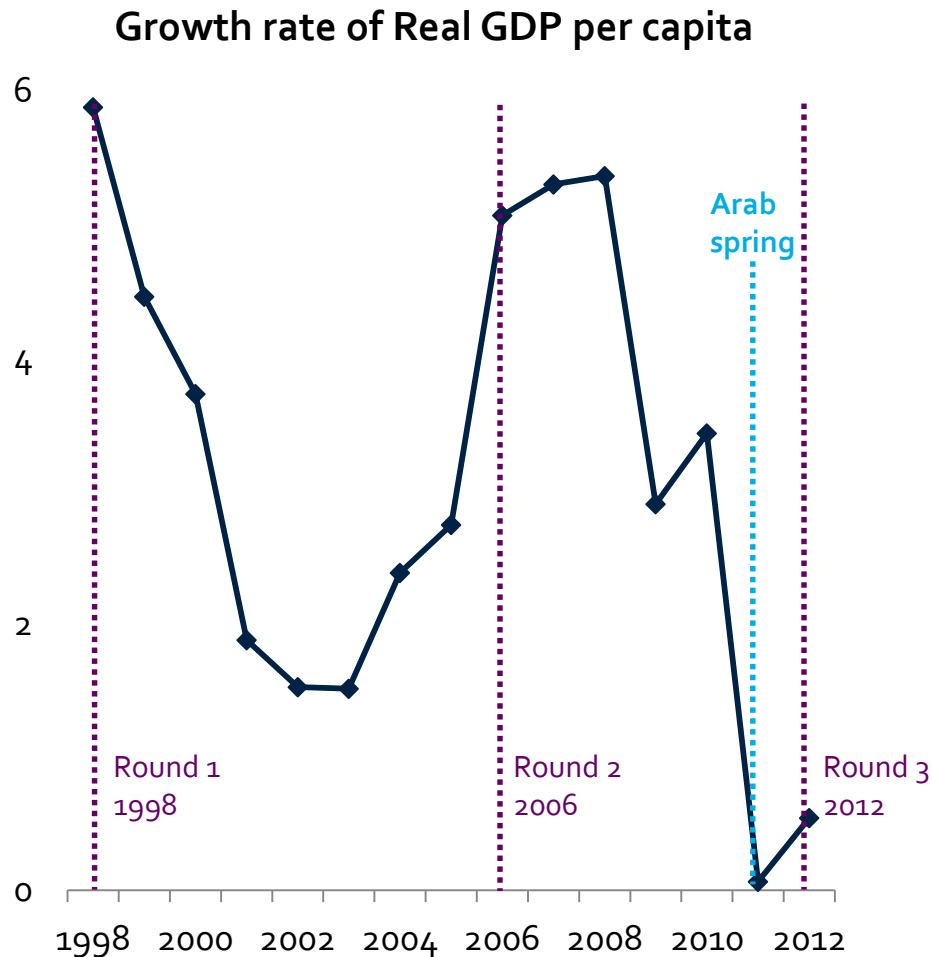


Despite economic growth, steadily declining job quality



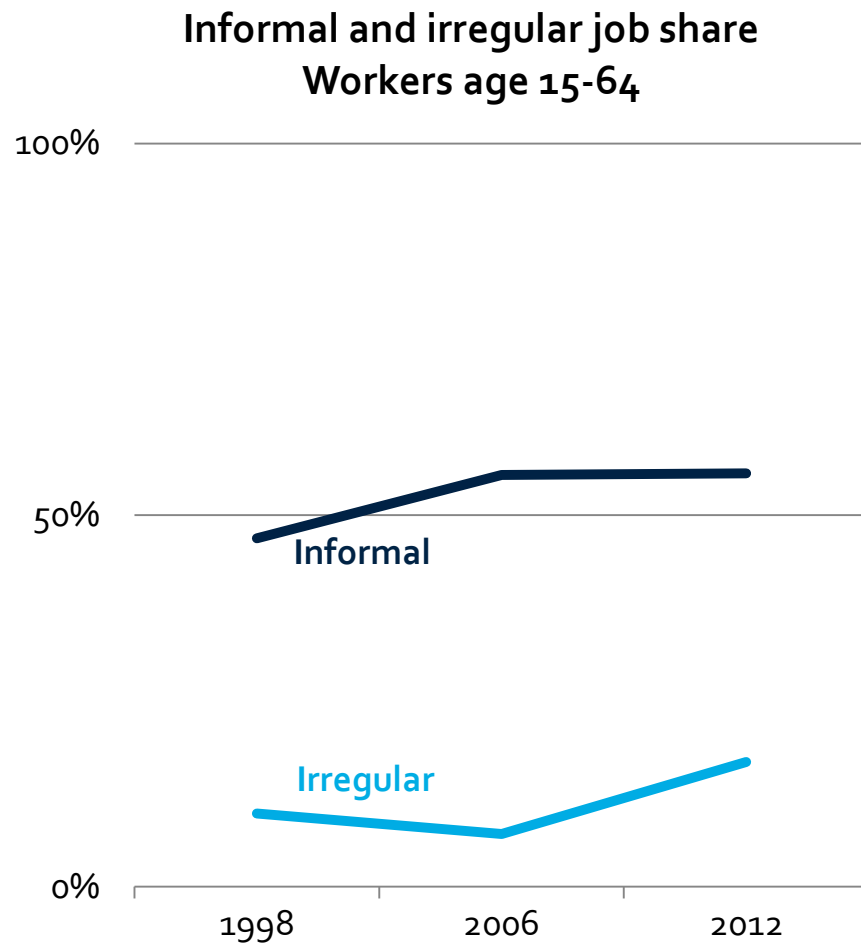
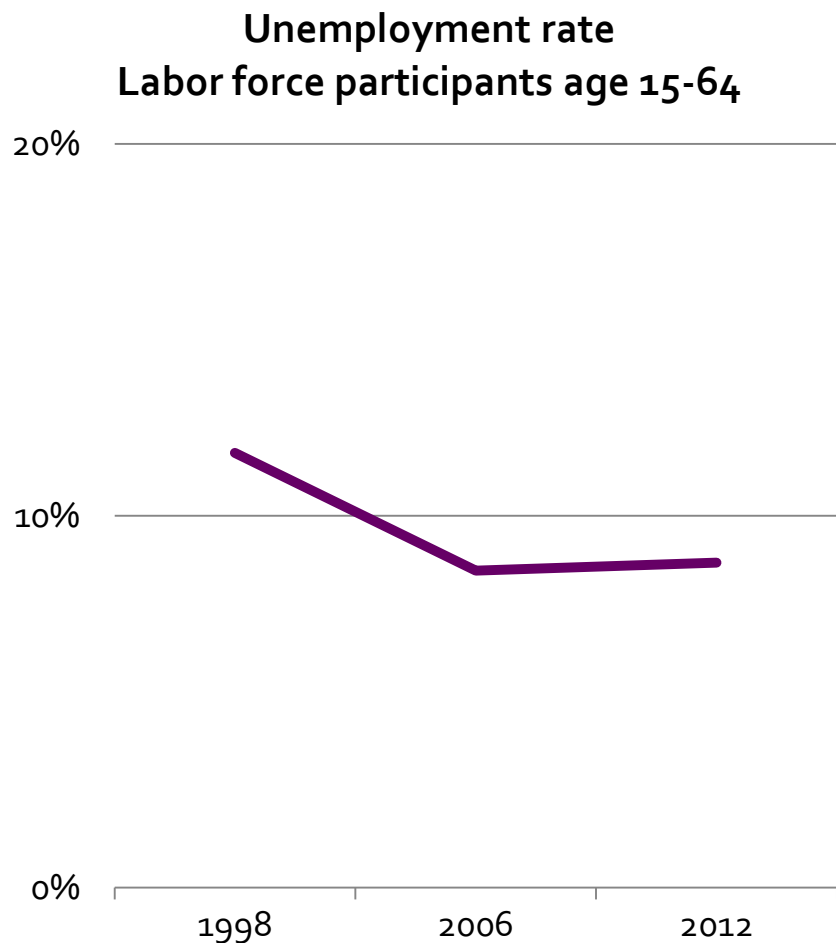
- Two of the three survey years coincided with healthy GDP growth
- Declining job quality has been a pre-existing condition; evident since 1998
- Since then, Egyptians have become even more pessimistic: 42% think the job situation will take more than 5 years to recover, 11% think it will *never* improve (Gallup, 2013)

In this report and presentation:

- Document the evolution of the labor market: Lower job quality accompanied by increasing exclusion along multiple dimensions
- Why?
- Policy reforms needed
- Context is going to make reform difficult
 - Tradeoff between political expediency and difficult economic reforms

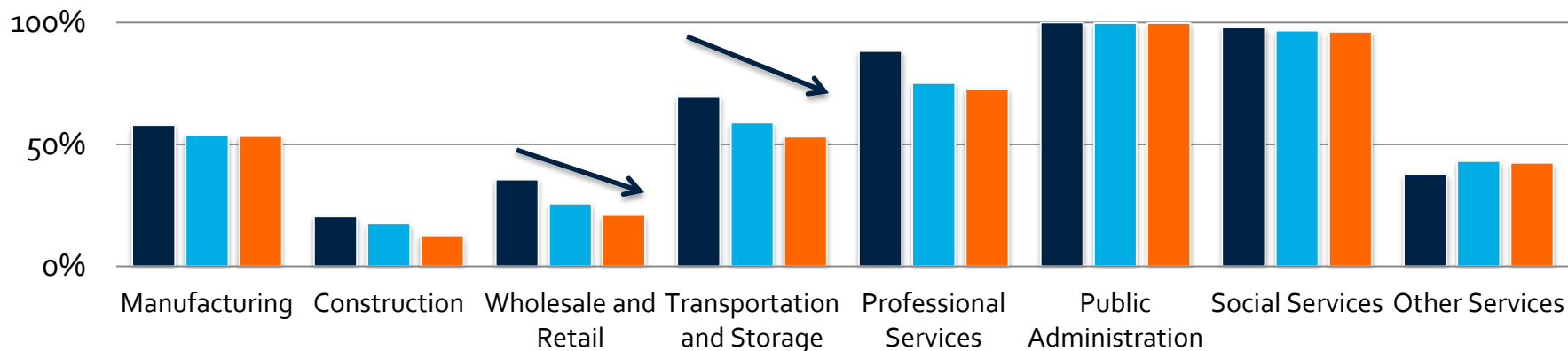
Unemployment has fallen over time...

But informal has become normal

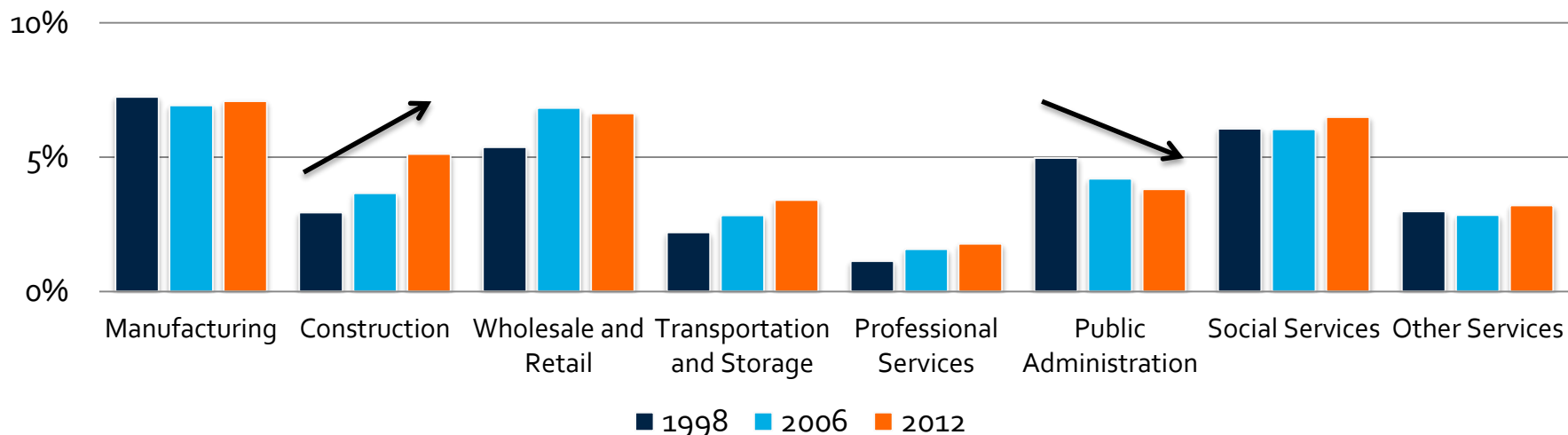


Deformalization has occurred across the board

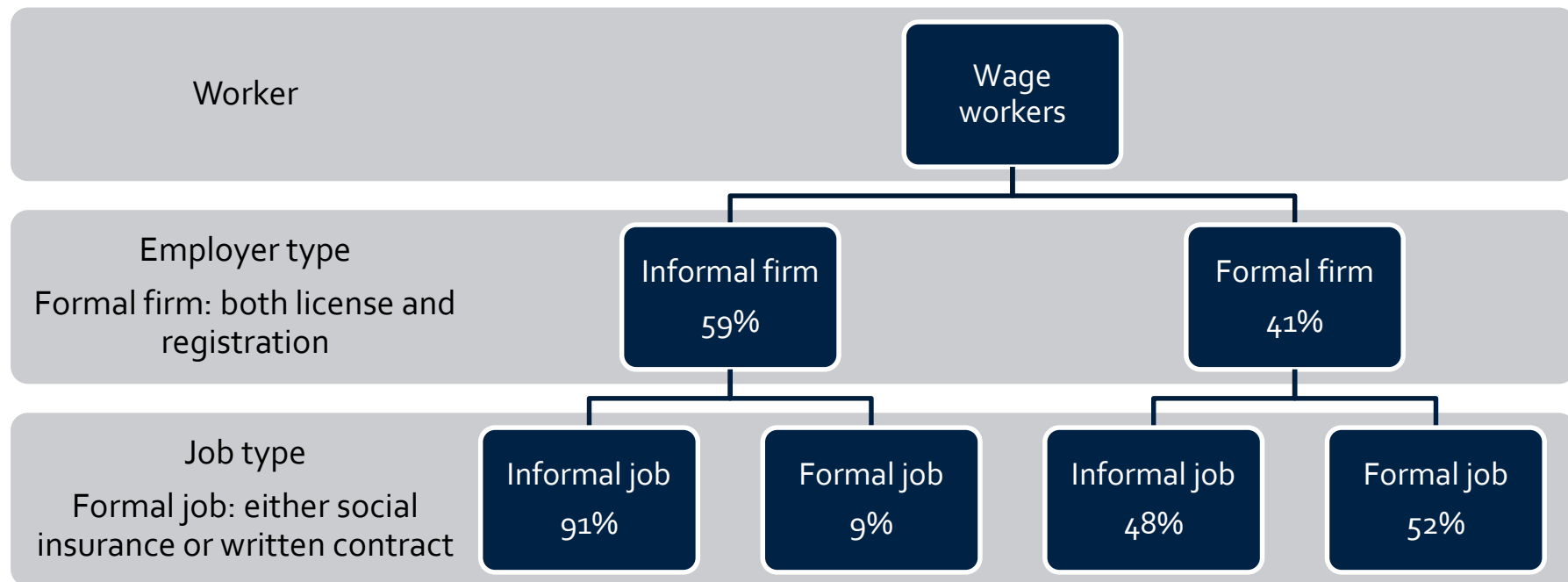
Formality rate by industry



Employment by industry as fraction of working-age population

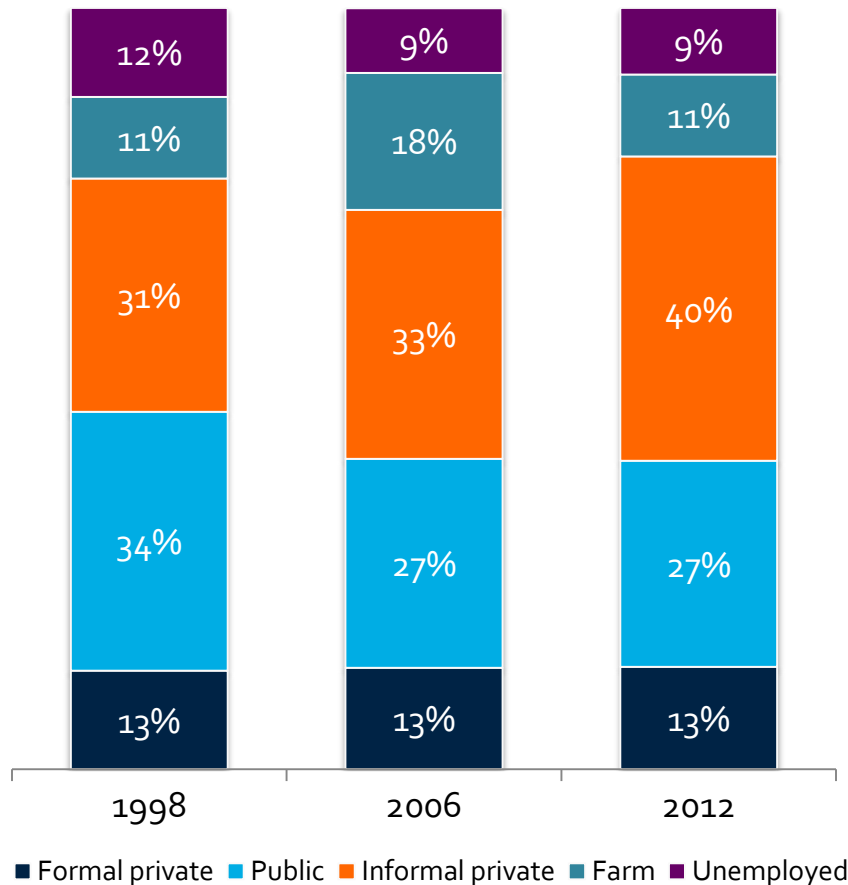


Having a formal employer is no guarantee of formal employment

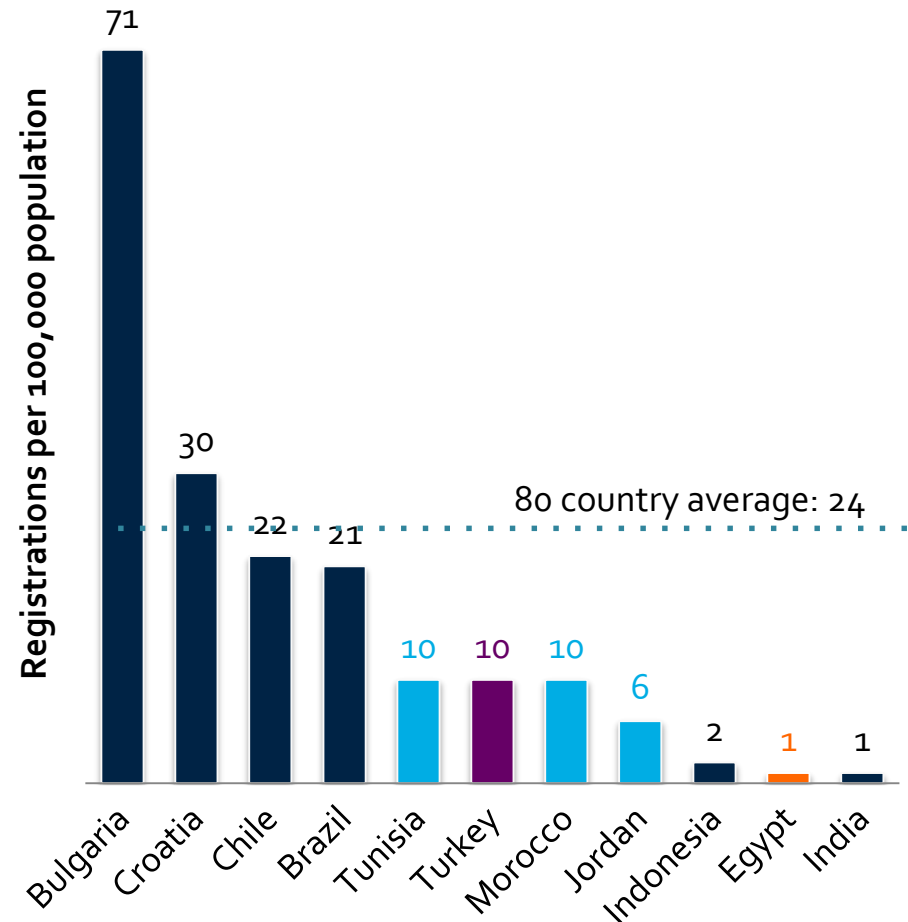


WHY? Public sector employment fell and the private sector filled the gap with informal jobs

Job status
Labor force participants age 15-64

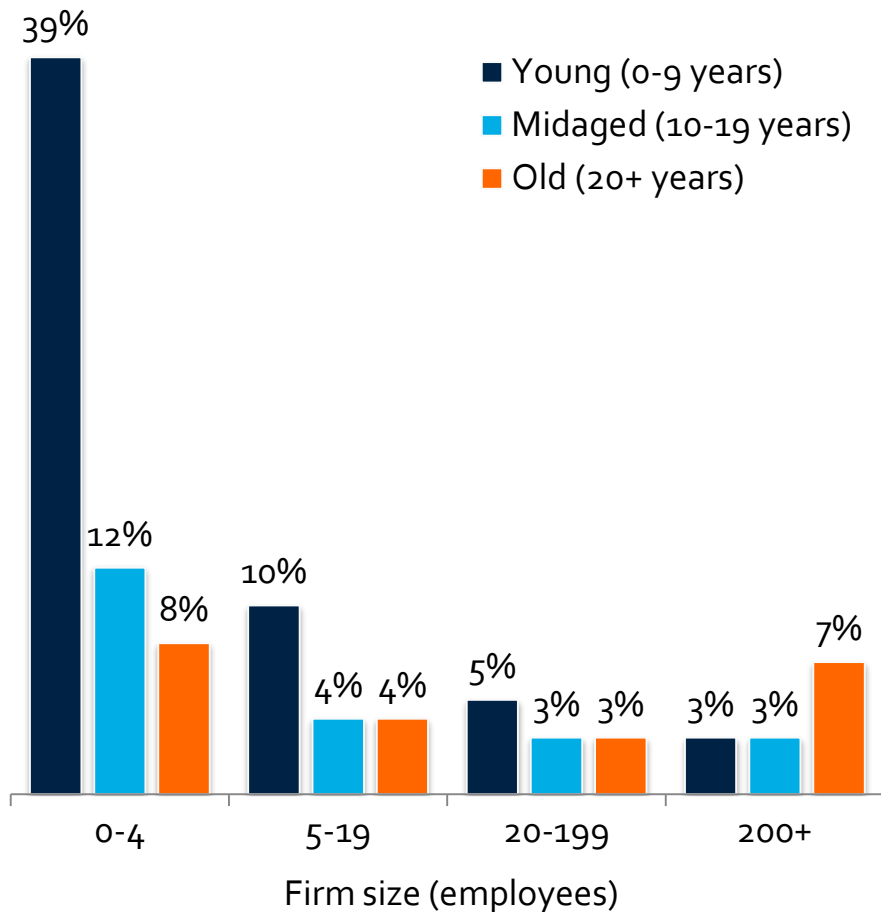


Formal sector firm entry rate
2004-2009

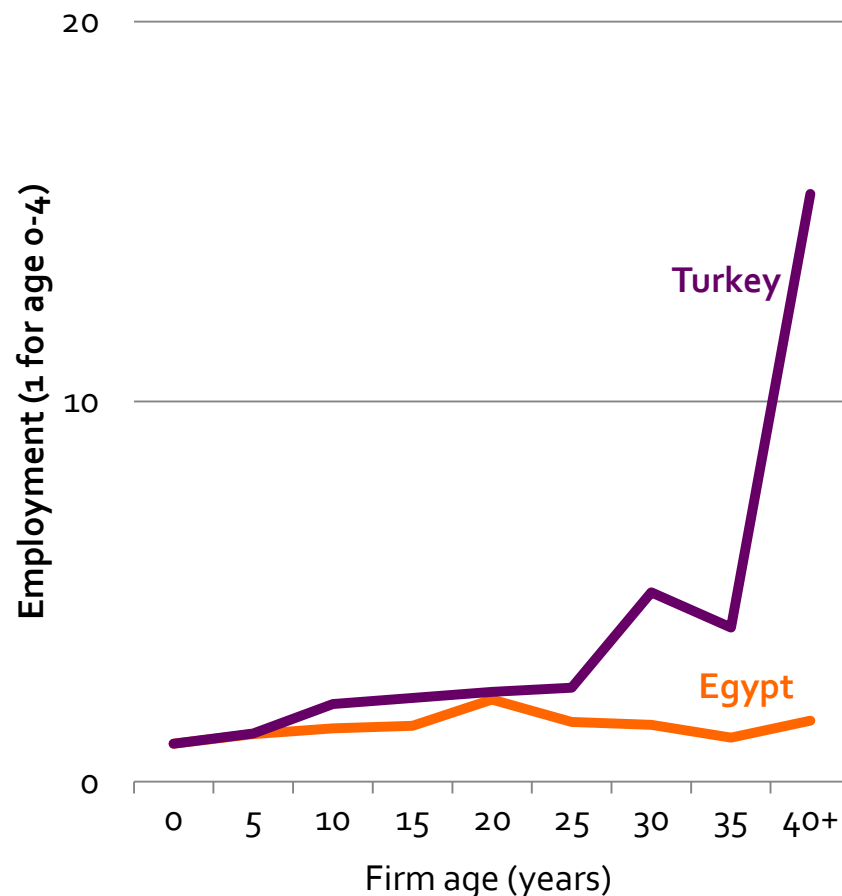


Employment is concentrated in small, young firms that do not grow

Share of Employment
By Establishment Size and Age, Egypt



Employment growth with age
All nonfarm sectors



Private sector growth has been inhibited by the lack of competitive pressure

- A regulatory regime that stifles the entry of new firms
- Even “good” regulations are implemented inconsistently
 - Firms are hesitant to grow in an uncertain business environment
 - Favored firms may experience more lax regulation
- The result?
 - Misallocation of capital
 - Stagnant firm dynamics
 - Slower job creation

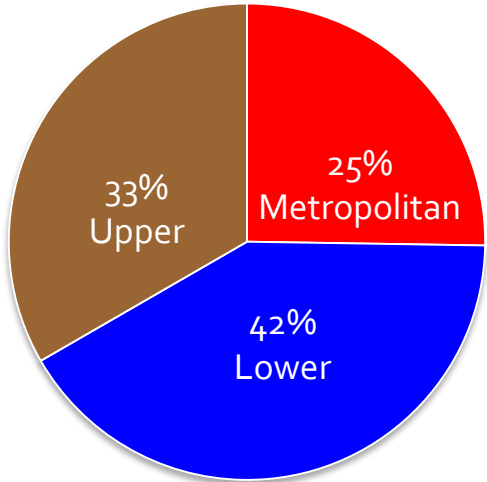
Firms with political connections have an unfair advantage

- Privileged access to land, credit, and other inputs
 - Politically-connected firms accounted for only 11 percent of employment but received 92 percent of loans among similarly large firms.
 - 45 percent of all connected establishments operate in energy-intensive industries, compared to only 8 percent of all establishments
- Protection from competition
 - 80 percent of all politically connected firms in manufacturing/mining sell products that are protected by technical non-tariff import barriers.
- So politically connected firms:
 - Have incentives to use nonlabor inputs
 - Face little competitive pressure to innovate

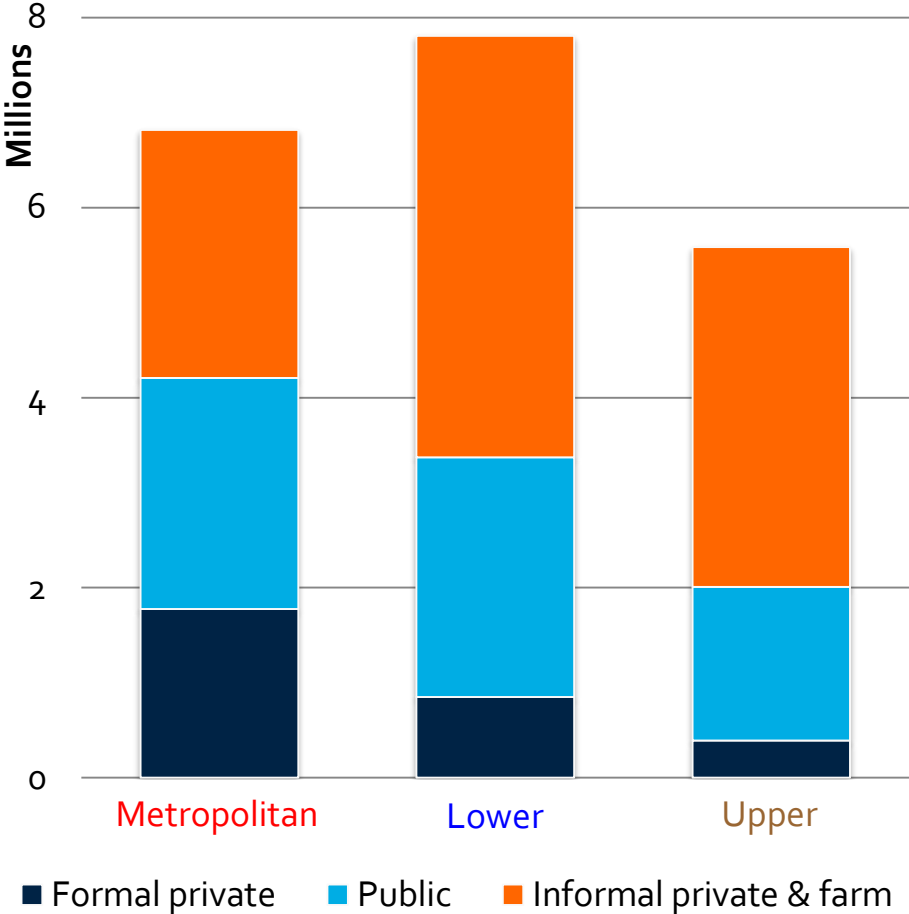
The formal private sector is concentrated in metropolitan Egypt



Population distribution
2012



Job location by type
2012

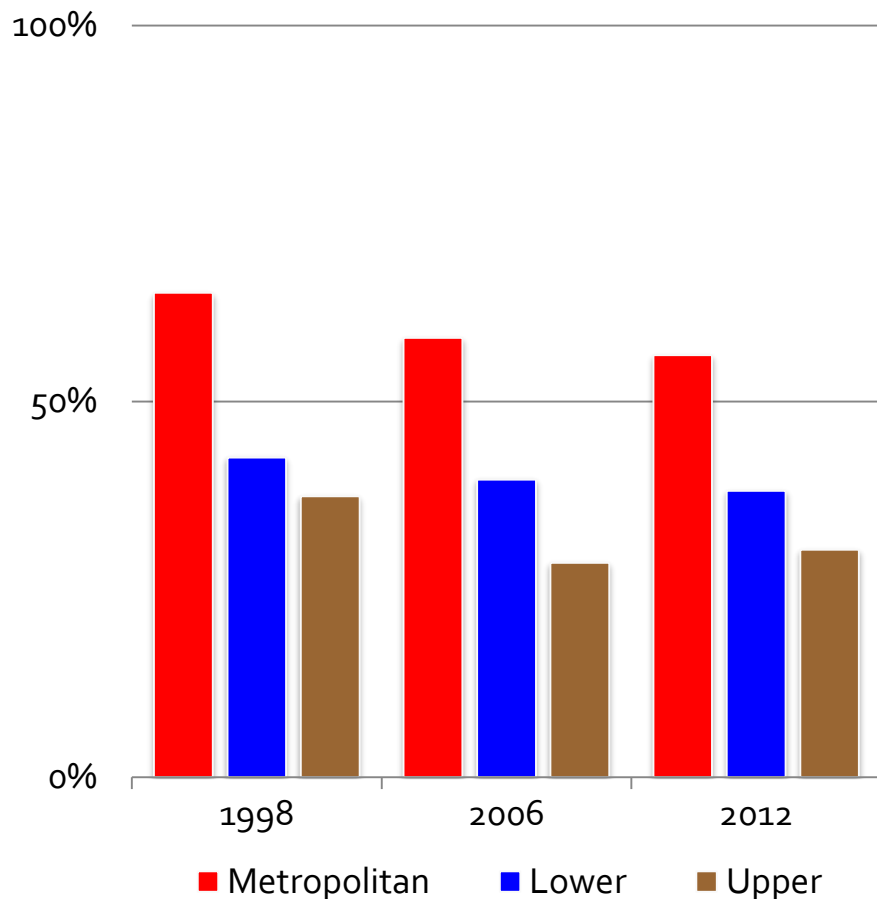


Three dimensions of exclusion: space, age, and gender

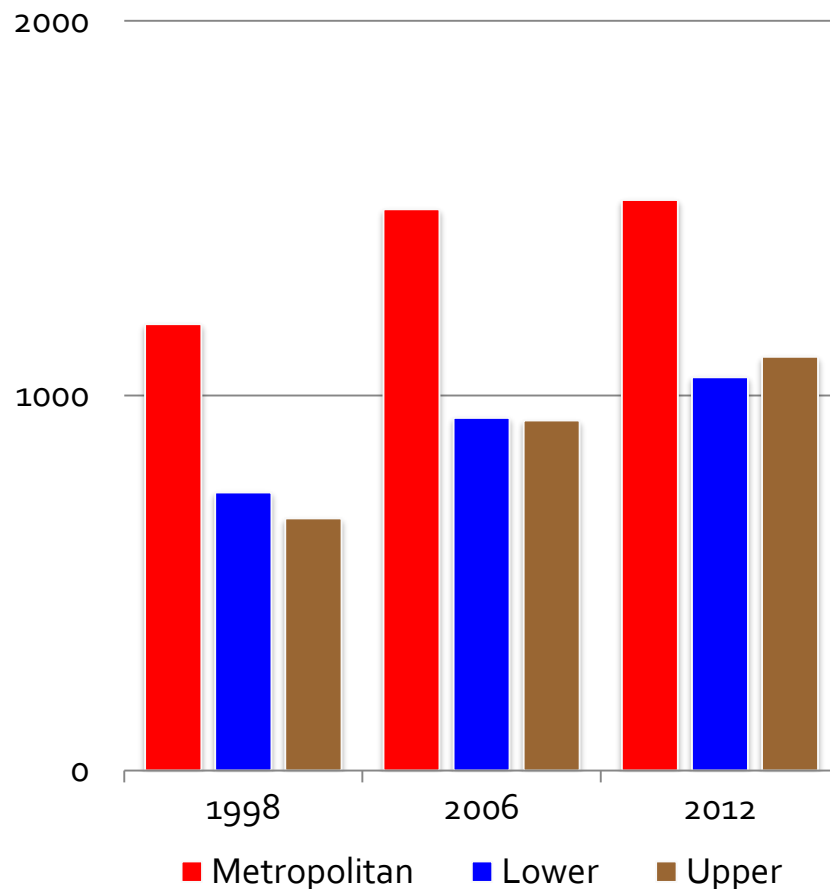
- Egyptians further from core metropolitan areas: Lower formality, lower wages
- Young Egyptians : High unemployment, lower formality
- Women: High unemployment, Lower labor force participation

Metropolitan Egypt has better access to formal jobs and a substantial wage premium

Formal employment rate,
Labor force participants aged 15-64

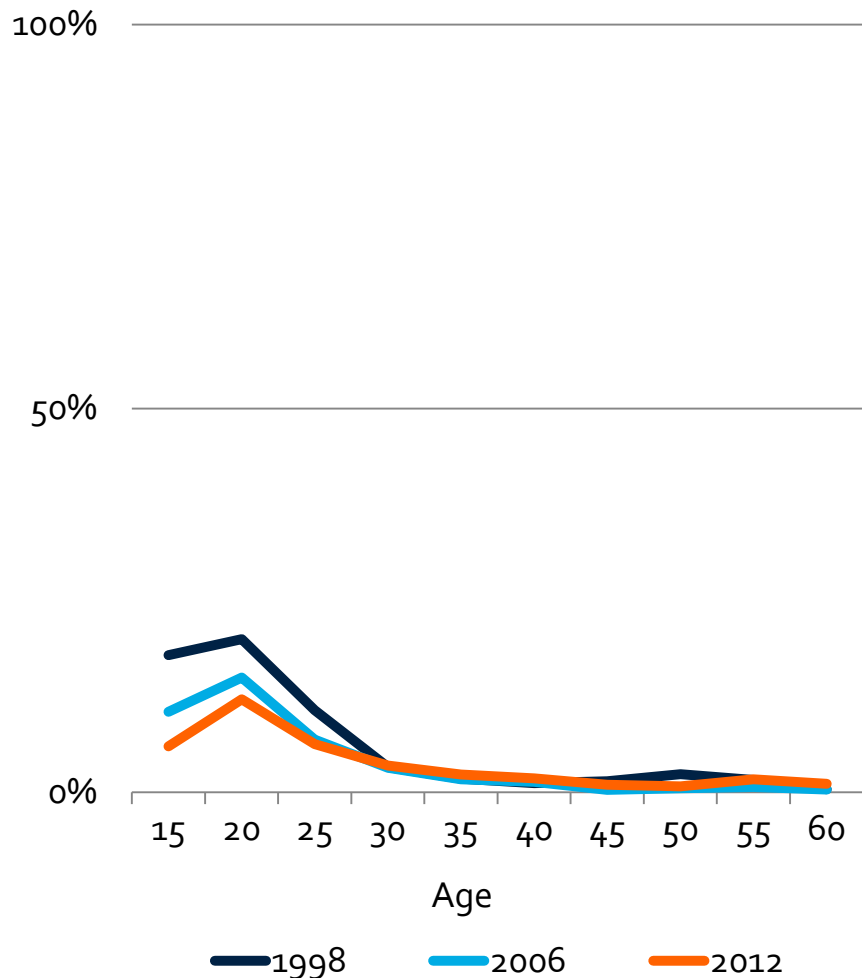


Real monthly wages (LE 2012)
Male wage-workers aged 15-64

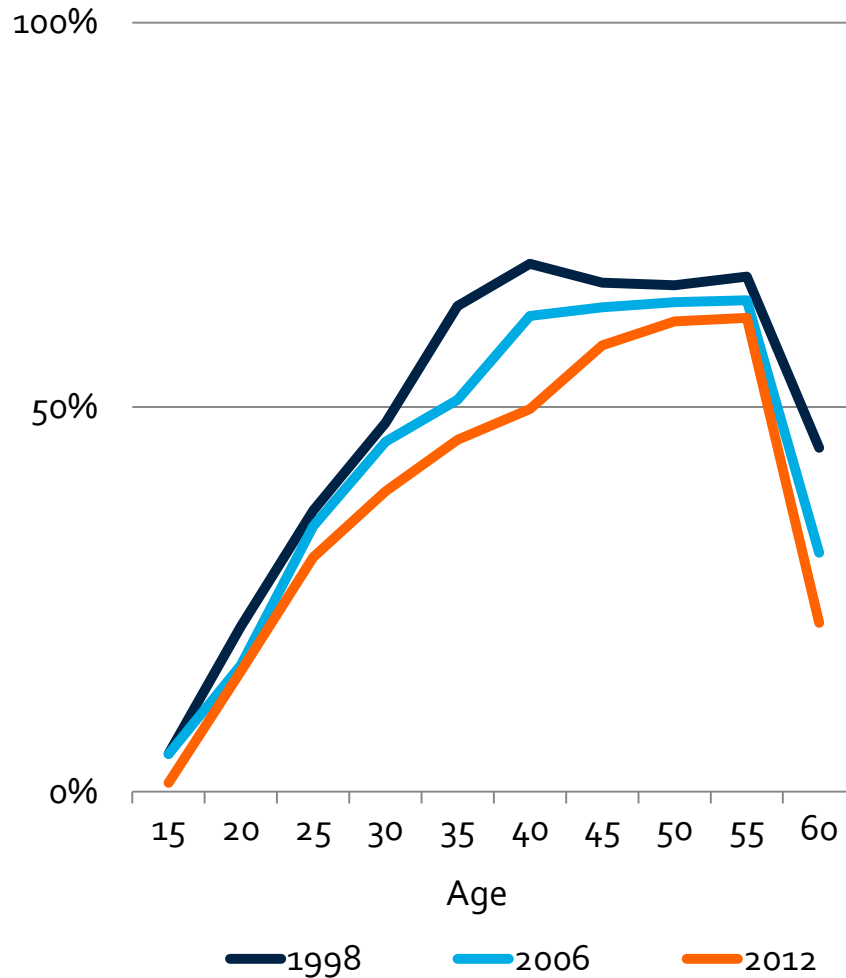


Employment is an age issue, but informality is a generational problem

Male unemployment rate by age

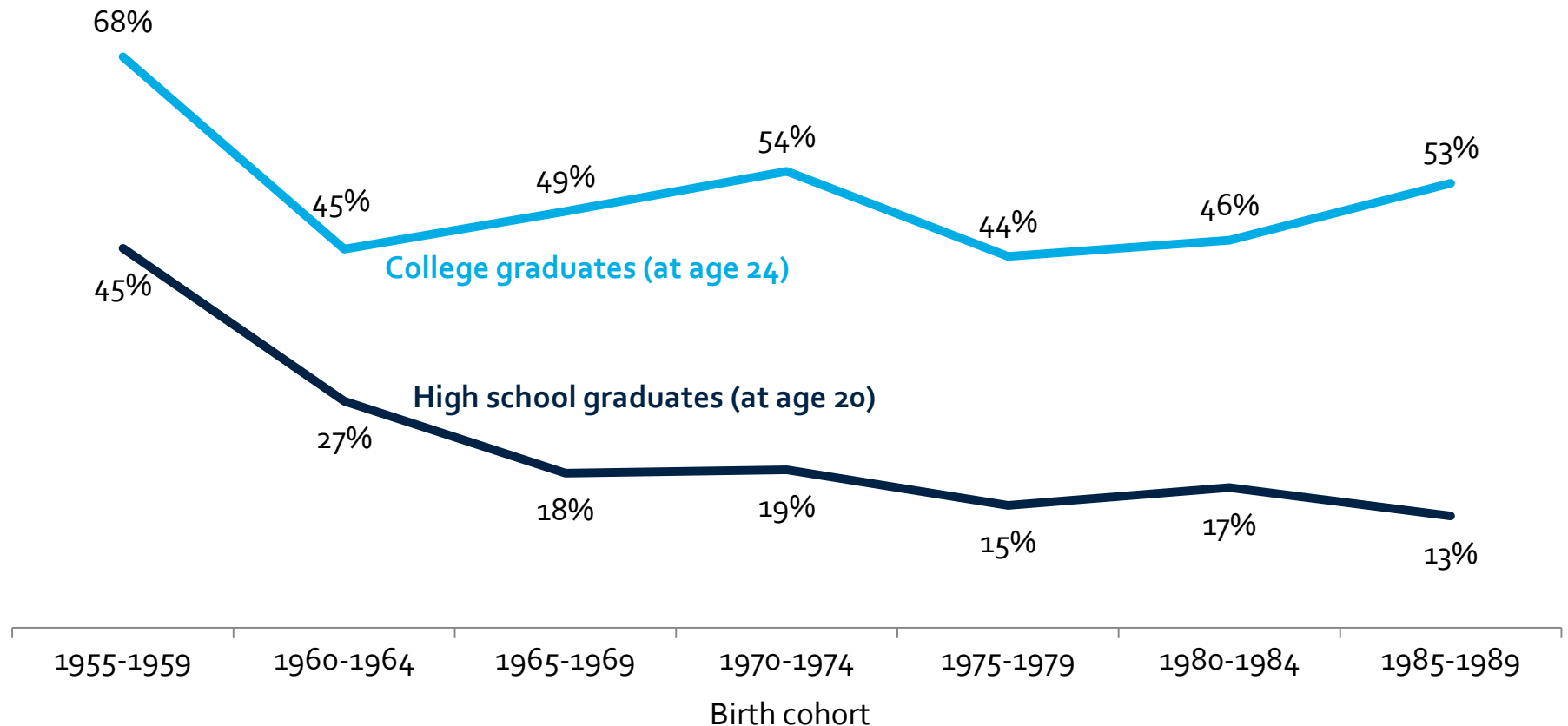


Male formal employment rate by age



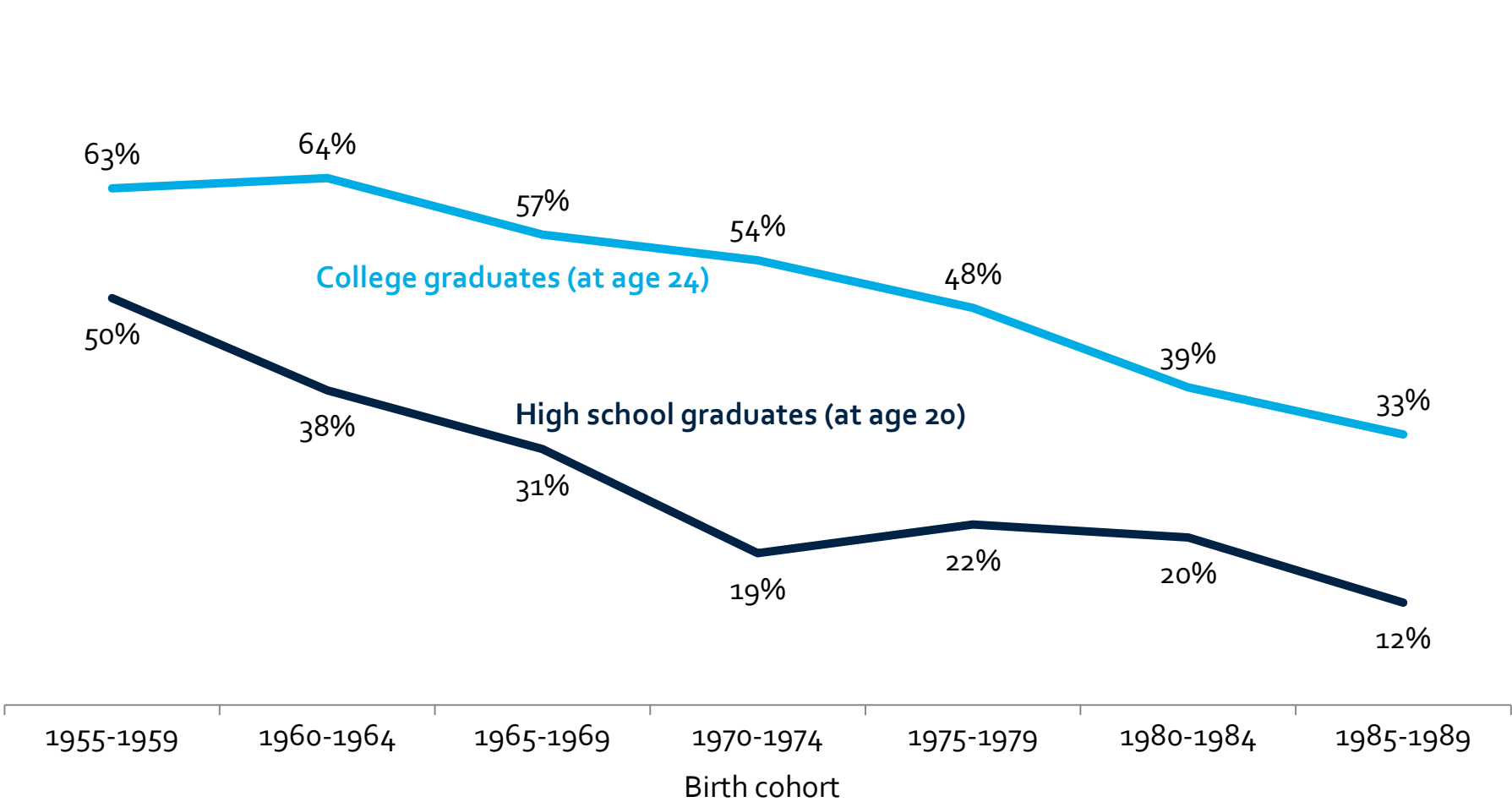
Young Egyptians with secondary education have become the most vulnerable

Formal employment rate post-graduation



Educated women have been dropping out of the labor force

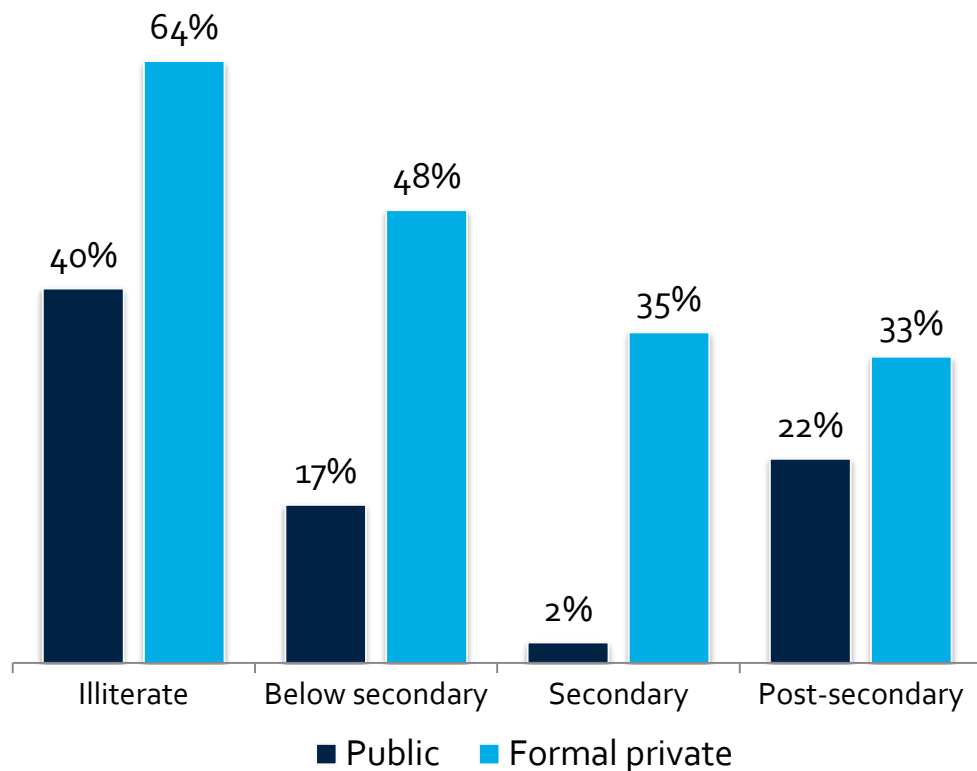
Female labor force participation rate post-graduation



Why? In the absence of public sector jobs, few options for women

Fewer than 2% of women aged 15-64 work in the formal private sector.

Gender gap in hourly wages



Women appear willing to work in the private sector, but ...

- Lower wages
- Mobility constraints due to social norms and perceived risks
- Lack of necessary personal connections

Policy priorities

- Create a dynamic and growing private sector
- Improve job quality without sacrificing growth
- Address inequalities in the labor market
- Policies in the short-, medium-, and long-run must be properly sequenced

Creating a dynamic and growing private sector



A series of experiments in Jordan also highlights similar demand side issues

Vouchers – Wage Subsidies

150 JD (\$210) subsidies

Training – Soft Skills

40 hours of soft skill training

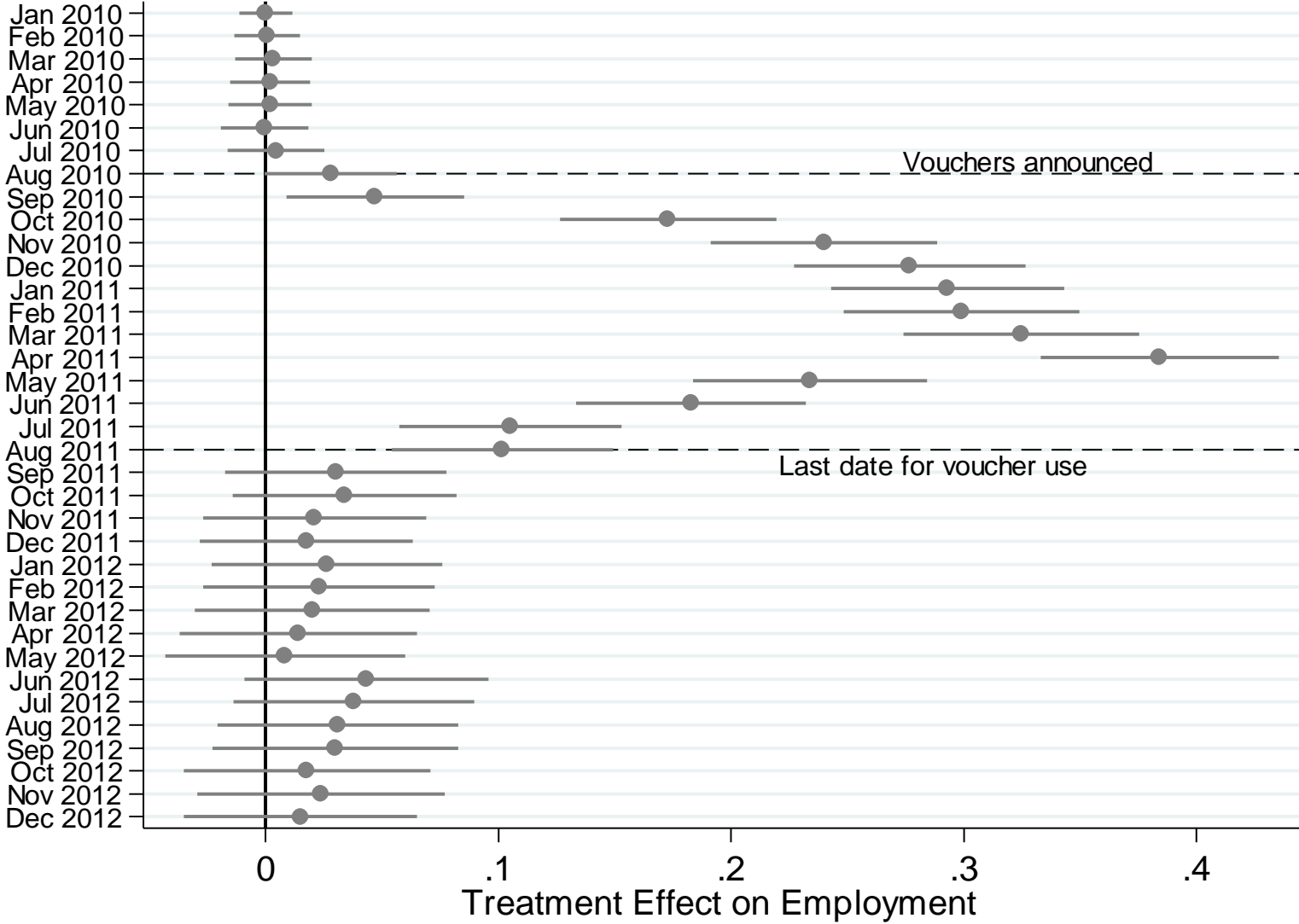
Information – Psychometrics

Soft skills, IQ, language proficiency, personality

Matching

Match employers and job seekers

Wage Subsidies – Temporary Effect



Do youth think they are too good for the jobs?

- Declined 28% of match opportunities
- Declined or quickly quit 83% of job offers
- Main reason for rejecting opportunity
- The graduate was not **“interested in the company or type of job”**
- Only 8% rejected an offer because **“the wage was too low”**
- Vast majority of youth are willing to work in a government job for less pay!
- Most will not take jobs as customer service, Sales, Telemarketing etc
- Most are liberal arts majors

Two directions for policy

Firm intervention

Spur private sector development

Generate more types of jobs that are attractive to graduates

Change attitude towards non-prestigious jobs

Make public sector jobs more comparable to private sector jobs

- Work hours, office environment, accountability
 - Larger role of universities in promoting different career options
 - job fairs, internship programs, career development offices

Thank you!

