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THE CHANGING ECONOMIC ENVIRONMENT AND THE DEVELOPMENT OF THE MICRO AND SMALL ENTERPRISES IN EGYPT 2006

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Abstract

This paper used the Egyptian Labor Market Panel data 2006 to compare the changes that took place in the labor market, and particularly the MSEs market, over time (1998 and 2006) in order to answer several questions. The most important of which are: *How do the continuous economic changes affect the role of the private sector and distribution of workers among the different sizes of the enterprises? And, are the MSEs still the major job providers or are the medium and large sized companies starting to offer a growing percentage of work opportunities to the labor force?* The comparisons revealed the following: The steady pace of the privatization process, in the wider sense of the word, revealed that the estimated numbers of MSEs increased by 4.7% annually from 2.5 million Economic Units (EUs) to 3.5 million EUs in 2006, which is a far higher growth rate compared to that of the period 1988-1998, which was 1.6% annually. The market was vibrant. In fact, movement is happening in the MSEs, huge numbers are leaving the market everyday, and more are entering it daily. New economic units are replacing marginal, inefficient MSEs all the time. The size of the MSEs in 2006 tends to be extremely micro in terms of number of workers and capital. Certain economic activities are disappearing, while new, modern activities are born. The female's share among the self-employed and employers community in Egypt dropped by 1.2 percentage points during the period in question from 19.1% in 1998 to 17.9% in 2006. This result concurs with other studies, which indicate a slow decline in the percentage of female-owned enterprises in Egypt. As for the role of trade liberalization in opening up new export markets in front of MSEs, data showed that export markets were of extremely minor importance within the array of clients they dealt with.

مُلخص

تعتمد هذه الورقة علي بيانات سوق العمل المصري لعام 2006 وهي تلقي الضوء علي التغيرات التي طرأت علي سوق العمل، خاصة سوق المشروعات الصغيرة ومتناهية الصغر، خلال الفترة بين 1998 و2006 في محاولة للاجابة علي العديد من الأسئلة، والتي من أهمها: كيف تؤثر التغيرات الاقتصادية المستمرة علي دور القطاع الخاص وتوزيع العمالة بين المشروعات ذات الأحجام المختلفة؟ وهل مازالت المشروعات الصغيرة والمتناهية الصغر هي المورد الأكبر لفرص العمل أم أن الشركات المتوسطة والكبيرة الحجم بدأت هي الأخرى في توفير نسبة متزايدة من فرص العمل للأيدي العاملة؟ وقد أظهرت المقارنات أن الوتيرة الثابتة لعملية الخصخصة بالمعنى الأشمل للكلمة بينت أن أعداد المشروعات الصغيرة والمتناهية الصغر قد زادت بمقدار 4.7 بالمئة سنوياً لكي ترتفع من 2.5 مليون وحدة اقتصادية الي 3.5 مليون وحدة اقتصادية عام 2006، وهو معدل نمو يفوق بشكل كبير مثيله في الفترة بين 1988 و1998 حيث كانت نسبة الزيادة 1.6 بالمئة سنوياً. وقد كان السوق متذبذبًا، ففي الواقع تشهد المشروعات الصغيرة والمتناهية الصغر حركة مستمرة فكل يوم تدخل أعداد كبيرة إلى هذا السوق وتخرج أعداد أكبر. و دائما ما تحل وحدات اقتصادية جديدة محل المشروعات الصغيرة والمتناهية الصغر المهمشة والمتعثرة. و قد اتسم حجم المشروعات الصغيرة والمتناهية الصغر خلال عام 2006 بالصغر المتناهي فيما يتعلق بحجم العمالة ورأس المال. ففي الوقت الذي اختفت بعض المشروعات الاقتصادية ظهرت مشروعات أخرى جديدة. وخلال الفترة محل البحث، انخفضت حصة المرأة في مجتمع النشاط الحر ومجتمع أصحاب العمل في مصر بمقدار 1.2 نقطة مئوية لكي تسجل 17.9 بالمئة عام 2006 مقارنة بـ19.1 بالمئة عام 1998. وقد تزامنت هذه النتيجة مع دراسات أخرى رصدت تدني في نسبة المؤسسات المملوكة للمرأة في مصر. أما فيما يتعلق بالدور الذي يلعبه تحرير التجارة في فتح أسواق جديدة للتصدير أمام المشروعات الصغيرة والمتناهية الصغر فان البيانات توضح أن أسواق التصدير كانت ذي أهمية ضئيلة جدا بالنسبة لمجموعة العملاء الذين تعاملوا معها.

1-Overview

Eight years ago a comprehensive labor force sample survey was conducted in Egypt (ELMS '98). The main objective of the labor market survey was to understand the dynamics and forces that affected both the supply and demand of labor, the wage levels, productivity, migration, formation of small enterprises, and child labor. Another objective was to understand how the liberalization and economic reform program affected the role of the private sector as a major employer in the Egyptian labor market especially since the results of 1998 were compared to those of the Labor Force Sample Survey of 1988.

In 2006, another nationally representative survey was conducted on the Egyptian labor market making it possible to compare data with the previous labor force sample surveys of 1988 and especially 1998.

Why was it important that we conduct a new labor market survey in 2006?

The last eight years witnessed several changes and challenges some of which had a positive and others that had a negative influence on the labor market.

1-The continuation of the economic reform program, which started in 1991, stressed the importance of opening doors to the development of the private sector as investor, producer, and employer. One of the main targets of the program was to reduce the role of government as an employer since both implementation and practice had proven that the productivity of government employees was relatively low due to the widespread disguised unemployment amongst its ranks. As a consequence of this policy, the private sector was to take over more responsibilities in offering job opportunities to the growing labor force. However, previous research also indicated that the main bulk of wage-workers in the private sector were engaged in economic activities that were pursued by MSEs.

The question is how did these continuous economic changes affect the role of the private sector and distribution of workers among the different sizes of the enterprises. Are the MSEs still the major job providers or are the medium and large sized companies starting to offer a growing percentage of work opportunities to the labor force?

2- In 1997, the Asian crisis engulfed and affected a large number of developing and developed economies. In the case of Egypt a large number of portfolio investors and foreign direct investors were compelled to sell their assets and leave to make up for their losses during the Asian crisis. As a consequence the level of foreign and domestic investment dropped drastically and the unemployment rate became relatively higher compared to that of the early 90's.

3- Also in 1997, an unfortunate tourism accident took place in Luxor and shed its dark shadows on the tourism sector. Tourism revenues dropped substantially, which left a high percentage of unutilized resources and led to high rates of unemployment among workers in the sector and in related economic activities.

4- In 2003, a new labor law was decreed (No. 12, 2003). The Labor Law contains comprehensive provisions on individual labor relations including organization of work and recruitment and termination of employment, in addition to vocational guidance, training, health and safety. The law covers the rights and regulations of the employee/employers relationship in all private sector units or entities, but does not cover government employees, or individuals working for government ministries and agencies[1]. Non-discrimination clauses are included, and the law in accordance with labor related International Labour Organization

[1]El Mahdi, A. 2004. Creating an Enabling Environment for Employment in Small Enterprises: A contribution to Egypt's Employment Policy, ILO, Cairo, p.21.

conventions regulates the employment and training of women and eligible children[2]. The main essence of the new law was to enable employees to hire and fire workers with greater ease, especially if the market situation compelled them to downsize their operations. At the same time the new labor law allowed workers to lead organized strikes if they had certain demands that were not met. The law also set rules for group negotiation of contracts, wage increases, as well as rules and norms governing mediation, arbitration, and collective bargaining between employees and employers.

5-In 2004, a new MSE law was decreed. The main objective of the law was to provide support to MSEs, firstly by defining them, and then by describing the main incentives that the law provided to them. Those incentives included (a) establishing local funds to finance MSEs, (b) allowing MSEs to take part and provide goods and services to general public offerings, and (c) allocating 10% of the new land in the industrial cities to be used by MSEs.

6-In 2005, a new tax law (No. 91) was decreed according to which tax rates were reduced from around 41% to 20%. The income brackets were widened and the tax exemption was increased. The new tax law was associated with several incentives for enterprises.

Altogether the changes that were witnessed affected the labor market and the employees in the last few years. Whereas the changes at the end of the 90's had a definite negative impact, the new legal changes were all geared towards improving the business climate. However, the question still remains: In which direction did those changes affect the labor market?

Based on the fact, that the new data set of the ELMPS06 provides rich data on the family enterprises, and since the new survey is also nationally representative of the Egyptian households and thus family enterprises, it is suggested that a study would be undertaken with the following objectives:

1- Discover the role of the MSEs in the Egyptian labor market in 2006 (an estimate of their number, size, the activity, their employment capacity, market scope and work conditions, their ability to survive in an open market climate);
2- Compare the main results of 1998 with the new outcomes in 2006 in order to understand the areas where success of policies has been reflected on the MSEs and the areas where intervention is still needed.
3- Analyze the impact of the changing institutional set-up on MSEs (formality, access to finance, non-financial services, infrastructure, to wider markets);
4- Carry out gender comparisons all through the analysis to understand the extent to which a gender gap exists, the areas where the gender gap is more prevalent, and analyze whether the gap is diminishing over time or not.

Research hypotheses:

As the period between 1998 and 2006 witnessed several structural changes, such as the increase in liberalization of the economy; the limited role of government in employment generation; the issuing of the new labor law (2003) and the MSEs law (2004); the establishment of the National Council of Women (2000); and, the operation of the Industry Modernization Program (1999), we argue that:

1. Structural changes in favor of increasing the role of private enterprises led to a rapid growth rate of MSEs, whether in terms of numbers or in terms of size (number of workers, value of capital, capital intensity), compared to the previous decade (1988-1998);

[2] ibid., p.22.

2. The concern with women-owned enterprises helped in opening more windows of opportunities for them, which in turn means a higher percentage of female-owned enterprises, that are less marginalized (more employers rather than self-employed);
3. Opening up the economy and concluding several trade agreements means chances of a larger market for the MSEs and thus a growing percentage of MSEs become more export-oriented;
4. Better education of the new entrepreneurs will help establish MSEs that are operating new and modern activities whether in the manufacturing, service, or trade industries.

The new study aims to test the previous hypotheses and to evaluate the impact of the new economic policies on the performance of MSEs in 2006 in comparison to 1998.

Research Outline:

The study will cover the following components:

1. An overview of the overall economic developments which affected the MSEs;
2. The research methodology;
3. The role of MSEs in employment in Egypt in 1998 and 2006.
4. The main features of the MSEs in the new millennium compared to 1998; and discuss the gender gap, if existent.
5. The impact of changing policies on MSEs (formality, access to financial and non-financial services, market scope, exports).

2-Research Methodology

The study methodology is based on comparing the developments in the MSEs sector, especially where the employment creation, size of enterprises, geographical location, degree of formality, and type of economic activities are concerned. This comparison will be primarily between the data files of 1998 and 2006. Although, data of the labor force sample survey in 1988 (LFSS88) are also available, they will be referred to in minor instances, especially when the development in the numbers of MSEs and their size are discussed.

The sample size of ELMS '98 was around 5,000 households, out of which 1,495 small enterprises were detected. Therefore, 30% of the households owned and operated MSEs in 1998. The entrepreneurs were interviewed with the intention of understanding more about their background (age, gender, education, previous experience), the characteristics of the enterprise (the size, capital, number of workers, location, economic activity), the relationship between the small enterprises and the government, the compliance with different procedures, and the links between the enterprises and other entities - whether those that provide financing or those that are connected with the MSEs as suppliers or buyers of their products.

The sample size of ELMSP 2006 was around 8,349 households out of which 3,684 were households that also existed in the ELMS 98. Another 2,498 were new households that were branched out of the old households, as the younger generation had moved out and started their own families. The remaining 2,167 households were new ones added to the sample. Out this sample 2142 MSEs were detected. Around 25% of the households owned and operated MSEs in 2006. In this paper we intend to study and analyze the profile of the MSEs in 2006 and compare the new data with the data of ELMS 98.

3-The Role of MSEs in Employment in Egypt in 1998 And 2006

The economic changes that occurred in the labor market were clearly reflected on the labor market structure. The absolute number of employers and those that are self-employed, and their percentage in the total number of employment grew significantly.

Table 1 indicates that several structural changes took place in the pattern of employment distribution according to their employment status.

Firstly, the percentage of non-paid family workers dropped from 32% of total employment in 1998, to no more than 13.4% in 2006[3]. This development points to new phenomena of a growing share of wage-workers as opposed to earlier times. The labor market is gradually moving towards paid work rather than being a partially barter economy, offering work effort without pay for the family's interest.

Secondly, as a consequence of the reduction in the non-paid family worker (NPFW), the percentage of the wage-workers grew from 52% of employment in 1998 to 62% in 2006. The change was more evident in the case of females, whereas 25% of them were wage-workers in 1998; this figure soared to 57% in 2006[4]. One explanation of this result could be due to the improvement in the educational status of females, which implied refusing to work for free.

Thirdly, table 1 also reveals that the Self-employed and Employers (SE/E) grew in terms of numbers and percentage from 15.7% of total employment in 1998, to 24.5% in 2006. Thus, the new entrants to the labor market are more likely to work independently. In addition, the percentage of "employers" is growing at a faster rate than the rate of growth of "the self-employed", which ascertains one fact, namely that the size of economic unit (EU) in terms of number of workers is getting bigger.

According to the expanded data of 2006 (15-64 years), the number of SE/E and NPFW in the Egyptian labor market was estimated to be around 7.7 million persons. However, this figure includes both the agricultural and non-agricultural SE/E and NPFW.

If the workers in the Public Sector (government and State-owned Enterprises) as well as those engaged in agricultural activities were excluded, the previous results would look as follows:

Table 3 shows how the Private Non-Agricultural Employment (PNAE) is distributed. PNAE is estimated by 10 million workers, which represents 46.5% of total employment, while those who work in the Public Sector and agricultural activities are estimated to be 6.3 million (29.3%) and 5.2 million (24.2%) workers respectively.

Due to technical difficulties in distinguishing clearly between the self-employed and the unpaid family worker, the following analysis will include the NPFW as part of the SE/E group. The SE/E, accordingly, represent 35% of the total PNAE. The relative weight of the PNA-SE/E becomes more significant and atoned to the ongoing economic changes, which emphasize the importance of relying on MSEs as a way to provide growing employment opportunities.

The Private No-Agricultural Wage-Workers (PNAWW) are estimated to be 6.5 million persons, represent 65% of all PNAE, and 51% of No-Agricultural Wage-Workers (NAWW) (private and public sector wage-workers) and 30% of all employment.

The latter result is significantly higher than in 1998, where the PNAWW were estimated to be 4 million workers, and represented 41% of the NAWW and 24.5% of all employment. The private employment is increasing in absolute and relative terms and thus reflects the changing policy trends. Informal PNAWW represent 67% of the total PNAWW, revealing a minor departure from 1998, where the informal PNAWW constituted 70%. Informality is higher in

[3] See table 3 S.A.
[4] Ibid.

rural areas.[5] Data also reveal that 79% of the PNAWW or 5.1 million persons work in MSEs (EU that employ less than 50 workers) as can be shown in table 4.

As can be seen the distribution of employment according to enterprise size indicates that the micro-enterprises (1-4workers) remain dominant in employment creation. The employment in larger sized enterprises (50+workers) has not increased in relative terms. The highest growth rate of employment has been witnessed in enterprises employing 30-49 workers followed by enterprises employing 1-4 workers[6].

If we add the non-agricultural SE/E, whose majority are micro and small entrepreneurs to the PNAWW, one could conclude that almost 8.5 million persons are working in the MSEs sector. Therefore one could establish that the total employment in the MSEs represents around 39.5% the workforce in Egypt in 2006.

4-The Main Features of the MSEs in the New Millennium

Several efforts have been made during the last 15 years to support MSEs. The realization that a significant segment of employment is operative in the sector demands public officials to understand that better policies should be geared towards the MSEs.

In this part we will try to describe the main characteristics of the small and micro enterprises, while taking the gender differentials into consideration. The comparison with the results of 1998 is useful in understanding and monitoring the qualitative and quantitative developments that took place in the sector.

Before we venture into this comparison, it would be relevant to highlight some basic features of the MSEs sector in 1998.

The ELMS98 identified several important features of the labor market, namely that:

(a) Informality of the small economic units was a pervading phenomenon whether among the wage-workers or the MSEs. The business environment was not encouraging, which led to the high levels of informality among the MSEs.
(b) Half of the informal wage-workers in the MSEs worked on a temporary basis;
(c) Most of the informal enterprises have been working for more than 10 years;
(d) Nominal wages of the formal labor are somewhat higher than informal workers; and
(e) Poverty is a dominant feature of the female entrepreneurs.

Based on these results the following section will try to compare the new results with those prevailing in 1998, whenever the data were comparable.

4.1 The Number of Economic Units, Gender of Owner, and her Personal Characteristics

The Number and Distribution of MSEs

Estimating the numbers of SE/E[7] over the last two surveys of 1998 and 2006 shows that their numbers increased from 2.5 million SE/E in 1998 to 3.5 million in 2006, growing by 4.7% annually[8]. We will take the numbers of SE/E as proxy of the number of economic units.

Male–owned, as well as rural-located economic units were the fastest growing in terms of numbers. Nevertheless, female SE/E residing in the urban areas grew in numbers by 6% annually, reflecting the impact of several factors such as education, finance availability,

[5] See table 1 in S. A.

[6] See table 2 in S.A

[7] The SE/E in this comparison include the Non-paid family workers.

[8] We will take the number of the SE/E as a proxy for the number of EUs they own.

independence, and new out-reach policies. Table 5 compares their numbers over the last two surveys.

These EUs could be classified either according to their formality, their location, economic activity, gender of owner, or the nature of the enterprise (inside or outside establishment). More than 98% of those economic units are micro and small enterprises as will be shown in table 12.

The steady increase in the number of economic units (EUs) could be explained by the changing market structure and new laws and policies that are directed towards supporting MSEs on one hand, and on the other hand the long recession, which led to a growing percentage of new labor market entrants to work independently, since they could not find jobs as wage-workers.

Despite the apparent increase in female owned enterprises, their share in ownership of MSEs has dropped from 19.1% in 1998, to 17.9% in 2006. The slight decrease in the role of female entrepreneurs could be explained by their relative inexperience, shortage in finance, and their subjection to market and community constraints, which hinder their smooth entry and survival possibilities. Over and above, the recessionary market conditions were not encouraging either for male or female entrepreneurs. Females, being the weaker partner in the development process, chose to leave the labor force and withdraw from the market, especially as entrepreneurs.

The Age and Educational Attainment Levels

However, when we look at the age and educational attainment levels of the present small entrepreneurs in comparison to those in 1998, one could notice a few changes taking place.

With regards to age, it is apparent that in 2006 the highest frequency of entrepreneurs, males and females, is concentrated in the age bracket 30-39 years. There are no visible differences between the ages of the owners of formal or informal enterprises. This result comes in contrast to the situation in 1998, where the highest concentration of formal enterprise owners was in the age range 40-49 years, and in the age bracket 30-39 years for the informal enterprise owners.

The decline in the average age of the entrepreneurs could be due to the market conditions, where the opportunities to work as wage workers whether in the government or the private sector were limited as mentioned before. The only refuge was to become either self-employed or an employer, if experience and finance permitted at an earlier age.

As for the educational attainment levels, data reveal a continuation of the trend towards a steady improvement in the entrepreneurs' education in comparison to 1998. In 1998, illiteracy was 7% among the formal entrepreneurs, and 25.5% among the informal ones, while university graduates represented 29% and 12.5% of them respectively. The difference between 1998 and 2006 results are indicative of a changing structure of the educational attainment levels of the small entrepreneurs. It is apparent that new types of educated entrepreneurs are emerging into the market, which could lead to variations in the type of pursued economic activities.

4.2: Informality within the MSEs

Informality was one dominant characteristic of the MSEs. The environment surrounding small enterprises was debilitating and led the SE/E to operate informally. Due to previous research results, which pointed to the sources and factors, affecting the widespread informality, diligent efforts paid by the government and the concerned non-governmental organizations helped in improving the institutional set-up that affects the start-up and operations of MSEs.

Table 8 compares between the degree of informality in 1998 and 2006. Three procedures were used as indicators of formality: having a license, a commercial/ industrial registration, and keeping regular accounts for tax purposes. The compliance to all legal procedures meant formality, while the partial or non-compliance to procedures meant informality of the EU.

As can be seen, the percentage of EUs that do not comply with any legal procedures increased from 32% in 1998, to 35% of the total number of EUs in 2006. This negative change happened despite the policy improvements such as (a) the simplification of the legal procedures; (b) the new labor law; (c) the new Micro and Small Establishments law (2004); and, (d) the new tax law .

The number of semi-formal EUs that comply with one or two procedures has dropped from 50% in 1998 to 47% of all EU in 2006.

On the other hand, the percentage of EUs that comply with all procedures (18%) has remained at the same level as in 1998 (18%). The main procedure where non-compliance is obvious, is keeping regular accounts, as is shown table 9.

All the previous results seem to point out to a state of steadiness of informality among the MSEs. It could be taken as a sign that the current policies are not conducive enough to the small entrepreneurs or have not been able to reach the small entrepreneur yet. Small entrepreneurs are still not willing to act formally under the pressure of having to work in unstable market circumstances, which drive them to operate informally until they feel secured and start to grow.

The comparison between the profile of MSEs in 1998 and 2006 requires that we look into their main features and then try to identify the areas of divergence from the previous results.

4.3: Location and Workplace

Although the level of formality did not witness any development, one distinctive change from 1998, is concerning the distribution of formal EUs between urban and rural areas.

The percentage of small EUs that operate on a formal basis has increased from 70% of all EUs in 1998 to 85% in the urban areas in 2006. The change was relatively clear in the case of male-owned enterprises in urban regions. As for the distribution of the informal EUs between rural and urban areas in 2006 and 1998, the relative share did not experience any change.[9]

However, if we add to the geographical location, the type of workplace in which the small entrepreneurs conduct their small businesses, one could get a clearer vision of the set-up surrounding them. Table 10c lists the different types of workplaces. The shaded cells reflect fixed/inside establishment workplaces, while the remaining workplaces are more of a mobile nature.

The distinction between the formal and informal enterprises becomes apparent as we inspect their workplaces. The majority of formal MSEs (84.1%) are operating either in shops, workshops and factories, homes or offices; while on the other hand, 65.7% of the informal enterprises work inside establishments, (within this group 13% work in their homes), while the remaining enterprises work outside establishments. However, it is necessary to add here that a substantial percentage of handicraft professionals such as painters, electricians,

[9] El Mahdi, A. (2002) The Labor Absorption Capacity of the Informal Sector, in R. Assaad, (Ed.) The Egyptian Labor Market in an Era of Reform, ERF, Cairo, p.117.

plumbers, glass cutters etc. receive their work orders from their clients through home/mobile telephones. They do not have a fixed workplace and they call their employees in the same way. Thus, they do not practice their work at home, but home is their base, where their clients can reach them. On the other hand, some of the better off entrepreneurs allocate part of their home premises for use as a workshop or shop. This case is more frequent in rural areas, where the majority of village residents own their small houses.

4.4: The MSEs' Age

As has been indicated in the ELMS98 regarding the average age of the majority of MSEs, the new millennium witnessed an upsurge in the number of EUs, especially the informal ones and those owned by females. The average age of the formal economic unit was 19.3 years in 2006 and of the informal economic units was 12.1 years old.

More than 30% of all MSEs were established in the last 6 years, which coincides with the MSE campaign, the policy changes and the trend towards privatization.

4.5: The Legal Status

From the legal perspective, the majority of the MSEs are primarily sole-proprietorships, owned and run by one person, the self-employed. However, a few of the MSEs are partnerships, or EUs owned by a number of individuals. Formal EUs include a relatively higher percentage of partnerships due to their larger size, as will be shown in the following parts.

4.6 Economic Activity

A look at the previous distribution of MSEs according to economic activities in 1998[10] and comparing it with the recent results shows some changes:

Firstly, trade remains the number one economic activity of MSEs. Nevertheless, it lost part of its relative weight especially among the formal activities, where the percentage of MSEs dropped from 55% in 1998 to 35.5% of all formal MSEs in 2006; and increased slightly in the case of informal MSEs from 38% to 41% in the same two years respectively.

Secondly, MSEs involved in <u>manufacturing</u> activities gained slight importance rising from 19% in 1998 to 20.3% of all MSEs in 2006;

Thirdly, data indicate that MSEs working in <u>construction</u> activities rose from a modest 4% in 1998 to around 10% in 2006. The increase in the percentage of construction EUs is consistent with the rise in construction activities since 2003.

Fourthly, the combined <u>service activities</u> (Hotels, real estate, education, health etc.) lost a substantial part of their relative weight, from 27% in 1998 to 18% in 2006.

The constant change in the relative importance of economic activities, reveals an ability to adapt to varying market conditions and needs.

4.6 Invested Capital and Sources of Finance

One of the main constraints that confront MSEs is the shortage of finance and thus the limited value of their invested capital. This phenomenon was quite serious in 1998, where self-finance represented more than 90% for MSEs, while the other formal or informal institutions did not represent more than 10% of the sources of total finance.

The comparison between 1998 and 2006 is not possible in this paper, as the new questionnaire (2006) included only one new question on whether or not the entrepreneur

[10] See table 7 in S.A.

received a loan during the last 12 months. The question of how they financed their enterprises or their initial capital was removed.

When the entrepreneurs were asked whether they had borrowed during the last 12 months, 41% of the formal EU owners/managers and 19.5% of the informal ones confirmed that they had. No visible differences seem to exist according to gender accessibility to loans. Thus, a significant percentage of the formal MSEs applied and got funds mostly from formal financial institutions.

As for the informal MSEs, data show that only 19.5% of them managed to borrow from other sources, while the rest of them relied on self-finance from previous savings from work, inheritance, remittances, family and friends, rotating savings groups etc.

However, when we look at the sources of loans to informal MSEs it becomes noteworthy that the suppliers of machines, equipments, and raw materials represent 16.5% of their sources. In addition, local money lenders, who are in fact informal sources of finance, play a role in offering them loans.

As a rule, access to formal financial institutions is relatively limited for the majority of MSEs due to their informal status.

As a consequence of modest finance availability (whether for fixed or working capital purposes), the value of invested capital is also modest especially in the informal enterprises, as can be seen in table 15a.

The distribution of EUs according the value of invested capital reveals:

1- Formal MSEs are significantly larger than informal EUs in terms of capital. The highest percentage of formal MSEs have capital that is equal or more than LE 10,000; while the highest frequency of informal MSEs has a value of invested capital that does not exceed LE 500.

2-Within each group there is no distinctive difference between male and female-owned enterprises;

3-The comparison with ELMS98 data indicates deterioration in the average value of invested capital in 2006 in contrast to 1998, whether in the case of formal or informal enterprises, that is despite the fact that the inflation rates averaged around 6% yearly during the period 1998-2006.

There is no one possible explanation for such a result except that the year 1998 was a prosperous year for the Egyptian economy. It was followed by 7 years of recession, which affected the value of transactions, new investments, employment and value added for all enterprises. A high degree of churning took place, which led to the disappearance of large numbers of enterprises (large and small), and the appearance of new micro and small enterprises to provide meager subsistence income to their owners. Working through recession may have been a reason for disinvestment and downsizing and thus having modest values of invested capital.

4.7 Employment and related aspects

The value of capital affects, in turn, the size of the enterprise in terms of number of workers. Data reveal a positive relationship between the two variables. Therefore, the limited value of capital means that the MSEs will be confined to extremely small sized (1-4 workers) categories and vice versa, larger enterprises that hire more workers will only be established if sufficient capital is available.

Table 16 ascertains the positive relationship between the value of capital and the number of workers in the enterprise. Larger sized MSEs (5 workers+) are more apparent in the cases where the capital value was visibly higher. In addition, since finance was scarcer for the informal enterprises, so was the number of workers:

Almost all informal enterprises are concentrated in the 1-4 workers' category. Whereas the percentage of informal enterprises in this category represented 96% of all informal enterprises in 2006, this figure was 94.6% in 1998.

A similar result has been found in the case of formal enterprises. The percentage of formal enterprises in the 1-4 workers category is 89.8%, compared to 74.6% in 1998. Contrary to expectations and to previous literature the size of MSEs is declining in terms of number of workers and value of capital.[11]

Starting 2005, the Egyptian economy's growth rate exceeded 5% annually. Employment data in ELMP06 and investment indicators confirmed this phenomena of growth. When the micro and small entrepreneurs were asked about the kind of change that happened in terms of the numbers of workers in their enterprises during the last three years, 90 % of them did not respond either because no change occurred, or because they preferred not to declare, or else they were newly established enterprises.

Only 10% of the entrepreneurs answered the previous question. Out of 2142 MSEs (the sample) only 129 EUs declared that they increased their number of workers and 96 EUs decreased their workers. The increase in the number of workers was mostly in the range of between 1 to 3 workers, while the decrease was mostly between 1-2 workers. However, this does not include the effect of new MSEs that were established within the last years of employment in the sector, as they represent around one quarter of the whole community of MSEs.

Another aspect that is related to employment in the MSEs sector is that of their wage levels, especially when we compare the formal and informal employment. Employment is considered formal if the worker has a work contract with the enterprise she works in. In table 19a we depict the levels of total daily wage rates of the NAWW, and in table 19b we just include the private NAWW.

Table 19a describes the wage levels of the wage-workers in both the public sector and the private sector. The public sector has been hiring informal workers during the last 20 years and although it was paying them relatively higher wages than their counterparts in the private sector, the differences between the informal and formal wage levels were not as striking as when the public sector employment were eliminated. Table 19a indicates that the wage rates awarded to formal workers are relatively higher than those going to informal workers. In all cases, females' wages are located in lower wage brackets than males. This contrast is more apparent among female informal wage-workers. These results are quite similar those of 1998.

When the public sector wage-workers are excluded in table 19b, the comparison shows striking differences between formal and informal wage-workers. The highest frequency of private formal workers (73%) is in the daily wage brackets that range between LE10-<LE50, while around 68% the informal wage-workers are concentrated in the daily wage levels ranging between <LE 5-<LE 10. Informal female wage-workers continue to be the poorest of the poor wage-workers. Informal wage-workers are not just denied their rights to a secure future in the form of having a work contract and being covered by social and medical insurance; but they are also paid so poorly that they are barely able to cover their basic needs.

[11] El Mahdi, A. (2005), MSEs Potentials and Success Determinants in Egypt 2003-2004, ERF, Cairo (Forth coming).

One third of the informal workers earn less than $1 a day, while another third earns between $1 and $2 a day. The situation becomes bleaker if the wage-worker is the sole income provider of his/her household.

4.8 MSEs Market

Despite the relative micro size of the MSEs, the number of workers operating in them is not fixed. It is continuously changing in response to market needs. Since previous literature, field work research and focus groups discussions indicate that most small and micro entrepreneurs especially in the manufacturing and services activities produce their goods or services upon requests of their clients, we will try present the primary and secondary clients.

As can be seen, consumers constitute the main buyers of the MSEs products. Subcontracting relations and links with other small or larger enterprises follow the consumers in their importance as buyers from the MSEs. Improvement in the market conditions and the general economic growth and performance are therefore conducive to the vitality of the MSEs, and their ability to increase their transactions and expand their capacities.

5-The Impact of Changing Policies on the MSEs (formality, access to Financial and Non-Financial Services, Market Scope, Exports)

As we mentioned in the overview of this study, the Egyptian economy underwent far-reaching changes in its economic policies, laws, procedures, and business climate. The changes shed their light on the various aspects of economic life. Since the MSEs constitute an important and integral part of the active private sector, it was expected that such developments would have their influence on the sector. Analyzing the information in parts 2, 3, and 4 in this paper helps in drawing several relevant conclusions.

However, before discussing the main conclusions, we must return to the main hypotheses of the study:

- Structural changes in favor of increasing the role private enterprise led to a rapid growth rate of MSEs etc.
- The concern with women-owned enterprises will help in opening more windows of opportunities for them etc.
- Opening up the economy and concluding several trade agreements means greater chances of a larger market for the MSEs and thus a growing percentage of MSEs can become more export-oriented;
- Better education of the new entrepreneurs will help establish MSEs that are operating new and modern activities whether in manufacturing, services, or trade.

Looking at the main results derived from the ELMPS06 and its comparison with other results from previous labor force sample surveys in 1988 and 1998 it becomes evident that:

1. The steady pace of the privatization process, in the wider sense of the word, revealed that the estimated numbers of MSEs increased by 4.7% annually from 2.5 million EUs to 3.5 million EUs in 2006, which is a far higher growth rate if compared to that of the period 1988-1998, which was 1.6% annually. The market was vibrant. In fact, a great deal of movement is taking place with MSEs, huge numbers are leaving the market everyday, and more are entering it daily. New economic units are replacing marginal, inefficient MSEs all the time. This result concurs with the first assumption.
2. Still, the size of the MSEs in 2006 tends to be extremely micro in terms of number of workers and capital.
3. Certain economic activities are disappearing, while new, modern activities are born. The characteristics of the entrepreneurs and their enterprises are subject to continuous

adjustment. As a consequence, the number of workers in the private non-agricultural sector rose from 3.6 million in 1998 to 5 million workers in 2006.

4. The female's share among the self-employed and employers community in Egypt dropped by 1.2 percentage points during the period in question from 19.1% in 1998 to 17.9% in 2006. This result concurs with other studies, which indicate a slow decline in the percentage of female-owned enterprises in Egypt. However, it contradicts the second assumption. Several reasons were given as explanatory factors, however, the most accepted factor mentioned even by the female entrepreneurs themselves was the fierce competition in the market, which required experience, finance, market connections, market wisdom and awareness of its changing needs. Unfortunately, the majority of female entrepreneurs lack these fundamental qualities.
5. As to the role of trade liberalization in opening up new export markets for MSEs, data showed that export markets were of minor importance amongst the array of clients they dealt with. Until now the various trade agreements do not matter to the small entrepreneur. This result contradicts with ongoing advocacy regarding the positive impact of opening the doors of international trade for MSEs.
6. Higher educated entrepreneurs are becoming more visible in the ranks of micro and small entrepreneurs. However, one could not establish, based on the available data, whether education mattered on the performance and efficiency of the MSEs. Although, previous research[12] seemed to indicate that education of the entrepreneur did not affect the labor or capital productivity of the MSEs as a rule, one could not deny that better education could be related to better access to finance and more compliance by the law. Still such issues have to be tested and analyzed.
7. The degree of informality remained stable despite all the serious business climate improvement efforts.
8. Formal finance succeeded in reaching a higher percentage of entrepreneurs, though informal enterprises are still in a disadvantaged position.
9. The private non-agricultural employment is increasing in absolute and relative terms, reflecting the change in policy and market trends.
10. Wage levels in the private sector continue to be relatively low, particularly for informal workers, who constitute the majority of private sector workers

[12] El Mahdi, A. (2005), MSEs Potentials and Succss Determinants in Egypt 2003-2004, ERF, Cairo (Forth coming).

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Table (1): The Distribution of Employment in Egypt according to Employment Status in 2006

Employment Status	Male %	Female %	Total %
Wage Workers	65.1	52.1	62.1
Employers	17.5	4.0	14.4
Self – employed	9.1	13.2	10.1
Non-Paid Family Workers	8.3	30.7	13.4
Total	100	100	100

Table (2): The Distribution of Employment according to Employment Status in 2006 (in Million Persons)

Employment Status	Males	Females	Total
Wage Workers	10.8	2.6	13.4
Employers	2.9	0.2	3.1
Self – employed	1.5	0.7	2.2
Non-Paid-Family Workers (NPFW)	1.4	1.5	2.9
Total	16.6	5.0	21.6

Source: Assad, R. , ELMPS06 data files.

Table (3): The Distribution of Private, Non-agricultural Employment (PNAE) in 2006 (in Million Persons)

Employment Status	Freq.	Percent
Wage Workers	6.5	65.0
Employers	1.3	13.0
Self-Employed	1.7	17.0
Unpaid Family Workers	0.5	5.0
Total	10.0	100

Source: Assad, R. , ELMPS06 data files.

Table (4): The Size of Enterprises Employing Formal/Informal PNAWW in 1988,1998, 2006 (%)

Number of Workers	1988	1998	2006
	%	%	%
1 – 4	45	48	50
5 – 9	9	17	14
10 – 29	9	10	10
30 – 49	2	4	5
50 +	13	16	15
Don't know	22	6	6
Total %	100%	100%	100%
Total in thousands	2546	3995	6430

Source: Assad, R. , ELMPS06 data files.

Table (5): The Number of Non-Agricultural SE/E in 1998 and 2006 Distributed According to Location and Gender (in thousands)

Gender	Urban			Rural			All Egypt		
	1998	2006	%Av Ann Gr.	1998	2006	%Av Ann Gr.	1998	2006	%Av.Ann Gr.
Males	1188	1579	3.8	812	1309	6.4	2000	2888	4.9
Females	165	259	6.0	307	370	2.5	472	629	3.8
Both	**1353**	**1838**	**4.1**	**1119**	**1678**	**5.4**	**2472**	**3517**	**4.7**

Source: Assaad, R., ELMPS06 and ELMS98 data files.

Table (6): The Distribution of Entrepreneurs according to Age, Formality and Gender

Age Group	Formal EUs			Informal EUs		
	Male-owned	Female-owned	Total	Male-owned	Female-owned	Total
6 – 11	0.0	0.0	0.0	0.0	0.0	0.0
12 – 14	0.0	0.0	0.0	0.1	1.4	0.3
15 – 19	0.1	0.0	0.1	0.8	0.0	0.6
20 – 29	17.0	13.6	16.7	24.7	5.9	21.0
30 – 39	26.5	16.0	25.7	25.8	13.3	23.4
40 – 49	23.9	10.4	22.8	19.9	12.7	18.5
50- 59	16.4	29.6	17.5	17.3	34.5	20.6
60 - 64	7.2	0.0	6.6	3.2	10.0	4.5
65=>	9.0	30.4	10.7	8.3	22.2	11.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table (7): The Distribution of the SE/E according to Education, Formality and Gender

Education	Formal			Informal		
	Male	Female	Total	Male	Female	Total
Illiterate	2.4	0.0	2.2	10.1	38.0	12.5
Read & Write	6.5	15.4	7.3	19.2	12.5	18.6
Less than Intermediate	20.9	13.1	20.3	26.1	19.7	25.5
Intermediate	27.1	36.2	27.9	27.5	10.9	26.1
Above Intermediate	8.4	15.4	8.9	4.3	7.6	4.6
University & Above	34.6	20.0	33.4	12.8	11.3	12.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table (8): The Degree of compliance to the legal procedures in 1998 and 2006

No. of procedures	1998		2006	
	Count	Percent	Count	Percent
0	474	**32.0**	**750**	**35.0**
1	207	**13.0**	**240**	**11.0**
2	547	**37.0**	**771**	**36.0**
3	269	**18.0**	**381**	**18.0**
Total	1497	**100.0**	**2142**	**100.0**

Table (9): The Percentage of EU complying by the Legal Procedures

Procedure	Percent
License	49.0
Registration	55.0
Book Keeping	35. 0

Table (10a): Geographical Distribution of MSEs according to Formality and Gender of the Owner(%)

Location	Formal			Informal		
	Male	Female	Total	Male	Female	Total
Urban	91.9	77.5	90.7	62.9	55.4	61.5
Rural	8.1	22.5	9.3	37.1	44.6	38.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Sample Figures	322	64	386	1466	290	1756

Table (10b): Geographical Distribution of MSEs according to Formality and Gender of the Owner (Sample distribution)

	Formal			Informal		
Location	Male	Female	Total	Male	Female	Total
urban	296	49	350	923	161	1081
rural	26	14	36	543	129	675
Total	322	64	386	1466	290	1756

Table (10c): Description of the Workplace according to Formality of the MSEs

Description of work place.	Formal			Informal		
	Male	Female	Total	Male	female	Total
Own Home	2.2	23.2	**4.0**	9.0	32.0	**13.3**
Shop	66.4	64.8	**66.3**	36.3	32.6	**35.6**
Another House	0.0	0.0	**0.0**	1.0	0.2	**0.9**
Office/Flat/Building	10.5	2.1	**9.8**	3.3	1.5	**3.0**
Room/Number Of Rooms	0.0	0.0	**0.0**	0.4	0.1	**0.3**
Workshop/Factory	4.3	0.7	**4.0**	11.9	1.9	**10.1**
Kiosk	0.0	0.0	**0.0**	1.2	3.1	**1.5**
Street Vendor	0.1	8.5	**0.8**	6.0	5.0	**5.8**
Mobile Worker	0.4	0.0	**0.3**	19.0	10.2	**17.3**
Street Vendor With Mobile Cart	0.0	0.0	**0.0**	2.0	1.7	**2.0**
Hut	0.0	0.0	**0.0**	0.0	1.4	**0.3**
Drinks Fridge Connected To House	0.0	0.0	**0.0**	0.0	1.4	**0.3**
Drinks Fridge Not Connected To House	0.0	0.0	**0.0**	0.0	0.1	**0.0**
Basket/Table	0.0	0.0	**0.0**	0.6	8.1	**2.0**
Truck/Pickup Truck/ Toc-toc	4.3	0.0	**4.0**	2.6	0.0	**2.0**
Taxi	8.6	0.0	**7.9**	2.3	0.0	**1.9**
Other	3.2	0.7	**3.0**	4.2	0.7	**3.7**
Total	100.0	100.0	**100.0**	100.0	100.0	**100.0**

Table (11): The Distribution of MSEs according to Date of Establishment, Formality and Gender of the Owner

Date of Establishment	Formal			Informal		
	Male	Female	Total	Male	Female	Total
before 1952	0.4	13.4	1.4	1.7	0.2	1.4
1952-1959	0.2	0.0	0.2	2.5	2.9	2.6
1960-1969	4.1	0.0	3.7	3.1	7.5	3.9
1970-1979	12.4	13.4	12.4	8.5	12.2	9.2
1980-1989	16.6	0.7	15.3	19.7	13.9	18.7
1990-1999	35.2	35.9	35.2	33.3	22.8	31.3
2000 and later	31.2	36.6	31.7	31.2	38.1	32.5
do not know	0.0	0.0	0.0	0.1	2.5	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table (12): The Distribution of MSEs according to Legal Status, Formality and Gender of the Owner

Legal Status	Formal			Informal		
	Male	Female	Total	Male	Female	Total
Sole proprietorship	80.3	98.6	81.8	91.7	93.3	92.0
Partnership/company	19.6	1.4	18.1	7.9	5.1	7.4
S.A.E	0.1	0.0	0.1	0.0	0.0	0.0
Limited Liability	0.0	0.0	0.0	0.0	1.5	0.3
Do not know	0.0	0.0	0.0	0.4	0.0	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table (13): The Distribution of MSEs according to Economic Activity, Formality and Gender of the Owner

Economic Activity	Formal Male	Formal Female	Formal Total	Informal Male	Informal Female	Informal Total
Mining & quarrying	0.1	0.0	0.1	0.3	0.0	0.3
Manufacturing	**18.1**	**28.7**	**20.3**	**21.3**	**19.1**	**20.8**
Electricity, Gas & water supplies	1.0	1.1	1.1	0.5	0.5	0.5
Construction	**7.5**	**0.0**	**5.9**	**14.5**	**0.0**	**11.2**
Wholesale & retail trade	**37.3**	**28.7**	**35.5**	**37.7**	**54.6**	**41.6**
Hotels & Restaurants	6.9	1.1	5.7	2.9	4.4	3.3
Transport, storage & communications	12.5	1.7	10.3	9.4	0.5	7.4
Financial intermediation	1.0	1.7	1.2	0.5	0.5	0.5
Real estate, renting & business Act.	4.3	4.0	4.3	1.6	0.5	1.4
Education	4.0	24.1	8.2	4.9	9.8	6.0
Health & social work	3.0	5.7	3.6	1.6	8.2	3.1
Other community, social & personal Services	4.2	2.9	3.9	4.7	1.6	4.0
Total	100	100	100	100	100	100

Table (14): The Main Sources of Financing loans in the last 12 Months according to Formality of the MSEs & Gender of Owner

Loans From-1st lender	Formal Male	Formal Female	Formal Total	Informal Male	Informal Female	Informal Total
Nasser Social Bank	1.8	4.8	2.6	4.4	0.0	4.1
Public Sector Bank	61.4	0.0	44.9	44.4	57.1	45.4
Private Sector Bank	33.3	95.2	50.0	1.1	0.0	1.0
NGO	3.5	0.0	2.6	11.1	28.6	12.4
SFD	0.0	0.0	0.0	20.0	14.3	19.6
Suppliers	0.0	0.0	0.0	17.8	0.0	16.5
Family members outside the HH	0.0	0.0	0.0	1.1	0.0	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table (15a): The Distribution of MSEs according to Formality, Value of the Invested Capital and Gender of Entrepreneur in 2006

Invested Capital in LE	Formal			Informal		
	Male	Female	Total	Male	Female	Total
none	2.0	0.0	1.8	11.0	7.9	10.4
-499	2.9	0.7	2.8	17.1	41.4	21.6
500-999	1.6	0.0	1.4	10.1	11.2	10.3
1000-4999	13.3	21.8	14.0	20.6	18.4	20.2
5000-9999	24.0	13.4	23.2	17.2	2.9	14.6
10000-49999	37.4	37.3	37.4	14.9	13.3	14.6
50000 or more	16.1	15.5	16.0	5.0	0.2	4.1
do not know	2.7	11.3	3.4	3.9	4.7	4.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table (15b): The Distribution of MSEs according to Formality, Invested Capital and Gender of Entrepreneur in 1998

Capital	Formal			Informal		
	Male	Female	Total	Male	Female	Total
	Col %	Col %	Col %	Col %	Col %	Col %
None	0.32	1.12	0.42	3.61	4.04	3.70
less than LE 100	0.0	0.0	0.0	5.6	12.2	6.9
LE 100-499	3.75	0.00	3.28	11.7	20.4	13.4
LE 500-999	7.5	4.8	7.2	14.9	12.8	14.5
LE 1000-4999	12.8	8.7	12.3	20.0	19.0	19.8
LE5000-9999	14.4	22.3	15.4	11.7	10.4	11.5
LE10 000 or more	58.7	61.1	58.9	30.3	20.1	28.3
Do not know	2.5	1.9	2.4	1.9	0.8	1.7
Total	100	100	100	100	100	100

Source: El Mahdi, A. the Labor Absorption Capacity of the Informal Sector, in R. Assaad, Ed., (2002) The Egyptian Labor Market in an Era of Reform, Economic Research Forum, p.121.

Table (16): The Distribution of MSEs according to Invested Capital and Number of Workers

Invested Capital in LE/ Number of Workers	1 - 4	5 - 9	10 - 29	30 - 49	50 +	Total
none	**181**	2	4	0	0	207
-499	**330**	5	0	0	0	372
500-999	**224**	4	0	0	0	253
1000-4999	**340**	8	0	0	0	385
5000-9999	**289**	**26**	1	0	0	347
10000-49999	**296**	**32**	**9**	**2**	0	371
50000 or more	**89**	**16**	**5**	**1**	**2**	124
Unknown	63	**11**	**2**	**1**	0	84
Total	**1,813**	**105**	**22**	**4**	**2**	**2,142**

Table (17): The Distribution of MSEs according to Formality and Number of Workers

	2006			1998		
Size of EU	**% Formal**	**% Informal**	**% Total**	**% Formal**	**% Informal**	**% Total**
1-4	89.8	96.3	95.0	74.6	94.6	91.3
5-9	7.6	3.3	4.2	16.4	4.6	6.5
10-29	1.6	0.3	0.6	6.9	0.6	1.6
30-49	0.9	0.0	0.2	1.1	0.1	0.3
50+	0.1	0.0	0.0	0.8	0.1	0.2
Total	100	100	100	100	100	100

Table (18): The Change in the Number of Workers in the last 3 years

Number of Workers	EU with Increase in Workers		EU with Decrease in Workers	
	Freq.	**Percent**	**Freq.**	**Percent**
1	51	40	48	50
2	42	33	29	30
3	20	16	8	8
4	5	4	4	4
5	3	2	3	3
6	1	1		
7	1	1		
8	2	2		
10	1	1	2	2
>10	2	2	1	1
Total	129	100	96	100

Table (19a): The Total Daily wage rate in 2006 for NAWW by gender and formality of Work

Egyptian Pound (LE)	Formal			Informal		
	Male	**Female**	**Total**	**Male**	**female**	**Total**
0 - < 5	1.6	4.6	**2.5**	4.5	37.2	**8.3**
5 - < 10	15.1	19.8	**16.4**	18.4	39.4	**20.9**
10 - < 20	43.1	47.3	**44.2**	40.2	17.6	**37.6**
20 - <50	31.9	23.5	**29.6**	34.9	3.7	**31.2**
50 - <100	4.5	3.4	**4.2**	1.1	0.0	**0.9**
100+	3.8	1.4	**3.1**	0.9	2.1	**1.1**
Total	100	100	100	100	100	100

Table (19b): The Total Daily Wage Rate in 2006 for Private NAWW by Gender and Formality of Work

Egyptian Pound (LE)	Formal			Informal		
	Male	Female	Total	Male	female	Total
0 - < 5	2.0	4.2	**2.7**	21.2	60.0	**35.8**
5 - < 10	17.0	19.0	**17.6**	36.4	25.0	**32.1**
10 - < 20	45.4	48.8	**46.5**	27.3	15.0	**22.6**
20 - <50	27.9	23.5	**26.5**	12.1	0.0	**7.5**
50 - <100	3.9	3.0	**3.6**	3.0	0.0	**1.9**
100+	3.8	1.4	**3.0**	0.0	0.0	**0.0**
Total	100	100	100	100	100	100

Table (20): The Main Buyers of the MSEs' Goods and Services in 2006

Main buyers of good/services	Primary Clients	Secondary Clients
Consumers/Individuals	90.3	18.2
Small Private Sector Units	2.5	25.8
Large Private Sector Units	0.3	2.3
Public Sector Units		0.7
Government	0.1	0.3
Wholesalers	2.7	5.7
Retailers	2.3	31.2
Investment Companies	0.1	0.3
Contractors	0.9	
Co-Operative Sector		0.3
Exporters Or Foreigners		0.7
Contractors		11.3
Tourists	0.5	3.0
Other	0.4	0.0
Total	100	100.0

Statistical Appendix

Table 1: Distribution and Growth of Private Non-Agricultural Wage Employment by Formality of Employment, Sex and Urban/rural Location 1988, 1998, 2006

	Urban					Rural					All Egypt				
	1988	**1998**	**2006**	**Av. Ann Gr. 88-98**	**Av Ann. Gr. 98-06**	**1988**	**1998**	**2006**	**Av. Ann Gr. 88-98**	**Av Ann. Gr. 98-06**	**1988**	**1998**	**2006**	**Av. Ann Gr. 88-98**	**Av Ann. Gr. 98-06**
Male															
Informal	59	60	60	3.2	6.0	74	83	76	8.6	5.0	65	71	68	5.8	5.5
Formal	41	40	40	2.8	6.1	26	17	24	3.2	10.7	35	29	32	2.9	7.5
Total	100	100	100	3.1	6.0	100	100	100	7.4	6.1	100	100	100	4.9	6.1
Female															
Informal	53	59	58	1.8	7.6	89	79	77	3.3	9.5	60	64	63	2.3	8.2
Formal	47	41	42	-0.6	8.1	11	21	23	11.5	10.9	40	36	37	0.5	8.7
Total	100	100	100	0.7	7.9	100	100	100	4.6	9.8	100	100	100	1.6	8.4
All															
Informal	58	60	60	3.0	6.2	75	83	76	8.2	5.3	64	70	67	5.4	5.7
Formal	42	40	40	2.3	6.4	25	17	24	3.6	10.8	36	30	33	2.6	7.7
Total	100	100	100	2.7	6.3	100	100	100	7.3	6.4	100	100	100	4.5	6.3

Source: Assaad, R. ELMS98 and ELMPS06 data files.

Table 2: Distribution and Growth of Private Non-Agricultural Wage Employment by Size of Firm, Sex and Urban/Rural Location, 1988, 1998, 2006

	Urban					Rural					All Egypt				
	1988	**1998**	**2006**	**Av. Ann Gr. 88-98**	**Av Ann. Gr. 98-06**	**1988**	**1998**	**2006**	**Av. Ann Gr. 88-98**	**Av Ann. Gr. 98-06**	**1988**	**1998**	**2006**	**Av. Ann Gr. 88-98**	**Av Ann. Gr. 98-06**
Male															
1-4	46	43	48	2.4	7.3	43	54	54	9.7	6.2	45	48	51	5.6	6.8
5-9	10	16	13	8.2	3.6	7	19	16	16.8	4.5	9	17	15	11.7	4.0
10-29	11	12	10	4.0	4.2	7	8	9	8.9	8.0	9	10	9	5.6	5.7
30-49	2	5	6	13.2	7.9	2	2	4	6.9	16.4	2	4	5	11.5	10.3
50+	14	21	18	7.1	4.1	9	9	10	7.5	7.4	12	15	14	7.3	5.1
DK/miss	18	3	5	-14.8	12.5	32	9	6	-5.8	2.3	23	6	6	-9.2	6.1
Total	100	100	100	3.1	6.0	100	100	100	7.4	6.1	100	100	100	4.9	6.1
Female															
1-4	41	35	45	-0.8	11.2	57	55	47	4.3	7.8	44	40	46	0.8	10.1
5-9	6	11	8	6.9	4.5	9	12	10	6.9	7.5	7	11	9	6.9	5.2
10-29	11	13	16	2.3	10.5	8	13	9	9.6	5.7	11	13	14	3.4	9.4
30-49	6	9	7	5.2	4.9	-	-	7	0.0	0.0	5	7	7	5.2	9.0
50+	16	26	17	5.4	1.9	15	15	22	4.1	15.2	16	23	18	5.3	5.3
DK/miss	19	6	6	-10.8	8.1	11	5	6	-3.4	11.7	18	6	6	-9.6	8.9
Total	100	100	100	0.7	7.9	100	100	100	4.6	9.8	100	100	100	1.6	8.4
All															
1-4	45	42	47	2.0	7.8	44	54	54	9.4	6.3	45	48	50	5.1	7.1
5-9	9	15	13	8.1	3.7	8	18	16	16.1	4.5	9	17	14	11.3	4.1
10-29	11	12	11	3.7	5.4	7	8	9	8.8	7.8	9	10	10	5.2	6.3
30-49	3	6	6	10.9	7.3	2	2	4	6.9	18.2	2	4	5	10.1	10.1
50+	14	21	18	6.8	3.8	10	10	11	7.3	8.3	13	16	15	6.9	5.2
DK/miss	18	3	5	-14.0	11.6	31	8	6	-5.6	2.7	22	6	6	-9.3	6.4
Total	100	100	100	2.7	6.3	100	100	100	7.3	6.4	100	100	100	4.5	6.3

Source: Assaad, R. ELMS98 and ELMPS06 data files.

Table (3): The distribution of the work force According to Employment Status

Employment Status	1998			1988		
	Male Col%	**Fem Col%**	**Tot. Col%**	**Male Col%**	**Fem Col%**	**Tot. Col%**
Wage Workers	68.9	25.3	52.0	56.7	26.0	45.7
Employers	13.4	0.9	8.5	18.9	7.3	14.7
Self-Employed	9.6	3.4	7.2	6.8	14.6	9.5
Non-paid Family Workers	8.1	70.4	32.2	17.7	52.2	30.0
	100.0	100.0	99.9	100.1	100.1	100.0
Total	4456	1210	5666	4,164	1208	5,372

Source: El Mahdi, A. the Labor Absorption Capacity of the Informal Sector, in R. Assaad, Ed., (2002) The Egyptian Labor Market in an Era of Reform, Economic Research Forum.

Table (4a): Total daily wage rate for formal and informal workers 1998

Total Daily wage [LE]	Informal			Formal		
	Male col%	**Female col%**	**Total col%**	**Male col%**	**Female col%**	**Total col%**
0-<5	26.5	63.3	33.2	15.3	21.1	16.8
5-<10	43.8	29.4	41.1	42.5	48	43.9
10-<20	24.3	3.7	20.5	31.2	24.1	29.4
20-<50	5.4	3.6	5.1	9.9	6.5	9.1
50-<100				0.9	0.2	0.7
100->				0.1	0.1	0.1
Total	100	100	100	100	100	100

Source: El Mahdi, A. the Labor Absorption Capacity of the Informal Sector, in R. Assaad, Ed., (2002) The Egyptian Labor Market in an Era of Reform, Economic Research Forum.

Table(4b):Total daily wage for the private sector wage workers 1998

Total Daily wage [LE]	Informal			Formal		
Col %	**Male %col**	**Female %col**	**Total %col**	**Male %col**	**Female %col**	**Total %col**
0-<5	26.7	60.6	32.1	7.2	23.1	9.6
5-<10	42.4	29.5	40.4	37.1	40.3	37.6
10-<20	25.3	5.0	22.1	38.7	23.5	36.4
20-<50	5.6	4.8	5.45	15.8	11.4	15.2
50-<100				0.8	1.6	0.9
100->				0.3		0.3
Total	100	100	100	100	100	100

Source: El Mahdi, A. the Labor Absorption Capacity of the Informal Sector, in R. Assaad, Ed., (2002) The Egyptian Labor Market in an Era of Reform, Economic Research Forum.

Table (5): Distribution of the SE\E according to formality, age and gender in 1998

	Formal			Informal		
age group	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
	Col %	**Col %**	**Col %**	**Col %**	**Col %**	**Col %**
06_11	0.0	0.0	0.0	0.1	0.3	0.1
12_14	0.0	0.0	0.0	1.3	1.1	1.3
15_19	10.9	9.9	10.8	8.8	4.2	7.9
20_29	20.3	23.1	20.6	22.9	20.2	22.3
30_39	16.3	30.8	18.2	22.9	34.3	25.1
40_49	28.3	24.4	27.7	21.3	21.7	21.4
50_59	15.3	6.1	14.2	14.0	13.3	13.8
60_64	4.23	5.7	4.4	3.6	2.1	3.3
=>65	4.6	0.0	4.1	5.0	2.7	4.5
Total	100	100	100	100	100	100

Source: El Mahdi, A. the Labor Absorption Capacity of the Informal Sector, in R. Assaad, Ed., (2002) The Egyptian Labor Market in an Era of Reform, Economic Research Forum.

Table (6): The Distribution of SE\E according to Formality, Gender and Educational Attainment in 1998

	Formal			Informal		
Educational Attainment	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
	Col %	**Col %**	**Col %**	**Col %**	**Col %**	**Col %**
Illiterate	6.74	8.76	6.99	21.7	41.2	25.5
Read & write	6.85	2.92	6.35	15.6	5.35	13.6
Less than Intermediate	28.6	7.03	25.8	21.0	12.6	19.4
Intermediate	25.5	21.2	25.0	23.7	18.1	22.6
Above intermediate	6.55	7.31	6.65	5.86	8.17	6.31
university & above	25.7	52.7	29.1	12.0	14.5	12.5
Total	100	100	100	100	100	100

Source: El Mahdi, A. the Labor Absorption Capacity of the Informal Sector, in R. Assaad, Ed., (2002) The Egyptian Labor Market in an Era of Reform, Economic Research Forum.

Table (7): The Distribution of Small Enterprises according to Formality, Gender and Economic activity in 1998

Economic Activity	Formal			Informal		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
	Col %	**Col %**	**Col %**	**Col %**	**Col %**	**Col %**
Mining	0.23	0.00	0.20	0.03	0.00	0.03
Manufacturing	20.20	2.97	18.05	19.84	15.80	19.04
Electricity	0.23	2.46	0.51	0.57	0.00	0.45
Construction	2.03	0.00	1.78	5.92	0.00	4.76
Trade	59.60	22.85	55.01	35.56	49.59	38.32
Transport	2.80	2.97	2.82	5.93	0.34	4.83
Finance	3.93	5.48	4.12	2.12	0.65	1.83
Services	10.98	63.27	17.50	30.03	33.62	30.74
Total	100	100	100	100	100	100

Source: El Mahdi, A. the Labor Absorption Capacity of the Informal Sector, in R. Assaad, Ed., (2002) The Egyptian Labor Market in an Era of Reform, Economic Research Forum.

Table (8): The Sources of Finance for the Formal and Informal SE\E in 1998

	Formal			Informal		
Source of Finance 1st mean	**Male Col %**	**Female Col %**	**Total Col %**	**Male Col %**	**Female Col %**	**Total Col %**
Self-finance	83.9	84.8	84.1	93.7	91.7	93.3
Partnership	12.1	10.2	11.8	3.81	3.94	3.84
Religious org.	0.0	0.0	0.0	0.27	0.0	0.2
ROSCA	0.0	0.0	0.0	1.03	1.2	1.1
Nasser social bank	1.5	0.0	1.3	0.4	1.2	0.6
Industrial Development Bank	0.3	1.9	0.5	0.0	0.0	0.0
SFD	1.5	0.0	1.3	0.2	0.3	0.2
Commercial banks	0.3	0.0	0.3	0.2	0.0	0.2
Agricultural credit bank	0.00	0.00	0.00	0.31	1.63	0.56
NGO	0.4	2.9	0.7	0.0	0.0	0.0
Total	100	100	100	100	100	100

Source: El Mahdi, A. the Labor Absorption Capacity of the Informal Sector, in R. Assaad, Ed., (2002) The Egyptian Labor Market in an Era of Reform, Economic Research Forum.

Table (9): The Relationship between the Present Value of the Invested Capital And The Number Of Workers In The EU (1998)

value of current capital	**Number of EU in each labor group**					
of EU	1_4	5_9	10_29	30_49	50_99	Total
None	48					48
Less than LE 100	62					62
LE 100-499	174					174
LE 500-999	160	7				167
LE 1000-4999	277	11				288
LE5000-9999	166	2				168
LE10 000 or more	430	93	31	5	2	561
Total	1317	113	31	5	2	1468

Source: El Mahdi, A. the Labor Absorption Capacity of the Informal Sector, in R. Assaad, Ed., (2002) The Egyptian Labor Market in an Era of Reform, Economic Research Forum.

Appendix figure 1: The size of Enterprises employment Formal/Informal PNAWW in 1988, 1998, 2006