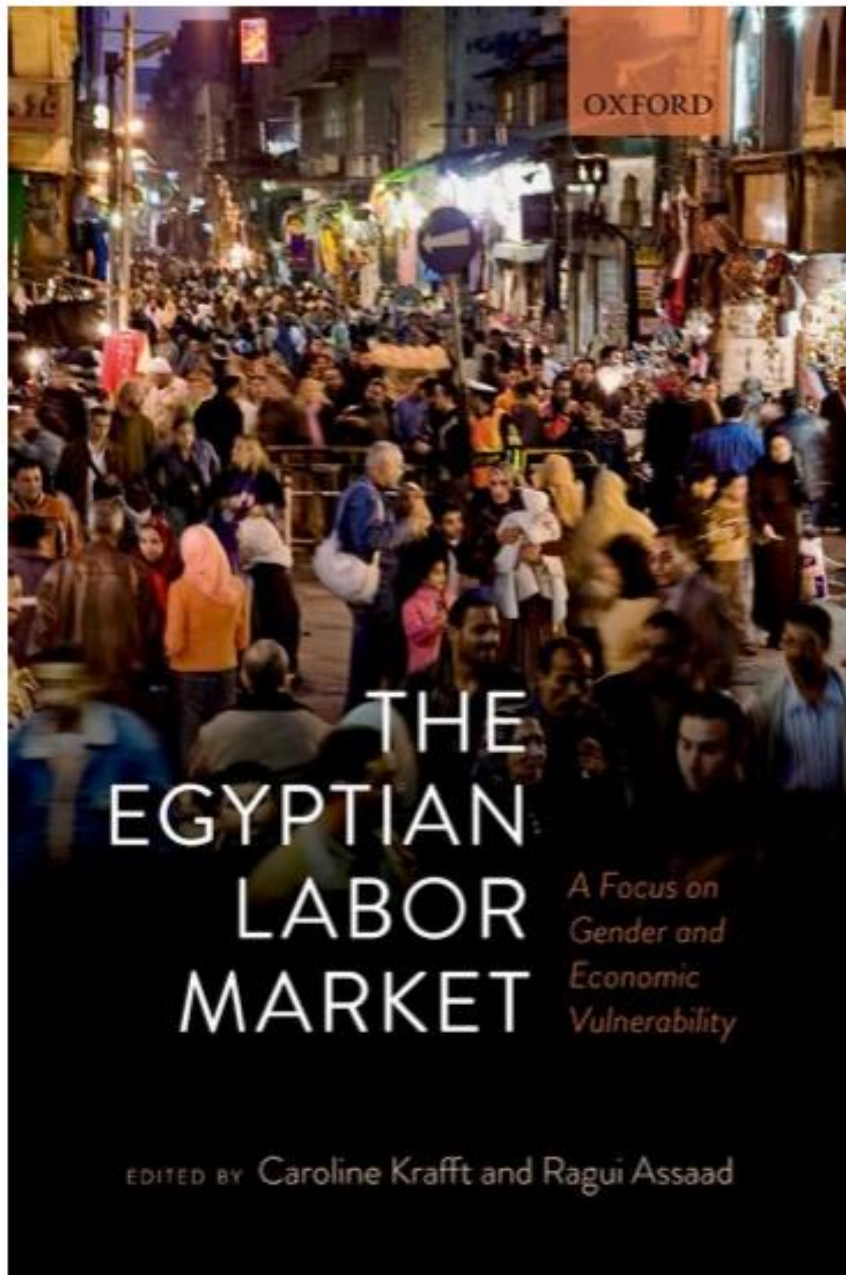


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The Egyptian Labor Market

A Focus on Gender and Economic Vulnerability

By Ragui Assaad
University of Minnesota
and ERF




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RESEARCH ARTICLE

Beware of the echo: the evolution of Egypt's population and labor force from 2000 to 2050*

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ABSTRACT

I argue in this paper that although recent developments had temporarily reduced demographic pressures on the Egyptian labor market, such pressures will return with a vengeance in the next decade. The sizable echo generation born between 2005 and 2015 is the reflection of the large youth bulge generation born in the early 1980s; a reflection that was further compounded by rising fertility rates in the late 2000s and early 2010s. As the echo generation reaches working age, the net annual increase to the labor force will rise from 575 thousand per year in 2020–25 to 800 thousand per year in 2030–35, which will pose a major job creation challenge. This upcoming wave of new entrants will also be substantially more educated, with 50–60 percent having secondary or post-secondary education, and another third having university education or higher. To accommodate this upcoming growth in labor supply and absorb the stock of existing unemployed and discouraged workers, I estimate that employment growth would have to reach 2.7 percent per year, something that would require sustained GDP growth rates in excess of 6 percent per year. The quality of jobs created by the Egyptian economy would also have to improve substantially to satisfy the higher aspirations of the increasingly educated new entrants and curtail the rising rates of discouragement among female new entrants.

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KEYWORDS

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ADWA
Advancing the Decent Work
Agenda in North Africa 2019



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Regional Report on **Jobs and Growth** in North Africa 2020

Published in September 2021



Published September 2021



Labour market vulnerability
and patterns of economic
growth: The case of Egypt

By
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Published September 2021



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Egypt COVID-19 Country Case Study

An ILO/ERF report By Ragui Assaad, Caroline Krafft, Mohamed Ali
Marouani With Sydney Kennedy, Ruby Cheung and Sarah Wahby

Published February 2022

Published February 2022





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Epilogue

Main Messages

- *Despite recent declines in the unemployment rate, the employment situation in Egypt continues to deteriorate*
- *Drop in unemployment is due to temporary demographic developments rather than healthy employment creation*
 - *Mostly due to slower growth of youth and young adult populations, the group most likely to be unemployed in Egypt*
 - *Demographic labor supply pressures will soon resume with a vengeance*
- *Pattern of economic growth in Egypt has not been job-rich and has favored low-productivity, volatile industries that produce precarious, mostly informal jobs that are inhospitable to women*
- *Past economic reforms have reduced role of the public sector in the economy, but have failed to result in robust, job-creating private sector growth.*

Main Messages

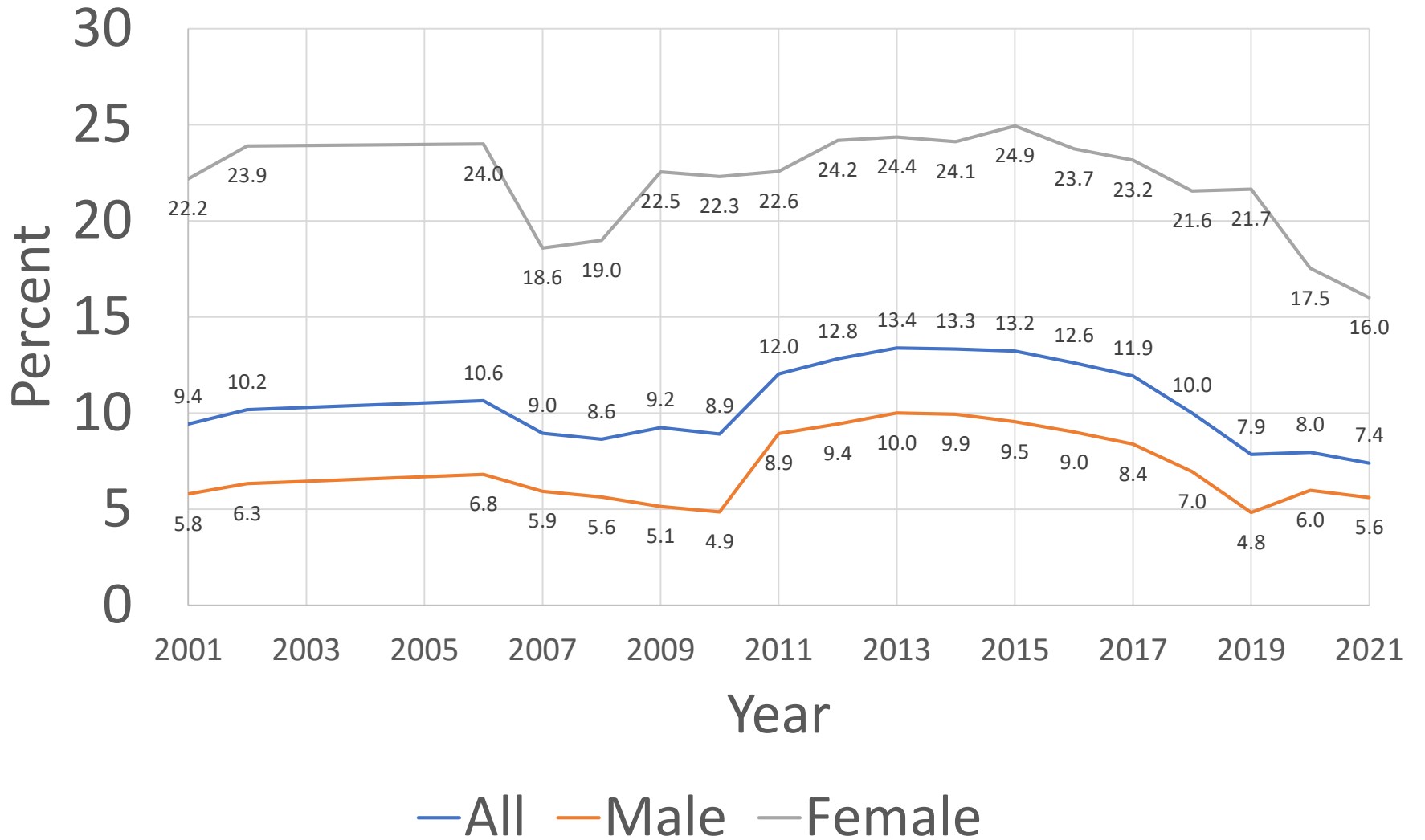
- Job creation has not kept up with population growth, and the jobs that have been created in recent years were mostly informal, precarious and low-paid
- Decline in female labor force participation is the result of shifts in labor demand toward sectors that are inhospitable to women, especially married women
- Egypt did fairly well relative to comparable countries during the COVID-19 pandemic, but long-term problems in the labor market will persist and may get worse as the demographic situation changes

The good news:

Unemployment rates are falling

Rapid falling unemployment rates among women since the onset of COVID are likely due to increased discouragement

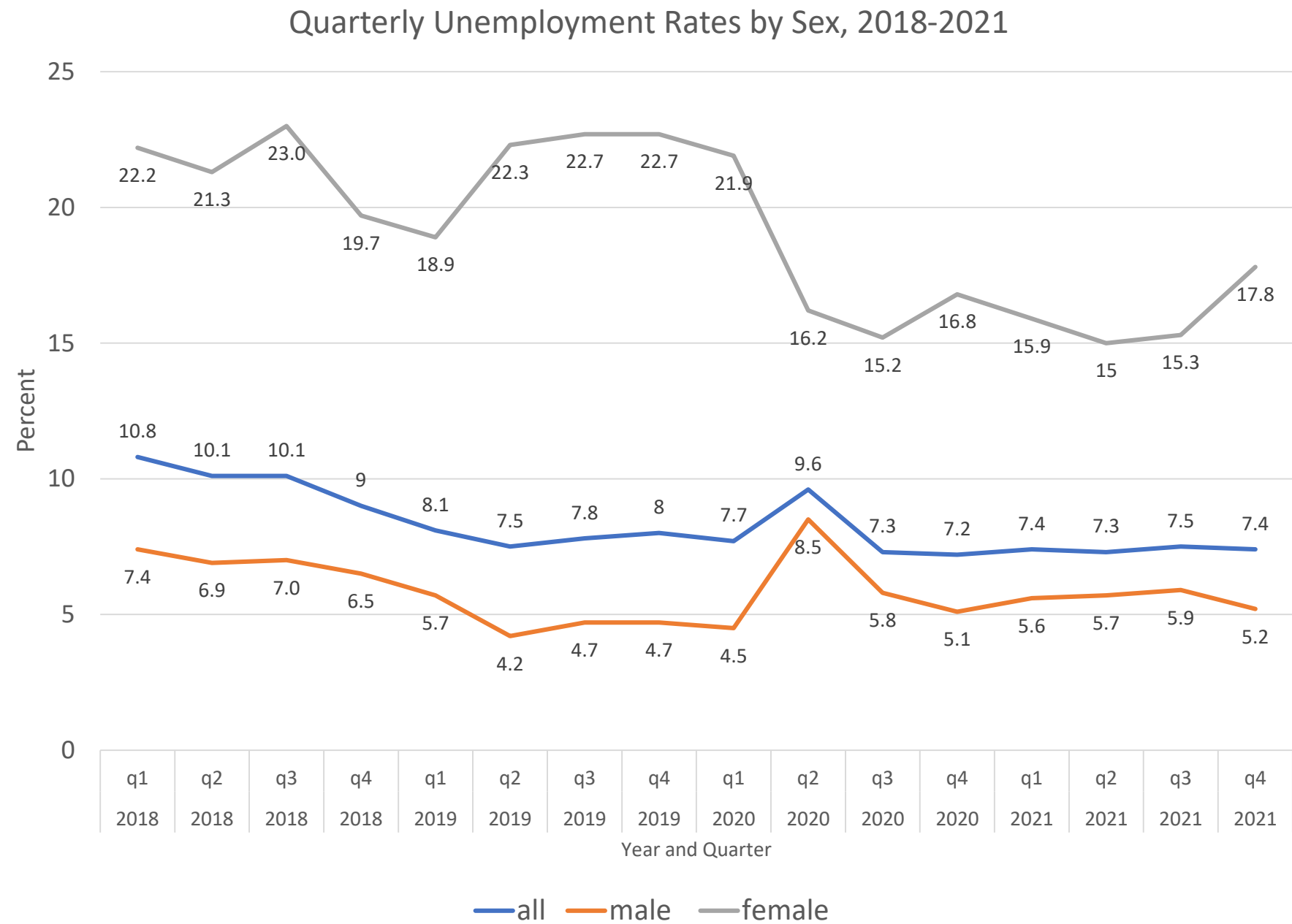
EGYPT: Unemployment Rate by Sex and Year, 2001-2021



Quarterly data since 2018 show stability in the unemployment rate since the spike due to COVID-19 pandemic in Q2 2020

Female rates fell as a result of pandemic! A sign of discouragement

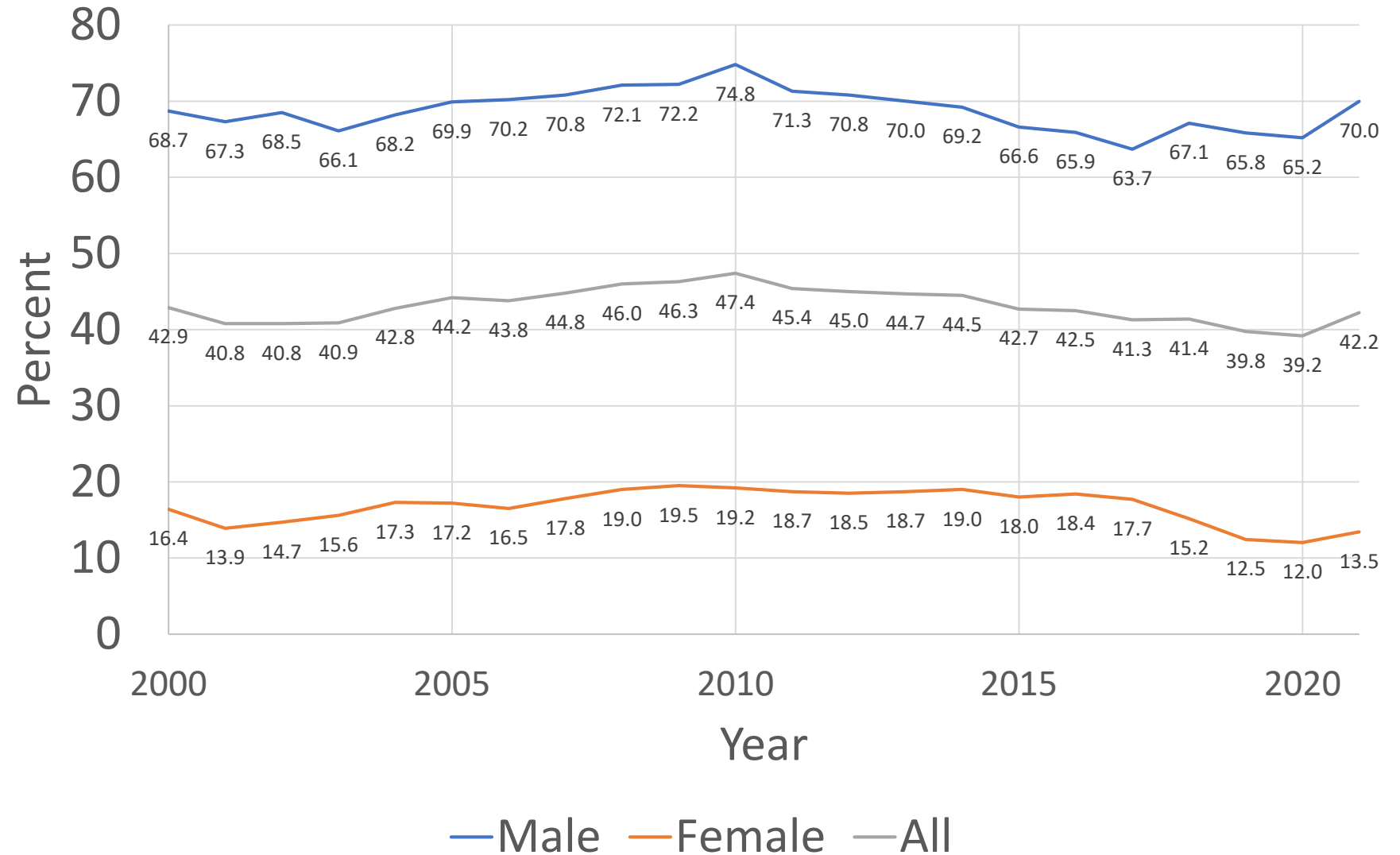
But female rates have risen recently as discouraged female job seekers come back to the labor market



EGYPT: Employment-to-Population Ratio (Ages 15-64), 2000-2021

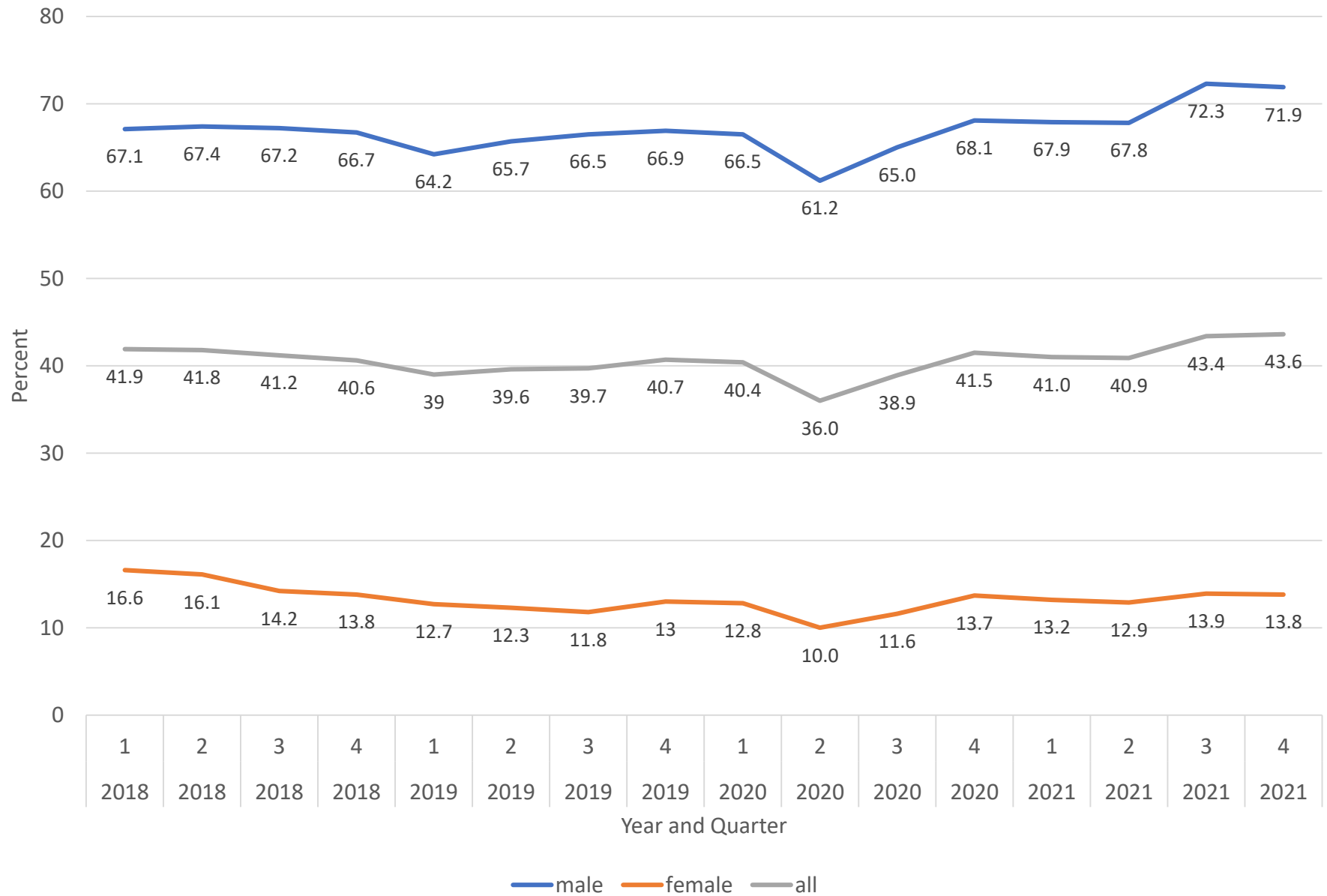
But falling unemployment is not because employment rates are rising.

They have in fact been falling since 2010, with the possible exception of 2021



EGYPT: Quarterly Employment Rates, Ages 15-64, 2018-2020

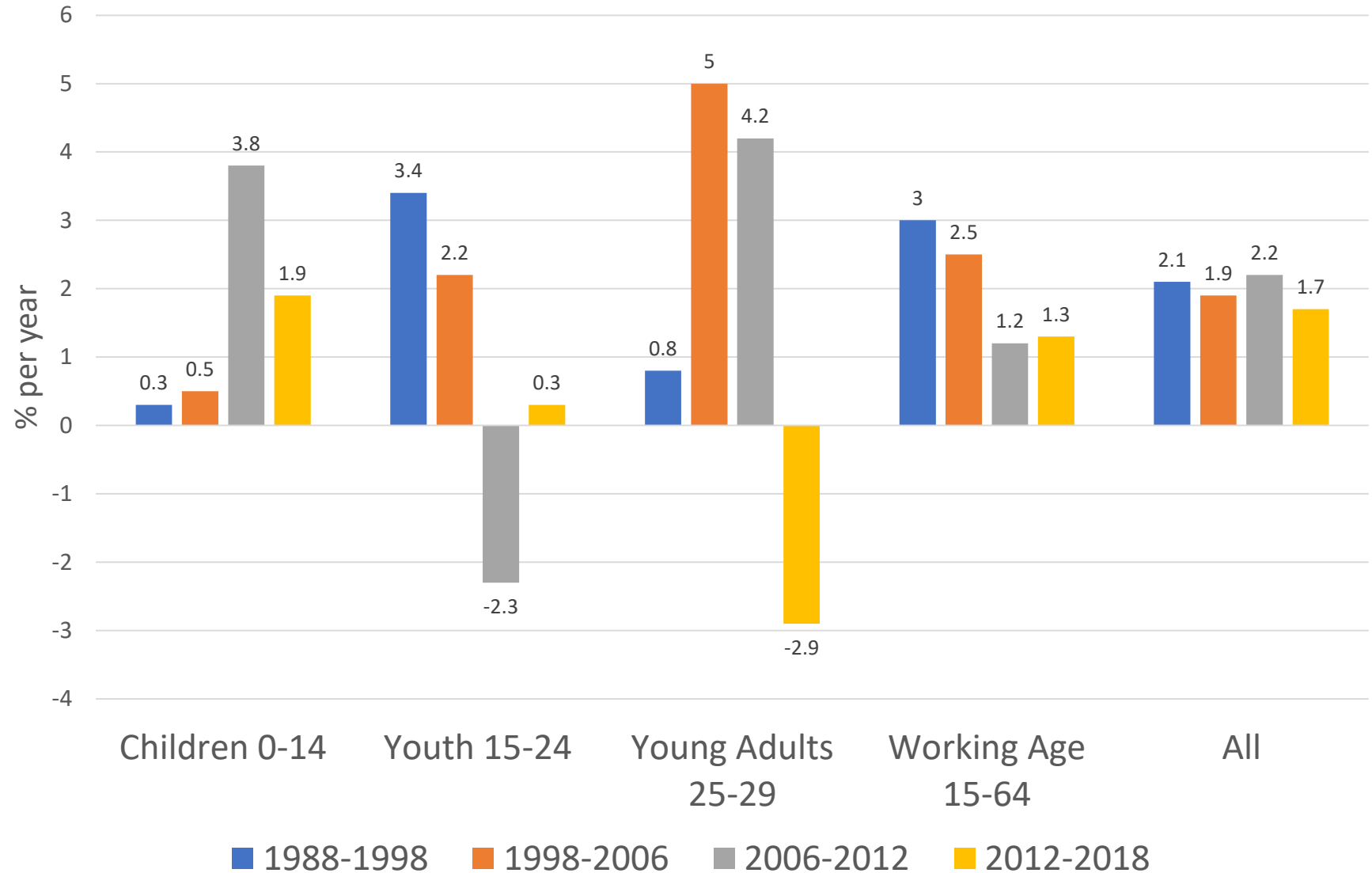
Quarterly employment rates show some significant recovery post-COVID-19, but less so for women



Source: Author compilation based on CAPMAS, LFS data

It is because the growth of the youth and young adult populations, which are most likely to be unemployed in Egypt, has slowed considerably in the 2012-2018 period.

Average Annual Rates of Population Growth for Various Age Groups

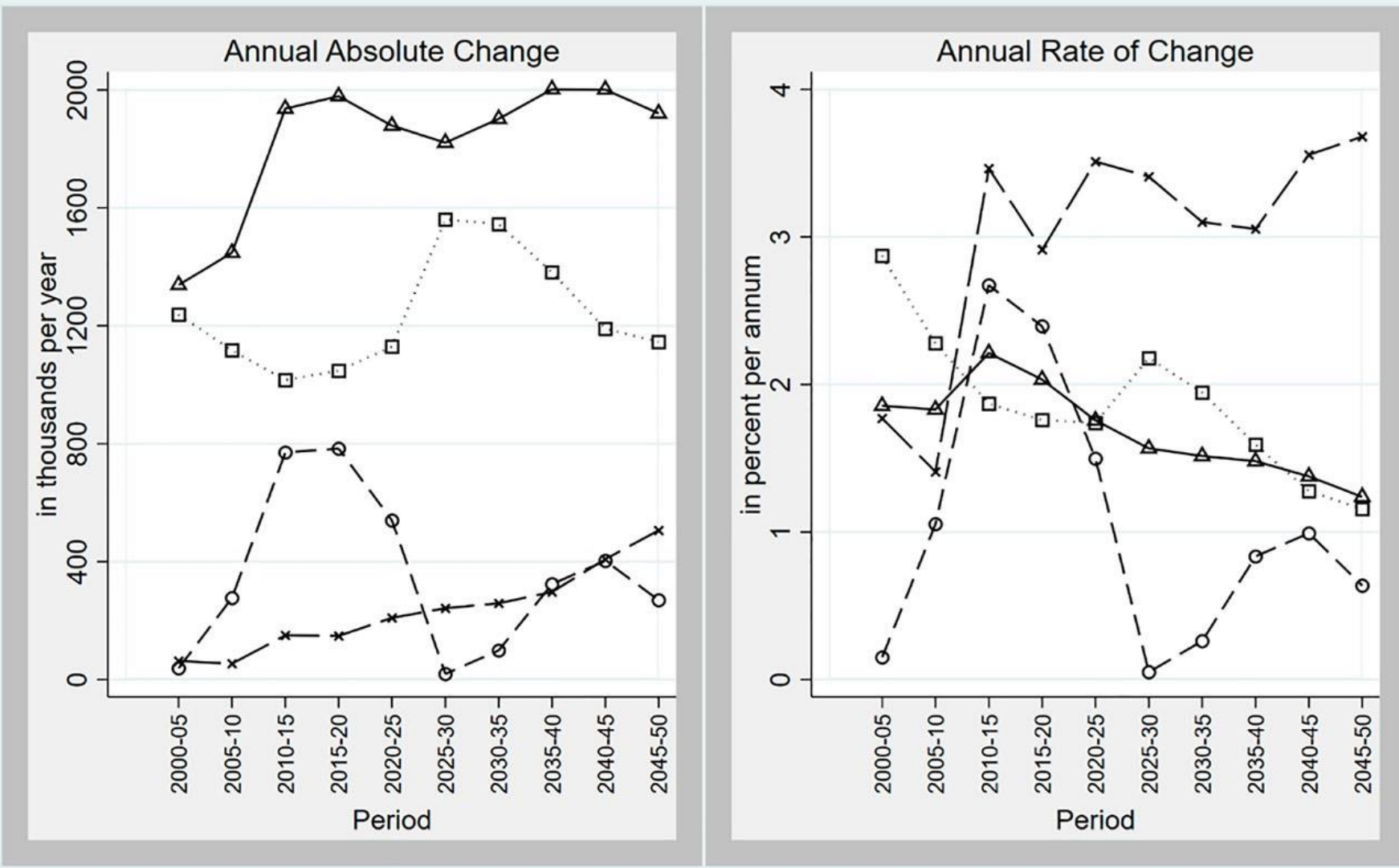


Source: Krafft, Assaad, and Keo (2022)

The slowdown in the growth of the working age population will not last

The working age population will resume its rapid growth in 2025-2030 and will remain high through 2035 as the echo of the youth bulge generation makes its way to the labor market

EGYPT: Estimated and Projected Absolute and Relative Growth of Population by Broad Age Category, 2000-2050



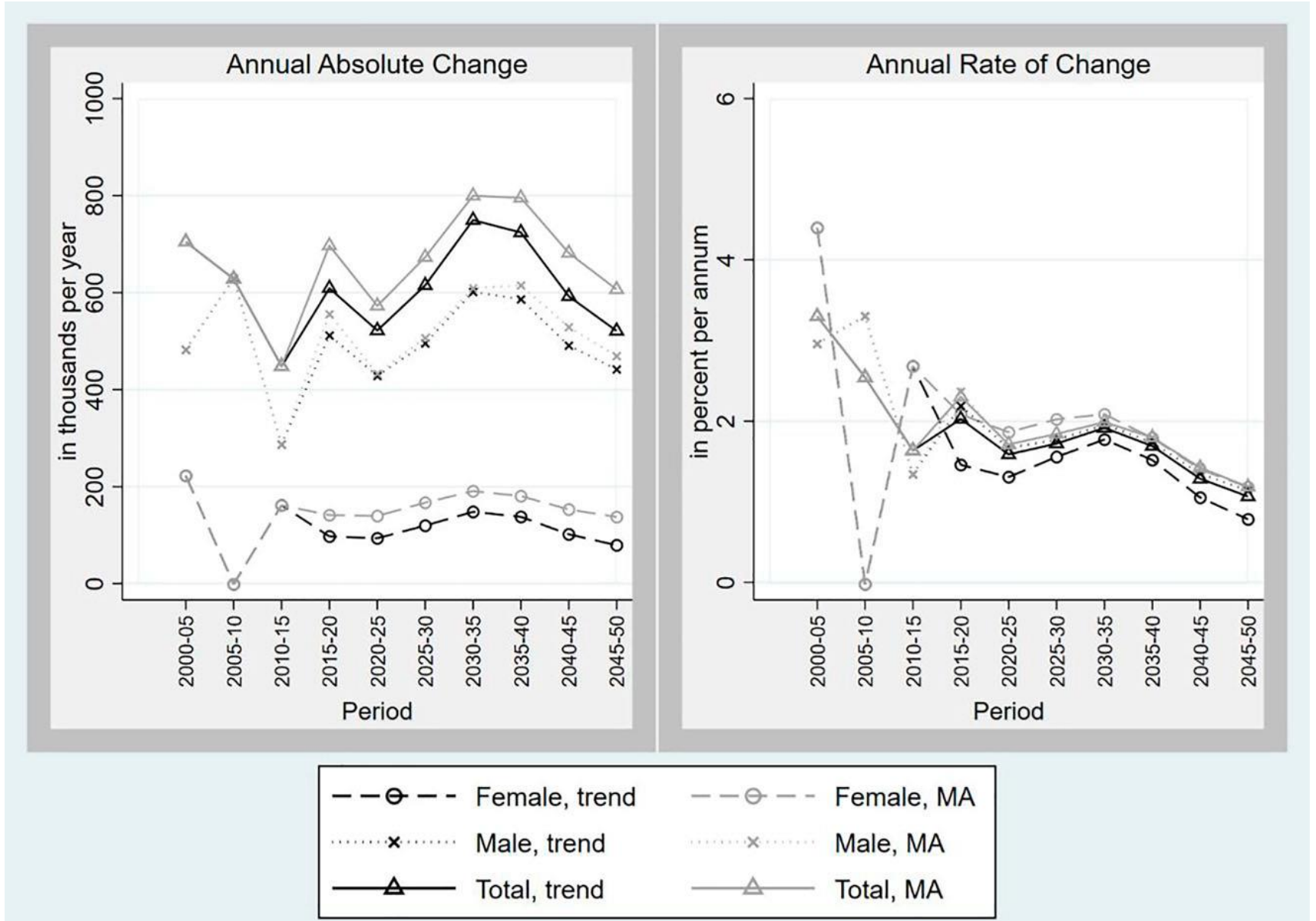
- Children
- ×--- Elderly
-□..... Working Age
- △--- Total

Source: Assaad 2022

EGYPT: Estimated and Projected Absolute and Relative Growth of Labor Force by Sex, 2000-2050

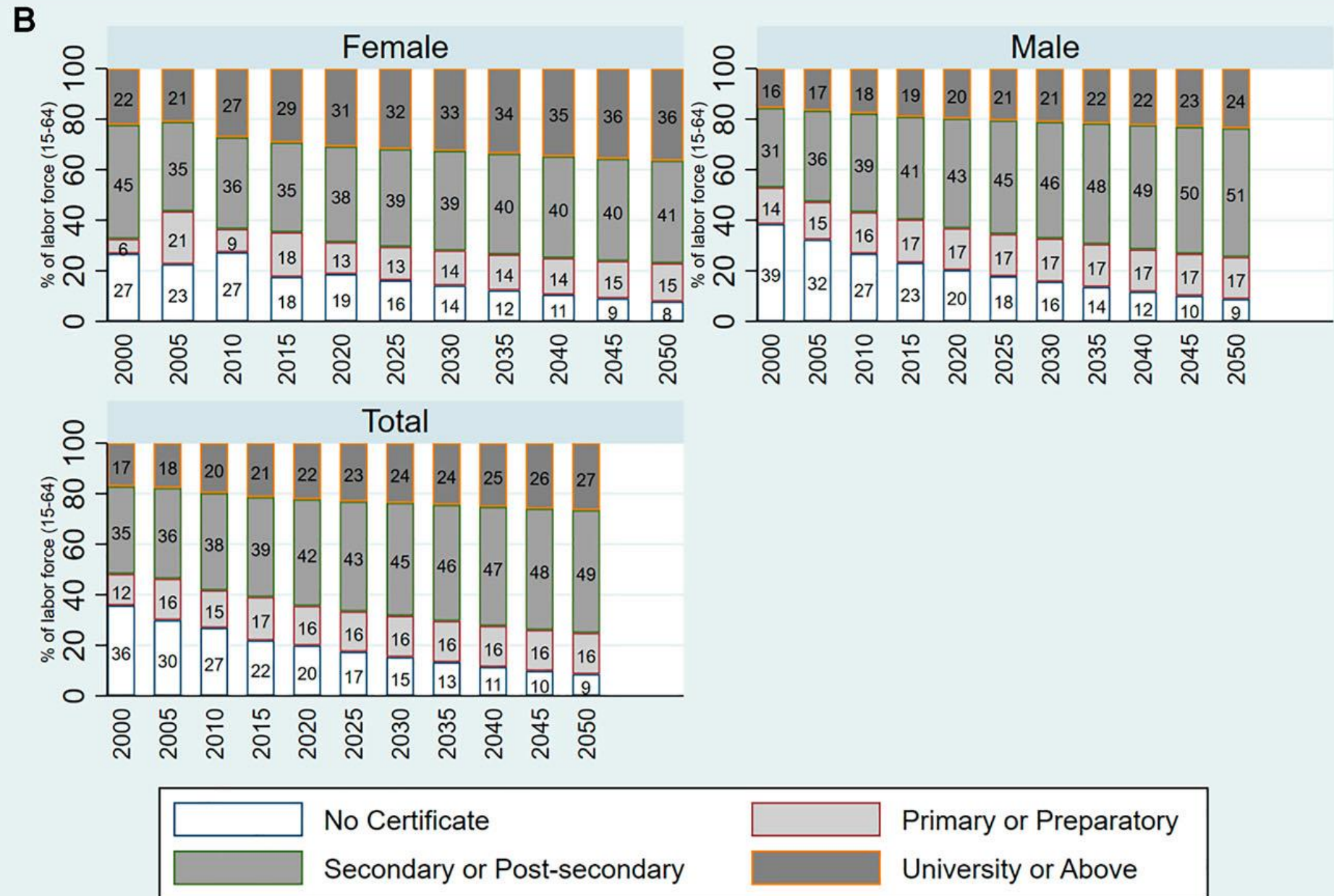
The slowdown in labor force growth experienced from 2000 to present will soon reverse

Labor force growth will increase from fewer than 600 thousand workers per year in 2020-25 to nearly 800 thousand per year in 2030-40, putting upward pressure on unemployment rates

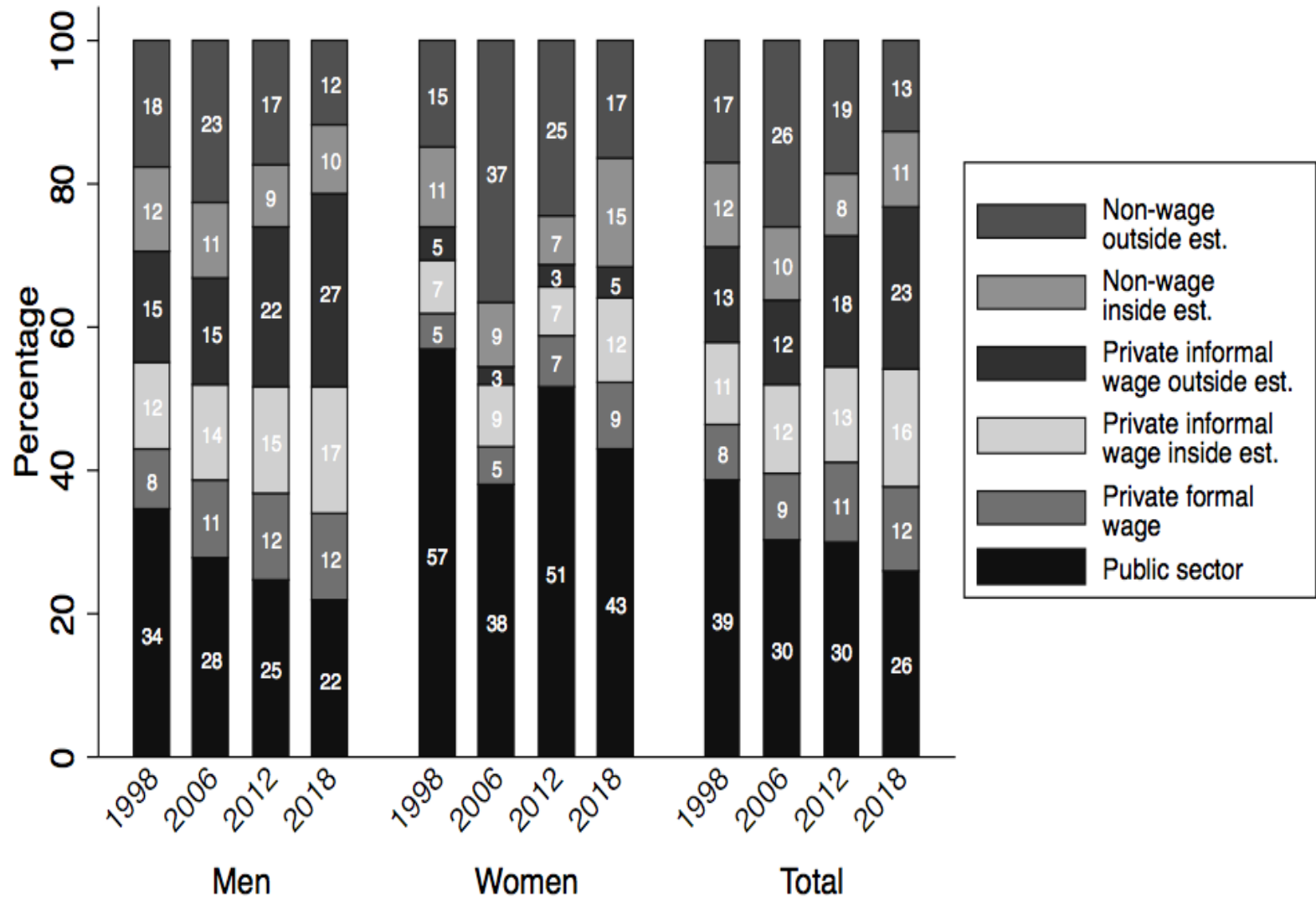


EGYPT: Estimated and Projected Educational Distribution of Labor Force, 2020-2050

The future labor force will be increasingly educated and will therefore demand higher quality jobs



The structure of employment by type and sex, employed individuals (market and extended definition) aged 15-64, 1998-2018



Quality of jobs generated by the Egyptian labor market has been deteriorating in recent years

The share of formal employment in the economy has continued to fall steadily since 1998, due to decline of public sector and very slow growth in formal private sector employment

Biggest increase in share was for informal wage employment outside fixed establishments

Wage employment in the private sector is particularly inhospitable to married women, who experience large declines in private wage employment at marriage

This is even more so for informal wage employment, and especially that that takes place outside of establishments

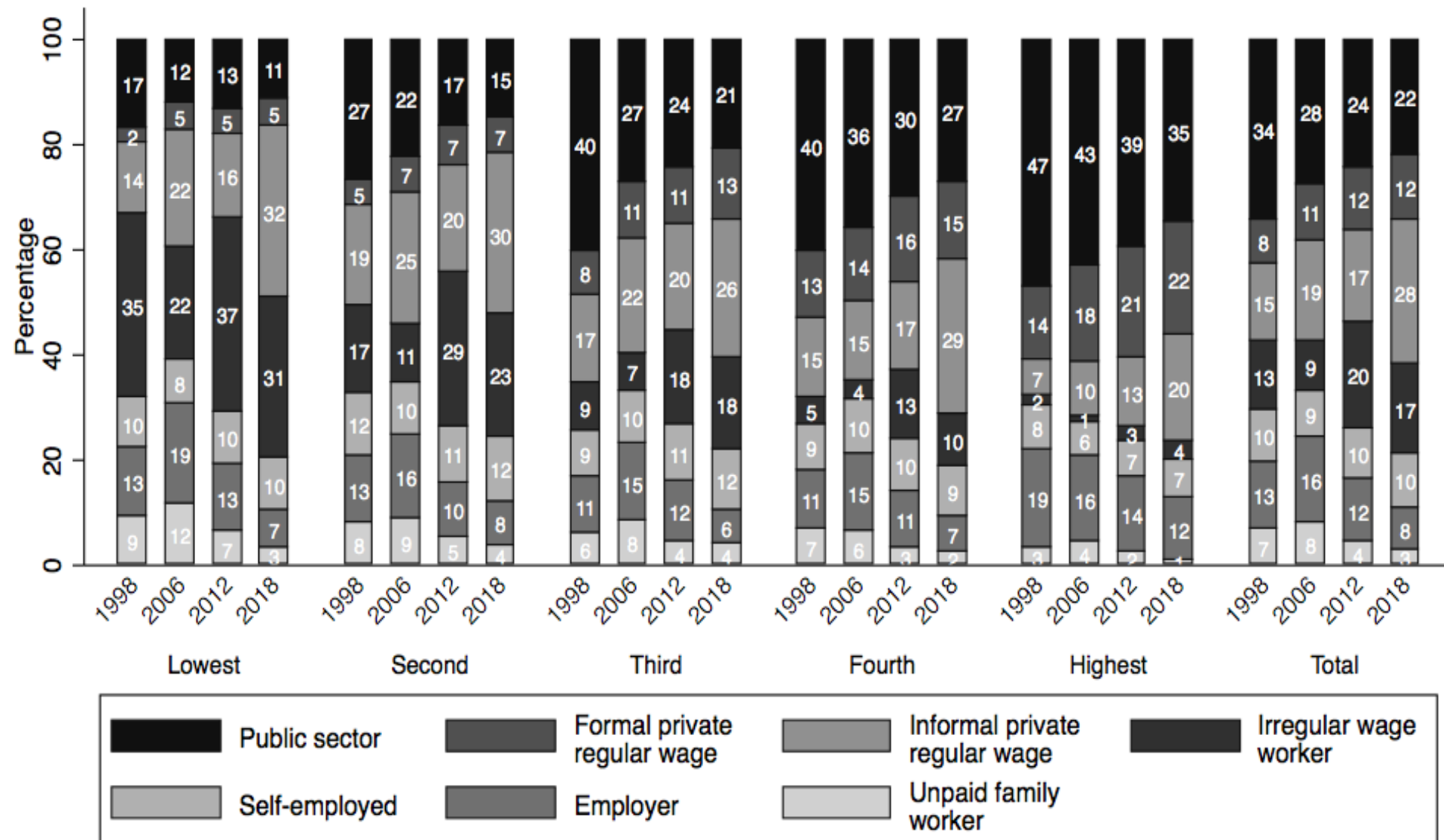
Employment status by years since marriage and sex (percentage), individuals married in the 20 years preceding the 2018 wave, aged 15–64, 2018.



—●— Public - -◆- - Private ▲..... Non-wage

Source: Krafft, Assaad, and Keo (2022)

The structure of employment by type and wealth quintile, employed men (market definition) aged 15-64, 1998-2018

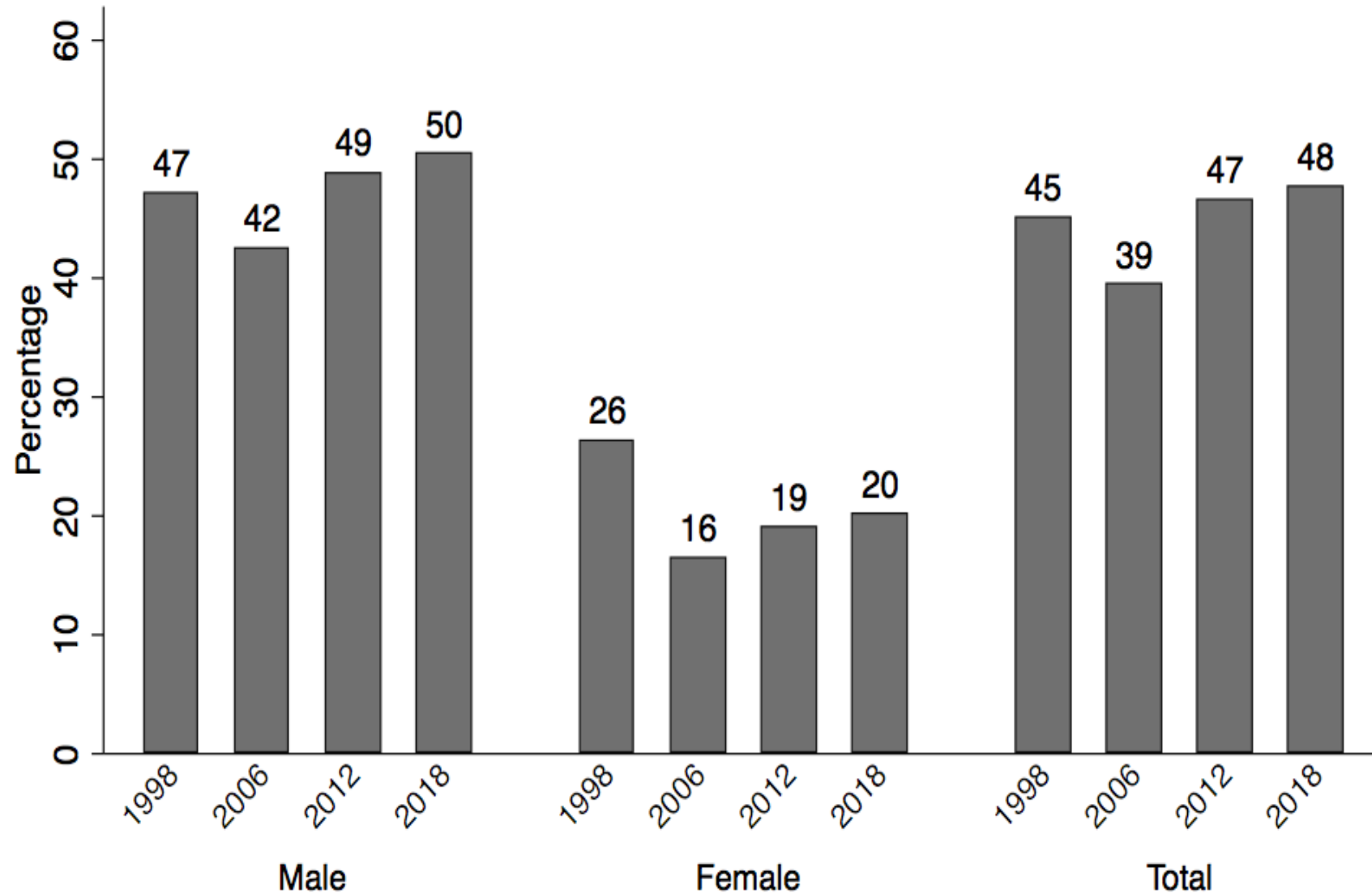


Large declines in formal employment in the middle of the wealth distribution.

Hollowing out of middle class

Shift away from irregular work toward informal but regular work among poorest

Percent working outside a fixed establishment by sex. Private wage employment, ages 15-64, 1998-2018.



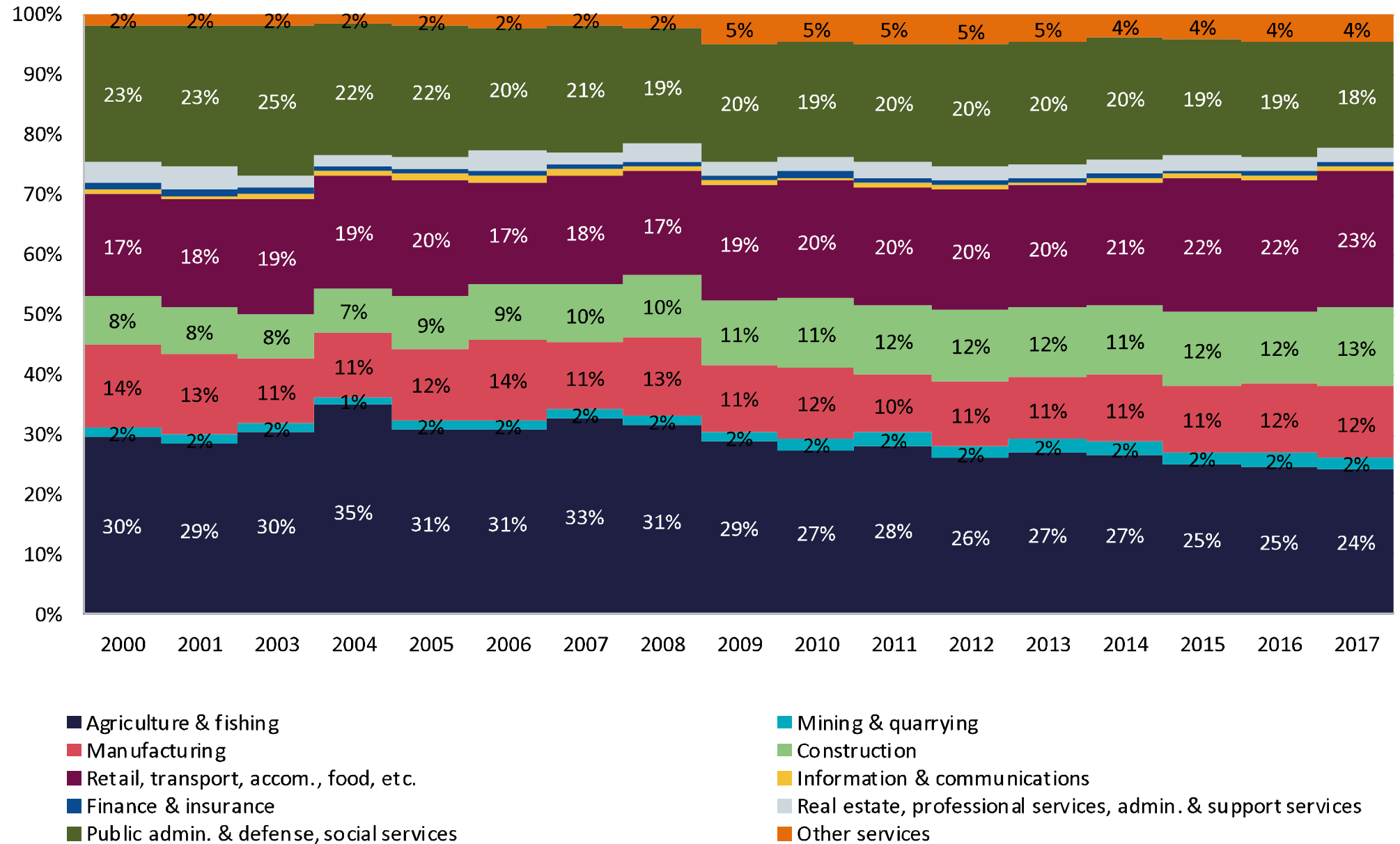
Within private wage employment, almost half was made up by employment outside fixed establishments

This proportion increased marginally since 1998.

Major implications for job quality

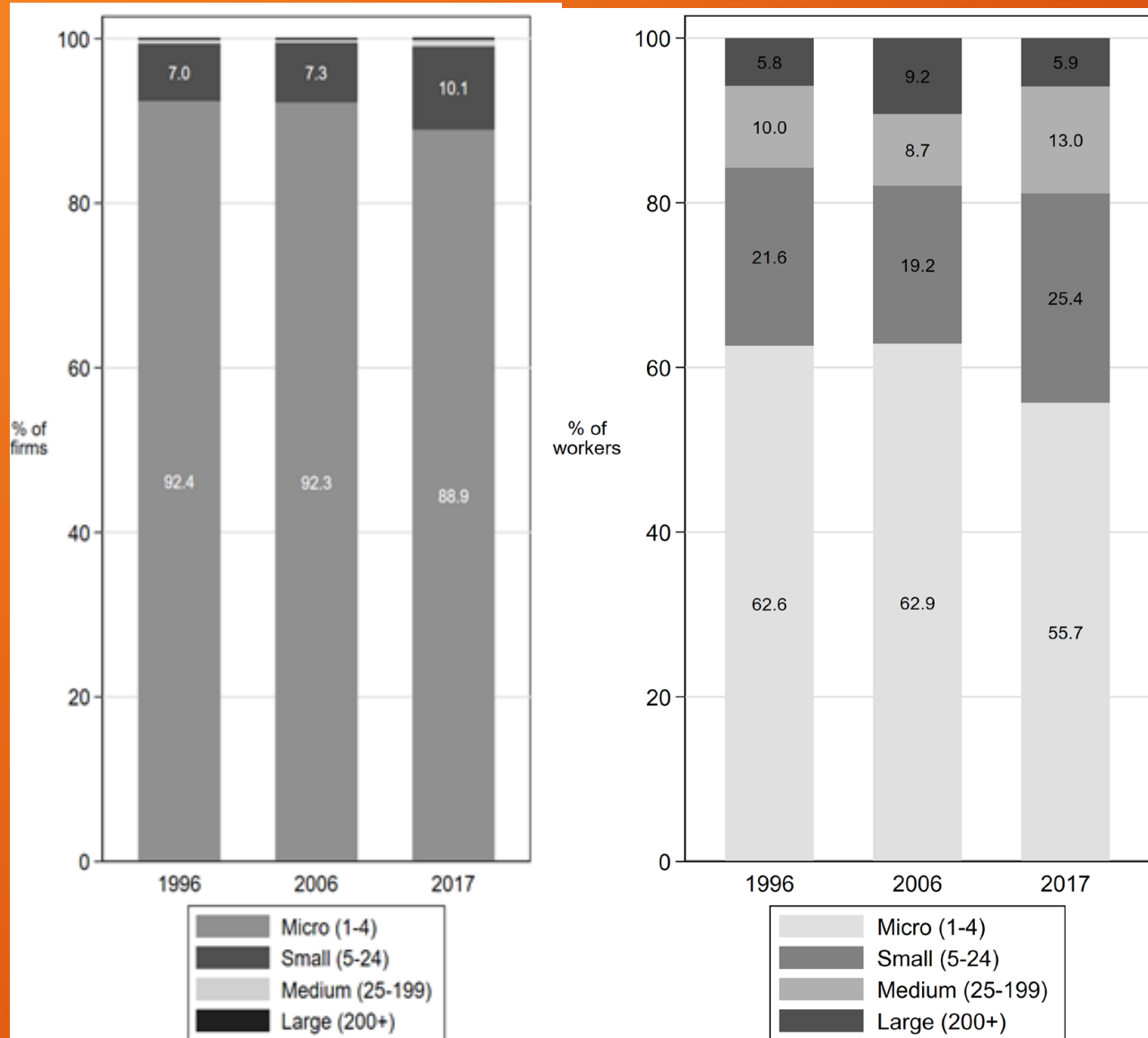
The growth of precarious employment is primarily due to the pattern of growth in Egypt, which has favored the construction, retail and transport industries, which are the only industries that have substantially increased their employment shares since 2020

EGYPT: Distribution of Employment by Economic Activity, 2000-2017



Source: Amer, Selwaness and Zaki (2021)

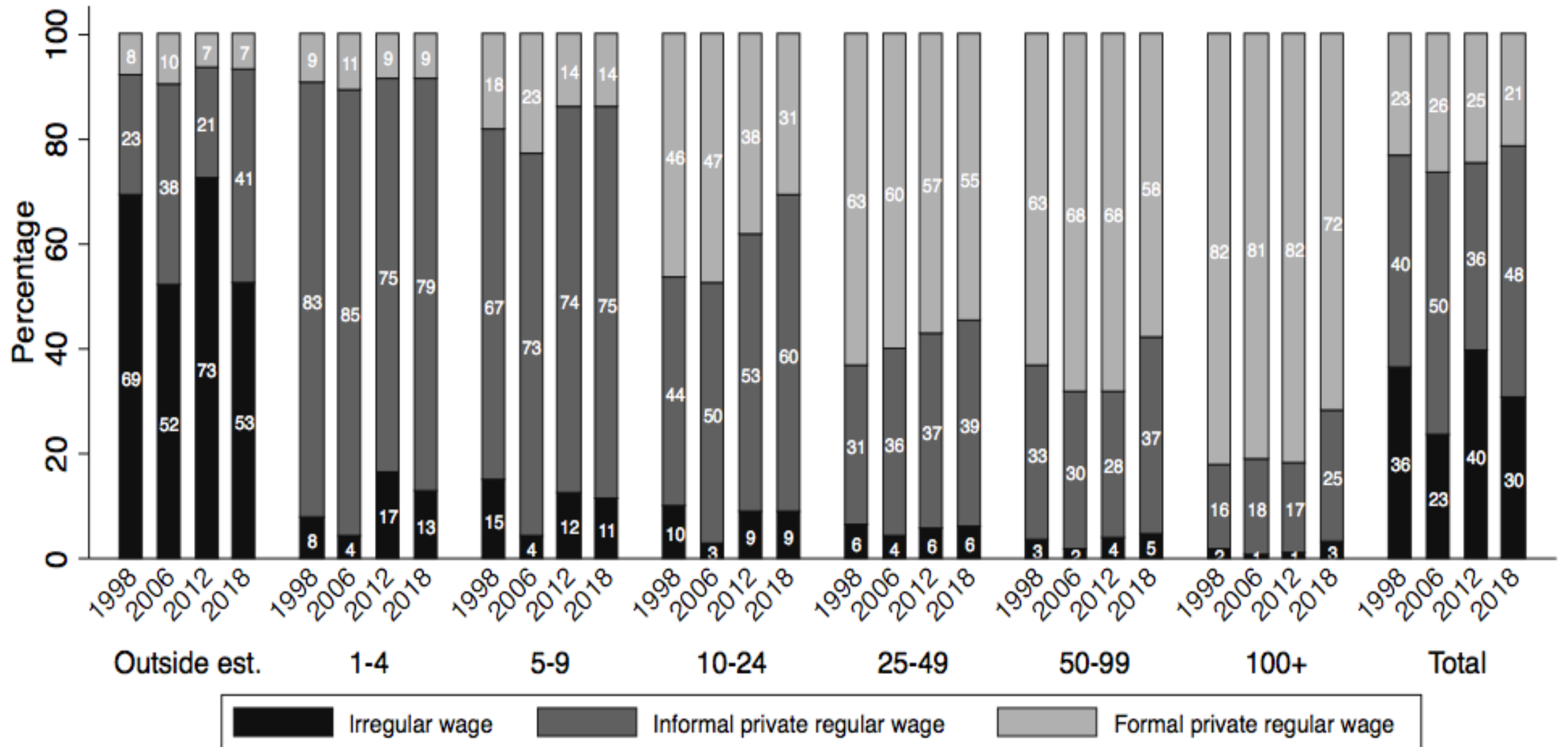
Distribution of Establishments and Employment in Private Establishments by Establishment Size, 1996, 2017



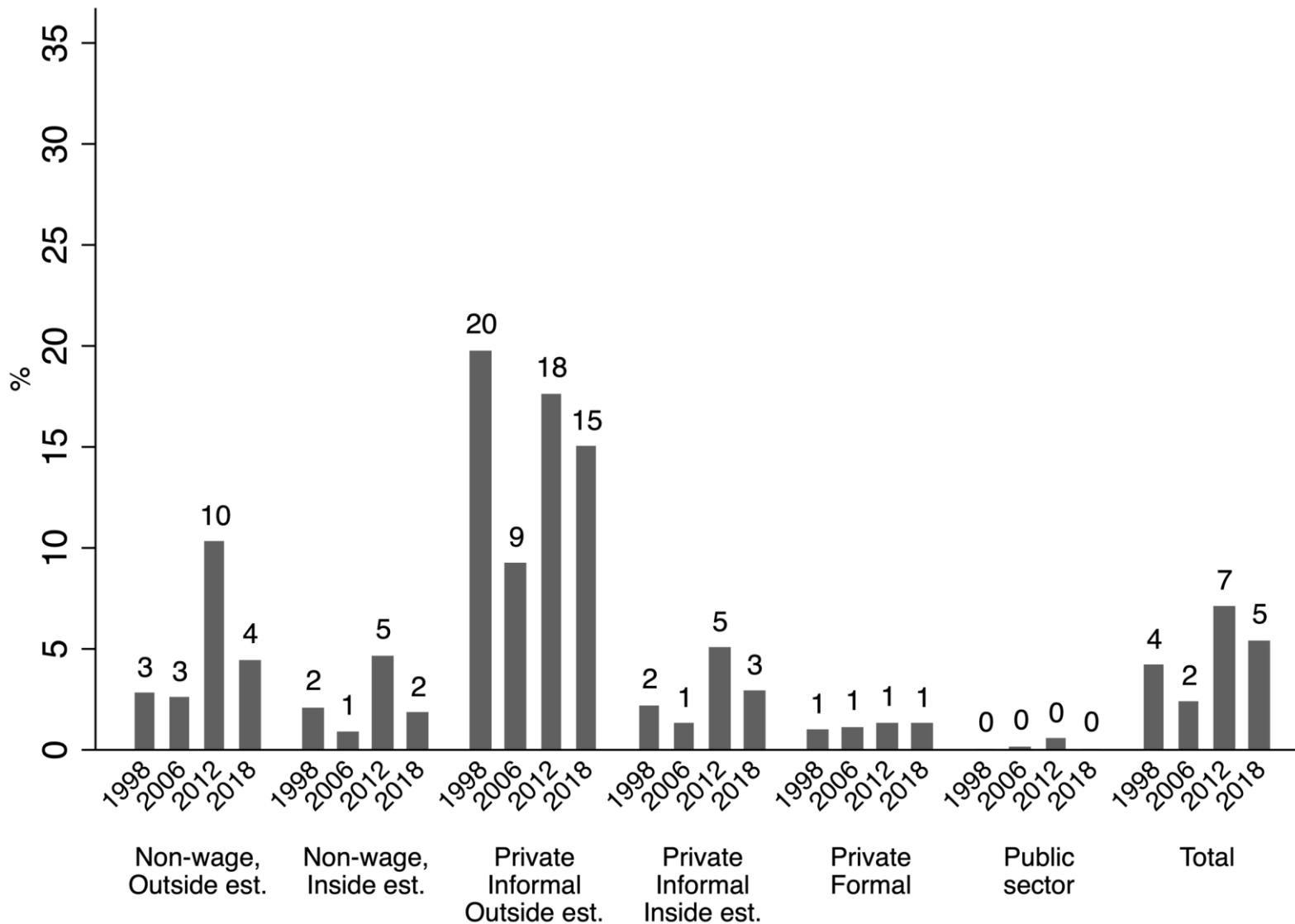
Source: Establishment Census 1996, 2006, 2017.

Based on CAPMAS, Establishment Census data, private employment within fixed establishments has increasingly shifted to small and medium enterprises, away from micro and large enterprises

Formality and regularity status by in/out of establishment and establishment size, within private wage employment. Workers aged 15-64, 1998-2018.



Involuntary Part-Time Work by Work Type, Men, Ages 15-64

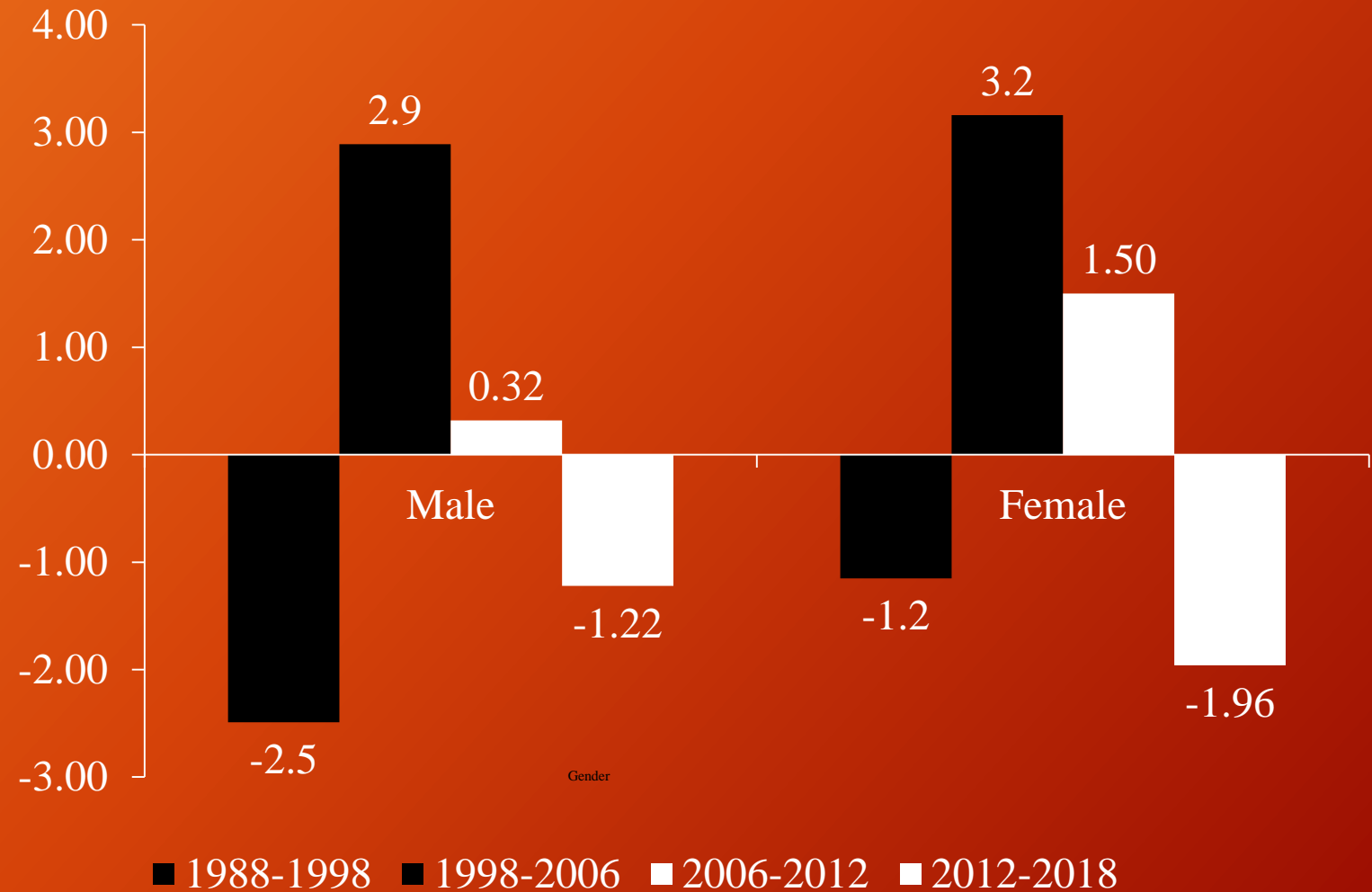


- Involuntary part-time work is a form of underemployment defined as working under 35 hours per week due to lack of employment opportunities
- This type of underemployment is by far highest among informal workers outside establishments
- It fell somewhat as economic conditions improved between 2012 and 2018.

Real wage growth has also been disappointing, with median monthly wages falling by about 1.5% per year from 2021 to 2018

Female wages fell even faster than male wages

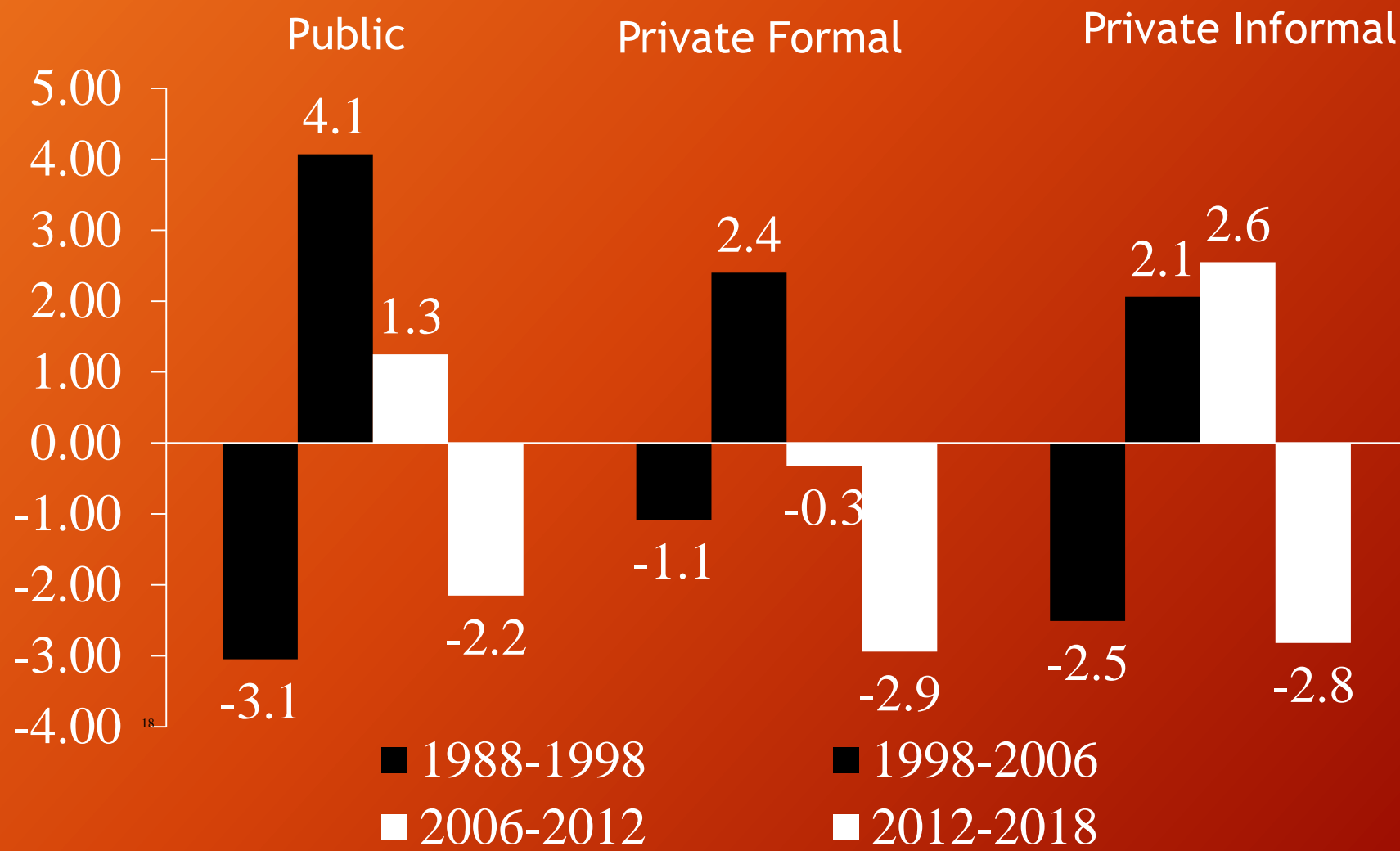
Growth rate of median real monthly wage (percentage per annum) by sex



Source: Said, Galal, and Sami (2022)

Growth rate of median real monthly wage (percentage per annum) by Type of Employment

Real wage declines were particularly steep in the private sector, whether formal or informal

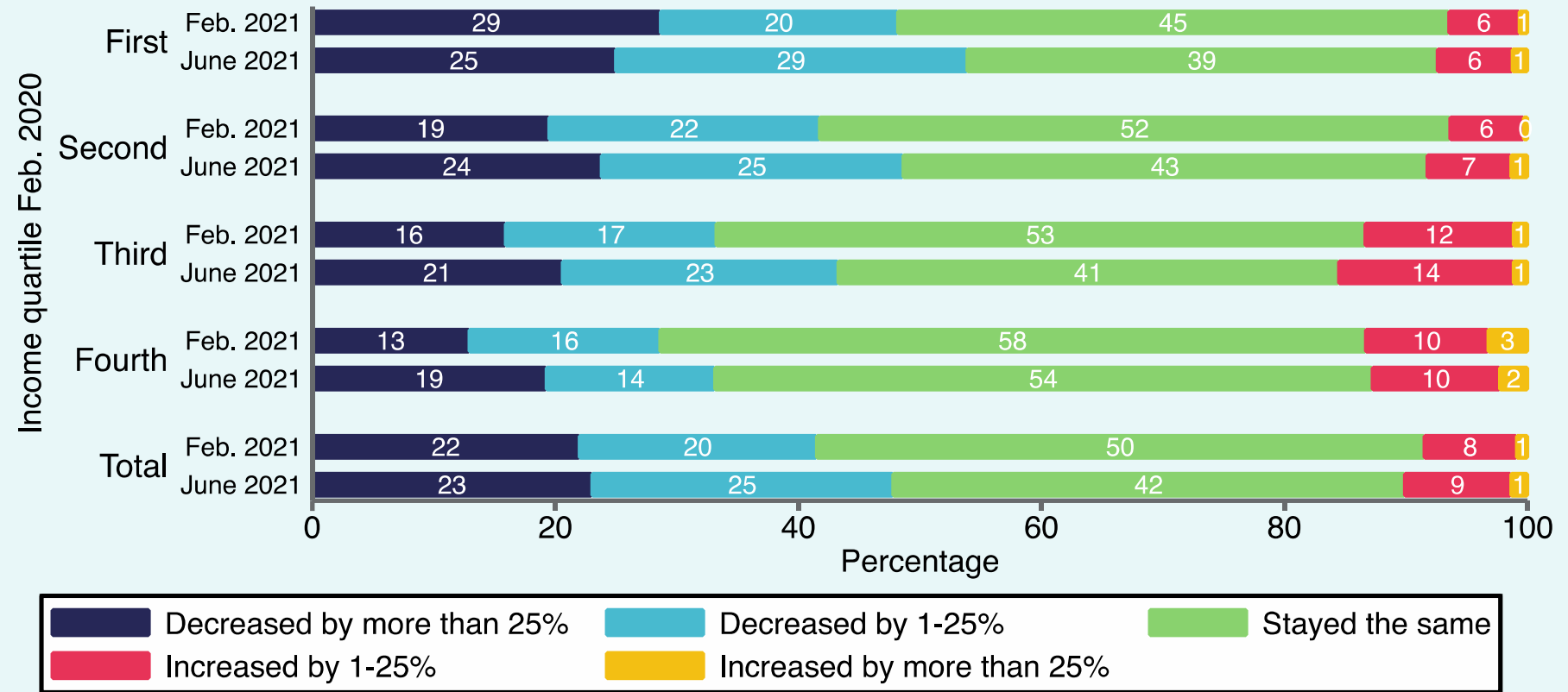


Source: Said, Galal, and Sami (2022)

While employment rates may have recovered somewhat during the pandemic, household incomes appeared to be still depressed by June 2021

More so for the poor

EGYPT: Changes in household income from February 2020 to wave (percentage of households), by income quartile in February 2020 and wave



Source: Assaad, Krafft and Marouani (2022)

Conclusions

- A favorable, but temporary, demographic situation has resulted in reduced labor supply pressures on the Egyptian labor market in the past decade, leading to falling unemployment rates
- However, the performance of the economy in terms of employment creation has been poor, both quantitatively and qualitatively
- Demographic pressures will resume in the second half of this decade as the echo of the youth bulge generation reaches working age

Conclusions

- The pattern of economic growth in recent years has generated poor quality employment, characterized by precariousness, vulnerability and low levels of social protection, and wages
- Nearly half of private sector wage employment is informal employment outside establishments and this is the fastest growing form of employment in Egypt
- This type of employment is highly inhospitable to Egyptian women, who have increasingly pushed out of the labor market
 - While men's fallback position is informal wage employment, women's fallback is non-participation
- Real wages had been falling prior to COVID, but the pandemic resulted in further large and persistent shocks to household income

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