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WHY THE UNEMPLOYMENT RATE IS A MISLEADING INDICATOR OF LABOR MARKET HEALTH IN EGYPT

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Policy discussions about the health of the economy and the labor market in Egypt often focus almost exclusively on one indicator, namely the unemployment rate.

This policy perspective argues that the unemployment rate is a poor indicator of the cyclical performance of the labor market and that it focuses attention on the plight of the well-off, not those who are the most vulnerable to poor labor market conditions.

This policy perspective demonstrates that the unemployment rate is primarily driven by the age and education structure of the population, rather than by economic fluctuations. The unemployed are primarily educated, middle and upper class new entrants into the labor market, a relatively advantaged segment of society.

There are a number of other measures of labor market health, such as underemployment, types of employment

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(especially irregular work), hours of work, and levels of earnings that are far better measures of labor market health and also more sensitive to the conditions facing the poor and less educated. The brief concludes with a discussion of the importance of using better measures in order to craft more effective and pro-poor labor market policies.

Introuction

The group whose labor market status is most likely to be captured by the unemployment rate in a developing economy such as Egypt is made up essentially of young educated first time entrants seeking formal, often public employment. This group tends to have high expectations of obtaining formal employment and thus feels that it is worth staying jobless while searching for such work. The poor and less educated cannot afford to remain out of work while searching for employment and must therefore accept any kind of work they can get in the informal economy. By focusing exclusively on the unemployment rate, policymakers are thus limiting their attention to the plight of a relatively privileged group at the expense of much more vulnerable groups that suffer more severely in an economic downturn.

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Not only is an exclusive focus on the unemployment rate over-emphasizing the problem of a relatively privileged group in the labor market, it also does a poor job in measuring the effects of cyclical downturns on the labor market. High unemployment among educated new entrants searching for formal jobs has deep structural causes, including the dualistic nature of the Egyptian labor market, the rapid increase in educational attainment in recent years, and the demographic phenomenon known as the youth bulge. While slow to change, these structural factors could in fact move in the opposite direction from the cyclical factors affecting the unemployment rate, thus confounding the cyclical trend.

This *Perspective* begins with a discussion of what, exactly, the unemployment rate measures, and then demonstrates that the unemployment rate is primarily driven by the age and education structure of the population, rather than economic fluctuations. The brief then shows that the unemployed are primarily educated, middle and upper class new entrants into the labor market, a relatively privileged slice of society. There are a number of other measures of labor market health, such as underemployment, types of employment (especially irregular work), hours of work, and earnings that are far better measures of labor market health and also more sensitive to the

conditions facing the poor and less educated. The brief concludes with a discussion of the importance of using better measures in order to craft more effective and pro-poor labor market policies.

1. What does Unemployment Measure?

What, exactly, does being unemployed mean? An individual is only unemployed when he or she has not worked a single hour during the past week. If he or she has not worked a single hour, while this individual is not *employed*, he or she is not necessarily *unemployed*, but may instead be *out of the labor force* entirely. It is necessary for an individual to want to work, to be available to work, and to be actively searching for work for that individual to be considered *unemployed*.¹

What are the implications of this definition? An individual will only be unemployed if he or she can afford to be without any work or income whatsoever while searching for a job. Individuals who cannot afford to be without income will either engage in self-employment, contributing to a family business, or pursuing readily available wage work in the informal economy. Unemployment therefore chiefly occurs among those who are relatively privileged and who can afford to persist in the unemployed state. Unemployment primarily indicates that individuals are looking for a formal job, although it could include durations spent searching for informal wage employment as well. As a result of these conditions, the unemployed tend to be new entrants and those who are relatively educated and whose parents can sustain them while they search for work.

¹ Being available means being able to start within two weeks. Actively searching for work means having searched in the past three months with any of fifteen search behaviors, or having registered with a government agency or ministry in the past year.

The *unemployment rate* is the share of labor force (the employed and unemployed) that reports being unemployed.² There are a number of forces that contribute to the unemployment rate. *Structural* forces related to the *supply* of labor include the composition of the labor force, such as its age distribution, educational composition, skills and the rate at which these characteristics are changing. Structural forces also include the structure of the labor market on the *demand* side (firms and businesses), such as the prevalence of formal employment or changes in the share of different sectors in the labor market and the role of the public sector in the economy. The mismatch between labor supply and the type of jobs in the economy is one of the structural factors that can generate unemployment. In particular, in Egypt, the relative size of the government as an employer in the labor market and the higher than market compensation these jobs offer (including the non-wage aspects of the jobs) drive individuals who are eligible for such employment to queue for government jobs (Assaad 2013). Having a sector of the economy that provides higher than market compensation leads to rationing of government jobs and queuing in the unemployed state (Assaad 1997). Additionally, the presence of these jobs drives up compensation expectations among new entrants, further prompting them to queue.

Cyclical forces move with the business cycle, and include such factors as overall economic growth, investment, and businesses' perceptions of risk and uncertainty. Growth, booms, busts, recessions, and depressions are cyclical forces that can influence unemployment by affecting the demand for labor. Cyclical changes on the demand side can take two forms. Employers may decrease or slow their hiring of new employees. Additionally, employers may engage in job destruction through layoffs, which will result in a higher rate of job separation for individuals. *Frictional* forces are the factors relating to transitions into and out of employment, primarily that

even when firms and workers would be a match it takes time and information to find each other and complete a hiring process.

Unlike advanced economies where unemployment is mostly cyclical (International Labour Organization 2013) and driven primarily by changes in overall economic activity, unemployment in Egypt responds only weakly to cyclical changes in the economy. As in many other developing countries, unemployment is primarily structural in nature, having more to do with the growth in the youth population and its increasing educational attainment, on the one hand, and with the search for formal employment in a dualistic labor market with a marked public/private divide, on the other. Despite the succession of economic crises in Egypt, starting with the global financial crisis in 2008 through the uprising of 2011 and the ensuing economic crisis, the overall unemployment rate has changed little, increasing from 8.5% in 2006 to 8.7% in 2012.³ The small increase in the unemployment rate during

² For the purposes of this paper, we require individuals to be searching to be considered unemployed, the standard definition of unemployment. Additionally, we require individuals to be engaged in market work to be employed, and exclude from employment those engaged solely in subsistence work.

³ All statistics, unless otherwise noted, are authors' calculations based on the Egypt Labor Market (Panel) Surveys (ELM(P)Ss) of 1998, 2006, and 2012. See Assaad and Krafft (2013a–c) for information on the surveys and state of the Egyptian Labor Market. The unemployment rate as measured by the ELMPS 2012 is substantially below the rate reported by the official Labor Force Survey (LFS) published by CAPMAS for the first quarter of 2012, which was 12.6%. We attribute this difference to the fact that the LFS collects information on employment status from any member of the household rather than the individual him or herself, leading to some people who are underemployed (working less than full-time involuntarily) being reported as unemployed despite the fact that they have worked a certain number of hours in the reference week, and should be counted as employed. See Assaad and Krafft (2013a) for a full discussion of the reasons for the discrepancy.

this period of cyclical downturns is attributable to changes in the two structural conditions that drive unemployment in Egypt, namely growth in the educated labor supply and labor market dualism. Changes in these structural factors have counteracted the effects of the growing cyclical component of unemployment, leading to a fairly stable unemployment rate over the crisis period.

2. How has the Unemployment Rate Changed over Time?

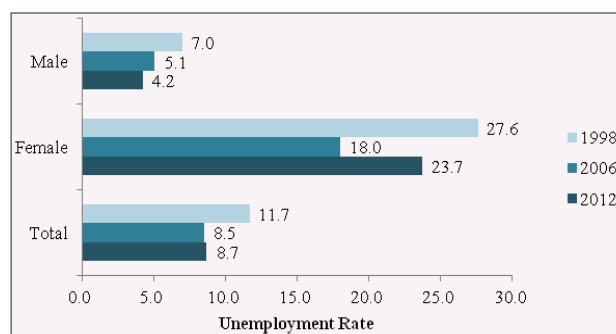
The unemployment rate has changed very little in response to deteriorating economic conditions. This is because the structural forces, primarily the absorption of the youth bulge into the labor market and declining demographic pressures of new entrants, have counteracted the cyclical forces of deteriorating economic conditions. Figure 1 shows the unemployment rate over time. Although unemployment fell from 11.7% in 1998 to 8.5% by 2006, it increased only very slightly, to 8.7% in 2012. In fact, for men the unemployment rate continued to decline, from 7.0% in 1998 to 5.1% in 2006 and 4.2% in 2012. For females the unemployment rate, after falling from 27.6% in 1998 to 18.0% in 2006, rose to 23.7% in 2012. Overall, the unemployment rate, being primarily driven by demographic rather than economic forces, is a poor measure of labor market health.

The unemployment rate, because it reflects both structural and cyclical forces, can hide important cyclical changes. For instance, Figure 2, focusing on males, shows the share of the unemployed who have worked before by age. While structural unemployment drives unemployment among new entrants, cyclical forces are much more likely to generate unemployment among those who have worked before. Starting at age 23 or so, unemployed young men are more likely to have worked before in

2012 than in 2006 or even 1998, a sign of deteriorating economic conditions.

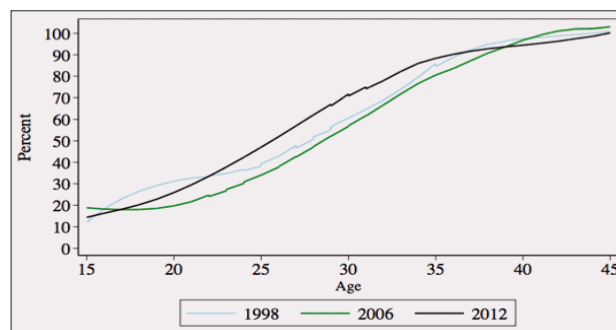
While half of unemployed males (55%) in 2012 had worked before, more than half (54%) of these individuals had become unemployed voluntarily, in the sense that they quit their jobs rather than having been laid off or fired. The share of the male labor force that became unemployed involuntarily, i.e. due to layoffs or firing, was just 1.1%, compared to an unemployment rate of 4.2%. Thus, only a quarter

Figure 1: Unemployment Rate by Sex, 1998-2012



Note: Standard (search required) market unemployment rate
Source: Authors' calculations from ELMPS 2012, ELMPS 2006, and ELMS 1998

Figure 2: Percentage of the Unemployed that Worked Before by Age, Males, Ages 15-45, 1998-2012



Source: Authors' calculations from ELMPS 2012, ELMPS 2006, and ELMS 1998

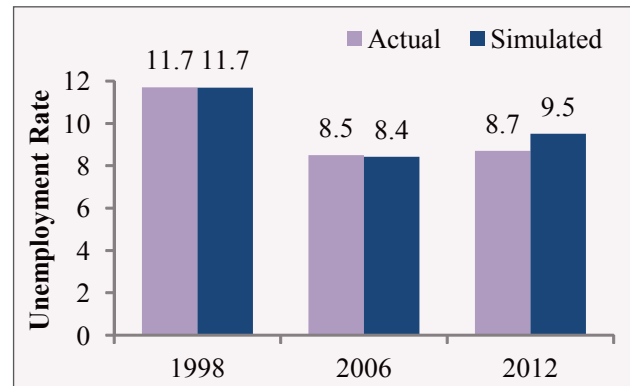
of the (male) unemployed became unemployed due to involuntary job separations. The low share of involuntary separations in unemployment is just one of the ways that the unemployment rate in Egypt is a poor measure of job losses and labor market health.

3. What Would Have Happened had Demographic Pressures Continued?

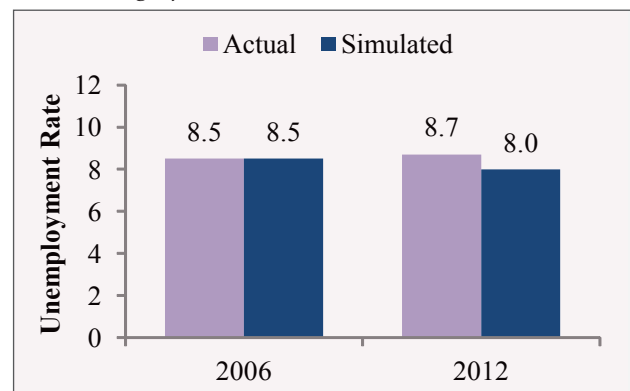
One way to understand why unemployment is a poor measure of labor market health is to look at what the unemployment rate would have been if structural or cyclical forces had taken a different trajectory. Figure 3 presents two alternative scenarios for how unemployment might have evolved if (1) economic conditions varied but demographic pressures had continued at 1998 levels, an alternative structural scenario,⁴ or (2) if the downturn between 2006 and 2012 had not occurred, an alternative cyclical scenario.⁵ If the 1998 demographic structure had continued in 2012, the unemployment rate in 2012 would have been higher, 9.5% instead of the 8.7% that occurred. The decrease in demographic pressures between 1998 and 2012 generated a 0.8 percentage point lower unemployment rate than would have otherwise been the case.

In contrast, scenario 2 presents what would have happened with the observed demographic trajectory from 2006 to 2012, but without the economic downturn. If economic conditions had remained the same as in 2006, we would have had an unemployment rate of 8.0% in 2012 due to declining demographic pressures. Instead, we see an 8.7% unemployment rate, 0.7 percentage points higher than without the economic downturn. The actual unemployment rate in 2012, at 8.7%, is the product of the counteracting forces of decreasing demographic pressures and worsening cyclical conditions, leading to little change in the unemployment rate from 2006 to 2012.

Figure 3: Alternate Scenarios for Unemployment
Scenario 1: Demographic Pressures Continued (2006 and 2012 Economies, 1998 Demographics)



Scenario 2: Without the Downturn (2006 Economy, 2012 Demographics)



Source: Authors' calculations from ELMPS 2012, ELMPS 2006, and ELMS 1998

⁴ This is calculated by predicting the age, gender, and education category interacted probabilities of unemployment for 2006 and 2012 and applying these to the 1998 population structure using a probit model for the probability of unemployment conditional on being in the labor force and ages 15-64.

⁵ This is calculated by predicting the age, gender, and education category interacted probabilities of unemployment for 2006 and applying these to the 2012 population structure using a probit model for the probability of unemployment conditional on being in the labor force and ages 15-64.

4. Who are the Unemployed?

Focusing on unemployment as a measure of labor market health in Egypt focuses policy attention and action on a relatively privileged group, at the expense of the disadvantaged and poor whose labor market problems rarely show up as open unemployment. Even in the aftermath of the January 25th uprising and ensuing economic crisis, the unemployed are a select and privileged group. Most of the unemployed are unemployed by choice, largely educated young people queuing for government jobs. In this section we focus on the labor market status of youth 15-34, as this age group represents more than 85% of the unemployed and has by far the highest unemployment rate, at 14.4% in 2012. This section examines the share of youth in different labor market statuses among youth who are not students and not in military service. It is important to note that the share of youth who are unemployed within this group is not an unemployment rate. The unemployment rate is calculated based on the share of the unemployed in the labor force.

The Unemployed Are Educated

Those with secondary and higher education, particularly females, are the most likely to be unemployed (Figure 4). Overall, 7% of young men are unemployed. While just 3% of young men with no degree or only a basic education are unemployed, 7% of young men with a secondary degree and 12% of young men with higher education are unemployed. This means that a young man with higher education is four times as likely to be unemployed as someone with basic or no education. The less educated do not have the luxury to be unemployed, nor do they benefit from queuing for government employment.

Educated Women Are Particularly Likely to be Unemployed

The differences in unemployment by education for females are even greater than for males. Approxi-

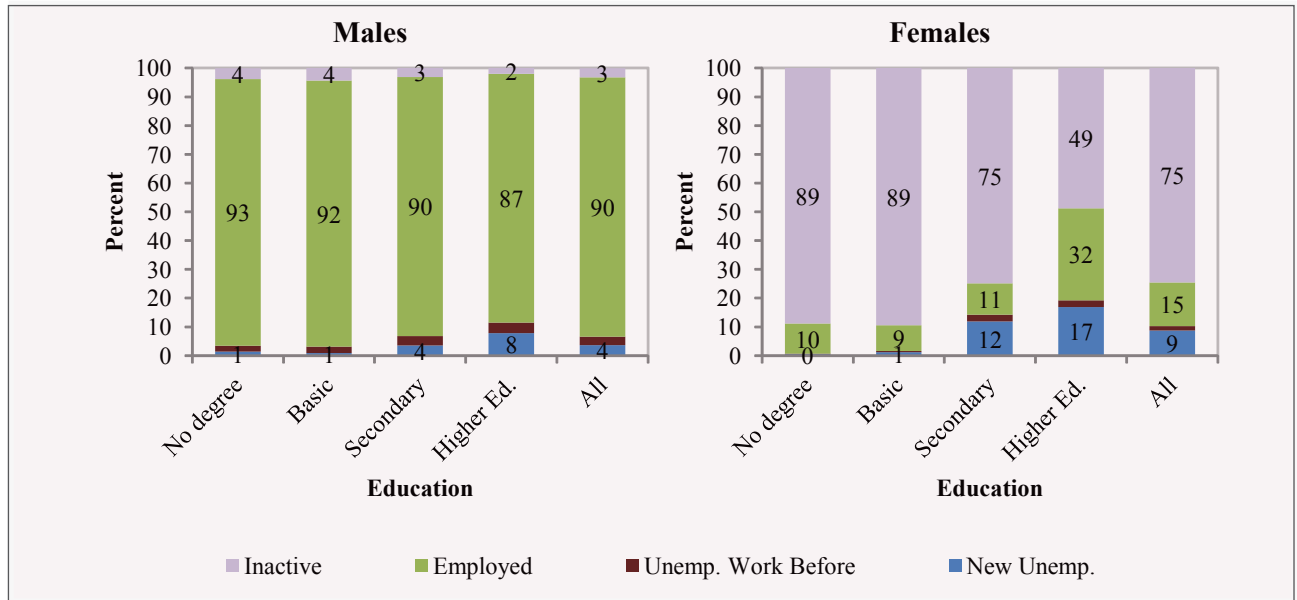
mately 11% of all young women are unemployed, a share higher than among young men, despite lower labor force participation. Just 1-2% of young women with no or basic education are unemployed. In contrast, 14% of secondary educated young women are unemployed and 19% of young women with higher education are unemployed. Notably, secondary educated young women are more likely to be unemployed (14%) than employed (11%).

Most young women are not even in the labor force; 75% of young women are inactive (out of the labor force). Almost 90% of uneducated and basic educated young women are out of the labor force. Even women with higher education participate at only moderate rates, as 49% remain out of the labor force and only 32% are actually employed. Less educated females rarely work and almost never are unemployed. Educated women are more often in the labor force, and are frequently unemployed, primarily queuing for government jobs. Unemployment is primarily the choice of educated young people, especially young women, who are unwilling to accept jobs in the informal economy but still hope to get jobs in the bureaucracy.

The Unemployed Are Primarily New Entrants

Figure 4 also separates unemployment into the new unemployed (those who have never worked before) and the unemployed who have worked before. Overall, just 3% of young males and 2% of young females are unemployed individuals who have worked before. Among young males, the less educated are relatively more likely to be unemployed who worked before than new unemployed, while the more educated are relatively more likely to be new unemployed, although they still have higher absolute rates of being unemployed who worked before.

Figure 4: Labor Market Statuses by Education and Gender, Ages 15-34, 2012



Note: Excludes students and males out of the labor force for military service.
 Source: Authors' calculations from ELMPS 2012.

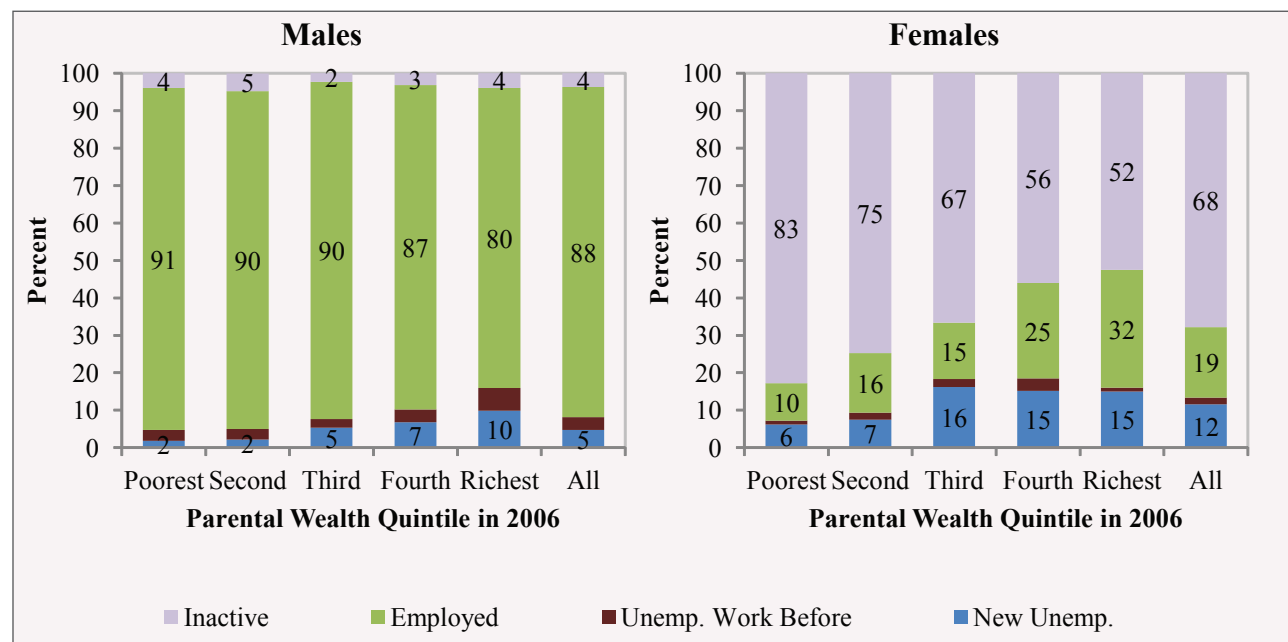
The Unemployed are Wealthier

The unemployed are not poor. Despite the fact that unemployment surely makes it more difficult to accumulate wealth, the unemployed disproportionately come from wealthier households (Figure 5). Youth from poor families cannot afford to be unemployed. We examine the parental wealth of youth who were 15-34 in 2012 and who were observed living in their parents' household back in 2006, which is likely to be before they can make substantial contributions to their families' wealth. Around 8% of all males among these youth are unemployed. Those with poorer families are less likely to be unemployed. Just 5% of the male youth from the poorest fifth of households are unemployed, compared to 16% of male youth from the richest fifth. Even comparing the richest male youth (16% unemployed) to the next-richest group (10% unemployed) there is a large difference in unemployment. Unemployment increases with wealth, particularly with high levels of wealth. Unemployment is often a choice of the

privileged, while accepting any employment, no matter its quality, is the lot of the poorest.

Among female youth who were living with their parents in 2006, in 2012 around 13% were unemployed. The chance of being unemployed is 7% for the poorest young females, but rises to 19% for the fourth wealth quintile of females. The chances of employment rise substantially in the fourth and fifth wealth quintiles, and notably females from the highest wealth quintile actually have a chance of unemployment of 16%, which is lower than the third or fourth wealth quintiles. For young women, the chances of unemployment rise with wealth, but females from the wealthiest families ultimately have greater success in finding employment. They also are more successful in retaining jobs; fewer women in the richest fifth of households are unemployed who have worked before compared to all other wealth levels, despite higher overall rates of employment.

Figure 5: Labor Market Statuses by Parental Wealth in 2006 and Gender, Ages 15-34, 2012



Note: Excludes students and males out of the labor force for military service.
 Source: Authors' calculations from ELMPS 2012 and ELMPS 2006.

5. What are Better Measures of Labor Market Health?

A good measure of labor market health will be sensitive to economic changes, so it can quickly indicate to policymakers whether conditions are improving or deteriorating in the labor market. Additionally, a good measure of labor market health will be particularly sensitive to changes that will affect the poor and less privileged, who are the most vulnerable to economic shocks, rather than the more privileged segments of society, who have more resources to weather economic downturns.

Unemployment is a poor measure of labor market health. Unemployment is primarily driven by structural rather than cyclical forces. Fluctuations in the unemployment rate are therefore poor indicators of changes in labor market health. Additionally, the unemployed are relatively privileged individu-

als who can afford to be unemployed. Focusing on unemployment therefore focuses an assessment of labor market health on the best-off, not the worst-off.

Policy makers should focus on other measures, such as types of work and especially the prevalence of irregular work, hours of work, underemployment, and earnings to assess labor market health. This section describes these indicators of labor market health and demonstrates how they are more responsive to cyclical economic changes. These measures also are sensitive to the labor market status of those who are economically vulnerable.

Irregular Work Rises during Economic Downturns

Irregular work is casual (intermittent) or seasonal work. Irregular workers live a precarious existence. They do not have stable jobs, where they know they will have employment every day of the week.

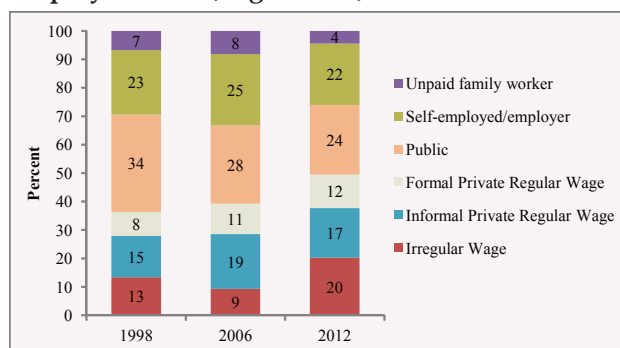
Instead, they are mobile workers, for instance construction workers moving from job site to job site, or individuals working intermittently on someone else's farm or field.

Irregularity of work is very sensitive to cyclical changes, and a good indicator of labor market health. When economic conditions are good, workers can get regular (permanent or temporary) positions. They know they will have work for the next month, or six months, or year. When economic conditions are poor, irregular workers will have to look for work on a day-to-day basis. Workers will not be "laid off," because they do not have the type of permanent relationship with a single employer that could lead to layoffs. Instead, they may only find work a few days a week. While informal private wage workers averaged 55 hours of work per week in 2012, irregular workers averaged just 42 hours per week. Irregular workers are not working less by choice; in 2012 just 18% of irregular workers were fully satisfied with their work hours, compared to 51% of regular workers. Just 9% of irregular workers were fully satisfied with their job security, in contrast to 52% of regular workers.

The share of workers engaging in irregular work has risen substantially in 2012 as compared to past years, in response to deteriorating economic conditions (Figure 6). While in 1998, 13% of male workers were irregular, as economic conditions improved in 2006, only 9% of male workers were irregular. In contrast, in 2012, 20% of male workers were irregular. This doubling of the share of workers in irregular, precarious employment, lacking in job security, is a clear indication of a decline in the health of the labor market in 2012.

Focusing on irregularity as a measure of labor market health also focuses attention on how less privileged workers are faring, in contrast to unemployment, which focuses on the more privileged.

Figure 6: Types of Employment over Time, Employed Males, Ages 15-64, 1998-2012



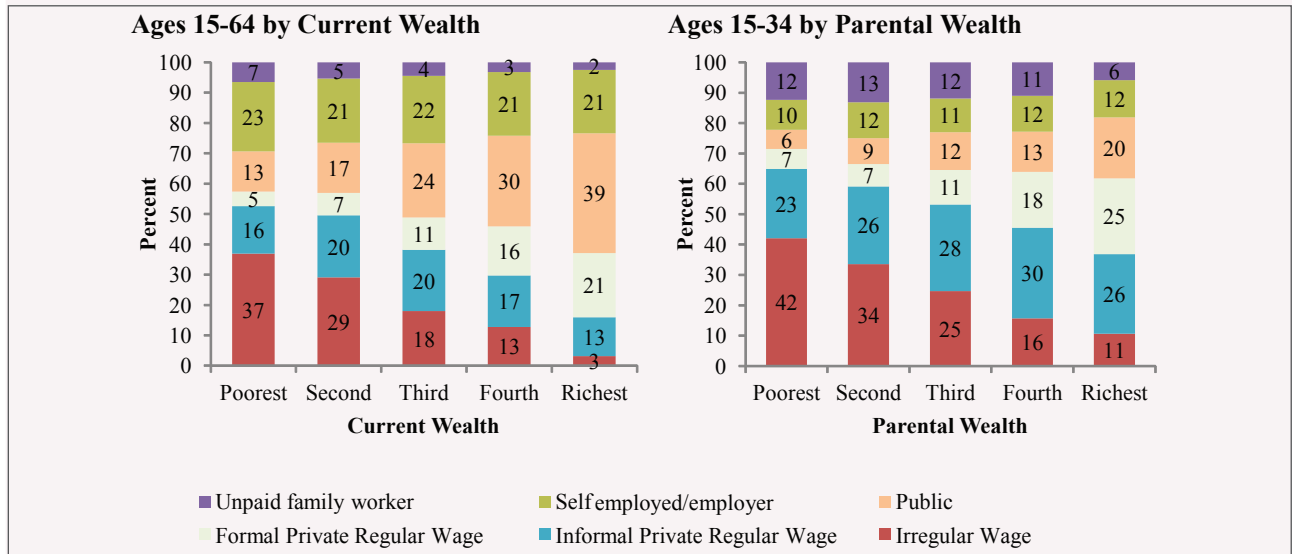
Source: Authors' calculations from ELMPS 2012, ELMPS 2006, and ELMPS 1998.

Irregular workers are more likely to be poor (Figure 7). While 37% of male workers in the poorest fifth of households are irregular, only 3% of those in the richest fifth of households are irregular. This is not simply because regular workers are able to accumulate more wealth; looking at the household wealth of young men (15-34 in 2012) who were living with their parents in 2006, the same pattern holds. Poverty greatly increases the risk of irregular work; focusing on irregularity as a measure of labor market health allows policy makers to focus on the poor, who are the most vulnerable in the face of economic fluctuations.

Hours of Work Decrease when Economic Conditions Deteriorate

In Egypt, employers do not tend to lay off workers during economic downturns. Instead, they reduce their hours of work or wages. Hours of work are therefore a good measure of the health of the labor market in Egypt. While workers rarely become completely unemployed, they will experience fewer hours of work in response to crises. Figure 8 presents the pattern of hours of work that has prevailed for male workers over time in Egypt. When economic conditions led to greater demand for labor in 2006 as compared to 1998, the percentage of workers with more than 60 hours of work per week rose

Figure 7: Types of Employment by Wealth, Employed Males, 2012



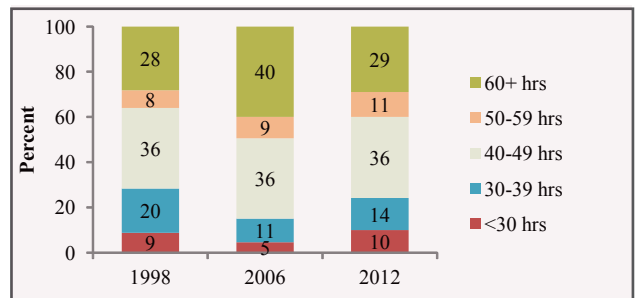
Source: Authors' calculations from ELMPS 2012.

from 28% to 40%. Only 5% of male workers were working less than 30 hours in 2006. By 2012, when conditions deteriorated, the percentage of workers with fewer than 30 hours of work doubled to 10%, and the share of workers with 60 or more hours of work fell to 29%.

Underemployment Rises in Economic Downturns

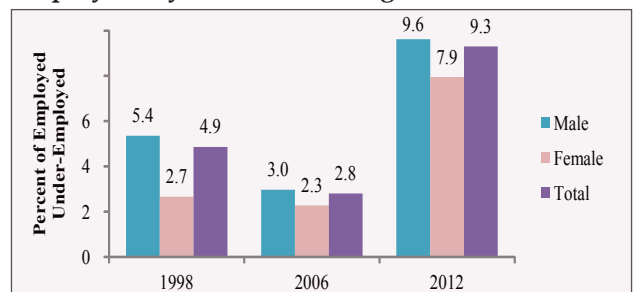
When individuals are underemployed, they are working, but not to their full capacity. Visible underemployment occurs when an individual works less than full time (less than 40 hours per week) because of insufficient employment opportunities. Like unemployment, underemployment is a measure of employment opportunities, but an alternative that is much more sensitive to economic conditions. Figure 9 examines the underemployment rate, that is, the share of the employed that are visibly underemployed. In 2012, 9.3% of the employed were underemployed, substantially higher than in either 2006 (2.8%) or 1998 (4.9%). From 2006 to 2012, as economic conditions deteriorated, visible underemployment more than tripled, a 6.5 percentage point increase in the underemployment rate.

Figure 8: Hours of Work over Time, Employed Males, Ages 15-64, 1998-2012



Source: Authors' calculations from ELMPS 2012, ELMPS 2006, and ELMS 1998.

Figure 9: Underemployment Rate (Share of the Employed) by Sex and Year, Ages 15-64, 1998-2012



Source: Authors' calculations from ELMPS 2012, ELMPS 2006, and ELMS 1998.

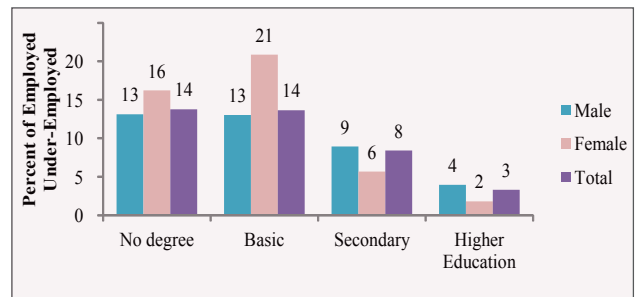
Focusing on the underemployment rate, in contrast to the unemployment rate, focuses attention on the less privileged. Individuals who cannot afford to do no work whatsoever in the absence of good job opportunities take infrequent and marginal work. For instance, underemployment rates are higher among the less educated, particularly less educated females (Figure 10). While 14% of workers with no degree or a basic education were underemployed in 2012, only 3% of workers with higher education were underemployed.

Monthly Earnings in the Private Sector Rise and Fall with Economic Conditions

Monthly earnings are another good measure of labor market health. It is important to focus on monthly, rather than hourly earnings, as hourly wages could remain constant while hours fall, leading to a decrease in monthly earnings. Monthly earnings, hourly wages, and hours of work can also be examined together. It is also important to focus on wages in the private sector, or examine private and public sector wages separately, as private sector wages are more responsive to economic conditions and better represent workers' productivity, while public sector wages are largely a political product. Although not all workers are wage workers, for many years non-farm income has been the most important income source for the poor in Egypt (Adams 2002). The poor tend to be agricultural wage workers (Kheir-El-Din and El-Laithy 2008), making earnings a measure that is sensitive to the labor market conditions facing those with the most precarious labor market statuses.

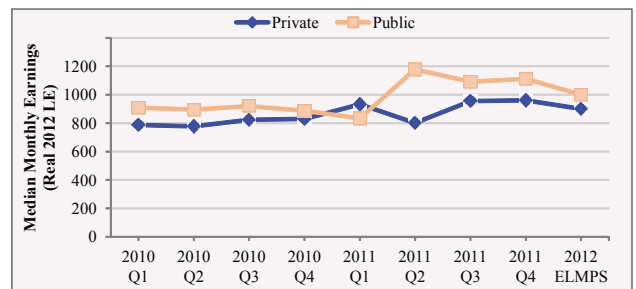
Private sector monthly earnings respond rapidly to changes in economic conditions. In the aftermath of the January 25th, 2011 uprising, private sector earnings fell while public sector earnings rose. Figure 11 shows real (2012 Egyptian Pound (LE)) monthly earnings for regular wage workers by sector using quarterly Labor Force Survey (LFS) for 2010 and

Figure 10: Underemployment Rate (Share of the Employed) by Sex and Education, Ages 15-64, 2012



Source: Authors' calculations from ELMPS 2012.

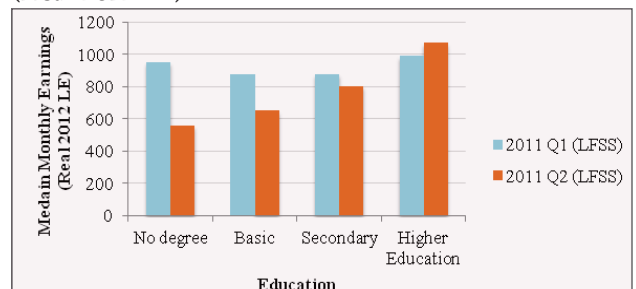
Figure 11: Median Monthly Earnings over Time by Sector, Ages 15-64, Regular Wage Workers, 2010-2012 (Real 2012 LE)



Note: Earnings are in real (Q1 2012) terms. Adjusted based on monthly headline CPI (Central Bank of Egypt 2014).

Source: Authors' calculations from LFS 2010, LFS 2011 and ELMPS 2012.

Figure 12: Median Monthly Earnings over Time by Education, Ages 15-64, Regular Private Sector Wage Workers, 2011 Quarter 1 versus Quarter 2 (Real 2012 LE)



Note: Earnings are in real (Q1 2012) terms. Adjusted based on monthly headline CPI (Central Bank of Egypt 2014).

Source: Authors' calculations from LFSS 2011.

2011 as well as the ELMPS 2012, which was fielded in the first quarter of 2012. Throughout 2010, both private and public sector earnings were very stable. Private sector monthly earnings rose slightly over the course of the year, from a median around 790 LE in Q1 of 2010 to around 830 LE by Q4.

In the first quarter of 2011, the LFS shows that median monthly earnings for regular wage workers in the private sector were around 930 LE, higher than median earnings in the public sector, which were around 830 LE. In the aftermath of the uprising, in the second quarter of 2011, private wage workers' monthly earnings dropped from 930 LE to 800 LE. Deteriorating economic conditions reduced private wage workers' earnings. In contrast, earnings for public sector workers actually rose by more than 40% (more than 300 LE) from the first quarter to the second quarter of 2011, rising from a median wage of 830 LE to a median wage of around 1180 LE. This increase was not due to a sudden increase in the productivity of public sector workers, but rather political decisions and legislated wage-setting. Public sector workers' earnings continued to remain high throughout 2011 and into 2012. Private sector wage workers' median monthly earnings recovered somewhat in the third quarter of 2011, before decreasing again in the first quarter of 2012, as ongoing economic and political challenges took their toll on the economy.

Focusing on private sector earnings as a measure of labor market health also focuses on those who are more vulnerable. Keeping in mind that the less educated are less likely to be regular wage workers, Figure 12 shows that the dip in earnings from the first to the second quarter of 2011 was most acute for those with no or little education. Median monthly earnings among regular private wage workers fell from around 950 LE to 560 LE for those with no degree, and from around 880 LE to 650 LE for those with only a basic degree. In contrast, those with

secondary education saw their median earnings fall just 80 LE, from 880 LE to 800 LE, while those with higher education actually saw an increase in earnings over that period, from 990 LE to 1070 LE. Focusing on private sector monthly earnings as a measure of labor market health will be sensitive to the conditions of the poor and less privileged.

6. Conclusion

Unemployment is a misleading measure of labor market health in Egypt. Unemployment in Egypt is driven primarily by structural forces and is therefore relatively insensitive to cyclical fluctuations. The unemployed are disproportionately privileged individuals who can afford to go without work. Using unemployment as a measure of labor market health leads to an assessment of the labor market based on the state of structural forces and overemphasizes the employment needs of the educated and relatively wealthy.

By focusing exclusively on the unemployment rate, policymakers and researchers disproportionately focus on the troubles of the relatively privileged unemployed at the expense of the poor, who are trapped in precarious employment. For example, in a recent World Bank (2013) report entitled "Jobs for Shared Prosperity: Time for Action in the Middle East and North Africa," there were 18 graphs on unemployment. In contrast, there were eight graphs on wages earned and zero graphs on hours of work, job quality, job security, regularity of work, or underemployment. This assessment of "Shared Prosperity" focused on the prosperity of the privileged. Policymakers and researchers need to stop concentrating on unemployment, a structural and privileged phenomenon, as the focus on unemployment will lead to flawed policies that benefit the rich and neglect the poor.

Instead of focusing on unemployment in Egypt, policymakers and researchers should track, study, and craft labor market policies based on indicators that are sensitive to changing economic conditions and also sensitive to those who inhabit a less privileged position in the Egyptian labor market. Underemployment, employment types (especially irregular work), hours of work, and monthly earnings in the private sector are all superior measures of labor market health compared to unemployment. These measures are much more responsive to changing economic conditions, and much more sensitive to less privileged workers, individuals with less wealth and lower education. Only with better measures of labor market health can the state of the labor market be assessed and effective policies crafted.

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