

# NO JOBS AND BAD JOBS

Defusing Egypt's Demographic Youth Bulge  
Requires Job Creation—and a Safety Net

*By Ghada Barsoum*

Mr Hamid leaned forward. “I want social insurance and a pension,” he told me. “I want that when I need medical treatment, so I don’t have to pay a lot of money in a private hospital.” For nearly an hour, we have been discussing the difficult challenges facing young Egyptians in the labor market. Hamid has a job, but he is unhappy working as a teacher in a private school. Hamid, who is twenty-nine years old, holds a Bachelor’s degree in sociology from Ain Shams University. He is paid a paltry eight Egyptian pounds (about one dollar) per class session. He receives no social insurance. There is not even a signed contract with the school administration. Prior to this job, he worked as a store assistant in a small gift shop, but quit due to the low pay. His dream job is to work in government. After all, his late father had a government job and the family continues to receive a pension. A job in government has everything that Hamid currently lacks: social insurance, fixed work hours, a fixed salary, paid vacation days, health insurance, and job security. To Hamid, none of these are a luxury; it is what he needs to be able to marry and start a family.

Ahmed Saleh, who is twenty-eight, currently does not work. He left his position at a building firm after being transferred from an office job to a construction site. His entire monthly pay would have gone toward the extra transportation cost in getting to the new location. He was angry that he was moved without additional compensation to cover the expense. He was also upset because the owner had repeatedly promised to give him social insurance but never came through. Like Hamid, his solution is to get a job in the government. His retired father, who once held a government position, has been asking former colleagues if there is a job for Ahmed.

▷ Young Egyptians on the barricades, Cairo, Nov. 19, 2012. *Li Muzi/Xinhua Press/Corbis*

Hamid and Saleh are among the millions of young Egyptians who face a constrained labor market. Their cases illustrate two of the main problems: a high unemployment rate that is much higher than the global average,



and an increasing deterioration in the quality of jobs, employment informality and a lack of access to social security. In the economic stagnation that has followed the January 25 revolution, limited employment opportunities for the young generation pose a serious challenge to Egypt's social cohesion and democratic transition.

Two factors have consistently contributed to the poor employment prospects of young Egyptians. On the supply side, the youth population continues to grow due to a demographic bulge. Egypt currently has its largest cohort of youth in its history and equipping this large group with the skills necessary to compete in a globalized knowledge economy is a formidable task within an overly burdened and underfunded education system. On the labor demand side, the slow pace of job creation in the formal economy, and persistent low productivity and underemployment within the informal economy are limiting young people's options.

The work experiences of Hamid and Saleh speak to what the World Bank describes as a prevalence of "bad" jobs in Egypt and throughout the Middle East region. These jobs offer low income and no benefits in the form of pension schemes, medical insurance, or potential for growth. Most of these low-productivity jobs are within the informal economy, where wage earners have no work contract and where employers and self-employed workers have no work permits and are mostly not registered. This means there are many methodological hurdles in measuring the size of the informal economy in a country. A 2012 report by the International Labor Organization (ILO) notes that 51.2 percent of non-agricultural employment in Egypt falls within the informal economy. And within the working population, a recent survey by the Population Council and the Information and Decision Support Center showed that work informality is more prevalent among working youth. The report showed that only 15.7 percent of young workers have a signed contract with their employers, and only 14.8 percent have social insurance benefits.

Despite the gravity of the job quality issue among working youth, it barely surfaces in policy discussions about youth employment in Egypt. Unemployment, specifically youth unemployment, has always been the focus of policies directed at youth. Policy makers have long been concerned about unemployment among educated youth due to the political volatility of the group. However, the failure to realize the gravity of job quality is proving to be very costly. It is worth keeping in mind that Mohammed Bouazizi, the young Tunisian who helped ignite the Arab Spring revolts with his act of self-immolation in the Tunisian town of Sidi Bouzid, was not jobless (as initially reported by some news media), but a frustrated street vendor protesting the injustices facing the sea of young workers in the realm of the informal economy.

This is not to downplay the problem of youth unemployment in Egypt. While the ILO reported a global youth unemployment rate of 13 percent in 2012, Egypt's central statistical bureau, the Central Agency for Public Mobilization and Statistics (CAPMAS),

reported a 39 percent rate among Egyptians aged twenty to twenty-four in December 2012. That figure is up from 33 percent in September 2011. This means more than one in three young people are unable to find work. Unemployment rates are known to be highest at the point leaving school, and young women are at a particular disadvantage in Egypt's labor market. The unemployment rate among female youth in the same age bracket is 60.5 percent (compared to 32 percent among male youth). While most unemployed male youth do eventually find work, most young women move out of the labor force in conjunction with marriage and childbearing. Unemployment is actually highest among educated youth, particularly graduates of vocational secondary education.

Unemployment figures, although high, do not really capture the full problem of joblessness in Egypt. Unemployment is not the only criteria for the concept of joblessness. Following international definitions, the unemployed are those who not working for at least one hour per week and are available for work and actively searching for a job. Statistics on joblessness include the unemployed along with people who have given up searching for a job due to limited opportunities. This group of "discouraged" youth is particularly prevalent in rural areas in Egypt. These young people are not included in unemployment statistics because they have given up looking for work upon realizing that the search does not lead to employment. The Human Development Report for Egypt in 2010 estimated that the joblessness rate reached 60 percent in 2009 among young Egyptians between the ages of fifteen and twenty-nine. So, two-thirds of these young people are neither in school nor employed. Unemployment statistics, while significant, only refer to a subgroup within this large group of jobless youth. If Saleh, who had to leave his job, continued to search for work, he would be considered among the unemployed. If he loses hope to find a job, which is a strong possibility, given the state of the economy, he is jobless.

### **Social Security, Fixed Salaries, and Job Security**

Nevertheless, "bad" jobs also have a long-lasting negative impact. While unemployment is a problem that primarily affects young and first-time entrants to the labor market, low productivity jobs within the informal economy are a long-term problem with serious impact on Egyptians' access to social security and other work benefits. If unemployment is a problem that affects youth currently seeking employment, work informality and low job quality are issues that also affect their future. In the current legal framework in Egypt, informality eliminates the potential for young people's access social security in old age and at times of an inability to work due to unemployment, illness, or pregnancy. Informality also eliminates the possibility of access to health care insurance in Egypt.

For Hamid, Saleh, and many other young Egyptians I have interviewed, the government remains the dream employer. This has been repeatedly shown in polls and youth-focused studies. The government has everything they lack in their private-sector

jobs: social security, fixed salaries, job security, paid leave, and in some cases a better pay structure. For young women, a government job has additional benefits. It would primarily provide paid maternity leave, a right denied by most private sector firms. It would also provide the opportunity of unpaid leave for child rearing, with the option of returning to work when she is ready. This is a benefit that cannot be obtained through a private sector firm. For women, there are some intangible benefits to a government/public sector job. As one young woman working in the private sector described it, a government job is where “no one owns you,” referring to the relatively democratized relations of power in government job. Another unique feature appreciated by women in a government job relates to workplaces being more populated, compared to the predominantly small-size firms of the private sector. A populated work space has a reputation for reducing the risk of sexual harassment.

Yet, the government cannot and should not continue to provide jobs for the large cohorts of fresh graduates year after year. The government’s program of guaranteed employment for graduates, dating from the mid-1960s, has been slowed with the introduction of structural adjustment policies in the early 1990s. A bloated government body with surplus workers is not sustainable, and hence could not survive. As jobs in government and the public sector are now rare to find, young people speak of favoritism and cronyism as the sole means to secure these positions.

Effectively addressing youth employment requires an unwavering political commitment and concerted and sustained government efforts. These efforts hinge on a strong partnership with the private sector, civil society, and the youth themselves as key stakeholders in the process. International experience points to three areas of focus that should be central in addressing youth employment issues. First, there is a need for an economic environment conducive for job creation and sustained growth to meet the growing need for jobs. Second, interventions are needed to enhance the skill level of youth, to smooth their transition into the labor market and encourage entrepreneurship. Third, measures must be pursued to extend social security to workers within the informal economy, who constitute the majority of working youth.

### **Toward a Youth-Based Economic Policy**

Job creation is central to any meaningful discussion of youth employment issues. While the government can no longer be the main employer of youth, it is the role of the government to enable an environment in which the private sector can develop to its full potential and play a role in generating employment and decent jobs. There is little consensus on what would trigger job creation in a specific economy. Approaches span from a focus on skill specialization to an emphasis on investment in physical capital and infrastructure. The World Economic Forum’s Global Competitiveness Report for 2012 lists

a number of pillars for productivity and economic growth. In post-revolution Egypt, a key pillar for economic growth is ensuring economic and political stability and a strong rule of law in the country. A stable institutional and market environment is pivotal to encouraging both domestic and foreign investment to create jobs.

A policy focus on job creation requires mobilizing resources in sectors with high employment potentials such as telecommunications. Recent studies highlight the opportunity of green jobs, such as those in agriculture, water management, recycling and waste management, and renewable energy. However, reports by the ILO on the “green economy” note that the skills required to participate in these markets need cultivating and upgrading.

The second area of policy focus relates to interventions needed to facilitate transition to the labor market are often referred to as active labor market policies. The programs fall within four main categories: providing training for the skills demanded by the labor market; giving search assistance and career counseling for job seekers; promoting entrepreneurship for employment generation; and subsidizing employment programs in the form of public works or temporary guaranteed employment schemes. Many of these have been implemented in Egypt with various degrees of success. The accumulated international experience shows that these programs need to be multifaceted and integrate an array of services in order to have the necessary impact. In skill training, for example, programs that are demand-driven, are connected to employers, and include work-place exposure do increase youth employability by providing them with market-relevant skills and social networks needed to find jobs. There is also a growing focus on “portable” or “soft” skills, which can be used in different jobs and include the ability to read and write, communicate with others, solve problems, and think independently.

Job search assistance and counseling are often described as the most cost-effective active labor market measures for youth employment. Despite this fact, there is little focus on employment services in Egypt. Career development offices are not a common service in public universities in Egypt, and such services are almost nonexistent for youth who do not enter university. Entrepreneurship promotion for youth employment has been one of the most widely implemented active labor market programs in Egypt, primarily through the government’s Social Fund for Development. But entrepreneurship is not a panacea, and young people who are unable to find employment might not be the best entrepreneurs given their limited skills and experience. Research shows that older and more educated entrepreneurs are more likely to be successful.

The third, and least discussed, area of policy focus should address the compromised quality of jobs available to young people. It is baffling that there is such policy neglect of this issue. The fact that most young people are working within the informal economy means that we have a generation who do not contribute to pension schemes and have no

access to social security. The national social security scheme has actually suffered from the minimal contributions it receives from (young) workers and the increasing cost of its aging contributors. This alone should be reason enough to point policy intervention in the direction of extending social protection to workers. However, the issue of work informality is rarely addressed in policy circles in Egypt. And when it is addressed, it is often in the context of formalizing the informal to overcome tax evasion and not for the sake of extending social protection to its workers.

Experience in other countries highlights the importance of flexible and simplified contributory social security schemes that take into account the inconsistent income of workers in the informal economy. Progressive contributory schemes allow for government matching of contributions, as in some member countries of the Organization of Economic Cooperation and Development. These programs allow workers to accumulate insurance funds to utilize during times of unemployment, illness, or in old age. Subsidizing the premium for self-employed workers in the informal economy who are unable to pay their contribution has been highlighted by the ILO as a means to extend social protection to the working poor.

Another approach that should be considered in Egypt in response to the limited social security available to working youth is the promotion of micro-insurance schemes provided by cooperatives, unions, non-governmental organizations, and the private sector. These programs have the potential of benefiting workers within the informal economy by protecting insurance policyholders from the financial consequences of various risks, including illness and death. Insurance can be a means through which the workers within the informal economy can amass a lump sum of savings through long-term life insurance policies. An Islamic insurance cooperative system, known as *takaful*, has grown in a number of Arab and Muslim countries. Because existing insurance models cater to higher income segments of the society, a system that reaches out to a lower-income clientele is needed.

A three-pronged policy approach—focusing on job creation, youth labor market insertion policies, and social security schemes—would place youth employment issues at the heart of Egypt's economic and social policies. These policies need to take a gendered approach to address the increasing withdrawal of women from the labor market.

Finally, it is important for youth to have a voice in the process of addressing their employment issues. Engagement with youth, particularly those affected by unemployment, joblessness, or bad jobs, is central to a youth-focused policy framework for employment. Fragmentation and limited avenues for advocacy has meant that the youth are absent from policy process. It is unfortunate that angry demonstrations and sometimes violence have been the only means for the youth to be heard.