

ERF Policy Brief

Jobs and Growth in North Africa during the COVID-19 Pandemic

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In a nutshell

- Decent work was a challenge for North African labour markets even pre-pandemic, with high unemployment, high informality and low female labour force participation.
- The COVID-19 pandemic and associated economic and labour market difficulties created additional challenges for those who had been working or seeking work.
- There was a sharp initial contraction in employment in Q2 of 2020, during the strictest initial lockdown phase of the pandemic.
- Key labour market aggregates, such as employment, tended to recover soon thereafter, but to varying degrees across countries.
- Other indicators – such as hours of work, time-related underemployment and income – had more persistent negative effects.
- Informal workers, farmers and the self-employed tended to be the most affected by the pandemic but did not necessarily receive the most social assistance.
- Detailed data on worker characteristics and topics such as hours and income are needed to track the impact of shocks and progress of recovery.
- Ensuring vulnerable, informal workers have robust social protection should be a key priority for supporting workers in North Africa.

Countries in North Africa had struggled to provide decent work in the decade leading up to the pandemic (ILO and ERF 2021). High youth and female unemployment, high informality and low female labour force participation characterized labour markets in the 2010–19 era (ILO and ERF 2021). This policy brief presents a discussion of the new challenges the pandemic brought in ensuring decent work for all in North Africa. It focuses on Egypt, Morocco and Tunisia, and (to the extent possible), Sudan.¹ The underlying research (ILO and ERF 2022) is based on official growth and labour market statistics, and data through mid-2021 from the COVID-19 MENA Monitor (OAMDI 2021).²

A challenging labour market pre-pandemic

North African labour markets faced an array of challenges even before the COVID-19 pandemic. Longstanding structural labour market and growth challenges were often further exacerbated by challenges in the 2010–19 decade. For instance, in Egypt growth was sluggish, real wages fell and poverty rose (World Bank 2020; Assaad, AlSharawy, and Salemi 2022; Said, Galal, and Sami 2022). Countries had been relatively successful in reducing the role of the public sector in the labour market, but had less success in creating decent work. For instance, there was limited growth in formal jobs covered by social insurance in the private sector (ILO and ERF 2021). Growth has been primarily concentrated in sectors that provide largely informal jobs, such as construction, transport and retail (ILO and ERF 2021). Countries had generally followed a “labour absorbing” paradigm, with employment growth tracking or even falling behind population growth (Assaad, Krafft, and Yassin 2020). Women’s participation in the labour market declined despite their rising educational attainment (Assaad et al. 2020).

Economic contraction at the onset of the pandemic

The economic impact of the pandemic varied substantially across countries (Figure 1). In all cases, the most severe

¹ Sudan’s last official labour force survey was in 2011. Recent detailed growth data are also not available for Sudan.

² Data are publicly available through ERF’s Open Access Micro Data Initiative, at www.erfdportal.com.

contraction was in Q2 of 2020, during the period with the strictest lockdowns and initial impact of the pandemic (ILO and ERF 2022). The extent of the contraction was greatest in Tunisia, where the quarterly gross domestic product (GDP) shrank by 20.7 per cent in Q2 2020. Morocco was the next-most affected, contracting by 14.2 per cent. Egypt’s contraction was the smallest, at 3.1 per cent. Egypt was also growing the fastest pre-pandemic and best able to recover, for example returning to positive growth (albeit only 0.4 per cent) in Q4 2020 compared to a year earlier. Egypt’s relatively less stringent response to the pandemic (Hale et al. 2021) may have helped support its economic situation.

Initial contractions and subsequent recovery varied substantially by sector, with the hotels and restaurants sector contracting by more than 80 per cent in Q2 2020 in all three countries (compared to the previous year, same quarter) (ILO and ERF 2022). The transport sector was particularly affected, especially in Morocco and Tunisia. Manufacturing and construction also tended to experience large initial contractions, with construction recovering more quickly than manufacturing (ILO and ERF 2022).

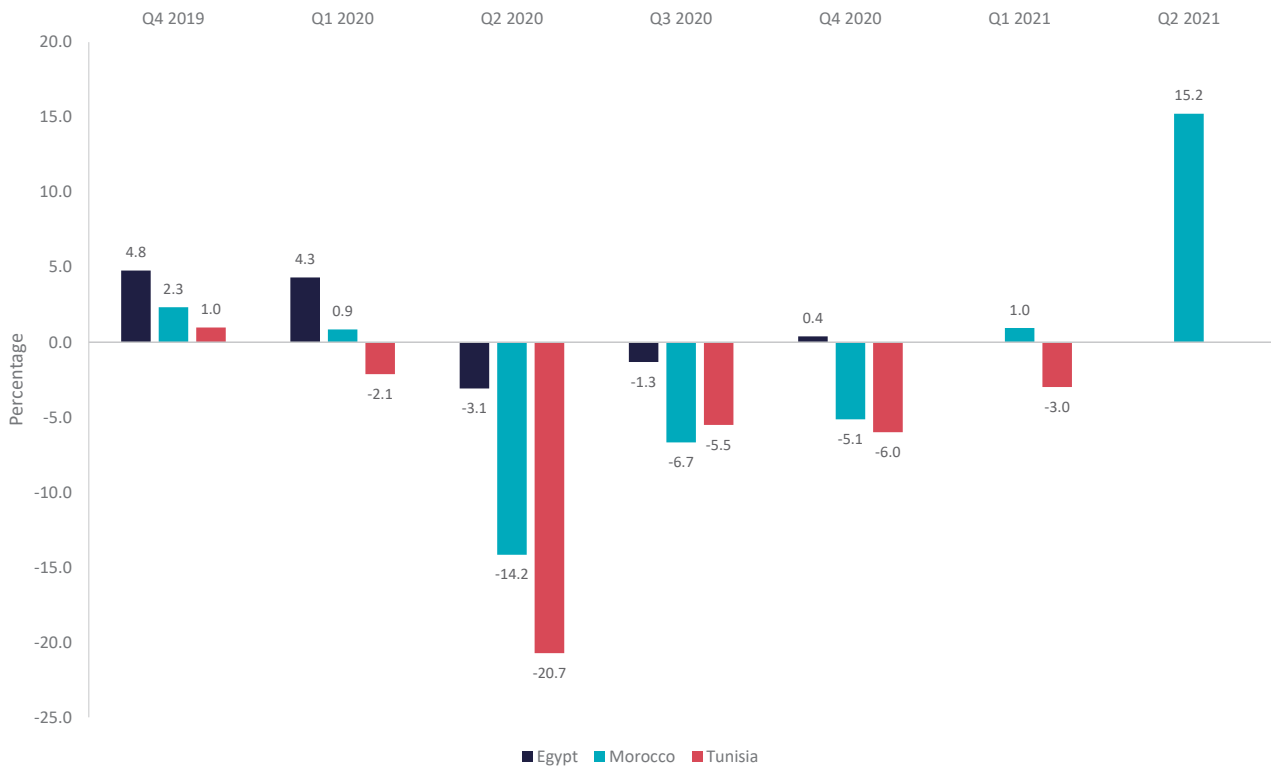
Employment dropped and unemployment rose at the start of the pandemic

The pandemic led to drops in employment in Q2 of 2020, right at the onset of lockdowns and economic contractions (Figure 2). For example, the employment rate in Egypt fell from 41.0 to 36.7 per cent from Q1 to Q2 of 2020. In some cases, recovery was swift. For example, the employment rate in Egypt rose to 39.8 per cent in Q3 of 2020 and was 42.0 per cent by Q4 of 2020. The employment decline was relatively small initially in Tunisia, from 44.6 to 42.6 per cent. Nevertheless, Tunisia struggled with recovery, with employment rising to 43.9 per cent in Q3 2020 before dropping back to 42.8 per cent in Q4 2020 and continuing to fall to 42.0 per cent in Q3 of 2021.³ Morocco’s challenges occurred with some lag, with employment dropping from 41.2 per cent in Q1 2020 to 39.3 per cent in Q2 2020, and then 38.0 per cent in Q3 2020. However, this drop may also be related to agricultural cyclicalities, which was visible pre-pandemic as well.

³ Tunisia’s economic and political challenges during this period may also have contributed to labour market difficulties.



Figure 1. GDP growth rates (percentage), by quarter and country, Q4 2019–Q2 2021



Note: Growth rates are in real terms and compared to the same quarter a year earlier.

Source: Ministry of Planning and Economic Development (Egypt); Haut Commissariat au Plan (HCP) (Morocco); and Institut National de la Statistique (INS) (Tunisia).

As employment fell at the onset of the pandemic, unemployment rose overall. There were, however, important divergences by gender and country. Unemployment rose particularly for men in Egypt (but followed employment trends in promptly recovering). For Egyptian women, unemployment did not rise, but rather labour force participation fell. Women's employment rates did, however, recover to pre-pandemic levels fairly quickly, and unemployment trended gradually up over time as women restarted searching for jobs. In contrast, in Morocco and Tunisia, women and men's unemployment trends were broadly similar.

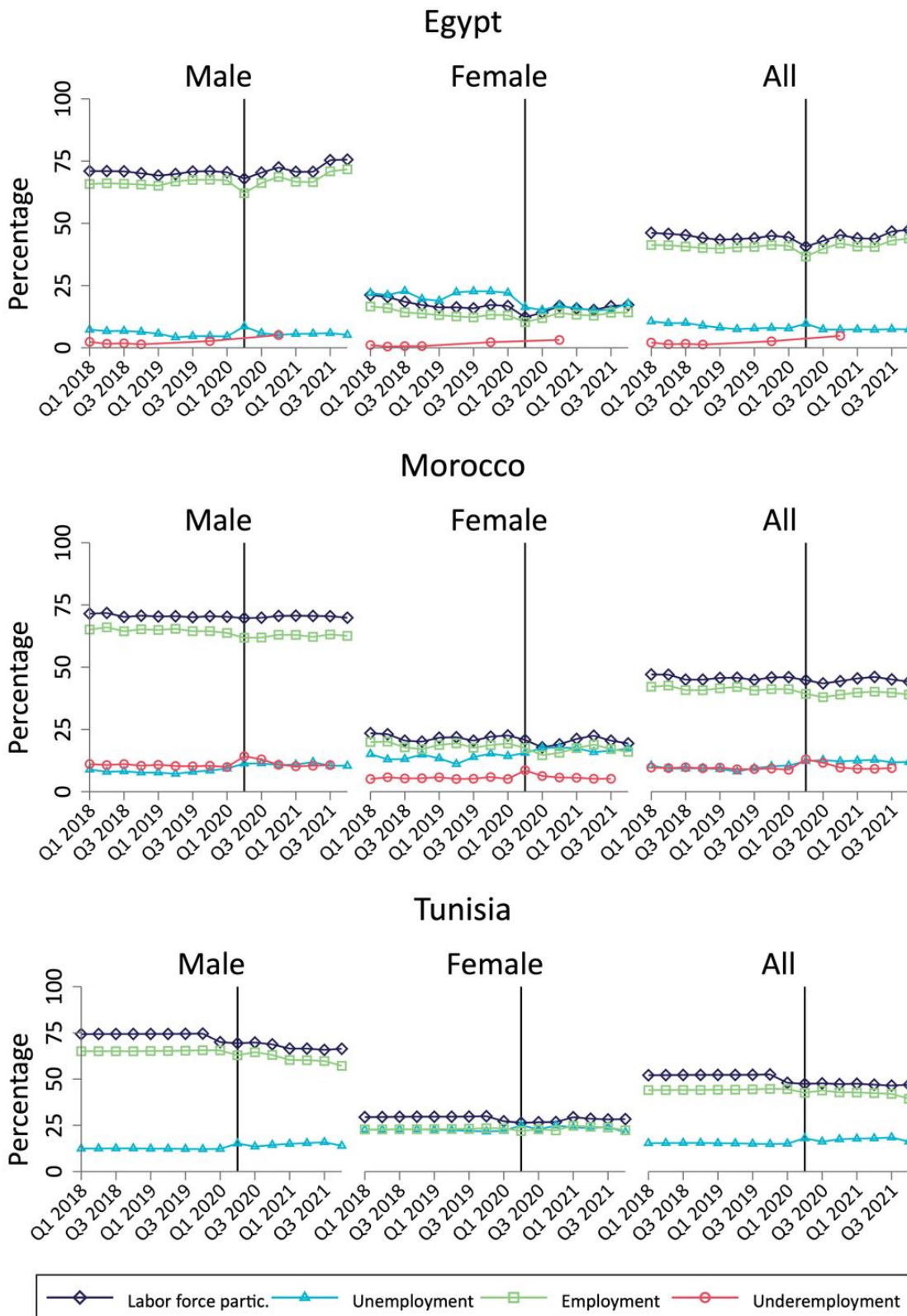
While women were more likely than men to exit work during the pandemic (ElBehairy, Hendy, and Yassin 2022; Krafft, Selwaness, and Sieverding 2022), research suggests that this is primarily a continuation of pre-pandemic trends (Krafft, Selwaness, and Sieverding 2022). Women, even pre-pandemic, tended to exit work at, or in anticipation of, marriage (Selwaness and Krafft 2021; Assaad, Krafft, and Selwaness 2022). Research shows that care work for married women with school-age or young children did increase during the pandemic,

when schools closed (Barsoum and Majbouri 2021; Hendy and Yassin 2022; Krafft, Selwaness, and Sieverding 2022). However, married women with children were not disproportionately likely to exit employment during the pandemic; they had largely already avoided the types of work that were difficult to reconcile with caregiving (Krafft, Selwaness, and Sieverding 2022).

Time-related underemployment, also known as involuntary part-time work, is the share of the employed working less than 35 hours per week due to lack of work. This can be a better indicator of labour market health than unemployment, as workers engaged in casual, intermittent labour may have some work, and thus not be unemployed, but be facing substantial underemployment. Underemployment data are not available for Tunisia and are only available for Egypt in Q4 of every year. However, in Morocco, and comparing Egypt's Q4 in 2019 to 2020, it is clear that time-related underemployment rose over time. Indeed, in Egypt, while unemployment recovered to pre-pandemic levels quickly, underemployment did not.



Figure 2. Labour force participation rate (percentage of the population), employment rate (percentage of the population), unemployment rate (percentage of the labour force), and time-related underemployment rate (percentage of the employed)



Notes: Time-related underemployment is only available in Q4 in Egypt and not available in Tunisia.
 Source: Official labour statistics (ILO and ERF 2022).



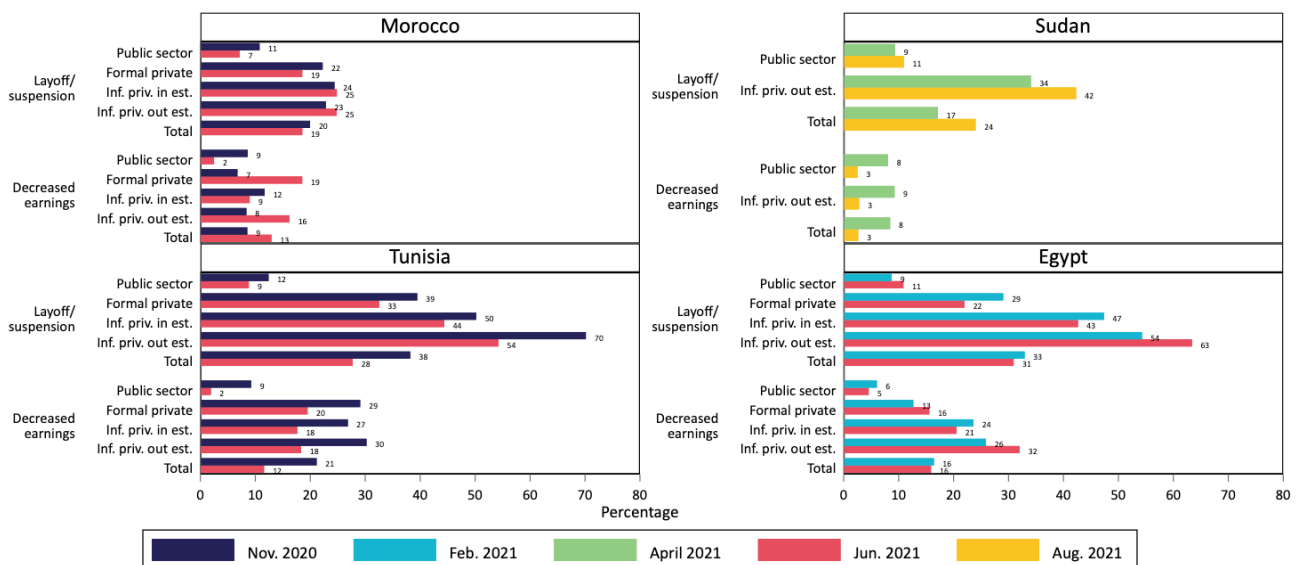
Informal workers were particularly affected during the pandemic

Drawing on COVID-19 MENA Monitor data, Figure 3 illustrates the challenges experienced by individuals who were wage workers in February 2020, prior to the pandemic. It reveals differences by sector, formality (social insurance) and whether a worker worked in or outside of a fixed establishment. Among wage workers, informal private sector workers tended to be the most affected by layoffs and decreased earnings, particularly those outside establishments. For example, in Tunisia, in November 2020, 70 per cent of those who were (in February 2020) informal private sector wage workers working outside establishments reported layoffs or suspensions in the past 60 days. Differences overall are smaller in Morocco and for earnings in Sudan (where inflation may have led to fewer decreases in nominal earnings). In Egypt, informal wage workers working outside establishments were particularly likely to report decreased earnings in June 2021 (32 per cent), even more than a year after the pandemic began. Other

analyses focused on the self-employed and farmers show that these groups also particularly struggled during the pandemic (Assaad et al. 2022; Krafft et al. 2022; Marouani et al. 2022).

Although employment rates have often recovered, reductions in hours and income have translated into lower household income, exacerbating poverty and inequality. Figure 4 shows, by pre-pandemic income quartile, how household income has changed. Around half of all households report income decreases as of June 2021, compared to February 2020. Additionally, the poorest quartile in Egypt (54 per cent) and Morocco (76 per cent) and the second poorest in Tunisia (60 per cent) were the most likely to report losses; in all cases the highest income pre-pandemic were the least likely to report losses. There has also been little progress in income recovery over time (Assaad et al. 2022; Krafft et al. 2022; Marouani et al. 2022), raising the concerning spectre of persistent income losses coupled with increases in poverty and inequality.

Figure 3. Percentage of wage workers laid off or with decreased earnings, by type of employment (in February 2020), wave and country

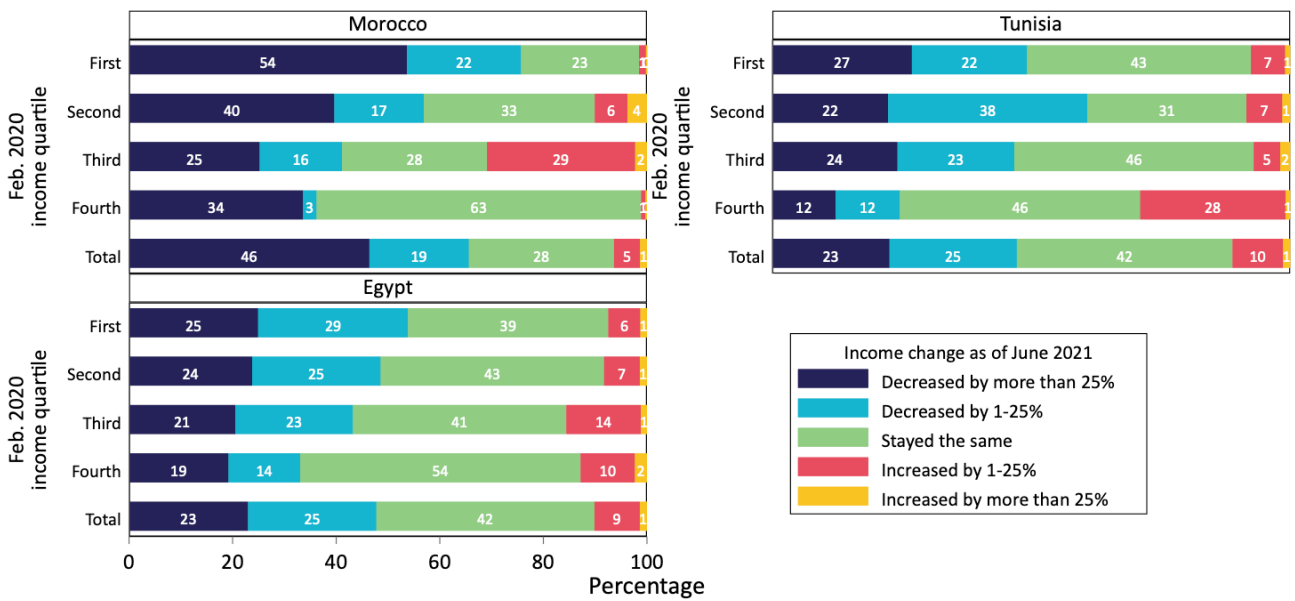


Note: For panel respondents, challenges were only available if they were still wage workers. Categories with less than 50 observations (in Sudan) are not shown. Figure shows only first and latest waves

Source: Authors' calculations, based on COVID-19 MENA Monitor.



Figure 4. Household income changes, past month compared to February 2020, by February 2020 income quartile and country, latest wave (June 2021)

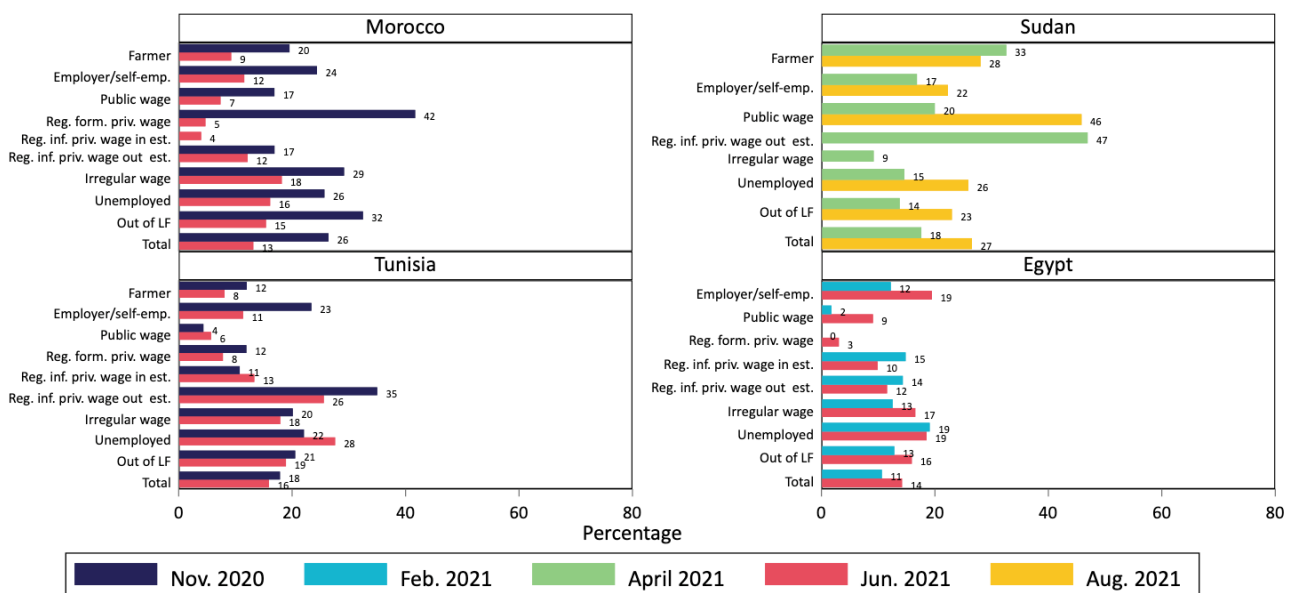


Note: Sudan did not collect data on income changes due to the level of inflation.
 Source: Authors' calculations, based on COVID-19 MENA Monitor.

There were substantial efforts by North African governments to ameliorate the impact of the pandemic, including by expanding existing social assistance programmes and creating new ones. Figure 5 shows the percentage of individuals in households that received government assistance, by their labour market status in February 2020 (first and latest waves). Regular versus

irregular work is further distinguished, since some policies specifically targeted irregular workers. Notably, social assistance decreased over time in Morocco and Tunisia but increased in Sudan and Egypt. Targeting was weak; those groups, such as informal wage workers, who were particularly affected, were only sometimes more likely to receive assistance. The self-employed

Figure 5. Receiving government assistance (percentage), by labour market status in February 2020 and by country, first and latest waves



Note: Categories with fewer than 50 observations are not shown.
 Source: Authors' calculations, based on COVID-19 MENA Monitor.



and farmers also were not unusually likely to receive assistance. As shown in Figure 5, targeting improved over time in Morocco, which initially targeted unemployment programs to formal private wage workers, but worsened in Egypt.

The importance of detailed data for decent work

The findings of this policy brief highlight the importance of rich and detailed data on labour markets and growth in order to advance a decent work agenda. Even when employment and unemployment rates recovered to pre-pandemic levels, hours of work, time-related underemployment and income did not. Moreover, particular sectors, such as hotels and restaurants, and workers disproportionately suffered, especially informal, out-of-establishment wage workers and self-employed workers and farmers. Detailed reporting and rapidly available public microdata can facilitate identifying such challenges in the labour market as the ongoing effects of the pandemic and pre-existing structural issues continue to make the transition to decent work difficult.

Robust and shock-responsive social protection

The fallout of the pandemic has highlighted the importance of having a robust and shock-responsive social protection system in place. Expanding pre-existing social protection programmes or funnelling additional funds through such programmes were the main avenues for pandemic assistance in North Africa (Assaad et al. 2022; ILO and ERF 2022; Krafft et al. 2022; Marouani et al. 2022). Creating new social programmes when shocks occur is unlikely to be timely. Ensuring that systems and data are in place to identify all households and their potential vulnerability to shocks is an important precursor for rapidly expanding existing programmes during shocks. Countries also need to plan for shock-responsive systems even when there is limited fiscal space. North African countries spent a lower share of GDP on responding to the pandemic than the global average (OECD 2021), possibly due to constrained fiscal space.⁴

Social protection systems need to expand their coverage in order to include informal economy workers, particularly farmers and the self-employed, who are often

outside the reach of the contributory social insurance system, making assistance and targeting difficult. Non-contributory systems may primarily target vulnerable non-working groups, such as the elderly or disabled, or those with annual income below the poverty line (Nasri, Helmy, and Amara 2022). Expansions or revisions of existing programmes may be needed to reach those working but vulnerable to poverty or near-poor, both in general and then particularly during shocks.⁵ Egypt, for example, worked to identify and support irregular wage workers who had lost employment during the pandemic, but this required a whole new database and system (Hamdy 2021).

Having in place universal social protection benefits, such as universal health insurance, is another approach to having a social protection scheme already in place. For instance, Morocco is implementing a reform to guarantee universal coverage of health insurance (Hekking 2020). There are trade-offs between targeted and universal approaches. Universal schemes include all individuals, regardless of need (inclusion errors are 100 per cent, but exclusion errors are zero). They require a substantial tax base and effective tax system to be funded. Targeted schemes may exclude potentially eligible individuals, as targeting accurately is difficult, increasing exclusion errors, but reducing inclusion errors. Raising the threshold for benefit inclusion is one approach, particularly during shocks, that can ensure a broader set of households or individuals are helped.

Ensuring all households have some form of social protection in the face of shocks will be an ongoing challenge for social protection systems in the region. Future shocks may take different forms, such as the Russia-Ukraine conflict contributing to food shortages and inflation. The fundamental challenge for current and future shocks is ensuring that families can meet their basic needs. Responding to this challenge requires a broad, shock-responsive social protection system.

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⁴ While fiscal space could theoretically be expanded, realistically countries in the region typically already have high budget deficits and limited tax bases.

⁵ Formalizing firms and workers can also increase employment-based social protection coverage (International Labour Organization 2021).



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