

THE REGIONAL REPORT ON JOBS AND GROWTH IN NORTH AFRICA

“PRESENTATION OF KEY MACROECONOMIC
INDICATORS, LABOUR MARKET TRENDS AND
THE COVID-19 IMPACT”

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► Regional report on jobs and growth in North Africa





Economic growth and labour market outcomes in North Africa:

An overview of developments in Algeria, Egypt, Sudan and Tunisia since 2000



Introduction



- Generally disappointing labor market outcomes contributing to political unrest
- We shed light on poor employment performance in the North Africa region by examining the relationship between patterns of economic growth and labour market outcomes
- Well-established that North Africa region is the region with the highest youth unemployment rates in the world
 - Youth UR. 29.8% compared to a world average of 13.7%
- Also, together with Middle East, it is the region with the lowest female labor force participation in the world
- History of dependence on oil and mineral resources as the main drivers of growth
 - Growth performance better in 2000-08 than in 2010-18 period

Key Messages



- Productivity decompositions confirm that structural change has mostly favoured low-productivity sectors
 - Negative contribution to productivity growth in Algeria and Egypt and more mixed in Tunisia
 - Growth of sectors characterized by low quality jobs such as construction or trade
 - Very low basis for high productivity service sectors, such as ‘finance and insurance’ and ‘information and communications’: limited impact on the overall structure of employment
 - Premature de-industrialisation

Key Messages



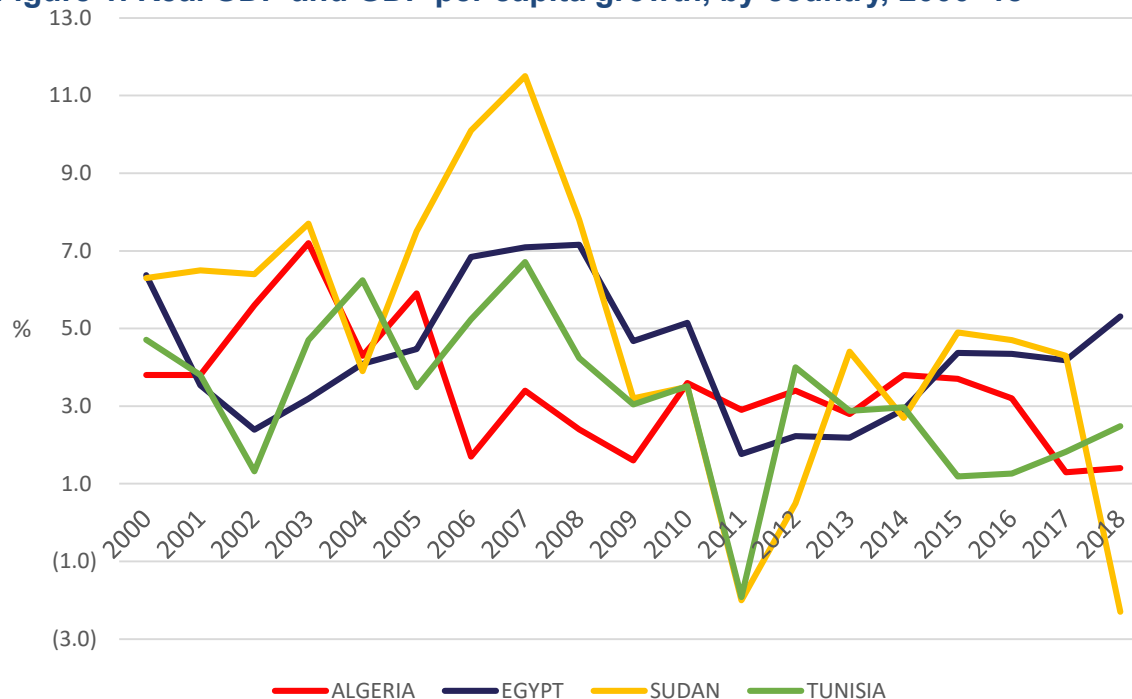
- Flow of oil and mineral rents into government coffers enable an outsized role for the public sector
- Trends in labor force participation reflect stagnating or falling participation among men and slightly rising participation among women
- Employment rates reflect rate of economic growth –with some inertia.
- Unemployment reflects the labour market insertion problems of young educated entrants and thus depends critically on the rate at which this group is growing
- Limitation of the role of the public sector in the labour markets of some countries
 - less success in growing private sector formal employment.

Growth Performance



Pace of growth was generally higher in 2000-08 period, slowing in all four countries in 2010-18 period. Some recovery in Egypt

Real GDP growth
Figure 1. Real GDP and GDP per capita growth, by country, 2000–18

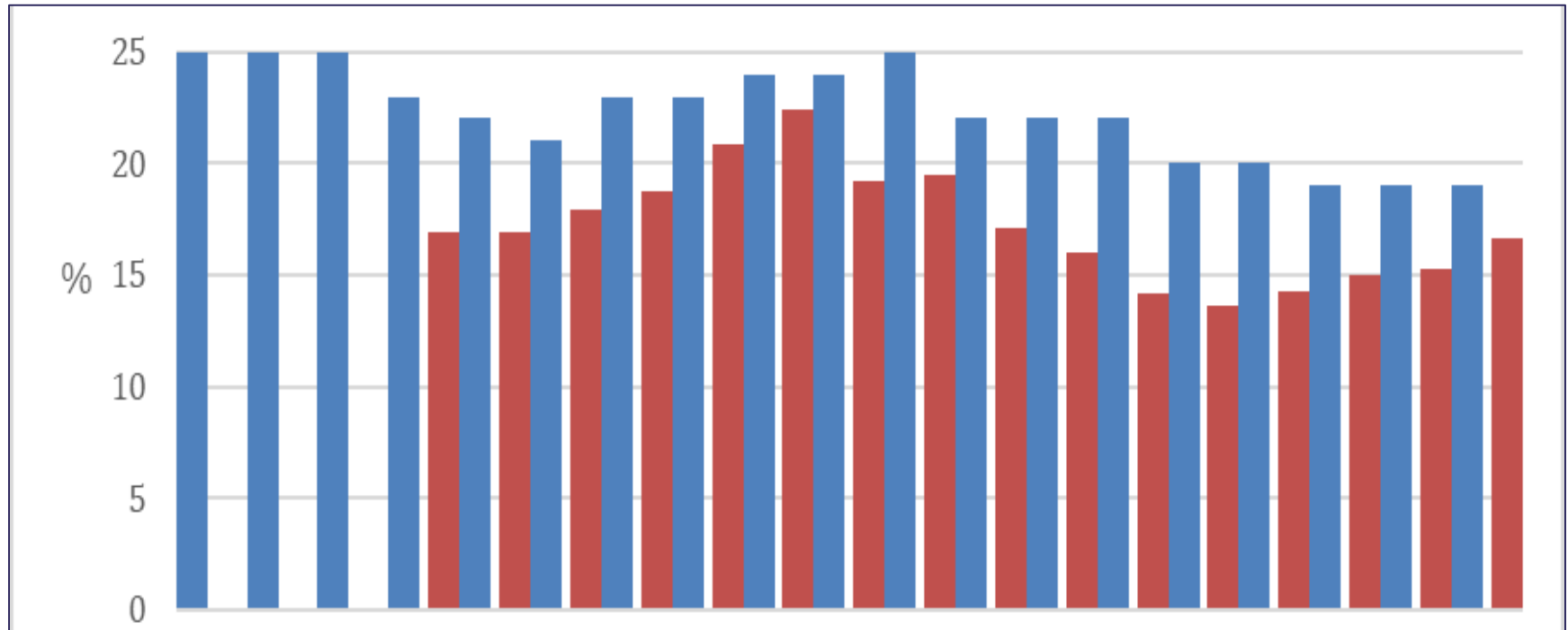


Pattern of Resource Use

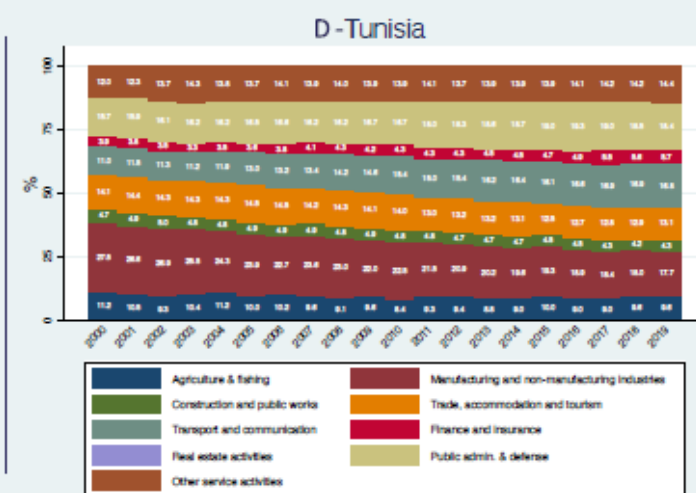
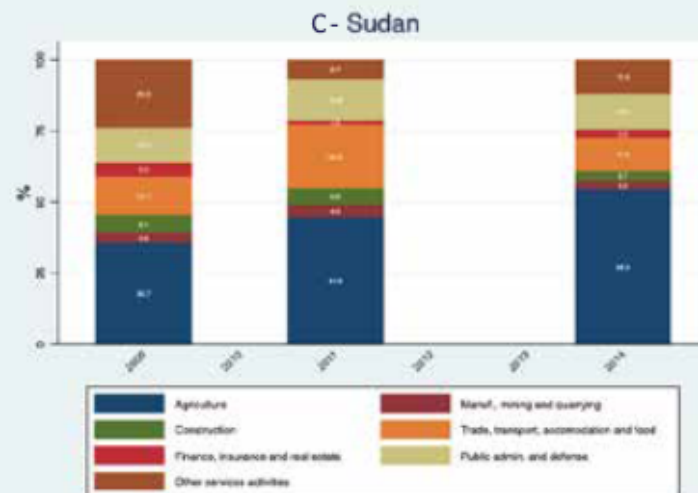
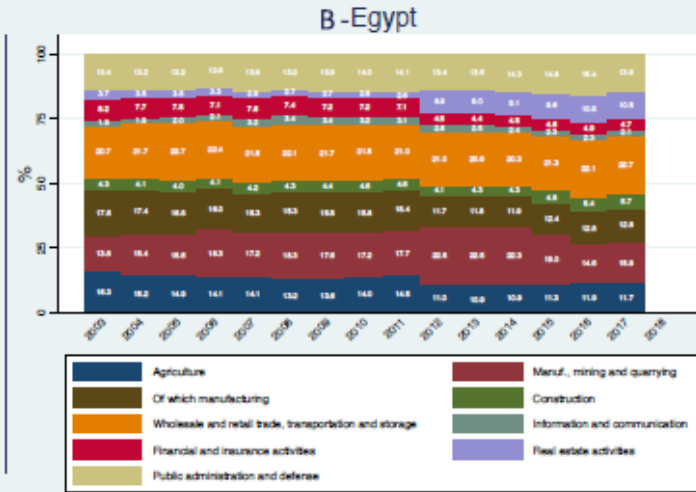
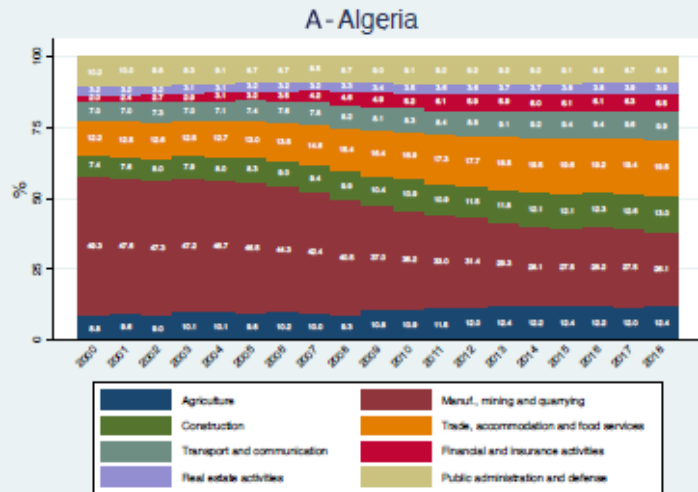


- Dominance of household consumption and a low investment-to-GDP ratio
 - except in Algeria where a significant share of oil revenues is devoted to investment.
- Rising public consumption spending in Tunisia and rising public investment spending in Egypt
- Rising external deficits

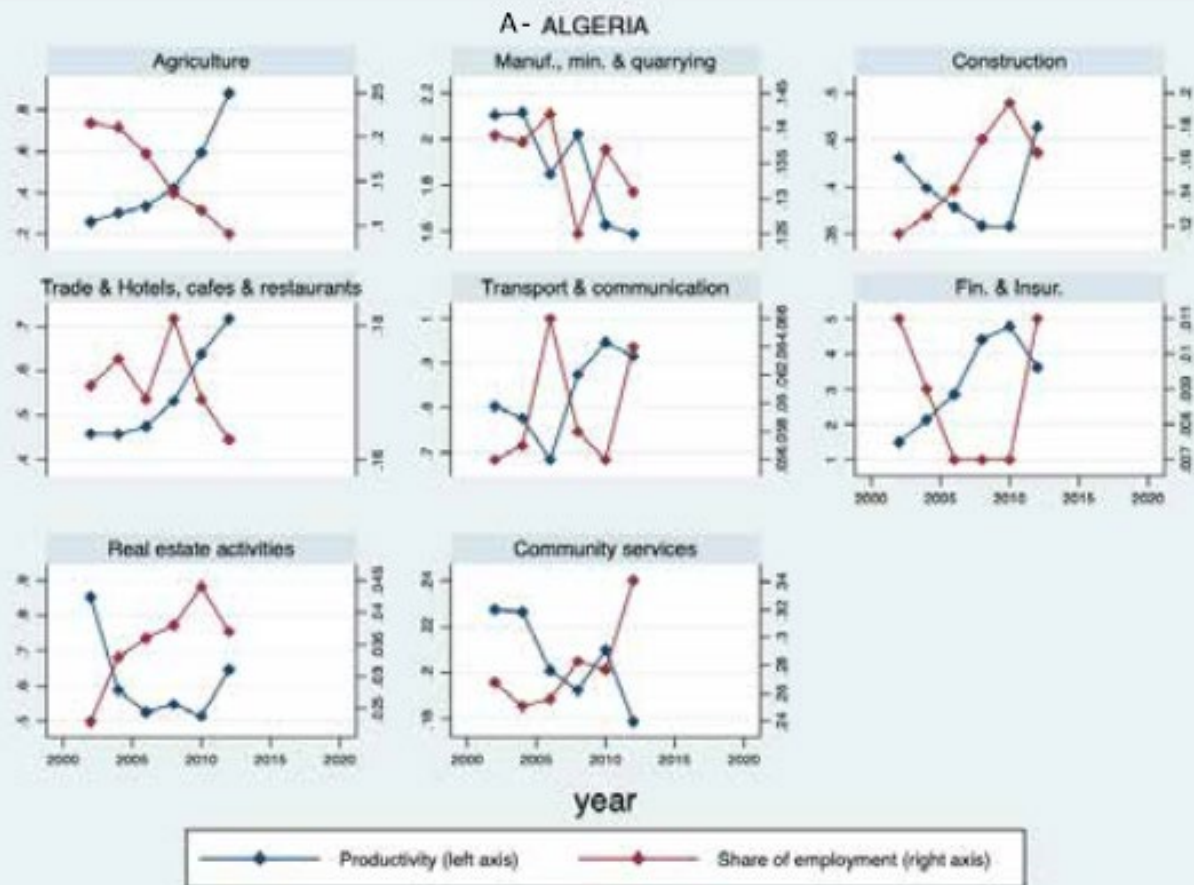
Share of investment as a percentage of GDP, Egypt and Tunisia



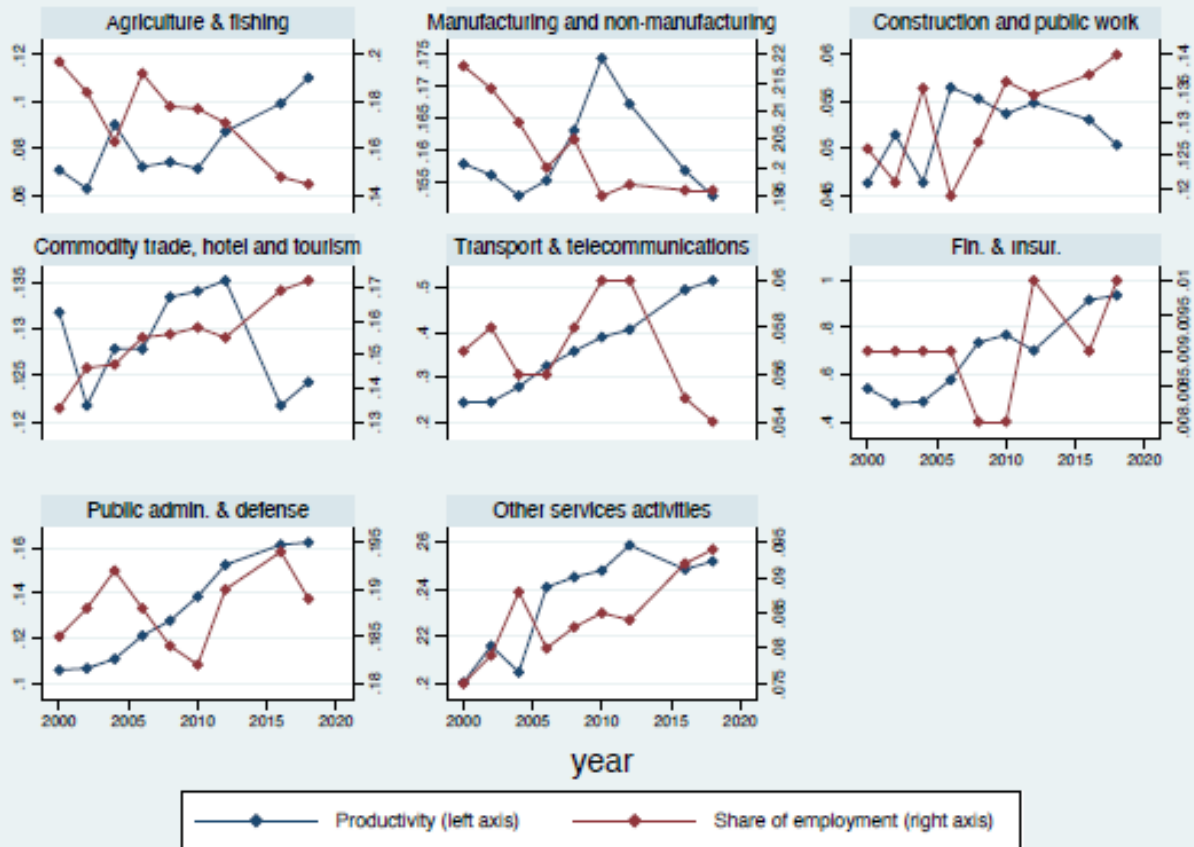
► Figure 9. Distribution of value added by broad industry sector



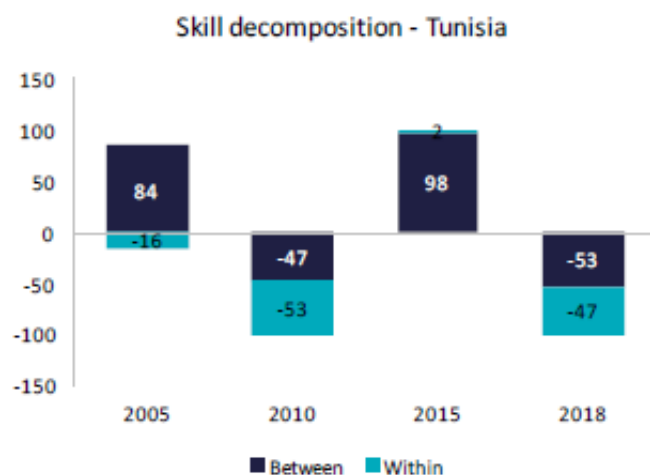
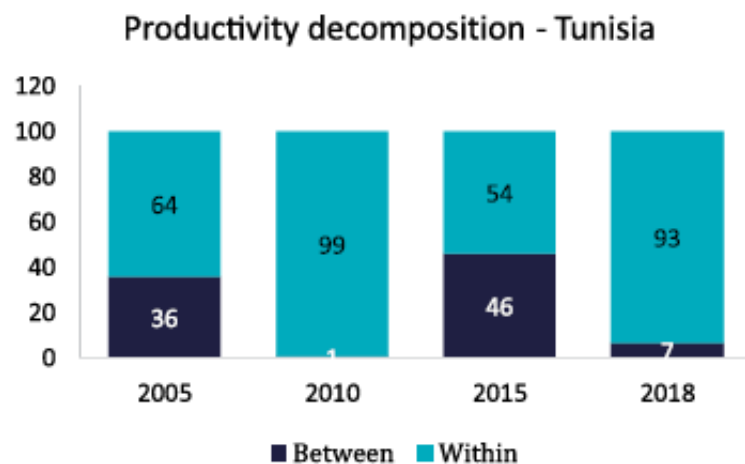
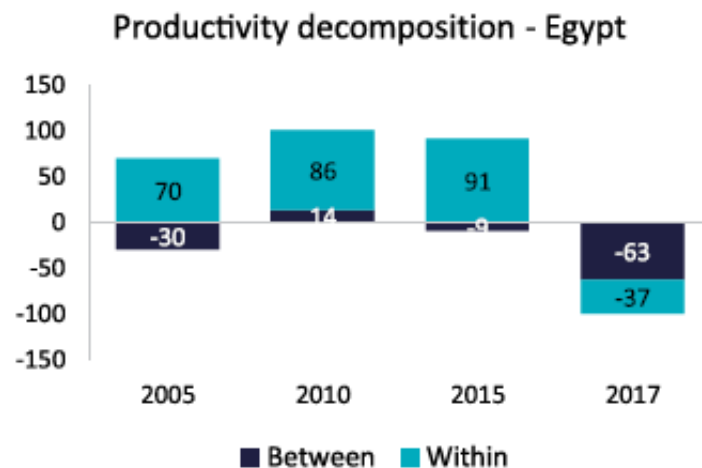
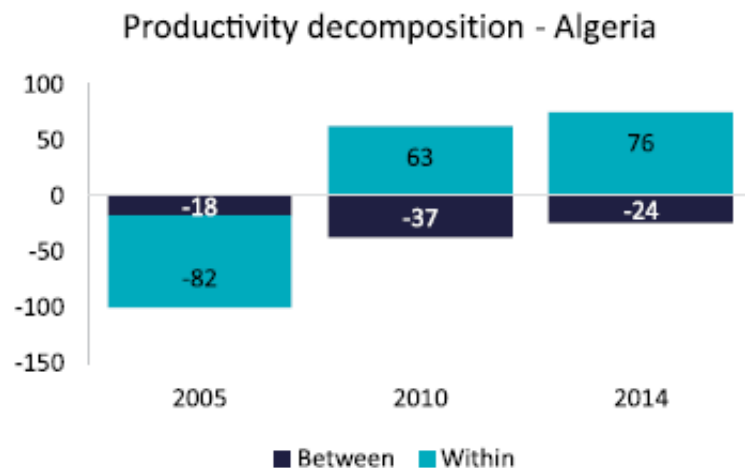
► **Figure 11.** Growth rate of employment and productivity, by broad industry sector



C- TUNISIA



► **Figure 13. Productivity decompositions**



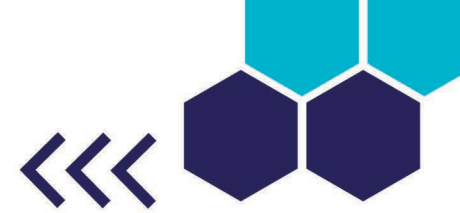
Patterns of Labour Force Participation



- Low labour force participation rates affect all four countries, including some of the lowest female participation rates in the world.
- Overall trends reflect stagnating or falling participation levels among men and slightly rising levels among women.
- Falling rates among men show different patterns by country
- Slowly rising rates among women reflect changing education mix and slightly rising rates among educated women
 - But, more of a reflection of rising unemployment rates than rising employment rates

Labor Force Participation Rate by Educational Attainment and Sex, per cent

Patterns of Unemployment




- Unemployment in North Africa is primarily associated with labour-market-entry among younger, more educated workers
- Unemployment rates are therefore mostly determined by the rate of growth of the youth population, which has slowed somewhat in recent years
- Also, highly dependent on the rate of growth of public sector hiring

Unemployment Rate by Educational Attainment and Sex, per cent

Youth Not in Employment Education or Training (NEET)

NEET rates have fallen in Algeria, risen in Tunisia and remained relatively stable in Egypt (and Sudan)

Youth NEET Rate by Sex and Country



Evolution of the Structure of Employment



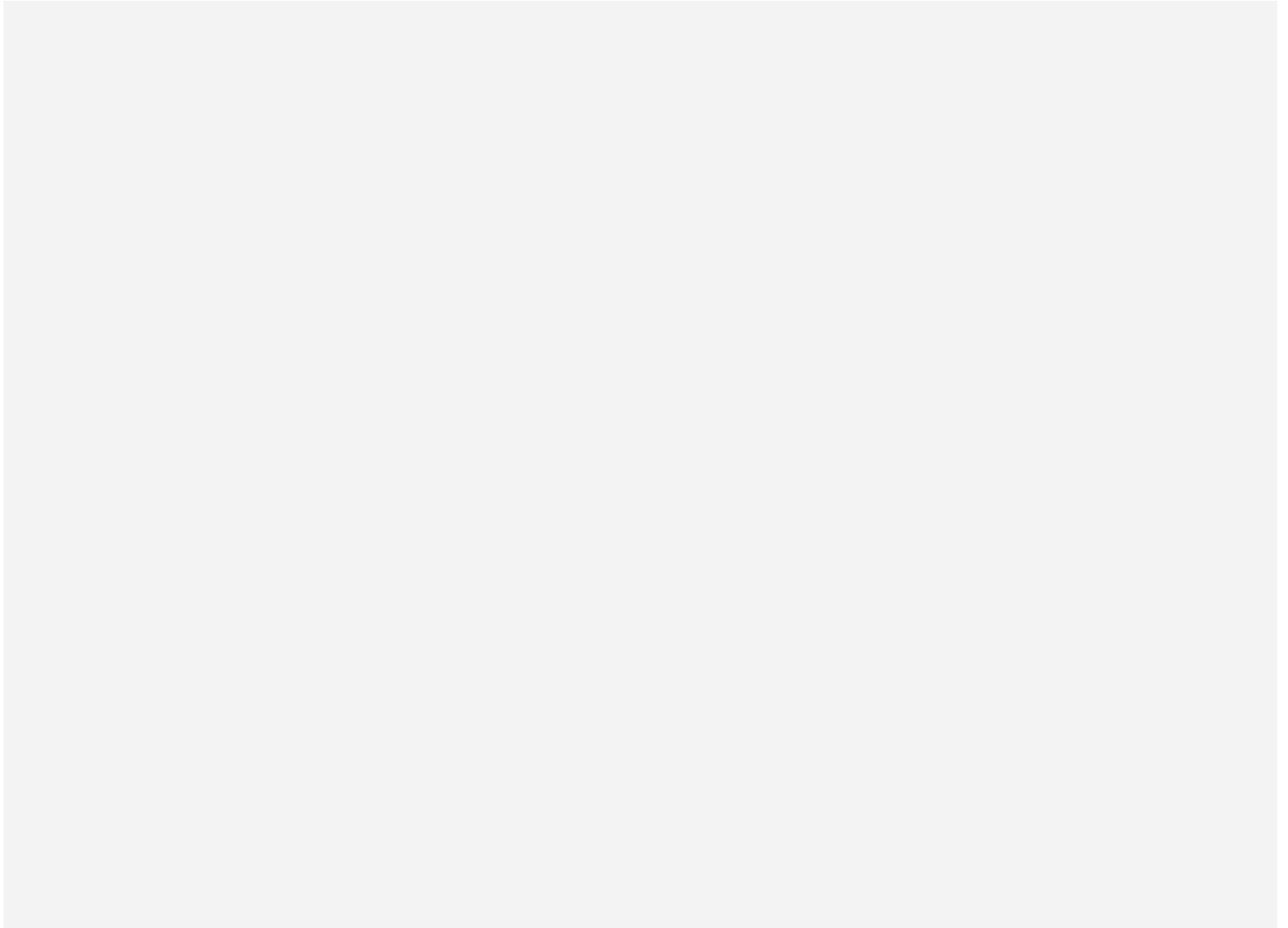
- We classify employment by sector of ownership (public/private), wage or non-wage, formality, and in and out of establishments (if available)
- In **Algeria**, the public sector is still very dominant, accounting for about 30–40 per cent of overall employment, and nearly two-thirds of female employment
- In **Egypt**, public sector employment had been falling since the 1970s and has continued to decline in the 2000s and 2010s to reach 22 per cent in 2019,
 - rate of decline has slowed since 2011
 - Still constitute a third of employment for women
- In **Tunisia** public sector share similar to Egypt's also declining slowly, and in **Sudan** even lower at 15 per cent.

Evolution of the Structure of Employment



- Private formal wage work plays a very limited role in **Algeria**, a slightly bigger role but stable role in **Egypt**.
- It plays an even bigger and slowly expanding role in **Tunisia**,
 - It is especially important for Tunisian women's employment.
- Big expansion in the share of informal wage employment in **Algeria** and **Egypt**, especially in its out-of-establishment component
- Women avoid informal wage employment, especially when outside of establishments
- Share of informal wage employment remained stable in **Tunisia** and the share of all forms of wage employment fell in **Sudan** in favor of self-employment and unpaid family work

Structure of Employment by Type



Link between Evolution of Structure of Employment & Pattern of Economic Growth



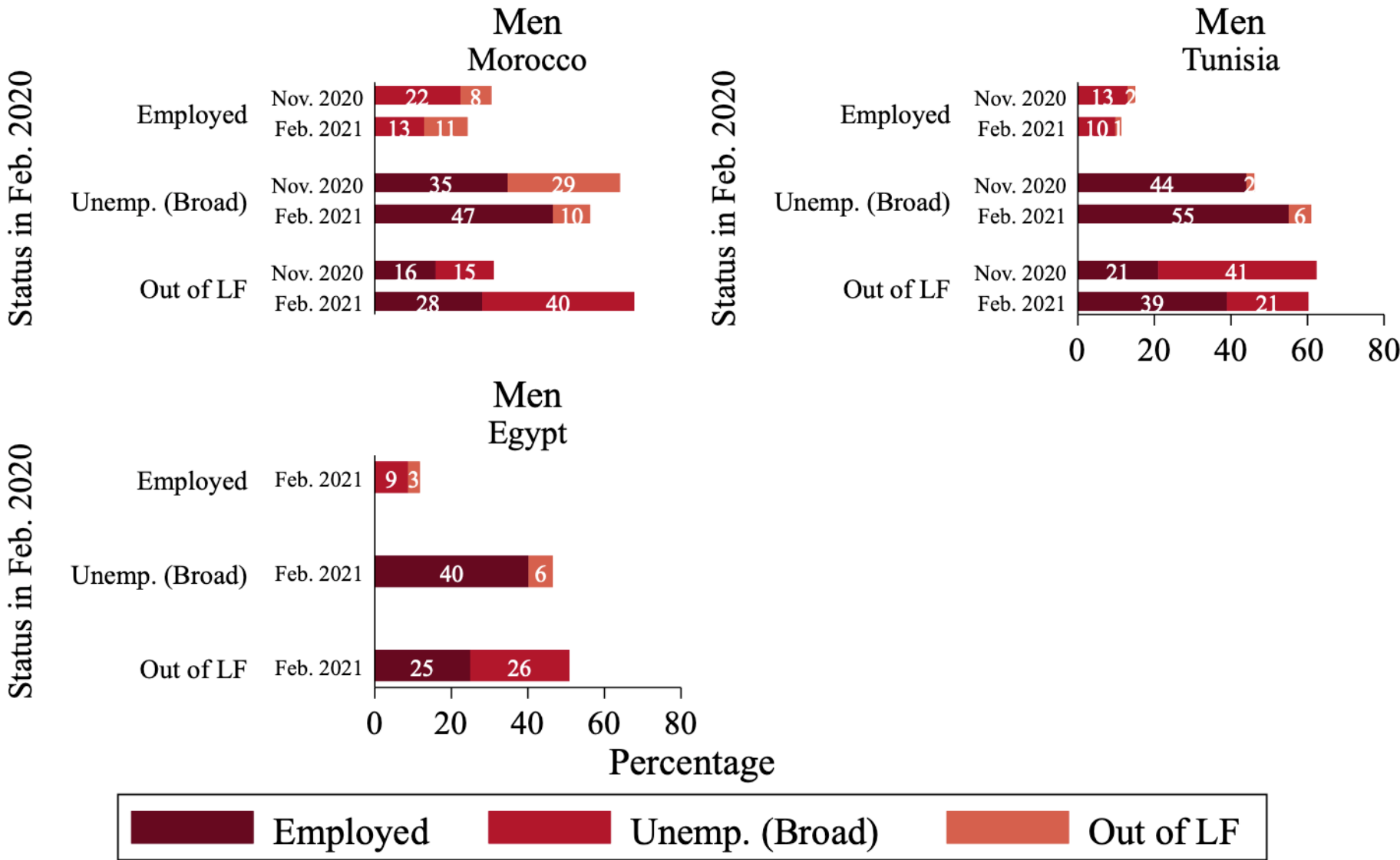
- In **Algeria**, slowdown in mining, manufacturing and utilities sectors put downward pressure on public employment and private formal wage employment
 - Resurgence in public employment in 2011-2014 is related to growth in ICT & transport, finance & insurance, and community services
 - Growth in construction responsible for growth of informal wage employment out of establishments
- In **Egypt**, slow growth of public administration and manufacturing account for slow growth in public and private formal wage employment
 - Like Algeria, growth of informal wage employment outside establishment associated with growth of construction and real estate.
 - Growth in wholesale and retail trade, transport, accommodation and food services accounts for the remaining growth of informal wage employment

Link between Evolution of Structure of Employment & Pattern of Economic Growth

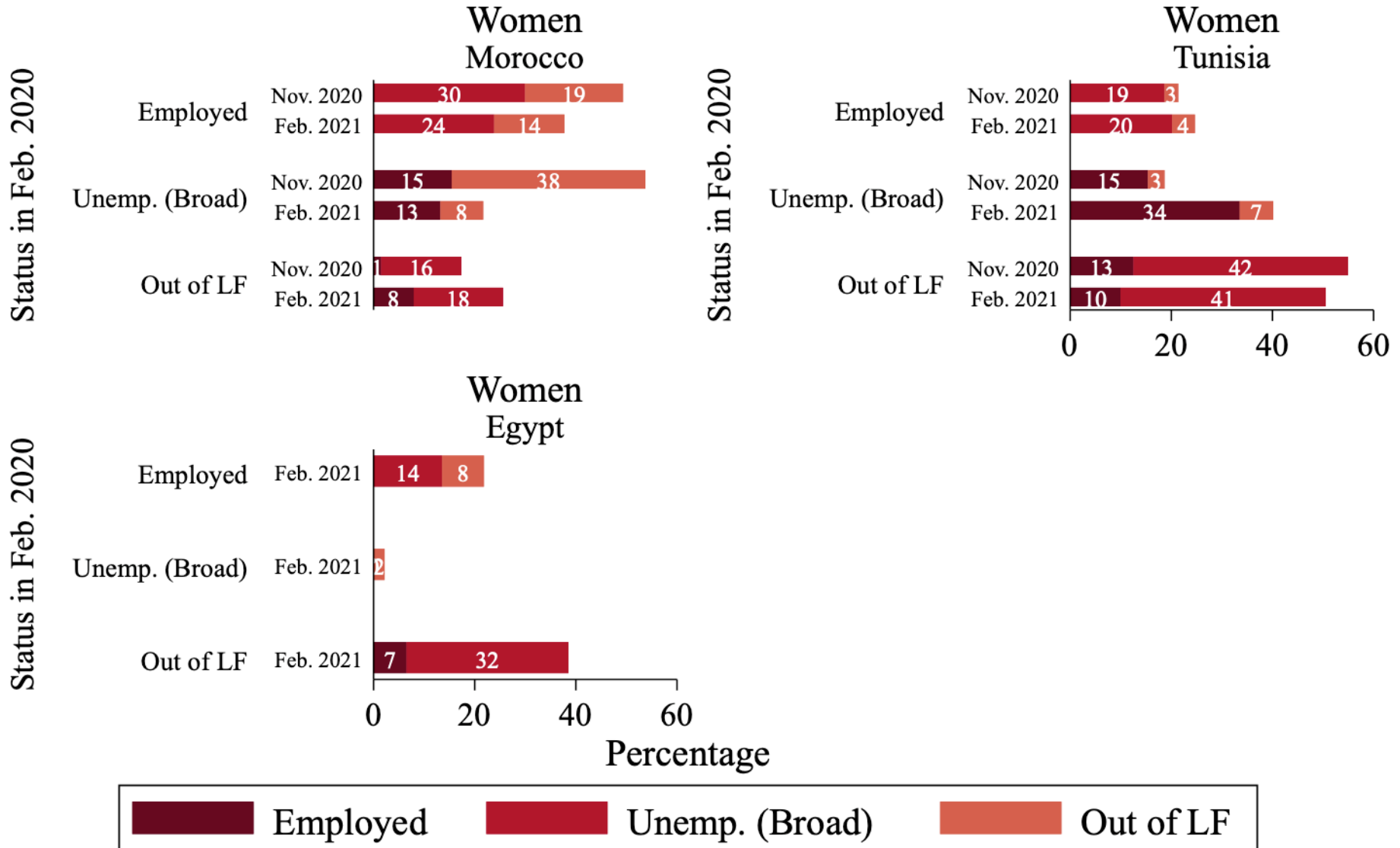


- In **Sudan**, the main story is agriculture acting a labor sponge as opportunities dwindle elsewhere in the economy, leading to a growth of self-employment and unpaid family labor
- In **Tunisia**, employment grown has been faster than average in non-tradable industries, including public administration
 - Construction and wholesale/retail trade produce low-quality informal jobs
 - Post-revolution growth of public administration has counteracted decline of mining employment and slowed down the decline in public sector employment
 - Main problem in Tunisia has been generally low rate of economic and employment growth

Change in Employment Status during COVID-19 Pandemic, Men



Change in Employment Status during COVID-19 Pandemic, Women



Conclusions



- Stagnating or declining rates of labor force participation despite them being fairly low by international standards to start with
 - Indicator of increasing discouragement among lesser educated men and youth
 - Rising rates of participation among educated women often reflect rising unemployment rates rather than employment rates
- Declining rates of unemployment overall are more indicative of temporary reductions of demographic pressures among youth rather than increasing employment rates
- Effects of pandemic on employment much more pronounced for women than for men
 - Much bigger employment loss and limited ability to enter employment
 - Some degree of recovery from Nov. 2020 to Feb. 2021 in Morocco and Tunisia

Conclusions



- Recent history of dependence on mineral resources led to structural change favouring low-productivity and thus low-quality, often informal, jobs.
 - growth of non-tradable sectors, such as construction, real estate, wholesale and retail trade, and transport, essentially led to premature deindustrialization
 - Most productivity growth within sector
- Efforts to re-orient economies in a market-led direction limited the role of public sector in labor market, but failed to generate good, formal jobs in the private sector
- North African Economies will continue to deindustrialize unless an ambitious industrial policy is pursued, where the State plays a facilitating and stimulating role – with fiscal, financial, educational and research and development measures

*Thank you for
your attention!*



Questions?!