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Labour Markets Performance and Migration Flows in EGYPT

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National Background Paper
November 2009

Labour Markets Performance and Migration Flows in
Arab Mediterranean Countries: Determinants and
Effects

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For more information on the Study

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Introduction

This paper studies the relationship between labour market performance and emigration flows in Egypt. It examines recent labour market conditions and the impact of labour market reforms on employment, unemployment, the informal economy and migration flows. In a globalised world economy, workers perceive international migration as a channel to access overseas labour markets. Individuals choose whether to participate in the domestic labour market or in an overseas labour market. Thus, the conditions of domestic labour markets play a pivotal role in the decision to migrate overseas. In turn, emigration can potentially affect national labour markets.

This paper will review the trends and prospects of labour supply in Egypt, then examines the characteristics of the Egyptian labour markets and highlight some of the challenges in the labour market, before turning to the impact of the labour market on international migration.

1. Labour Supply in Egypt: situation and prospects

1.1. Demographic dynamics and prospects

One of the major challenges facing the Egyptian economy has been growing population. Although this has been labelled by some as a demographic gift, the resulting increase in the labour supply has put pressure on the labour market. According to the 2006 Census figures by the Central Agency for Public Mobilisation and Statistics (CAPMAS) Egypt's population was estimated to have reached 76.5 million in 2006, 3.9 million of whom were Egyptians living abroad up from 2.2 million in 1996, up by 37% from the 1996 Census. Population in urban areas increased by 40.22% to around 30.95 million, whilst the rural population rose by 64.22% to 41.63 million. CAPMAS estimates in May 2008 put Egypt's population at 78.7 million.

In fact, the Egyptian population has doubled during the past thirty years from 36.6 million in 1976 to about 72.6 million in 2006. During, the past ten years (1996 – 2006), population has increased by about 13.3 million. The government's efforts to reduce the national birth rate have resulted in a decline in population growth rate from an annual average of 2.79% during 1976-1986, to 2.08% throughout the period 1986-1996 and then to 2.04% during 1996-2006. Despite this decline in population growth rate, it is not yet below the 2% benchmark. This rate will result in 89 million people within the next ten years, an increase of more than 16 million people. If the population growth rate decreased to 1.75 percent, population will reach 86.3 million in 2016 (instead of 89 million). In other words every 0.25 percentage point decrease in the growth rate corresponds to 2 million fewer people in the census of 2016.

Egypt has only recently entered the third stage of the demographic transition in which both fertility and mortality are falling steadily. The third stage of the transition is initially characterised by a rapid growth in the proportion of the young, but more importantly, by continued growth in the proportion of working age Egyptians and decline in the proportion of children, leading to a long-run fall in the dependency rate (FEMISE 2004). The 2006 Census showed a decline in the population age structure from 37.7% to 31.7% for the young age group "less than 15 years" between 1996 and 2006. At the same time, the census showed an increase in the elderly. People above 60 years of age amounted to 4.55 million representing 6.3% of the total population compared to only 5.7% in the previous census of 1996. These developments will decrease the demographic dependency burden from about 61.3% in 2005/06 to about 52.8% by 2011/12.

From a labour market perspective, Egypt's demographics have resulted in an expanding and increasingly young working-age population. In 2006/07, the labour force was 22 million and it is

expected to increase to 25.3 million in 2011/12. That is an annual average growth rate of 2.8% according to official estimates (Ministry of Economic Development). According to CAPMAS in 2007, 28% of the Egyptian population was between the ages of fifteen and twenty-nine.

Table 1.1 shows the projections of the population, working population and the labour force in Egypt by the UN and the ILO. The population estimates by the UN are similar to the estimates published by the government in its 6th Five Year Plan, though the latter goes only up to 2012 (Fig 1.1). The ILO projections, estimate that the working population in Egypt will increase to 54.9 million in 2015 then to 59.6 million in 2020, whilst the labour force will be almost 28 million in 2015 and reach 30.4 million by 2020. The ILO estimates that the female participation rate was 23 percent, compared to a male participation rate of 75% in 2005. Labour force projections suggests that female participation rates will increase driven by rising educational attainment until about 2010, when the growth of the labour force is expected to slow down (FEMISE (2004). It has to be noted though that ILO projections of the labour force are slightly lower than the actual figures for 2008 which, according to the Ministry of Manpower and Emigration (MOME), reports that the labour force was already 24.995 million in 2008. Thus, the ILO labour force projections are best viewed as underestimates.

Table 1.1 Demographic dynamics and prospects in Egypt

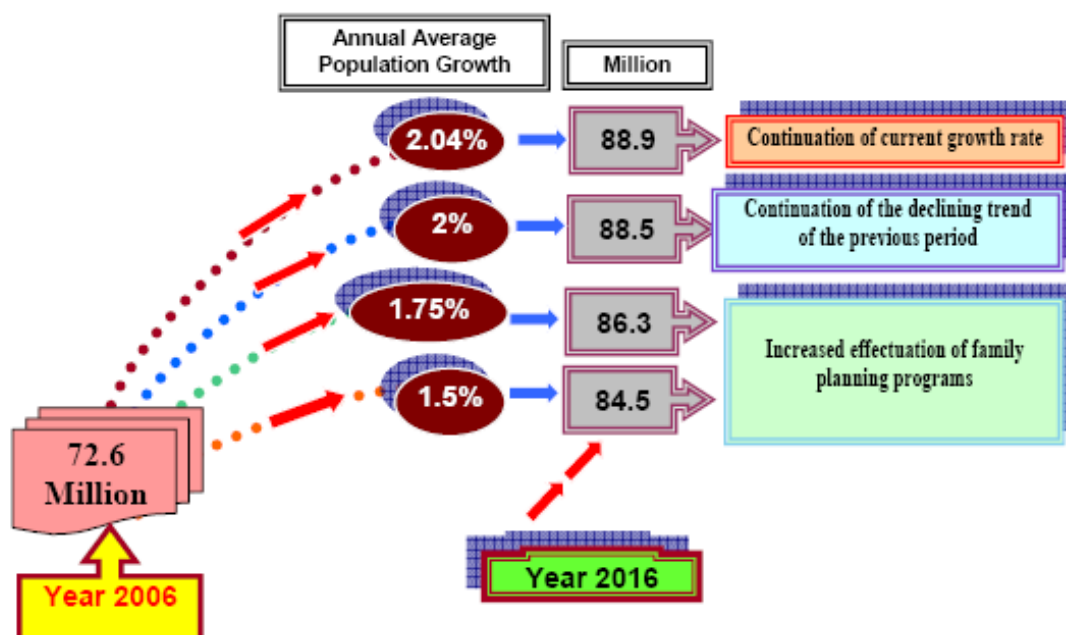
| | | 2000 | 2005 | 2010 | 2015 | 2020 |
|--|---------------------------|---------|---------|---------|---------|---------|
| Total Population * | Number, 000 | 66529 | 72850 | 79537 | 86219 | 92578 |
| | Change t, t+5, 000 | 5881 | 6321 | 6687 | 6682 | 6359 |
| Working age population (15-64)** | Number, 000 | 39637.7 | 45045.8 | 50055.5 | 54866.8 | 59573.6 |
| | Change t, t+5, 000 | 4914.8 | 5408.2 | 5009.6 | 4811.3 | 4706.8 |
| Labour Force Participation Rate (%)** | | 49.0 | 49.9 | 50.7 | 51.0 | 51.0 |
| | Male | 75.2 | 74.6 | 75.1 | 75.1 | 74.5 |
| | Female | 22.7 | 22.7 | 25.2 | 27.1 | 27.6 |
| Labour Force** | Number, 000 | 19419.9 | 22483.6 | 25389.2 | 27992.4 | 30370.8 |
| | Change t, t+5, 000 | 2286.2 | 3063.7 | 2905.6 | 2603.2 | 2378.4 |
| | Male | 14929.7 | 16817.2 | 18766.1 | 20541.6 | 22120.3 |
| | Female | 4490.2 | 5666.4 | 6623.1 | 7450.7 | 8250.4 |

Sources: *UN & **ILO

Change t, t+5, 000 is the difference (in thousands) between 1995 and 2000 for 2000, 2000 and 2005 for 2005 ...etc.

Fig 1.1:

Population Estimates in 2016 Under Different Growth Rate Scenarios



Source: MODE, Egypt's 6th Five Year Plan.

1.2. Characteristics and composition of the labour force and employment

Labour Force

Based on the 2006 ELMPS, around 41% of the labour force in Egypt was under 30 years of age with one third between 20 and 29 years of age. In 1998, 39% of the labour force was under 30 years of age but almost 11% were between 15-19 of age and 28% between 20-29 years old, Table 1.2. This reflects the recent patterns of demographics where the working age population and the youth population are growing faster than the overall population.

The significant growth in educational attainment in Egypt has altered the composition of the labour force over the past three decades. In the 1980s, 40% of those entering the labour force had not achieved a primary level of education. By 2005, 70% had received a secondary education or better (Assaad 2007). Almost 50% of the labour force in 2006 had at least high school degree. However, there is still a gender gap in educational levels: 29% of females in the labour force were illiterates compared to only 20% of males in 2006, Table 1.2.

According to Assaad (2007) the most dramatic shift in the educational composition of the male working age population is the sharp increase in the proportion of technical secondary school graduates from 1988 through 2006. This was accompanied by a steady reduction in the proportion of illiterate males and literate males with no educational degrees. The proportion of university graduates has also increased over the last 25 years, but at a slower pace than that of technical secondary graduates. The male labour market is, therefore, becoming increasingly dominated by technical secondary school graduates who now make up over 30% of the male working age population in both urban and rural areas.

Table 1.2: Composition of the Labour Force by Age and Educational Level

| | 2006 | | |
|--|-----------|----------|-----------|
| | Male | Female | TOTAL |
| Labour Force (thousands) | 17,341.64 | 6,283.14 | 23,624.78 |
| Labour Force (by age, %) | | | |
| 15-19 | 7.30 | 7.67 | 7.40 |
| 20-29 | 32.78 | 35.35 | 33.46 |
| 30-39 | 25.62 | 23.30 | 25.01 |
| 40-49 | 18.53 | 20.28 | 18.99 |
| 50-59 | 13.47 | 11.75 | 13.01 |
| 60-64 | 2.30 | 1.65 | 2.13 |
| Labour Force (by level of education, %) | | | |
| Illiterate | 20.47 | 29.13 | 22.77 |
| Literate without any diploma | 7.62 | 2.06 | 6.14 |
| Elementary school | 11.34 | 4.16 | 9.43 |
| Middle school | 5.74 | 2.15 | 4.79 |
| General high school | 0.97 | 0.42 | 0.82 |
| Vocational high school | 31.97 | 32.66 | 32.15 |
| Post-secondary institute | 4.76 | 2.25 | 7.01 |
| University & above | 17.12 | 8.40 | 25.52 |

Source: ELMPS2006.

The educational composition of the female working age population exhibits similar trends. The share of vocational secondary school graduates has increased, especially in rural areas and the share of illiterates has come down significantly. In rural areas, illiterates made up 81% of the female working age population in 1988. By 2006, their share has gone down to 47%. Conversely, the share of female technical high school graduates in rural areas had gone up from 4% in 1988 to over 22% in 2006. These compositional shifts have enormous implications for female labour force participation since female participation rates increase significantly once women reach the technical secondary level.

Table 1.3: Composition of Employment in Egypt

| | 2006 | | |
|--|--------|--------|--------|
| | Male | Female | TOTAL |
| Employment (thousands) | 16,480 | 5,209 | 21,689 |
| Employment (by age, %) | | | |
| 15-19 | 5.89 | 4.50 | 5.61 |
| 20-29 | 32.71 | 29.02 | 31.99 |
| 30-39 | 27.78 | 26.50 | 27.53 |
| 40-49 | 19.44 | 26.61 | 20.86 |
| 50-59 | 13.33 | 13.08 | 13.28 |
| 60-64 | 0.85 | 0.29 | 0.74 |
| Employment (by level of education, %) | | | |
| Illiterate | 15.89 | 7.28 | 14.19 |
| Literate without any diploma | 6.85 | 1.83 | 5.86 |
| Elementary school | 11.52 | 2.70 | 9.78 |
| Middle school | 5.71 | 1.51 | 4.89 |
| General high school | 0.93 | 0.76 | 0.90 |
| Vocational high school | 33.55 | 38.46 | 34.52 |
| Post-secondary institute | 5.60 | 9.77 | 6.43 |
| University & above | 19.95 | 37.69 | 23.44 |
| Employment (by activity, %) | | | |
| Agric. & Fishing | 22.36 | 37.56 | 26.02 |
| Mining, manufacturing & utilities | 15.22 | 8.24 | 13.62 |
| Construction | 1.04 | 0.45 | 0.9 |
| Trade, restaurant & hotel | 10.21 | 0.39 | 7.85 |
| Transportation | 15.19 | 11.88 | 14.39 |
| Finance & real estate | 8.87 | 1.63 | 7.13 |
| Com., social & personnel services | 0.96 | 1.19 | 1.02 |
| Other | 26.04 | 38.65 | 29.07 |
| Employment (by sector, %) | | | |
| Government | 21.84 | 34.15 | 24.79 |
| Public Enterprises | 5.5 | 2.25 | 4.72 |
| Private sector | 72.67 | 63.29 | 70.5 |
| Employment (by status, %) | | | |
| Own-account workers | 9.2 | 11.55 | 9.77 |
| Employers | 15.96 | 3.71 | 13.02 |
| Contributing family workers | 7.7 | 32.64 | 13.69 |
| Employees | 67.14 | 52.1 | 63.53 |

Source: ELMPS2006.

Employment

Overall employment growth based on the market labour force definition in the period 1998-2006 was 4.6% *per annum*, nearly 1.7 times the growth of the working age population. The growth was more in rural areas at 5.4% p.a. compared to 3.5% p.a. in urban areas. Although this difference may be somewhat exaggerated by improved measuring of female employment in home-based activities, employment growth for males in rural areas also exceeds, by a large margin, its level in urban areas (4.2% p.a. vs. 3.3% p.a.). It should also be kept in mind that these figures are based on region of residence (urban vs. rural) rather than on region of work and that many of the jobs of rural residents will be in urban areas. Female employment grew at more than twice the rate of male employment (7.5% p. a. vs. 3.8% p.a.), but again this is largely due to the better measurement of household-based market activities. However, some of the excess female growth goes beyond the non-wage work category that may be affected by such measurement issues. Female wage work grew at 3.5% p.a. compared to 3.1% p.a. for male wage work (see Assaad 2007).

As for the characteristics of employment, in 2006, Table 1.3 shows how the age structure reflected the bulge among the young with 38% below 29 years of age. It also indicates that educated women dominated among employed women.

The structure of employment in 2006 shows that agriculture employment amounted to 26% of total employment. The industry sector which is dominated by the manufacturing sector amounted to 14 percent, whilst services employed 60% of total employment.

The pattern of employment reflected ongoing efforts to downsize the public sector, which amounted to only 30% of total employment, with 25% in the government sector and only 5% in public enterprises, as opposed to almost 37% a decade before. The private sector accounts for 70% of employment, yet the *formal* private sector comprises only 10% after increasing its share from 8% in the years 1998-2006, at 7.8% average annual growth rate (see Assaad 2007). As for working status, in 2006, almost 64 % were waged workers, 10% were self employed, 13% employers and 14% unpaid family workers. Table 1.3 shows the gender divide in working status with 33% of employed women being engaged in unpaid family work compared to only 8% among employed men.

Another important indicator of the economy's ability to create jobs is the elasticity of employment, i.e. the percentage change in employment with every percentage change in GDP growth. Estimates of elasticity of employment in Egypt are sketchy. The ILO estimates that the elasticity of employment to total GDP was 0.68 in 2001-05, up from the period before and thus suggesting that for every one-percentage point of additional GDP growth, total employment grew by 0.68 percentage points which is higher than the world average at around 0.30, but lower than the average for MENA which was 0.90 in 2000-2005. The region's high elasticity figures suggest that GDP growth was very employment-intensive, but this also suggest that labour productivity growth was poor. Thus, Egypt's elasticity of employment suggests also poor labour productivity growth in comparison to other world regions, albeit better than the average for MENA.

Table 1.4 shows that male elasticity of employment was 0.76 and 0.35 for females indicating an improvement in females' productivity, but this may also be due to fewer women being employed in low paid jobs. Table 1.4 also shows the sectoral employment to value added elasticity between 1993-2005 was 0.33 for agriculture, 0.38 for industry, and 0.85 for services suggesting higher-labour productivity growth in agriculture and industry relative to services.

Table 1.4: Employment Elasticity in Egypt: 1993-2005

| Employment elasticity | | | |
|---------------------------------------|------------------|------------------|--------------------|
| | 1993-1997 | 1997-2001 | 2001-2005 |
| Total | 0.55 | 0.59 | 0.68 |
| Male | 0.60 | 0.58 | 0.76 |
| Female | 0.35 | 0.64 | 0.35 |
| Sectoral Employment 1993-2005 | | | |
| | | | Elasticity |
| Agriculture Employment to Value Added | | | 0.33 |
| Industry Employment to Value Added | | | 0.38 |
| Services Employment to Value Added | | | 0.85 |
| | | | Growth Rate |
| Agriculture Value Added | | | 0.5 |
| Industry Value Added | | | 0.4 |
| Services Value Added | | | 0.8 |

Source: ILO Database.

1.3. Estimation of national job creation needs to absorb projected labour force growth

Estimating the number of new jobs needed to absorb the increasing labour force is not straightforward as it depends on a number of assumptions such as the growth of the labour force, labour force participation rates (which are bound to increase with the increase in educational attainment) and unemployment rates. To provide a rough estimate of the number of jobs needed, a number of assumptions are made: first that the current rates of unemployment remain constant, and, second, that employment rates are going to increase by 3.5% per annum on average (as stated in the current 6th Five Year Plan by the Ministry of Planning). Based on these estimates in Table 1.5 the Egyptian economy needs to create an average of 715, 526 jobs each year. The second scenario assumes a 5% increase in female labour participation rates from 25.4% to 30.4 percent, which would lead to a need for around 742,286 new jobs annually. It is worthwhile noting that the increase in the number of jobs needed as a result of higher female labour force participation is not substantial as an unemployment rate for women is assumed to be 25 percent.

Table 1.5 Estimation of national job creation needs

| | Total Labour Force (thous) 2006 | LFP rates (%) 2006 | Current Employment (thous) 2006 | Needed jobs (thous) 2006-2015 | Needed jobs (thous) 2006-2020 | Jobs to be created each year (thous) |
|--------------------------------------|--|---------------------------|--|--------------------------------------|--------------------------------------|---|
| Total | 23,027 | 49.97 | 20,443.6 | 6,440 | 10,017 | 715.526 |
| Male | 17,168 | 74.51 | 16,559.4 | 5,216 | 8,114 | 579.579 |
| Female | 5,859 | 25.43 | 3,884.2 | 1,224 | 1,903 | 135.947 |
| +5% Female Participation Rate | | | | | | |
| | 24180.3 | 52.47 | 21208.2 | 6,680.6 | 1,039 | 742.286 |
| Male | 17168 | 74.51 | 16559.4 | 5,216.2 | 8,114 | 579.579 |
| Female | 7012.3 | 30.43 | 4648.8 | 1,464.4 | 2,278 | 162.707 |

Source: Author's calculation based on ILO data.

Estimates by Assaad (in FEMISE 2004) on labour force projections¹ indicate that the labour force is expected to increase from around 23 million in 2005 to 27 million in 2010, to 34 million in 2020. According to these projections, the annual increment in the labour force will be 660,000 in 1998-2005 and 790,000 in 2005-2010. It will then decline to 750,000 in 2010-2015, only to increase again to 790,000 in 2015-2020. The stability in the annual increment from 2005 onward shows that the relative growth of the labour force will be slowing over the next decade and a half. Because of the increase, as educational attainment rises, in the labour force participation of women, the rate of growth in the labour force will exceed that of the working age population. Those projections take into account the pattern of participation by age and education and assume an increase in educational attainment, unlike the rough estimates in Table 1.5 which can be regarded as a lower bound.

Assaad's projections are not dissimilar to the Government's estimates. In July 2001, the government introduced "the government employment scheme", which intended to provide 800,000 work opportunities per year. The Ministry of Planning's 6th Five Year Plan (2005/06 - 2011/12) aims to create 750,000 jobs annually.

The problem for the Egyptian labour market is not only the issue of the growing labour force leading to the need to create a substantial number of jobs (approx. 750,000 annually), but that the labour market suffers from a demand-supply mismatch and a discrepancy between the outcome of the education system and the skill required by the private sector.

¹ Ragui Assaad carried out labour force projections that take into account the age composition of the population, the expected increase in its educational attainment over time, and the patterns of participation in the labour force by education and age. Using the UN's 2002 medium variant projections of the population by age and gender up to 2020 as the basis for the projection of working-age population, and based on the projections of educational attainment by age group and gender on the results of the LFSS 1988 and ELMS 1998, he put each age/gender group into one of three educational levels over time on the assumption that education is acquired prior to age 25 and that younger age groups will increase their attainment based on previously observed trends. See FEMISE (2004).

2. The labour market performance in Egypt

2.1. Regulation of the labour market

The Constitution of the Arab Republic of Egypt is the supreme law of Egypt. It was adopted on September 11, 1971 through a public referendum and amended in 1980, 2005 and 2007. It is socially oriented and emphasises social solidarity. Article 26 goes further by highlighting the participative approach to industrial relations: “The workers shall have a share in the management and profits of the projects. They are committed to the development of production and the implementation of the plan in their production units, in accordance with the law. Protecting the means of production is a national duty. Workers shall be represented on the boards of directors of the public sector units by at least 50% of the number of members of these boards. The law shall guarantee for the small farmers and small craftsmen 80% of the membership on the boards of directors of the agricultural co-operatives and industrial cooperatives” (See Boni (2009)).

Until July 2003, when the New Labour Law was enforced, existing legislation had been rather stringent both for workers and for employers. It prohibited employers from terminating the contract of a worker after a probation period. In addition, employers were not allowed to recruit workers directly but only through local employment offices.

The Egyptian labour market is regulated by the recent Labour Act No. 12/2003 which was promulgated on 7 April 2003. The new Law comprises 257 articles that address all the legal aspects regulating the Egyptian labour market. The new law aims at increasing the private sector involvement and, at the same time, achieving a balance between employees’ and employers’ rights. Amongst the most important issues that the new law addresses is the right of an employer to fire an employee and the conditions pertaining to this as well as granting employees the right to carry out a peaceful strike according to procedures prescribed in the new law.

This law does not apply to public servants of state agencies, including local government units and public authorities, nor to self-employed workers. Public servants enjoy a higher level of job security as their contracts cannot be terminated. The promotion system is based on seniority rather than performance. This rigid system consequently separates decisions such as promotion or termination of contract from the process of performance appraisal. Act No. 47/1978 deals with the status of public servants.

The labour law states that the number of foreign (non-Egyptian) employees in any establishment must not exceed 10% of the total work force for unskilled or semi-skilled workers. For skilled workers the limit of foreign labour is 25%. Also total compensation of foreign employees must not exceed 35% of the payroll of the establishment.

Contracts of employment: The new Labour Law mentions two types of labour contract: contracts for an indefinite period and fixed-term contracts. The latter category includes labour contracts with a fixed term and contracts concluded for the accomplishment of a specific task. Employment contracts are required to be in writing, in triplicate, and in Arabic. The employer, employee and social insurance office each keep one copy of the employment contract, which must include certain information as specified in the Law (Article 32). It is necessary that both employer and employee agree on essential matters in the law concerning wages, job description, and contract period. It is also important to state the kind of work, which the employee is obliged to do. The probation period shall be specified in the labour contract and no employee shall be appointed under probation for a period exceeding three months, neither shall an employee be appointed under probation more than once with the same employer (Article 33).

The maximum duration of a fixed contract is five years. If the employer and employee agree on a longer employment duration, then the employee has the right to terminate the contract after the initial

five years, without receiving compensation; however, the employer must be notified within an agreed time period, namely three-months prior notice. If the employee and the employer continue in implementing a fixed-term contract after its term, such shall be considered as a renewal of the contract for an indefinite term. A fixed-term contract is deemed renewed for an indefinite period if both parties continue to abide by it after its date of expiry, although an exception is made for foreign workers (Article 105). Upon agreement of the two parties, the fixed-term employment contract may be renewed several times (Article 106). See Boni (2009).

Working Hours and Annual Leave

According to the 2003 Labour Law, employees should not work more than eight hours a day or 48 hours over a six days working week. Most private sector employees work 5 days a week, usually Sunday to Thursday. The number of working hours may be increased to 9 hours a day in certain circumstances. Employees are entitled to one whole working day off each week. Certain exceptions apply when work is intended to prevent a serious accident or to cope with a heavy workload. In such situations, the employee must be paid overtime.

An employee is entitled to a minimum annual paid leave of 21 days every full year of service and proportionally if his period of service is less than one year. This annual leave is increased to one month after the employee has worked for 10 consecutive years or is over 50 years old. In addition, every employee is entitled to full pay for official holidays not to exceed 13 days a year.

If employees are required to work during official holidays, employees are entitled to overtime (paid at twice their normal rate). Overtime for hours worked beyond 36 per week is payable at the rate of 35% extra for daylight hours and 70% extra for work performed at night. The premium for work on rest days is 100% while workers should receive 200% for work on national holidays. See Boni (2009).

Dismissal and Termination of Employment

A worker can now be dismissed for a just cause based on a 'serious error'. The Labour Law lists some nine types of serious errors on the side of the worker, including a long absence without legitimate justification; false documents submitted by the worker; serious damage to the employer committed by the worker, if the employer notifies the authorities of this damage within 24 hours; serious worker misconduct etc. Moreover, the employer is entitled to dismiss a worker in the case of some custodial sentences, which are listed under Article 129, such as 'breach of honour, honesty or public morals'. Similarly the worker can terminate the contract if the employer 'defaults on any of the substantial obligations ensuing from the law, the individual or collective labour contract, or the articles of association of the establishment, or if the employer or his representative commits a hostile act against the worker or a member or his family'.

An employee may not be dismissed until the matter is brought before a committee with judicial powers at the Ministry of Manpower and Emigration (MOME). The committee shall decide the request for dismissal brought to it within 15 days from the date of the first session and its decision shall be final. However, the employer may thereafter dismiss an employee and the employee retains the right to challenge the dismissal in court. Egyptian Labour Courts retain discretion in reviewing a dismissal. Compensation awards may be granted to employees for wrongful dismissal on the basis of a review of the facts and circumstances of each case. An employee is entitled to 60 days notice for dismissal if his period of service does not exceed 10 years and 90 days if that period exceeds 10 years. Should the employer desire to dismiss the employee without giving him the relative notice period, the employee shall receive two or three month's salary payment instead of such notice. Article 122 states that the compensation shall not be less than the wage of two months' salary for each year of employment for wrongful dismissal. Throughout the notification period the labour contract shall

remain active. The termination of employment provisions do not apply to public servants employed by State agencies, public establishments and local authorities; domestic workers and the like; or employer's family members whom the employer is in charge of. (See Boni (2009).

As noted by Boni (2009) a very protective provision, very much in line with the legislation of EU Member States, is that the termination of employment is not possible for reasons of the worker's illness, unless he/she has exhausted sick leave entitlement as determined by the Social Insurance Law, in addition to his/her annual leave (Article 127).

Termination of employment at the initiative of the employer

Under Article 110, both parties may terminate an open-ended contract, provided that notice period is given and it is done in writing. However, the employer cannot dismiss a worker, except in the cases listed in Article 69, or for reason of a worker's incompetence, which must be established in respect of "endorsed regulations".

A worker cannot be dismissed unless he/she has committed a serious offence (Article 69). The decision to dismiss a worker as a sanction for serious misconduct is taken by a special committee established for this purpose (Article 68). This kind of committee acts under civil and commercial procedure law. The composition of each committee is provided for by article 71.

Protection against discrimination is also provided for by the Labour Code. The Law, indeed, lists some invalid reasons for dismissal, such as, among others, colour, sex, social status, family obligations, religion, political views, participation in trade union activities, and filing a complaint against an employer (Article 120).

In addition, the Trade Unions Act No. 35/1976 protects members of boards of trade unions from suspension or dismissal, except pursuant to a Court decision (Articles 26, 27 and 46). In Egyptian law, collective dismissals can only be for economic reasons. The employer cannot dismiss a woman during maternity leave (Article 92). The employer is entitled to terminate the apprenticeship agreement for reasons of the ineptitude of the apprentice (Article 143). See Boni (2009).

Notice period for termination

As regards the termination of an open-ended employment contract, the notice period is two months if the worker's uninterrupted period of service with the employer is less than ten years, and three months if that period exceeds ten years (Article 11). This notification cannot be addressed during the worker's leave (Article 113). During the notice period, the worker is entitled to a full day or eight hours a week, taken at time convenient for both parties and without loss of pay, for seeking other employment (Article 116). See Boni (2009).

Procedure for collective dismissal for economic reasons

If contemplating collective redundancies, the employer must submit a request for closing the enterprise or reducing its size or activity to a committee established for this purpose. However, the employer is not allowed to ask for partial or total closure of the enterprise during mediation or arbitration (Article 200). The Prime Minister defined, by Decree No. 984 of 2003, the composition of these committees, their powers and procedures. Each committee must consist of a representative nominated by the General Federation of Egyptian Trade Unions, a representative of an employers' organisation nominated by the concerned organisation, a technical and economic representative from the General Authority for Investment, and a representative from the National Social Insurance Authority. The chair is the concerned director of the MOME. The committee must prepare an argued decision, adopted by majority

vote, within thirty days from the date of the submission of the request. In the request to the committee, the employer must provide information including the reasons for the contemplated terminations, and the number and categories of workers likely to be affected (Article 197). In case of authorisation of dismissals, the committee must fix the effective dates. Each party may bring an appeal against the committee's decision before the Central Committee for complaints established in the MOME. The employer must inform the workers and trade unions concerned about the request to the committee and the decision received from the committee (Article 198). If the collective agreement in force in the enterprise does not provide any objective criteria for selecting the workers to dismiss, the employer must consult with trade union representatives. The criteria for selection must take into account the interests of both the enterprise and the workers (Article 199). As an alternative to dismissing workers for economic reasons, the employer is entitled to propose modifications to the employment contract. If the worker refuses it, he/she has the right to leave the enterprise without giving any notice. In this case, the dismissal is deemed lawful and the worker keeps his/her rights to compensation prescribed for dismissals for economic reasons (Article 201, LA). See Boni (2009).

Severance pay

As regards terminations for economic reasons, the severance allowance must be equal to one month's wage for each of the first five years of service, and one-and-a-half months for each subsequent year (Article 201). Employees retiring at the age of 60 are entitled to severance pay (Article 126). At the age of 60, a worker is entitled to indemnity calculated on the basis of half of his/her monthly wage for each of the first five years of employment, and one month's wage for each subsequent year, unless he/she is entitled to benefits under the old-age, disability and death insurance scheme provided for by the Social Insurance Law. See Boni (2009).

ILO Core Conventions

Egypt has ratified the ILO's Core Conventions: Freedom of Association and Collective Bargaining (Conventions 87 and 98); Elimination of Forced and Compulsory Labour (Conventions 29 and 105), Elimination of Discrimination in respect of employment and occupation (Conventions 100 & 111) and Abolition of Child Labour (Conventions 138 and 182).² The International Labour Organization was in charge of ensuring that the new legislation would not contradict Egypt's participation in international agreements.

Trade unions and Collective Bargaining

The Egyptian constitution acknowledges labour rights in establishing unions and federations on a democratic basis. Syndicate activities are allowed as long as they match the framework of the General Federation for Labour Unions' programs. However, the right to form and join trade unions is heavily curtailed in law. There is a minimum membership requirement of at least 50 employees in the same enterprise, and unions can only operate if they join one of the 23 industrial federations. All of these have to belong to the only legally recognised trade union centre, the Egyptian Trade Union Federation (ETUF). The ETUF has the power to control the nomination and election procedures for trade union offices. The law specifies how much unions have to pay to federations in affiliation fees and how much the federations have to pay the national centre. 'High administrative officials' in government and public-sector enterprises may not join unions. All trade unions are required by law to affiliate with the Egyptian Trade Union Federation (ETUF), the only legally recognised labour federation. Most

² Source: ILO, ILOLEX Database (<http://www.ilo.org/ilolex>).

trade unions are concentrated in the public sector and large private firms. The ETUC maintains that it operates independently of the government and actively promotes the interests of unionized workers. Regulations under the Civil Societies and Institutions Law bar national groups registered as civil societies, including trade unions, from being involved in political activities.

Under the old Labour Law, workers were not entitled to go on strike when facing hardworking conditions. They could not engage in collective bargaining, either. The new law shows a considerable degree of flexibility when compared to previous labour laws. The law permits collective negotiation at all levels starting at the establishment level and reaching the national level. Collective negotiation may aim at improving labour terms and conditions, fostering cooperation between various labour parties to achieve workers' social development, and settling disputes between workers and employers.

According to Clause 192 of the new Unified Labour Law of 2003 workers cannot legally strike without a green light from the EFTU which must agree any industrial action by a two-thirds majority. There is very little scope for collective bargaining in the private sector. Companies must comply with certain government-established standards, particularly in relation to the minimum wage, social security and official public holidays. The 2002 Special Economic Zones Law laid the legal foundation for setting up export-oriented SEZs. Newly established investment companies in the zones are exempted from complying with legal clauses relating to labour organising, depriving workers of the right to set up local union committees.

Wage Determination

The MOME oversees and monitors collective negotiations and agreements. The government sets wages, benefits and job classifications for public sector and government employees. Employers must pay social insurance contributions to the Ministry of Social Insurance and Social Affairs with respect to their Egyptian employees. Egyptian employees are also liable for contributions. Employees' contributions are withheld by the employer from the employees' salaries and wages each month and paid to the ministry; together with the employer's own contributions, within the first two weeks of the following month.

In Egypt, for public employment and public enterprises wage setting mechanisms are defined by law. Labour legislation sets the minimum wage and wage increases linked to the cost of living. It fixes wage levels according to the different job categories, field of specialisation, and describes the qualifications required to receive a specific salary. Promotion and incentive mechanisms are also precisely defined. In addition, a maximum amount to be granted for overtime, allowances and incentives are all set by law. In 1987, public enterprises were granted a certain degree of freedom in setting rules on incentives and the system applied in public enterprises became more successful in promoting productivity than that adopted in the public sector.

In the formal private sector, wages are determined by labour demand and supply. National law only sets the minimum wage, social insurance, special wage increases, and living-cost allowances. These rules have always been largely ignored by private employers and their application can certainly not be imposed by workers, given their low level of unionisation. Wages are set almost on an individual level according to personal skills and degree of specialisation. In the agricultural sector and in the informal one, wages are determined by the labour market and are, therefore, rather flexible.

Employers make social insurance contributions at rates of 26% of basic wage and 24% of variable wage. The basic wage consists of basic salary and all fixed allowances, while the variable wage comprises bonuses and incentives that may be paid by the employer from time to time. Employees pay at rates of 14% and 11% respectively. The maximum monthly amounts on which contributions are payable are, for basic salaries, EGP 650 and, for variable salaries, EGP 500.

In 2003 a National Council for Wages was established to set and adjust minimum wages, establish national wage policy, carry out studies on minimum wages, and study reports issued from Arab and

international organisations. The National Council for Wages has been revising the minimum wage level in an attempt to provide better levels of income to a large proportion of society.

The legislative framework of the wages system in the government sector is very complicated since it is regulated by more than 40 laws and decrees issued between 1942 and 2008. The monthly minimum wage was set at LE 35 in 1984 when it represented 60% of GDP per capita. It reached LE 214 in 2005/06 according to the Wage Council. In practice, official figures based on the Annual Bulletin of Employment, Wages and Working Hours in 2007 state that the average weekly wage was LE 252, with the average weekly wage being LE 308 in the public sector and LE 214 in the private sector.³

According to estimates by the World Bank and the Ministry of Economic Development, the poverty line was at LE 155 per individual per month, thus, the Wage Council was considering raising the minimum monthly wage to LE 250.⁴

The minimum wage in Egypt is not only very low, but is also poorly enforced. Employers in the private sector do not adhere to the minimum wage even in the formal sector.

Job stability/instability and trends

As far as job stability trends in Egypt are concerned, comparing 1998 to 2006, there is evidence that the number of permanent jobs has risen and that the share of permanent jobs has increased from 82% to almost 85%. Both genders experienced an increase although males experienced a slightly higher increase than women, Table 1.5. However, job stability is different from job security. Workers in the informal sector may have stable (i.e. regular) jobs but those jobs are insecure because they lack job contracts.

Table 2.1: Job Stability Trends

| | 1998 | | | 2006 | | |
|---------------------------|----------|---------|----------|----------|----------|----------|
| | Male | Female | Total | Male | Female | Total |
| Permanent (000) | 9970.027 | 2793.84 | 12763.87 | 13179.24 | 4656.474 | 18375.72 |
| % | 80.57 | 88.32 | 82.14 | 83.25 | 89.4 | 84.72 |
| Temporary (000) | 612.09 | 201.832 | 813.9003 | 1063.244 | 415.707 | 1478.951 |
| % | 4.95 | 6.38 | 5.24 | 6.45 | 7.98 | 6.82 |
| Seasonal (000) | 118.399 | 164.427 | 182.8267 | 39.444 | 31.901 | 71.344 |
| % | 0.96 | 2.04 | 1.18 | 0.24 | 0.61 | 0.33 |
| Intermittent (000) | 1674.303 | 103.351 | 1777.654 | 1658.555 | 1040716 | 1763.272 |
| % | 13.53 | 3.27 | 11.44 | 10.06 | 2.01 | 8.13 |

Source: ELMPS2006.

³ The exchange rate in 2007 was 1 Euro=8.05 Egyptian Pounds.

⁴ Wage Council meeting: http://www.mop.gov.eg/PDF/INTER_NEWS1.pdf.

Overall assessment of labour market flexibility

The new Labour law has attempted to make the labour market more flexible. However the Egyptian labour market is highly segmented. The public sector is highly regulated and workers cannot be dismissed and wages are set relative to seniority rather than performance. On the other hand, in the private sector, a small proportion of firms abide by labour market regulations whilst the majority do not. Together with other reforms in tax and corporate regulations (see section 4.4), the new labour law is a step towards increased market flexibility. However, it still remains the case that 30% of employment in the public sector is not governed by this labour law, whilst around 60% of employment is informal employment, and therefore is not regulated. Although one aim of this law is to encourage the formalisation of informal jobs by making it easier for employers to fire workers, without reducing the other costs associated with hiring workers formally such as social insurance contributions, this labour law might not have gone far enough.

2.2. Wage and national income analysis

There is no doubt that there is a significant wage/income gap between Egypt and the EU. Based on 2007 figures, Gross Domestic Product at market current prices in EU15 was Euros 1,148,809.4 whilst that of Egypt was c. Euros 92,522. GDP *per capita* (PPS) in 2007, for the EU15 was Euros 27,800 and for Egypt it was Euros 3,803 which is over seven times as little. According to the Ministry of Finance (2008), wages as a % of GDP declined from 8.1% of GDP in 2001/02 to 7.1% in 2007/08. The Gini coefficient in Egypt is 34.4 and 30 for the EU15 suggesting a higher income inequality in Egypt which may be another potential push factor for migration or the result of temporary overseas migration. Although Egypt has experienced real economic growth of 7% recently, this growth was not reflected in improved income distribution, lower poverty and increased *per capita* expenditure (Kheir El-Din and El-Laithy 2006).

Table 1.6 shows the average weekly wage by economic activity and sector in 2005-07. The average monthly wage in the public sector was LE 1232 (equivalent to Euros 153) and in the private sector LE 856 (equivalent to 106 Euros). This suggests a huge gap in the average wage rate between Egypt and the EU.

According to Said (2007) in 2006, though the overall wage distribution was much wider, median real wages have sufficiently increased so that the proportion of workers that can be classified as low-waged has significantly declined in comparison to 1998. In fact, in many ways, the 2006 wage structure very much resembles that of 1988, in terms of level and distribution of real wages as well as the percentage of workers with low wages. Thus, after almost twenty years of structural adjustment measures, labour market rewards in Egypt have mostly followed a 'U turn path' of decline followed by recovery and return to pre-adjustment levels. She also finds that the relative rewards for women have significantly improved in 2006 compared to the situation in 1998. They witnessed larger real wage improvements in comparison to their male counterparts because women were concentrated in the government sector where real wages increased by 40% as opposed to only 17% in the private sector. But even in the private sector, the unexplained gender pay gap was almost halved in comparison to its magnitude in the 1980s.

Second, although the government sector remains a haven for groups such as women or vocational school graduates, paying them higher wages than in the private sector, the magnitude of those wage gaps have significantly declined in 2006. Moreover, rewards for a university level of education are now highest in the private sector, and the government sector has a much more decentralized/dispersed wage structure than in the 1980s. As real wages increased much faster in the public compared to the private sector, public sector wage *premia* also widened, particularly in public enterprises. In fact, wage setting in public enterprises now closely resembles that in the private sector so the divide is between government and non-government wages.

Table 2.2: Average Weekly Wage by Economic Activity

| *Economic Activity | Sector | 2005 | 2006 | 2007 |
|---------------------------------------|---------------|-------------|-------------|-------------|
| Agriculture | Public | 354 | 211 | 183 |
| | Private | 105 | 127 | 140 |
| Fishery | Public | 123 | 130 | 156 |
| | Private | 104 | 134 | 192 |
| Mining | Public | 390 | 337 | 454 |
| | Private | 506 | 650 | 656 |
| Manufacturing | Public | 247 | 304 | 297 |
| | Private | 147 | 153 | 185 |
| Utilities | Public | 267 | 345 | 321 |
| | Private | 387 | 298 | 399 |
| Construction | Public | 236 | 255 | 299 |
| | Private | 236 | 214 | 241 |
| Trade | Public | 226 | 254 | 281 |
| | Private | 185 | 222 | 205 |
| Hotels & Restaurants | Public | 133 | 131 | 318 |
| | Private | 156 | 150 | 175 |
| Transportation | Public | 253 | 296 | 315 |
| | Private | 220 | 254 | 253 |
| Finance | Public | 317 | 327 | 345 |
| | Private | 514 | 465 | 783 |
| Housing & Real Estate | Public | 299 | 180 | 244 |
| | Private | 410 | 231 | 246 |
| Education | Public | 0 | 0 | - |
| | Private | 93 | 98 | 111 |
| Health and Social Work | Public | 43 | 254 | 252 |
| | Private | 88 | 115 | 120 |
| Personal & Social Services | Public | 267 | 156 | 136 |
| | Private | 133 | 125 | 137 |
| Total | Public | 257 | 303 | 308 |
| | Private | 168 | 172 | 214 |

Source: CAPMAS.

Table 2.3: Distribution of Real Hourly Wages for Wage and Salaried Workers, 1988-2006

| | Median real hourly wages by group | | | | | Gini coefficient for earnings by group | | | | |
|--|-----------------------------------|------|------|------------|-----------|--|------|------|------------|-----------|
| | Level (in 2006 L.E) | | | Change (%) | | Level (in 2006 L.E) | | | Change (%) | |
| | 1988 | 1998 | 2006 | 1988-98 | 1998-2006 | 1988 | 1998 | 2006 | 1988-98 | 1998-2006 |
| TOTAL | 2.25 | 1.73 | 2.10 | -23 | 21 | 0.39 | 0.37 | 0.55 | -0.02 | 0.18 |
| Gender | | | | | | | | | | |
| Male | 2.31 | 1.75 | 2.08 | -24 | 19 | 0.39 | 0.36 | 0.48 | -0.04 | 0.12 |
| Female | 1.90 | 1.65 | 2.24 | -13 | 36 | 0.39 | 0.43 | 0.71 | 0.04 | 0.27 |
| Age Group | | | | | | | | | | |
| 15-24 | 1.78 | 1.23 | 1.46 | -31 | 18 | 0.35 | 0.33 | 0.42 | -0.02 | 0.09 |
| 25-34 | 2.25 | 1.63 | 1.97 | -28 | 21 | 0.33 | 0.32 | 0.54 | -0.01 | 0.22 |
| 35-49 | 2.92 | 2.00 | 2.50 | -32 | 25 | 0.36 | 0.35 | 0.53 | -0.01 | 0.18 |
| 50-64 | 2.95 | 2.54 | 3.21 | -14 | 26 | 0.44 | 0.38 | 0.59 | -0.06 | 0.21 |
| Region | | | | | | | | | | |
| Greater Cairo | 2.82 | 2.14 | 2.49 | -24 | 16 | 0.44 | 0.39 | 0.52 | -0.05 | 0.13 |
| Alexandria and Canal Cities | 2.71 | 2.06 | 2.42 | -24 | 18 | 0.38 | 0.42 | 0.47 | 0.04 | 0.05 |
| Urban Lower Egypt | 2.25 | 1.79 | 2.21 | -21 | 24 | 0.38 | 0.34 | 0.51 | -0.04 | 0.17 |
| Rural Lower Egypt | 2.27 | 1.78 | 2.50 | -22 | 40 | 0.33 | 0.32 | 0.63 | -0.01 | 0.31 |
| Urban Upper Egypt | 2.00 | 1.58 | 1.92 | -21 | 22 | 0.35 | 0.36 | 0.54 | 0.01 | 0.18 |
| Rural Upper Egypt | 2.21 | 1.43 | 1.88 | -36 | 31 | 0.28 | 0.32 | 0.50 | 0.04 | 0.18 |

| | Median real hourly wages by group | | | | | Gini coefficient for earnings by group | | | | |
|---------------------------------|-----------------------------------|------|------|------------|-----------|--|------|------|------------|-----------|
| | Level (in 2006 L.E) | | | Change (%) | | Level (in 2006 L.E) | | | Change (%) | |
| | 1988 | 1998 | 2006 | 1988-98 | 1998-2006 | 1988 | 1998 | 2006 | 1988-98 | 1998-2006 |
| <i>Education Level</i> | | | | | | | | | | |
| Illiterate | 2.00 | 1.43 | 1.71 | -29 | 20 | 0.32 | 0.33 | 0.40 | 0.01 | 0.08 |
| Literate without | | | | | | | | | | |
| Diploma | 2.19 | 1.54 | 1.71 | -30 | 11 | 0.35 | 0.35 | 0.45 | 0.01 | 0.10 |
| Elementary School | 2.09 | 1.59 | 1.77 | -24 | 11 | 0.37 | 0.33 | 0.49 | -0.04 | 0.16 |
| Middle School | 2.17 | 1.78 | 2.00 | -18 | 12 | 0.32 | 0.32 | 0.44 | 0.00 | 0.12 |
| General High school | 3.25 | 2.14 | 2.22 | -34 | 4 | 0.38 | 0.45 | 0.51 | 0.07 | 0.06 |
| Vocational high school | 2.25 | 1.58 | 2.01 | -30 | 27 | 0.38 | 0.32 | 0.61 | -0.05 | 0.29 |
| Post-secondary institute | 2.85 | 1.92 | 2.49 | -33 | 30 | 0.38 | 0.34 | 0.60 | -0.04 | 0.26 |
| University & above | 3.74 | 2.65 | 3.04 | -29 | 15 | 0.41 | 0.38 | 0.52 | -0.03 | 0.01 |
| <i>Sector of Activity</i> | | | | | | | | | | |
| Agriculture | 2.00 | 1.43 | 1.67 | -29 | 17 | 0.26 | 0.31 | 0.35 | 0.05 | 0.04 |
| Industry | 2.31 | 1.78 | 2.02 | -23 | 14 | 0.39 | 0.37 | 0.53 | -0.02 | 0.16 |
| Services | 2.44 | 1.78 | 2.22 | -27 | 24 | 0.41 | 0.37 | 0.57 | -0.04 | 0.20 |
| <i>Economic Sector</i> | | | | | | | | | | |
| Government | 2.38 | 1.77 | 2.47 | -26 | 40 | 0.37 | 0.35 | 0.61 | -0.02 | 0.26 |
| Public Enterprises | 2.92 | 2.32 | 2.82 | -21 | 22 | 0.37 | 0.37 | 0.52 | 0.00 | 0.15 |
| Private Sector | 2.24 | 1.60 | 1.88 | -29 | 17 | 0.40 | 0.38 | 0.45 | -0.02 | 0.07 |

Source: Said (2007) based on 1988 LFSS, 1998 ELMS and 2006 ELMPS.

3. Main labour market performance: issues and challenges

3.1. Unemployment

Egypt witnessed an increase in both unemployment rates and in the numbers of unemployed individuals in the 1980s and 1990s. However, by 2006, the first signs of a slow down or even a decline in unemployment rates were seen. The standard definition of unemployment requires: the individual not to have worked even one hour in the week prior to the interview; to have desired to work; to be available for work; and to have actively searched for it during the reference period. According to this definition of unemployment and the market definition of economic activity Assaad (2007) using the 1998 ELMS and 2006 ELMPS, finds that the unemployment rate in Egypt declined from 11.7% in 1998 to 8.3% in 2006. The observed broad-based decline in unemployment rates in the 1998-2006 period came after a period of fairly widespread increases in the previous decade. The absolute number of unemployed has also declined from just over 2 million to 1.9 million. The number of discouraged unemployed has fallen even more rapidly during the period from 381,000 to 296,000, a rate of decline of 3.4% p.a.

There are various estimates of unemployment in Egypt. However, they all indicate the same recent downward trend. According to the most recent Census (2006) data, the unemployed amounted to two million, corresponding to a rate of 9.3% of the total labour force. Given the Sixth Five Year Plan in 2006 the rate of unemployment was 9.3% and fell to 8.4% in 2007 and is expected to reach 5.4% by 2011/12 according to the Ministry of Planning.

An important aspect of unemployment in Egypt is its gender dimension: the female unemployment rate is higher than the males equivalent. This higher female unemployment rate is due to the growth in the female working-age population and the rising labour force participation rate brought about by higher educational attainment. In 1998, female unemployment rate was almost 28% while the male unemployment rate was 7 percent. Although by 2006, unemployment rates have declined for both genders: female unemployment was still almost four times as high as the male equivalent at 19% compared to 5% among men, Table 3.1. Thus the gender gap in unemployment is among the highest in the region. Overall, women are four times as likely to be unemployed as men and young women, and 3.8 times as likely to be unemployed as young men. Although unemployment rates for young women with technical secondary degrees have declined, those for women with post-secondary institute degrees and university degrees have increased since 1998. The decline in unemployment for women technical secondary graduates results from increased discouragement and, therefore, increased inactivity. Assaad (2007) argues that the dramatic contraction in government hiring from 1998 to 2006 led to fewer applications for government jobs among these young women. Since for many among them the going wage in the private sector was below their reservation wage not only because of the lower average private sector wages, but also because of the lack of substantial non-wage benefits associated with public jobs, many women stopped seeking employment. Assaad (2007) showed that reduced employment rates in government during this period were counteracted by reductions in labour force participation for educated women in general and for technical secondary graduates in particular. As the number of vocational high school graduates increased and the opportunities for them in the government have dwindled, female technical secondary graduates were participating at lower rates in 2006 than before.

As for unemployment rates by educational level, in 2006, unemployment rates were very low for people with lower levels of education, increased for technical secondary graduates, but increased even more for post-secondary and university graduates in most cases. In fact, university graduates are the only educational group to have experienced an increase in unemployment rates between 1998 and

2006. All other groups have seen a decline in unemployment, in many cases quite large declines. Thus, unemployment in Egypt is best represented among more educated workers, with those without education having very low unemployment rates – probably for them unemployment is a luxury.

An important characteristic of unemployment in Egypt is its young face. About three quarters of the unemployed are young. Youth unemployment is also concentrated among the educated as a result of the incapability of the economy to create sufficient new job opportunities to accommodate the annual increase in the labour force which is mostly composed of youth entering the labour market for the first time at the same time as the public sector has been downsizing.

Unemployment is especially high for new entrants to the labour force with intermediate and higher education and for women. This structure of unemployment suggests that a significant part of unemployment results from high job expectations by workers with some formal education, and a low valuation of these credentials by the private sector because education systems have concentrated on making public-sector jobs accessible rather than on building skills. Although government hiring has been curtailed in recent years, the structure of the labour market remains segmented. Educated new entrants continue to queue for government jobs because of such non-wage benefits as job security and social protection.

Unemployment benefit schemes

Unemployment benefits are regulated by Law 79/1975, and they correspond to 60 % of the last salary received by the dismissed worker and are granted for a maximum period of 28 weeks after dismissal. Unemployment benefits are financed through a contribution of employers equal to 2% of their workers' wages, and through the revenues made from the investment of such contributions. Requirements to qualify for unemployment benefits are as follows:

- the employee must not have resigned or lost his/her job as a result of a judicial sentence
- compromising his/her honour, honesty and moral attitude;
- the employee must have been part of the official insurance system for at least six months, the last three of which with no interruption;
- the name of the employee who is officially part of the insurance system must appear in the unemployment register of the labour office.

The conditions under which a dismissed worker is not entitled to receive unemployment benefits are rather numerous:

- the dismissed employee has refused a suitable job assigned to him/her by the labour office (a job is deemed suitable when the corresponding salary is at least 75 % of the last salary received, when it matches the experience and qualifications of the former employee, and when the job is within the governorate where he/she has been working before);
- the dismissed employee is self-employed;
- the unemployed person is a waged employee receiving a salary which is equal to or higher than unemployment benefit;
- the unemployed person benefits from a social pension which is equal to or higher than unemployment benefit;
- the former employee has left the country for an indefinite period;
- the former employee is 60 years or older.

Unemployment benefits are no longer granted when the cases listed below occur and are provided again as soon as the situations described here cease to exist:

- when the unemployed person does not visit the labour office regularly, unless serious reasons account for it;
- when the dismissed worker refuses to participate in the training indicated by the labour office;
- when the unemployed person joins the army;
- when the dismissed worker receives a wage or a pension which is lower than the unemployment benefits (in this case, the individual is granted only the difference between what he/she earns and the unemployment benefits). See De Gobbi and Nesporova (2005)

The Workers Emergency Aid Fund was created to alleviate the effects of economic liberalisation, privatisation and adoption of the new Labour Law which gives employers more flexibility to dismiss, to adopt fixed-term contracts and to change the conditions of the labour relationship. Regulated by Law 156/2002, this fund provides some financial support to those workers who stopped receiving their salaries because of the partial or total closure of the enterprise where they were employed or because of dismissal due to a reduction in staff. To have access to the financial allocations from this fund, workers must be part of the official insurance system and must not be receiving unemployment benefits. In addition, he/she must have been employed in the same enterprise for at least one year. The financial support offered can be enjoyed for a maximum period of six months. The financial contribution received by the former worker corresponds to 75% of his/her highest salary and ranges between L.E. 150 and L.E. 1,000 per month. The fund is financed through a fee of about 1% of basic workers' wages. The financial contribution ceases to be granted in the following cases:

- when the former employee finds another job;
- when the enterprise where he/she was working restarts activities;
- when the labour relationship is terminated according to law provisions;
- when it is found that the financial support is being received through fraud. De Gobbi and Nesporova (2005).

In practice, very few workers receive unemployment benefit. Data on the rate of coverage of unemployment benefit is not available. According to the ILO, although since 1982, the government was not committed to providing unemployment insurance benefits against unemployment for workers in the private sector, it continues to apply the law requiring employers to pay 2% of all the salaries for unemployment insurance.

Table 3.1: Unemployment rates by Gender, Age & Education 1998-2006

| | 1998 | | | 2006 | | |
|--|-------|--------|-------|-------|--------|-------|
| | Male | Female | TOTAL | Male | Female | TOTAL |
| Unemployment Rate (by age, %) | | | | | | |
| 15-19 | 17.88 | 54.68 | 26.31 | 10.25 | 27.02 | 14.57 |
| 20-29 | 15.16 | 51.13 | 25.35 | 9.58 | 38.69 | 17.46 |
| 30-39 | 2.56 | 12.29 | 4.99 | 2.23 | 13.06 | 4.89 |
| 40-49 | 1.3 | 2.57 | 1.54 | 0.8 | 1.07 | 0.88 |
| 50-59 | 2.05 | 0.31 | 1.8 | 0.59 | 0 | 0.45 |
| 60-64 | 0.39 | 0 | 0.35 | 0.36 | 0 | 0.28 |

| | 1998 | | | 2006 | | |
|---|-------|--------|-------|------|--------|-------|
| | Male | Female | TOTAL | Male | Female | TOTAL |
| | | | | | | |
| Unemployment Rate (by level of education, %) | | | | | | |
| Illiterate | 3.26 | 5.29 | 3.66 | 1.17 | 0.38 | 0.9 |
| Literate without any diploma | 3.52 | 19.03 | 4.42 | 1.41 | 0 | 1.28 |
| Elementary school | 4.41 | 14.62 | 5.23 | 1.7 | 4.29 | 2 |
| Middle school | 5.31 | 12.32 | 5.8 | 2.47 | 5.55 | 2.84 |
| General high school | 7.37 | 33.80 | 12.13 | 5.11 | 3.62 | 4.92 |
| Vocational high school | 14.06 | 48.18 | 24.99 | 6.55 | 34.21 | 13.77 |
| Post-secondary institute | 9.59 | 25.64 | 15.75 | 5.59 | 23.58 | 11.12 |
| University & above | 6.52 | 16.84 | 9.69 | 9.33 | 24.93 | 14.37 |
| Unemployment rate (%) | 7 | 27.64 | 11.68 | 4.68 | 18.57 | 8.3 |

Source: ELMPS2006.

3.2. The Informal economy

The informal economy consists of a wide range of informal enterprises and informal jobs. Despite its heterogeneity, it can be two main component segments can be distinguished: type of economic unit and employment status. Informal economic units consist of micro-enterprises (with an employer plus some employees with permanent employees), family businesses (with an owner operator and, sometimes, unpaid family workers, without permanent employees), and own account operations (with an individual owner operator). The enterprise of informal employers must fulfil one or both of the following criteria: size of unit below a specified level of employment, and non-registration of the enterprise or its employees. The informal sector refers to all unregistered or unincorporated enterprises below a certain size, including: micro-enterprises owned by informal employers who hire one or more employees on a continuing basis; and own-account operations owned by individuals who may employ contributing family workers and employees on an occasional basis. In addition, the informal sector does not include agricultural activities.

Informal employment status also refers to employees of informal enterprises as well as wage employment in formal enterprises, households with no fixed employer including: domestic workers, casual or day labourers, temporary or part-time workers, industrial outworkers (including homeworkers), and unregistered or undeclared workers. Under the expanded concept, informal employment is understood to include all remunerative work – both self-employment and wage employment – that is not recognised, regulated, or protected by existing legal or regulatory frameworks and non-remunerative work undertaken in an income-producing enterprise.

Egypt has a large and substantial informal sector. The informal sector has played an important role in job creation in the Egyptian labour market. However, the jobs created in this sector tend to be of lower quality in terms of wage, sustainability and work conditions. According to Assaad (2007) informal employment has increased from 57% in 1998 to 61% in 2006. Moreover, 75% of new entrants who entered the labour market in the first five years of this decade were entering into informal work, compared to only 20% of workers in the early 70s. Thus, the informal sector has acted as a buffer for unemployment.

According to Wahba (2009) and based on the 1998 ELMS and 2006 ELMPS, informal employment is male dominated with over 85% of informal workers being men, although there has been a slight increase in the proportion of women. There has been an increase in the share of 20-29 years old among informal workers. This pattern is the result of queuing by the new entrants to the labour market for public sector jobs and also the result of previous fertility trends that have translated into more youth entering the labour market. The share of illiterate workers among informal workers has also declined due to the overall increase in educational attainment over that period. There is too a noticeable increase in the share of those with intermediate education among informal workers in 2006. Moreover, the share of university graduates has increased slightly over this period suggesting that more university graduates have informal employment in 2006 than they did in 1998. The regional variation in informal employment is quite interesting. Greater Cairo no longer has 1 in 5 informal workers. The biggest regional increase in the share of informal workers was in Upper Urban Egypt, which almost doubled between 1998-2006.

Available data on household economic units in 2006, according to Al Mahdi 2007, suggest that there were 3.5 million economic units. The percentage of economic units that do not comply with any legal procedures (having a license, a commercial/ industrial registration, and keeping regular accounts for tax purposes) increased from 32% of the total number of economic units in 1998, to 35% in 2006. This increase happened despite government policies aiming to improve the situation such as (a) the simplification of the legal procedures; (b) the new labour law; (c) the new Micro and Small Establishments law; and, (d) the new tax law – see section 4.4. The number of semi-formal economic units that comply with one or two procedures has dropped from 50% in 1998 to 47% of all economic units in 2006. On the other hand, the percentage of economic units that comply with all procedures (18%) has remained at the same level as in 1998 (18%). The main non-compliance procedure is in not keeping regular accounts. These results suggest a state of steadiness of informality among the MSEs, but also indicate that the current policies are not conducive enough to small entrepreneurs or have not reached the small entrepreneur yet.

3.3. Immigration and labour market: role and impact

Egypt attracts a limited number of legal migrants. Legal immigration is heavily regulated. According to the 2003 Labour law, foreign workers can only work in Egypt on the basis of reciprocity (Article 27). Moreover, in order to be employed, foreign nationals must seek residence and work permits, and enter Egypt for the purpose of employment (Article 28). In 2007, according to the MOME, 20,198 (7,794 of which were new) foreign nationals obtained work permits – Table 3.2.

Table 3.2: Number of Foreign Nationals in Egypt granted work permits by main countries of origin in 2007

| | Number |
|----------------------|--------|
| Arab Countries | 7881 |
| European Countries | 5704 |
| African Countries | 203 |
| Asian Countries | 4710 |
| Americas & Australia | 1570 |

Source: The MOME.

Egypt receives a substantial number of irregular migrants and refugees but the estimated numbers vary according to source, Nassar (2008). According to UNHCR, in 2005, there were 70,255 Palestinian, 13,446 Sudanese, 3,940 Somali refugees in Egypt, Table 3.3. Due to Egypt's location, transit and irregular migration has grown in size. Refugees and failed asylum seekers are subject to the same restrictions that other foreign nationals face namely, to be employed they need: i) reciprocity; ii) a valid residence permit; and iii) a valid work permit. The lack of employment opportunities and educational opportunities drive refugees to flee to neighbouring countries (Badawy 2008). Refugees have limited access to labour markets and thus if they work they join the informal labour market. Assessing the impact of irregular immigration on the Egyptian labour market is difficult. Nassar (2008) notes the various jobs performed by the various groups of refugees – such as the Sudanese and Somalis – tend to be, especially for females, in domestic work.

Table 3.3: Refugees and asylum-seekers in Egypt

| Refugee population, end of year--main origin | | | | | | | | | | |
|--|-------|-------|-------|-------|--------|-------|--------|--------|--------|--------|
| Origin | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Occupied Palestinian Territory | 15 | 32 | | | | 134 | 70,195 | 70,215 | 70,245 | 70,255 |
| Sudan | 1,461 | 1,587 | 1,863 | 2,577 | 2,883 | 4,659 | 7,629 | 14,178 | 14,904 | 13,446 |
| Somalia | 3,493 | 3,546 | 3,119 | 2,568 | 2,610 | 1,177 | 1,639 | 3,068 | 3,809 | 3,940 |
| Ethiopia | 47 | 59 | 44 | 56 | 54 | 102 | 111 | 329 | 481 | 516 |
| Yemen | 559 | 631 | 669 | 678 | 683 | 628 | 412 | 344 | 319 | 209 |
| Asylum applicants during the year--main origin | | | | | | | | | | |
| Origin | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Sudan | 2,057 | 1,384 | 4,953 | 5,202 | 12,206 | 9,529 | 6,253 | 5,726 | 9,720 | 2,400 |
| Somalia | 113 | 112 | 197 | 647 | 1,822 | 2,559 | 1,977 | 224 | 340 | 538 |
| Ethiopia | 97 | 384 | 295 | | 547 | 545 | 299 | 325 | 289 | 189 |
| Eritrea | 14 | 20 | | | 211 | 224 | 59 | 55 | 106 | 153 |
| Iraq | 26 | 27 | | | 64 | 23 | 92 | 57 | 20 | 133 |

Source: UNHCR, Statistical Yearbook 2005.

3.4. Brief analysis of other major challenges

- Recent Development

Egypt has undergone a number of economic reform measures since the early 1990s, with the aim of liberalizing the economy and moving towards a market economy. The main challenges have been in absorbing the increasing numbers of the unemployed resulting from the increase in labour supply and from the downsizing of the public sector. One of the main structural problems facing the labour market has been the limited demand for labour by the formal private sector, resulting in an increasing informal private sector. The inability of the private sector to become a major source of job creation is driven by the high cost of labour due to low productivity, the high cost of social insurance and the high cost of firing and hiring even after the introduction of the new labour law. At the same time, the increase in technical education graduates with skills that are not matching the needs of the private sector have resulted in high unemployment rates among vocational secondary school graduates.

Since 1991, privatisation of state owned enterprises has been on the agenda and has only gained momentum since 2004. The Government used various privatization techniques: 26% of companies were privatised through sale to an Employee Shareholder's Association; 28% through shares offered on the stock market; 24% by means of liquidation and asset sales; and 22% through sales to anchor investors. Out of the remaining 153 public owned companies, 86 will be "mass privatised". The overall impact of privatisation on employment has not been yet analysed. However an earlier study based on 69 firms, which were privatised between 1994 and 1998, found that these privatised firms have experienced significant increases in profitability and operating efficiency, while significant decreases in employment, leverage, and risk were found.

Assaad (2007) finds that while employment in state-owned enterprises (SOEs) started to decline in the 1988-98 decade, employment in government was still growing rapidly during that period at about twice the rate of the growth of overall employment. This has clearly changed in 1998-06. Employment growth in the civil service has slowed dramatically and much of the burden of employment creation has shifted to the private sector.

The main changes in the Egyptian labour market over the last decade are as follows.

- Female employment

Educated women have been much more negatively affected than educated men, as a result of privatisation for, unlike in the past, they cannot find new jobs in the public sector, while the private sector gives clear priority to men. Barriers to entry for women into the private sector are due to a number of factors, including employers who are unwilling to hire workers whose commitment to the labour force may be short-lived, predominant social norms, and attitudes limiting what constitutes gender-appropriate employment, and mobility constraints that limit women's job search activities to local labour markets. While female-specific mandates on employers to provide paid and unpaid maternity leave, as well as child-care provisions may also make them reluctant to hire women, the poor enforcement of these mandates in the private sector makes this an unlikely reason for not hiring women.

- Youth employment

Unemployment in Egypt is essentially a problem relating to the labour market insertion of a growing and increasingly educated youth population. The vast majority of the unemployed are under the age of 30, educated at least up to intermediate level, and have never worked before. According to Assaad and Barsoum (2007), in 2006, 50% of male school leavers had found their first job within 2 years of leaving school, down from three years in 1998. Seventy five percent found jobs in 2006 within 5 years of leaving school, whereas in 1998 it would have taken nearly 8 years for that proportion to find jobs. The

female rates of transition from school to work are much lower and do not exceed 25% even after 15 years. There is no perceptible improvement in the transition time from 1998 to 2006 for women.

The ELMPS of 2006 shows that only 33% of the employed young who received wages had a legal contract with their employers. Only 30% had social insurance coverage, 21% had medical insurance, and only 15% were members of a labour syndicate or a union. Moreover, only a fraction of the Egyptian working young received the basic package of non-wage benefits such as paid vacations (23 percent) and sick leave (22 percent). In terms of earnings, Assaad and Roushdy (2007) have shown that 69% of working youths in 2006 could be classified as low earners, based on a low earning threshold that uses the national poverty line as a basis. Thus, the majority of those who obtain paid employment are in a poor quality job that does not allow them to start a family and complete their transition to adulthood and independence.

- Public Sector:

The public sector has been pivotal in the Egyptian labour market. It has played a major role in absorbing the increasing labour force during the past three decades. It has been the preferred sector of employment for many new entrants to the labour market, particularly women. The guaranteed civil-service employment for graduates of secondary and higher educational institutions has led to the concentration of educated workers in the public sector. But by the early 1990s – prior to economic reforms – the public sector was overstaffed and inefficient, and its wage bills constituted a huge burden on government expenditure. Also, the growth of the private formal sector in job creation and absorption was limited. Thus, any structural adjustment programmes in Egypt had to start with the public sector.

The Egyptian government has turned to downsizing the public sector in an effort to reduce budget deficits and to address the inefficiencies in the civil service as part of the economic reform programme. Early retirement has been the main method used to reduce public-sector employment in the 1990s. In addition, the growth of the public sector has been declining. By 2006, there is evidence to suggest that both the shares of government employment and public enterprises in total employment have declined. However, the brunt of the squeeze in the public sector has been experienced by females who 54% of whom used to work in the public sector in 1998, compared to 37% in 2006. Another characteristic of public employment is its high level of graduates from intermediate and higher education institutions. Guaranteed employment, without concern for productivity in the public sector, led to the prevalent rent-seeking behaviour among the graduates and created strong disincentives for working in the productive sectors. The result is poor use or even waste of educated labour by distorting the incentives in labour markets.

Assaad (2006) argues that the longstanding policy of the Egyptian government to guarantee government employment to upper secondary and university graduates has given households distorted signals. These shaped the educational decisions of households and encouraged them to invest heavily in forms of education, such as technical secondary and higher technical institute education that have very low returns in the private sector. Faced with strong demand for such education from the public, the government supplies it at the expense of being able to guarantee basic quality education to all of those who are eligible for it. The government also used technical schooling as a way of limiting university enrolment since technical schooling was an alternative pathway. The combination of educational and hiring policies have resulted in the distortion of household decisions and the misallocation of human resources to unproductive activities, leading to the low productivity of those resources in the economy.

- Education, training and employment

Free education, publicly provided, has been a central tenant of the social contract in Egypt since independence. The government significantly expanded the education system, driven by rapidly

expanding young populations and the need to build nationhood. Formal education indicators have been improving rapidly with massive investment in education and training. However, the focus on universal access to education has often overshadowed the issue of quality resulting in some serious labour market imbalances caused by the inadequate educational and training systems, which do not respond to a changing demand for skills.

According to Assaad (2007) the educational composition of new entrants has also changed significantly over time. The proportion of those without any educational credentials dropped from close to 45% in the mid 1970s to about 15% in 2005. This secular decline was matched by a dramatic increase in the share of new entrants with secondary educational credentials, which went from nearly 20% in 1975 to over 40% in 2005. The vast majority of these secondary degree holders are technical secondary graduates since nearly all of general secondary graduates continue onto post-secondary degrees. The share of those with only elementary or preparatory education increased somewhat in the 1980s but then has declined again since.

- Current Global Economic Conditions

The Egyptian economy suffered last year from the repercussions of the unfavourable worldwide conditions. However, the economy managed to meet these challenges and to maintain its momentum with a real GDP growth rate exceeding 7 %, for the second year consecutively, and real private consumption growth rate of 3.7% (MODE)

The government has started to tackle the under-pricing of energy. They hiked diesel prices in mid-2004; further adjusted retail prices in mid-2006; and, in late 2007, launched a three-year program to phase out most industrial energy subsidies. However, prices for most energy products are still far below international prices. This distortion could attract investment into sectors where Egypt does not have a long-run comparative advantage. It also encourages levels of energy consumption that impose high environmental costs and that use up public funds.

At the same time, with the increase in food prices in the summer of 2008, many households felt the pressure. Official estimates by CAPMAS put the inflation rate in urban areas at around 22.3% in November 2008. Hence, the brunt of the recent food price hike has been experienced by Egyptian households.

In addition, the current global financial crisis may have indirect impacts on the Egyptian labour market. First, if the demand for Egyptian exports (e.g. textile industry and agricultural products) by the West falls, this will affect both manufacturing and agricultural sector outputs and employment and might lead to higher unemployment. In addition, if tourism declines this will have wider implications given the importance of this sector for the economy as a source of foreign exchange as well for employment. Finally, if the crisis affects the Gulf States and Arab labour exporting countries this will lead to less demand for Egyptian workers in the region and may result in significant numbers of these returning. Thus, the Egyptian labour market is not immune from the repercussions of the current global crisis.

4. Employment policies and labour market reform

4.1. Institutional setting of national employment policy and employment policy-making process

Since 2000, the government has launched a set of initiatives to improve conditions in the labour market with the purpose of better matching supply and demand under the National Employment Strategy. Associated with this is the National Programme for Youth Training, implemented by the Ministry for Military Production and the MOME, and a long number of smaller scale initiatives. The integration of the Egyptian Observatory for Education, Training and Employment under the Work Programme of IDSC (Information and Decision Support Centre at the Cabinet of the Prime Minister)

has represented a further step in the fight against unemployment with better and more elaborate labour market information and its conversion into policy recommendations to be translated into concrete human resource development policies (ETF, 2008).

The Egyptian National Competitiveness Council, created in order to monitor the objectives and targets of growth and competitiveness of the government and the private sector, has recently declared its interest in further investigating the links and relationships between human capital development, employment and economic growth. Their recent studies show that while the country is doing extremely well in terms of macroeconomic indicators, this has not yet been translated into more and better employment and increased social welfare for different segments of the population (ETF, 2008).

4.2. National Employment Programme

In 2000, the government launched a set of initiatives to improve conditions in the labour market with the purpose of better matching supply and demand under the so called National Employment Programme (NEP), with five main components.

1. *Emergency employment schemes*: to correct labour market imbalances, targeting bottleneck groups (nurses, maintenance workers, transport...) and deprived regions (especially Upper Egypt). The schemes also include the launching of public-works project.
2. *Creation of a National Training Fund*: this demand-driven government-subsidised fund will finance enterprises recruiting new graduates. It will also include a research facility to monitor labour market demand and to cater for required skills..
3. *Reforming labour market institutions*: the reform of particularly service providers through upgrading and modernising the employment services offered by the MOME and other existing agencies, councils and funds.
4. *Implementation of an informal sector strategy*: this strategy will focus on this viable sector and provide a package including credit, marketing, infrastructure and social protection.
5. *Strengthening the labour market information system*: this will come through an objective, timely and transparent approach.

In addition to these areas, the NEP aimed at enhancing the competitiveness of the Egyptian economy as a long-term objective through establishing a skill formation system that includes the reform of the educational system; introduction of new skills (ICT); continuous re-skilling; as well as public-service reform. In 2001, the government launched a ‘national plan for training graduates and the young’.

However, it has been argued that the launch of the NEP was not followed by serious implementation efforts, see for example, El Ehwany and El Laithy (2001). These authors also add that there is ‘complete divorce between the macro-economic policies and the employment policies’. El-Megharbel (2007) argues the NEP was not part of the national development plan. She argues that ‘there was no comprehensive strategy for employment’ because the government tended to deal with job creation through piecemeal and scattered measures and only in emergencies.

Although the NEP indicated that employment has climbed up the political agenda, it has not yet delivered its aims in terms of job creation. There is no doubt that there is a need for a more integrated approach to employment that takes into account not only macro-economic policies and the demand side, but also the education system and the supply side.

4.3. Active Labour Market Policies

Active labour market policies (ALMPs) aim to correct labour market failure and have been used in Europe and the US to deal with high unemployment and deficient aggregate demand. These policies

take the form of direct job creation to restore the employability of workers, labour market training to give workers the skills required by firms, and job brokerage to improve the match between job seekers and vacancies such as employment services that provide better information on vacancies or help to improve the search effectiveness of the unemployed. Several active labour market policies in the form of employment and training programmes have been set up in Egypt to promote job creation and reduce the unemployment problem. Such programmes are organized by several ministries and organisations: the MOME, SFD, IDSC, as well as by various NGOs.

Public Work Programmes:

- The Public Works Programme organised by the Social Fund for Development (SFD)⁵ provides funding for small projects to improve infrastructure in rural and deprived urban areas. It aims to attract investment in local communities and lead to a favourable work environment. During the period 1994-2000, the PWP created some 6,316 permanent jobs and 111,013 temporary ones. The wage share in these programmes was only 30% of the total cost. Thus these programmes have not been perceived to be particularly successful in job creation.
- *The Skorouk Programme* (Egyptian National Integrated Rural Development Program) is another example of PWPs. This was launched by the Ministry of Local Administration and its main objective is the empowerment of the Egyptian rural community by providing jobs opportunities to the unemployed and by responding to the needs of the local community in terms of infrastructure, social services and economic opportunities. Between 1994-2000 about 59,000 permanent jobs and about 123,000 temporary ones were created.

El Megharbel (2006) notes that these programmes failed to meet their targets. For example, the impact of the public works program is limited to alleviating poverty during its implementation, with no sustainable outcomes. Similarly, the majority of jobs created by the rural development program, *Shorouk*, were temporary.

Programmes promoting micro and small enterprise development

Small and micro finance lending is another example of active labour market policy.

The Small Enterprise Development Organisation (SEDO) is to assist in the creation of jobs for low-income groups by supporting both new and existing small enterprises by providing credit and business support services. A key feature is the loan approval based on the proper assessment of feasibility studies instead of collateral and guarantees. The SEDO is a successful and cost-effective programme where industrial projects have been found to be the most employment-generating ones. It has created between 50,000 to 70,000 jobs per year, which corresponds to almost one-quarter of all non-agricultural jobs. The cost for each job created was estimated at around L.E. 5,856. (De Gobbi and Nesporova, 2005).

Mubarak Solidarity Program launched in 1996, which target people with very low incomes and unemployed youth. It tries to mobilise the production capabilities of beneficiaries and to provide aid in money and in kind. New small projects are supported through loans, on condition that the project

⁵ The Social Fund for Development (SFD) is a semi-autonomous governmental agency under the direct supervision of the Prime Minister, financed by the Government of Egypt in cooperation with the World Bank/IDA, the European Union, Arab Funds and other donors. The SFD was created to protect and improve the status of the poor and the unemployed, during the period of economic transition. Its mission is to facilitate the implementation of Egypt's economic reform programme by mitigating the adverse effects of structural adjustment on low income groups, and by strengthening Egypt's institutional capacity (governmental and non-governmental) to develop new social programmes and upgrade existing ones.

yields social returns (investments for L.E. 700 million per year). The gross number of programme beneficiaries has reached 2.6 million. In total L.E. 65.3 million has been allocated to this programme, half of which for financing income-generating activities, with an interest rate of 3-4 percent.

Productive Family Programme was launched in 1964, through the Ministry of Social Affairs. It provides training, micro-credit and production and marketing support. SFD has been largely funding this programme. Loans are small and only allow for the sustaining of income-generating activities.

The main problems facing SMEs promoting programmes are sustainability and accessibility. Few programmes have managed to achieve financial self-sufficiency and as a result largely continue to rely on external funding. The accessibility of the programmes has been limited because banks providing credit to micro-enterprises impose stringent requirements. On the whole, these programs have only a limited impact on job creation. (See De Gobbi and Nesporova 2005). El-Megharbel (2007) notes that they lack follow-up and evaluation and are not successful because they require a certain level of formality and are, therefore, inaccessible to firms in the informal economy. Barsoum (2006) documents similar results, noting that despite the plethora of microfinance programs there remains an unmet need because of the restrictive requirements of many of the programs that provide credit.

Labour market information programmes

The MOME used to play a major role in allocating public employment jobs to new graduates. In the last two decades its role has though greatly diminished. It is now limited to providing a link between job seekers and job opportunities in the private sector, registering Egyptian workers abroad and issuing work permits. A National Employment Bulletin is issued regularly to give information on job vacancies. However, employment offices are inefficient. Several current projects aim at modernising these employment offices.

The Egyptian Observatory for Education, Training and Employment work integrated under IDSC. The main objective of the establishment of the Egyptian Observatory is to create a dynamic information system for employment and training in Egypt in order to provide accurate and updated data and information about both the supply and demand sides. The observatory functions are a focal supporting point and coordinating mechanism linking the agencies that produce data and the agencies benefiting from this data. It serves decision-makers in the government as far as education, training and employment are concerned. It also provides important data about the requirements of the Egyptian labour market for investors. According to ETF (2008), this is an important step towards better and more elaborated labour market information and its conversion into policy recommendations to be translated into concrete human resources development policies.

Human resource development programmes

Retraining the Unemployed

The Community Development Programme (CDP) and the Human Resources Development Programme (HRDP) run by the Social Fund for Development focusses on social and human development by supporting activities in the field of education, health, training, environment, etc. The CDP works in cooperation with the Productive Family Association supported by the Ministry of Social Affairs funds. The Productive Family scheme aims at improving poor family's economic resources through training and marketing services and vocational skills formation. The Human Resource Development Program (HRDP) targets the unemployed and the vulnerable and assists this group in obtaining and maintaining job opportunities by: improving the employability of unemployed and workers; building the capacity of the employment and redeployment services; and improving the capacity of the training system in

line with the needs of the labour market. Between 1994 and 2000, the two programmes generated about 25,857 permanent jobs and a similar number of temporary ones.

Another scheme has been the Employment and Retraining Programme (ERP), one of the SFD programmes, created in response to the needs of public enterprise employees during and immediately following the restructuring and privatisation of the firms that employ them. The ERP funds labour adjustment schemes that mitigate any labour displacement that may occur in the process. It also trains unemployed new graduates in skills that are relevant to market demands.

Vocational Training

Many training programmes have been launched in Egypt since the early 1950s, most of which have been technical cooperation projects aiming to establish links between training centres and future employers. Vocational training in ministries has also mushroomed with several ministries organising training activities that are not coordinated e.g. the MOME, the Ministry of Education, the Ministry for Military Production, and the Ministry of Industry. Training policy is supposed to be the primary task of the Supreme Council for Human Resources Development. Although these programmes have had an impact locally, none of them managed to generate effects at a national level and to build partnerships with private firms.⁶ Also, training centres have traditionally not taken into account demand for skills as they were not concerned with the placement of workers in the labour market, since graduates were guaranteed jobs in public enterprises. Thus, the training system does not provide skills that are in demand in the labour market and particularly not in demand in the private sector. For a detailed list of suppliers of various training programmes see ETF, 2008 and De Gobbi and Nesporova, 2005.

Although there have been many different strategic documents for the reform of human-capital development (education, training, employment and active labour market policies), most of these have not been implemented.⁷ A fundamental problem is the fragmentation and multiplicity of institutions involved. Yet, there is a now growing awareness of the need for a more integrated approach.

Summary:

De Gobbi and Nesporova (2005) argue that the ALMPs in Egypt have not always met their set targets since there are skill mismatches between workers and jobs, there are obstacles in job placements; and the credit schemes for self employment do not work well. El-Megharbel (2007) adds that ALMPs should be considered as short-term solutions to overcome labour market failures. Consequently, the impact of these policies on job creation should not be overstated. These policies must also be aligned with macro-economic policies in a global framework of a national employment strategy that aims at increasing employment.

Assaad and Barsoum (2007) argue that most active labour market programs are primarily provided through governmental or quasi-governmental bodies and suffer from limited efficiency, skewed targeting, and a heavy reliance on international donor support. Those programs fail either because they come from the top down, or were implemented badly. Many programs are initiated and supported through foreign donor support and are insufficiently institutionalized or integrated into a policy framework. Despite the success of some NGOs, these programs remain limited in scale and depend heavily on grants and, therefore, are not sustainable over the long term. Finally, there have been no systematic evaluations of most of the programs and policies addressing youth employment in Egypt. Studies with pre- and post-intervention designs involving control and intervention groups are very rare. This creates a huge knowledge gap that hinders the learning of lessons and the building of new projects.

⁶ ETF (2008).

⁷ ETF (2008).

To conclude, ALMPs have not been effective in creating jobs in Egypt. These programmes receive substantial public resources, yet their effectiveness remains in doubt. Most of these programmes have not been appropriately monitored and their impacts have not been well evaluated. In addition, there have been too many dispersed and uncoordinated policies. There is a need for a more integrated set of policies that address the roots of the malfunctioning labour market.

4.4. Recent changes in labour market legislation and reform

New Legislation

The Government introduced a new labour law (No.12) aiming at increasing flexibility in the labour market in 2003. The new law provides comprehensive guidelines for the recruitment, hiring, compensation, and termination of employees. In particular it provides increased flexibility for firms in the hiring/firing process which has been a major bottleneck for job creation in the Egyptian labour market. The new Law comprises 257 articles that address all the legal aspects regulating the Egyptian labour market. The new law aims at increasing the private sector involvement and at the same time achieving a balance between employees' and employers' rights. Amongst the most important issues that the new law addresses is the right of an employer to fire an employee and the conditions pertaining to this as well as granting employees the right to carry out a peaceful strike according to controls and procedures prescribed in the new law. The new labour law aims to lead to more flexibility in the labour market by allowing a private sector employer to renew a temporary contract without transforming it automatically into a permanent employment status as was stated in the preceding law. Also, under the new regulation, employers can terminate a contract more easily and lay offs can be justified by difficult economic conditions. In return workers that have been dismissed have the right to appeal. However, workers in the public sector keep their privileges of life-long security for jobs as their contracts cannot be terminated.

Subsequent development in the new Labour Law includes other measures to foster human resources such as national accreditation processes, the creation of a National Training Fund and the recognition of training institutions. More recently, the Egyptian National Competitiveness Council was created in order to monitor the objectives and targets of growth and competitiveness of the government and the private sector.

Given the widespread evasion of labour regulations that occurred prior to the new law, the likelihood is that the 2003 law will merely formalise employment rather than increase employment. Even though the new labour law shows some progress it is clear that there is a need for further changes in taxes and social security systems to enable the new labour law to become more effective. The high cost of social security contributions is still acting as a deterrent for both employers and employees in formalising jobs.

In 2004, a new MSE law was decreed with the main objective of providing support to MSEs, first by defining them, and then by describing the main incentives that the law provided to them. Those incentives included (a) establishing local funds to finance MSEs; (b) allowing MSEs to take part and provide goods and services to the public; and (c) allocating 10% of the new land in industrial cities to be used by MSEs.

In 2005, a new tax law (No. 91) was decreed according to which tax rates were reduced from around 41% to 20%. The income brackets were widened and tax exemption was increased. The new tax law was associated with several incentives for enterprises. The new income tax law reduced the tax burden by 50 percent, eliminated tax exemptions and benefits, and simplified tax structure and tax administration. These reforms aimed at increasing disposable income, widening the tax base and enhancing economic growth. In addition, the government adopted a two-year plan to streamline and

modernize tax administration and increase the efficiency of collection. Evidence so far suggests that this tax law has resulted in an improved taxpayers' compliance (MOF 2008).

4.5. Alternative strategies and policy options available for the sound management of excess labour supply

Managing the increase in labour supply is still a priority. The government should continue to raise public awareness about the implications of high birth rates. However, there is a need for an integrated approach in dealing with the increasing labour supply: it is vital to deal with the educational system, the labour market and private-sector support in an integrated fashion. There is a need to plan employment needs taking on board both the demand for labour in terms of macro-economic policies, investment policies and trade policies as well as the supply of labour in terms of skills, needs and the efficiency of the educational system in producing these skills.

It is crucial for Egypt to improve the quality of its education. Although educational levels in the labour force have increased, the quality of education has deteriorated with the increasing numbers of pupils. Moreover, although there has been an increase in the numbers of technical and vocational secondary school graduates, given their high rates of unemployment, it is obvious that these graduates do not have the skills required in the labour market.

Also, the government should consider providing incentives for firms to train workers. Private sector firms need to be encouraged to hire new graduates and women and also in training its workers through tax rebates.

In addition, the government should supplement the new labour law with other regulations that would allow the labour market to be flexible and to formalise jobs, for example by reducing social insurance contributions by employers and employees.

Finally, it is important to change the expectations of the young about the 'right' to a government job. Although the government has kept to the social contract of providing guaranteed employment for the educated since the 1950s, it is important to 'sell' to the young the importance of the private sector in a globalised competitive world where foreign investors seek cheap and skilled workers to invest their capital and set-up their business. The role of the government will change from directly providing jobs to one where it helps in job creation by enabling the private sector to create decent jobs. It is thus essential for the youth of Egypt to have the right expectation about the government's role and the need to contribute to the economy in a productive manner.

5. The impact of outward labour migration flows on national labour markets

5.1. Estimation and characteristics of outward migration flows since 1990

International migration has played an important role in the Egyptian economy over the last three decades. Egypt has been a major labour exporter since the early 1970s, exporting both educated and uneducated labour and becoming the largest labour exporter in the MENA region.

The Egyptian constitution guarantees each citizen a right of permanent migration. Law No. 11 of 1973 defines permanent and temporary migrations as follows. The second article states that an Egyptian is considered a permanent migrant if he/she establishes permanent residence outside the country and acquires the nationality of a foreign country or obtains a permit for permanent settlement, stays in that country for a period of not less than 10 years or obtains a permit for migration from the country of destination. Item three of the above mentioned law defines a temporary emigrant as an

Egyptian who is not studying or who is on sabbatical leave or foreign duty, who makes his usual place of residence abroad, and holds a job to earn a living even if more than a whole year passes in his stay abroad. Official estimates on emigration in Egypt distinguish between temporary and permanent migration, though in practice this distinction is misleading since some temporary migrants stay permanently and *vice versa*.

There are two patterns of Egyptian emigration – the first pattern of emigration is to other MENA countries – to the Gulf States as well as replacement workers in Arab labour exporting countries such as Jordan and Lebanon. The majority of Egyptian migrants have been destined to neighbouring Arab countries. The second pattern has been to Western Countries: the US, Canada and Australia, but more recently to Western Europe. Temporary migration has been used to refer to migration to MENA countries and permanent migration to Western countries. However, with the new temporary migration to Europe, official statistics do not make a distinction based on destination. In 2005 according to CAPMAS there were around 2.8 million emigrants, 71% of whom were temporary and 29% permanent (Table 5.1). In fact, 95% of temporary migration was to Arab countries, and almost 4% to Europe (Table 5.2).

Table 5.1: International Migration in 2005

| | Number | % |
|---------------------|---------|-------|
| Permanent Migration | 824000 | 28.96 |
| Temporary Migration | 2020958 | 71.04 |
| Workers with work | 784912 | 27.59 |
| Accompanying | 1236046 | 43.45 |
| Total Migration | 2844958 | 100 |

Source: CAPMAS

Table 5.2 : Temporary Migration in 2005

| Country of Destination | Workers | Accompanying | Total | % |
|------------------------|---------------|----------------|----------------|------------|
| Arab Countries | 748849 | 1179311 | 1928160 | 95.41 |
| European Countries | 29675 | 46723 | 76398 | 3.78 |
| Australia | 4660 | 7293 | 11953 | 0.59 |
| African countries | 912 | 1483 | 2395 | 0.12 |
| Asian Countries | 480 | 742 | 1222 | 0.06 |
| Americas | 336 | 494 | 830 | 0.04 |
| <i>Total</i> | <i>784912</i> | <i>1236046</i> | <i>2020958</i> | |
| % | <i>38.84</i> | <i>61.16</i> | | <i>100</i> |

Source: CAPMAS.

Emigration to the Gulf States and to neighbouring countries tends to be affected by oil prices and political conditions in the region. The period 1992-1997 witnessed an upward trend in Egyptian emigration after a slowdown as a result of the Gulf war in 1991. The total number of contracts for Egyptian workers in Arab countries increased from a very low level of 589 in 1991 to 83,458 in 1994. Outflows of employed nationals increased from 1.221 million in 1992 to 2.181 million in 1997, at an average annual rate of 12.3%. The total number of Egyptian nationals abroad increased from 1.856 million to 2.901 million, at an average annual rate of 9.3%. The period 1998-2000 witnessed another downward trend due to the slowdown in the world economy as a consequence of the collapse of the East Asian financial markets in 1997. Outflows of employed nationals decreased from 1.982 million in 1998 to 1.9 million in 2000. Total number of nationals decreased from 2.806 million in 1998 to 2.724 million in 2000 (Nassar 2008b). However, by 2005-07 estimates show a bounce back. According to the 2006 Census, there were 3.9 million Egyptians abroad in 2006.

Based on a very recent CAPMAS study, in 2007, the number of overseas temporary Egyptian workers granted work permits was 1,008,771 up from 876,423 in 2006. 44.24% were granted work permits for the first time in 2007. Almost 95.8% of Egyptian workers abroad were in Arab countries: in Saudi Arabia, Kuwait, Jordan and UAE. Also, 97% of Egyptian workers abroad were males. Italy was the main destination of Egyptians granted work permits in Western Europe (24,252) followed by Greece (5,924). In the period 2000-2007, the total number of temporary migrants granted work permits was 5,794,631, see Table 5.3.

Around thirty percent of all Egyptian migrants are residing in OECD countries. According to CAPMAS, in 2000, 0.8 million Egyptians were in OECD countries. About 70% of Egyptian migrants to the West were concentrated in: the US (39 percent), Canada (13 percent), Italy (10 percent), and Greece (7 percent). Italy has become the main destination of Egyptian permanent migrants since the early 1980s. The US is no longer the main destination of permanent Egyptian migrants but Western Europe, in particular Italy and Greece, has become more popular among recent Egyptian migrants.

Table 5.3: Egyptian Workers Abroad by Work Permit Type and Country of Destination: 2000-2007

| Country | New | | Renewal | | Total | |
|--------------------|---------|-------|---------|-------|---------|-------|
| | Number | % | Number | % | Number | % |
| Arab Countries | 2412047 | 96.32 | 3133882 | 95.24 | 5545929 | 95.71 |
| European Countries | 71504 | 2.86 | 129733 | 3.94 | 201237 | 3.47 |
| Australia | 2719 | 0.11 | 4005 | 0.12 | 6724 | 0.12 |
| African countries | 1442 | 0.06 | 1705 | 0.05 | 3147 | 0.05 |
| Asian countries | 1292 | 0.05 | 1611 | 0.05 | 2903 | 0.05 |
| Americas | 31 | 0 | 35 | 0 | 66 | 0 |
| others | 15147 | 0.6 | 19478 | 0.59 | 34625 | 0.6 |
| TOTAL | 2504182 | 100 | 3290449 | 100 | 5794631 | 100 |
| % | 43.22 | – | 56.78 | – | 100 | – |

Source: CAPMAS.

As for the occupation of Egyptian emigrants, Table 5.4 and 5.5 show the occupation of those Egyptian workers abroad who were granted work permits 1985-2002 and their destinations in 2002. Around 41% of Egyptians who were granted work permits in 2002 were scientists and technicians and a third were production workers. Over time (between 1985-2002) there is evidence of emigration becoming more selective of high skills among Egyptian workers granted work permits. Examining the occupation of Egyptian emigrants by destination highlight that emigrants to the Gulf tend to be more skilled relative to those who go to Lebanon, Jordan and Iraq.

Examining the educational level of emigrants, based on OECD estimates, 39% of permanent Egyptian migrants in 2003 were residing in the US, followed by 13% in Canada and 11% in Italy (Table 5.6). Examining the educational level of Egyptian emigrants – Table 5.7 – shows a very interesting pattern of emigration by education, even though these figures refer to permanent migrants only. First, 96% of all highly-skilled Egyptian migrant workers reside in Arab countries and only 2% reside in European Countries. At the same time, the majority of Egyptian workers in Arab Countries, 71% of all Egyptian workers, have intermediate education or below.

**Table 5.4 Work permits granted to nationals abroad,
by country of residence and occupation in 2002, %**

| Arab Countries | Occupation | | | | | | |
|----------------|----------------------------|------------|------------------|--------------------|---|--------------------|------------|
| | Scientists and technicians | Managers | Clerical Workers | Sales and Services | Agriculture, animal husbandry and fishing | Production workers | Total |
| Bahrain | 27.2 | 5.5 | 24.3 | 24.3 | 0 | 33.7 | 100 |
| Iraq | 2.6 | 0 | 1.5 | 1.5 | 33 | 62.9 | 100 |
| Jordan | 1.4 | 0 | 1.7 | 1.7 | 31.9 | 62.9 | 100 |
| Kuwait | 53.5 | 1.1 | 21.5 | 21.5 | 0.2 | 14.1 | 100 |
| Lebanon | 0 | 0 | 2.3 | 2.3 | 21.1 | 76.6 | 100 |
| Libya | 57 | 9 | 0 | 0 | 0 | 34 | 100 |
| Oman | 52.9 | 8.1 | 4.1 | 4.1 | 1.4 | 31.5 | 100 |
| Qatar | 51.5 | 1.9 | 6.1 | 6.1 | 1 | 37.4 | 100 |
| Saudi Arabia | 40.5 | 0.4 | 0.3 | 20.6 | 7.1 | 31.1 | 100 |
| UAE | 41.1 | 4 | 2.9 | 2.9 | 0.9 | 50.1 | 100 |
| Yemen | 69.1 | 18.1 | 1.1 | 1.1 | 0 | 7.7 | 100 |
| Total | 39 | 2.4 | 12.7 | 12.7 | 8.6 | 35.8 | 100 |

Source: Ministry of Manpower and Emigration, CARIM Database.

Table 5.5: Work Permits Granted to Egyptians in Arab Countries, by Occupation and Year (%)

| Occupation | 1985 | 1990 | 2002 |
|---|-------------|-------------|-------------|
| Scientists and technicians | 20.4 | 40.2 | 41 |
| Managers | 0.3 | 0.3 | 2.4 |
| Clerical Workers | 8.8 | 8 | 1.5 |
| Sales and Services | 18.5 | 17.3 | 12.7 |
| Agriculture, animal husbandry and fishing | 8.9 | 5.3 | 8.6 |
| Production workers | 43 | 28.9 | 33.8 |
| Total | 100 | 100 | 100 |

Source: Ministry of Manpower and Emigration CARIM Database.

Table 5.6: The Highly Skilled Egyptian Migrants to OECD Countries According to Country of Residence, 2003

| Country of Residence | Number (in Thousands) | % |
|-----------------------------|----------------------------------|------------|
| Australia | 70 | 8.5 |
| Austria | 14 | 1.8 |
| Canada | 110 | 13.3 |
| France | 36 | 4.3 |
| Germany | 25 | 3 |
| Greece | 60 | 7.4 |
| Italy | 90 | 10.9 |
| Netherlands | 40 | 4.8 |
| Spain | 12 | 1.4 |
| Switzerland | 14 | 1.8 |
| United Kingdom | 35 | 4.2 |
| United States | 318 | 38.6 |
| Total | 824 | 100 |

Source: CAPMAS, 2003, CARIM Database

Table 5.7: Egyptian Emigrants Working Abroad in 2006 by Educational Level

| Destination | Educationa al Level | | | | | | | | Total | % |
|-----------------------|---------------------|-------|-----------------------|-------|--------------|-------|-----------------------|-------|--------|-------|
| | High | % | Above mediateInter | % | Intermediate | % | Below Intermediate | % | | |
| Arab Countries | 216352 | 96.21 | 29006 | 92.79 | 266737 | 93.47 | 325475 | 97.25 | 837570 | 95.59 |
| % | 25.83 | | 3.46 | | 31.85 | | 38.86 | | 100 | |
| European Countries | 5248 | 2.33 | 1887 | 6.04 | 15672 | 5.49 | 8225 | 2.46 | 31032 | 3.54 |
| % | 16.91 | | 6.08 | | 50.5 | | 26.5 | | 100 | |
| Australia | 7 | 0 | .. | .. | 3 | 0 | ... | .. | 10 | 0 |
| % | 70 | | .. | | 30 | | .. | | 100 | |
| African Countries | 877 | 0.39 | 15 | 0.05 | 83 | 0.03 | 34 | 0.01 | 1009 | 0.12 |
| % | 86.92 | | 1.49 | | 8.23 | | 3.37 | | 100 | |
| Asian Countries | 355 | 0.16 | 10 | 0.03 | 75 | 0.03 | 26 | 0.01 | 466 | 0.05 |
| % | 76.18 | | 2.15 | | 16.09 | | 5.58 | | 100 | |
| Americas | 282 | 0.13 | 21 | 0.07 | 107 | 0.04 | 81 | 0.02 | 491 | 0.06 |
| % | 57.43 | | 4.28 | | 21.79 | | 16.5 | | 100 | |
| Others | 1760 | 0.78 | 322 | 1.03 | 2710 | 0.95 | 843 | 0.25 | 5635 | 0.64 |
| % | 31.23 | | 5.71 | | 48.09 | | 14.96 | | 100 | |
| Total | 224881 | 100 | 31261 | 100 | 285387 | 100 | 334684 | 100 | 876213 | 100 |

Source: CAPMAS.

A field survey was carried out by the Egyptian MOMÉ to identify the push factors in Egypt as seen by potential migrants. The results of this survey indicate that push factors in Egypt were overwhelmingly economic. Egyptian youth regard migration – legal or illegal – as a possible way to escape poverty and unemployment. With respect to the reason for migration, the study indicates that the main reasons behind migration were the low wages and salaries in Egypt compared to Europe, bad living conditions, and the lack of job opportunities in Egypt, especially among new graduates. An important factor that plays a major role in stimulating migration streams to Europe is the wealth of successful migrants and return migrants. Remittances of Egyptian migrants who work in European countries are important factors that stimulate a continuous stream of migration. Potential migrants claim that ordinary workers can save an average of 6,000 Euro *per annum* while working abroad (about 40,000 Egyptian Pounds). Potential migrants claim that the “*savings of one-year work in Europe is more than a lifetime salary in Egypt*” Zohry (2008).

As argued by Zohry (2008) Egyptian migration to Europe is different from other migration streams that target the same destination: Egyptian migration is male-dominated and generally temporary in nature, while other streams involve males and females who usually intend to stay in the destination countries. It is also important to note that the Egyptian migration stream to Europe today is different from the Egyptian migration stream to the West in the 1960s and early 1970s, a stream which was motivated by political unrest at home, economic pressures, and the Egyptian transition to socialism at that time. Most Egyptian migrants in that period were highly educated and economically established. Contemporary migrants to the West (to Europe) are less educated males who suffer poverty and unemployment to the extent that one may call this new stream of migration “*the migration of the poor*” See Zohry 2008.

Irregular migration

The current stream of Egyptian irregular migration to Europe started in the late 1990s with a massive number of new graduates and poorly-educated unemployed youth engaged in irregular migration to Europe either across the Mediterranean via Libya or through tourist Schengen visas that they then overstayed on. Zohry (2008) argues that the main reasons behind this new type of migration are not related to the tightened policy adopted by the European community, but to the following three factors: 1. Unemployment: the increasing severity of unemployment is one of the main push factors that stimulates a strong irregular migration stream to Europe. 2. Associated with unemployment is the difficulty for Egyptian youth in finding employment opportunities in the Arab Gulf countries due to the competition they face there from the massive influx of cheap South East Asian labourers who migrate to the same destination. 3. Geographical proximity and the ease of travelling to Libya where most of the boat journeys to Europe originate.

Circular and Return Migration

The majority of migrants from Egypt tend to be temporary. According to the ELMPS 2006, 4.8% of households had a member of the household working overseas. However, it is important to remember that this figure underestimates the real number since it does not include migrant *households* who are currently overseas; i.e. does not include migrants with their families currently overseas. This shows a fall compared to 1988 when it was estimated that around 9.9% of the households had current migrants abroad.

Also, according to the ELMPS 2006 around 2.5% of the working age population in 2006 (15 - 65 years old) have previously worked overseas i.e. are overseas returnees. Moreover, 7.1% of households have a return overseas migrant. The results from the 1988 LFSS indicates that in 1988, 5.1% of the working age population were international return migrants and that 9.1% of the households had a return migrant. It is worth remembering though that the population (15 years and over) has increased by almost 20 million (from 28.9 million to 48.3 million) between 1988 and 2006.

5.2. Elements for analysing the impact of migration flows on national labour markets

Impact on employment and wages

Very little is known about the impact of emigration on the Egyptian labour market. Emigration was seen as a safety valve reducing the supply of workers in the 1970s and 1980s. Some argue (e.g. Nassar (2005)) that emigration has reduced unemployment rates adding that if all emigrants returned unemployment would shoot up. Perhaps, speculation about the effect of non-migration on increasing labour supply is pretty forward.

However, little is known about the impact of emigration on labour demand, incentives to work, wages, contracts, female labour supply, or young people’s labour supply. Given the educational mix of the migrants, there have not been bottlenecks in the Egyptian labour market that persisted. The emigration of skilled workers did not have negative impact on the labour market since they were either

unemployed or worked in the public sector where wages are not flexible and as such emigration does not affect wages, but might have reduced the public sector wage bill.

Impact on the availability of skilled workers and productivity

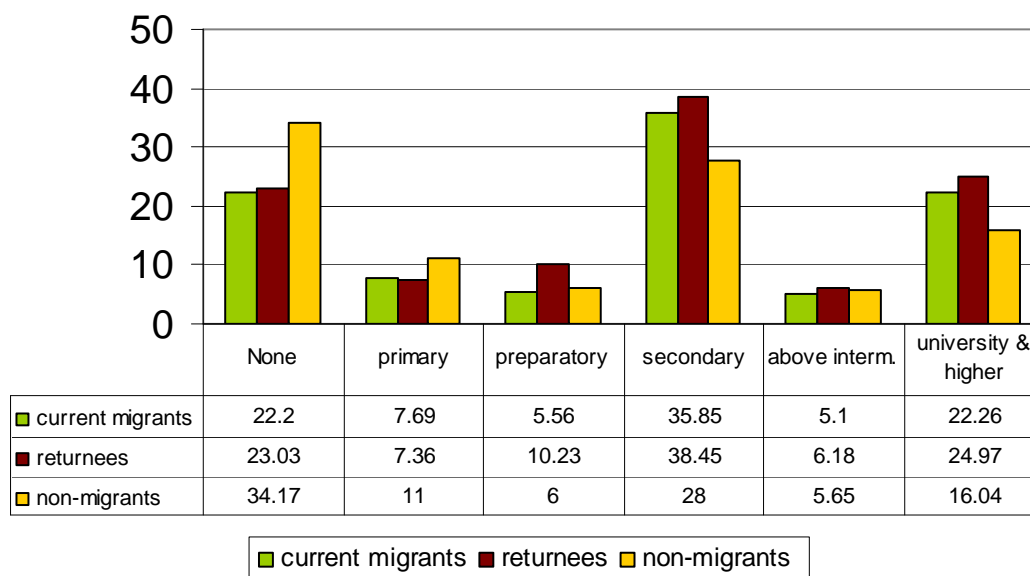
The evidence suggests that a substantial proportion of Egyptian emigrants to OECD are highly educated with around 59% of total emigrants from Egypt in 2000 being highly educated. But the emigration rate among the highly educated is quite low at only 4.6 percent. Given the high proportion of educated workers in Egypt, this suggests that Egypt is not experiencing a brain drain problem. Adams (2003) also finds that international migration does not tend to take a very high proportion of the educated in Egypt. Moreover, a large proportion of the educated in Egypt tend to be either employed in the public sector, where, in fact, they are underemployed or are unemployed, thus the emigration of educated workers from Egypt is not as detrimental as for other countries in the region where it leads to a drain or bottlenecks in the economy. Although Egypt is not losing an important proportion of their educated workers and thereby is not facing a brain drain, Egypt is still losing some of its human capital which it has invested in and educated since education is free in Egypt. This may still be an issue of concern then. However, this cost may be outweighed by the potential gains from remittances and the reduction in pressure on the labour market given the high unemployment rate in Egypt among the educated.

Another important channel leading to loss of skilled workers or brain drain from developing countries is through student migration. Many foreign students carry on living in the country where they moved to acquire higher education. In 2003, OECD countries had 135,398 students from Arab countries, representing about 7% of the total number of foreign students in OECD see Dumont (2006). Only 5,875 students in OECD originated from Egypt, suggesting that the number of Egyptian students in OECD is quite low given its population size of around 71.9 million in 2003. There is no data on the return of students migrants to enable us to examine whether this is a potential problem for Egypt or not.

Examining the educational levels of current, return and non-migrants in 2006 based on the 2006 ELMPS (Fig 5.1), suggests that return migrants are more educated than non-migrants supporting the selectivity of migration. However, return migrants are on average not less educated than current migrants. Almost 25% of returnees hold a university degree compared to 23% among current migrants. This is an important issue since in many countries, returnees are believed to be negatively selected: i.e. although emigrants are usually among the high end of the skill distribution in the home country, returnees are the ones who have not performed as well whilst overseas and, therefore, have returned home. There is no evidence that this is the case in Egypt which is not surprising given the temporary nature of migration in Egypt. Overall, migrants, both returnees and current, tend to be more educated than non-migrants, Wahba (2007).

Fig 5.1

Education of Non-Migrants, Current and Return Migrants in 2006 (%)



Source: Wahba (2007).

Impact on the informal economy and migration

Whether migration has any impact on the informal economy is difficult to say. In the 1970s and 1980s, the government's maintenance of multiple exchange rates and restrictions on business access to hard currency, encouraged the entrance of remittances through illegal routes at the black market rate, where migrant workers could obtain at least 30% more for their foreign currency than the official rate of exchange on the open market. However, by the late 1980s, exchange rate reforms corrected this misalignment and brought in remittances through official channels. Although, recent figures for 2006 still suggest that Hewala (32 percent) and friends/relatives (31 percent) are the two most popular ways for current migrants to send remittances to Egypt, with almost two thirds of households receiving remittances by these two methods. Only 22% of current migrants send their transfers through the banking system, Wahba (2007).

Remittances and their impact on the national labour market

Remittances have been a major source of foreign currency in Egypt. Remittances have had a substantial impact on the Egyptian economy over the last three decades. According to the World Bank, recorded remittances reached \$5.9 billion in 2007, compared to \$5.3 billion in 2006. Egypt was in sixth place among the top 10 remittance recipients of Middle Income Countries in 2007 overtaking Morocco. In 2006/07 according to the Central Bank of Egypt, Egyptian emigrants in the US sent the highest proportion of remittances followed by Egyptians in Kuwait, the UAE and Saudi Arabia (Table 5.8). However, it has to be noted that those are official remittances, i.e. transmitted officially.

Table 5.8: Expatriate Remittances by Country of Origin (US\$ Millions)

| Country of origin | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|-------------------|----------------|----------------|----------------|----------------|----------------|
| Bahrain | 23,8 | 7,1 | 10,5 | 47,0 | 21,9 |
| Canada | 8,3 | 8,7 | 12,9 | 11,4 | 13,2 |
| Emirates (UA) | 302,9 | 278,8 | 371,6 | 729,0 | 989,6 |
| France | 63,3 | 63,4 | 68,7 | 49,8 | 53,5 |
| Germany | 125,9 | 131,1 | 230,5 | 198,4 | 209,6 |
| Greece | 7,9 | 8,4 | 11,6 | 13,8 | 14,1 |
| Italy | 48,3 | 64,3 | 74,9 | 54,0 | 42,0 |
| Japan | 9,0 | 3,8 | 19,8 | 17,1 | 3,0 |
| Kuwait | 254,3 | 205,6 | 589,2 | 922,8 | 1.106,0 |
| Lebanon | 18,0 | 14,6 | 20,6 | 27,6 | 24,6 |
| Libya | 1,6 | 2,7 | 2,1 | 3,5 | 5,5 |
| Netherlands | 22,4 | 36,6 | 25,9 | 19,3 | 32,5 |
| Oman | 14,9 | 15,5 | 18,4 | 24,9 | 17,7 |
| Other countries | 120,8 | 141,5 | 179,4 | 208,8 | 239,1 |
| Qatar | 48,5 | 46,2 | 63,8 | 109,0 | 102,1 |
| Saudi Arabia | 634,4 | 639,6 | 725,5 | 775,8 | 859,4 |
| Spain | 10,7 | 6,3 | 12,4 | 15,2 | 10,4 |
| Switzerland | 97,7 | 91,5 | 102,7 | 143,1 | 261,0 |
| U.K. | 124,0 | 122,8 | 169,4 | 147,4 | 235,5 |
| U.S.A. | 1.025,9 | 1.111,1 | 1.619,6 | 1.516,3 | 2.080,3 |
| Total | 2.962,6 | 2.999,6 | 4.329,5 | 5.034,2 | 6.321,0 |

Source: Central Bank of Egypt, CARIM Database.

More recent figures by the Central Bank of Egypt show record high remittances amounting to \$8.5 billion in 2008, Table 5.9. The reason behind the increase in remittances is not clear. And given the current global financial crisis, it is difficult to predict the effect on remittances. On the one hand, emigrants may send more money to help their families back home, but, on the other hand, if emigrants are struggling they might not send back as much money as before. In addition, if the economic climate forces many to return, this will have a positive impact on remittances in the short run, but a negative one in the long run.

Table 5.9: Total Remittances of Egyptians working abroad US \$ (Million)

| Year | Remittances |
|------|-------------|
| 1991 | 1445.7 |
| 1992 | 2981.4 |
| 1993 | 3578.6 |
| 1994 | 3486.2 |
| 1995 | 3430 |
| 1996 | 2988.8 |
| 1997 | 2335.9 |
| 1998 | 3636.7 |
| 1999 | 3290.3 |
| 2000 | 3067.3 |
| 2001 | 2842.7 |
| 2002 | 2952.5 |
| 2003 | 2962.6 |
| 2004 | 2999.6 |
| 2005 | 4329.5 |
| 2006 | 5034.2 |
| 2007 | 6321 |
| 2008 | 8559.2 |

Source: The Central Bank of Egypt.

The issue of remittances use by migrants has attracted the greatest interest and debate. Some argue that remittances are used primarily for the purchase of land and housing and general household consumption, rather than 'productive investment' and conclude that remittances thus do little to stimulate development in the home country. Others believe that migrants do save and invest, that expenditure on land and housing are rational under prevailing conditions (they frequently offer better rates of return or are a better store of value than other available investments) and that expenditures on housing and consumption have positive multiplier effects on the whole economy. In addition, expenditure on education and health is investment in human capital. Empirical evidence shows that households with return migrants are more likely to invest in a child's schooling and are less likely to send their children to work. Thus, remittances encourage investment in children's human capital. There is also evidence to suggest that remittances have a strong impact on reducing poverty. Certainly, Nassar (2008) finds that remittances provide households with safety nets against poverty in Egypt.

Another important issue related to the impact of remittances on the labour market is who receives the remittances and the impact of these financial windfalls on their labour market behaviour. In 2006, almost 65% of the overseas remittances were sent by spouses and a quarter by offspring. Also, 60% of households receiving remittances were headed by a female. Households receiving remittances were more likely to be rural (almost 69 percent). Heads of households receiving remittances are less likely to be waged workers and more likely to be out of the labour force. This may reflect the fact that a big proportion of receiving heads were females (Wahba, 2007).

Table 5.10: Characteristics of Return Migrants and Non-Migrants in 2006

| | Non-Migrants | Returnees |
|-------------------------------------|---------------------|------------------|
| <i>Occupation (%)</i> | | |
| Technical & Scientific | 20.72 | 32.20 |
| Management | 5.21 | 16.38 |
| Clerical | 6.36 | 7.29 |
| Sales | 8.80 | 3.17 |
| Services | 8.55 | 3.30 |
| Agriculture | 23.97 | 17.44 |
| Production | 26.40 | 20.21 |
| <i>Industry (%)</i> | | |
| Agriculture | 24.61 | 19.03 |
| Manufacturing & Mining | 14.58 | 11.48 |
| Electricity | 0.91 | 1.06 |
| Construction | 7.55 | 6.20 |
| Trade | 14.65 | 15.66 |
| Transport | 6.64 | 6.57 |
| Finance | 1.48 | 0.80 |
| Services | 29.58 | 39.20 |
| <i>Sector (%)</i> | | |
| Government | 26.97 | 36.21 |
| Public Enterprise | 5.57 | 3.71 |
| Private | 66.28 | 58.03 |
| Other | 1.17 | 2.04 |
| <i>Employment Status (%)</i> | | |
| Waged | 65.93 | 64.12 |
| Employer | 12.11 | 21.15 |
| Self-employed | 9.59 | 13.17 |
| Unpaid family worker | 12.37 | 1.56 |

Source: Wahba (2007) based on 2006 ELMPS.

Impact of temporary migration flows and return migrants

Wahba (2007) compares returnees to non-migrants in the labour market in 2006 and finds that returnees seem on average to be more skilled than non-migrants (Table 5.10). In fact, more returnees (around 49 percent) are involved in technical, scientific, and management occupations compared to almost 26% of non-migrants. In terms of economic activity, the services sector employs almost 40% of returnees. In fact, almost 10 percentage more of returnees compared to non-migrants work in the services sector. Interestingly, the share of returnees (36 percent) working in the government sector is higher than among non-migrants (26 percent). This is partly due to public sector employees being able to go and work overseas for 2 years or so without losing their jobs. In addition, due to the recent slowdown of hiring in the public sector in the last few years as a result of economic reforms, the share of employment in the government sector has declined. The shares of returnees and non-migrants employed as waged workers are very similar. Yet, the proportion of employers among returnees is much higher than among non-migrants. Indeed, McCormick and Wahba (2001) found that one of the most important aspects of international migration has been its impact on occupational choice upon return and its tendency to increase the share of employers and entrepreneurship in Egypt. They find that overseas employment opportunities have had significant effects on the probability of those returning migrants becoming entrepreneurs in Egypt. Overseas savings play a crucial role in access to entrepreneurship. Overall, the evidence shows how temporary migration, through savings, provides access to credit which enable returnees to become self-employed and so entrepreneurs in Egypt.

Another aspect of return/temporary migration is the benefit from overseas work experience and the extent to which it impacts on human capital by affecting wages of migrants upon return to the home country. Wahba (2007b) finds strong evidence that overseas employment and temporary migration result in a wage premium upon return to Egypt. On average, return migrants earn around 38% more than non-migrants in Egypt. The findings show that highly-educated (university graduate) returnees earn on average 19% more than non-migrants. Indeed, the wage premium is even higher for the uneducated returnees who earn on average 43% more than non-migrants. This evidence highlights the importance of temporary migration on human capital in Egypt.

Temporary Migration of Public Employees

One channel which facilitated the temporary migration of public sector workers has been Law no. 73 which was passed in 1971. This law allowed an Egyptian worker who emigrated and had been working in the government or in public sector, and whose resignation had been accepted for the purpose of permanent emigration, and who returned back home within two years of when the worker's resignation has been accepted, to be re-appointed at the entity where he/she had been working before emigration if the worker applied for this within three months of his/her final return. A worker shall be appointed to his/her last post, if it is still vacant, or to another similar post. A person whose emigration duration exceeds the period referred to in the previous paragraph may be reappointed, if the worker meets the conditions required for filling the post. In such case, the said worker shall be exempted from the examination procedures or the contest required for the filling of the post. In practice, this law allowed many public-sector employees to emigrate for up to two years and keep their public-sector jobs, in particular in the 1970s and 1980s. In 2006, 40% of returnees went back to the public sector.

5.3. Policy options

Given the scale of international migration, there is no doubt that Egypt has not fully utilised the potential benefits of human and capital flows over the last thirty five years. For a long time the

government's approach towards international migration was one of *laissez-faire*. Several laws were passed to legalise emigration. Egyptian laws regarding migration and return migration have evolved over time starting with Article 52 of the 1971 which allowed Egyptians the right to emigrate permanently or temporarily. In 1981, the Ministry of State for Emigration Affairs was established to sponsor migrants and provide them with services and facilities. This was followed in 1983 by the promulgation of the Emigration and Sponsoring Egyptians Abroad of Public Law no. 111, which is regarded as the main emigration law in Egypt and is included among other facilities providing help for those wanting to return. The law grants Egyptian migrants the right to keep their Egyptian nationality along with the nationality of the country of destination. It also covers provisions for temporary migration and return migration as well as issues related to exemption from taxes and fees on the returns of their deposits invested in Egyptian banks and granting capital invested in projects by migrants in Egypt similar benefits to those enjoyed by foreign capital investors. In 1996 the responsibilities of the Ministry of State for Emigration Affairs was transferred to the Ministry of Manpower and Employment, which was later re-named the Ministry of Manpower and Emigration. The MOME currently provides information to potential migrants about jobs and to existing migrants about various facilities.

More recently, the government embarked on two bilateral agreements with Italy: the re-admission agreement and the labour agreement. These set the framework for the institutional management of illegal and legal flows of migrants towards Italy. The labour agreement, in 2005, established means for the regulation of the entry, residence, and recruitment of Egyptian workers according to Italian legislation and labour market needs. In addition a number of synergic cooperation actions and projects have been implemented in Egypt aiming to: upgrade professional skills and language abilities; match-make Egyptian demand and Italian need; curb illegal migration through press awareness and media campaigns. Two projects, IMIS and the IDOM were implemented. The IMIS Project (Integrated Migration Information System) was financed by the Italian Cooperation for Development in collaboration with the MOME and implemented by IOM. IMIS is a technical tool and a capacity-building mechanism that supports the MOME in the management of regular migration flows from Egypt, improving Egyptian migrants' social status in receiving countries and channelling human and financial resources resulting from the phenomenon of migration. The IDOM Project focused, instead, on contributing to the efforts of the Egyptian Government in supporting the strategies set up by EU member states to counter irregular migration by raising public awareness about its realities and risks. Roman (2008) questions the success of this bilateral agreement in meeting its aims given the rise in illegal migration. She also argues that curbing illegal migration without facilitating legal migration would not work.

There is a need for the managing of migration. It is recognised that cooperation between origin and destination states helps to maximise the potential benefits from migration. Formalising such cooperation through bilateral or multilateral labour agreements is essential. Bilateral agreements between Egypt and European countries are needed to facilitate and support migration. Temporary migration may be a solution for both Egypt and European countries. Quotas for semi-skilled workers which seem to be in abundance in Egypt, given the growing labour force and the increase in the number of technical secondary graduates, can be used to fill the EU labour market needs of European countries and also to reduce irregular migration. Given the geographical proximity and the demographic gap in Europe, on one hand, and the growing labour force in Egypt on the other, it seems that managing and coordinating migration should be a high priority.

Another policy that would benefit both labour-sending and receiving countries would be one that allowed developed countries to compensate origin countries for skilled workers. One suggestion would be for overseas development aid to be based on the number of skilled migrants. Thus, developed countries that are bring about brain drain end up paying for it. Although this is not a problem for Egypt-EU migration at present, such a policy would still enable Egypt to be compensated for the loss of any highly educated workers. Alternatively, developed countries should help in

financing higher education in home countries. Establishing links with higher-education institutions, or setting up universities would be one way to pay back home countries and to improve the quality of education. In addition, providing scholarships for postgraduate studies in the EU would be another way to support the cost of generating highly-educated workers.

It is vital for Egypt to treat labour as human capital and to improve the quality of education so as to be able to produce skilled labour that can be productive in the domestic economy while competing in the wider world. Egypt should view their labour as a valuable export. As with goods, exporting labour services has to be based on an in-depth analysis of the receiving labour markets. Labour exporters should focus on specific skills that are needed by overseas countries. For example, the Philippines has established training centres to prepare nurses for the international markets. Egypt, for example, is renowned for its doctors and has an excess supply of doctors, who could be trained for overseas employment, for example in the UK. There is also the possibility of investing more in ICT to compete in supplying Arabic-speakers who have IT skills. A recent report by the World Bank (2009) highlights that the EU needs mid-level skills and given the increasing numbers of technical and vocational secondary-school graduates in Egypt, it would seem important to focus on providing those graduates with the right level and mix of skills needed by the EU. In addition, provision of language skills is important in preparing workers for migration. There could also be coordination between education authorities in the home and host countries on curriculum to facilitate approval or accreditation of degrees. This would help when training workers for overseas employment.

It is vital to have an integrated set of policies that deal with the educational system, the labour market and migration at the same time. The only way to manage migration is through economic development.

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Annex 1

Sources of key data on labour market and migration in Egypt

1.1. Labour market

National sources:

1. **Central Agency for Public Mobilization and Statistics (CAPMAS) is the main official source** for provision of data and statistics in Egypt.

(<http://www.msrintranet.capmas.gov.eg/pls/fdl/tst12e?action=1&lname=FREE>)

The following statistics on labour, household budget and consumption are collected regularly:

- Population Census (every 10 years)
- Annual Bulletin of Employment, Wages and Working Hours
- Annual Bulletin of Civil Employees in the Government Public sector and Public Business Sectors
- Annual Bulletin of Labour Injuries in Public Sector
- Annual Bulletin of Labour Force Sample Survey
- Bulletin of Labour Force Sample Survey (quarterly).
- Expenditure, Consumption and income Survey (every 5 years)

2. **Ministry of Manpower and Emigration (MOME)**

<http://www.manpower.gov.eg/>

3. **The Institute of National Planning (INP)**

INP was established in 1960 by law NO. 231 as an independent institution to promote research and studies related to the preparation of the national Development plan and provide tools for its implementation. INP with UNDP prepares the annual Human Development Report of Egypt.

<http://www.inplanning.gov.eg/About/Narrative/Details.aspx>

4. **The Egyptian Cabinet, Information and Decision Support Centre (IDSC):**

Egypt's Information Portal

<http://eip.gov.eg/Default.aspx>

Private Research Centres:

5. **The Economic Research Forum**

is a regional research network: http://www.erf.org.eg/cms.php?id=home_page

- 1998 LFSS and 2008 ELMS (joint with CAPMAS)
- Micro and Small Enterprises Dataset, MSE Dataset, 2006.

6. **Egyptian Centre for Economic Studies ECES**

is an independent, non-profit think tank <http://www.eces.org.eg/default.asp>

- Egypt's Economic Statistics (Annual)

Intended mainly for investors and the business community, this annual publication provides summary data and information on the various aspects of the Egyptian economy.

7. Social Research Centre at AUC

Conducts multidisciplinary social science research and carries surveys; e.g. A Field Survey of Skills Needs in the Egyptian Labour Market.

This survey conducted on 300 firms provides the Ministry of Investment and relevant policy makers with information to formulate policies for enhancing the abilities of Egyptian workers and increasing national and foreign direct investment.

International Sources:

1. **The World Bank** <http://www.worldbank.org/>
World Development Report
Doing Business
2. **ILO** http://www.ilo.org/global/What_we_do/Statistics/lang--en/index.htm
KILM, Laborsta, Database.
3. **UNDP** <http://hdr.undp.org/en/>
HDR
4. **Arab Labour Organisation** <http://www.alolabor.org/>
5. **FEMISE** <http://www.femise.org/accueil3en.html>
Country Profile on Egypt

1.2. Migration

National sources:

1. **Central Agency for Public Mobilization and Statistics (CAPMAS).**
(<http://www.msrintranet.capmas.gov.eg/pls/fdl/tst12e?action=1&lname=FREE>)
Egyptian Population Censuses
Annual Bulletin of Permanent Egyptian Emigrants
Annual Bulletin of Temporary Migration of Egyptian abroad
Bulletin of Foreign Employees in Government & Public Business Sectors (Biennial)
Field surveys e.g.
- Egyptian Labour Force Out Side Egypt (Temporary Immigration) 2007 (one-off publication).
Administrative records
2. **Ministry of Manpower and Emigration (MOME):**
<http://www.emigration.gov.eg/>
The Integrated Migration Information System (IMIS) project

Contemporary Egyptian Migration 2003

Field Surveys e.g.

Attitudes of Egyptian Youth Towards Migration to Europe

3. **The Egyptian Cabinet, Information and Decision Support Centre (IDSC):** Egypt's Information Portal <http://eip.gov.eg/Default.aspx>

International Sources:

1. **World Bank** <http://www.worldbank.org/>
Migration and Remittances Factbook 2008
2. **IOM** <http://www.iom.int/jahia/Jahia/pid/403>
World Migration Report 2008
(join in survey collections)
3. **ILO** http://www.ilo.org/public/english/protection/migrant/info/ilm_dbase.htm
ILM Database
4. **OECD**
http://www.oecd.org/document/51/0,3343,en_2649_33931_40644339_1_1_1_1,00.html
Database on Immigrants in OECD countries (DIOC)
5. **NIDI**
Eurostat and the Netherlands Interdisciplinary Demographic Institute (NIDI) conducted a study on the push and pull factors determining international migration flows that started in 1994. The focus of the project is on migration from the Southern and Eastern Mediterranean region and from Sub-Saharan Africa to the European Union. The five predominantly migrant-sending countries participating in the project are – in the Mediterranean region – Turkey, Morocco and Egypt; and – in West Africa – Senegal and Ghana.
<http://www.nidi.knaw.nl/web/html/pushpull/>
6. **Arab Labour Organisation** <http://www.alolabor.org/>
7. **FEMISE** <http://www.femise.org/accueil3en.html>
Country Profile on Egypt
8. **CARIM** <http://www.carim.org/index.php?areaid=4>

An Overview of Data Sources

Labour Market Data:

There are several data sources on the Egyptian labour market. However there are problems in terms of comparability across the different sources and over time, and in terms of data accessibility.

The Central Agency for Public Mobilization and Statistics (CAPMAS) is the main official statistical source in Egypt. It produces several regular publications as well as occasional ones related to the labour market.

The population census goes back to 1846. From 1976, population censuses have been collected every ten years in November. The last census was in 2006. All individuals present in the Egyptian territory are interviewed (*de facto* population). The definitions of employment and unemployment are those of the ILO referring to economic activity in its broadest sense (including subsistence activities). However, participation rates obtained from population censuses underestimate the real extent of economic activity for two reasons. First, the period of reference to measure labour force participation is one day, which does not allow for a correct measure of irregular activities. Second, the population censuses neglect female and children's economic activities particularly when they are irregular.⁸

The Labour Force Sample Surveys (LFSS) are nationally representative and were carried out annually: then since 1987, they have been carried out quarterly. The annual LFSS survey is not conducted in the population census year which does not allow for comparison between both data sources. The LFSS provides information on working-age population, labour force, employment and unemployment by gender, age groups, educational attainment, employment status, economic activity, occupation. The reference period is the week preceding the survey.

In theory the LFSS uses the broad definition of economic activity (including subsistence activities) of the ILO (1993). However, in practice, LFSS captures female participation in subsistence activities very poorly. Thus, the participation rates obtained reflect only female participation in market economic activities. Moreover, the definition of unemployment was changed in 1996 so as to exclude all individuals receiving any income.⁹

In 1988, a special LFSS survey was carried out. This was the first detailed survey that attempted to extend and deepen the measurement of employment in Egypt.¹⁰ This was followed by the 1998 Egypt Labour Market Survey (ELMS98) which was carried by CAPMAS under the auspices of ERF. It was designed to be comparable to the 1988 LFSS. Both surveys were designed more carefully with a better construction in the sampling operations, a more detailed questionnaire and better control of responses¹¹. They collected more detailed information than the regular LFSSs and special attention was given to female and child labour and wages and earnings. Special modules on economic units run by households and the history of employment were added. Three periods of reference were used: the week, the month and the trimester. However, in the 1988 LFSS, the ILO definition of the economically active population was strictly applied with no attempt to determine what constituted an 'important contribution to household consumption'. This resulted in an overestimate of female participation. In the ELMS98, the employment questions were asked in such a way as to allow for the

⁸ Amer (2005).

⁹ According to the ILO, an unemployed person is an individual not employed, available for work and actively seeking a job.

¹⁰ Fergany (1991)

¹¹ See Assaad & Barsoum (1999).

separate identification of the market labour force as well as the extended labour force. The ILO international recommendation for measuring unemployment states that in situations where the labour market is organised or limited in scope or where labour absorption is inadequate, the 'seeking work' criterion can be relaxed. This was used for the estimates of unemployment in the 1988 LFSS. However, the practice in Egypt since then is to impose the 'seeking work' criterion. So, the ELMPS98 collected data on whether the unemployed are searching for jobs.¹²

In 2006, a follow-up survey to the ELMS98, Egypt Labour Market Panel Survey (ELMPS06) was carried out by the Economic Research Forum (ERF) in cooperation with CAPMAS. The ELMPS06 is the second round of what is intended to be a periodic longitudinal survey that tracks the labour market and demographic characteristics of the households and individuals interviewed in 1998, any new households that might have formed as a result of splits from the original households, as well as a refresher sample of households to ensure that the data continue to be nationally representative.¹³

In addition, CAPMAS collects data on establishments – the Employment Wages and Hours of Work Surveys (EWHW) – which are nationally representative and conducted annually. They comprise all public establishments and only private establishments employing 10 workers or more. This limitation restricts the survey to the formal sector and therefore reduces its usefulness. The EWHW gives information on weekly and monthly earnings, bonuses and hours of work by gender, economic activity, occupation and employment status.¹⁴

One important obstacle is access to data. Not all data collected by CAPMAS is accessible for researchers. Summary tables are published by CAPMAS. The ELMS98 and the ELMPS06 are available through the ERF. CAPMAS is the main source of data that feeds the ILO databases and, in turn, the World Bank uses the ILO as the main source of data on the Egyptian labour market.

Migration Data

Statistics on migration are sparse and, in many cases, based on estimates. The main sources of migration statistics are the following.

Population census: Census data is the major source of statistics on immigration and emigration in Egypt. Nevertheless, Egyptian censuses, conducted during the past century, have not collected the basic data necessary for studying this phenomenon such as place of arrival and departure, and the times of these movements. They presented data on resident foreign nationals in the country that varied in detail and coverage from one census to another.

In the 1976 and 1986 censuses, there was a migration module asking about individuals or households abroad, but the response rate was too low. So, CAPMAS, the MOME and the Ministry of Interior provided estimates of Egyptian abroad. The estimated number were 1.425 million Egyptian emigrants in the 1976 census and 2.250 million Egyptian emigrants in the 1986 census. The latest census (2006) included a short module on Egyptians residing abroad aiming at estimating the wholly-moving households by enquiring from relatives and neighbours.

Field studies: The first statistical sample study on emigration was carried out by the National Population Council in 1984. This study was followed by two External Migration Surveys conducted by CAPMAS. The first survey was in 1987 in collaboration with ILO and was funded by UNFPA. The second panel survey was in 1997 and was carried out with the European Union.

¹² See Assaad & Barsoum (1999).

¹³ See Assaad (2007)

¹⁴ Amer (2005).

Occasional field studies are conducted by the MOME and CAPMAS e.g. Attitudes of Egyptian Youth towards Migration to Europe. Again, data accessibility is limited: only aggregate tables are published and the raw statistics are not accessible.

CAPMAS produces the annual estimates of Egyptian emigrants based on data of:

- work permits from the Ministry of Interior and the MOME.
- Border Cards, Departure & Arrival movement from Passports, Emigration & Nationality Agency in the Ministry of Interior.
- These estimates do not include all Egyptian abroad but only those who emigrated and acquired emigrant status after 1962. Furthermore, this data included only emigrants who departed through legal channels.

Another source of data on emigration from Egypt is the OECD which relies on host countries records and censuses. This data is published and accessible. These figures do not include non-OECD countries, though. Thus they underestimate Egyptian emigration where the majority of migrants are in non-OECD countries, namely in Arab countries. It is important to note that the estimates of Egyptians in major receiving countries differ from those made by CAPMAS. OECD statistics, based on Census data at country of destination, suggest that there were only around 340,000 Egyptian emigrants in OECD countries in 2000. However, CAPMAS estimates put this number as high as 824,000 based on reports from Egyptian Embassies abroad, cross-border flows from the Ministry of Interior, work permits from the MOME, and some other sources and international estimates.

Intra-regional migration data is scarce. Gulf countries usually publish aggregate data that distinguish between their national and non-national labour force, but do not always identify the country of origin of non-national workers e.g. ALO data. Access to this data is very limited.