

# Second Regional Report on Jobs and Growth in North Africa (2018 -2021): Developments through the COVID-19 Era

---

Prepared By: Ragui Assaad

Date: 24-10-2022



## Regional Overview

By:

Ragui Assaad

Caroline Krafft

Mohamed Ali Marouani

Ruby Cheung

Ava LaPlante

Ilhaan Omar

Sarah Wahby



International  
Labour  
Organization



**ADWA'**  
Advancing the Decent Work  
Agenda in North Africa

ECONOMIC  
RESEARCH  
FORUM



منتدى  
البحوث  
الاقتصادية



Sweden  
Sverige

# COVID-19, Growth and Labour Market Context

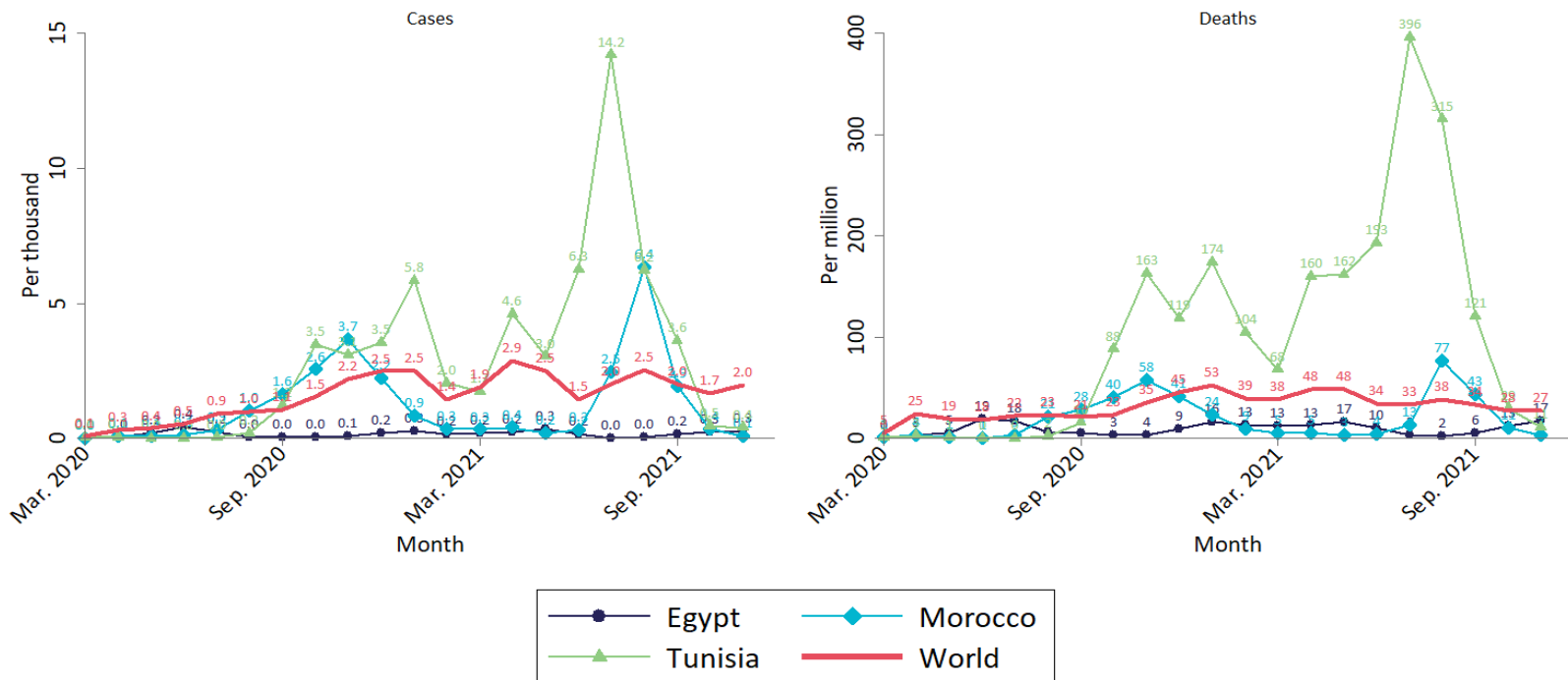
- Countries had varying experiences of the pandemic
  - Pandemic virulence over time (cases, deaths)
  - Policy responses
    - Lockdowns, social assistance, economic and business support
    - Targeting of policies
  - Economic impact
- Experiences also depended on pre-pandemic labor market and economic structures
  - For example, role of tourism, exports, pre-pandemic growth
- This overview will focus on **Egypt, Morocco, and Tunisia**
  - Sudan was going experiencing a number of other economic and political shocks besides the pandemic
  - Data for Sudan is not comparable due to absence of official labour market data

# Evolution of COVID-19 cases and deaths

**Egypt** had a much milder experience with the pandemic even accounting for possible under-reporting of cases. **Tunisia** had by far the worst experience of the three, especially in the summer of 2021.

Death rates in **Tunisia** in August 2021 were 10 times the world average

Monthly new COVID-19 cases (per thousand) and deaths (per million), by country, March 2020 to December 2021

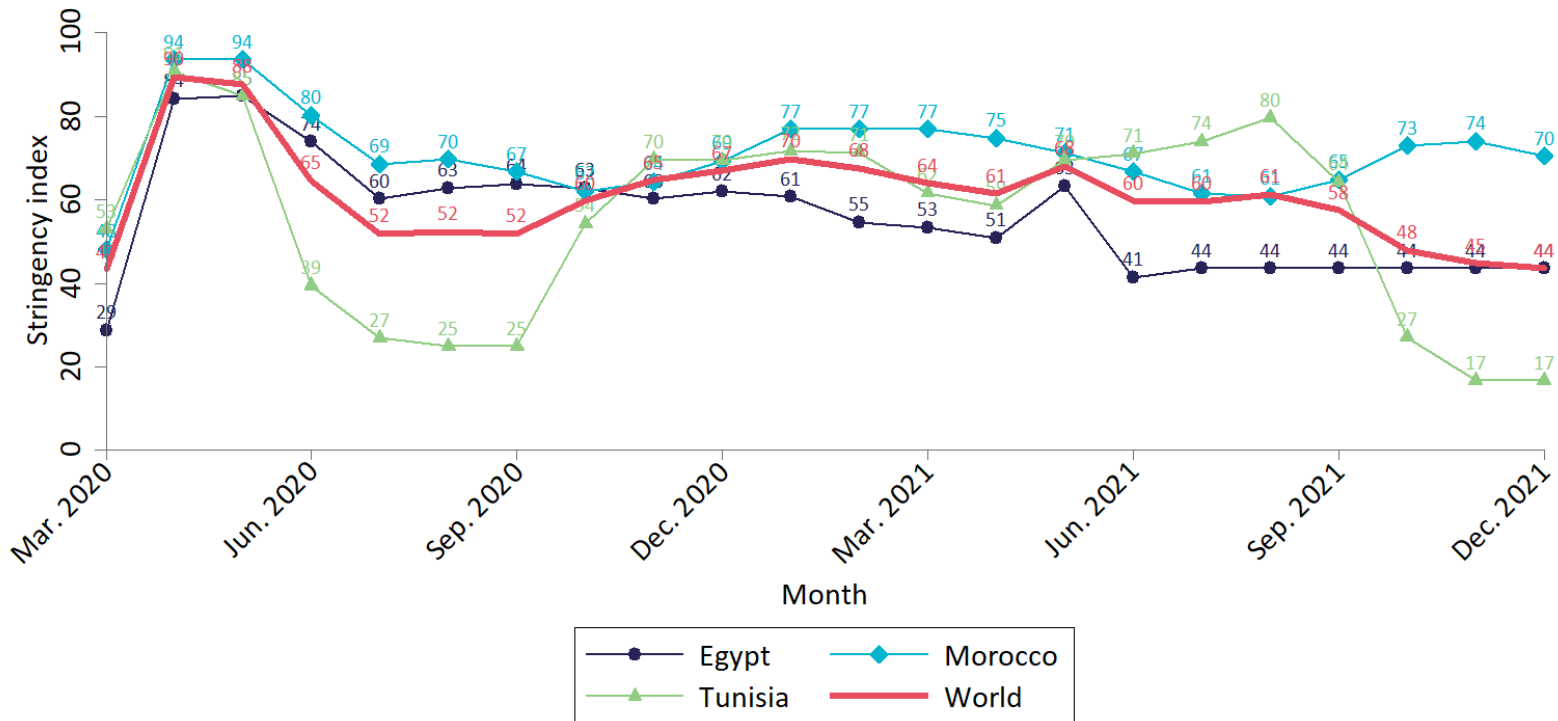


# Stringency of Closure Policies

Early adoption of very stringent closure policies in all three countries, but significant loosening in **Tunisia** in summer of 2020, followed by renewed tightening in the Fall of 2020 that lasted until Fall of 2021.

**Morocco** maintained relatively high levels of stringency throughout. **Egypt** loosened very gradually throughout the period.

Monthly stringency index, by country, March 2020, December 2021



# Economic and Social Policy Responses

- Size of fiscal response varied from 1.8% of GDP in **Egypt** to 2.3% in **Tunisia**, to 3% in **Morocco** – well below the world average of 10.2%
- Economic interventions included loan payment deferrals, tax delays and reductions, deferral of social insurance contributions, and salary subsidies
- Social measures includes expansions of existing safety net programs as well as the creation of new temporary measures
  - Expansion of food ration cards and Takaful and Karama cash transfer in **Egypt**
  - Creation of new temporary cash transfer programs for irregular workers in **Egypt**
  - Households benefiting from free health insurance in **Morocco** received extra cash transfer
  - Laid off employees covered by social insurance in **Morocco** could collect cash transfer
  - Short-term support in **Tunisia** for households benefiting from subsidized health insurance

# Divergent growth experiences

- **Egypt** was growing faster pre-pandemic, and was affected more mildly, never experiencing an annual decline in GDP
- **Morocco's** growth was severely affected in 2020, but recovered well in 2021
- **Tunisia** was growing more slowly pre-pandemic, had the most severe decline in growth and had a relatively weak recovery in 2021

GDP Growth Rates (annual percent), 2019-2021, by country

Country	2019	2020	2021
Egypt	5.6	3.6	3.3
Morocco	2.6	-6.3	7.4
Tunisia	1.3	-8.7	3.3

Source: World Bank, World Development Indicators



Evolution of labour market conditions across the pandemic  
(using official labour force survey data)



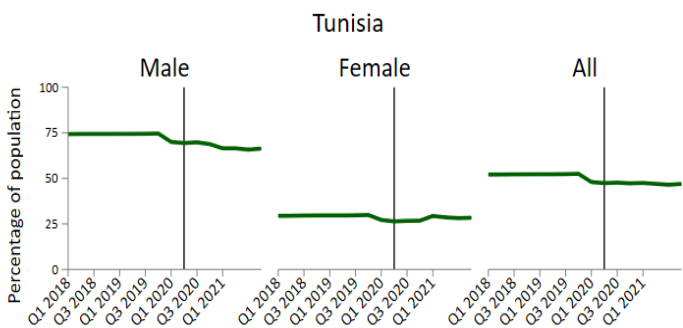
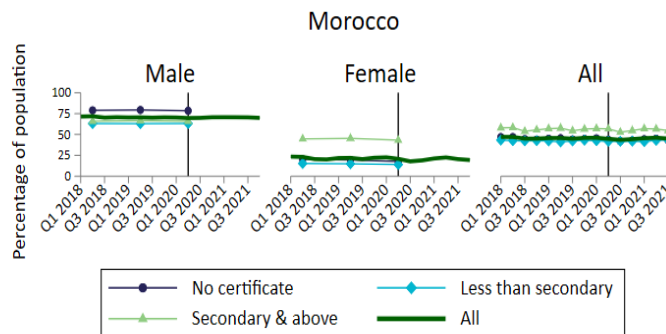
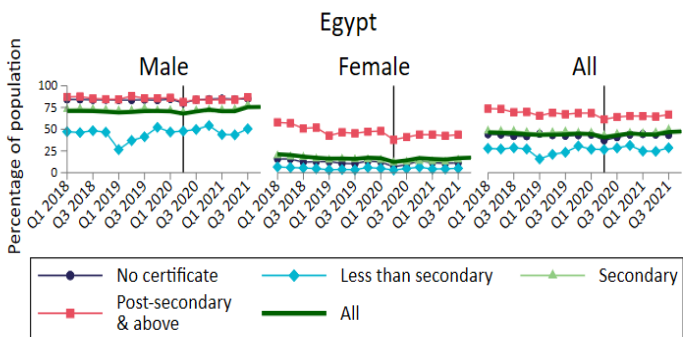
# Pre-pandemic labour market situation

- It is well-established that region has some of the highest unemployment rates, especially among youth, and some of the lowest female labor force participation rates in the world
- Although unemployment rate were on a downward trend prior to pandemic, so were labor force participation rates and employment rates
  - Falling unemployment rates can be attributed mostly to demographic rather than economic factors
- **Egypt:** falling job quality as public sector employment increasingly shifted to informal wage employment, a sign of heavy reliance on construction and real estate as engines of growth
- **Morocco:** persistence of labour market segmentation and continued importance of agricultural sector
- **Tunisia:** slow growth translating in slow employment and productivity growth, but growing share of private formal employment

# Labor force participation through the pandemic

Negative short-term effect on participation in all three countries, more so for women. Large persistent effects for women in **Egypt**, where participation fell by a quarter, followed by **Morocco** then **Tunisia**. Female participation in **Egypt** and **Morocco** did not recover fully to pre-pandemic levels until mid 2021. Decline in participation most pronounced for least educated, young and old.

Quarterly Labour Force Participation rates (percentage of population 15-64)

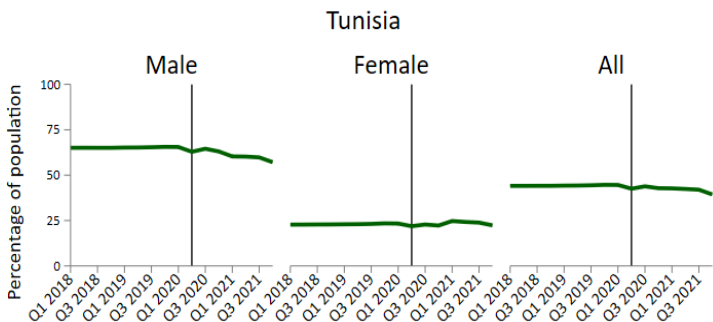
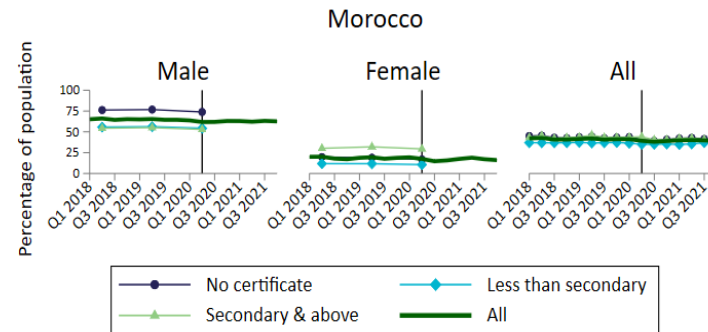
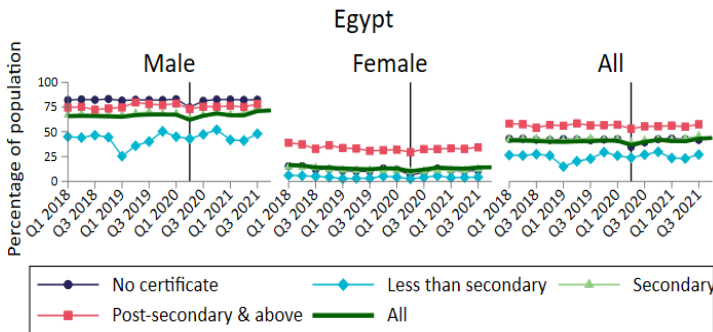


# Employment rates through the pandemic

Short-term drop in male employment rates for least educated, older men in **Egypt**, youth in **Morocco**. Drop in male employment rates increased over time in **Tunisia**.

Female employment rates mirrored participation rates

## Employment Rates (percentage of population 15-64)

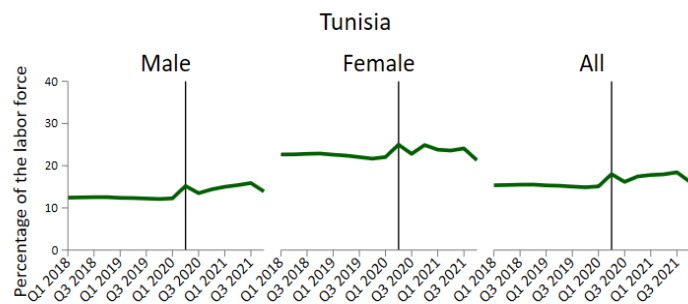
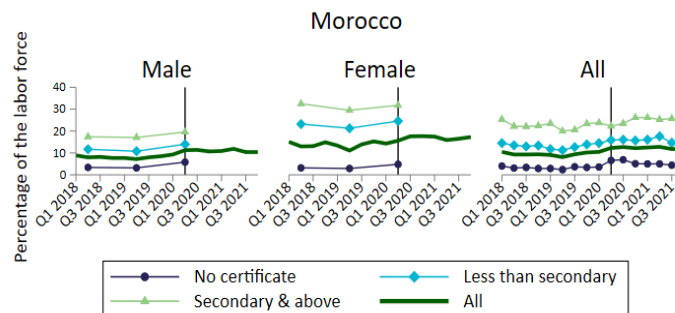
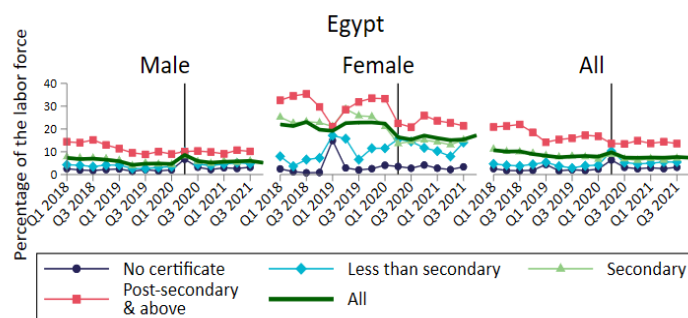


# Unemployment rate predictably spiked during pandemic

Unemployment, which was on a downward trend prior to pandemic, spiked during pandemic for all three countries. In **Egypt**, it returned to pre-pandemic level quickly in third quarter of 2020. In **Morocco**, unemployment remained high through second quarter of 2021. In **Tunisia**, the unemployment rate increased steadily in most of 2021.

Unemployment rates for women actually fell during pandemic in Egypt when participation rates fell, a sign of discouragement.

Quarterly unemployment rates (percentage of labour force, 15-64)



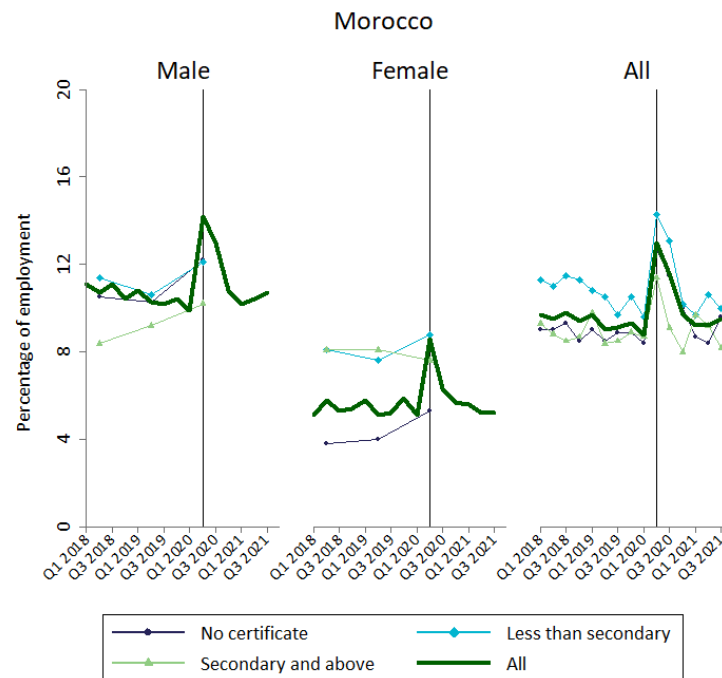
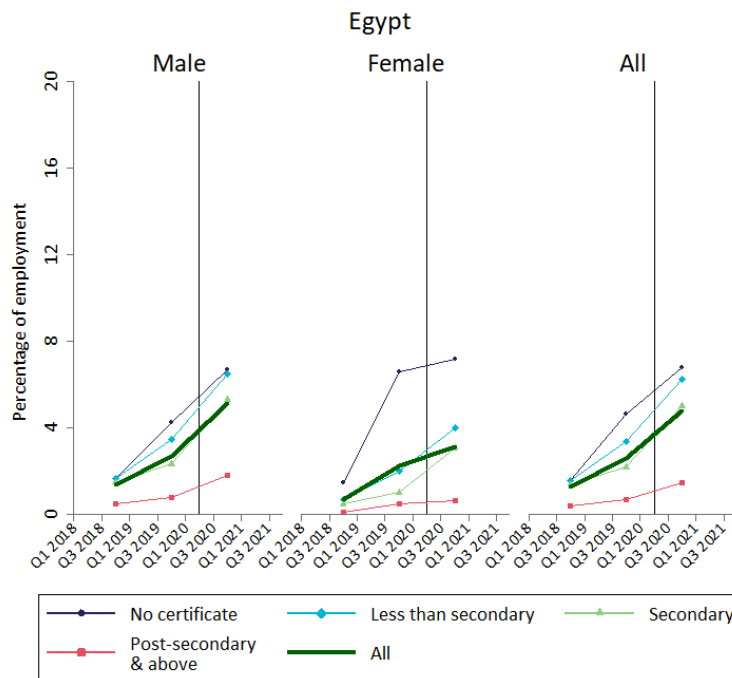
# Time-related underemployment is one of the most sensitive indicators of cyclical downturns

Not available on a quarterly basis in **Egypt** and not at all available for **Tunisia**.

Clear spike at the height of the closure in Morocco that persisted at least two quarters.

Less educated workers and those in self-employment and informal wage work are more susceptible to this kind of labour under-utilization.

Time-related underemployment rate (as a share of employed)

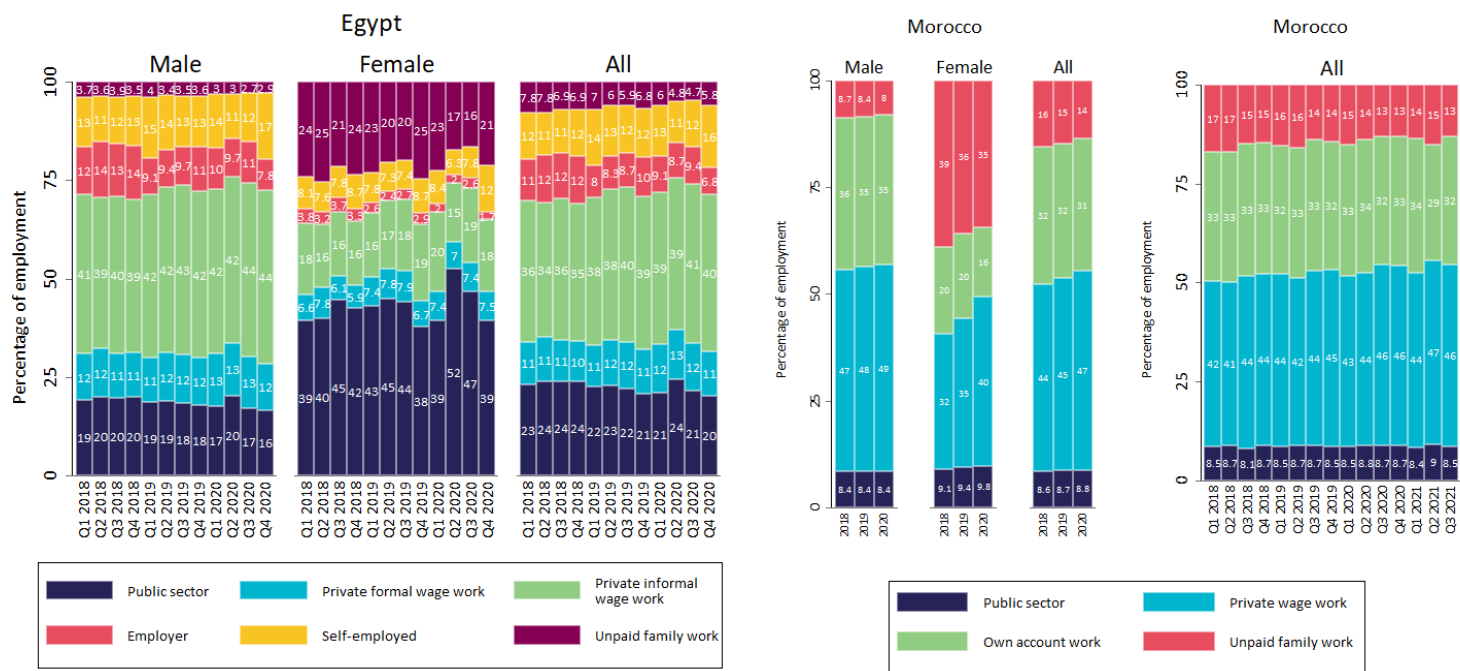


# Persistent employment structure

Increasing contribution of informal wage employment in **Egypt**, briefly interrupted during pandemic when employment was more protected in formal public and private sectors.

Increasing contribution of private wage work in **Morocco**, especially for women.

## Employment Share (percentage of employment) by Type of Employment





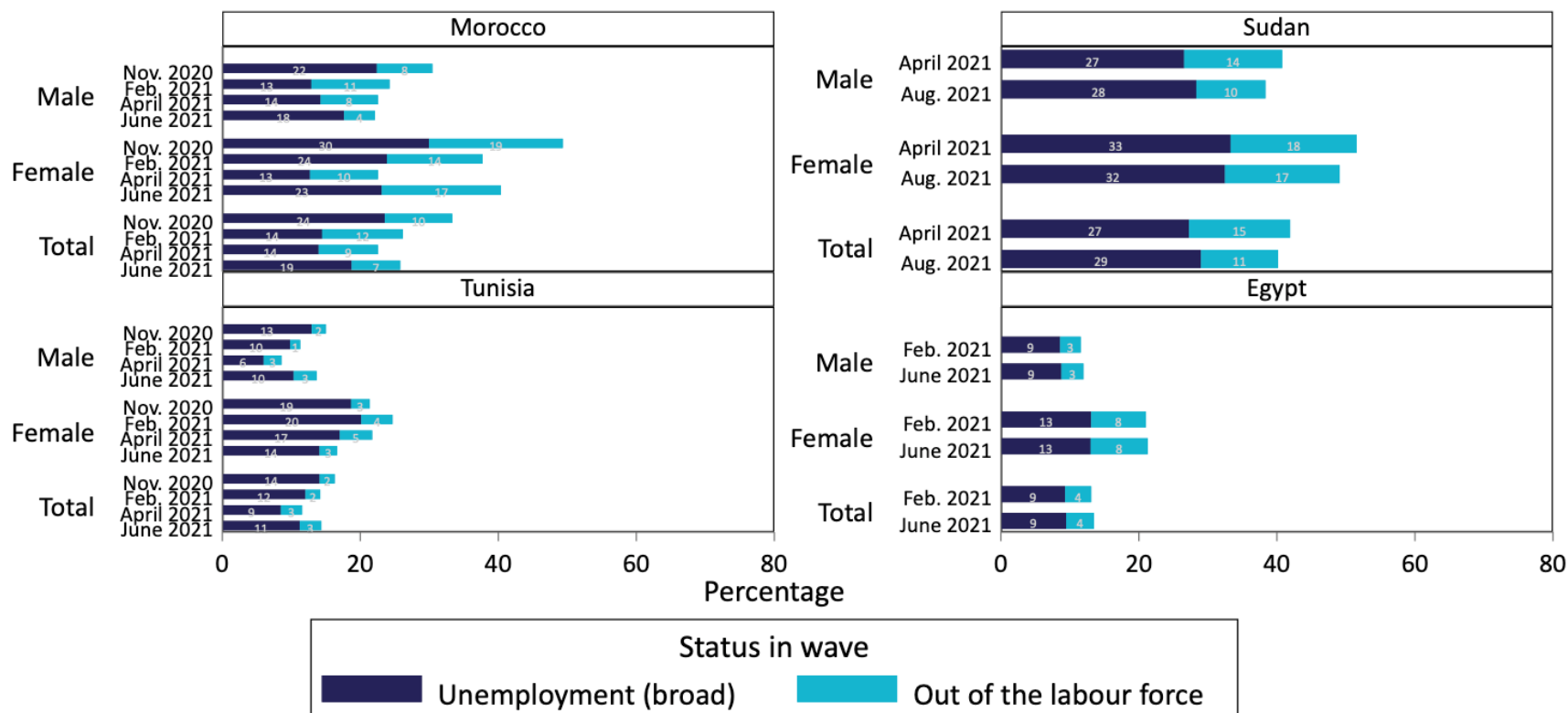
## Labour Market Impacts

(using ERF COVID-19 MENA Monitor Data)

This section includes Sudan

# Job loss was greatest and most persistent for women

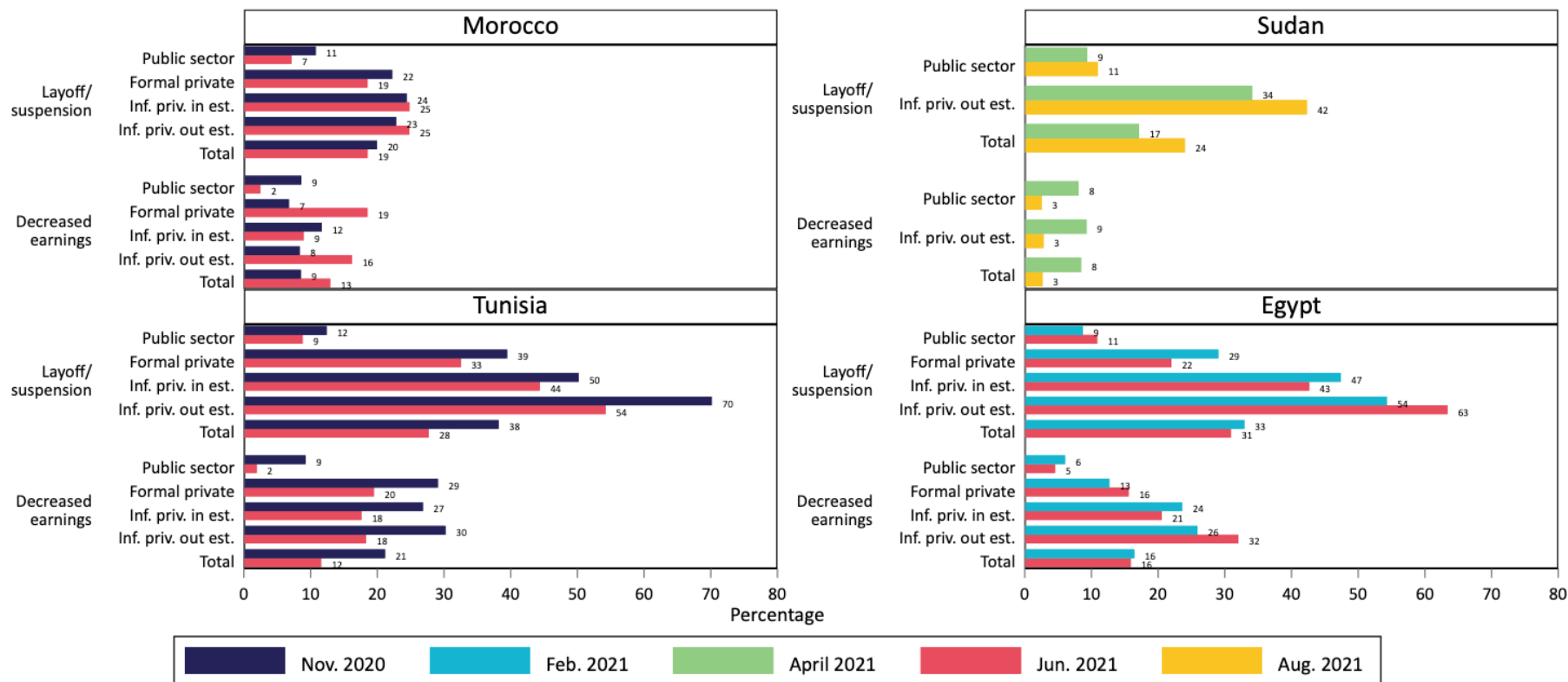
Job Loss and Recovery: Percentage of the Employed in February 2020 who became unemployed and out of the labour force by wave





# Informal workers ore the brunt of impact on wage workers

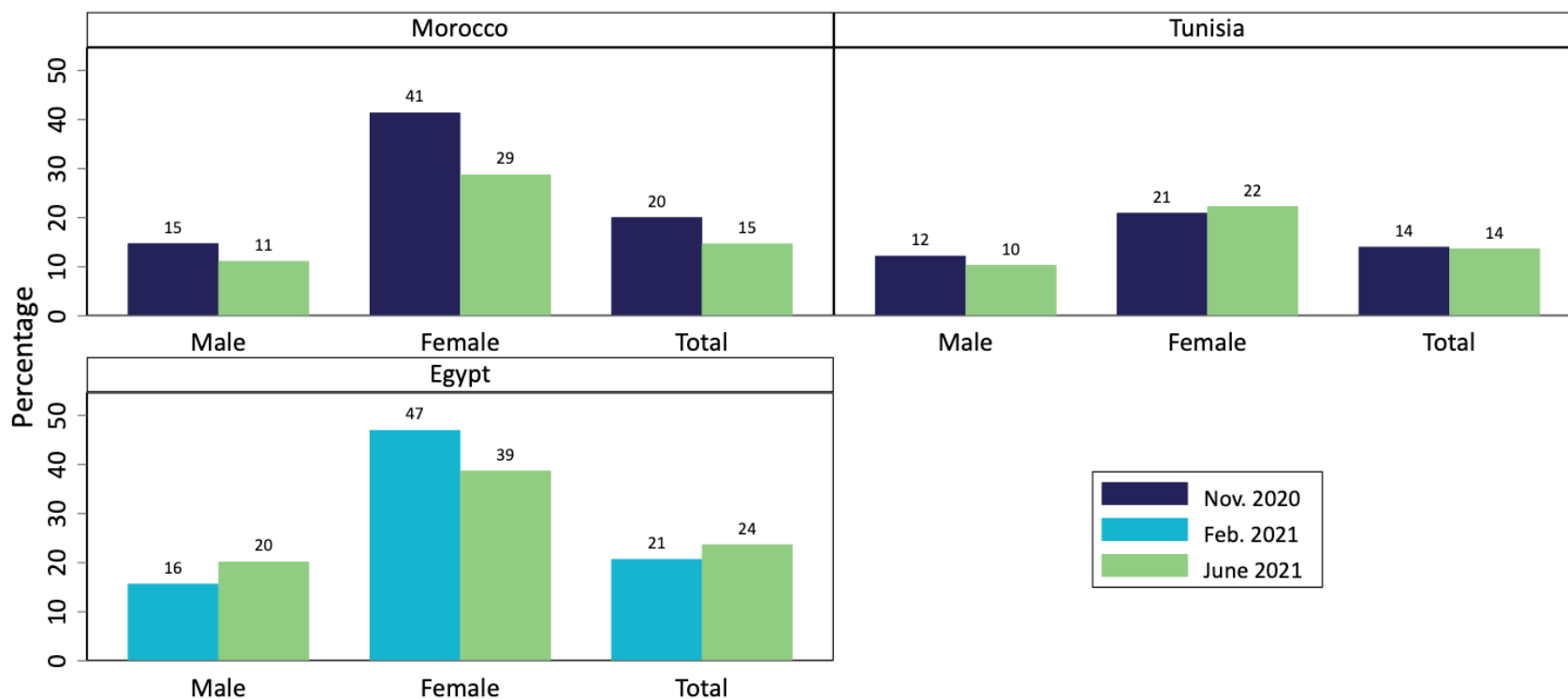
Challenges facing wage workers: Percentage laid off and percentage with decreased earnings by institutional sector in February 2020, wave, and country, wage workers in February 2020, first and latest waves



# Only a minority of workers were able to work from home

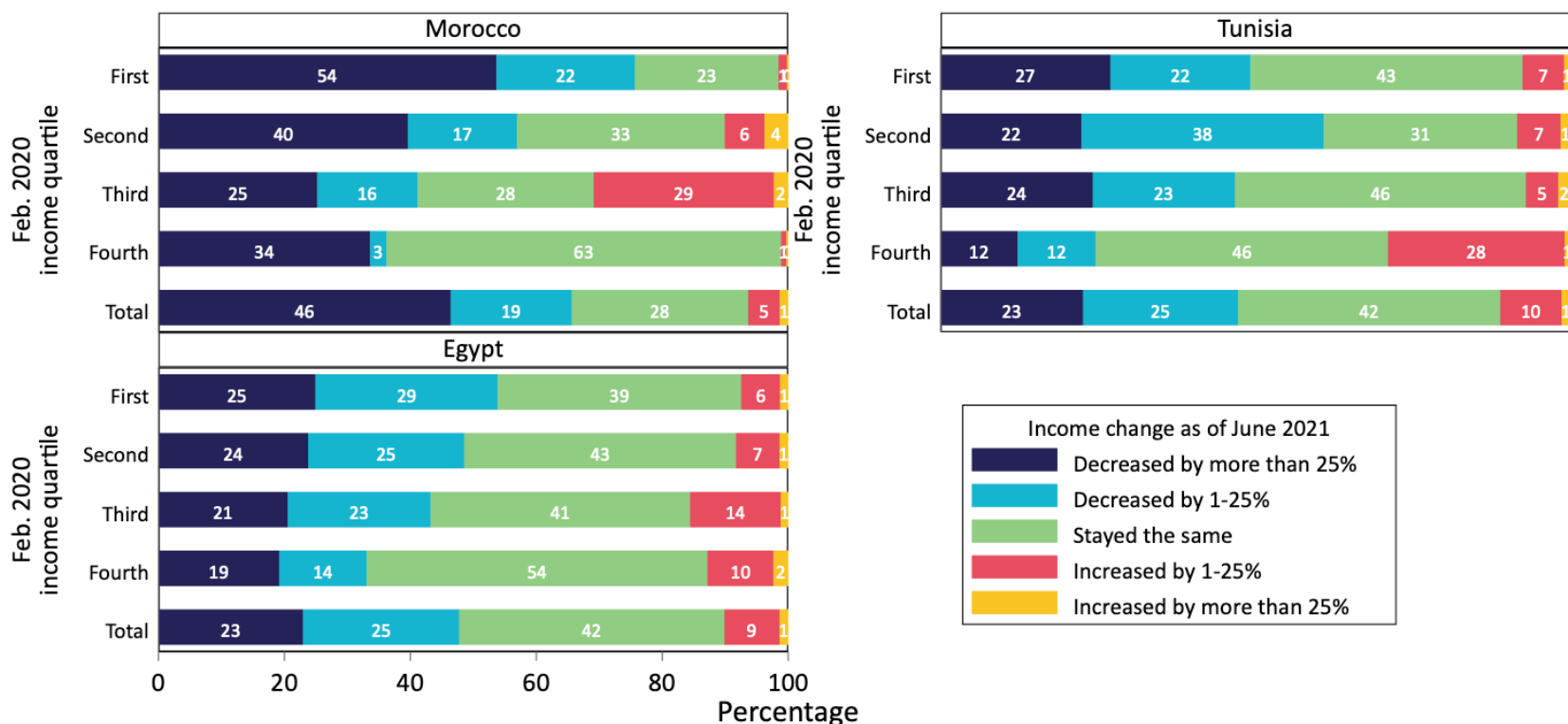
More women than men were able to work from home, probably because they are more concentrated in public sector and office jobs

Percentage of wage workers able to work from home



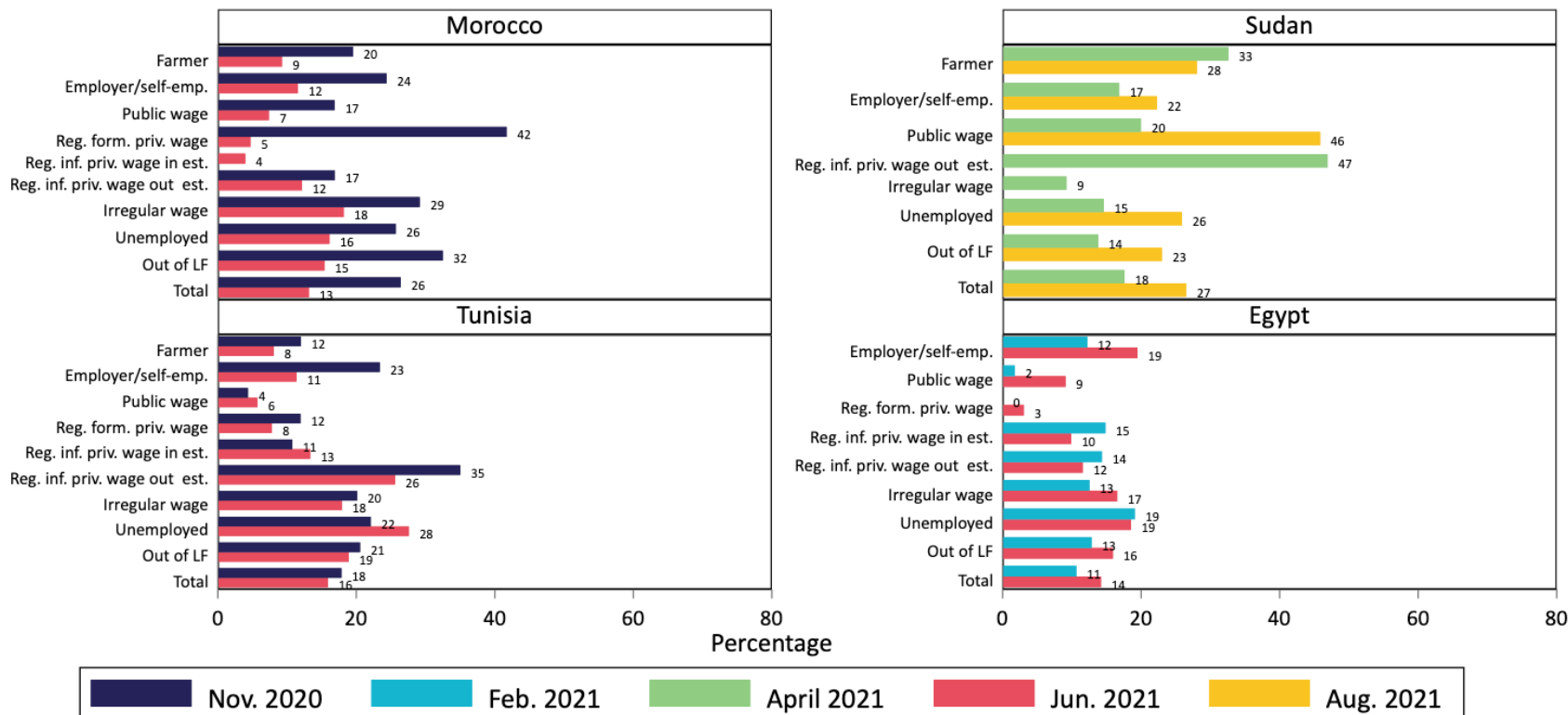
# Income losses were persistent and worsened poverty and inequality

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



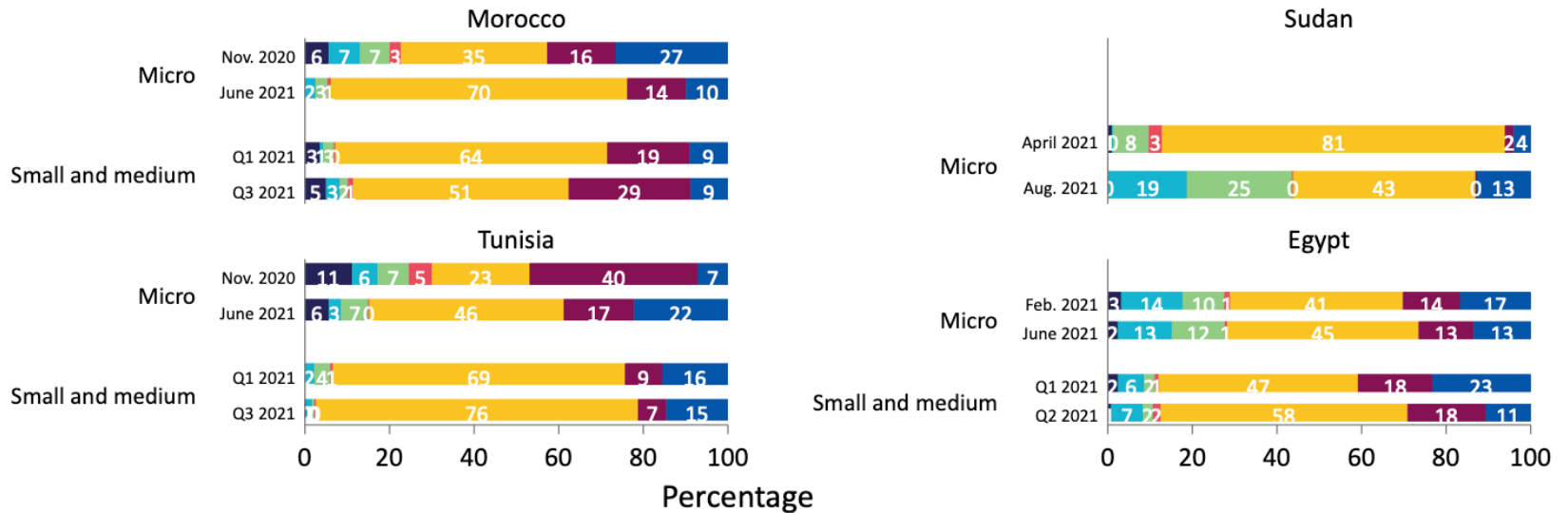
# Government assistance did not necessarily target those struggling the most

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



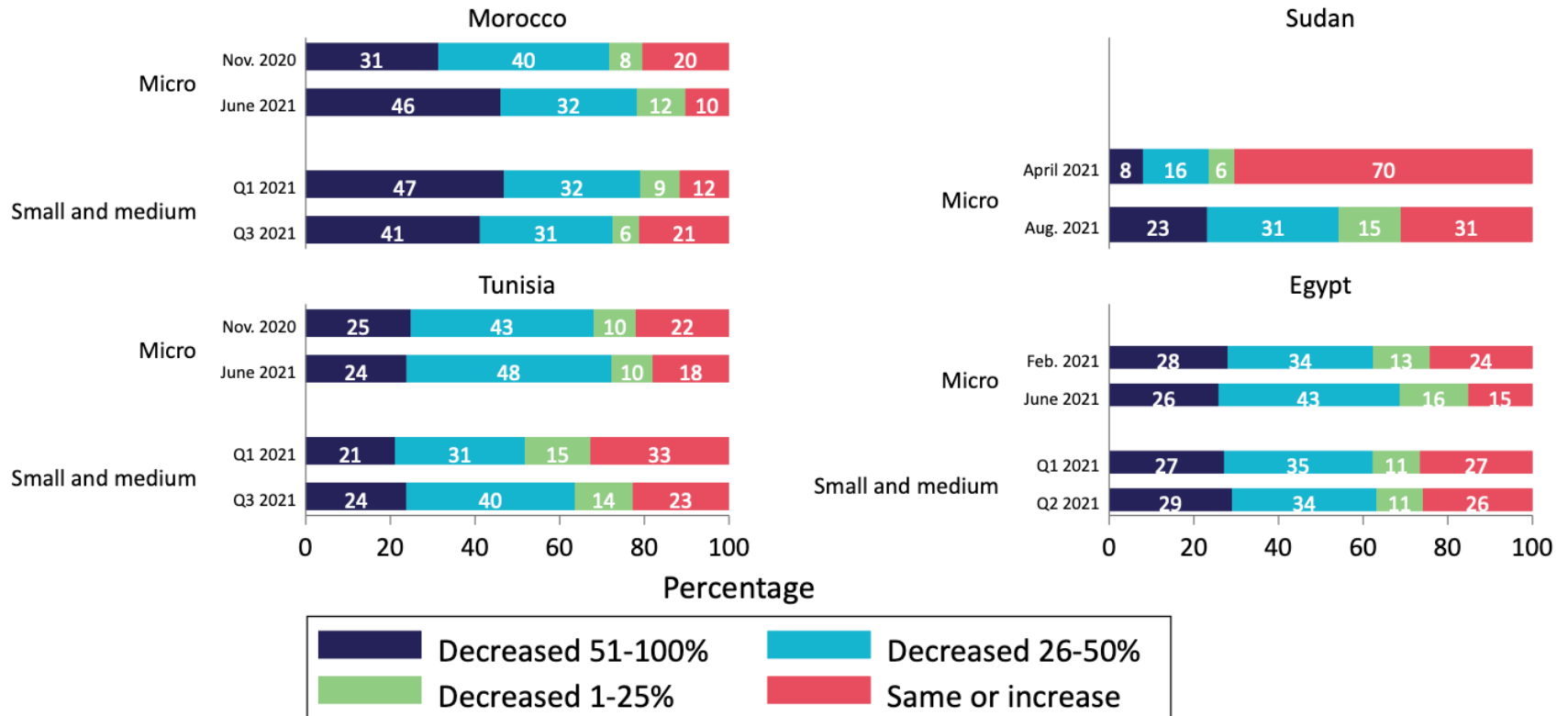
# Firm operations had not fully recovered by mid-2021

Operational status of enterprises (percentage), micro, small, and medium enterprises in February 2020, by country and wave, first and latest wave



# Firm revenue remained depressed through the second quarter of 2021

Revenue changes of enterprises, past 60 days compared to same season in 2019 (percentage), micro, small, and medium enterprises in February 2020, by country and wave, first and latest wave



# Key takeaways

- Some recovery in growth, disparate impacts by sector and country
- Sharp impact during initial lockdowns (Q2 2020 LFP, unemployment, underemployment)
- Recovery (varying) thereafter in headline labor market measures (LFP, unemployment), income losses persisting
  - Egypt: short-lived losses (unemployment for men; falling participation for women), quick recovery for men, women's participation continues to fall
  - Morocco: later/persistent impact on employment (late 2021 downturn); more impact on time-related underemployment in 2020
  - Tunisia: weaker immediate impact, but continuing struggles through 2021
  - Sudan (and other countries): Other factors as well over the period
- Informal workers, self-employed and farmers, households that were already poor particularly impacted
  - Not necessarily well-targeted by assistance
- Firm operations and revenue had not fully recovered by mid-2021
  - Weak support in most countries, particularly for microenterprises
- Important question is the trajectory of recovery from here

# Policy Implications

- **Data – need to go beyond headline aggregate measures**
  - Importance of indicators that identify labour market problems of vulnerable groups (informal, irregular, self-employed): wages, earnings, hours
    - Example: Time-related underemployment
  - Importance of quarterly data collection on these indicators
  - Importance of releasing microdata to explore who is most vulnerable
- **Policy – need to have vulnerability indices at the household level pre-crisis to rapidly respond to crises**
  - Example: Proxy means scores already used by social safety net programs (Takaful and Karama in Egypt; RAMED in Morocco; PNAFN in Tunisia; Thamarat in Sudan)
  - Measure for all households, can support the most-vulnerable in normal times, expand to the near poor in shock periods.
- **Policy - Expansion of existing safety nets is more effective than new programs during crises**
  - Much of the assistance that reached households during COVID-19 was through existing programs (e.g. Takaful and Karama, ration cards in Egypt had more reach than new informal worker program)



Thank you for your attention!

Questions?!



International  
Labour  
Organization



ECONOMIC  
RESEARCH  
FORUM



منتدى  
البحوث  
الاقتصادية



Sweden  
Sverige