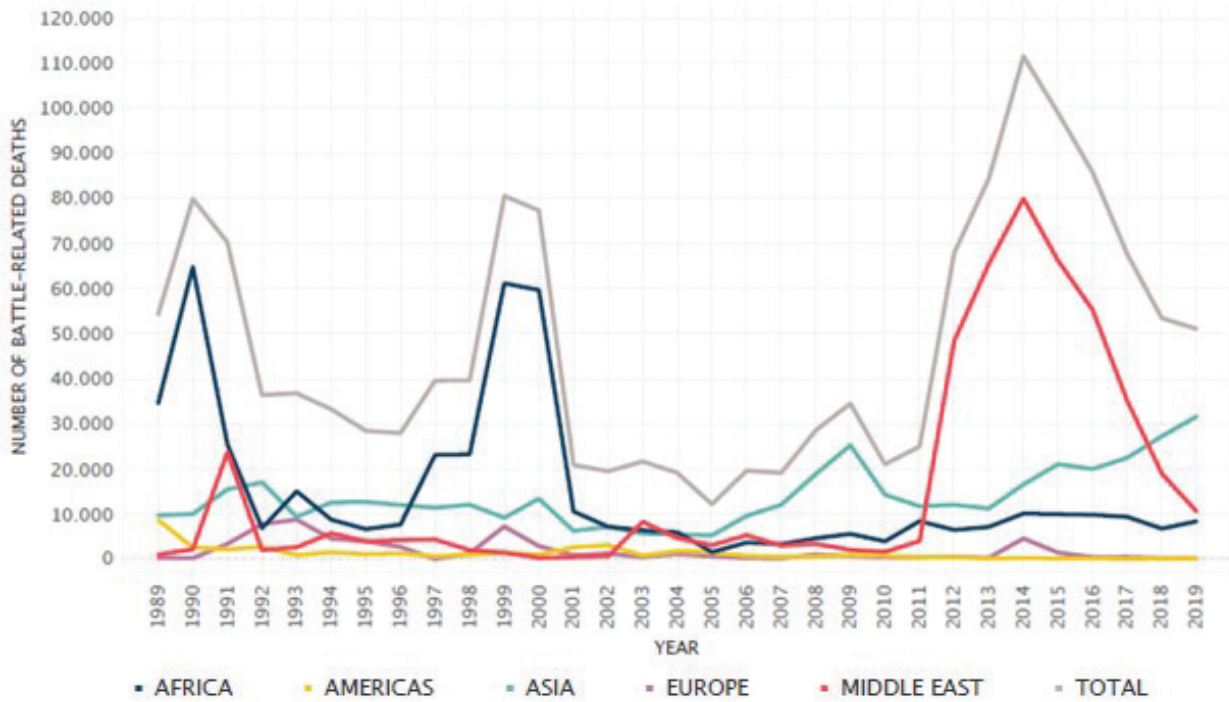
Most of the MENA region conflicts were concentrated in Syria, Yemen, Iraq and Turkey as it is shown in Figure 2. Ceylan and Tumen (2021) confirm that satellite data demonstrate the severe economic activity destruction in Syria, Yemen, Libya and Iraq. Moreover, while non-state conflicts decreased, the latter remain one of the most serious threats in some countries such as Syria (that experienced five non-state conflicts in 2019). Moreover, one-sided violence has increased chiefly due to violence

perpetrated by Syrian insurgents and the Islamic State in some countries, especially Libya, Egypt, and Syria.

Another peculiarity of conflicts in the MENA region is the internationalization of its civil conflicts (Palik et al, 2020). In fact, in 2019, four civil conflicts became internationalized through external interventions leading to a higher complexity of the conflicts. For instance, in Libya, several actors contribute to the fragmentation of Libya's political system by trying to build strategic alliances with different local actors to promote their own interests (Hamada et al, 2020).

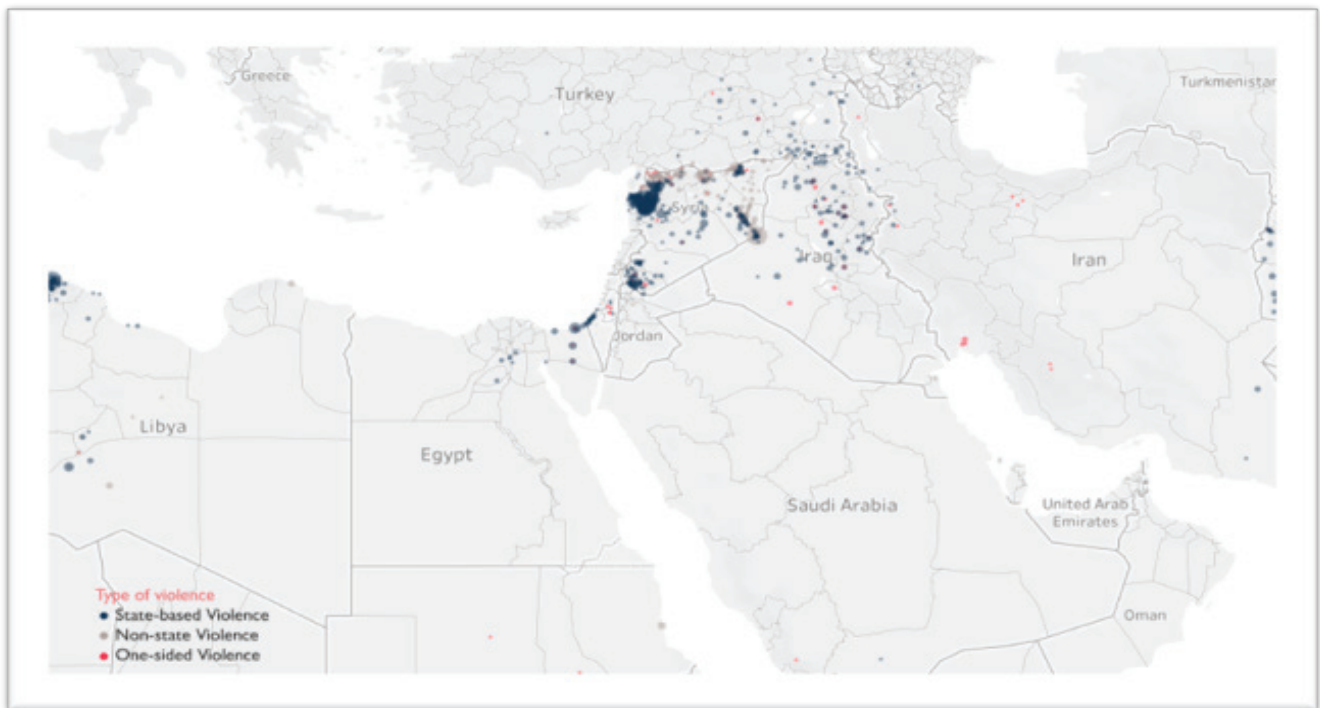
Finally, and a consequence of these conflicts, the MENA region witnessed growing numbers of refugees and other displaced people (around 12.4 million people are currently internally displaced across the region mainly coming from Syria, Yemen, and Libya). Obviously, the economic impact of displacement represents an

Figure 1: Battle-Related Deaths by Region, 1989-2019



Source: UCDP 20.1 data.

Figure 2: Fatal Events by type of violence in the Middle East – 2019



Source: UCDP 20.1 data.

Notes: (i) State-based conflict: a contested incompatibility over government and/or territory, where at least one party is a state, and the use of armed force results in at least 25 battle-related deaths within a calendar year. (ii) non-state conflict: the use of armed force between organized groups, none of which is the government of a state, resulting in at least 25 annual battle-related deaths. (iii) one-sided violence: The use of armed force by the government of a state or by a formally organized group against civilians, which results in at least 25 deaths. Extrajudicial killings in custody are excluded.



additional burden for governments that are already subject to significant fiscal pressures.

Against this background, it is important to analyze how such conflicts affect human capital accumulation and thus development in the MENA region.

How Do Conflict Affect Human Capital Accumulation?

Conflicts and Labor Market Outcomes

From a more microeconomic dimension, conflicts can affect labor market through several channels. First, from a labor demand perspective, evidence from the MENA region suggests that insecurity generated by conflicts does weigh on firms' sales and productivity (Mirza, Sarkisian, and Zaki, 2021).

Second, as per labor supply, conflict and the refugees' crisis potentially have another impact on the labor markets of hosting countries. In fact, a substitutability effect can explain the significant negative impact of Syrian refugee influx on formal employment and wages of low-skilled and low educated workers in Egypt, Jordan and Turkey (Giovanis and Ozdamar, 2020). In this context, Jemmali (2020) presented a distributional analysis of wage differentials between Syrian refugees, natives and other migrants in Jordan. On average, Syrian refugees earn 37.2 per cent and 74 per cent less hourly wages than natives and non-refugee workers, respectively. Moreover, the observed wage differentials are not uniform through the wage distribution; while the wage gap at the bottom and middle parts of the distribution is explained by a compositional disparity in education between refugees and non-refugees, there exists a discrimination factor that is behind the much higher wage gap at the top end of the wage distribution

Recent research attempted to uncover the inter-regional job mobility effect of large-scale refugee inflows. Akgündüz et al. (2021) found that following the arrival of Syrian refugees, net job mobility towards hosting provinces declined in Turkey. More specifically, a percentage point increase in Syrian refugees to native population ratio decreases job mobility to a province by 2 percent.

Thus, during reconstruction, both supply and demand mechanism must be considered by policymakers to improve labor market outcome for nationals and refugees as it will be shown later.

Conflicts and Public Health

Other lines of thought attempt to investigate the impact of conflicts on public health. Elsayed (2021) found that the exposure to terror attacks in childhood affects negatively mental health and could lead to risky behaviors and lower educational attainment. Additionally, this evidence from Iraq, where the intensity of terror is extremely high, shows that the negative impact on education is more pronounced among boys and those from higher socio economic backgrounds. In West Bank, children exposed to house raid or arrest of household members were more likely to engage in violent behavior (Fallah and Hallaq, 2020).

Other evidence from Turkey shows that the mass refugee influx induced by conflicts has a negative impact on the unmet healthcare needs of the native-born population in a host country; this impact lessens as the imbalance of demand and supply of healthcare services restores (Ikizler et al., 2020).

Public services provisions can also affect public health in conflict-affected areas. Indeed, access to a stable and clean drinking water source has an impact on the health of households. In Iraq, households try to avoid traveling to crowded areas (public water access), and mobile water trucks are not able to deliver water to households located in less safe areas. Therefore, they are more likely to have access to drinking water through direct access to the dwelling or through bottled water (Diwakar et al., 2021).

Conflicts and Child Welfare

Children constitute one of the most vulnerable groups when it comes to conflicts. Accordingly, different studies in the Arab region focused on the impact of conflicts on child welfare elements; including nutrition, health, educational attainment, among others.

Jemmali (2020) explores the level of inequality of opportunity in access to basic services among children refugees in host communities. The analysis focuses on Jordan and Lebanon (as host countries) four years following the outbreak of the Syrian crisis. Lebanon has made significant progress in terms of access to basic services for children in host communities, as compared to Jordan. Both countries achieved better school attendance outcomes that are largely attributed to higher access to basic education and lower inequality levels. However, there exists challenging concerns related to access to water and sanitation services, particularly in Jordan. Another study in Iraq suggests that a percentage point increase in conflict frequency results in a significant



reduction in height-for-age z-scores of -0.15 per cent; implying that more exposed children were statistically less likely to have been breastfed (Rizk and Salemi, 2020).

In this context, Ecker and Maystadt (2021) analyzed the potential role of unconditional cash transfers in mitigating the impact of armed conflicts on child nutrition in Yemen and found that cash transfer programs could reduce the nutritional impact of conflicts by 35.8 per cent for weight-for-height z-scores (WHZ) and 20.4 per cent for mid-upper arm circumference z-scores (MUACZ). This suggests that once relative stability is restored, unconditional cash transfer programs can be an effective tool to limit child malnutrition in situations of complex emergencies. In the same sense, Ghattas et al. (2021) found that children recipient of multi-purpose cash assistance (MPC) are transitioning from non-formal to formal schooling while also shifting away from child labor in Lebanon. Cash transfers also improve health outcomes for pre-primary and school-aged children and reduce the likelihood of early marriage for girls aged 15-19 years.

Finally, in contrast with the existing literature highlighting the harmful effect of conflict on public health, Diwakar et al. (2020) explored the possible association between conflict levels and child vaccination in Iraq and found that children residing in high conflict areas in Iraq are more likely to be vaccinated against tuberculosis and measles than children residing in low-conflict areas. This result could largely be explained by the fact that international aid organizations are heavily present in conflict areas.

A Human Capital Lens on Post-Conflict Affected Areas

After presenting the overview of conflicts and their impact on public health, labor market, and children's welfare, several recommendations are worthwhile to be mentioned to improve the livelihood of vulnerable groups that are affected by conflicts.

First, for refugees, different measures should be taken to facilitate the integration of refugees in formal sector and cope with discrimination against them in terms of wages/salaries, working condition, work security, and welfare facilities. For instance, the government should simplify the procedures required to obtain work permits (Jemmali, 2020).

Second, to curb the effect of conflicts on vulnerable groups in the short term, providing regular transfer payments is a crucial tool (whether they are nationals

or refugees). Indeed, Ecker and Maystadt (2021) argue that unconditional cash transfers must be delivered on (at least) a quarterly basis, regardless the amount of the transfer itself. Obviously, from a macroeconomic perspective, this might exert additional fiscal pressures on governments that will have to find various sources to fund such programs (either by generating a fiscal space (through increasing taxes or lowering spending) or from international donors).

Third, in a longer-term perspective, a particular interest should be provided to children, being the future human capital of any economy. Usually, more than half of any refugee population are children that are dependent, vulnerable and bear a significant physical and mental cost. This is why two measures are necessary. First, it is indispensable to ease the enrollment and attendance of children refugees. Second, to overcome the mental cost, Hallaq and Fallah (2020) argue that intervention programs are needed to overcome the consequences of such traumatizing experiences and to improve their social skills and their anxiety disorder.

Finally, and most importantly, reconstruction of conflict-affected areas must chiefly focus on infrastructure and provision of public services. Indeed, a precondition for a human capital recovery is to rebuild the main infrastructure destroyed in the war zone, including transport infrastructure, sanitation, telecommunication, schools, public buildings and hospitals.

Further reading

Ceylan, E. S., & Tumen, S. (2021). Measuring the Economic Cost of Conflict in Afflicted Arab Countries. Economic Research Forum Working Papers (No. 1459).

Jemmali, H. (2020). Are Syrians Refugees Earn Less than Natives and Other Migrants in Jordan: Evidence from Distributional Analysis of Wage Differentials. Economic Research Forum Working Papers (No. 1441).

Palik, J., Rustad, S., Harpviken, K., and Methi, F. (2020) "Conflict Trends in the Middle East - 1989-2019" Peace Research Institute Oslo.





ERF at a Glance: *The Economic Research Forum (ERF) is a regional network dedicated to promoting high-quality economic research for sustainable development in the Arab countries, Iran and Turkey. Established in 1993, ERF's core objectives are to build a strong research capacity in the region; to encourage the production of independent, high-quality research; and to disseminate research output to a wide and diverse audience. To achieve these objectives, ERF's portfolio of activities includes managing carefully selected regional research initiatives; providing training and mentoring to junior researchers; and disseminating the research findings through seminars, conferences and a variety of publications. The network is headquartered in Egypt but its affiliates come primarily from different countries in the region.*

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