

ERF Policy Brief

Employment Conditions in Egypt Are Improving, But Only for Some: Findings from the 2023 Wave of the Egypt Labor Market Panel Survey

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In a nutshell

- There are signs of improving employment outcomes from 2018 to 2023, including slightly faster employment growth, increased formality of employment in the private sector, reduced employment precarity and irregularity, reduced time-related underemployment, and better access to employer-provided health insurance.
- These improvements have not been equally shared across workers, with women, in particular, experiencing deteriorating employment conditions in terms of both the quantity and quality of employment.
- Less educated and poorer men have also not shared in many of the improvements.
- Employment in the public sector has continued to decline, leading to an overall increase in informality. This has affected women, who are more dependent on such employment, more adversely than men.
- While private wage employment has stagnated, own account work has grown rapidly, especially in sectors such as education, utilities, and transport.
- There is evidence of the emergence of the missing middle of the economy, with employment in small and medium establishments growing much faster than employment outside of establishments and in micro and large establishments.

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Introduction

Utilizing data from the Egypt Labor Market Panel Survey (ELMPS) including its recent 2023 wave, this brief examines changes in the structure and quality of employment in Egypt over the sub-periods from 2012 to 2018 and 2018 to 2023. There are clear signs of improvement in employment conditions over the 2018 to 2023 period in terms of both the quantity and quality of employment, but these improvements are not shared equally across different groups of workers. Women, in particular, have experienced deteriorating labor market conditions, as they are more adversely affected than their male counterparts by the continuing decline of public sector employment. Furthermore, women’s employment in the private sector is contracting, becoming more informal and more precarious. There is also evidence that less educated and poorer men are not sharing in some of the improving conditions, especially with regard to formalization.

Drawing on Assaad & Mahmoud (2024), this brief provides an overview of some of these findings, accompanied by key figures, and offers some policy implications.

Changes in the Structure of Employment

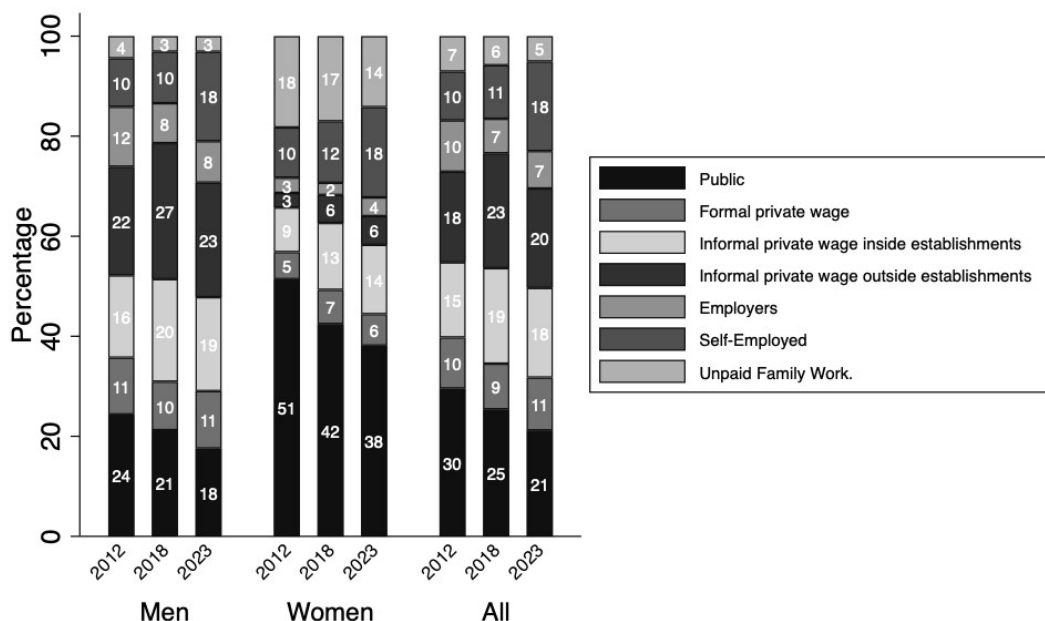
The employment landscape in Egypt has seen notable shifts, with a marked decline in public sector jobs and a rise in private sector engagement, particularly

through the growth of formal private wage employment and own-account work. The share of public sector employment fell from 30% in 2012 to 21% in 2023 (see Figure 1). This reflects an acceleration in the decline of public sector employment from 1.5 percent per annum (p.a.) from 2012 to 2018 to 2.2 percent p.a. from 2018 to 2023. This decline was more pronounced for women and has generally affected them more adversely given their historical over-representation in the public sector.

While the share of formal private sector wage employment has increased in 2018-2023, the increase has been insufficient to make up for the decline in public sector employment, suggesting that the informalization of the Egyptian labor market continues. Nonetheless, private wage employment is somewhat more formal in 2023 than it was in 2018, which bodes well for employment quality. Nevertheless, the formalization of private wage employment is limited to men, and to more educated and better off men at that. Overall, private wage employment has been stagnant, primarily because of the decline in the share of informal wage employment outside establishments, a highly precarious form of employment.

In contrast to wage employment, own-account employment, which is made up of self-employment and employers grew rapidly in the 2018-2023 period. Self-employment grew at the scorching rate of 11.8 percent p.a., whereas the number of employers grew at 3.1 percent p.a., with much of the growth in these categories concentrated in the education, utilities, and transport

Figure 1: Structure of employment by type and sex (2012, 2018, 2023)



Source: Assaad & Mahmoud (2024)



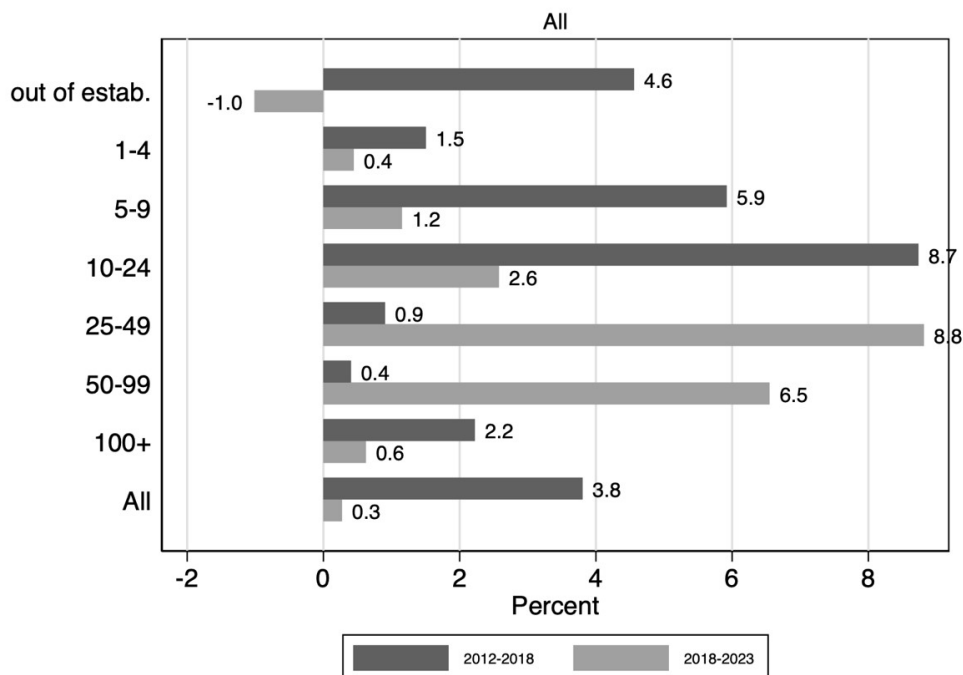
sectors. It remains to be seen whether this growth portends the growth of productive entrepreneurship or simply reflects the growth of low-productivity survival activities.

One of the most positive signs of an improving employment structure in Egypt is the rapid growth of employment in what has been referred to as the “missing middle” of the Egyptian economy (Atiyas & Diwan, 2022). As shown in Figure 2, while overall private wage employment has been stagnant, private wage employment in small establishments (10-24 workers), and especially medium establishments (25-49 and 50-99 workers), grew rapidly, mostly at the expense of employment outside of establishments and in micro and large establishments. Since small and medium establishments offer better employment conditions than either employment outside establishment or in micro establishments, this portends well for improving employment conditions in the Egyptian labor market.

With respect to the industry composition of employment, the results reveal a continuing transition away from traditional sectors like agriculture and public administration towards utilities and services, and

to a lesser extent, manufacturing. As shown in Figure 3, the fastest growing industry sector was utilities, with the growth being mostly in jobs related to electricity production and waste sorting and recycling; two industry segments associated with the green transition. Professional, financial and administrative services sectors were also growing rapidly. They tend to be relatively high-end services that are mostly made up of financial intermediation, legal, accounting, real estate, and travel services. There was also higher than average growth in transport and storage, health and social work, accommodation and food services, and in what is a reversal from the past, manufacturing and mining. Construction, which did well in the 2012-2018 period saw a reversal in 2018-2023, explaining the decline in informal wage employment outside establishments, one of the most precarious forms of employment. Since employment in education services is mostly in the public sector, this sector reflected the decline in public sector employment. It should be noted, however, that one of the fastest areas of growth in own account work was education services, underscoring the increased reliance of households on private lessons to support their children in the education system.

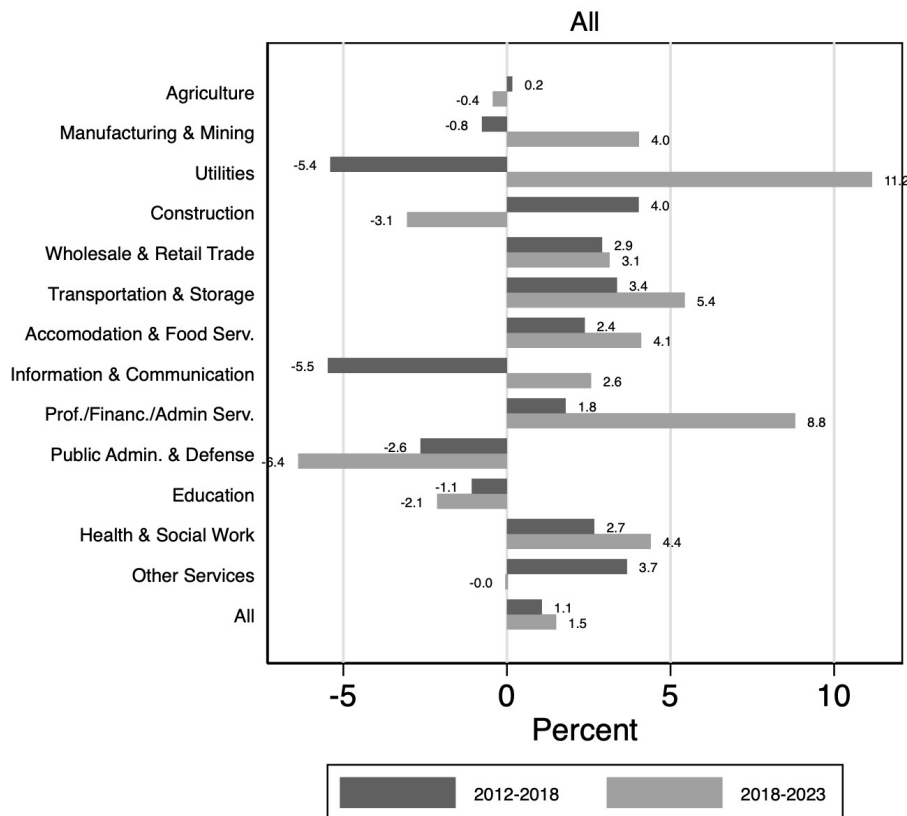
Figure 2: Average annual growth rate of private sector wage employment by establishment size, 2012-2018, 2018-2023



Source: Assaad & Mahmoud (2024)



Figure 3: Average annual growth rate of employment by sector of economic activity, 2012-2018, 2018-2023



Source: Assaad & Mahmoud (2024)

The evolution of employment stability and job quality

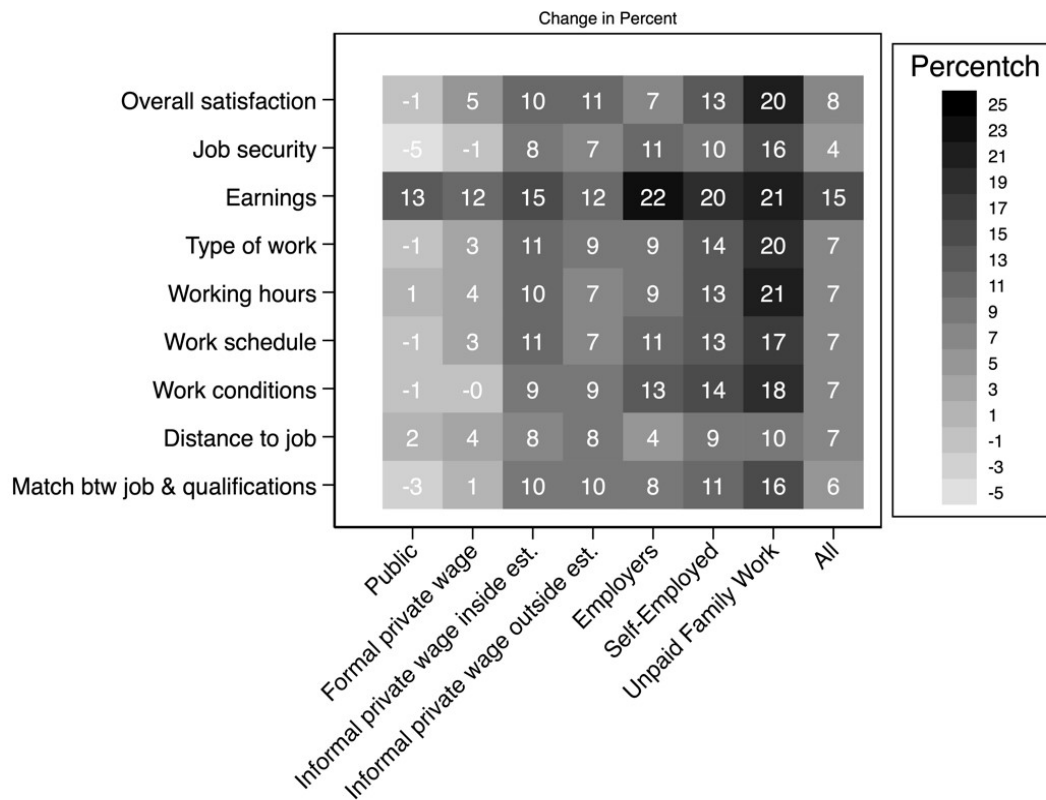
In line with the positive signs in the evolution of the employment structure, there are improvements in several indicators of employment stability and job quality from 2018 to 2023. Time-related underemployment, an indicator which measures the prevalence of involuntary part-time work, is an excellent measure of employment instability for precariously employed workers. This indicator has shown continued decline from 7 percent in 2012 to 5 percent in 2018 to 3 percent in 2023. Measures of employment irregularity were more mixed, with the share of irregular employment falling for men but rising for women. Rates of social insurance coverage for the workforce as a whole continued to decline, albeit at a slower rate than in the previous period. Coverage increased for male private wage workers and male self-employed workers, but mostly declined for female

workers. Access to paid vacations, paid sick leave, and employer-provided health insurance increased slightly, but again only for male workers.

In line with these objective improvements in employment conditions, subjective job satisfaction levels appear to have increased from 2018 to 2023. As shown in Figure 4, the proportion of workers reporting being fully satisfied with their jobs overall increased by 8 percentage points from 2018 to 2023 to reach 45 percent (not shown). The largest increase in satisfaction was observed in the earnings dimension, with the share reporting being fully satisfied increasing by 15 percentage points. Own account workers who have more control over their earnings in inflationary times report the largest increases in satisfaction. Public sector workers report the highest level of satisfaction with their jobs, by far, but they also had the least change in job satisfaction.



Figure 4: Change in percent reporting being fully satisfied with their jobs from 2018 to 2023 along various dimensions of satisfaction and type of employment



Source: Assaad & Mahmoud (2024)

Policy implications

In light of these findings, we offer a few policy implications to sustain the improvement in labor market conditions in Egypt and spread these improvements more fairly across the workforce.

1. Support SME growth

- Build on the emergence of the “missing middle” by supporting SME growth through credit, market access, and the promotion of a level playing field in the economy.
- Provide incentives for informal firms to formalize by reducing the cost of formality

2. Promote inclusive formal employment

- It appears that the new social insurance law passed in 2019 has slowed, if not reversed, the trend toward the informalization of employment in the private sector. There is a need to further extend social insurance coverage among private sector wage workers as well as the self-employed.
- Introduce modifications in the social insurance law to allow for the coverage of workers in non-standard employment arrangements, such as gig and platform workers.

3. Address gender disparities

- The findings strongly indicate that women have not shared in the improving labor market conditions experienced by their male counterparts. This is partly due to the decline in public sector employment in which women over-represented and to the fact that private employers perceive women as just temporary employees who will leave their employment at marriage.
- There is a need for targeted initiatives to support married women’s ability to remain employed in the private sector after marriage and childbearing, such as childcare facilities, flexible working arrangements, and remote work possibilities.
- Investing in the care economy – education, healthcare and social care – is not only an excellent investment in human capital, but it also reduces women’s unpaid care work, allowing them to stay employed, while expanding paid employment opportunities for women.
- The growth in women’s self-employment in recent years needs to be supported and encouraged since such employment allows married women to reconcile their involvement in remunerative employment with their unpaid care work responsibilities.



4. Pursue development strategies that promote sectors that create decent jobs

- One of the main reasons for the improvement in employment conditions in the 2018-2023 is the shift in the sectoral composition of employment growth. Construction, which generates mostly precarious, low-quality employment, had been growing rapidly in the previous period but its growth reversed in 2018-2023. Instead, employment growth was highest in jobs related to the green transition (utilities), high-end professional and financial services, health and social work, accommodation and food services, and even manufacturing, which recovered strongly during this period. All of these sectors produce much higher quality jobs than construction.
- Development strategies should continue to support these sectors, as well as reverse the decline in education employment through greater public sector expenditures in this critical sector. Finally, although the information and communication sector did not emerge as one of the fastest growing sectors in our analysis, other research has shown that ICT jobs more broadly defined have been growing rapidly and have been particularly important in creating employment opportunities for women in the private sector (Selwaness et al., 2023).

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