

# Towards Greater Gender Diversity in the Workplace in Egypt

Rami Galal and  
Mona Said

## Summary

- One of the main challenges facing the Egyptian economy is that it is not making the best use of half of the population, as the rate women's participation in the labor force is among the lowest in the world. Worse yet, their participation is declining over time, as public sector jobs are becoming scarcer, and the formal private sector is unable to sufficiently absorb new women entering the labor market.
- This phenomenon persists despite growing evidence in support of a positive association between women's employment and firm productivity and wages, especially in knowledge-intensive services and high-tech manufacturing.
- If policymakers were to take corrective actions to enhance women's economic empowerment, they could: (i) adopt policies to mitigate private sector disincentives to hire women, and improve working conditions, (ii) directly support segments of the labor market that employ higher shares of women, such as education and healthcare provision, as well as export-oriented manufacturers, and (iii), improve the business environment for private sector development and employment generation that would empower both men and women.

The world has witnessed significant improvements in gender equality over the last few decades, especially in the areas of greater freedoms, choices, and independence. Progress has been made not only on account of social and political movements, but also because of the increasing realization of the negative economic consequences of gender inequalities. Recent studies (e.g., Cuberes and Teignier, 2014; Elborgh-Woytek et al., 2013) found that countries with low female participation in the labor market tend to experience lower levels of diversification and out-

\* We acknowledge the support of Agence Française de Développement (AFD). We also acknowledge the general support of the World Bank, the International Labour Organization, AFD, UN Women, and the Arab Fund for Economic and Social Development for the Egypt Labor Market Panel Survey 2018, on which this paper is based. The authors appreciate the editorial assistance of Barbara Salinas.

put, and hence economic growth. Not surprisingly, governments and international organizations are increasingly engaged in devising policies to increase female's productive and decent employment.

Egypt is no exception. Despite some improvements in gender equality over the last few decades, economic empowerment remains an elusive quest. Recent data show that Egyptian women suffer from very low rates of participation and employment, and these rates are declining over time. Between 2006 and 2012, women's participation rates fell from 27.3% to 23.1%, despite rising educational attainment at unprecedented levels. Worse yet, the decline was driven primarily by lower participation of younger women (Assaad and Krafft, 2015), partly because the government could no longer absorb them in the public sector, and partly because of the limited demand for them in the formal private sector. In 2012, 49% of employed women held public sector jobs, compared with only 20% of employed men. In the same year, female unemployment rates were 23.7%, compared to 4.2% for males, and these rates tend to rise with the level of education.

The Egyptian economy thus has much to gain from raising women's participation in the labour force. The question is how. There is ample literature exploring how to expand women's opportunity sets through enhancing their skills through education, overcoming social norms such as sexual harassment or unsafe workplaces and commutes, and accommodating their strong preferences for flexible working hours given their household commitments. However, there is limited work systematically exploring the reasons why firms may not hire them. This is an important dimension of the problem if Egypt is to address the phenomenon of low female participation in the labor market in the wake of diminished opportunities in the public sector.

This policy brief attempts to contribute to filling this gap, drawing on two recent papers by Said et al., (2018) and Nazier (2018). The two studies utilize firm-

level data to identify the pattern of women's employment in the Egyptian private sector, and to identify the factors that influence the demand for their skills, with a particular focus on the link between gender diversity, firm productivity and wages.

The rest of the policy brief is structured as follows: The next section presents a set of stylized facts about women's employment in Egypt. We then provide evidence regarding the relationship between gender diversity, productivity and wages. The final section concludes with policy recommendations.

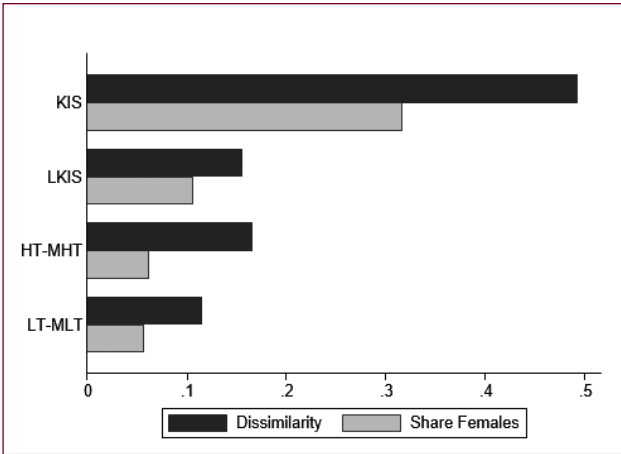
### *Patterns of the demand for women's employment in Egypt*

Inspection of the latest firm-level economic census data from 2013 reveals a set of stylized facts about the pattern of female employment. These stylized facts go beyond simple averages for the entire sample to cover various features of women's participation by firm and sector characteristics, such as knowledge intensity, technology, size and export-orientation. This is because it is known that women's employment in Egypt is segregated by occupational sector and firm size. Our analysis covers all firms in the census, as well as for firms in manufacturing in particular.

The first stylized fact is about the concentration of female's employment in the full sample across sectors. We look at both the share of women's employment in a firm, as well as the level of gender diversity within firms (as firms could also be dominated by women). We measure gender diversity using a dissimilarity index, which ranges from 0 to 1, increasing with greater diversity. We also divide the sample into four sectoral categories: KIS – Knowledge-intensive services, LKIS – Less knowledge-intensive services, HT – High-technology manufacturing, LT-MLT – Low-technology manufacturing. The results are shown in Figure 1, which indicates that the share of females in KIS is over 30 percent, compared to approximately 10 percent in LKIS, but only 6 percent and 5 percent in HT-MHT and LT-MLT respectively. In other words,

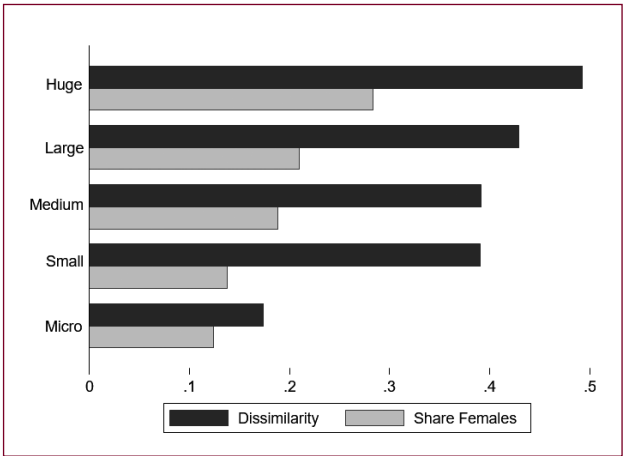
firms operating in KIS employ men and women together more so than other sectors, followed by HT-MHT, LKIS, and LT-MLT.

**Figure 1. Distribution of female share and gender diversity by sector**



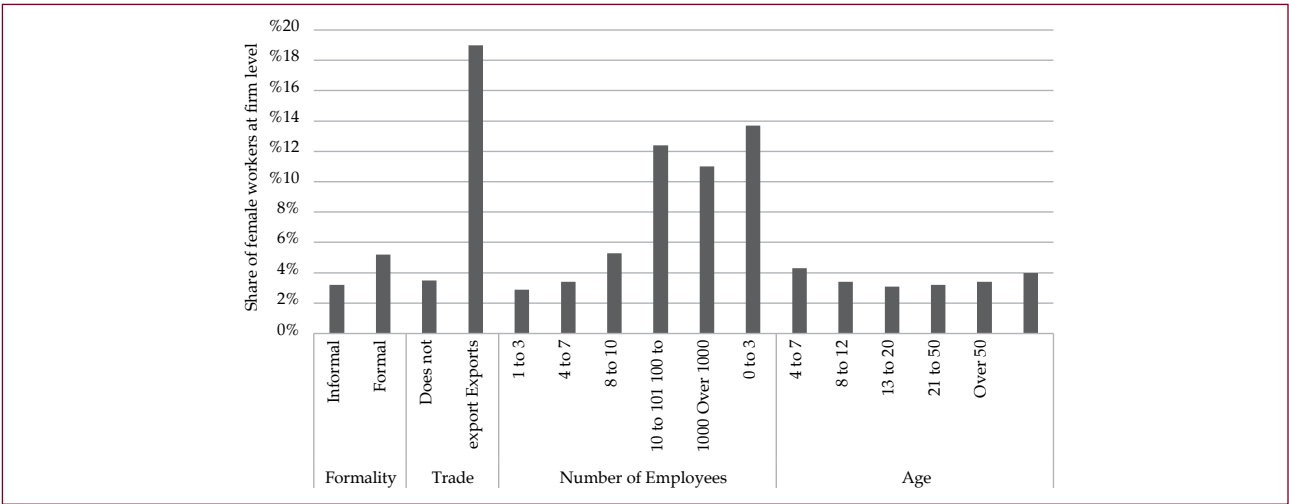
The second stylized fact has to do with women’s employment by firm size, defined by the number of workers such that huge  $\geq 1000$ ), large 250-999, medium 50-249, small 10-49, and micro 0-9. The results, shown in Figure 2 below, clearly indicate that female shares and gender diversity are consistently greater in larger firms.

**Figure 2. Distribution of Female Share and Gender Diversity by Size**



The third stylized fact is concerned with firms in manufacturing. As noted previously, the share of women in manufacturing is relatively small compared to the service industry. However, as shown in Figure 3, there are some noteworthy patterns within manufacturing. Women tend to be employed in formal as opposed to informal firms. They are more likely to work in an exporting firm rather than the ones dedicated to producing for the local market. As such, the share of women in total employment is 19% in exporting and 3.5% in non-exporting firms. Women also tend to be employed in larger firms, rather than smaller ones. There is no systematic difference based on firm age.

**Figure 3. Average Share of Female Employees by Firm Characteristics**



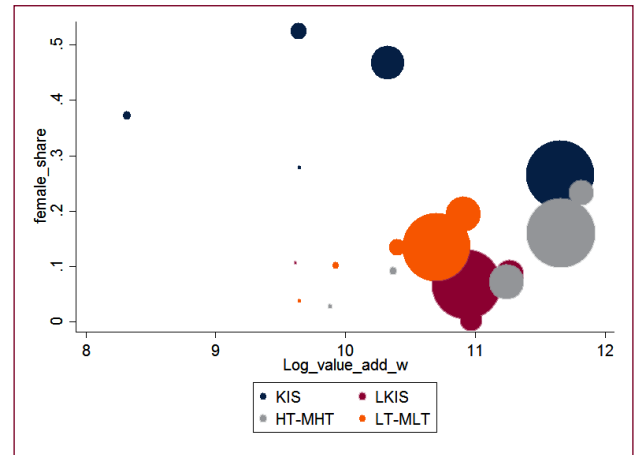
### Gender diversity, productivity and wages

Before turning to the policy implications of the above clustering of women's employment around certain firms and sectors' characteristics, it is useful to explore the relationship between this pattern and productivity and wage differentials. Presumably, this explanation is essential if we are keen not only on enhancing women's participation, but also on boosting economic growth.

To this end, we sought to find meaningful associations between gender diversity, productivity and wages, using the Egyptian Economic Census 2013. What was done specifically was an attempt to explain the variations in productivity in terms of female diversity, controlling for firm and sector characteristics. Our findings are summarized below.

Overall, there is a close association between firm size and productivity per worker. Figure 4 shows the share of female employees on the vertical axis, and value added on the horizontal axis. The markers denote the average of all firms by the five aforementioned size categories ranging from micro to huge and the color denotes the industry classification (four categories). At the sectoral level, the figure indicates that productivity is greatest among huge KIS firms, and medium to huge HT-MHT firms. This observation is consistent with opinion surveys that suggest working conditions are important to women in deciding whether to accept job offers, particularly regarding exposure to gender based violence or harassment (Assaad and Arntz, 2005). There is little or no legal protection for women in microenterprises, and consequently they are less likely to accept employment in such cases. While female shares are higher among KIS firms across all sizes, they are especially concentrated among the medium to large firms within this sector.

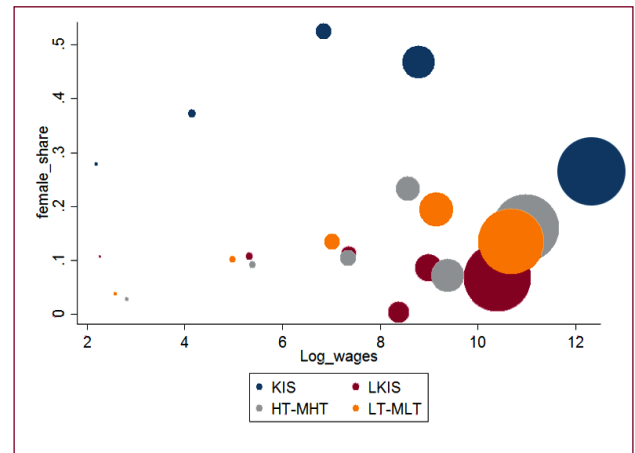
**Figure 4. Female Share and Value Added per Worker**



Note: The size of the circle denotes firm size.

A similar observation holds with respect to wages, as shown in Figure 5, where for the most part, productivity and wages follow a similar pattern. The largest firms in the KIS sector pay the highest wages, followed by HT-MHT, LT-MLT and LKIS.

**Figure 5. Female Share and Wages per Worker**



Note: The size of the circle denotes firm size.

These results suggest that gender diversity is positively associated with productivity and wages in the

knowledge-intensive service sector, but not in manufacturing, especially lower-technology manufacturing. The explanation may be that higher gender diversity increases heterogeneity of beliefs and values, and thus may be linked to greater critical thinking required in knowledge-based industries. This may not apply to lower-technology manufacturing industries, where homogeneity of the workforce could be more beneficial.

### *Policy recommendations*

Clearly the level of women's participation in economic activity in Egypt is not commensurate with ambitions for high economic growth and prosperity. The challenge is to identify actions to reverse this misfortune and to implement them. On the basis of the previous discussions, some policy recommendations emerge.

Firstly, the government could adopt policies to improve working conditions and mitigate private sector disincentives to hire women across sectors. Women have to reconcile their workload with their functions as wives and mothers due to local gender norms. For these reasons, women tend to have frequent career interruptions or, are at least, less willing to work overtime. In that regard, shorter working hours with appropriate salary adjustments, and more work shifts, are options that may reduce turnovers and absenteeism. In addition, safe transportation as well as a system of protection against social misconduct and harassment in the workplace are ways to revive the incentive for women to work. On the demand side, the disincentive of employers to hire women is the additional costs they incur such as mandated maternity leave. This can be remedied by a shared effort of the government to bear the cost of such leaves from social insurance funds, for instance, and to enforce the law on mandatory facilities to accommodate children during working hours.

Secondly, and more directly, the government could adopt policies in support of the sectors where women are most productively employed. These include knowledge-intensive service firms, larger firms across sectors, and exporting firms within manufacturing. It is difficult to articulate the desired policies concretely here, but reforms aimed at improving the quality of on the job training, women business networks, finance for women entrepreneurs would favor women's employment and entrepreneurship in the knowledge-intensive services sector. Similarly, efforts to attract foreign direct investment in knowledge intensive industries through loan accessibility, subsidies and tax alleviation all work in this direction.

Finally, the government can institute policies that promote private sector development and employment generation in general, which will empower both men and women. Firms in formal, more dynamic and productive industries and services in the private sector in Egypt face a host of obstacles, such as the prolonged process of registration, constrained access to credit and inadequate labor-job matching channels. A more enabling formal private sector business environment is especially important since the room for providing women more jobs in the public sector is fiscally costly and less productive.

These reforms would go a long way towards improving the opportunity for women to participate in the workforce, which would both benefit them individually and society at large.

## References:

- Cuberes, D. & Teignier, M. (2014). Gender inequality and economic growth: A critical review, *Journal of International Development* 26(2): . 276–260
- Elborgh-Woytek, M. K., Newiak, M. M., Kochhar, M. K., Fabrizio, M. S., Kpodar, M. K., Wingender, M. P., Clements, M. B. J. & Schwartz, M. G. (2013). *Women, work, and the economy: macroeconomic gains from gender equity*, International Monetary Fund.
- Assaad, R., & Krafft, C. (2015). The evolution of labor supply and unemployment in the Egyptian economy: 1988-2012. *The Egyptian labor market in an era of revolution*, 1-26.
- Assaad, R. & Arntz, M. (2005). Constrained geographical mobility and gendered labor market outcomes under structural adjustment: Evidence from Egypt, *World Development* 33(3): . 454–431
- World Bank (2015). *Women, business and the law 2016: getting to equal*, International Bank for Reconstruction and Development, Washington, DC.
- Said, M., Galal, R., Joeke, S., & Sami, M. (2018). Gender Diversity, Productivity, and Wages in Egyptian Firms. In *Economic Research Forum Working Papers* (No. 1207).
- Nazier, H. (2018). Female Labor in Egyptian Manufacturing Sector: The Demand Side Story. In *Economic Research Forum Working Papers* (No. 1240).

## Recent Policy Briefs

**"When Agglomeration is Necessary but not Sufficient for Productivity in Egypt"** by Karim Badr, Chahir Zaki and Reham Rizk ERF Policy Briefs No. 49, November 2019.

**"Internal versus International Migration in Egypt: Together or Far Apart"** by Anda David, Nelly El-Mallakh and Jackline Wahba ERF Policy Briefs No. 48, October 2019.

**"Household Vulnerability and Resilience in Egypt: The Role of Social Policies"** by Rania Roushdy and Imane Helmy ERF Policy Briefs No. 47, October 2019.

**"Supporting Women's Livelihoods in Egypt: Opportunities and Challenges"** by Caroline Krafft and Emma Kettle, ERF Policy Briefs No. 46, October 2019.

**"Is the Egyptian economy creating good jobs? A review of the evolution of the quantity and quality of employment in Egypt from 1998 to 2018?"** by Ragui Assaad, ERF Policy Briefs No. 45, October 2019.

**"Diversifying livelihood in Egypt: How is it changing?"** by Imane Helmy, ERF Policy Briefs No. 44, October 2019.

**"The Future of Labor Supply and Demographics in Egypt: Impending Challenges and Untapped Potential"** by Caroline Krafft and Emma Kettle, ERF Policy Briefs No. 43, October 2019.

**"Young Gazelles and Aging Turtles: Resolving the Unemployment Dilemma in Arab Countries"** by Hassan Y. Aly, ERF Policy Briefs No. 42, October 2018.

**"The Durable Effects of Gender Policies: Social Change in Arab Countries"** by Veronica Kostenko and Eduard Ponarin, ERF Policy Briefs No. 41, October 2018.

**"Guidelines for Cost-Effective Public Procurement"** by Bedri Kamil Onur Tas, ERF Policy Briefs No. 40, October 2018.

**"The Use of ICT and Employment Generation"** by Yılmaz Kılıçaslan and Ünal Töngür, ERF Policy Briefs No. 39, October 2018.

**"Competitive Real Exchange Rates Are Good for the Poor: Evidence from Egyptian Household Surveys"** by Ibrahim Elbadawi and Eman Refaat, ERF Policy Briefs No. 38, June 2018.

**"The Wrecking Force of Inflation: How the Universal Cash Transfer in Iran Has Lost its Poverty Reduction Impact"** by Ali Enami and Nora Lustig, ERF Policy Briefs No. 37, June 2018.

**"Capital Raising Activity and Firm Growth in the Arab Region"** by Juan J. Cortina, Soha Ismail and Sergio L Schmukler, ERF Policy Briefs No. 36, June 2018.

**"How are families changing in Jordan? New evidence on marriage and fertility trends among Jordanians and Syrian refugees in Jordan"** by Maia Sieverding, Caroline Krafft and Nasma Berri, ERF Policy Briefs No. 35, May 2018.

**"The Wellbeing of Syrian Refugees: Shifting from Humanitarian to Developmental Response in Jordan"** by Caroline Krafft and Maia Sieverding, ERF Policy Briefs No. 34, May 2018.

**"The Impact of the Syrian Refugee Influx on the Education and Housing Outcomes of Jordanians"** by Ragui Assaad, ERF Policy Briefs No. 33, May 2018.

**"The Impact of the Syrian Refugee Influx on the Jordanian Labour Market"** by Jackline Wahba, ERF Policy Briefs No. 32, May 2018.

**"Can Sovereign Wealth Funds Mitigate the Negative Impact of Volatility?"** by Kamiar Mohaddes and Mehdi Raissi, ERF Policy Briefs No. 31, March 2018.

**"Politics Affect Exports in Egypt"** by Nora Aboushady and Chahir Zaki, ERF Policy Briefs No. 30, March 2018.

**"Reforming Rules of Origin in Greater Arab Free Trade Area for Effective Economic Integration"** by Bashar Hikmet Malkawi, ERF Policy Briefs No. 29, September 2017.

**“Measures to Protect Poor Sudanese Households from the Risks of Catastrophic Health Expenditures”** by Mohammed Elhaj Mustafa and Ebaidalla Mahjoub Ebaidalla, ERF Policy Briefs No. 28, August 2017.

**“Scientifically-Supported Economic Incentive Approaches for the Long Term Sustainability of Atlantic Bluefin Tuna Fisheries”** by Rashid Sumaila, ERF Policy Briefs, No. 27, August 2017.

**“Currency-Plus-Commodity Basket: A Proposal for a New Exchange Rate Arrangement for Gulf Oil-Exporting Countries”** by Jeffrey A. Frankel, ERF Policy Briefs, No. 26, June 2017.

**“The Political Realities of Economic Reform in the Gulf Monarchies”** by Michael Herb, ERF Policy Briefs, No. 25, June 2017.

**“Sheltering the Poor against Catastrophic Healthcare Payments through Micro Insurance: Lessons from the African Experience”** by Ahmed Rashad and Mesbah Sharaf, ERF Policy Briefs, No. 24, May 2017.

**“Egypt Must Strengthen Budget Institutions to Curb Mounting Budget Deficit”** by Mohamed Zaky, ERF Policy Briefs, No. 23, May 2017.

**“The Impact of Emigration on MENA Labor Markets”** by Anda David and Mohamed Ali Marouani, ERF Policy Briefs No. 21, October 2016.

**“The US Fracking Boom, Oil Prices and Policy Options for Arab Oil Producers”** by Romesh Vaitilingam, ERF Policy Briefs No. 20, October 2016.

**“Labor Market Regulations: Job Security versus Labor Flexibility”** by Jackline Wahba, ERF Policy Briefs No. 19, September 2016.

**“Employment and Rates of Return to Education in Arab Countries: Gender and Public Sector Perspectives”** by Zafiris Tzannatos, ERF Policy Briefs No. 13, June 2016.

**“Reducing Air Pollution in Cairo: Raise User Costs and Invest in Public Transit”** by Alban Thomas, ERF Policy Briefs No. 12, May 2016.

**“Trade Liberalization in Egypt: Let the Informal Labor Market Take the Strain”** by Abeer Elshennawy, ERF Policy Briefs No. 11, May 2016.

**“Replace Discretion with Rules: How Policy Reform Can Boost Economic Performance”** by Izak Atiyas, ERF Policy Briefs No. 10, May 2016.

**“Sticks Rather than Carrots to Induce More Formality”** by Aysit Tansel, ERF Policy Briefs No. 9, April 2016.

**“Modifying the Path of Fertility Rates to Accelerate Egypt's Entry in the Demographic Window” (in Arabic)** by Sara El Khishin, ERF Policy Briefs No. 8, April 2016.

**“Going beyond Doing Business to Foster Job Creation in Arab Countries”** by Jamal Ibrahim Haidar and Hedi Larbi, ERF Policy Briefs No. 7, April 2016.

**ERF at a Glance:** The Economic Research Forum (ERF) is a regional network dedicated to promoting high-quality economic research for sustainable development in the Arab countries, Iran and Turkey. Established in 1993, ERF's core objectives are to build a strong research capacity in the region; to encourage the production of independent, high-quality research; and to disseminate research output to a wide and diverse audience. To achieve these objectives, ERF's portfolio of activities includes managing carefully selected regional research initiatives; providing training and mentoring to junior researchers; and disseminating the research findings through seminars, conferences and a variety of publications. The network is headquartered in Egypt but its affiliates come primarily from different countries in the region.

#### ERF Contact Information

**Address:** 21 Al-Sad Al-Aaly St., Dokki, Giza, Egypt  
**Telephone:** 00 202 333 18 600 - 603 | **Fax:** 00 202 333 18 604  
**Email:** erf@erf.org.eg | **Website:** <http://www.erf.org.eg>

ECONOMIC  
RESEARCH  
FORUM



منتدى  
البحوث  
الاقتصادية