



ERF – EBRD Seminar on

Job Creation and Productivity in Egypt: Evidence from the Egypt Economic Census

October 20, 2018

Cairo Marriott Hotel, The Salon Vert

CAIRO, EGYPT

AGENDA

CONTEXT

Creating jobs, particularly formal, skilled, and decent jobs is one of the most pressing challenges facing the Egyptian economy. Moreover, the development of a vibrant private sector is essential for sustainable employment and inclusive growth in Egypt. Creating a conducive environment for private sector development depends on a sound understanding of the performance of private firms, as well as the problems they face.

Having been granted access to the data of the Economic Census of 2013 by CAPMAS, two research projects were conducted, one by ERF and another by EBRD. The first project is addressing aspects of labor demand and job creation, and the other is focusing on firm productivity, firm dynamics and growth prospects.

More concretely, the ERF project focus is on labor demand. With rising informality, irregularity, and wage stagnation, weak labor demand has been identified as a key constraint and driver of poor labor market outcomes. However, very little is known about labor demand by Egyptian firms. Limited data and lack of access for researchers to analyze the data that do exist have been key constraints on understanding labor demand. With the availability of data it was possible to analyze job creation, wage inequality, and gender aspects of the labor market, among other topics.

The EBRD project focuses on the institutional foundation of a market economy, seen from the point of view of firms. The report conducts a bottom-up analysis, starting from firm-level and moving to sectors and regions, to assess the type of institutional and regulatory gaps that are blocking the structural transformation of the Egyptian economy in its voyage from a poor state dominated economy with surplus labor and low productivity, to an industrialized economy with a self-sustaining process of improvement in capital and skills.

SEMINAR OBJECTIVES

The objective of the seminar is to provide a platform for presenting, discussing, and disseminating the papers among the research and policy-making communities in Egypt.

SEMINAR ORGANIZATION

The seminar is organized jointly by ERF and EBRD. The workshop will convene for one day, gathering around 50 participants. Two papers will be presented per session. Each session will last for an hour and 15 minutes, which will be divided as follows: each presenter will speak for 15 minutes, the discussant will have 10 minutes for each paper and 25 minutes will be left for open discussion.

ABOUT ERF



ERF was established in 1993 and encompasses a regional network of economists. It is best known for producing research that tackles MENA's most pressing development challenges. ERF's core objectives of building a strong research capacity in the ERF region; leading and supporting the production of independent, high-quality economic research; and disseminating research to a wide and diverse audience are accomplished through an array of activities, including a peer-reviewed Middle East Development Journal. ERF is supported by multiple regional and international donors and boasts an extensive track record of initiating timely economic research for the sustainable development of MENA countries.

ERF Website: www.erf.org.eg

ABOUT EBRD



The European Bank for Reconstruction and Development (EBRD) invests to build up effective market economies across three continents and to make a positive impact on people's lives. With a focus on private sector investment and support for policy reform, we work to ensure that economies in our regions are competitive, inclusive, well-governed, sustainable, resilient and integrated. The EBRD is the largest single investor in many of the countries where it operates. It is active in 38 economies from central Europe to Central Asia, the Western Balkans and the southern and eastern Mediterranean. The Bank's investments also mobilize significant foreign direct investment into the economies where we operate. It invests mainly in private enterprises, usually together with commercial partners. It maintains a close political dialogue with governments, authorities and representatives of civil society to promote its goals. In all its operations the EBRD follows the highest standards in corporate governance and sustainable development.

PROGRAM

08:30 – 09:00

Registration

09:00 – 09:30

Welcome remarks

Ibrahim Elbadawi; *Economic Research Forum*
Janet Heckman; *EBRD Southern and Eastern Mediterranean Region (SEMED)*
Ghada Mostafa Abdalla; *CAPMAS*
Ragui Assaad; *ERF & University of Minnesota*
Ishac Diwan; *ERF, Paris Sciences et Lettre & visiting Columbia University*

09:30 – 10:45

Session 1: Job creation

Chair: Bassem Kamar; *EBRD*

Speakers:

Ragui Assaad; *Job creation or labor absorption? An analysis of private sector job growth in Egypt*
Izak Atiyas; *Corporate performance and job creation*

Discussant: Luca Fedi; *ILO – Cairo Office*

Open discussion

10:45 – 11:15

COFFEE BREAK

11:15 – 12:30

Session 2: Gender diversity and female labor demand

Chair: Alia El Mahdi; *Cairo University*

Speakers:

Mona Said, Susan Joekes & Mina Sami; *Gender diversity, productivity, and wages in Egyptian firms*
Hanan Nazier; *Female labor in Egyptian manufacturing sector: The demand side story*

Discussant: Caroline Krafft; *Saint Catherine University*

Open discussion

12:30 – 13:45	<p>Session 3: The economy from the point of view of firms Chair: Izak Atiyas; <i>ERF & Sabanci University</i> Speakers: Chahir Zaki; <i>Constraints affecting firms and performance</i> Ishac Diwan; <i>The missing middle</i> Discussant: Heba Handoussa; <i>ERF & ENID</i> Open discussion</p>
13:45 – 14:45	LUNCH
14:45 – 16:00	<p>Session 4: Wages, productivity and agglomeration Chair: Mona Said; <i>American University in Cairo</i> Speakers: Reham Rizk; <i>Firm productivity and agglomeration economies: Evidence from Egyptian data</i> Caroline Krafft; <i>Do more productive firms pay workers more? Evidence from Egypt</i> Discussant: Bassem Kamar; <i>EBRD</i> Open discussion</p>
16:00 – 17:15	<p>Session 5: Trade policy and exporters performance Chair: Ibrahim Elbadawi; <i>Economic Research Forum</i> Speakers: Jamal Haidar; <i>Export performance</i> Mona Said & Chahir Zaki; <i>Trade policy and input liberalization: The effect on Egyptian firms' productivity</i> Discussants: Susan Joeques; <i>SOAS – University of London</i> Ishac Diwan; <i>ERF, Paris Sciences et Lettre & visiting Columbia University</i> Open discussion</p>
17:15 – 17:30	<p>Closing remarks Speakers: Ishac Diwan; <i>ERF, Paris Sciences et Lettre & visiting Columbia University</i> Ragui Assaad; <i>ERF & University of Minnesota</i></p>

ABSTRACTS

ERF Papers

1 Ragui Assaad, Caroline Krafft & Shaimaa Yassin

Job creation or labor absorption? An analysis of private sector job growth in Egypt

This paper investigates the nature of job growth in Egypt, including the firm, industry, and worker characteristics that are related to job growth. We find that job growth has primarily followed a labor absorption paradigm, with job growth unrelated to productivity and highest for firms with more informal employment.

2 Mona Said, Rami Galal, Susan Joeques & Mina Sami

Gender diversity, productivity, and wages in Egyptian firms

This paper explores the relationship between gender diversity, productivity, and wages. We find that, with different measures of diversity and industry classification, gender diversity is positively associated with productivity and wages in the knowledge-intensive service sector, but not in less knowledge-intensive services or high- and low-tech manufacturing firms.

3 Hanan Nazier

Female labor in Egyptian manufacturing sector: The demand side story

This study investigated demand for female labor in Egyptian manufacturing sector. Determinants included firm characteristics and industry specific characteristics. Results indicated the importance of micro and small sized firms, export and industries specific effects in determining female labor demand. Were number of females employed by firms is higher in industries with higher share of firms that export, and in high technology industries. Accordingly, promoting female employment require more openness and integration into global markets, encouraging micro-startups and high technology industries.

4 Karim Badr, Reham Rizk & Chahir Zaki

Firm productivity and agglomeration economies: Evidence from Egyptian data

This paper attempts to shed the light on the nexus between firms' productivity and economies of agglomeration in Egypt. We find strong evidence for the existence of agglomeration in Egypt after controlling for firms' characteristics. Thus, our results support promoting entrepreneurship through creation of industrial clusters located outside Cairo to lessen disparities between regions and acquire the full advantage of agglomeration.

5 Caroline Krafft & Ragui Assaad

Do more productive firms pay workers more? Evidence from Egypt

This paper investigates the wage-productivity relationship in the case of Egypt. We find that wages are related to firm productivity, even after accounting for worker quality. The relationship between wages, productivity, and firm characteristics suggests that the association is due in part to imperfect competition and in part to the use of efficiency wages by employers.

6 Inmaculada Martínez Zarzoso ,Mona Said &Chahir Zaki

Trade policy and input liberalization: The effect on Egyptian firms' productivity

Using the Economic Census of Egypt 2013, we examine the association between tariffs and non-tariffs measures (NTM) imposed on intermediate inputs and total factor productivity (TFP). Egyptian input-output tables are used to construct the weights. Our main findings show a positive and significant association between imported inputs and value-added and a significantly negative relationship between tariffs and TFP.

ABSTRACTS EBRD Papers

1

Izak Atiyas

Corporate performance

Between 2006 and 2013, about 2 million new jobs were created. While jobs are largely in small firms, there was a recent shift to very large firms, and to a lesser extent, to mid-size firms. Jobs come from aging rather than young firms, suggesting weak dynamics. But new jobs were on average at relatively higher level of labor productivity than existing jobs.

2

Chahir Zaki

Constraints facing firms

The main constraints faced by firms in Egypt are not that different from those faced by other growing developing countries, such as access to credit, to efficient government services, and to infrastructure. What is more striking is the profound dualism in the corporate sector, with constraints largely affecting small firms, and firms in the periphery. Some of these constraints affect performance (and especially labor productivity) negatively in important ways.

3

Jamal Ibrahim
Haidar

Exporters

Firms that export tend to be, like elsewhere, larger and more efficient. While exports have grown in the past decade, they remain marked by a lot of churning – firms initiating exports of new products, and/or to new destination, which are unable to be sustained over time.

4

Ishac Diwan

Allocative and dynamic efficiency

Firms' dynamics is weak in Egypt. The unfair pressure coming from large firms with access to privileges keep middle size firms from growing. Small young firms are unable to grow because of the myriad constraints they face. Their unfair competition also adds to the pressure on middle size firms. As a result, mid-size firms that survive have high levels of productivity, but low market share. We argue that the resultant market structure must have reduced the incentives for innovation throughout the economy.

Speakers' Bios



RAGUI ASSAAD is Professor of Planning and Public Affairs at the University of Minnesota's Humphrey School of Public Affairs. He is a Research Fellow of the Economic Research Forum in Cairo, Egypt and serves as its thematic leader for Labor and Human Development, and as a member of its Board of Trustees. His current research focuses on labor markets in the Arab World, with a focus on youth and gender issues as they relate to education, transition from school-to-work, employment and unemployment, informality, migration, and family formation.

IZAK ATIYAS received his BA from Bogaziçi University Department of Economics in 1982, and Ph.D. in Economics from New York University in 1988. He has worked as a senior economist at the World Bank in the Private Sector Development Department in 1988-1995 and at Bilkent University as visiting Assistant Professor of Economics between 1995-1998. He has been with Sabanci University since 1998. Since January 2011 he is also the Director of TUSIAD-Sabanci University Competitiveness Forum, which undertakes research on Turkey's international competitiveness. His research areas include productivity, industrial policy, competition policy, political economy, regulation of network industries and privatization.



MINA AYAD is an Assistant professor of Economics at the American University in Cairo. He is specialized in international trade and globalization issues. Sami worked as an Economist and Researcher at Business France (Ministry of Economics) in Paris, France and an Economic Advisor at Delta Research Center, Cairo, Egypt. He also worked as a lecturer at Tours University, France. Sami received his PhD in Economics from Tours University co-supervised with Orleans University in France. He received his MA in International Economics from Tours University. Ayad's current research interests are in International Trade, Conflicts and globalization.

ISHAC DIWAN is a visiting professor at SIPA – Columbia University. He holds the chair of the Socio-Economy of the Arab World at Paris Sciences et Lettres, a consortium of Parisian universities. He is a Research Fellow of the Economic Research Forum in Cairo, Egypt and serves as its thematic leader for Political Economy, and as a member of its Board of Trustees. His current research focuses on various aspects of the political economy of the Middle East.



JAMAL IBRAHIM HAIDAR is an assistant professor of economics at The American University in Cairo (AUC). He joined AUC after completing a three-year postdoctoral research fellowship at Harvard University. He holds a PhD in economics from the Paris School of Economics, University of Paris-1 Pantheon Sorbonne (FR), a MA degree in applied economics from Johns Hopkins University (US) and a MSc degree in international finance from Cass Business School, City University London (UK). Previously, he worked at the World Bank, International Finance Corporation, International Monetary Fund, and Institute of International Finance in Washington DC. His fields of specialization are international economics and development economics.



SUSAN JOEKES is an independent researcher, affiliated to the Economics Department at SOAS, University of London. She was a Fellow of the Institute of Development Studies, Sussex, UK for many years, and later staff economist at the International Centre for Research on Women (ICRW), in Washington DC. From 2000-2012, she worked with Canada's International Development Research Centre, managing global and regional programming for the Middle East and North Africa on gender and development, trade, employment, SMEs and entrepreneurship, and competition policy.



CAROLINE KRAFFT is an assistant professor of economics at St. Catherine University. She received her master's degree in public policy from the University of Minnesota's Humphrey School of Public Affairs and her PhD from the Department of Applied Economics at the University of Minnesota. Her research examines issues in development economics, primarily labor, education, health, and inequality in the Middle East and North Africa. Current projects include work on refugees, labor market dynamics, life course transitions, human capital accumulation, and fertility.



HANAN NAZIER is an associate professor at the Economics Department, Faculty of Economics and Political Science, Cairo University. Her research interest is applied micro-econometrics, on gender and labor issues in Egypt and developing countries in general. She has published her research articles in different international peer-reviewed journals. She has published her research articles in different international peer-reviewed journals, including Middle East Development Journal, Middle Eastern Finance and Economics Journal.



REHAM RIZK is currently assistant professor at the British University in Egypt's Department of Economics. Rizk joined recently Tahya-Misr Fund as a Senior Economist. Rizk research on robust econometric assessments of the relationship between public policies and equality of opportunities for human wellbeing. Rizk is currently working on one of Abdul Latif Jameel Poverty Action Lab (J-PAL) projects using randomized control trial (RCT) on job training programs. Her research examines issues in development economics, primarily labor, entrepreneurship, education, health and inequality in the Middle East and North Africa.



MONA SAID is Associate Professor and Chair of Department of Economics, AUC, Egypt. She previously was Regional Economic Consultant, Office of Chief Economist of EBRD UK, Assistant Professor of Economics with ref to the Middle East, London University, and Economist at Policy Development Review Department of the IMF. She is currently also Academic Affiliate of the London Middle East Institute (LMEI), SOAS, London and active Research Fellow of ERF. Her current research interests are in labor and human resource economics, poverty and income distribution, gender gaps in earnings and equity implications of trade policy.



CHAHIR ZAKI is an Associate Professor of Economics at the Faculty of Economics and Political Science (FEPS), Cairo University. He is also the Director of the French section at the faculty. Chahir works also for the Economic Research Forum (Cairo, Egypt) as a part-time Senior Economist and as a consultant for several international organizations. He holds a B.A. in Economics from FEPS, an M.A. and a Ph.D. in Economics from Université Paris 1 Panthéon Sorbonne. His research interests include international trade, trade policy, trade in services, applied economics and macroeconomic modeling. He has published numerous studies in different international journals.

