



Date: 4 - 6 - 2020

Issue: 13

Views on the Crisis Egypt's Labor Market



Introduction

While the whole world shares the broad outlines of the economic and social repercussions of the Coronavirus (COVID-19), which are unprecedented in its recent history, the implications thereof for each country are linked to the nature of each country's economic system, its ability to withstand the entailed repercussions and the speed of its recovery.

In light of the need to study the sectoral implications of these repercussions in order to address the crisis properly, the Egyptian Center for Economic Studies (ECES), in its initiative, is producing a set of daily reports entitled "Views on Crisis". The reports aim to analyze the implications of the coronavirus crisis for Egypt in relation to a number of vital production and service sectors and to key macroeconomic variables. This ECES initiative comes from the belief that the current critical conditions require directing state's efforts towards achieving two main goals: providing a decent life for Egyptians during the crisis and in the recovery phase, preserving the existing investments- especially domestic investments- and helping to overcome the

crisis and prepare for a rapid launch with the gradual decline of the crisis and recovery of the global economy.

The methodology used in these reports is based on an analysis of the supply and demand shocks associated with the crisis cycle in its various stages. Given the lack of detailed data on the sectoral impact of the crisis, the sectoral analysis is based on logical assumptions related to the nature of each sector and the degree of sector vulnerability to previous severe crises that were certainly less severe than the current crisis and different in nature. However, it is a starting point for the urgently required scientific diligence at this stage.

The reports attempt to provide a detailed perception of the magnitude and direction of crisis impact on each sector at present and until the end of the crisis. They aim to propose quick solutions to reduce the adverse impacts of the crisis in a balanced and integrated means that complement the serious efforts made by the state in this regard, and to offer other longer-term solutions to the existing institutional flaws, clearly revealed by the crisis. It is high time that these flaws are radically removed, which will improve post-crisis development efforts.

“Nations cohere and flourish on the belief that their institutions can foresee calamity, stop its impact and restore stability. When the COVID-19 pandemic is over, many countries’ institutions will be perceived as having failed. Whether this judgment is objectively fair is irrelevant. The reality is the world will never be the same after the coronavirus. The controversy now over the past makes it difficult to do what needs to be done.”

Henry Kissinger

Former US Secretary of State and
National Security Adviser for the
Nixon and Ford Administrations

First: Brief description on the issue of the report

The Novel-Corona virus outbreak has revealed the fragility of labor markets around the world. Though most developing and developed economies alike are following similar containment measures to suppress the spread of the virus, yet the severity of its impact fluctuates according to the macroeconomic performance and labor market institutional and/or structural framework on one hand, and the extent to which current labor market deficiencies will absorb supply and demand shocks of the crisis on the other hand.

As the labor market dynamics vary according to external shocks and corresponding time periods, this report will evaluate these dynamics to trace the impact of the current crisis in light of the five stages of its cycle. To study the adverse impacts of COVID-19 on the Egyptian labor market, we will first point out the evolution of the labor market characteristics according to the macroeconomic situation and successive political directions towards reforming the structural and institutional deficiencies that have intensively amplified over the past decades.

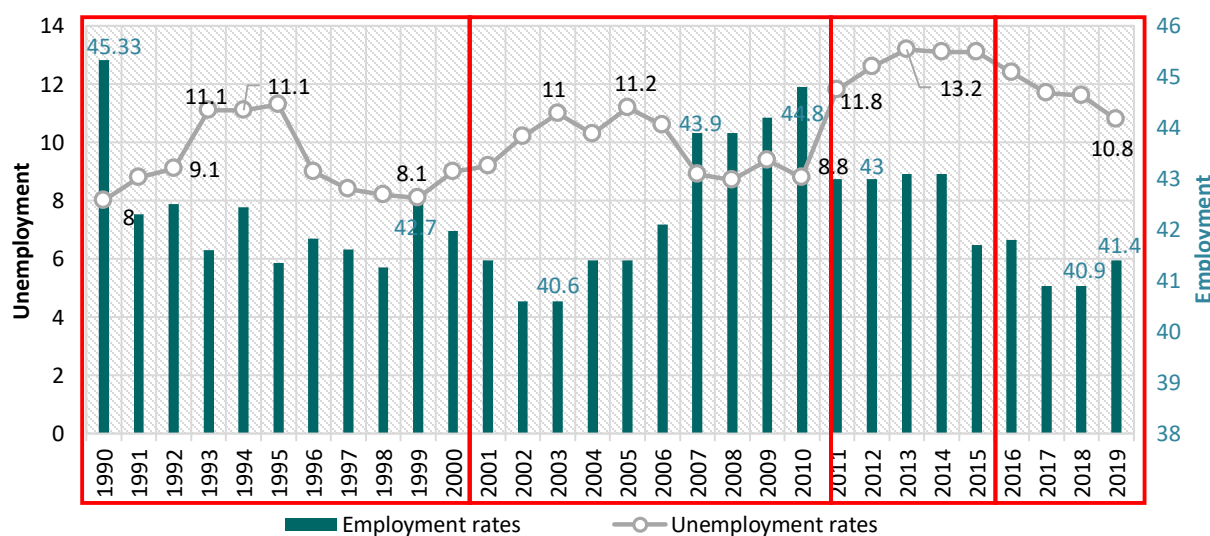
Second: Evolution of Egyptian labor market dynamics during the past three decades

Egypt's labor market comprises a labor force of 28.9 million divided into 26.6 million employed and 2.3 million unemployed. Unemployment rate reached 8 percent in the fourth quarter of 2019; 22.7 percent among females and 4.7 percent among males.¹ Unemployment trends have witnessed four periods of clear transformation with the relative vibrant variations in supply and

¹ Central Agency for Public Mobilization and Statistics, Quarterly Bulletin of the Labor Force Survey, 2019.

demand on the Egyptian labor over the past three decades. The first begins in the early nineties of the twentieth century, representing a starting turning point for the high rates of unemployment. This has been followed by the beginnings of the new millennium in 2003-2005, then by the end of its first decade after the Global Financial Crisis and the Revolution of January 25th in 2011. The last period came at the end of the second decade between 2016-2019. A number of factors have contributed to this, most importantly the nature of economic reform programs, employment policies, macroeconomic policies, as well as local and global shocks, that varied in its severity and significance according to the relative time period, as shown in the following figure.

Figure 1. Evolution of Unemployment and Employment rates, 1990-2019



Source: Central Agency for Public Mobilization and Statistics. World Development Indicators database, the World Bank.

The first period 1990-2000: Has witnessed a remarkable increase in unemployment rates associated with the implementation of the Economic Reform and Structural Adjustment program (ERSAP) and the followed privatization programs. This period marks the beginning

of a dynamic transformation in the labor market with a full shift in patterns of labor supply and demand. As Figure 1 shows, the largest relative change in unemployment was 44 percent in the mid-1990s. This decline can be explained through two phases:

- The first phase came with the deterioration of economic situations in the early nineties, when the Egyptian government adopted the ERSAP in 1991, that built on transforming the Egyptian economy into a free market economy, adopting liberalization in all fields. However, it subsequently suffered a recession; given the deflationary nature of the reform program, the volume of private investment required to make up for the lack of public investment or to provide new job opportunities has diminished.² This is in addition to privatizing government enterprises, which resulted in increased demand for labor, but only in the private sector. Meanwhile, the supply side continued to pump more youth, which led to an increase in unemployment rates as supply and demand for labor grew simultaneously.
- The second phase occurred when the negative effects of the government policy followed since the 1960s to guarantee employment in the public sector began clearly to emerge. As, with the huge bulge of civil servants in the country's administrative body, persuasive unemployment rates increased. This prompted the Egyptian government to back down from its commitment to employ graduates, which negatively affected the demand side from the government sector. With the ceiling of skills required by

² Economists believed that investment policies at that point were inefficient, as the privatization process reduced the resources available for investment, a high percentage of which (mostly from domestic savings or credit facilities of the Egyptian government) was directed towards financing brownfield production projects rather than greenfield production capacities. The privatization proceeds were not pumped again into the national economy but were used to fund early pension schemes or bridge the country's budget deficit (Kafafi, Dina (2017), the impact of globalization on labor markets in developing countries Evidence from Egypt, Cairo University, Faculty of Economics & Political Science, unpublished PhD thesis).

the private sector rising, it was also unable - given the persistent skill gap and the low quality of education (supply side) - to compensate for the lack of these jobs. Especially with the acceleration of trade openness and globalization in most sectors and economic activities. This has resulted in a growing labor polarization phenomenon, and consequently an increase in structural unemployment rates.

Accordingly, this period has revealed two structural deficiencies in labor market dynamics, which have continued to worsen over time and to date. The first is the Occupation-education mismatch, especially in the private sector. And the second is the nature of the supply-driven educational system, that directly affects the labor market through an annual burden of new manpower over and above its absorptive ability, as will be seen later.

The second period from 2001-2010: The first years of the new millennium have witnessed the second peak of unemployment curves in Egypt. Figure 1 above shows that unemployment increased again between 2000 and 2005. The decline in employment during this period is explained by the implementation of the floating policy for the Egyptian pound in 2003 until 2005. This drastic step has accelerated the pace of economic activity, and hence led to a higher private sector demand for labor, while the supply side has not witnessed any significant development. As noticed from Figure 1, the changing trends in unemployment and employment have been reversed during the period from 2005 to 2007/08.

The third period from 2011-2015: Unemployment curves started to rise again with the start of the repercussions of the Global Financial Crisis, then after the Revolution of January 25th 2011, representing the third turning point and the beginning of a new dynamic development in the Egyptian labor market at the same time. Unemployment rates reached their peak with the highest rate of change at 35 percent. Since 2011, unemployment rates exceeded the single digit barrier, moving beyond 10 percent and remain as such. It is also noted that employment rates have not recovered since they began to decline in 2011. This has pushed the private sector to adapt to the growing supply of labor and implement training programs to qualify them. Consequently, demand for labor from the private sector continued but not from the public sector, and supply continued to rise with the quality of education deteriorated.

The fourth period 2016-2019: Where labor market characteristics have been changed dramatically as a result of the skewness of the Egyptian economy towards construction sector as its pioneering sector. This has led to an increase in demand for skills related to this sector only. And as this employment pattern is related to certain age groups and educational levels, this period ended with more distortion in the labor market.

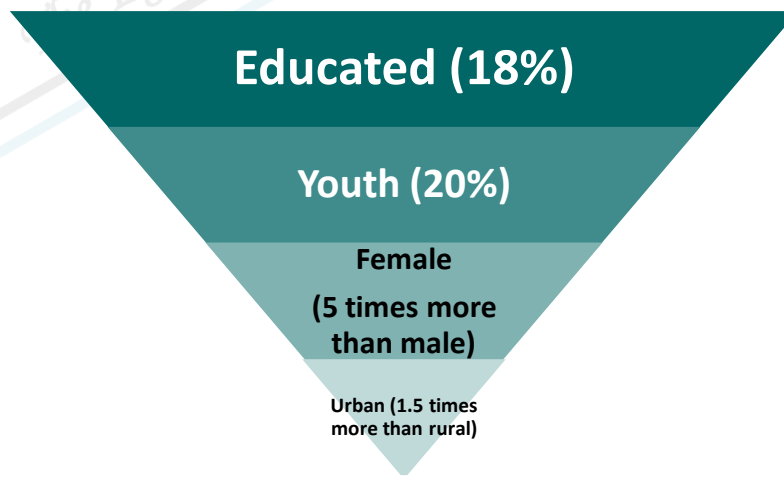
From the above, two main challenges can be concluded and traced back to the structural labor market deficiencies in Egypt. The first challenge is the weakness of Egyptian labor market and its rigidity facing external and internal crises. The second challenge is that low unemployment reflects wrong image of healthy labor market; as the methodology of calculating these rates disregards categories such as underemployment, discouraged employment or hidden

unemployment as well as other definitions that may affect the significance of the index. Moreover, there are other forms of unemployment that are absent from the official statistics of unemployment. As such, the following points address the main structural deficiencies the labor market suffers from in light of the aforementioned supply and demand trends for labor, during the fourth quarter (October-December) of 2019.³

Third: Labor market Structural deficiencies in Egypt

1. **The Inverted Pyramid of Unemployment:** The socioeconomic characteristics of the unemployed in the Egyptian labor market reflect an inverted pyramid of unemployment, where unemployment rates rise among the educated, young, females, and urban areas. This is contrary to normal conditions in which the educated youth get better job opportunities in urban areas compared to the rural areas. In addition to a significant gender gap. This can be attributed to two main factors:

Figure 2. Unemployment Inverted pyramid in Egypt



³ Central Agency for Public Mobilization and Statistics, Quarterly Bulletin of Labor Force Survey 2019.

1-1 **The occupation-education mismatch in the labor market in terms of both quantity and quality:** This is one of the main imbalances in the labor market. From a **quantitative perspective**, the supply-driven education system shackles the labor market with a huge workforce annually that exceeds its ability to generate new job opportunities. Youth in the age 20-24 group represent only about 11 percent of the total employed compared to more than twice this percentage (25.5 percent) for the 30-39 age group. Employment among the former is half that of the latter (28 percent versus 56 percent, respectively). And high unemployment among the former to reach about 3-fold that of the latter.

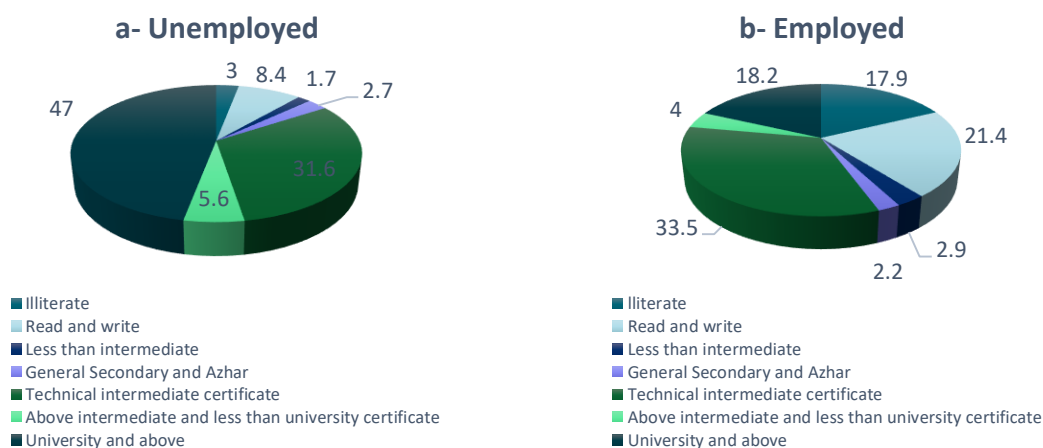
The characteristics of the new unemployed represent a clear evidence to this, as the main problem of the unemployed persons lies in the entering stage to the labor market. Most of the unemployed (60 percent) belong to the newly unemployed category, i.e., those who have never worked before, especially females (73 percent of the unemployed females have never worked before compared to 44 percent of males).

As for the **qualitative perspective**, high unemployment rates among educated and its rise with rising education levels reflect the failure of education system to meet labor market required qualifications and skills, especially in the private sector. As seen in Figure 3 below, those with a university education and above represent the largest percentage of the unemployed, at nearly 50 percent. Unemployment rates among them are twice those among general secondary school and Azhar graduates and

more than double compared to those with an intermediate technical education. However, rates are significantly lower among the illiterate and those below secondary education level.

Also, the share of university graduates in employment is significantly low, and even approaches that of the illiterate and those who can read and write!. The number of those holding a technical certificate is double that share, and 8 times higher than those who are above intermediate and less than university education. This is the result of the labor market's strong bias towards certain sectors, such as building and construction, which employ these groups in abundance.

Figure 3. Percentage distribution of Employed and Unemployed persons by education, during the fourth quarter (October - December) of 2019.



Source: Central Agency for Public Mobilization and Statistics, Quarterly Bulletin of Labor Force Survey 2019.

It should be noted here that educational low quality that causes educational mismatch with labor market job opportunities is

mostly attributed to the government education. And especially the poor technical education system,⁴ which significantly contributed to the growing informal sector.⁵ Although data are not available on unemployment or employment by type of education, it has become a distinct phenomenon in the Egyptian labor market that only graduates of high-quality pre-university education are qualified to high quality university education and to decent sustainable jobs upon graduation.

1-2 **The demographic structure:** The proportion of the population in the working age⁶ has increased, which puts additional pressure on available job opportunities. Such a wasted demographic dividend that should be used to mobilize economic activities and sectors. The recede in demographic pressures is associated to the expected increase in the **rate of female participation in the labor force**, that is related to diminishing reproduction rates, which contributes to increasing the labor force. Table 1 below shows the lower female participation in economic activity compared to males, especially in the younger age groups, where male contribution are 3-4 times higher than females, while these differences increase in other age groups. Unemployment rates among females are also five times higher than among males, and reach about 50 percent in the age group 20-24.

⁴ See Views on Crisis about the pre-university education system (No. 5), Egyptian Center for Economic Studies <http://www.eces.org.eg/PublicationsDetails>.

⁵ A separate report was published as part of the series “Views on Crisis” to analyze the situation in details on the informal sector.

⁶ The percentage of the population in the age groups 15-35 is about 61 percent, according to the results of the population census 2017, the Central Agency for Public Mobilization and Statistics.

Table 1. The percentage distribution of the labor force and the participation rates in the economic activity among the age groups during the fourth quarter (October-December) of 2019

Age Groups	Labor force (%)	Participation rates in economic activity(%)		
		Male	Female	Total
15-19	5.2	21.7	3.5	13
20-24	12.8	52.3	16.1	34.9
25-29	17	91.1	22.9	57.1
30-39	25.2	96.5	22.8	60.3
40-49	19.7	95.9	22.6	60.3
50-59	15.8	89.1	21.5	57.6
60-64	2.8	44.7	5.9	26.7
65+	1.5	20.3	2.5	11.8
Total	100	68.1	16.4	43.1

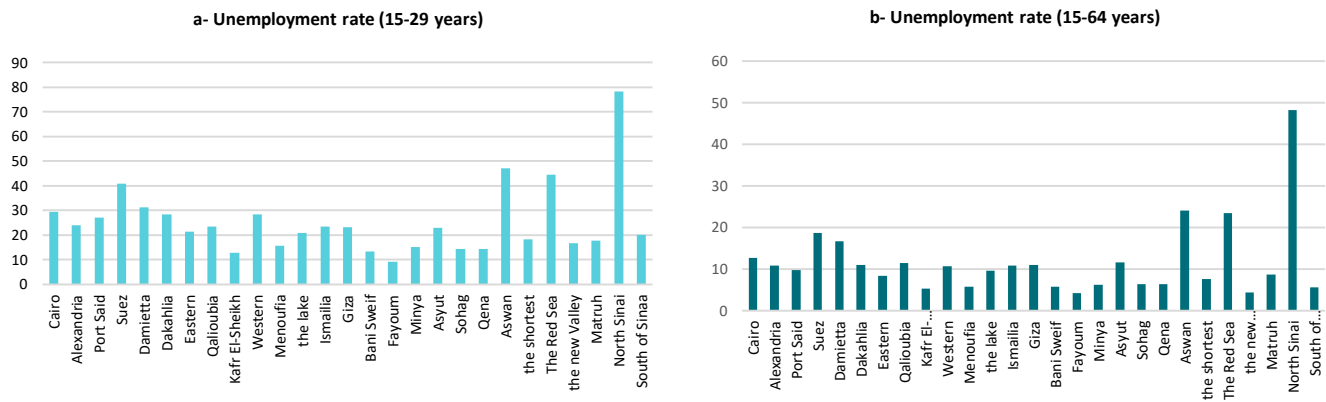
Source: Central Agency for Public Mobilization and Statistics, Quarterly Bulletin of Labor Force Survey 2019.

2. Geographical distribution disparities of unemployment

- Lower Egypt governorates are generally having the highest unemployment rates compared to Upper Egypt governorates, albeit certain governorates are exceptions, such as Aswan, which has an unemployment rate of 24 percent, Red Sea Governorate (about 23.5 percent) and North Sinai Governorate (about 48 percent); mainly due to the decline in tourism activity and the lower numbers of labor force in these governorates (Figure 4).

- In general, unemployment rates among young people in the age group 15-29 are double the general average for the groups 15-64.
- Finally, the geographical distribution of unemployment rates reflects great disparities between urban and rural areas nationwide, where urban areas having the largest share of unemployment compared to rural areas in general, due to the concentration of industrial activities in urban areas.⁷

Figure 4. Unemployment rate by governorates, 2018



Source: Central Agency for Public Mobilization and Statistics, Annual labor Force Survey, 2018.

3. Sectoral wage distortions

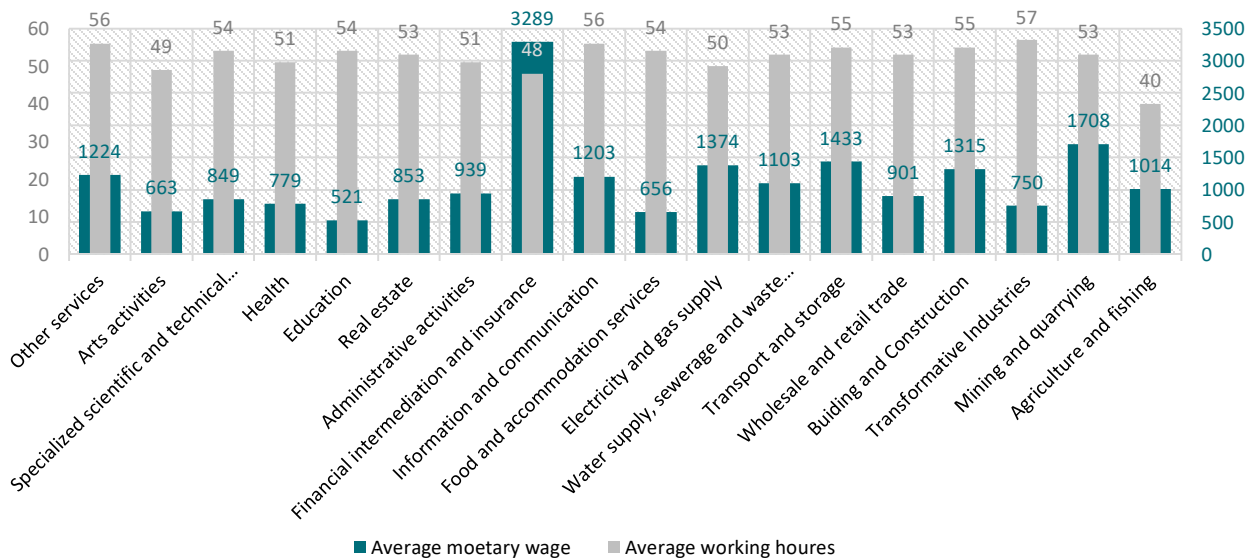
According to the results of the Egyptian labor market panel survey between 2012 and 2018, wages have not adjusted to the higher

⁷ Central Agency for Public Mobilization and Statistics, Annual labor Force Survey, 2018.

inflation. The high inflation that followed the floating of the Egyptian pound has led to a significant erosion in real wages. The average real monthly wage decreased by 9 percent during the same period. Likewise, the average hourly wages decreased by 11 percent. Real wage declines were even higher among women, those working in urban areas, those with medium and high skills, and those working in the private sector (formal and informal) compared to the public sector. Wage inequality has also sharply increased.⁸

One should note the prevalence of wage differentials between economic sectors in favor of specific sectors, despite the convergence of the average weekly working hours in the sectors between 50-55 hours. Figure 5 below reflects the following:

Figure 5. Average working hours and average monetary wages on weekly basis, in economic sectors for the year 2018



Source: Central Agency for Public Mobilization and Statistics, annual bulletin for employment, wages and working hours 2019.

⁸ Assaad, R., (2019, October). Is the Egyptian Economy Creating Good Jobs? A review of the evolution of the quantity and quality of employment in Egypt from 1998 to 2018. In *Economic Research Forum Policy Brief Series (No.45)*.

- Major service sectors such as health, education, and scientific research, whose relative importance has appeared at the time of the current crisis, have the lowest return in the labor market. With the lowest average weekly wages compared to other service sectors such as telecommunications and information whose wages rates are 1.5, 2.3 and 1.4 times higher than the wages of the aforementioned sectors, respectively.
- Average wages vary greatly in favor of non-productive sectors, such as transport and storage, building and construction and financial intermediation and insurance. The latter has the highest average weekly wage, surpassing value-added production sectors such as manufacturing and agriculture by more than 4 times and 3 times, respectively. Average wages in the transportation and storage and building and construction sectors are twice the wages of manufacturing industries.
- Average wages also decrease in sectors that are most vulnerable to crises, such as tourism and wholesale and retail trade, falling below the general average by about 40 percent and 18 percent, respectively.

4. Inconsistent legislative and institutional framework and biased towards the government sector

4.1 The Labor Law guarantees many fringe benefits for civil servants compared to the private sector workers. It is also

biased towards certain groups within the government sector. The following are the most important aspects of biasness included in the Egyptian Labor Law (12/2003):

- Official holidays, number of working hours, and annual wage increases
- Compulsory health and social insurance
- Difficulty in terminating contracts between the government and the worker, unlike the private sector
- Despite the unified minimum wage law in all sectors, which theoretically applies to all workers in the government and private sectors, there is a distinction in favor to the government sector. Also, not all private sector enterprises are committed to implement it. This mainly causes unemployment to rise as young graduates are still queuing for the government job.
- Those who work in semi-governmental bodies such as public authorities and local administrations do not enjoy the same privileges as the government sector.
- Benefits for those with general education compared to technical education; in terms of career positions and promotions.

4.2 Contradiction between laws regulating work, leading to turmoil in the labor market. For example, there is a conflict between the new Social Insurance Law (148/2019) and the recently issued Civil Service Law

(81/2016). Table A1 in the appendix illustrates some main advantages and disadvantages of the two laws.

4.3 The institutional framework governing the Egyptian labor market is represented by three main players: the government sector, the private sector, and labor unions. The Egyptian labor market faces a significant institutional miss-coordination between the three parties. It recently witnessed the issuance of several laws and legislative amendments (Law 142/2019) to organize trade unions and highlight a greater role for them in the labor market, after suffering lasted for about 12 years due to the conflict of interests between previous parties. However, some provisions of these legislations still inhibit freedom of trade unions, especially in small and medium enterprises (which employ the largest percentage of Egyptian workers). In addition, and as usual, the problem always lies in law implementation procedures.⁹

Fourth: Employment patterns in the Egyptian labor market

Economic growth patterns have long been characterized by its non-inclusiveness, especially in the aftermath of crises. As can be seen from Figure 6 below, the labor market response, represented in employment rates, lags behind the economic growth recovery point.

⁹ The International Labor Organization included Egypt in the short list of countries that violate workers' rights, aka blacklisted, for the fifth time in June 2019 due to non-compliance with international treaties signed between Egypt and the International Labor Organization. Since 2008, Egypt was removed from the list only twice, the first in 2011 with the beginning of allowing independent unions. Egypt returned to the list in 2012, when reversing the decisions taken after the revolution, due to a violation of the "Co87," which Egypt signed when joining the organization more than 50 years ago. The second is in 2018, after preparing the Trade Union Law and holding labor elections after 12 years without elections. But the final version of the law had several problems and loopholes that returned Egypt to the blacklist. This forced the Egyptian government to introduce amendments to the Syndicates Organizations Law and to adjust its status within the deadline set by the International Labor Organization.

This indicates a decline in the Egyptian economy's ability to adjust to developments in the labor market and absorb the unemployed after crises.

Figure 6. Economic growth rates and employment rates over the three decades 1990-2019 *



Source: World Development Indicators Database, World Bank.

* rate of economic growth 2019: Estimates for the fourth quarter of 2019, Views on Crisis estimates, No. 2, Egyptian Center for Economic Studies.

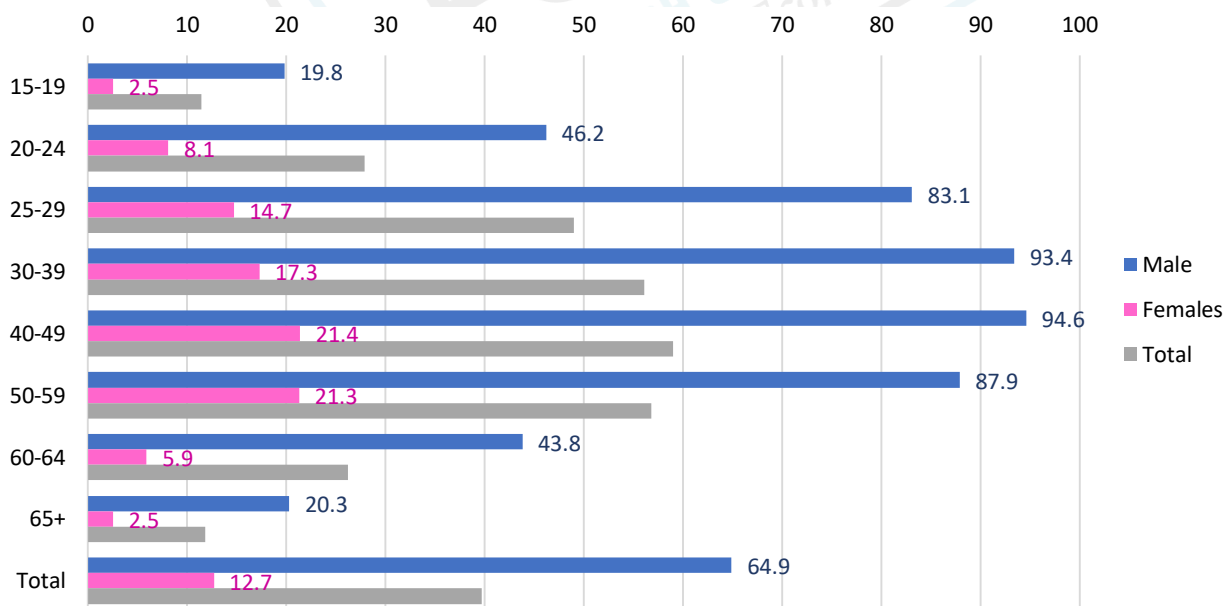
- The share of public sector from employment reached about 25 percent of the workforce in 2006 compared to 26 percent in 2012. The share of public enterprises shrank by 2.7 percent annually during the period from 2006 to 2012.¹⁰
- The formal waged employment in the private sector witnessed a decline during the period from 2006 to 2012 by 3.4 percent compared to 7.1 percent in the period from 1998 to 2006. Hence, growth patterns shifted significantly away from working with regular wages to working with irregular wages over the course of past decades.¹¹

¹⁰ Assaad, R., & Krafft, C. (2013, November). The structure and evolution of employment in Egypt: 1998-2012. *In Economic Research Forum Working Papers (No. 805)*.

¹¹ Ibid.

- Agriculture, manufacturing, building and construction, and wholesale and retail trade accounted for the largest share of employment, followed by the transport and storage, food services and accommodation sectors during the fourth quarter of 2019.¹²
- Higher-end jobs have witnessed a significant contraction in the labor market; in addition to the decrease in the share of professional and technical jobs, especially since 2015.¹³
- The gender gap widens significantly in relation to employment rates, reaching 5-6 times more among males compared to females, especially among young age groups, as shown in Figure 7 below.

Figure 7. Employment rates by gender and age groups during the fourth quarter (October - December) of 2019



Source: Central Agency for Public Mobilization and Statistics, Quarterly Bulletin of Labor Force Survey 2019.

¹² Central Agency for Public Mobilization and Statistics, Quarterly Bulletin of Labor Force Survey Bulletin 2019.

¹³ https://www.ilo.org/africa/information-resources/fact-sheets/WCMS_663785/lang--en/index.htm

- Table 2 below indicates that the largest percentage of workers belongs to blue-collar workers, as they account for more than half of the labor, followed by professionals and managers, and then white-collar workers.
- Looking at the details of the blue-collar group, craftsmen represent the largest percentage by about 33 percent, followed by farmers and agricultural workers with nearly 29 percent, then workers in factories by about 22 percent, and finally workers of ordinary professions.
- As for white-collar workers, we find that half of them work in the service sector.
- Finally, it is noted that the shares of specialists and those with scientific professions are almost equal to legislators and senior officials in the country, reflecting a sort of imbalance to a certain extent; as it is normal for those with scientific professions to have a greater representation in the economic and employment structure of any country.

Table 2. Percentage distribution of employed persons in the main professions, 2018

Main Professions	Share of Profession in total Occupational Category	Share of the profession in total professions
Legislators, senior officials and managers	50.2	12.0
Specialists and scientific professionals	49.8	11.9
Professionals and Managers	100	23.8
Technicians and associate professionals	35.2	8.1
Clerks etc.	13.7	3.1

Service and retail store workers	51.1	11.7
Total White collar	100	22.9
Farmers, agricultural workers and specialized fishing workers	28.7	15.3
Craftsmen etc.	33.4	17.7
Factory operation workers, machine operators and production assemblers	21.7	11.5
Ordinary job workers	16.3	8.7
Total Blue Collar	100	53.2

Source: Egyptian Center for Economic Studies calculations based on data from the Central Agency for Public Mobilization and Statistics, Annual Labor Force Survey Bulletin 2018.

Based on the above, two facts about the labor market become clear, as follows:

- 1- Excess supply and demand at the same time, reflecting the severe structural weakness of the labor market, and the failure of skills that join the labor market to keep pace with its requirements, resulting in a market of unbalanced standards.
- 2- Economic policies in general, and employment policies in particular, did not respond to the structural challenges occurred in the Egyptian labor market that emerged from the changeable local, regional and international economic situations as well as scientific progress. Which led at the end to the weak readiness of this market facing internal and/or external crises.

Fifth: The impact of previous crises on the Egyptian labor market

The Egyptian labor market has gone through several external and internal shocks over the past three decades, which have negatively affected the quality of its performance. The most important of these shocks in chronological order are the Gulf War in the early nineties, followed by the Global Financial Crisis in 2007/2008, and the Revolution of January 25th (2010/2011). The severity of the impact on employment rates during these crises varied according to the nature of the crisis, its time span, and its impact scope, as follows:

The Gulf War (1991/1992)

The 1991 Gulf War brought about a million Egyptian workers back to the Egyptian labor market.¹⁴ Consequently, the Egyptian economy faced tremendous pressure on available job opportunities. This period coincided with:

- 1-The beginning of implementation of the ERSAP, which involved the implementation of privatization programs, and the application of Law No. 203 of 1991, that caused a wave of layoffs and a rise in unemployment rates. As a result, the number of workers in the public sector decreased from more than a million workers in the early 1990s to about 405,000 workers in mid-2003.¹⁵
- 2-The government ceases hiring more graduates in the public sector. As a result, the labor market was shackled with huge numbers of manpower who were not absorbed by the private sector.

¹⁴ Kafafi, Dina (2017). The effect of globalization on labor markets in developing countries: evidence from Egypt, Cairo University, Faculty of Economics and Political Science, unpublished PhD thesis.

¹⁵ Ibid.

3-Most of those who left their jobs as per the early pension program joined the lines of the unemployed due to the poor performance of the labor market and the lack of training opportunities. Therefore, they were unable to invest their end-of-service payments.

The Global Financial Crisis (2007/2008)

Studies indicate a limited impact of the Global Financial Crisis on unemployment rates and participation in economic activity.¹⁶ Previous Figure 1 shows that the rates of decrease in employment due to this crisis are minimal for two main reasons:

- 1-Employees in the formal sector are not affected as much as their counterparts in the informal sector, who are at the forefront of underemployment and salary deductions following crises.
- 2-The nature and trends of the shock, as it mainly affected the export and labor-intensive sectors with a slight impact on the rest of sectors. The tourism and textile sectors witnessed a noticeable decline in export revenues due to the global financial crisis, and were therefore the most affected with underemployment and layoffs.¹⁷

January 25th Revolution (2010/2011)

Unlike the aftermath of the Global Financial Crisis, the period that followed the January 25th Revolution of political and economic disturbance and disruption of productive activities had dire consequences on the Egyptian labor market, as follows:

¹⁶ Roushdy, R., & Gadallah, M. (2011, October). Labor Market Adjustment during the World Financial Crisis: Evidence from Egypt. In *Economic Research Forum Working Papers* (No. 643).

¹⁷ Klau, A. (2010). *Impact of the economic crisis on trade, foreign investment, and employment in Egypt*. ILO

- 1- Decrease in net employment growth between 2010-2011 from about 500 to 400 thousand jobs as a result of the economic crisis that followed the revolution. Since then, the labor market has witnessed sluggish recovery, recording about 550 thousand annual jobs again by 2016.¹⁸
- 2- Exacerbation of employment instability, especially in the informal private sector, which includes workers most affected by the crisis, namely, regular wage workers in the informal private sector, in addition to the self-employed outside the agricultural sector, and employers.¹⁹
- 3- The working conditions gap between government and private sectors became wider. While workers in the government sector witnessed a marked improvement in terms of working conditions, all other employees in other sectors recorded a deterioration in working conditions.²⁰
- 4- Decreased income levels, no job insecurity, lower female participation in the workforce, and the freezing of activities of many small and micro enterprises.²¹

Sixth: Supply and demand shocks in the context of the crisis cycle

A few weeks after the Corona pandemic began, the ILO estimated the number of workers affected by the virus in early April at 2.7 billion people, or 81 percent of the world's workforce. The severity of these repercussions ranged from reducing the number of working hours,

¹⁸ Assaad, R., & Krafft, C. (2013, November). The structure and evolution of employment in Egypt: 1998-2012. *In Economic Research Forum Working Papers (No. 805)*.

¹⁹ Ibid.

²⁰ According to Labor Market Panel Survey 2012.

²¹ Assaad, R., & Krafft, C. (Eds.). (2015). *The Egyptian labor market in an era of revolution*. OUP Oxford.

lowering the associated wage, poor worker productivity due to the psychological impact of social distancing measures, and temporary or permanent layoffs. These estimates decreased by the end of April to about 68 percent (still striking) as a result of the reopening of workplaces in China in early April²².

At the time of writing this report, and with the aggravation of the crisis, the International Labor Organization raised its expectations regarding the decline in working hours globally during the second quarter of 2020 by 10.5 percent compared to less than half of this percentage in the estimates of the fourth quarter of 2019 prior to the crisis. This is equivalent to 305 million full-time jobs. Among the major regional country groups, estimates indicate that the Americas suffered the largest loss of working hours by 12.4 percent, followed by Europe and Central Asia by about 11.8 percent, and then Arab countries by 10.3 percent²³.

Recent estimates indicate that the unemployment rate in the United States increased to 14.7 percent, with the loss of 20.5 million jobs in April, compared to the lowest level of unemployment that the United States had achieved since 50 years at 3.5 percent just two months ago, in addition to the inflation in the numbers of those registered to get unemployment benefits to exceed 33.3 million since mid-March to early May.²⁴ In general, international surveys and estimates indicate that the continued closure of companies for one month exposes 20 percent of them to the risk of bankruptcy, this percentage increases to 40 percent if the lockdown continues for a period of three months without government intervention. Hence all countries

²² <https://www.ilo.org/global/topics/coronavirus/lang--en/index.htm>

²³ Ibid

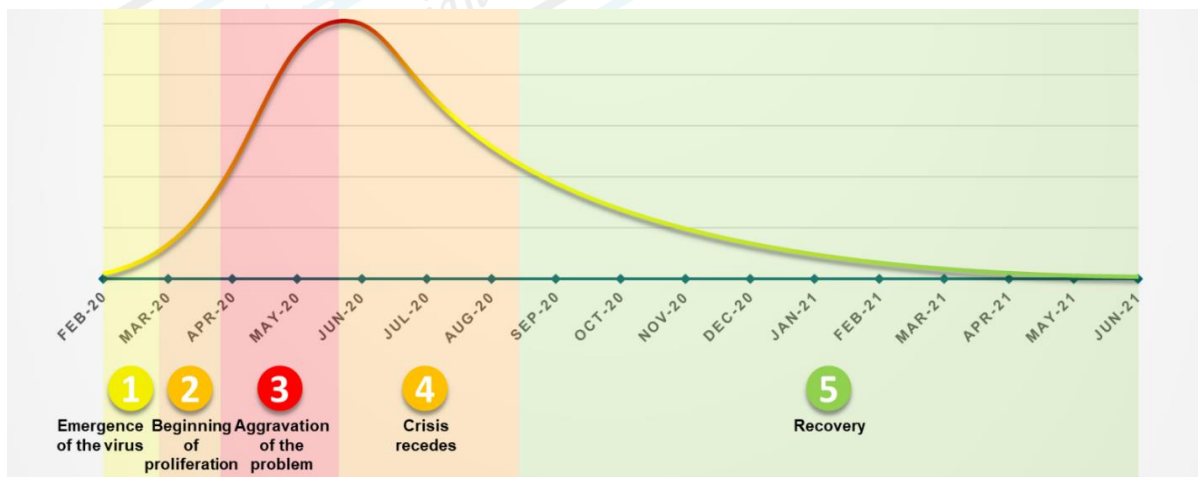
²⁴ <https://www.bbc.com/arabic/business-52594625>

share the severe repercussions of the crisis on the labor market, which is completely different from the aforementioned crises in terms of its multiple effect, and its impact on both the supply and demand sides.

In the next section, we discuss the impact of COVID-19 on employment in the Egyptian labor market according to the supply and demand shocks during the 5 stages of the crisis cycle illustrated in Figure 8. Supply and demand shocks on Egyptian labor defined as follows²⁵:

- Supply shock: the increase in the supply of labor, as a result of layoffs either internally or abroad.²⁶
- Demand shock: decrease in demand for labor, or its rise in specific fields in response to the crisis during its various stages, according to the dynamics of employment policies in various economic establishments.

Figure 8. Stages of the Crisis Cycle



Source: ECES.

²⁵ It refers to all employees, regardless gender or affiliation.

²⁶ In addition to the current supply of graduates and job seekers.

Below is a brief description of each stage:

The first stage: Emergence of the virus

The crisis began and aggravated in China only. The rest of the world, including Arab and European countries, were not yet affected by the crisis.

The second stage: Beginning of proliferation

The spread of the virus globally. Arab countries began to be affected at the end of February and hence initiated precautionary measures to prevent the spread of the virus. European countries are greatly affected.

The third stage: Aggravation of the problem

The situation in the world has worsened, tougher measures in the Arab countries, especially in Saudi Arabia and European countries, a major worsening of the crisis in Italy, beginning of the virus's receding in China, and the beginning of its spread in the US.

Fourth stage: Crisis recedes

The beginning of recovery from the virus globally, starting from China, which is expected to be followed by European countries, and finally, Arab countries and the US.

Fifth stage: Recovery

Gradual recovery for all countries, including Arab countries, although the latter's recovery is expected to be delayed due to being strongly impacted by the global economy and its weak impact on it.

Table 3 below presents detailed analysis, including possible scenarios²⁷ about the impact of current crisis on unemployment rates

²⁷ These estimates should be read with caution as expectations may require further revision due to the evolving nature of the virus day by day, and its duration and scope are still unknown.

in the Egyptian labor market, as much as possible, and in light of the following conceptions and assumptions:

- Labor demand is initially derived from demand on final product or service, and therefore is primarily affected by the extent to which the production process continues and the ability to market the product. Thus, production and marketing problems are translated directly into problems in labor demand for all categories.
- Any financial support provided by the government to production and service enterprises - whether financing facilitation, direct financial support, or rearrangement of financial obligations - directly affects the ability of these enterprises to retain employment, as it support them to resume the production process without salary cuts or layoffs.
- Undertaken efforts to support irregular workers help to mitigate deterioration in their living conditions and support the informal sector as well, which is typically required during the absence of unemployment benefits and also to boost economic recovery.
- The impact on the labor market will be analyzed against the rise in unemployment rates following the crises of the January 25th Revolution and the Gulf War. This is due to their similarity to the current crisis, though the latter is much more severe because of its dual effect of internal and external shocks.
- The expected unemployment rates for potential scenarios will be calculated assuming the following:
 - The same number of Egyptians returned in the wake of the Gulf War 1991/1992.

- The same rate of change in the number of unemployed persons after the January 25th Revolution. The rate of change between the first quarter of 2011 and the corresponding quarter of 2010 will be relied upon.
- Current unemployed persons are according to the latest available data for the last quarter of 2019.
- Unemployment rates in Egypt are affected by external circumstances inside other countries that are direct recipients of Egyptian workers.
- The focus will be on the formal labor market in the government and private sectors, which is linked to regular wages, while the informal sector will not be touched upon as it was covered in a separate previous report.²⁸
- The current analysis seeks to present an integrated picture of the situation in the labor market attempting to answer the following questions:
 1. How many jobs were lost in the crisis? What is the nature of these jobs? In what geographical area?
 2. What happened to the indicators of working conditions, in terms of wage levels and social protection programs? And in which sectors?
 3. To what extent have the government policies and efforts contributed to preserving and reconciling Egyptian workers, especially vulnerable groups?
 4. What are the future trends that started to emerge in the Egyptian case, which will change the parameters of the labor market?

²⁸ <http://www.eces.org.eg/PublicationsDetails>.

Table 3. Stages of the crisis cycle due to supply and demand shocks and the expected impacts on the labor market

Stage	Supply and/or demand shock	Analysis	Impact on the labor market
1- Emergence of the virus (December 2019 to January 2020)	<ul style="list-style-type: none"> - There are no supply shocks - A slight shock on the demand side in the Egyptian labor market 	<ul style="list-style-type: none"> - The emergence of the virus in China only at this point of time, and thus slightly affecting only the factories that are fully dependent on Chinese imports. - Slight effect on Commercial activities that depend on imports from China. 	<ul style="list-style-type: none"> - Individual cases of companies or factories have laid off workers or cut wages, because their activities are totally dependent on China.
2-The beginning of proliferation (February through mid-March 2020)	<ul style="list-style-type: none"> - The start of a real demand shock in the second week of March. 	<ul style="list-style-type: none"> - The beginning of the impact on tourism sector in the second week of March. - Announcing the cancellation of 70-80% of reservations and the closure of many touristic resorts due to low occupancy²⁹. 	<ul style="list-style-type: none"> - Tourism revenue in March has decreased by 75% compared to the expected figure³⁰. Consequently, the income of employees in the tourism sector is negatively affected, as their income represents the fixed wage plus a percentage from the occupancy.
	<ul style="list-style-type: none"> - There is still no shock on the supply side 	<ul style="list-style-type: none"> - Given that the problem of returnees from abroad has not emerged yet, in addition, this period did not coincide with 	<ul style="list-style-type: none"> - There is no noticeable impact yet on the labor market in terms of quantity and quality of jobs, and wage levels in other sectors.

²⁹ Views on news (Views on Crisis) - Issue 3: Tourism Sector, Egyptian Center for Economic Studies <http://www.eces.org.eg/PublicationsDetails>.

³⁰ Views on news (Views on Crisis) - Issue 3: Tourism Sector, Egyptian Center for Economic Studies <http://www.eces.org.eg/PublicationsDetails>.

		<p>the end of the school year and the labor market entry.</p> <ul style="list-style-type: none"> - In addition to the fact that workers in the tourism sector did not re-enter the labor market, and are awaiting recovery of the tourism sector. 	
<p>3- Aggravation of the problem (From mid-March to mid-May 2020)</p>	<p>This stage can be divided into two sub-stages: First stage (mid-March - mid-April 2020): It witnessed the beginning of the suspension of work and complete paralysis in most sectors.</p>	<p>The supply shock here is represented in:</p> <ol style="list-style-type: none"> 1- labor supply increase resulting from the return of Egyptians working abroad to the domestic labor market, whether permanently or temporarily due to the suspension of travelling flights. 2- The new unemployed from self-employees, or those who have been laid off completely or partially as a result of the crisis. 	<ul style="list-style-type: none"> - The emergence of signs for workers returning from abroad, especially from the Gulf countries. - Beginning of a wave of layoffs with complete paralysis in the tourism sector. - Temporary and permanent layoffs in the wholesale and retail trade sector following the closure of shops and commercial malls. - The effect of the curfew on the factory shift system, and consequently a partial loss of some jobs and decrease in the associated wage.

	<p>Drastic shock to both supply and demand sides, and gradually</p>	<p>The peak of the crisis is realized during this period due to:</p> <ul style="list-style-type: none"> - Decision to reduce workforce to 50% in government sector, with some exceptions. - Tightening the precautionary measures, such as the closure of restaurants, cafes, and commercial malls and stores, which means a complete disruption for workers in these service sectors. - For the private sector, a large percentage shifted to working from home as per the nature of the activity, with the division of tasks among the existing workforce, while some establishments were completely closed. - Factories and production activities stopped to operate. Paralysis in export sectors following the suspension of international trade and aviation, and supply chain paralysis. (50% 	<ul style="list-style-type: none"> - For example, in the furnishing and ready-made garments sector:³² <ul style="list-style-type: none"> • About 800 thousand workers stopped working, representing 67% of total workers in the sector. • At least 376 thousand female workers stopped working (as women represent 47% of the total workers in these two industries) as a result of closing factories and suspending schooling. • 35% decrease in workers' wages due to the halt of allowances related to production lines. - Economic productivity varied with some professions still being practiced from home (such as administrative services, teaching, etc.). Others partially stopped due to inability to work remotely (such as the building and construction sector, transportation sector, food services). Temporary disappearance of other professions such as (Uber, students' transport services to schools, workers in industries that disappeared with the crisis - such as entertainment products, in addition to workers in the informal sector). A start of a severe blow hitting the service sector and entertainment activities such as cinemas and theaters³³.
--	---	--	---

³² Views on crisis, Issue 11: Manufacturing industries (continued) – Industries Struggling to Survive: Ready-to-wear and home furnishings <https://bit.ly/2yWf4Kq>

³³ A separate report will be prepared on the impact of COVID-19 on the entertainment sector (cinemas, theaters, etc.) as part of "View on Crisis."

		<p>of the factories stopped completely at different times, including the free zone factories from which most of the exports are dispatched, while the rest of the factories operate at low productivity)³¹</p> <ul style="list-style-type: none"> - The total closure of some factories temporarily due to the appearance of infected cases. - Factories stop working in full or in part, which results in an immediate decrease in the demand for all labor categories through laying off some workers or reducing salaries. At the same time, there is an increase in demand in some specific fields. - The tourism sector continues to collapse and stopped operating, as a result of the previous decisions on one hand, and the decision to suspend 	<p>Two scenarios can be built regarding the impact of this on unemployment rates as follows:³⁴</p> <p>Optimistic scenario:</p> <ul style="list-style-type: none"> - The same number of workers returned during the Gulf War. - The same percentage of unemployed persons in the aftermath of the January 25th Revolution (31% change) <p><u>The expected change in the number of unemployed:</u></p> <ol style="list-style-type: none"> 1- The current unemployed (2.329 million) 2- Returnees from the Gulf and other countries (1 million unemployed) 3- The unemployed due to the current crisis measured by the unemployed in the aftermath of the Revolution of January 25th (741 thousand unemployed) <p>Total unemployed (4.07 million)</p> <p><u>Expected unemployment rate:</u> is expected to rise to reach 14%, i.e., more than the current rate by about 6 percentage points.</p> <p>Pessimistic scenario:</p> <ul style="list-style-type: none"> - Double the number of returnees during the Gulf War, to 2 million unemployed. - Double the number of the unemployed in the aftermath of January 25th Revolution
--	--	--	---

³¹ Views on crisis, Issue 11: Manufacturing industries (continued) – Industries Struggling to Survive: Ready-to-wear and home furnishings <https://bit.ly/2yWf4Kq>

³⁴ Since this report was prepared at a later date than the Informal Sector Report in “Views on Crisis” series, a new category of unemployed has emerged, represented by returning workers from abroad, and thus unemployment estimates have increased from before.

		<p>travelling flights, the social distancing measures, and the curfew on the other hand.</p>	<p><u>The expected change in the number of unemployed:</u></p> <p>1- The current unemployed (2.329 million unemployed)</p> <p>2- Returnees from the Gulf and other countries (2 million unemployed)</p> <p>3- Unemployed due to the current crisis measured by the unemployed in the aftermath of the January 25th Revolution (1.482 million unemployed)</p> <p>Total unemployed (5.811 million)</p> <p><u>Expected unemployment rate:</u> rises to reach 20%, more than twice the current rate.</p> <ul style="list-style-type: none"> - Some professions continue working despite the suspension of productive activities such as the health sector, pharmaceutical and medical supplies, and food industries. - Incentives for professionals to immigrate begin to appear.
	<p>Second stage (mid-April - end of May 2020). It witnesses a gradual decline in the demand shock, and continued supply shock</p>	<p>The decline in labor demand during this period receded for several reasons:</p> <ol style="list-style-type: none"> 1. The construction sector returned to work 2. The incentive packages provided for some affected sectors. 3. Relaxing curfew and other precautionary measures. 	<ul style="list-style-type: none"> - The food trade sector and some service activities continue to generate new but irregular jobs on a temporary basis. Consequently, there is a limited increase in demand for certain groups (such as delivery workers). - Workers in the construction sector return to work. - The actual return of workers abroad, mainly from the Gulf countries, especially that COVID-19 crisis concurred with the decrease in the oil price and the decline in religious tourism and other types of tourism in these countries.

- Partial layoffs in some factories.
- The disbursement of the irregular workers grant helped to improve the living conditions of the groups most affected by the crisis, as it was disbursed to about one million and 500 thousand workers until mid-April.³⁵
- There has been no change for workers in the government sector in terms of wages, with the exception of raising the value of the infection allowance in the health sector. But there is only a change in the working process in terms of reducing the number of working hours and the mechanism of completing jobs from home, with more paid leave given especially to women, and the most vulnerable groups.
- The working woman³⁶ is the most affected by the repercussions of the current crisis, for several reasons:
 - Women represent the largest percentage of workers in the affected sectors such as manufacturing and health.
 - They bear an additional burden as a result of suspending schooling and closing nurseries.
 - The high demand for nurses as a result of the outbreak of the disease thus they are more vulnerable to infection.
 - Women represent the least protected group in terms of work conditions, social and health insurance.

³⁵ <http://www.manpower.gov.eg/news.html>

³⁶ A separate report will be prepared on the implications of Covid-19 on women within "Views on Crisis" series.

			<ul style="list-style-type: none"> - The largest percentage of layoffs is in small enterprises, as their ability to continue is limited, unlike large enterprises. - A sharp drop in wage levels is expected for low-skilled workers (blue-collar) as a result of factory closures, production interruptions and international trade paralysis. The impact is less severe on specialists with specialized skills (white collar) through partial deductions of their salaries (mostly very high salaries) ranging between 30-50% or more. - The longer the period the activity stops working, the more companies are close to bankruptcy and layoffs, especially blue-collar employees. As for white collar employees, deductions are sufficient, given the difficulty of replacing them. - There is a positive improvement in the standards of the labor market as a result of everyone's concern with occupational safety standards and the mandatory adoption of preventive health measures.
<p>4. The crisis recedes (Mid-May-August 2020)</p>	<ul style="list-style-type: none"> - Continued drastic supply shocks - Demand shock recedes gradually 	<ul style="list-style-type: none"> - As a result of the continued waves of returned workers from the Gulf countries. - The start of the gradual reopening of markets and relaxing the curfew measures, which means a gradual return to work with the trend to reduce wages due to the continued 	<ul style="list-style-type: none"> - Increase in the number of job seekers returning from abroad, especially in the absence of databases on their various skills. Consequently, weakened government role in accelerating their absorption into the economy. - The continuation of the impact at this stage is related to the expected unemployment rates in the <u>previous scenarios</u>, and according to the rate of improvement in economic activity and consequently the labor market.

	and partially	<p>stoppage of production and world trade, especially in the export sectors.</p> <ul style="list-style-type: none"> - - The gradual decline is due to linkages between domestic and global economic activities. 	<ul style="list-style-type: none"> - The wage gap between the sectors is expected to widen further, as the conditions of some non-production sectors (such as the financial sector, communications and information, building and construction) stabilize during the crisis and after the recovery, whilst the other sectors that were affected by the crisis suffer from instability and decreases in wages (such as education, health, scientific research, manufacturing, wholesale and retail trade, tourism), which receive the lowest average wages.
5. Recovery (As of September 2020)	- Decline in demand shock (largely related to world recovery from the disease ³⁷)	- With the Chinese economy recovering almost completely at this stage, and the European countries and the United States gradually returning to production, and thus the return of international trade, production lines are expected to start. Consequently, this will restore the demand for labor in sectors that have recovered and which had been dispensed before.	<ul style="list-style-type: none"> - With the return of international trade, export sector generally returns to work. - The tourism sector is not expected to recover at this stage, as it is primarily an entertainment industry. - With the gradual relaxation of the precautionary measures in Egypt, life will gradually return to the rest of the sectors, with a permanent exit of small enterprises that went bankrupt during the crisis (including their workers).

³⁷ This depends on the presence of a vaccine, and it is not yet clear when that will be done.

	<ul style="list-style-type: none"> - Increased shock on the supply side 	<ul style="list-style-type: none"> - With the start of the season of graduates' entry into the labor market, in addition to returnees from abroad. - The problem of finding employment doubles as a result of the mandatory jump in more reliance on digital economy as a response to the COVID-19 crisis. 	<ul style="list-style-type: none"> - New unemployed graduates will increase in the academic year 2020/2021. The total graduates of higher education are estimated at 568.8 thousand students³⁸ in 2018, about 71% of them are graduates from public universities, 24.3% graduates from institutes and academies, and only 4% graduates from private universities. - Based on the previous scenarios of the expected unemployment rates, the unemployment rate for this period can be expected based on the following two scenarios: <p>Optimistic scenario (The same optimistic scenario in the third stage, plus unemployed fresh graduates): Double the increase in unemployed of new graduates.³⁹</p> <p><u>The expected change in the number of unemployed:</u></p> <ol style="list-style-type: none"> 1- Total unemployed in the optimistic scenario in third stage (4.07 million) 2- New unemployed (234 thousand unemployed, 41% of the total graduates) 3- Total unemployed (4.3 million) <p>Expected unemployment rate: 14.8%</p> <p>Pessimistic scenario (The same pessimistic scenario in the third</p>
--	--	--	---

³⁸ Central Agency for Public Mobilization and Statistics, annual bulletin for graduates of higher education and scientific higher degrees 2018.

³⁹ Estimated by calculating the difference between the unemployed during the last quarter (October - December) 2019 and the corresponding quarter to graduation from universities (July - September 2019).

			<p>stage, plus unemployed new graduates): fold increase in unemployed of new graduates.</p> <p><u>The expected change in the number of the unemployed</u></p> <ol style="list-style-type: none"> 1- The total unemployed in the third stage's pessimistic scenario (5.811 million) 2- New unemployed (351 thousand unemployed, 61.7% of total graduates) 3- Total unemployed (6.16 million) <p>Expected unemployment rate: 21.2%</p>
--	--	--	---

Concluding remarks: the most important facts from the table of the impact of Covid-19 crisis on Egyptian labor market:

1. Women are the most hit by the crisis among vulnerable categories, given their high representation in the service sector (education and health) and informal sector activities, in addition to the negative impact on them due to precautionary measures (such as suspension of schools).⁴⁰ As well as unemployed youth, self-employed and temporary workers, and Egyptian workers abroad.
2. The impact of the crisis is clearly evident in increased youth unemployment rates in particular, especially in the sectors of food services (restaurants etc.) and leisure activities (cinemas and theaters, etc.) and related transportation services (taxis, Uber), because they are directly concentrated in these sectors

⁴⁰ The International Labor Organization estimates that women make up 70% of the health care sector worldwide.

and with huge numbers. Whereas, these sectors absorb huge amounts of daily workers, irregular workers and job seekers.

3. There are certain sectors that have experienced a sharp decline in employment, particularly the tourism sector, which is further compounded by the fact that its employees do not tend to search for other jobs, but rather awaiting the recovery of tourism.
4. The country's continued its biasness towards building and construction sector and its employment requirements (which reflects directly on supply and demand nature in the labor market), the thing that is considered a negative fact, as the whole world is focusing on education, health, agricultural and manufacturing production sectors, especially essential ones in the upcoming period.
5. The informal sector that absorbed previous crises is one of the sectors that was negatively affected by this crisis.
6. The government body does not lost its workforce, despite the freezing of 50% of the workforce.
7. The export sector is generally one of the most hit sectors.
8. It is clear that some sectors will stabilize faster than others, such as non-production sectors, in contrast to what is required at this stage, which increases the phenomenon of the inverted pyramid of wages between sectors.
9. Small enterprises that have gone bankrupt in all fields are not expected to return to operation, which will lead to an increase in the number of new jobseekers.⁴¹
10. The low-skilled blue-collar workers are more likely to face job losses as a result of troubled manufacturing industries, while the

⁴¹ According to previous crises, for example, 400 garment factories stopped during the January 25th Revolution and did not return to operation even after recovering from the crisis.

problem for white-collar workers appears in the form of a salary cut of 30-50% or more.

11. Increased severity of the structural problem of unemployment in Egypt, with clearly weak educational system and poor outcomes.
12. As a result of the crisis, a terrible exacerbation in unemployment is expected, and its rates may reach 20 percent due to the return of workers from abroad, especially the large numbers coming from Gulf countries, after the crisis.
13. Some limited groups of irregular employment (food delivery services in general) benefited from the crisis, specifically in the food retail sector.
14. Among the most unaffected are highly skilled groups in the field of communications and information technology.
15. Despite the importance of the role of medical sector and its winning the government attention for the first time as a result of the crisis, the escape of many workers in this sector has started and a large number has decided to immigrate to the United States and European countries. These countries have opened the door to receive them over the past few weeks, taking advantage of unsuitable working conditions in Egypt (low wages, difficult working conditions), which will cause disruption in this highly specialized labor market.⁴²
16. One of the positive points is that the crisis forced everyone to adopt health safety standards.
17. Finally, Egypt's entry into the crisis of COVID-19 with a labor market suffering from many structural deficiencies has exacerbated its problems (education that does not serve the market requirements, a disrupted wage structure, unemployment among young people, the absence of

⁴² For example, prevailing suggestions about turning pharmacists into physicians to bridge the shortfall.

employment opportunities in specific governorates as well as weak institutional and legislative framework).

Seventh: The interventions required to mitigate the effects of the crisis

According to the International Labor Organization, there are four main pillars⁴³ to deal with the crisis and end up with the least losses in the labor market, as follows:

1. Stimulating the economy and employment: This includes adopting active fiscal policies and accommodative monetary policies, while directing financial support and incentive packages toward the most hit sectors, which directly reflects on the ability of economic establishments to maintain workers.
2. Supporting enterprises, jobs and incomes: extending the scope of social insurance to everyone, taking supportive retirement measures, and providing enterprises with financial relief and tax exemptions.
3. Protection of workers in the workplace: enhancing occupational health and safety standards, adapting to emergency conditions such as working from home, prevent discrimination and exclusion between workers while providing health insurance for all and expanding access to paid leave.
4. Adopting social dialogue to come up with sound solutions: enhancing the role of workers and trade unions and their collective bargaining power.

⁴³ <https://www.ilo.org/global/topics/coronavirus/lang--en/index.htm>

The Egyptian government has attempted to maintain the workforce through interventions in the first and second pillars, while leaving the third pillar for private sector, which requires government control to ensure that it is achieved, especially in the current stage where the percentage of infections has increased, and in the next stage. For example, disbursement of the irregular employment, emergency disbursement to compensate the affected labor in the tourism sector, offering tax exemptions and postponing financial obligations owed by enterprises. But still remains complementing those efforts, especially in light of the uncertainty regarding the time period of the crisis.

The fourth pillar of the plan to deal with the crisis was completely absent from the Egyptian government interventions.

- The importance of continuing with the positive points associated with the crisis, specifically the high level of health and preventive protection until they become an integral part of the quality of working conditions.
- With regard to the unified minimum wage, the economic nature of each sector must be taken into account considering economic efficiency and given the existence of large differences among them in terms of labor intensity and productivity as well as profitability, being the most important element in determining the extent of the sector's ability to pay appropriate wages to workers. Social justice also entails that minimum wage must be variable according to the standard of living, which varies from one governorate to another.
- Finally, expediting administrative reforms of the government bodies and their associated evaluation of the number of jobs, workers and skills, as this has a positive impact on better and more effective regulation of the labor market in Egypt.

Eighth: Institutional weaknesses revealed by the crisis

1. The trade union role of workers has declined, both de facto and de jure. It is always perceived as a negative role that does not serve the productive process or the country's efforts towards development. Therefore, there is an urgent need to correct this situation.
2. The absence of accurate databases for supply and demand sides of the labor market that allow for effective coordination between them according to the skill level.
3. The poor performance of the educational system, especially the technical and vocational training system, and the need for a fundamental change therein to overcome the problem of structural unemployment permanently and dynamically.
4. The extreme weakness of the ability to invest in human resources in general, especially by the government, as it is the main factor responsible for many weaknesses in the Egyptian labor market.
5. The absence of a regulatory framework for the labor market, especially for technical occupations (standards for each profession and a wage schedule linked to these standards).
6. Failure of employment policies to keep pace with labor market developments.
7. The absence of an integrated strategic thought that should result in specialized incentive employment policies (Active Labor Market Policies, for example programs for dealing with those affected by the implementation of privatization programs, incentives for small and medium enterprises, etc.).
8. The decline in the role of civil society and Non-Governmental Organizations (NGOs) in general has led to the loss of many direct specialized jobs related to the activities of these

organizations, as well as job opportunities available through their executive programs.

9. Absent technological dimension and digital transformation from the employment system in Egypt (Ministry of Manpower).
10. The weak institutional and legislative readiness of the country,⁴⁴ as the compulsory digital transformation will result in emergence of other jobs with different skill requirements (the Future of Work).

Appendix

Table A1. Main advantages and disadvantages of the civil service law (81/2016) and social insurance law (148/2019)

Civil service law (81/2016)	Some Advantages
	<ul style="list-style-type: none"> - Addressed the distortions in the wage structure in relation to the fixed-variable wage ratios. - Corrected the concept of rewards and bonuses so that they are awarded according to the increase in productivity, and in a variable manner. - It removed the article of hiring the workers' sons and daughters regardless of required qualifications and skills. - The law 47/1978, which guaranteed the government's hiring of graduates, was repealed. - Setting criteria for employing on the basis of eligibility and competence and in accordance to available public resources. - Categories of workers who are not covered by Labor Law 12/2003, such as public authorities and local administration units, are included.

⁴⁴ Lack of coordination between the different ministries concerning employment.

	<ul style="list-style-type: none"> - It has included representation of trade unions on the Civil Service Council to develop civil service.
	<p>Some Disadvantages</p> <ul style="list-style-type: none"> - There is still bias in terms of fringe benefits compared to the private sector. - Continuing with the unified minimum wage law at the sector level, which affected certain sectors, such as some branches of manufacturing industries⁴⁵. - It did not address wage differentials between sectors in favor of certain sectors (as mentioned above). - It did not include a mechanism to monitor the private sector and other informal forms of work. - It still guarantees a wide range of official holidays causing a shortage of staff in public establishments. - The government job is still the guaranteed mean of living that many young graduates aspire.
<p>Social insurance law (148/2019)</p>	<p>Some Advantages</p> <ul style="list-style-type: none"> - Linking the minimum pension and the minimum wage, to ensure that the pensioner gets an amount that is appropriate to the standard of living, and establishing a mechanism to increase pensions proportional to the rate of inflation. - Establish a uniform pension rule for all categories of the country's workforce to achieve equality. - Accounting for unemployment insurance, which the government provides to support the unemployed. - Resolving the financial conflict between the National Authority for Social Insurance, the State Treasury

⁴⁵ Despite the positive impact of this decision on the standard of living of the Egyptian citizen, attention must be paid to its negative effects on various industries, the most important is the ready-made garments industry and furniture. As the recent increases will lead to a significant increase in the cost of the products of this industry, especially with the last proposed increase to the current minimum rate between 7 and 8%, which far exceeds the global average estimated by 1 to 1.5% only, threatening the competitiveness of industry in the domestic and global markets, and resulting in losing great amount of what it brings from foreign currency.

and the National Investment Bank, by combining the insurance and pension funds into one unified fund, provided that the National Authority for Social Insurance takes over its management, and the Authorization to have legal personality and technical, financial and administrative independence and reports to the Minister of Social Solidarity. It also allowed the Fund to invest in various activities.

- Increasing penalties and fines to prevent evasion of insurance contributions and preserving the rights of insured persons.
- Its application to irregular employment, including street vendors, parking attendants and other similar groups and craftsmen.

Some Disadvantages

- Extending the pension age to 65 years, which allows for more aged public sector, and ignoring the advantage of the demographic gift of young competencies. In addition, this conflicts with the labor and civil service laws as they set the pension age at 60 years.
- Enabling the disposal thereof and investment by the National Insurance Commission and thus considered as government funds and not the property of pensioners as provided by the Constitution.
- Exaggeration in setting minimum pension privileges, which led to the reluctance of many companies to insure their employees.
- The exit of some categories from entitlement to certain pensions (such as divorced women who receive the pension of their died parents).

Source: ECES