

# 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





## Labour market vulnerability and patterns of economic growth: The case of Egypt



# Introduction



- Economic growth has been accompanied by deteriorating labor market outcomes
- Significant reforms (energy subsidies, freeze in the public sector hires, **EGP devaluation**) have greatly improved macroeconomic aggregates
- But poverty rates, inequality have increased
- Even though unemployment rate decreased, employment rate also decline, the quality of jobs deteriorated reflecting the declining role of the public sector and the predominance of micro and small enterprises
- Data sources
  - CAPMAS and Institute of Planning – Social Accounting Matrices
  - Central Bank of Egypt – Time Series Data on Domestic Debt & Foreign Direct Investment
  - Ministry of planning and Economic Development – National Accounts data
  - LFS 2000-2017
  - ELMPS 1998, 2006, 2012 & 2018



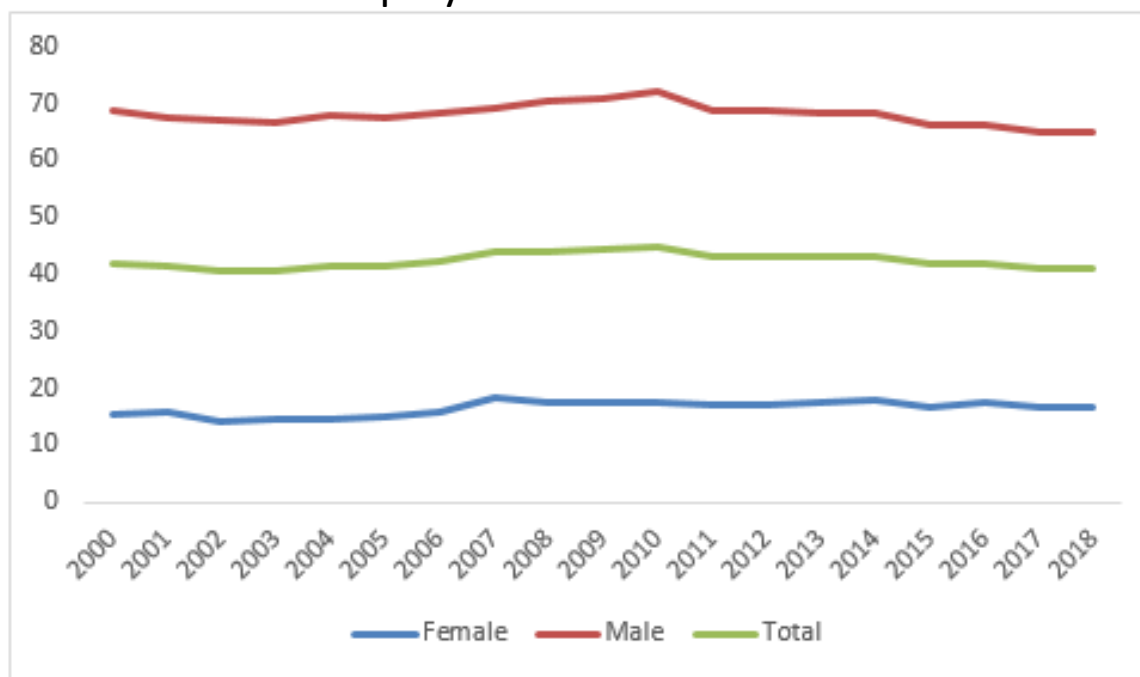
## The pace and pattern of growth

# Employment to population ratio, by gender



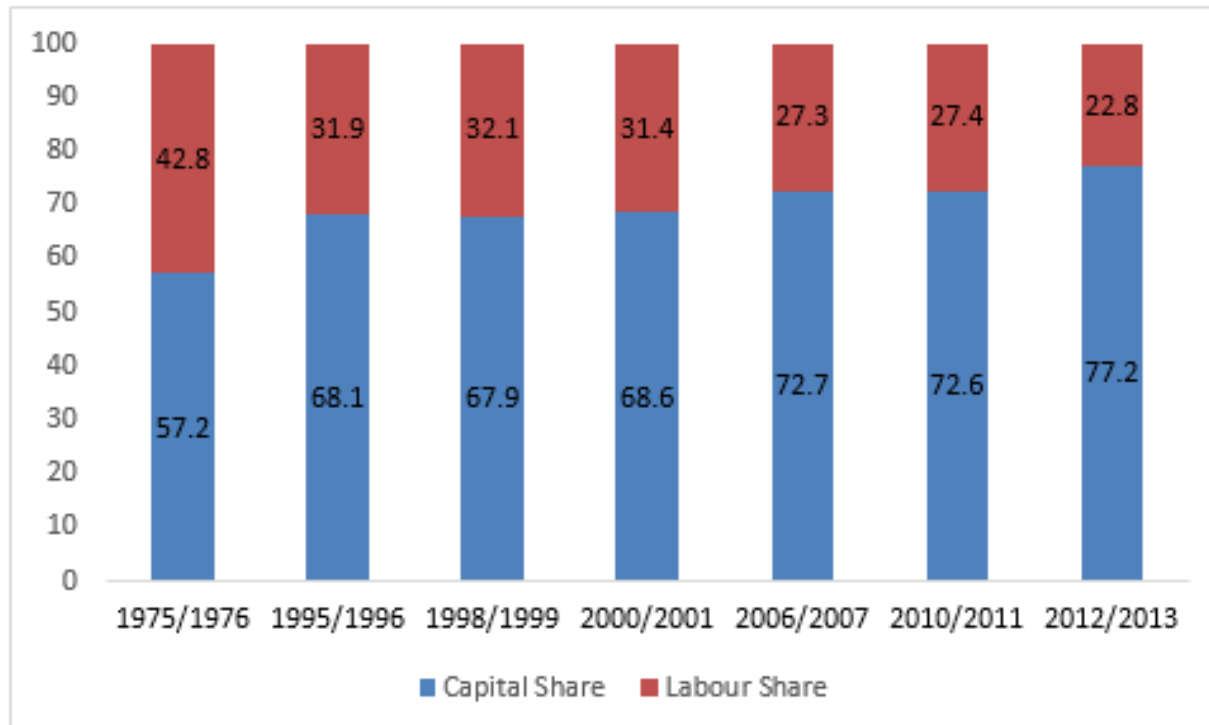
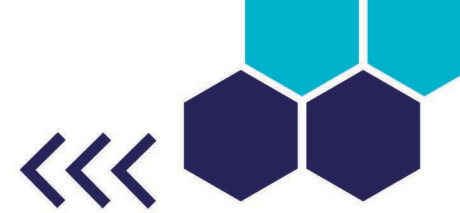
The employment-to-population ratio declined from 45 per cent in 2010 to 41 per cent in 2018.

Despite the reforms that took place at the macroeconomic level, growth failed to generate jobs and increase employment



Source: Authors' own elaboration, using different Labour Force Surveys (LFS). 2000–18.

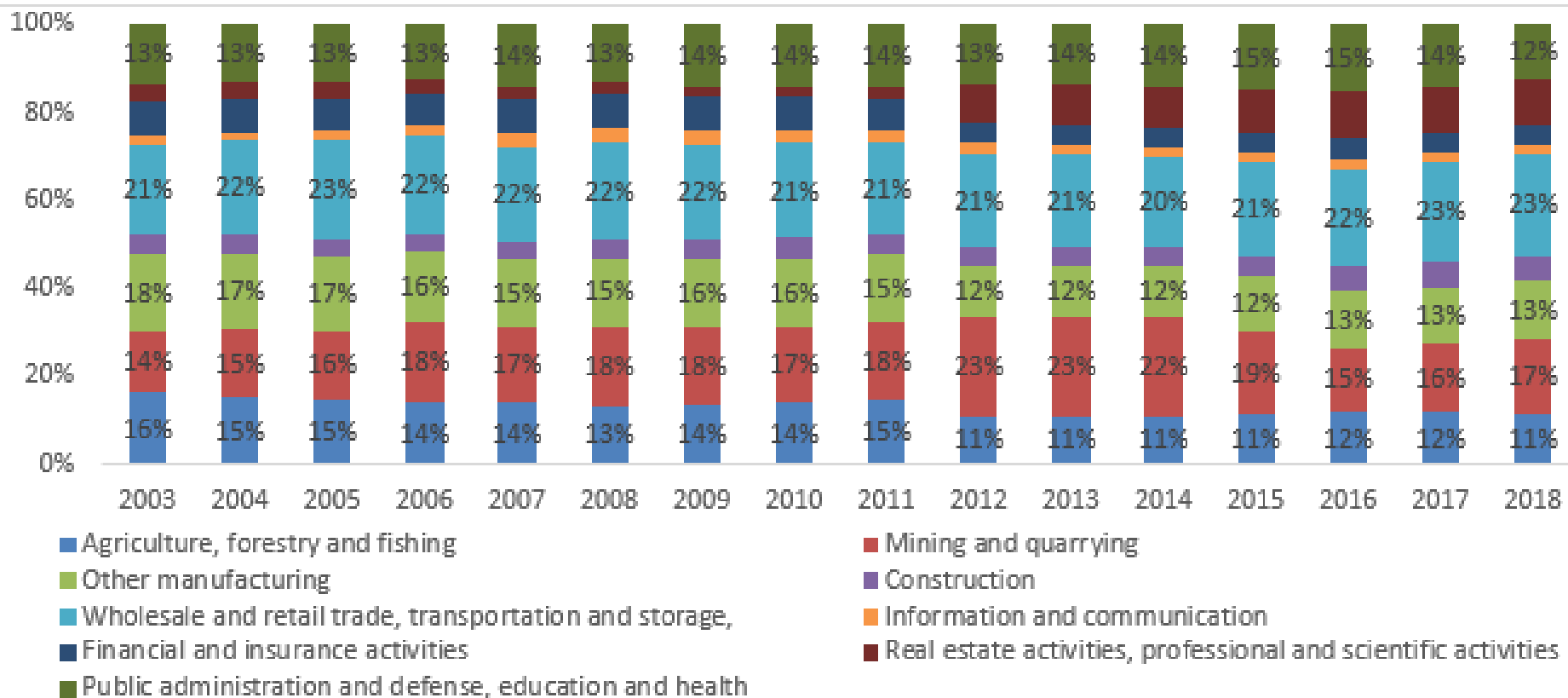
# GDP decomposition, by factors of production



# Distribution of value-added by economic activity

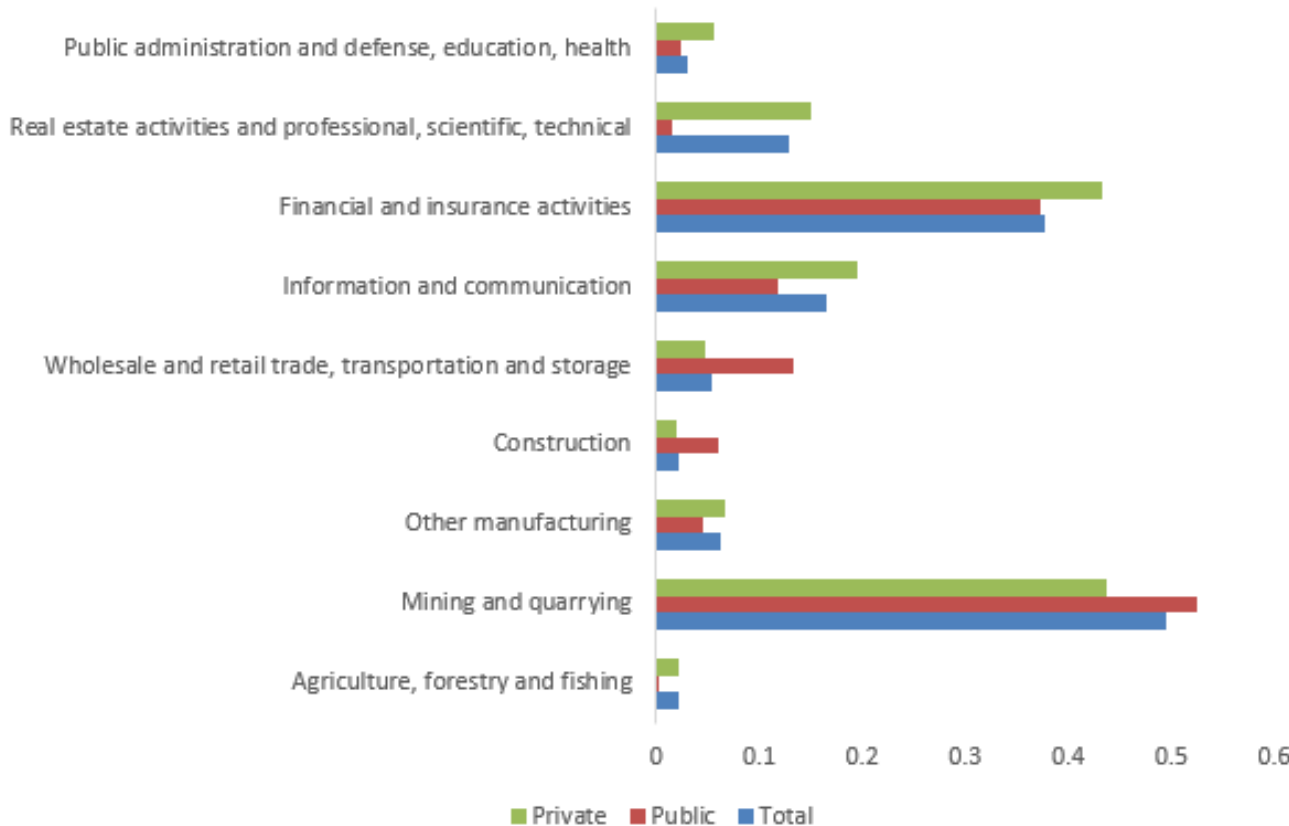


More services, stable agriculture and a slight increase in manufacturing mainly in the mining sector that is capital intensive





# Value added per worker (labour productivity)



- The largest productivity gains stem from public sector mining that continued to deliver high value-added and a declining share of employment.
- For the private sector, employment shares increased, but productivity has declined, especially for manufacturing, social services, transport, utilities, finance, and accommodation and food services.

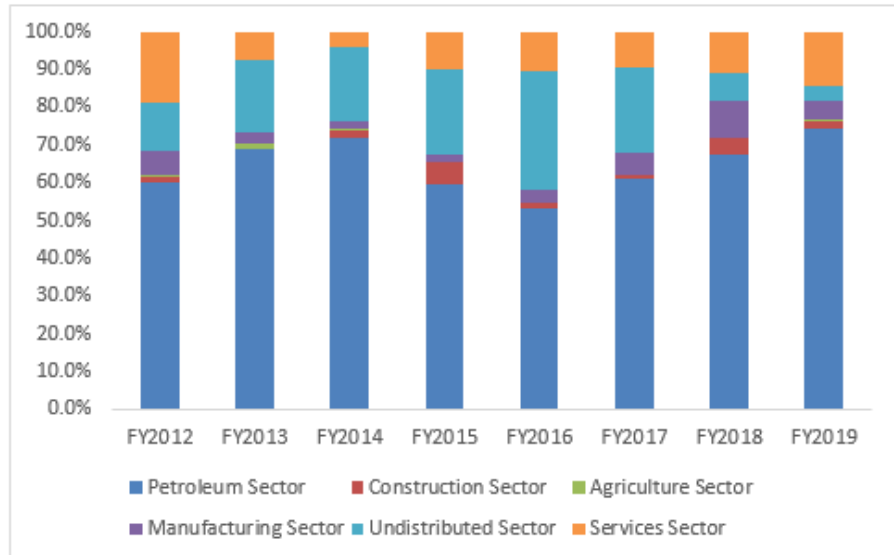
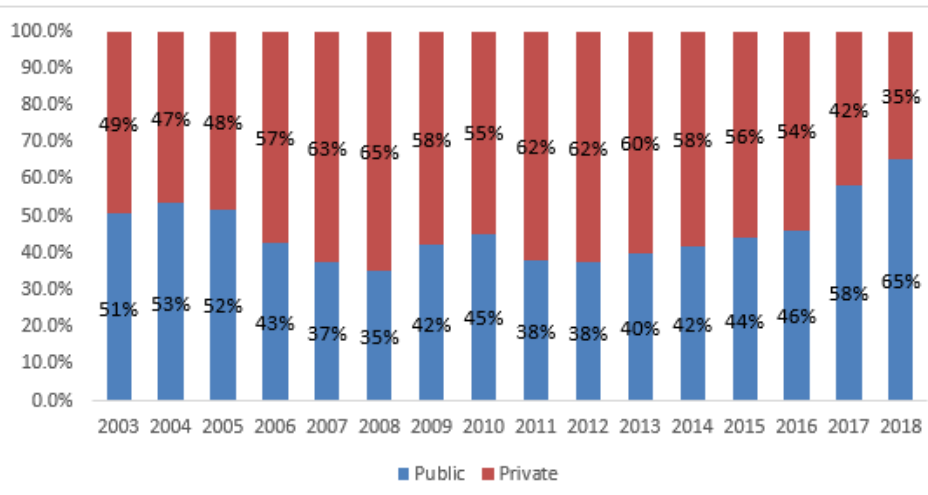


# Domestic and Foreign Investments



Changing trends of domestic investment: more public investments and less private investments

FDI allocation: the petroleum sector ranks first, followed by the services sector, which helps to explain why most of the FDI in-flows in Egypt did not generate enough jobs.



# Evolution of constraints on businesses 2013–20



Item	2013	2016	2020	
Improvement	Access to finance	10.4	13.2	8.4
	Access to land	0.6	1.1	0.2
	Crime, theft and disorder	4.4	2.9	0.5
	Electricity	9.2	5.9	3.1
	Labour regulations	2.4	4.1	2.1
	Political instability	48.8	33.8	17.4
Stability	Courts	0.2	0.2	0.2
	Business licensing and permits	5.1	8.2	5.8
	Corruption	5.5	6.6	14.6
	Customs and trade regulations	0.7	4.6	4.7
	Inadequately educated workforce	1.8	4.4	2.2
	Practices of the informal sector	4.4	3.1	8.7
	Tax administration	1.2	1.9	6.3
	Tax rates	3.9	8.7	24.4
	Transportation	1.3	1.3	1.5

**Note:** The table includes the percentage of firms that identified each variable as the biggest constraint.

**Source:** Author's elaboration, using World Bank Enterprise Surveys for 2013, 2016 and 2020.



## Section 2. : LM Trends

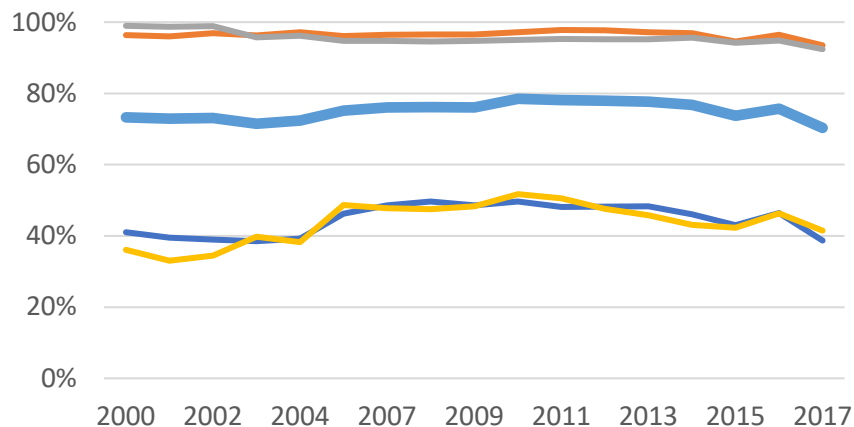
LFP, Employment,  
Unemployment)

# Labor Force Participation

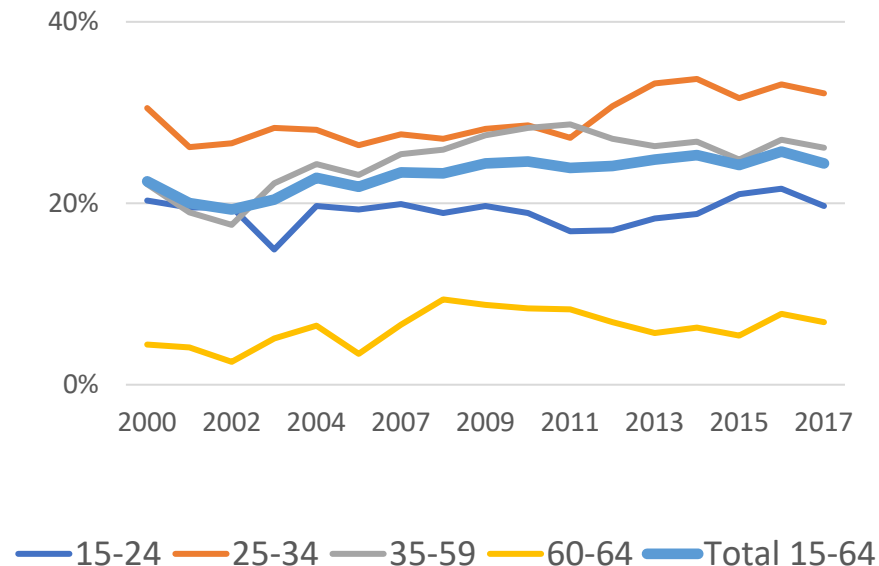


- Gender differences (M: 70.3%; F: 24.4%)
- **Declining** LFP since 2010 mainly driven by a drop in male participation at all ages and all educational levels
- Recent decline in female LFP at all ages and educational levels

Men



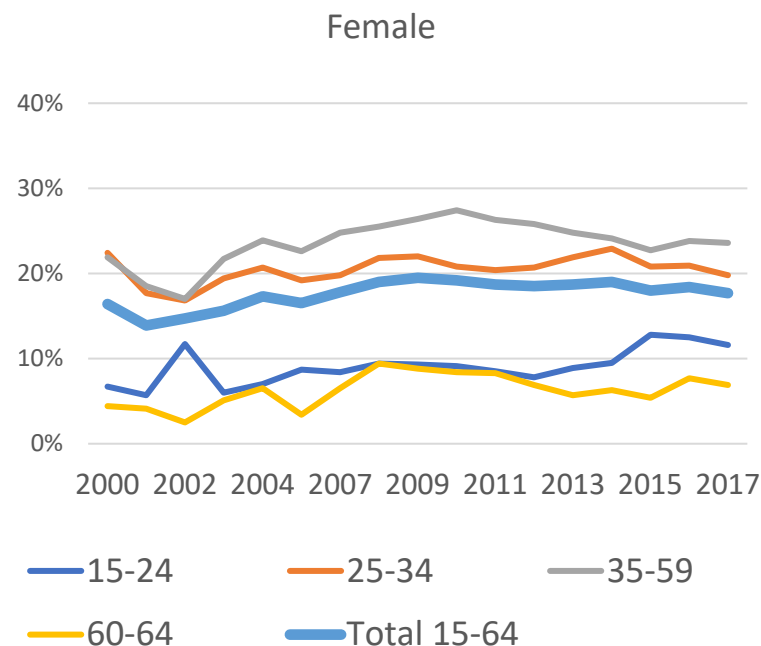
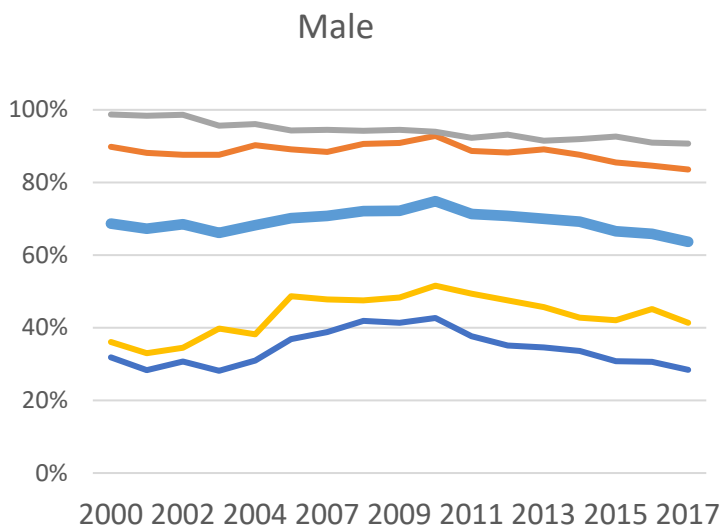
Women



# Employment Rate



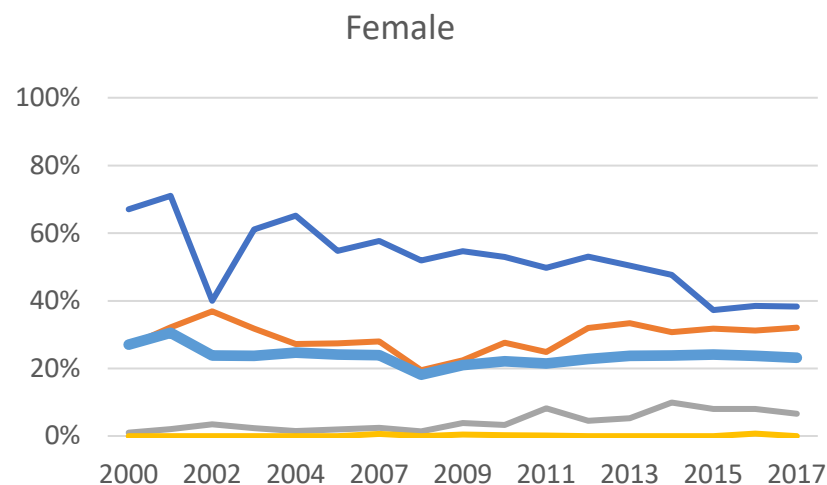
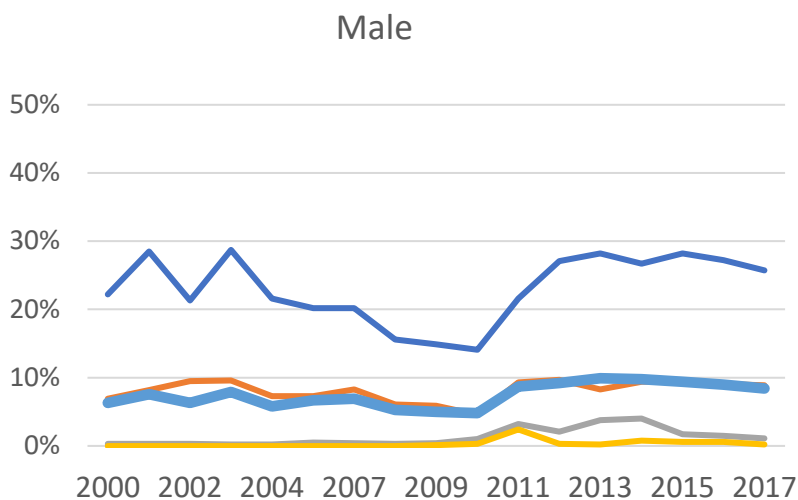
- Gender disparities (M: 63.7%; F: 17.7%)
- **Continuing declining** employment rate since 2010 among both men and women at all educational levels (except women < secondary) despite the economic growth recovery since 2014



# Unemployment Rate



- Female unemployment rate (23.2%) is 3 times higher than male unemployment rate (11.9%)
- Unemployment rates fluctuations are both due to a favorable change in population structure and to economic growth



— 15-24 — 25-34 — 35-59 — 60-64 — Total 15-64



## Section 2. : LM Trends Labor Underutilization

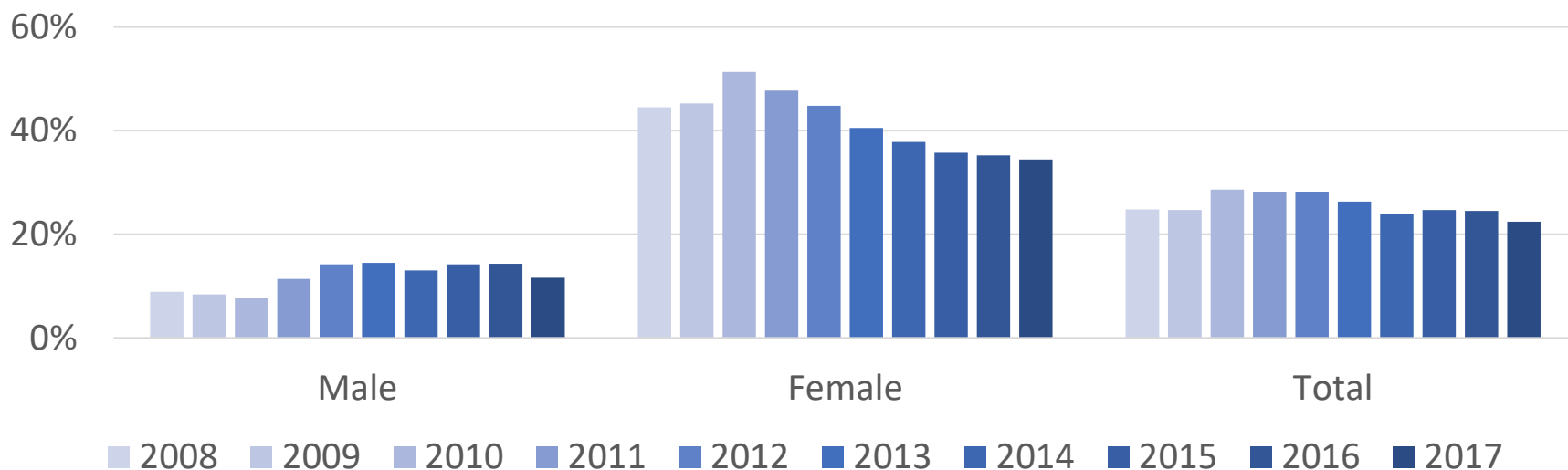


# Labor Underutilization



- Increased percentage of **discouraged job-seekers** in particular among women
- **NEET**: increased among men (mainly searching for a job) and decreasing among women (who are mainly inactive)

NEET, 15-24 2008-2017

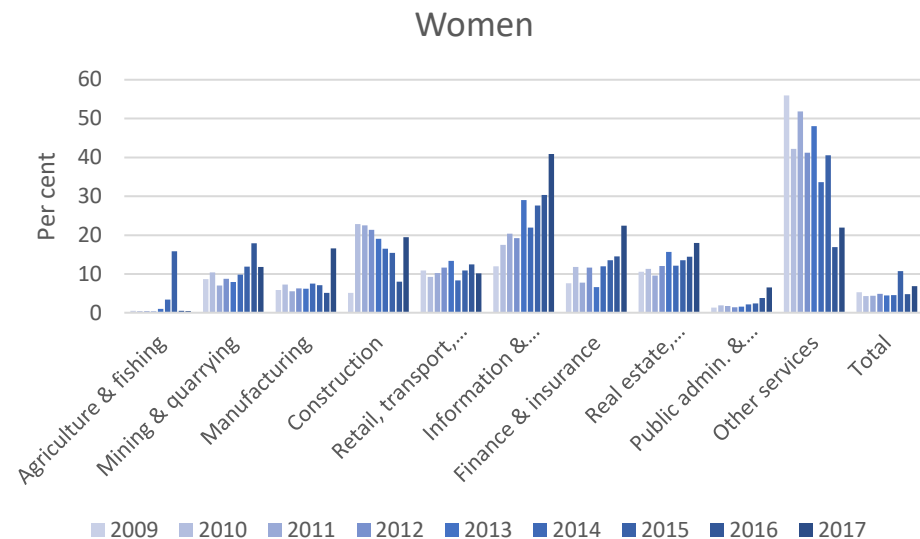
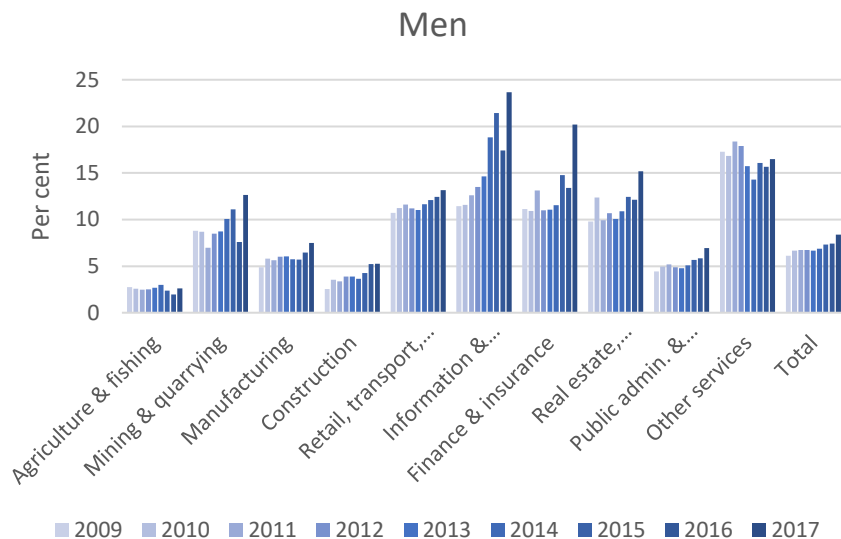


# Labor Underutilization



- **Time-related underemployment** is marginal (1.7% of all jobs)
- Increased **Skills-related underemployment**
  - More dominant in ITC, Finance/Insurance, real estate, prof/Scientific/technical, administrative and support activities
  - Increased in construction, Finance/Insurance, ITC
  - Reflecting high growth in tertiary education occupations

## Skills-related Underemployment

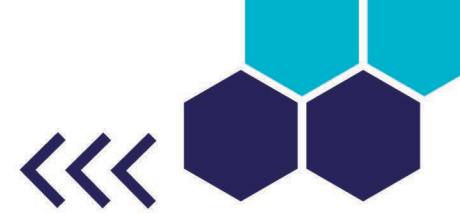




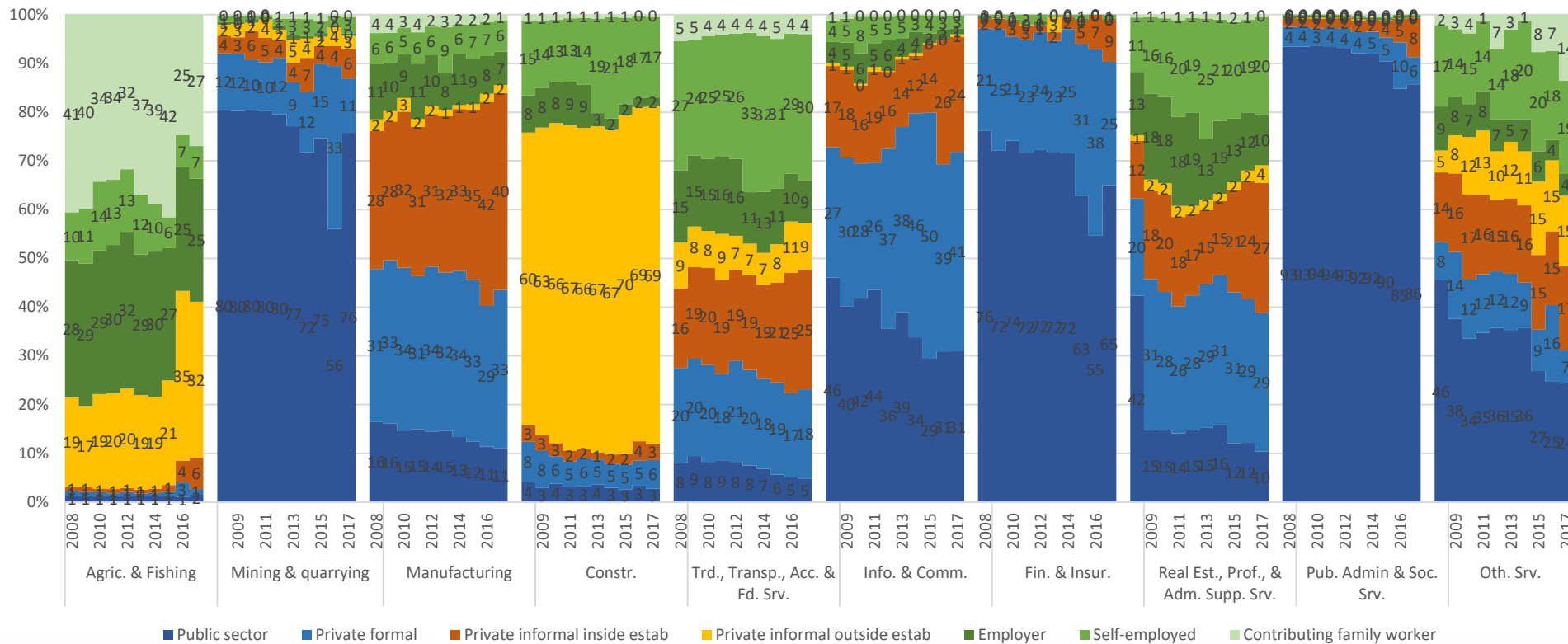
## Section 2. : LM Trends

### Trends in Types of Employment

# Type of Employment by Sector



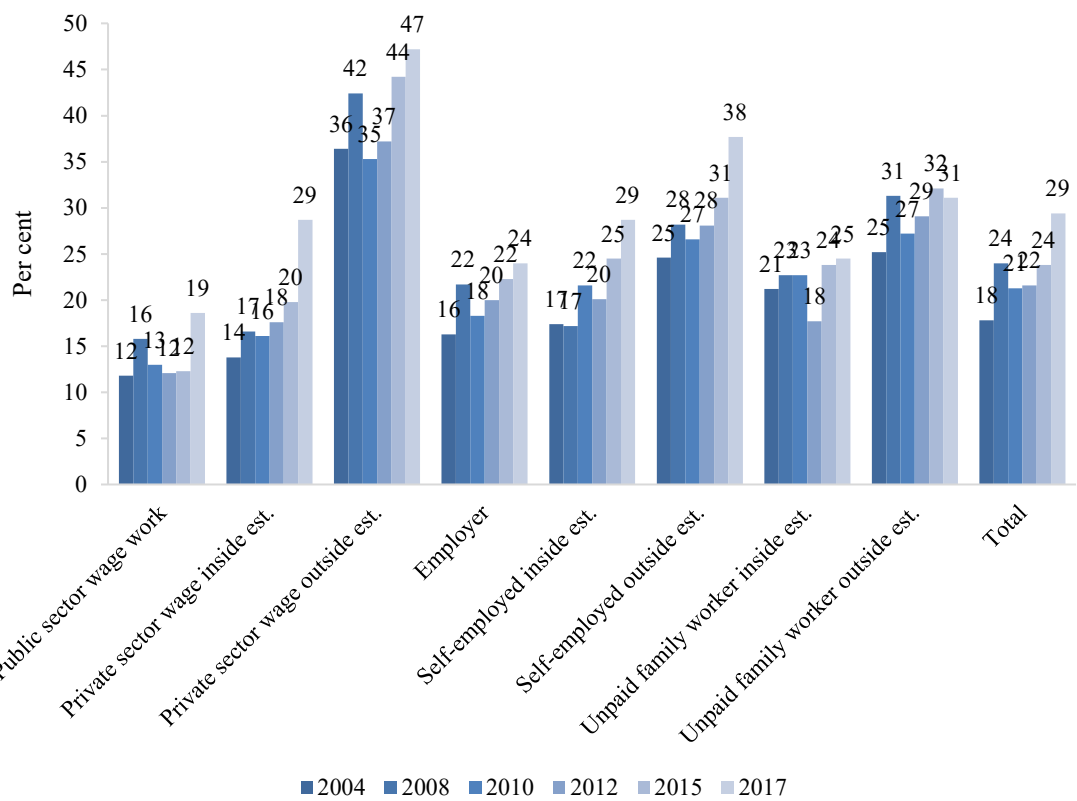
- Substantial increase of informal employment
- Deterioration of quality of employment in sectors with highest shares in total employment (agriculture, construction, trade, transportation and storage, accommodation & food)



# The shift in the employment mix and working poverty



Percentage of the working poor, by employment status, ages 15–64



- The share of the working poor increased from 18 to 29 per cent between 2004 and 2017.
- **Private sector wage workers outside of establishments** were the most likely to be poor and/or to live in poor households (peaking at 47 per cent in 2017).
- Followed by **Self-employed outside of establishment** (38 per cent in 2017).
- These types of jobs have been generated and are more concentrated in agriculture construction, wholesale, retail trade, transportation and storage, accommodation and food services -- sectors which disproportionately grew over the last decade.

# The shift in the employment mix & real wages



Average real monthly wages (2018 prices), by employment type, wage workers, ages 15–64



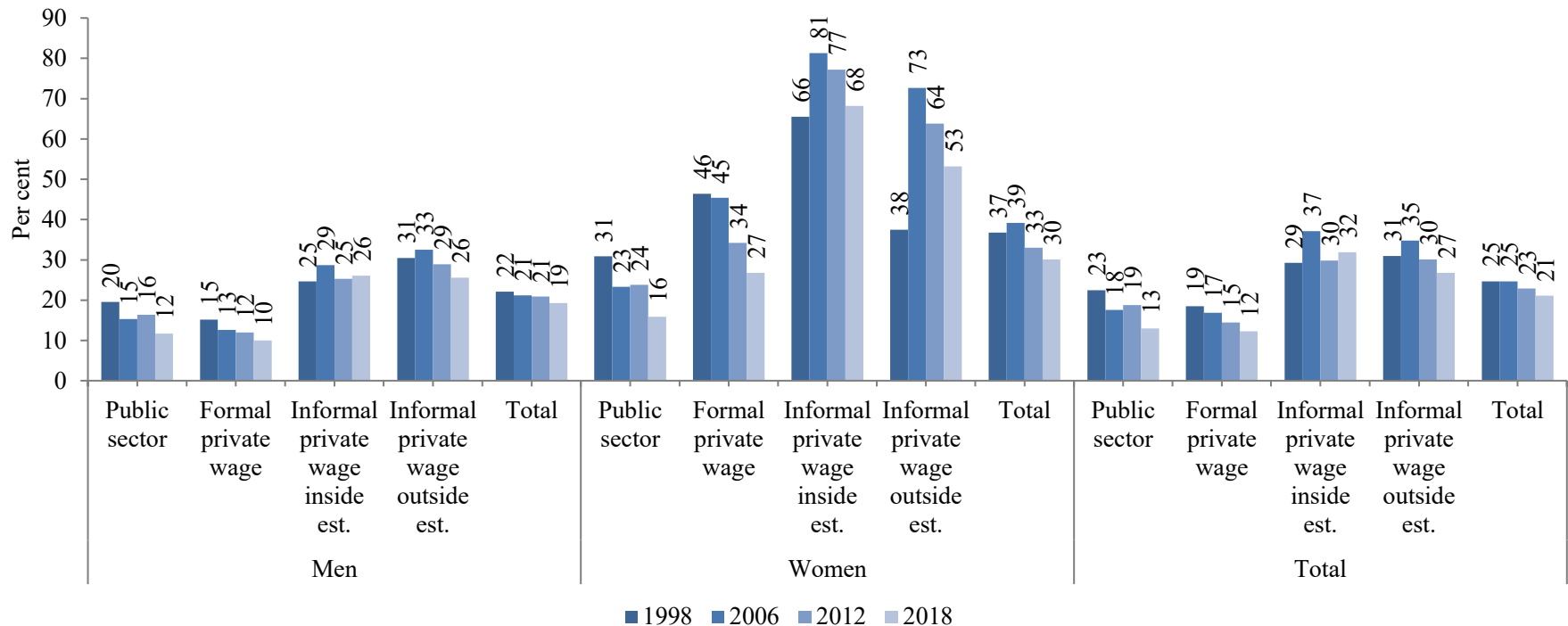
- **Real monthly wage declined in 2018**, driven by falling wages in formal and informal private sector jobs inside of establishments.
- Real wages declined in ‘manufacturing’, ‘wholesale, retail trade, transportation and storage, accommodation and food services’, and in ‘other services’, but increased in ‘construction’ (not shown)
- Patterns of declining real wages in manufacturing jobs (which are more likely to provide formality and long-term gains in terms of career progression) in contrast with **rising wages in construction jobs** (which are more volatile and informal) are expected to shift the preferences of job-seekers towards short-term financial gains in informal jobs and away from long-term gains in the formal sector

# The shift in the employment mix and Low-pay



- The most growing types of wage work, namely informal private wage employment (both inside and outside establishments), have the highest incidence of low pay.

Proportion of wage workers in low-paid jobs (below 2/3rds of the median monthly wage at the regional level), by employment status and sex, ages 15–64, 1998–2018



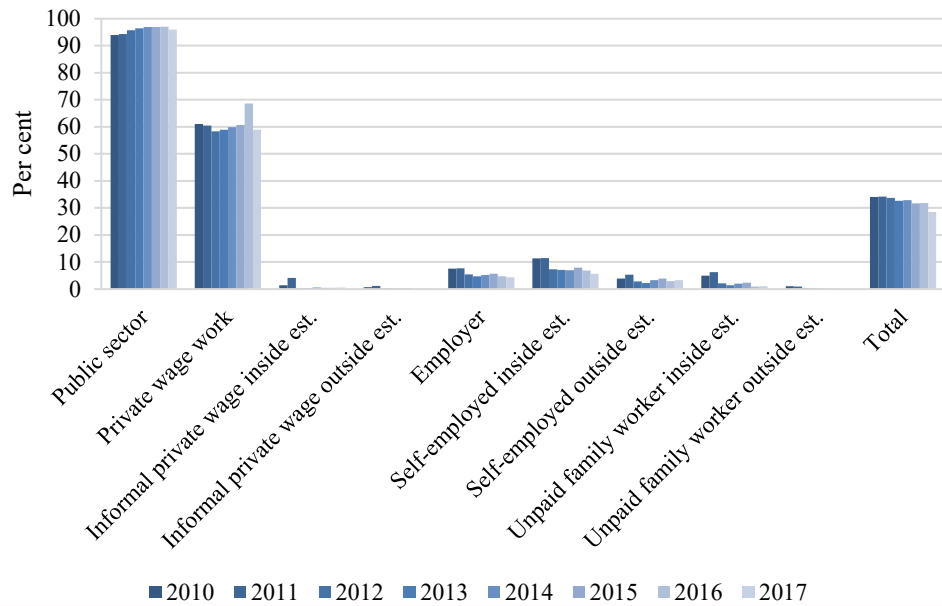


# The shift in the employment mix & access to health insurance

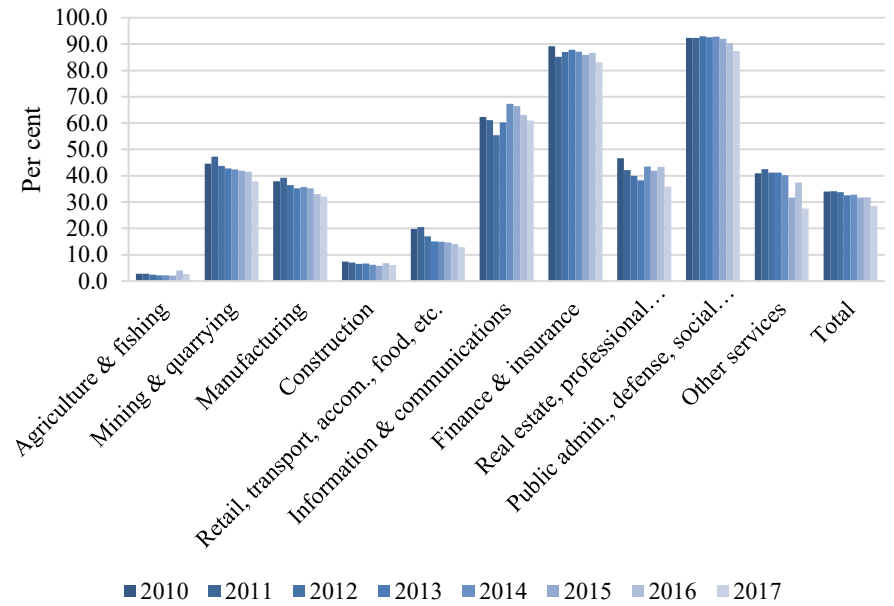


- Between 2000-2017, access to health insurance among decreased from 34 to 29 per cent.
- Workers in the growing types of work (informal wage employment + non-wage work) are almost deprived of health insurance.
- Industries dominated by informal private wage work outside of establishments (such as construction) or non-wage work (e.g. agr., constr., trade) have the lowest rates of health insurance coverage
- Youth (15-24) are the most disadvantaged (not shown).

Incidence of access to health insurance by employment type, all workers, ages 15-64



Incidence of access to health insurance by sector, all workers, ages 15-64

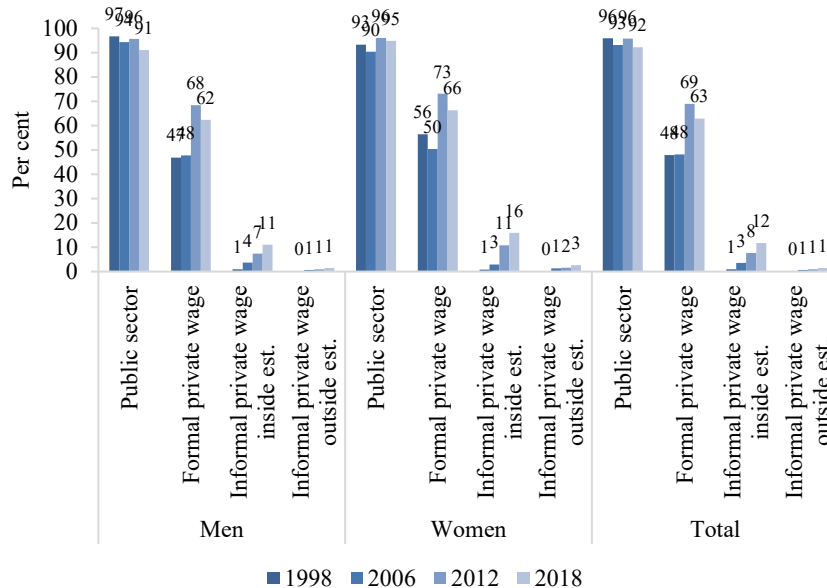


# The shift in the employment mix & access to paid/sick leave

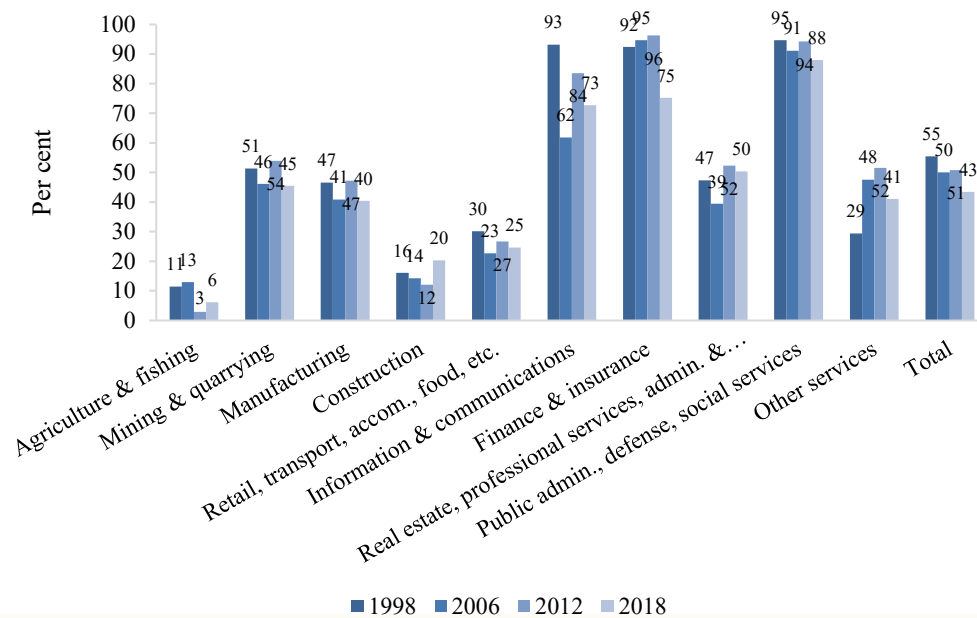


- In line with increasing informality and decreasing health insurance coverage, access to paid or sick leaves among wage workers also decreased from 55 to 43 per cent from 1998 to 2006.
- This is mostly due to the increase in informal work outside of establishments, associated with minimal access to paid or sick leaves.
- Again, access to paid or sick leaves is lowest in Agriculture, construction and trade and transportation, accommodation and food services.

Incidence of access to paid/sick leave by employment type, wage workers, ages 15-64



Incidence of access to paid/sick leave by sector, wage workers, ages 15-64



# Conclusion



- Sharp decline in the share of labour in GDP
  - Increase of the share of more capital-intensive sectors (extractive industries and chemicals sectors) to the detriment of agriculture and the manufacturing sector
  - Restricted role of the manufacturing sector in terms of value-added and employment (low labour productivity)
- Decline of both unemployment and employment rates which can be attributed to:
  - Slow-down in the growth of the working-age population which is only temporary
  - Deterioration of the quality of jobs in the private sector (increased discouraged job-seekers)
- Shift in the employment mix
  - Emergence of wage employment outside establishment and rising informality
  - Increase in working poverty
  - Declining real hourly wages (formal private jobs)
- Women and the youth and the less educated are the most vulnerable groups

*Thank you for  
your attention!*



Questions?!