

OXFORD

The Egyptian Labor Market in an Era of Revolution

EDITED BY RAGUI ASSAAD
& CAROLINE KRAFFT



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Foreword

This volume provides fresh insights into the Egyptian labor market in the wake of the January 2011 revolution. Drawing on a new Egypt Labor Market Panel Survey (ELMPS 2012), the authors tackle a wide range of issues, including the persistence of high youth unemployment, labor market segmentation and rigidity, growing informality and the declining role of the state as an employer. They also explore the impact of the economic difficulties associated with the revolution, especially in terms of adjustments to earnings, job insecurity, female labor force participation and the stagnation of micro and small enterprises. As such, the volume makes an important contribution to our understanding not only of the way the Egyptian labor market functions and the consequences of government policies but also how the revolution may have impacted labor market outcomes.

The ELMPS 2012 was carried out by the Economic Research Forum (ERF) in collaboration with the Central Agency for Public Mobilization and Statistics (CAPMAS). This data collection effort began in 1998, which formed the baseline for subsequent surveys in 2006 and 2012. Encouraged by the success of this experience and the large body of research it helped generate, ERF carried out a similar survey for Jordan in 2010 (JLMPS) and a new survey is being carried out for Tunisia. These data sets are made available to all researchers on the ERF website (<www.erf.org.eg>) in the hope that data availability will motivate researchers to look deeply at some of the interesting research questions in the ERF region.

The effort that goes into the data collection and analysis is enormous but the payoff is no less significant. In this context, I would like to take this opportunity to thank those who made it all possible. My appreciation goes to Caroline Krafft and Ragui Assaad, the editors of this volume, and deepest gratitude to Assaad who has been the driving force behind the entire endeavor since its inception. I would also like to thank the contributors to the volume and the Arab Fund for Economic and Social Development and the World Bank for their financial support to ERF over the years.

Ahmed Galal
Managing Director,
Economic Research Forum

Preface

In the past decade, Egypt has experienced profound economic and political changes. In the mid 2000s, Egypt was experiencing strong economic growth but also undergoing substantial structural changes in its labor market. In the aftermath of the 2008–9 financial crisis, growth slowed considerably. At the same time as Egypt's economy was hampered by global economic challenges, profound political changes began. In January of 2011, after decades of relative political stability, Egyptians took to the streets demanding change in what is now known as the January 25th 2011 revolution. Since then, political instability has contributed to a substantial economic downturn. While it is not certain where Egypt will end up politically or economically in the future, these recent events have an ongoing impact on the daily lives of Egyptians. Yet little is known about how Egyptians' lives and livelihood opportunities have been altered, especially in terms of how the labor market has responded to a period of substantial change and instability.

This book provides important insight into the evolution of the Egyptian labor market in recent decades and, in particular, how it responded to the political instability and economic crisis that has followed the January 25th 2011 revolution. Detailed analyses of labor market outcomes in the aftermath of the uprisings are presented for the first time, analyses available thanks to a unique data source, the Egypt Labor Market Panel Survey (ELMPS), which was fielded from March to June of 2012, a year after the initial uprising. The ELMPS 2012 is a follow-up survey to the Egypt Labor Market Survey (ELMS) of 1998 and the ELMPS round of 2006. As with the 1998 and 2006 surveys, the 2012 survey was carried out by the Economic Research Forum (ERF) in cooperation with the Egyptian Central Agency for Public Mobilization and Statistics—the main statistical agency of the Egyptian Government. Both the 2006 and 2012 rounds are structured as panels that follow individuals first interviewed in 1998, although in each round a refresher sample is added that then becomes part of the panel in subsequent rounds.

The initial ELMS 1998 was based on a nationally representative sample of 4,816 households and was designed to be comparable to the special round of the Egyptian Labor Force Sample Survey of 1988.¹

The ELMPs 2006 was based on a sample of 8,351 households, which includes the households from 1998 that could be located, the households that split from them and a refresher sample of 2,500 households. The ELMPs 2012 includes the ELMPs 2006 sample of households that could be located in 2012 and the households that split from them, as well as a refresher sample that oversampled high-migration areas to allow for more in-depth study of international migration.

The final sample for the ELMPs 2012 included 12,060 households, with 6,752 households from the 2006 sample, 3,308 new households that emerged from 2006 households as a result of splits, and a refresher sample of 2,000 households. Of the 37,140 individuals interviewed in 2006, 28,770 (77%) were successfully re-interviewed in 2012. These individuals, including 13,218 individuals who were sampled in all three rounds—the ELMS 1998, ELMPs 2006, and ELMPs 2012—form a panel that can be used for longitudinal analysis.

The attrition that occurred between the original 1998 sample and the 2006 sample was mostly random in nature, due primarily to lost records containing the key identifying information for 1998 households (Assaad and Roushdy 2009). The attrition that occurred from 2006 to 2012 was attributable to a variety of processes. To the extent possible, non-random attrition is accounted for in the sampling weights that also take into account sampling strategies. For an analysis of attrition and discussion of sampling weights see Assaad and Krafft (2013).

The multiple rounds of the ELMPs allow for not only a comparison of key labor measures over time, but also an analysis of the dynamics of a wide variety of labor market and related phenomena including employment, unemployment, job characteristics, job mobility, geographic mobility, migration, earnings, education, fertility, women's status, the cost of marriage, health, information technology, savings and borrowing, parents' characteristics, and siblings' characteristics. The modules of the ELMPs have been updated and expanded over time to better measure important labor market trends. For instance, a life events calendar tracking education, marriage, work, and migration over time was added in 2012.

The richness of the ELMPs data allows this book to track key labor market indicators and also delve into a number of important labor market issues in Egypt. The chapters in this volume provide an overview of key

¹ See Assaad (2009) and Assaad (2002) for more information on the 2006, 1998, and 1988 surveys. See Assaad and Krafft (2013) for further details on the 2012 survey.

developments in the Egyptian labor market over the past several decades. In chapter 1, Ragui Assaad and Caroline Krafft examine issues of population, labor supply, employment, and unemployment. Even though demographic pressures on the labor market have eased since 2006 as the youth bulge generation, which is now in its mid to late twenties, has integrated into the labor market, employment rates have decreased, labor force participation among women has decreased, unemployment has slightly increased, and under-employment has increased substantially. Overall, the labor market in 2012 is in a much weaker position than in 2006, with the brunt of the adjustment falling on the most vulnerable workers. Chapter 2, also by Assaad and Krafft, examines the structure of employment in Egypt, focusing on job creation, types of employment, sector, industry, and occupation. Employment in the private sector continues to be dominated by small firms and informal work, with a sharp rise in irregular wage work—the type of employment that is most closely associated with vulnerability and poverty. In chapter 3, Mona Said investigates the distributional and structural developments of real monthly and hourly wages in Egypt. While relative to 2006, real wages have risen, the share of low-wage earners has also increased. Women continue to earn less than men in the private sector but remain near parity in the public sector.

The success or failure of Egypt's young people in securing good jobs and attaining their aspirations is a key concern nationally and globally, and youth are a particular focus of a number of chapters. Chapter 4, by Mona Amer, analyzes the evolution of the school-to-work transition of Egyptian youth, including a dynamic analysis of the youth labor market and in particular an analysis of school-to-work transitions and early labor market trajectories. Young people are primarily entering the labor market as informal workers, and strong segmentation means that few young people are able to improve their labor market status after entry. Women's persistence in or withdrawal from the labor force is closely tied to the type of job they are able to obtain, with women in public sector and formal private sector jobs most likely to persist. In chapter 5, Samer Kherfi explores an important issue in the Egyptian labor market: the evolution and determinants of unemployment durations, examining how individual characteristics are related to the time young people spend in unemployment. Unemployment durations have remained the same or increased slightly over the 2006–2012 period, with women consistently experiencing longer durations of unemployment. In chapter 6, Ghada Barsoum investigates the employment aspirations of young people. The employer of choice for youth continues to be the government. This preference is due in part to the higher quality of jobs in the government, in contrast to the informality, insecurity, instability, and lack of benefits in much of Egypt's private sector.

This book also includes a number of chapters on key issues that intersect with the labor market, including education, gender, and family formation. In chapter 7, Asmaa Elbadawy discusses a vital aspect of labor supply in Egypt: the educational attainment and experiences of young people. While the educational attainment of Egypt's youth has been rising over time, education quality remains low and youth face unequal chances of access and success based on their social backgrounds. Chapter 8, by Rana Hendy, focuses on how gender intersects with labor market behaviors. Marriage, and its attendant household responsibilities, are difficult to reconcile with private sector employment, and women are increasingly preferring to remain outside the labor force as public sector hiring continues to decline. In chapter 9, Rania Salem examines the institution of marriage, with a focus on the age at marriage, the universality of marriage, and marriage outcomes such as consanguinity, cost and nuclear household arrangements. Despite Egyptians' concerns that the institution of marriage is in decline, marriage continues to be nearly universal, and delays in the age at marriage may even be reversing—although the cost of marriage remains high.

The richness of the ELMPS data allows this book to examine in-depth a number of different segments and dynamics within the Egyptian labor market. In chapter 10, Ali Rashed and Maia Sieverding investigate an important segment of the Egyptian labor market: micro and small enterprises, which provide a substantial share of private sector employment but also face important barriers to growth. Decreases in both the prevalence of enterprises and the extent to which they are able to formalize between 2006 and 2012 suggest that worsening economic conditions have hampered this sector's growth. Chapter 11, by Jackline Wahba, examines the international migration of Egyptians, focusing on both individuals who are currently abroad and those who have migrated in the past but returned to Egypt. Migration continues to play an important role in the Egyptian economy, providing remittances, savings to enable entrepreneurship, and occupational mobility. In chapter 12, Chaimaa Yassine assesses the dynamics (or lack thereof) in the Egyptian labor market. The labor market has been and continues to be extremely rigid, with the only increases in dynamism post-revolution being an increase in job losses, albeit from very low levels. Chapter 13, by Rania Roushdy and Irène Selwaness, illustrates how social insurance (social security) covers only some workers in the Egyptian labor market, and examines the dynamics of accessing social insurance. Access to social insurance has declined over time. Whether a worker first works as a public sector employee, in a formal firm, or an informal firm has a strong effect on whether a worker ever obtains social insurance.

This book provides crucial insights and updates on the Egyptian labor market, but we hope the richness of the ELMPS 2012 will extend beyond these

pages, to help researchers and policy makers understand the labor market at this crucial juncture in Egypt's history. The previous rounds of the ELMPS have enabled a large number of valuable studies on the Egyptian economy and society, and we hope to see many more studies using the publicly available data, including the ELMPS 2012. Additionally, we look forward to comparative work on labor markets within the Middle East and North Africa region. In 2010, ERF carried out a survey of labor market conditions in Jordan (the JLMPS 2010) and has just completed a labor market survey in Tunisia (the TLMPS 2014). These surveys were designed to be similar to the ELMPS to allow for comparative studies and to generate new insights within the region. Researchers interested in using the ELMPS or the Jordanian or Tunisian surveys can access the data online at <www.erfdataportal.com>. Providing these data to researchers is a vital part of ERF's commitment to facilitating high-quality labor market studies and supporting the research community and policymakers. Ensuring that researchers, policymakers, and national and global communities have access to accurate and high-quality information and research is particularly crucial in this era of change within Egypt and the region.

Ragui Assaad and Caroline Krafft
January, 2015

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The Evolution of Labor Supply and Unemployment in the Egyptian Economy: 1988–2012

Ragui Assaad and Caroline Krafft

1.1 Introduction

In Egypt, the period between 2006 and 2012 has been characterized by substantial demographic shifts and recurring economic crises. Until recently, there had been little information available to assess the impact of these changes on the Egyptian labor market. The recent release of the Egypt Labor Market Panel Survey of 2012, which collected detailed data on labor market trends in Egypt, allows for in-depth analyses of the evolution of labor supply and unemployment during this period of change. Even with decreasing demographic pressures on the labor market since 2006 due to the “youth bulge” generation completing their labor market insertion, employment rates have decreased, labor force participation among women has decreased, unemployment has slightly increased, and under-employment has increased substantially. Overall, the labor market in the wake of the January 25th 2011 revolution is clearly in a weaker position than it was in 2006.

The deterioration in labor market conditions has occurred despite demographic and educational trends that should have resulted in lower unemployment and increased female labor force participation. Demographic trends favor decreases in unemployment due to the aging of the youth bulge generation. Demographic trends resulted in a pronounced increase in the population share of the generation born around the mid 1980s, a generation that began entering the labor market in the late 1990s and through the mid 2000s. By 2006, the peak age for this group was 22, and many had already transitioned into the labor market. By 2012, the peak age for this group was 28, and the youth bulge had been largely integrated into the workforce.

Given that unemployment in Egypt is primarily a new entrant phenomenon, we would expect the aging of the youth bulge to have substantially decreased unemployment by 2012; instead unemployment has ticked up slightly, a reflection of slowing labor demand in the economy. While the unemployment rate has increased only slightly, there has been a substantial increase in visible (time-related) under-employment.

Additionally, given the increasing levels of education among women and the historically strong relationship between female labor force participation and educational attainment, we would have expected female labor force participation to have risen; instead it has fallen substantially. This is an indication of the declining opportunity structure facing women in the labor market. Public sector employment, upon which educated women have strongly relied in the past, continues to decline, and there is continued weakness in private sector employment growth, especially for women. Despite the decline in female participation rates, female unemployment rates have continued to climb, at a time when male unemployment rates have declined slightly from 2006 to 2012.

In this chapter, we examine trends in population growth, labor force participation, employment, unemployment, and under-employment in the Egyptian economy from 1988 to 2012.¹ We focus primarily on trends from 1998 to 2012 due to better comparability in the data; however, whenever possible we also compare to 1988. The four surveys we use, the special round of the Labor Force Sample Survey carried out in October 1988 (LFSS 1988), the Egypt Labor Market Survey of 1998 (ELMS 1998), the Egypt Labor Market Panel Survey of 2006 (ELMPS 2006), and the Egypt Labor Market Panel Survey of 2012 (ELMPS 2012), are generally comparable in terms of survey design and methodology. The 1998, 2006, and 2012 rounds were designed to be a panel; however, we do not rely on the panel design in what follows. Although there has been attrition from 1998 to 2006 and from 2006 to 2012, we have ensured that the survey has remained nationally representative by using weights that account for this attrition.²

1.2 The Evolution of the Age and Educational Composition of the Working-Age Population

The overall population growth rate in the 2006–2012 period was around 2% per annum (Table 1.1), very similar to the growth rates during the 1988–98

¹ For additional detail on these topics, see Assaad and Krafft (2013b).

² See Assaad and Krafft (2013a) for more information about attrition, sample weights, and the 2012 survey.