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The Determinants of Employment Status in Egypt

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In Egypt, not long ago, a secondary education guaranteed stable, lifetime employment in government or in a state-owned enterprise. However, with the country's gradual suspension of the public employment guarantee, the ranks of the educated unemployed have swelled. Moreover, there is a strong gender dimension to this trend. Educated young women are more adversely affected than their male counterparts by Egypt's transition to a private sector-led economy, which, combined with decreased public-sector employment, has led to increased unemployment rates among females.

Purpose of Study

The objective of this study is to elucidate the factors that determine who is economically active and who is not, who is working and who is seeking work, and, among those working, who is salaried, a casual wage worker, self-employed, or a family worker. The study finds that a combination of educational policies, public-sector hiring, and powerful social norms has resulted in a labor market that is strongly segmented along gender and educational lines.

Methodology and Sources of Data

The study analyzes long-term trends in labor force participation, employment, and unemployment by sex, using the Labor Force Sample Survey (LFSS). Reliable long-term trends of labor force participation by sex are hard to obtain in Egypt because of frequent methodological changes in the Labor Force Sample Survey (LFSS), the main source of data on the subject. Since 1984, efforts have been made to improve the enumeration of women engaged in these activities, but efforts have been inconsistent. Adjusting for these inconsistencies results in a rising trend in female participation rates in both urban and rural areas and a declining trend for male participation. The opposing trends in male and female participation rates result in a slight decline of the overall participation rate.

The study explores how participation and employment status vary with age, education, urban/rural location, and sex, using descriptive techniques. The Egypt Integrated Household Survey (EIHS) captures the patterns of participation, employment, and unemployment in Egypt—the main source of data for this study. The EIHS is a multi-module, nationally representative household survey undertaken by IFPRI in 1997 in collaboration with Egyptian Ministries of Agriculture and Land Reclamation, and Trade and Supply.

The multivariate analysis of the determinants of participation and employment status relies on three econometric models: a baseline model, a household model (for females), and a community model (for rural areas). Each of the models has been estimated using a binomial and a multinomial logit model to predict probability of participation in various employment states. The 1997 EIHS data set was used for the multivariate analysis.

Employment Trends, Patterns, and Determinants

Unemployment rates for males were fairly stable in the first half of the 1990s, peaking in urban areas in 1993 at 8.4 percent. However, the male unemployment rate continues to rise in rural areas. Rural male unemployment rates start out about a third lower than those of urban males in 1990, but caught up by 1995. While the estimates are less reliable, the LFSS reports female unemployment rates about three times higher than those of males, with the gap increasing over time. Unemployment rates for urban females increased from 25 to 28 percent between 1990 and 1995. Rural female unemployment rates started out lower, but rose faster, reaching 21 percent by 1995. There were no significant differences in overall unemployment rates between urban and rural areas, but educated workers, especially females, fared worse in rural areas.

When the definition of unemployment was expanded to include those not searching for work, unemployment rates changed little for males but increased sharply for females, especially for females with less than secondary education. Educated females face very high unemployment rates, so it is not surprising that many quit searching for work. And that uneducated females are not searching for work is not surprising either, given their very low probability of gaining wage employment.

An analysis of how the share of employment in the public sector has changed over time by sex and educational status confirms the hypothesis that educated females are finding it difficult to find suitable work in the private sector. Older workers with secondary education and above are highly concentrated in the public sector. The concentration of younger educated males in the public sector has dropped significantly, which means that there was a commensurate increase in private-sector employment. In contrast, the proportion of employed younger females with secondary school degrees or higher in the public sector has changed very little. These patterns indicate that, unlike their male counterparts, young educated females increasingly join the ranks of the unemployed rather than be absorbed by the private sector.

Less educated workers experience employment inadequacy primarily in the form of underemployment. About 85 percent of urban males and females are employed more than 40 hours per week,

compared to only 62 percent of rural males and 42 percent of rural females. Number of hours worked is strongly associated with form of employment. Salaried workers of both sexes work more than 40 hours per week for the most part, and even those who work less than that work at least 30 hours. Casual workers and farmers in rural areas have the highest likelihood of being employed fewer than 30 hours. Significant levels of rural underemployment indicate that even in times of relatively high demand for agricultural labor, there is significant underemployment among hired agricultural workers and farmers.

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The variable that has by far the largest impact on female labor force participation is educational attainment. Although female participation nearly doubles in urban areas for those with basic education, the largest effect occurs at the secondary level. Participation increases by 63 percent when the secondary education level is reached. In rural areas, the increase is also substantial, and at those levels of education, female activity rates approach those of males.

A majority of private-sector jobs are in the form of casual wage employment, which appears to be socially unacceptable for educated females. With the exception of female secondary school graduates in rural areas, whose employment prospects are very poor, educated males and females have nearly equal probabilities of engaging in salaried work. However, educated males are much more likely than their female counterparts to work as casual wage workers, self-employed workers, or farmers. A combination of strong social norms and expectations formed over many years mitigates against the participation of educated females in these forms of employment. This analysis shows that the probability of participating in any employment state other than salaried for educated females is virtually zero. And since most jobs now available in the private sector are not salaried, the contraction of public-sector employment has basically translated into the much higher female unemployment rates observed over the past few years.

Females with less than secondary education are essentially marginalized in the labor market. While the vast majority of uneducated females do not participate in any market activity, those who do are confined to employment states that their educated counterparts find unacceptable. Younger uneducated females tend to be employed as casual workers and farmers, and older ones are more likely to be self-employed outside agriculture. A clear exception is female heads of households, who are two-and-one-half times as likely as nonhousehold heads to be active in rural areas and nearly twice as likely to be active in urban areas (primarily self-employed).

In rural areas, farming seems to complement salaried male employment. Males engage in farming relatively early and again after retirement, irrespective of educational attainment, while salaried employment peaks in the prime working years. Self-employment outside agriculture does not have a strong age pattern for males, but increases significantly with age for females

who continue to be economically active. Self-employment declines sharply, on the other hand, as educational levels rise.

Discussion and Recommendations

Because patterns described in this paper result from a complex interaction of past and present policies, social norms, and complex economic trends, they do not lend themselves to simple policy prescriptions. They can, however, inform policymaking by identifying bottlenecks in the labor market and determining what groups are most likely to be affected by overall economic policies. For instance, the poor employment prospects faced by females in the private sector can be attributed to a variety of factors, including limited success in Egypt of labor-intensive export industries and perception by private employers that females have a low attachment to the labor force. Furthermore, labor laws impose a number of mandates on employers, such as generous paid/unpaid maternity leave, child care provisions, restrictions on working hours, that increase the cost of hiring women.

The findings also have important implications for the multitude of small and microenterprise finance programs that are currently quite popular in Egypt as a means to alleviate poverty and youth unemployment. This analysis shows that educated workers currently shun self-employment. Thus policies that attempt to create opportunities for self-employment among unemployed graduates through low-cost credit may be ineffective. On the other hand, microcredit is an appropriate intervention for mature women who are constrained from entering the paid labor market but are in need of a source of livelihood. This analysis has shown that female heads of households have a strong incentive to participate in the labor force but are often confined to self-employment. Supporting these women, who are often poor, with microcredit programs and other sorts of assistance seems highly justified.

Finally, this analysis provides an essential foundation for any attempt to forecast labor force growth and composition in Egypt. When combined with population forecasts by age and sex and school enrollment information, the parameter estimates can be used to obtain accurate forecasts of the labor force by age, sex, and educational attainment. These forecasts are an essential component of any human resource development policy.

Keywords: Egypt, employment, labor force, gender, education

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