

# ERF Policy Brief

## The Evolution of Labor Supply in Egypt: Current and Future Challenges

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### About the authors

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### In a nutshell

- Egypt's labor force participation rates continue to decline, particularly among younger men and educated women.
- Unemployment has decreased, but this is driven primarily by falling labor force participation rather than improved job prospects.
- The "echo" generation of the youth bulge will enter the labor market within the next decade, creating new labor market pressures and challenges for policymakers.
- Fertility rates have dropped substantially, from 3.5 births per woman in 2014 to 2.2 in 2023, reducing demographic pressures on the labor market in the long term.

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## Introduction

Egypt stands at a critical point in its demographic and labor market evolution (Assaad, 2022). The results of the latest wave of the Egypt Labor Market Panel Survey (ELMPS) 2023 highlight a complex set of trends (Krafft et al., 2024). While fertility rates have dropped, reducing long-term demographic pressures, the “echo” generation, children of the youth bulge, will soon enter the labor market, intensifying the need for policies to accelerate job creation to address this impending increase in labor supply. Additionally, participation in the labor force, particularly among youth and women, is declining, partly as a result of discouragement. This policy brief outlines the key findings from the ELMPS 2023, focusing on demographic shifts, along with changes in labor force participation and unemployment.

## Demographic and labor supply trends

In 2023, Egypt finds itself at a critical juncture in its demographic trajectory (Figure 1). After a period of demographic pressure due to the “youth bulge,” the labor market is experiencing temporary relief, as the peak of the youth bulge is now aged 35-39. However, the sizable “echo” generation—the children of the youth bulge, with a peak at ages 5-14—will reach working age within the next decade, leading to a surge in labor market entrants.

## Fertility decline and its implications

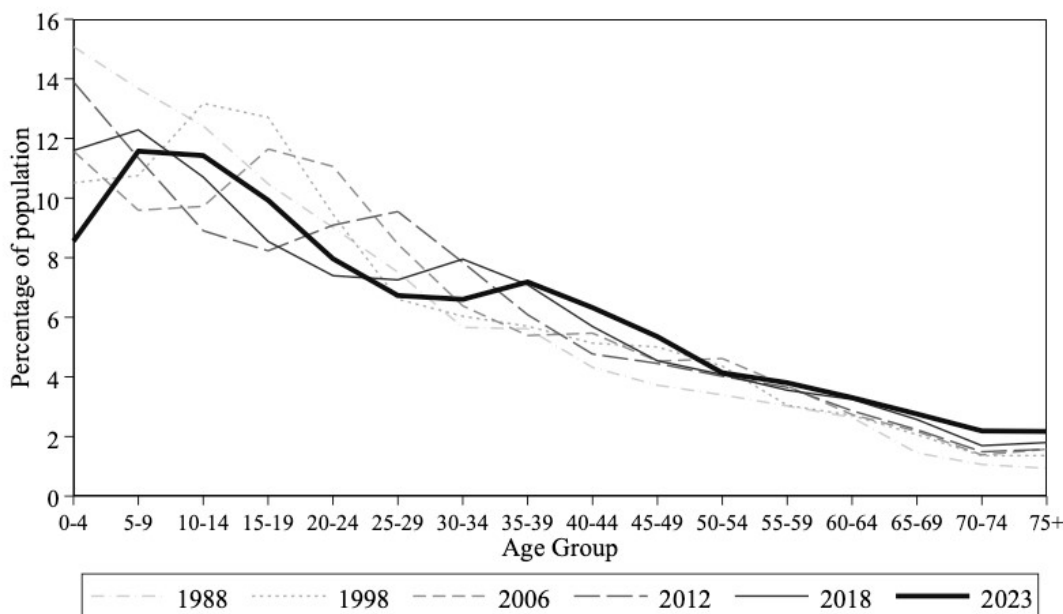
One of the most striking trends in Egypt over the past decade has been the recent sharp decline in fertility rates (Figure 2). After a temporary rise in the early 2000s, the total fertility rate (TFR) dropped from 3.5 births per woman in 2014 to 2.2 in 2023. This decline marks a substantial shift, returning Egypt to the path of demographic transition that had stalled and even reversed during the previous decade. The decline in fertility is also visible in the much smaller group of children aged 0-4 in 2023 than previous years (Figure 1).

The drop in fertility offers both opportunities and challenges for Egypt:

- Relief from demographic pressures: Fewer births in recent years mean less pressure on the health system, a smaller cohort entering the education system in the short run and, eventually, the labor market in the long run. This shift offers an opportunity for the government to improve health care and education quality, as pressures from population growth abate.
- Long-term labor supply considerations: While the decline in fertility does not immediately affect the labor market, it will in the long term. In the meantime, the echo generation will place pressures on the labor market for some time, but those

**Figure 1. Population structure of Egypt (percentage in five-year age group), 1988–2023**

The youth bulge is now prime age (35-39 in 2023) while the echo generation (the peak aged 5-14) is about to enter and pressure the labor market.

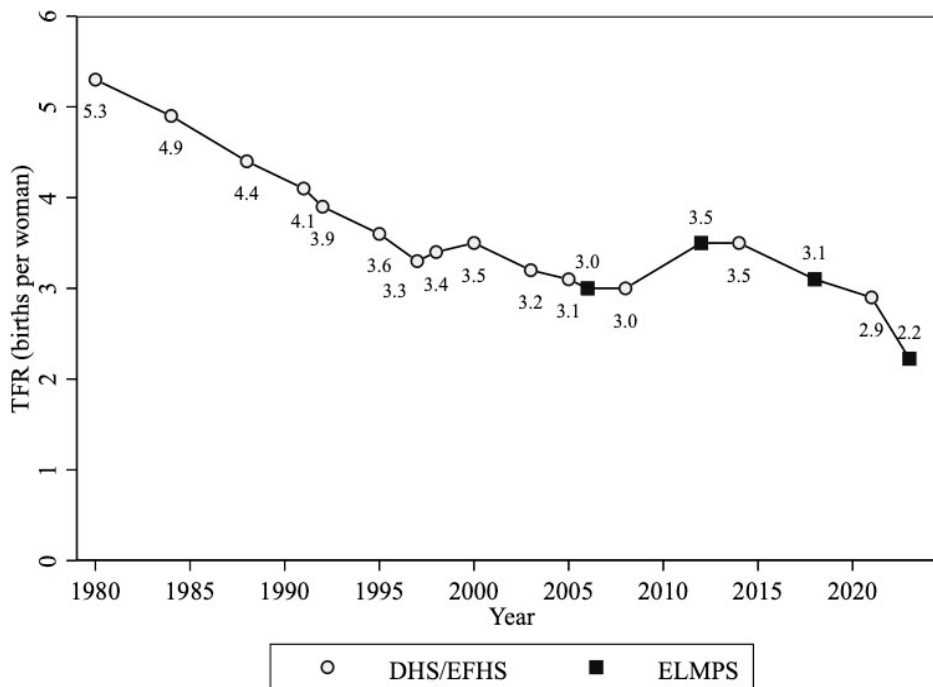


Source: Authors' calculations based on LFS 1988 and ELMPS 1998-2023



**Figure 2. Total Fertility Rate (TFR, births per woman) in Egypt, 1980–2023**

Fertility decline has resumed, with a sharp drop in TFR between 2014 and 2023.



Source: TFRs for 1980-2005 and 2008 are from El-Zanaty & Way (2009) and are primarily Demographic and Health Survey statistics. TFR for 2014 is from the 2014 Demographic and Health Survey (Ministry of Health and Population et al., 2015). TFR for 2021 is from the Egypt Family Health Survey (Central Agency for Public Mobilization and Statistics (CAPMAS), 2022). TFRs for 2006 and 2012 are from Krafft (2020). TFR from 2018 is from Krafft, Assaad, and Keo (2022). TFR for 2023 is based on authors' calculations using STATA program *tfr2* on the ELMPS 2023.

pressures will abate when the generation now aged 0-4 enters the labor market starting in the late 2030s.

- Potential for a demographic dividend: As fertility declines and the working-age population grows relative to dependents, Egypt has the potential to benefit from a demographic dividend. However, this can only be realized if there are adequate job opportunities and investment in human capital, particularly in education and health (Bloom et al., 2003).

### Labor force participation: a steady decline

Labor force participation in Egypt has declined since 2012, with participation rates falling from 51% in 2012 to 45% in 2023. Both men and women's participation have declined over time, from 80% in 2012 for men to 72% in 2023. The drop in participation is particularly acute among younger men, who are increasingly staying out of the labor market longer even after completing their education (Figure 3). For women, participation rates were already low at 23% in 2012, but they have fallen further in 2023 to 18%. The drop has been especially acute for educated women who are increasingly

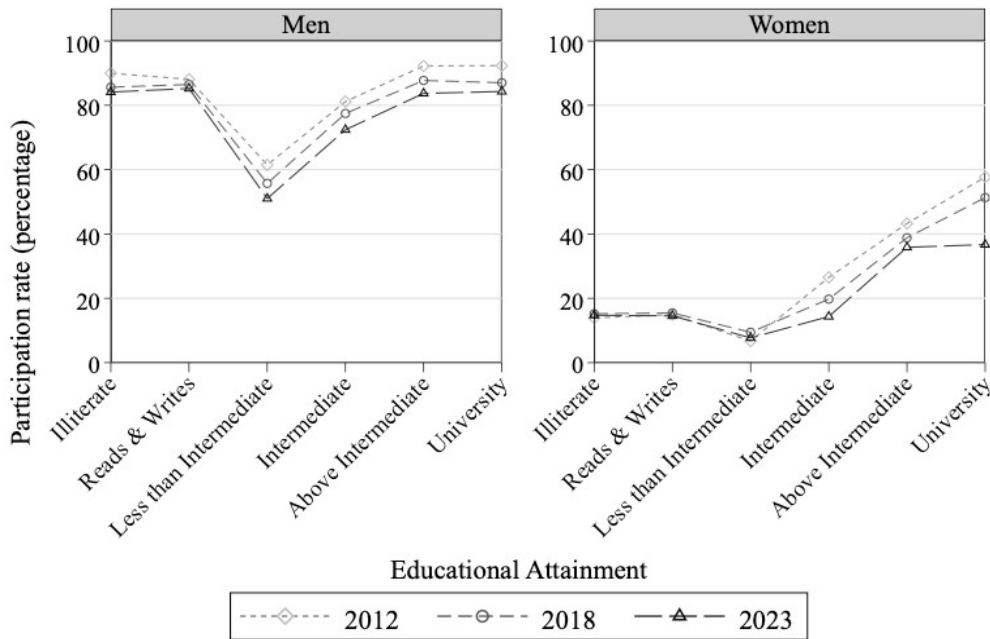
withdrawing (Figure 3) due to shrinking public sector opportunities (Assaad, Hendy, et al., 2020).

### Unemployment trends and future labor market challenges

Unemployment in Egypt has historically been influenced more by structural factors than by cyclical conditions, with a central role played by the influx of educated labor market entrants (Assaad, 2019; Assaad & Krafft, 2023; Krafft & Assaad, 2014). Between 2012 and 2023, unemployment rates (standard, search required definition, as a share of the labor force) declined from 8.7% to 6.3%, despite a simultaneous fall in employment (from 47% to 42% as a share of the working age population). The unemployment decline is thus due primarily to reduced labor market participation and a temporary reduction in demographic pressures, rather than improvements in job creation. The “echo” generation, set to enter the labor market in the coming decade, may reverse this trend. Gender disparities remain, with the unemployment rate for women much higher than for men (12.8% for women versus 4.8% for men in 2023), though the gap has narrowed over time as more women opt not to enter into the labor force altogether.



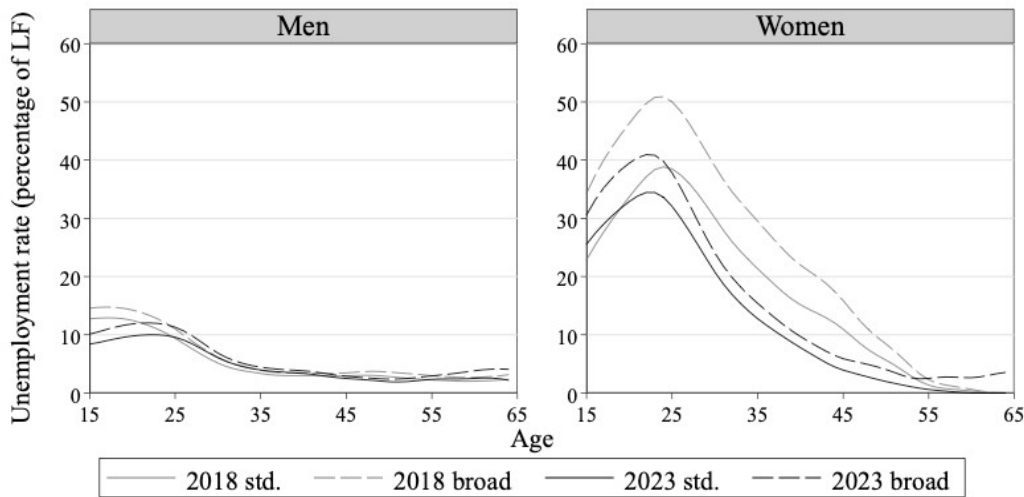
**Figure 3. Labor force participation rate (percentage) by sex and education level, ages 15-64, 2012-2023**  
 Men have had declining participation across education levels, while there has been a sharp decline in participation among university-educated women.



Source: Authors' calculations based on ELMPS 2012-2023

**Figure 4. Unemployment rate (percentage of the labor force), standard vs. broad definition, by sex and age, ages 15-64, 2018, 2023**

Unemployment rates in 2023 peak near age 25 for both men and women.



Source: Authors' calculations based on ELMPS 2018-2023



Unemployment among men now peaks around age 25 and then abates, while for women, it peaks near the same age and remains high, but declines through age 45 (Figure 4). This age pattern is a shift from peak unemployment for men at younger ages in 2018 and slightly older ages for women in 2018. Gaps between standard unemployment, which requires search, and broad unemployment, which includes the discouraged, have narrowed between 2018 and 2023 for women, as fewer women even express interest in seeking employment. Unemployment for university-educated women remains the highest, though rates have fallen across all education levels for women since 2018. Overall, the decline in unemployment reflects falling labor force participation rather than increased job creation, and challenges remain, particularly for women and the educated youth entering the labor market. Policymakers need to focus on creating quality jobs and addressing the structural issues that lead to high rates of discouraged workers.

### Education and youth joblessness

Despite impressive gains in educational attainment, Egypt's educated workforce is facing appreciable challenges in securing employment. Youth, in particular, are struggling to make the transition from school to work (Amer & Atallah, 2022; Assaad et al., 2023), with a sizeable proportion classified as Not in Education, Employment, or Training (NEET). The share of young people aged 15-29 who are NEET, along with the share who are jobless (not in employment or training, among those not in school) show concerning trends. While NEET fell from 2012 (40%) to 2018 (35%),

it did so primarily because women were remaining in school longer. NEET rose for men, from 14% in 2012 to 19% in 2018. Joblessness increased since 2012 for men and women, rising from 20% in 2012 for men to 33% in 2023, and from 86% to 89% for women. NEET peaks in the early 20s for men and women (Figure 5). It then declines with age for men, but remains high for women, while joblessness is highest at younger ages. These trends indicate that addressing education alone may be insufficient to resolve the persistent issue of difficult-school-to-work transitions. Policy interventions targeting job creation and labor market integration are crucial to reduce NEET and joblessness.

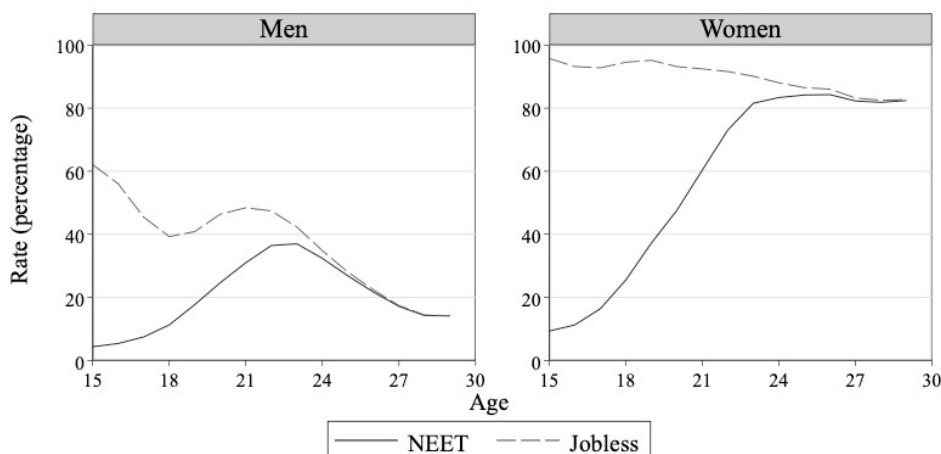
### Policy recommendations

To address Egypt's labor market challenges, the findings from ELMPS 2023 suggest the need for targeted and meaningful interventions:

1. **Job Creation in High-Demand Sectors:** The focus must be on creating quality jobs, particularly in sectors that can absorb large numbers of young and educated workers as the echo generation enters the labor market. Green jobs show high growth potential (Assaad & Krafft, 2024), as does the information and communication technology sector (ICT), with the latter being particularly promising for women's employment (Selwaness et al., 2023; Yasser et al., 2024). Ensuring a competitive private sector will be an important part of facilitating robust job creation (Assaad, Krafft, et al., 2020; Chekir & Diwan, 2015).
2. **Reinvigorating Women's Labor Market Participation:** Policies should support women who have been increasingly discouraged by creating an enabling environment for women to participate in the

**Figure 5. NEET and joblessness rates by sex and age, ages 15-29, 2023**

*NEET peaks in the early 20s for men and women, but then declines for men and remains high for women*



Source: Authors' calculations based on ELMPS 2018-2023



workforce. This includes recognizing, reducing, and redistributing care work (Atallah & Hesham, 2024; Economic Research Forum & UN Women, 2020; Krafft & Li, 2024), promoting flexible work arrangements (Ho et al., 2024; Jalota & Ho, 2024), and addressing societal norms that discourage female labor participation (Keo et al., 2022; National Council for Women et al., 2023). Interventions may need to be multi-faceted to tackle the many constraints women face; for instance, child care or child care alone may not be sufficient to increase women's participation without addressing restrictive gender norms (Caria et al., 2022; Krafft & Li, 2024).

3. **Improving Labor Market Institutions:** Strengthening labor market institutions is key to ensuring the efficient matching of job seekers with available employment. However, programs that simply match the unemployed with existing jobs are unlikely to be effective, as existing jobs tend not to meet the expectations of the unemployed (Caria et al., 2022; Groh et al., 2015). More promising interventions include better signaling between education systems and the labor market (Assaad et al., 2018), for instance improving labor market information systems (Angel-Urdinola et al., 2013; El-Kogali & Krafft, 2020).

## Conclusion

Egypt is at a pivotal moment in its labor market trajectory, facing both the opportunity and the challenge of integrating a new generation into the workforce. From 2012 to 2023, participation has declined, and while unemployment has fallen, this has been due to declines in seeking work, not increases in employment. While the country in 2023 benefits from reduced demographic pressures, this situation is temporary. The entry of the “echo” generation into the labor market will substantially increase labor market pressures. Policymakers must focus on creating high-quality employment opportunities that align with the skills and aspirations of Egypt's workforce. This is particularly crucial for youth and educated women, whose participation in the labor market is declining due to shrinking public sector opportunities and inadequate private sector conditions. Additionally, addressing social norms that limit female employment, while ensuring strong labor market institutions, will be essential to fully harness Egypt's human capital in the years to come. By focusing on these structural challenges, Egypt can better prepare for the labor market demands of tomorrow.

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