

Egypt

September
2022

Scoping Highlights Report

Updated



CHALLENGE
FUND
FOR
YOUTH
EMPLOYMENT

This report has been produced by the Challenge Fund for Youth Employment
<https://fundforyouthemployment.nl/>

The Challenge Fund for Youth Employment (CFYE) is a 6-year programme funded by the Netherlands Ministry of Foreign Affairs, managed by Palladium, VSO Nederland and Randstad.

1. Why this report?

1.1 Program description

The Challenge Fund for Youth Employment (CFYE) is a 6-year programme launched in 2019 by the Dutch Ministry of Foreign Affairs with the aim of providing better and more inclusive jobs for 200,000 young women and men (aged 15-35 years) in the Middle East, North Africa, Sahel & West Africa, and Horn of Africa. This will be achieved by supporting youth employment initiatives which will offer youth, particularly young women, opportunities for decent work.

The fund seeks private sector applicants who submit project proposals to address specific challenges or business expansion plans framed around creating scalable business solutions for more and better jobs for youth with a specific focus on women. Solutions will be built around integrated approaches designed to bridge the mismatch between the demand for high quality jobs and the supply of skilled labour.

The CFYE offers a grant-based co-investment between 10-50% of the total project budget presented by the applicant, in addition to technical support that will be available throughout the selection process and project/solution implementation. Once projects are selected for implementation, tailored technical support is provided to maximise the delivery of results and expected impact.

1.2 Country scoping research

A scoping study was undertaken to get a better understanding of the country context and specific challenges affecting youth employment in Egypt. The study also aimed to identify the key opportunities and solutions to increase youth employment and assess how the Fund can play a role in supporting these. Information was collected through desk research and interviews and workshops with youth, employers, and key informants in Egypt.

This report updates findings from the first scoping study, that was published in July 2020, and provides a snapshot of the structural issues that underpin employment challenges in Egypt, taking into consideration the impact of the COVID-19 pandemic and recent global and local events on youth employment.

CFYE launched its first call for solutions in Egypt in July 2020. During the first Call, the Fund prioritized working with private firms in high potential sectors, to improve the functioning of these markets and upgrade firms in high-potential sector value chains. This resulted in the selection of five Implementing Partners (IPs).

The Fund will launch a second Call for solutions in September 2022. For the second call, the Fund will build on learnings from the first call and the recent global and local developments and events. The Fund continues its focus on working with the private sector as the main driver of economic development with a focus on those in their growth stage to enable successful implementation of the selected projects.

2. What is the problem?

In 2022, youth aged 15 to 34 years account for 34.5 percent of the Egyptian populationⁱ. The country has witnessed huge population growth from 20 million in 1950 to over 100 million today. But job opportunities have not kept pace. According to ILO estimates, the unemployment rate for youth from 15 to 24 stood at 24.3% in 2021ⁱⁱ. While in the second quarter of 2022ⁱⁱⁱ the Central Agency for Public Mobilization and Statistics (CAPMAS) measures the unemployment rate amongst youth aged 15-29 years to be 61.3%. Unfortunately, the CAPMAS report does not acknowledge the 30-34 years age group; the age groups end at 24-29 years and afterwards it is 30-63 years in a single group. In fact, youth underemployment is even higher than that because many youths work in the informal sector, often working below their qualification level, for a meagre income. Put simply, the economy is not growing fast enough to absorb the surge of new entrants to the labour market. Thus, there is an urgent need for new sources of productive employment.

The above-mentioned statistics reflect the unemployment rates of the labour force, which are measured through the files of the Ministry of Manpower which is focused on formal employment. The latest figures suggest that approximately 17.5 million Egyptians worked in the informal economy sector in 2020^{iv}. Moreover, several sectors are almost exclusively dependent on informal employment, such as agriculture, construction, household activities and transportation and storage^v. Informal enterprises offer 68% of new job opportunities and account for a large part of Egypt's total economic activity, worth 50% of the national GDP^{vi}. A study by the International Monetary Fund (IMF) proves that informal employment in Egypt is particularly higher in younger populations, specifically in the age group 15-24 which holds the highest rate of informal employees in Egypt until June 2022^{vii}. The IMF report also highlights the wage gap between formal and informal employees; as the net wages of employees in the formal sector are 40% higher than informal employees; and when the difference in work experience and education is accounted for, the gap is reduced to 20% which is still a significant difference.

Informality is widespread in Egypt. This extends beyond work, encompassing living arrangements, financial lending and healthcare, to name a few. Many young people prefer to work in an informal arrangement. Several interviewees cited the example of the tuk-tuk (auto rickshaw) as the most salient representation of this. As a tuk-tuk driver, a young man enjoys flexible working hours and daily, cash-in-hand pay, allowing him to meet his immediate needs. Yet there is absolutely no job security, no fringe benefits, and extremely dangerous working conditions. Although perhaps engendering short-term gains for the worker, this precarity has important, negative long-term repercussions on young people's mental health and wellbeing^{viii}. In 2021 there have been governmental announcements regarding the formalisation of the informal economy^{ix}; this would entail registering around 14 million informal workers and providing them with social and medical insurance. Nonetheless, a roadmap or plan for the formalisation process is yet to be published; and this plan has to include the ways in which the government plans to assist informal workers in the transition to become taxpayers without experiencing drastic decreases in their income.

2.1 Decent work

The economically vulnerable in Egyptian society are forced to find work in the informal sector, in jobs that are often insecure and unsafe. Thus, focusing on youth unemployment is not enough; we need to also consider the trend of young people trapped in jobs that guarantee neither stability nor security. Egypt's official policies and laws around some of the key issues underpinning decent work, as brought out through the in-country interviews, are outlined below. It is important to note that these rights are largely denied to workers in the informal economy and often not guaranteed for employees in the formal private sector, which has a poor record of adherence to statutory requirements for workers.

ⁱ CAPMAS (2022a) https://www.capmas.gov.eg/Pages/Publications.aspx?page_id=5104&YearID=23602

ⁱⁱ ILO estimates as presented on The World Bank website <https://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=EG>

ⁱⁱⁱ CAPMAS (2021) https://capmas.gov.eg/Pages/SemanticIssuesPage.aspx?page_id=6113

^{iv} <https://www.statista.com/statistics/1295964/number-of-informal-sector-employees-in-egypt/>

^v <https://www.statista.com/statistics/1202880/degree-of-employment-informality-in-egypt-by-sector/>

^{vi} Soliman "Egypt's Informal Economy: An Ongoing Cause of Unrest", 2020

^{vii} IMF (2022) <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2022/05/31/Informality-Development-and-the-Business-Cycle-in-North-Africa-464859>

^{viii} Rashad & Sharaf "Does precarious employment damage youth mental health, wellbeing and marriage?", 2018

^{ix} Farouk "Egypt wants to register millions of gig workers for state insurance, aid", Reuters, 2021

Wages and income

Officially, the national minimum wage in Egypt is LE 2,400 per month (about €142), but this only applies to formally employed workers. Moreover, the Ministry of Planning and Economic Development (MPED) has issued a decree requiring the private sector to abide by LE 2,400 per month minimum wage for their employees^x. On the other hand, President Al Sisi has ordered increasing the minimum wage to LE 2,700 per month in January 2022^{xi}, yet this minimum wage has not yet been formally implemented. The minimum wage de facto still sits at the former level of LE 1,200, and even that is not always paid, in particular in rural areas.

For government employees and public business-sector workers, the government has also set a maximum wage limit at 35 times the (former) minimum wage, i.e., LE 42,000 (€2,200) per month. Labour laws provide for equal pay rates for equal work for men and women in the public, but not in the private sector. This explains why, for many people, working for the government – in whatever capacity – is highly desirable because of the better conditions and the higher prestige these jobs offer.

Work time and work-life balance

Egyptian law stipulates a maximum 48-hour workweek for the public and private sectors and provides for premium pay for overtime and work on rest days and national holidays. The law prohibits excessive compulsory overtime, but it excludes agricultural, fisheries, and domestic workers from regulations concerning wages, hours, and working conditions.

Health and safety

The government sets worker health and safety standards, for example, prohibiting employers from maintaining hazardous working conditions. By law, workers can remove themselves from situations that endanger health or safety without jeopardy to employment, although authorities do not reliably enforce this right and workers may risk losing their job if they complain.

Despite these legal provisions, many people in Egypt face poor working conditions, especially in the informal economy. Domestic workers, agricultural workers, workers in rock quarries, and other parts of the informal sector are most likely to face hazardous or exploitative conditions, not to mention the risk posed by traffic that street vendors and tuk-tuk drivers face daily. There have been reports of employer abuse of undocumented foreign workers, especially domestic workers. CAPMAS^{xii} has statistics on the injuries and fatalities in the workplace, however, they are confined to formal work and does not measure the rates for informal work which is often more dangerous and less secure.

Job security and social protection

Over half of the employees do not have a contract, pension or health insurance^{xiii}. The government provides services, such as free healthcare to all citizens, but the quality of service is often poor. Other benefits, such as social insurance, are available only to employees in the formal sector. Women, particularly rural women, as well as youth aged 20 to 29, are the most vulnerable groups in terms of health insurance coverage. Among the insured, the main source of health insurance is through the General Agency for Health Insurance for those above 30 years old, and through university or school for those between 6 and 24 years old. This pattern shows that the health insurance gap occurs mainly at the transition from school to work and becomes persistent afterwards^{xiv}. This should change after the implementation of the Universal Health Insurance (UHI) in Egypt project which should provide free healthcare for everyone, however up until this moment it has only been launched in two governorates as a prototype. According to Eleiba, the UHI would provide quality healthcare coverage for all Egyptians, using the family as the coverage unit not the individual like the current system; it will utilise social solidarity in the sense that those who can afford paying for healthcare will pay and those who cannot afford will not be required to pay. More importantly, the UHI will also cover informal workers if they register online with the Ministry of Manpower; this would be a significant upgrade in social, financial and healthcare protection for informal workers who make up 63.3% of the employed labour force and have been historically disregarded.^{xv}

x MPED (2021) <https://mped.gov.eg/singlenews?id=898&lang=en>

xi Ahrām Online "Sisi orders raising minimum wage for public sector employees in fiscal year 2022/23", 2022

xii CAPMAS (2022d) https://capmas.gov.eg/Pages/SemanticIssuesPage.aspx?page_id=6113

xiii CAPMAS (2021) https://capmas.gov.eg/Pages/SemanticIssuesPage.aspx?page_id=6113

xiv Economic Research Forum "Social Protection and Vulnerability in Egypt: A Gendered Analysis", 2019

xv Eleiba, 'Universal Health Insurance in Egypt: Informal Workers' Perspective', *Alternative Policy Solutions*, 2020

Labour relations and social dialogue

In the Global Rights Index 2022, Egypt is ranked among the ten worst countries to work in and where the rights of workers are not guaranteed. According to the International Trade Union Confederation (ITUC), “Workers in Egypt remained deprived of their basic rights and freedoms at work, while many independent trade unions were still seeking re-registration after their arbitrary dissolution in 2018.”^{xvi} Labour unions are a pivotal safety net for workers and without them, workers lose an integral part of their support system.

2.2 Impact of COVID-19 on Youth Employment

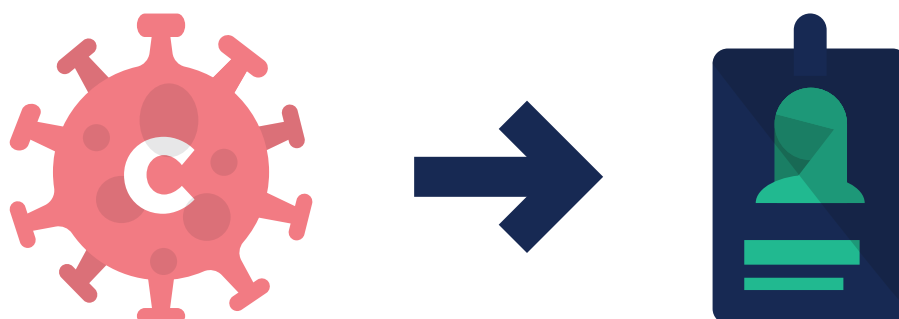
The COVID-19 pandemic has had severe repercussions on youth employment. The ILO confirms that throughout the pandemic, younger workers were the most likely to lose their jobs; the majority of those who lost their jobs were under 34 years^{xvii}. In this context, younger workers are considered a vulnerable subgroup along with women and informal workers; hence, it can be deduced that a young woman working in the informal economy would have been in the most vulnerable position with regards to securing a job during a crisis. Domestic workers were laid off or asked to take a long unpaid vacation in order to not transmit the virus to the families they worked with during lockdown.^{xviii} The lack of research on the aftermath of the pandemic is restraining, however, the available data suggests that during an economic crisis young employees in Egypt could be amongst the first groups to suffer the consequences.

Labour Market Transitions

Due to the light COVID restrictions in Egypt, namely the relatively shorter lockdown period, formal workers in the public and private sector were not as affected by the pandemic as other countries in North Africa. Yet, the transition in and out of the labour market was disproportionate between men and women; according to a study by the ILO women who were unemployed at the beginning of the pandemic, remained unemployed a year later and by June 2021, 25% of those women were transitioning out of the labour force instead of transitioning from unemployment to employment.^{xix} For men, 46% of those who were unemployed in February 2020 had transitioned into employment by 2021. Thus, apart from workers who lost their jobs during the pandemic, many suffered from the impediment of their careers even after the end of COVID restrictions and vulnerable groups are still suffering from the repercussions of the pandemic on the labour market.

Informal Workers

On the one hand, Egypt has offered cash transfers for informal workers who were affected by the pandemic; however, such payments were limited to those registered with the Ministry of Manpower and it was to last for three months only^{xx} and was later updated to six months. It is worth noting that each instalment was only LE500 which is only a quarter of the minimum wage at that time; an amount that would not support a family or even one person in Egypt. Additionally, a study conducted by ERF shows that 29% of those who were laid off throughout the pandemic were wage workers, and 24-29% of informal private sector workers experienced a decrease in their earnings^{xxi}. This highlights the discrepancy in economic safety and job security between formal and informal workers, especially that the statistics mentioned



xvi ITUC, *Global Rights Index 2022*

xvii ILO (2022a) https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-cairo/documents/publication/wcms_849753.pdf

xviii Masry, “IMF Policies and Impact in Egypt and the Arab Countries”, 2021

xix ILO, “Egypt COVID-19 Country Case Study”, 2022

xx IMF (2022) <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2022/05/31/Informality-Development-and-the-Business-Cycle-in-North-Africa-464859>

xxi ERF, “The Impact of COVID-19 on Middle Eastern and North African Labor Markets: Glimmers of Progress but Persistent Problems for Vulnerable Workers a Year into the Pandemic”, 2021

above reflect that youth reflect the highest rate of informal workers which means they were the most affected.

The Digital Divide

The digital divide refers to the gap in access to internet and computer devices. Naturally, the pandemic has catalysed digital transformation; which in turn highlighted the digital divide within the same society. In an IEMed study, El Kadi stated that only 7% of the Egyptian population had a broadband subscription in 2020, and only 47% of the population had access to the internet. Furthermore, the study shows that there is a significant difference in the percentage of internet users between urban and rural areas; as the number of internet users in rural areas is lower than urban areas. This meant that while those with higher education or working in international companies managed to keep their jobs through working remotely, the majority of informal workers did not have this option. Moreover, only 0.9% of the top 10 million websites worldwide are in Arabic, which highlights another major obstacle in accessing digital information for lower income communities in Egypt who did not have access to an English education.^{xxii} Therefore, while the digital transformation is a crucial step forward, without appropriate training, various segments of the society would be marginalised and would be driven out of the labour market. This also poses an opportunity for digitally enabled jobs to flourish in Egypt, thus giving opportunities to those living in remote areas (outside Greater Cairo) to access an online economy that can create innovative employment opportunities.



2.3 Impact of recent global and country events on youth employment

Currency Devaluation

The Egyptian pound has been devalued once in 2016, and twice in 2022. The currency devaluation and the resulting inflation do not only affect the purchasing power or the quality of life, they also shape the labour market. When the currency is devalued, the public sector wages are not raised to match the inflation rates, which forces many public sector employees to turn towards informal work because the wage rates are more rewarding in the short term.^{xxiii} This is also a valid explanation of why young employees often turn to informal employment as mentioned above. Such circumstances highlight the importance of increasing exports in order to secure foreign currency; yet, this could only be achieved with high quality production that is dependent on skilled labour and an enabling environment for the private sector. Several opportunities present themselves, one for private sector companies with export potential to expand their production capacities thus creating more employment opportunities, another for young entrepreneurs to produce goods that can compete in the international market; if they are given the support needed to launch their businesses.

Russian-Ukrainian War

Egypt is the main tourist destination for both Russian and Ukrainian tourists, they account for one third of foreign tourism in Egypt. The Russian-Ukrainian War poses a threat to the foreign tourism industry in Egypt and by default it would affect a portion of the 2.9 million workers in the tourism industry^{xxiv}. With the decline in tourism, many of the hotels might have to lay off workers or decrease the capacity of work in order to compensate for the losses they are incurring on account of the Russian-Ukrainian war. According to EIPSS, there is a lack of will on the investors' side to fund projects in emerging economies such as the Egyptian one due to the Russian war.^{xxv} Hence, withdrawal or decrease in foreign investments means lack of job creation and an imbalance in the labour market that was only about to stabilise after the pandemic. This crisis leaves a gap in the market with regards to food commodities such as cooking oil as well as the need to increase local wheat production. If Egypt is able to locally produce such commodities, it would absorb a great amount of labour of agricultural and

^{xxii} El Kadi, "Uneven Disruption: COVID-19 and the Digital Divide in the Euro-Mediterranean Region", IEMed, 2020

^{xxiii} Masry, "IMF Policies and Impact in Egypt and the Arab Countries", 2021

^{xxiv} Al-anani, "Russia's War on Ukraine: Egypt's Limited Room for Maneuver", 2022

^{xxv} Zikrallah, "Behind exacerbation of Egyptian economic crisis", 2022

factory workers. Additionally, there is a need to diversify the clientele for the Egyptian tourism industry, which can be achieved through creative tourism initiatives led by the country's youth to appeal to different segments of tourists.

Energy Shortage and Price Increases

The energy sector in Egypt is becoming more challenging and would impact every walk of life, including employment. Firstly, the gas prices that keep increasing affect the tariffs of transportation to begin with but also all the other commodities that get transported across the country^{xxvi}. This entails that a worker's journey to work is becoming more expensive and might lead youth to turn down jobs that are far from their residence area to avoid paying a considerable amount of their wages on transportation. Simultaneously, the price increases of all the other commodities would push youth to informal work which pays more so they can afford to buy said commodities.

Secondly, the government has announced electricity-related austerity measures to decrease the use of gas including closing down shops, malls and street lights at 11 pm.^{xxvii} Such measures mean that the work shifts in shops and malls would be decreased, hence, the workers who were needed for the night shift would not be needed anymore or they will have to work fewer hours for a humble wage. Moreover, turning off street lights at 11 entails less safety which creates an obstacle for young workers, especially women, and limits their job opportunities to the ones that would finish early before the street lights are turned off.

xxvi Barakat, "Egypt Raises Fuel Prices For Third Time in 2022", 2022

xxvii Deutsche Welle, "To solve economic woes, Egypt turns off city street lights, lowers air conditioning", 2022

3. Who Are The Youth?

Unemployment in the Egyptian context masks a more complex reality. The World Bank offers a useful framework to understand the youth labour disadvantage. Some 30.2% of Egyptian youth are NEETs: Not in (formal) Employment, Education or Training.^{xxviii} This illustrates the extent to which young Egyptians are not participating in the labour market, nor building the necessary skills to be able to join the labour market in the future. Disaggregated by gender, it is clear that the situation is a lot worse for women: 44% of young women are NEET, compared to 17.2% of young men. What explains this phenomenon of widespread labour market inactivity?

3.1 Different Categories of Youth

Youth is not a homogeneous group; this is true for any country and Egypt is no exception. It makes a huge difference if you are a young university graduate in Cairo or a young informal worker outside Greater Cairo or a young woman doing unpaid family work or low-skilled labour. We have identified 6 groups into which different types of youth can broadly be clustered as follows^{xxix}:



1. Non-wage workers (including the self-employed, employers, and unpaid family workers)



2. Informal private sector wage workers



3. Low-skilled, employed youth in unskilled, low-paid jobs, both formal and informal



4. Public sector wage workers,



5. Formal private sector wage workers,



6. The unemployed (broad definition) or those out of the labour force

^{xxviii} World Bank 2020 <https://data.worldbank.org/indicator/SL.UEM.NEET.ZS?locations=EG>

^{xxix} Adopted from ILO/ERF (2022) 'Are labour markets in the Middle East and North Africa recovering from the COVID-19 pandemic?'. Available at: https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-cairo/documents/publication/wcms_849754.pdf

Categories 1-3 represent by far the largest youth groups, both in rural and urban areas. The first category includes rural youth from modest farming families outside Greater Cairo. The youth that are most likely to be impacted by the economic crisis following the COVID-19 pandemic are those in categories 2 and 3 plus those who are just starting to look for work. According to Assaad and Krafft, the probabilities of informal work are lower in highly educated persons, but the probability of informal work is higher in youth than in prime age groups. Similarly, a pattern has been deduced in private sector firms who have become more likely to employ youth informally under the name of a trial period with a promise of potential formalisation.^{xxx} The dearth of new jobs is further compounded by the increase in young people who recently became unemployed as a result of the Covid-19 lockdown and who are now also looking for work.

Category 4 reflects a challenge that is almost unique to the Egyptian context, Barsoum and Abdalla confirm that since the 1990s it is difficult to earn a job at the public sector without having connections to someone who works at this bureau. Furthermore, youth are particularly unwelcomed in the public sector as there have been explicit instructions for employers to hire older employees rather than young ones. While the public sector has become generally more selective, as the percentage of women fell from 57% in 1998 to 39% in 2018, in addition to the fact that 50% of 18-35 years old that are given a job in the public sector are university graduates while the percentage of those with secondary education of the same age group only amount to 25%.^{xxxii}

Unemployment is also high in Category 5- young urban educated youth employed or seeking wage-employment in the formal sector – which is a specific Egyptian phenomenon, which can be explained by the high educational level of Egyptian youth compared to other countries in the region, on the one hand, and the lack of high-quality jobs that meet the young graduates' aspirations. Over one third (33.5%) of Egypt's total unemployed youth have completed tertiary education^{xxxiii} Additionally, despite their attainment of high educational levels, the skill set acquired from such education in many instances does not meet the skill requirements of the private sector and hence the chronic supply-demand skills gap. Many interviewees mentioned the inadequacy of a university degree in preparing a young person for work. Young people leave higher education with a piece

of paper that builds their social status, but does not help them in finding or retaining a decent job.

There are significant discrepancies in Category 6 based on gender and geographical area. The unemployment rate is higher in governorates outside Greater Cairo, such as Suez, Damietta, Red Sea and North Sinai. According to the UNDP, the unemployment rate for females is constantly disproportionately lower than their male counterparts; regardless of whether governorate as a whole has a high or low unemployment rate. For instance, in the Red Sea the unemployment rate is 14.8%, male unemployment rate is 7.7% and female unemployment rate is 52.5%. While in Luxor, the unemployment rate is 5.5% with male unemployment rate being 1.6% and female unemployment rate is 43.5%.^{xxxiii}

Youth across most of these categories are potential entrepreneurs if the environment is enabling. The Global Entrepreneurship Monitor (GEM) asserts that the percentage of entrepreneurs in Egypt in the group 18-34 years is almost double the percentage of entrepreneurs in the age group 35-64 years. Unfortunately, Egypt is amongst the lowest countries globally in the rate of female entrepreneurs and women business owners.^{xxxiv} Therefore, this market is still full of potential that needs to be tapped into, yet it is crucial to offer innovative ways to engage with these youth so they can explore up and coming business sectors. Young entrepreneurs might have part of the solution for the employment problems in the rest of the sectors.

Traditionally, university education and subsequent employment in the public sector was the main vehicle for social mobility. An increasingly educated youth population came to expect that a degree would guarantee them a stable and decent job in the public sector. But this expectation no longer applies in the realities of the job market, especially since the early 1990s, after the Economic Restructuring and Structural Adjustment Programme, which accelerated the privatisation of public sector enterprises. Since then, the public sector has been gradually down-sizing, though it is still an important player in the Egyptian labour market, providing more than a quarter of total employment. According to the ILO/ERF, "youth, the low educated, self-employed men and temporary contract low-wage women were the most vulnerable to the lockdown".^{xxxv}

xxx Assaad & Krafft, 'Excluded Generation: the Growing Challenges of Labor Market Insertion for Egyptian Youth', Routledge, 2020

xxxi Barsoum & Abdalla. 'Still the Employer of Choice: Evolution of Public Sector Employment in Egypt'. ERF. 2020

xxxii Abdelrashid, 'On Youth International Day ... Get Acquainted with the Percentage of Youth in the Egyptian Labour Force', 2021

xxxiii UNDP, Egypt Human Development Report, 2021.

xxxiv GEM, 'Global Entrepreneurship Monitor 2021/2022', 2022

xxxv ILO/ERF, 'Are labour markets in the Middle East and North Africa recovering from the COVID-19 pandemic?', 2022

The increasing informality of jobs for new entrants and the slow growth of the formal private sector are further symptoms of weak labour demand. Most young Egyptian males today are engaged in a perennial struggle to cobble together whatever patchwork of temporary low-paying jobs, petty trading, and other tenuous money-earning activities they can devise to contribute to their family's income. Even in the agricultural sector, 44.8% of agricultural workers are informal, marking the highest percentage of informal employment in 2020.^{xxxvi}

3.2 Young women

Women bear the brunt of total economic inactivity in Egypt. Those with higher education have less job opportunities that meet their qualifications and aspirations. Most of the less educated women end up working in the informal sector: they do not have the luxury of choosing when, where and how they work. The main issues around decent employment for women in Egypt are listed below.

Unemployment after marriage

Marriage is a major cause of the low labour participation of women, with women either abstaining from seeking employment because they and their male relatives believe that work, especially in the private sector, decreases their chances of marriage; opting for work that is less demanding; or exiting the labour market after marriage. However, this trend appears to be changing, based on comments from the young, educated women in several youth sessions in Alexandria and Cairo.

Convincing her husband and other family members

Women's traditional role is seen as nurturing and child-rearing, and most women themselves, and their fathers/spouses prefer not working in order to care for the household. This is particularly the case for women in Upper Egypt and the Delta region. Related to the issue of 'gender-appropriate' work, women struggle to convince their husbands or other family members of the importance of work, not just for financial reward, but as a vehicle for self-fulfilment.



xxxvi ECES, 'Views on the Crisis: The Informal Sector', Issue 7, 2020

The burden of unpaid care work

Given that most of the workforce is employed in the informal sector or in the unregulated formal sector, the labour law that aims at facilitating women to combine market work and household work only provides protection to a few elite women. Due to the lack of childcare and healthcare facilities especially in rural areas, women bear the consequences and are the main caregivers in their households; a role that obstructs their work opportunities and one that they are not paid for.^{xxxvii} Most large companies do not comply with the legal requirement to provide childcare for their female employees.

The need for flexibility of working hours and location

Caretaking duties are an important reason why many women leave the workplace after marriage. Thus, there is a need for flexible working arrangements for women, including digital work, which would allow them to work from their homes. Hence, entrepreneurship could be a suitable option for women to work at their own pace and be able to balance between their traditional responsibilities and their source of income, yet this potential is yet to be fulfilled.^{xxxviii}

Fewer options for work

Gendered expectations of what women can and should do for a living limit them to certain professions deemed 'appropriate'. Men are more flexible in this respect as they may for example decide to start driving an Uber, which offers flexibility and a reasonable income. This is simply not an option for women. They must find other ways of working flexibly that conform with societal and familial standards of putative decency. Things are changing for the better, but very slowly.

Violence against women

Violence against women comes with social and economic costs, as it results in lost employment and productivity. Social costs include physical and emotional insecurity, psychological stress, decreased confidence, and reduced self-esteem. In monetary terms, the economic cost of gender-based violence is EGP3 billion in severe cases and EGP1.7 billion in normal cases.^{xxxix} The latest survey on gender-based violence in 2015 estimated that 7.9 million

Egyptian women experience violence yearly, perpetrated by spouses, close relatives or strangers in public spaces, including on public transport.^{xl}

3.3 Youth outside Greater Cairo

Upper Egypt and the Delta region have much higher poverty rates than Cairo or Alexandria. According to the latest government figures, 22% and 48% respectively live in extreme poverty in the Lower Egypt countryside and Upper Egypt countryside.^{xli} Inevitably, youth outside Greater Cairo face very different, and more challenging obstacles to accessing decent employment. Through our in-country interviews, several key challenges for youth accessing decent employment in these underserved, underdeveloped regions emerged:

Private sector opportunities outside Greater Cairo are extremely limited

The availability of private sector jobs in rural areas, and especially in Upper Egypt, is weak. There are no industrial parks and infrastructure is limited. As a result, companies are reluctant to set up operations and there are low levels of entrepreneurial activity, especially for women. Access to markets is a major problem for farmers and local businesses, and most value-adding activities take place elsewhere. Furthermore, only 14% of firms are in Upper Egypt and 1.4% of private sector firms are in El Wadi El Gedid, Marsa Matrouh and North and South Sinai.^{xlii}

Working conditions in local companies based outside Greater Cairo are poor

Workers outside Greater Cairo suffer from much worse working conditions than in other, more developed parts of the country. Women working in textile factories in Assiut earn around LE 600 a month, routinely doing 12-hour shifts every day. This is a little more than quarter the legal minimum wage. Despite such low salaries, the cost of marriage for young men in Upper Egypt is higher than for young men in urban areas, which explains why they end up taking jobs that are insecure and unsafe but meet immediate financial needs. Youth in Upper Egypt miss out on employment interventions, as these are almost entirely directed at youth in Cairo and Alexandria

xxxvii FAO, 'Country Gender Assessment of the Agriculture and Rural Sector: Egypt', 2022

xxxviii Krafft & Assaad, 'Gender and Economic Vulnerability in Egypt's Labour Market', 2022

xxxix Diaa ElDeen, '«Statistics»: The Cost of Violence against Women is 3 Billion Pounds in Severe Cases', 2021

xl CAPMAS, UNFPA & NCW, 'The Egypt Economic Cost of Gender-Based Violence Survey (ECGGBVS)', 2015

xli Shantir, 'Decentralisation and Geographical Inequality in Egypt', 2022

xlii The World Bank, 'Creating Markets in Egypt: Realizing the full potential of a productive private sector', 2020

The bulk of youth employment programmes are directed at young people in the Greater Cairo region, who arguably need them much less. There is a real need to decentralise services and programmes, to give underserved youth in rural areas outside Greater Cairo a fairer shot at accessing decent work. A few experts mentioned the potential for online services in facilitating access to decent work, although this may pose challenges due to low internet connectivity, so that the most marginalised youth would remain excluded.

3.4 Youth Aspirations

Youth is by no means a monolithic category. We have highlighted just a few different broad groups, which themselves can be further cut in a myriad of different ways. It is worth briefly looking into what kind of employment young people from these different groups aspire to. Based on the youth sessions we conducted in Cairo and Alexandria, most youth expressed the universal desire to 'start their lives'. In the Egyptian context this means to earn enough money to be able to get married and settle down. Thus 'decent work' is defined as work that pays enough to cover these immediate needs.

However, while almost everyone agreed that a decent wage was fundamental, most expressed a more holistic understanding of decent employment. Some of them mentioned the need to feel secure at work, or health and safety provisions in the workplace, especially when working with heavy machinery, or career prospects. When asked whether they would prefer a fixed salary of LE 5,000, with no opportunity for a raise, or to start off at LE 3,000, with the potential to increase to LE 10,000 after 12 months based on good performance, 12 out of 13 in the group chose the latter option.

The above views were expressed during focus groups and interviews conducted in April-May 2020. For the purpose of this updated report, views on youth aspirations were collected through a set of 23 qualitative one to one interviews conducted with 13 females and 10 males within the age range of 22-35 years. 12 of the interviewees were based in Greater Cairo while the rest lived in Alexandria, Kafr ElSheikh, Al-Behaira, Al-Minya, Assiut, Aswan and Hurgada. The majority of those interviewed had completed their undergraduate studies while the rest had completed post graduate studies.

Every job has a stress factor attached to it; a decent job should not create a sense of continuous anxiety to deliver.

— Youth Aspiration IDI respondent

When asked about what a decent job meant for them, 74% spoke of the importance of the *working environment* where there is a clear system of accountability, clear roles and responsibilities, healthy working environment, room for women to grow, team work and opportunities to learn and grow. 70% cited *working hours* as a measure of decency of jobs with flexible working hours to enable them to have a healthy life-work balance with a focus on results orientation. 65% also cited *financial rewards* as a measure of job decency with stable and reasonable salaries that are able to cope with the surge in prices.

They called me after 2 years to check if I was available for the same job I had applied to back then!!

— Youth Aspiration IDI respondent

When the respondents were asked about what a meaningful job meant for them, 57% spoke of *leaving an impact on people and society*, 26% spoke of finding room for *learning and growth* coupled with career progression, 22% spoke of *feeling appreciated and rewarded* accordingly. 17% cited achieving milestones as another definition for meaningful jobs. It is worth highlighting the differences between females and males when asked this question, females viewed meaningful jobs as ones that had more impact, collaboration, appreciating, whereas males viewed meaningful jobs as ones where they had clear objectives, entailed problem solving and achievements.

For me a meaningful job is one where I can see a clear tangible impact of my work and effort.

— Youth Aspiration IDI respondent

Respondents were also asked about the main challenges faced in landing a job. 48% spoke of the *long recruitment process* they have to go through that in many times leads to nothing. 35% spoke of referrals as the main channel to land a job. 30% spoke of the challenge of applying to tens of jobs *without receiving any response from the employers*. 22% spoke of job profiles that where the roles *did not*

match the required qualifications. Other challenges cited including limited access to opportunities particularly for those with limited English and digital skills, the more digital the job is the more people are excluded especially outside the Greater Cairo area.

When respondents were asked about the important skills, they should possess to land a job they cited interpersonal skills such as communication skills, relationship building, networking negotiation skills, decision making, team work, creativity and personal branding. They cited their need to be aware of how to handle office politics and the mastery of English language at least.

Hard skills get you hired and soft skills get you promoted, a mix of both is needed to get a job.

— Youth Aspiration IDI respondent



4. What are the main challenges and opportunities for youth employment in Egypt?

This Chapter is divided into subsections, each focusing on a different thematic obstacle that Egyptian youth typically encounter in accessing decent work.



4.1 Country Specific Challenges

Key Facts

- ▶ Economic instability including currency devaluation, inflation and energy price hikes. (Egypt Watch, 2022).^{xliii}
- ▶ Social norms and embedded inequalities between gender and rural versus urban cities. (Shantir, 2022).
- ▶ COVID-19 has had a negative impact on the economy at large and has driven many young Egyptians out of the labour market, the majority of whom are women. (ILO, 2022b).
- ▶ The Russian-Ukraine war led to a severe decrease in tourism and an increase in basic commodities and energy prices. (Egypt Watch, 2022).
- ▶ The expansion and increasing dominance of the informal sector in Egypt can be attributed to systemic failures on the labour demand side.
- ▶ Egypt has struggled with jobless growth since the implementation of structural adjustment policies in the early 1990s.
- ▶ Privatisation of the public sector diminishes the job opportunities of the youth segments who seek jobs in the public sector especially women.
- ▶ With a young population of 20 million tech-savvy consumers, Cairo provides a perfect test bed for innovation and an attractive market for scalability of high potential start-ups (GEN report 2020)

Challenges

- ▶ Economic instability discourages investors from opening new businesses or expanding their businesses.
- ▶ Disproportionately low participation of young women in the labour market, partly due to social and cultural norms.
- ▶ Lack of public sector jobs due to privatisation, affecting women disproportionately.
- ▶ Negative effects of Covid-19 on labour demand in certain sectors such as the hospitality sector.
- ▶ The lack of digital literacy makes it difficult for many people to maintain their employment status during COVID-19 and in a world that is moving towards digitally enabled jobs

Opportunities

- ▶ Currency devaluation poses a golden opportunity for a boost in Egyptian exports and hence economic growth, providing an enabling environment coupled with clear and red-tape free procedures and encouraging the private sector to capitalize on this opportunity will lead to increased revenues, profits and employment creation
- ▶ Establish industry and business hubs outside the Greater Cairo area in Upper and Lower Egypt
- ▶ Create programs targeting young women, especially in rural areas outside Greater Cairo.
- ▶ Stimulate initiatives to formalise firms and/or the jobs that they offer to youth especially outside Greater Cairo
- ▶ Identify sectors with growth potential and resilience in the face of current global and local crises

Relevance for Challenge Fund for Youth Employment

- ▶ Youth employment initiatives funded by CFYE should focus on:
- ▶ Scaleups and growth companies with solid business and operating models that are resilient in the face of the current global and local crises
- ▶ Businesses that either export or have strong export potential irrespective of their sector should be approached to capitalize on the current market conditions
- ▶ Businesses with growth potential outside the Greater Cairo area and hence the ability to create employment

^{xliii} Egypt Watch 'The Egyptian economic deterioration persists despite the international support', 2022



4.2 Employability Related Challenges

Key Facts

- ▶ Youth were amongst the most vulnerable groups that were the first to lose their jobs during the pandemic. (ILO & ERF, 2022).
- ▶ Youth aged 15-24 years occupy the highest rates of unemployment, and females experience higher percentages of unemployment than their male counterparts. (UNICEF, 2022).^{xliv}
- ▶ Graduates of higher education experience the highest rates of unemployment. (UNDP, 2021).^{xlv}
- ▶ English is used, often unjustifiably, as a 'basic filter' to disqualify the majority of candidates. The ones remaining tend to be from elite, educationally privileged backgrounds.
- ▶ The Egyptian education system does not equip young people with relevant skills and knowledge to meet the requirements of the labour market. This applies to both white and blue collars.
- ▶ Young entrepreneurs face difficulty in finding lenders or entities to finance their enterprises. (Zaazou & Abdou, 2020).^{xlvi}
- ▶ The Egyptian education system does not equip young people with relevant skills and knowledge to meet the requirements of the labour market.

Challenges

- ▶ Higher education does not translate into better employment opportunities.
- ▶ Young women face more obstacles than young men in entering the labour force and are more likely to exit the labour force faster due to these obstacles.
- ▶ Not all skills development initiatives result in sustainable, decent jobs being created.
- ▶ Lack of prestige of vocational education and 'blue-collar jobs'.
- ▶ Many young girls in rural Egypt do not complete school and hence are not reached by higher education initiatives.
- ▶ Lack of financing opportunities and knowledge of lending options for young entrepreneurs.

Opportunities

- ▶ Encourage collaborations between the Ministry of Higher Education and private sector firms to train students and fresh graduates thus be enhancing their skill set and employability
- ▶ Stimulate initiatives to make blue-collar jobs more attractive to young men and women.
- ▶ Carry out research on why development initiatives do not result in sustainable jobs and why their results are short-lived.
- ▶ Promote initiatives focusing on girl education in rural Egypt to decrease the dropout rate of girls from school, so they can benefit from training programmes and placements.
- ▶ Organise networking events and information sessions on methods of accessing finance and reaching out to lenders for young entrepreneurs.
- ▶ Enhance digital literacy amongst youth from different cities and educational backgrounds.

Relevance for Challenge Fund for Youth Employment

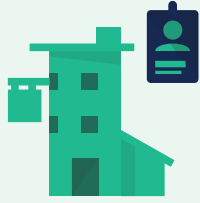
Youth employment initiatives funded by CFYE should focus on:

- ▶ Businesses that are able to create digitally enabled jobs
- ▶ Businesses that work with fresh graduates or those who have not entered the job market along side the private sector to equip them to skilfully enter the job market
- ▶ Considering applicants that provide decent employment for blue collared workers
- ▶ Businesses with operations outside the Greater Cairo area especially in Lower and Upper Egypt that seek to provide employment (wage or self) through their projects

^{xliv} UNICEF, *Giving Voice to Data*, 2022.

^{xlv} UNDP, *Egypt Human Development Report*, 2021.

^{xlvi} Zazzou & Abdou, 'Egyptian small and medium sized enterprises' battle against COVID-19 pandemic: March - July 2020', 2020



4.3 Employer Related Challenges

Key Facts

- ▶ Investors have been reluctant to invest in Egypt due to the high inflation rates despite economic reforms. (UNDP, 2021).
- ▶ Several employer toxic behaviours in Egypt have been reported such as bullying and intimidation, hustle culture and lack of psychological safety (Omar, 2022).^{xlvii}
- ▶ Violence against women in the workplace is a major threat and their ability to file complaints or turn to the legal department is more stable in the public sector than the private one. (Ezzat, 2022).^{xlviii}
- ▶ State-owned businesses sometimes have advantages over private sector companies. (Abdel-Razek, 2021)^{xlix}.
- ▶ Business activity is clustered around a few large firms and a multitude of very small ones, the latter finding it difficult to scale up due to lack of access to capital and a regulatory environment, which is anti-competitive, privileging the interests of well-connected business elites.
- ▶ Significant barriers to matching still exist, in the form of 'wasta' (nepotism) and limited investment in Public Employment Agencies.
- ▶ There is a growing number of angel investors; most have close ties to business accelerators. However, none of these mainly tech-oriented investors have a strong focus on women.

Challenges

- ▶ Growth sectors do not tend to create a lot of (decent) jobs for women.
- ▶ Many firms still prefer to hire someone they know instead of the best-qualified candidate.
- ▶ Job opportunities in the Gulf region make it difficult for Egyptian firms to compete.
- ▶ Work environments are not well-monitored and do not provide employees with the support needed for their professional growth.
- ▶ Work places are not safe enough for young women.
- ▶ Private sector companies do not have incentives to expand their business in Egypt.
- ▶ Employers are focused on Greater Cairo and Alexandria, leaving out rural areas.
- ▶ Business support services are well-developed for entrepreneurs in Alexandria and Cairo, but this is not the case in other parts of Egypt.
- ▶ Informal business and informal jobs in formal business result in a lack of decent jobs.

Opportunities

- ▶ Expanding the geographic presence of the private sector outside Greater Cairo.
- ▶ Expand accelerator and other business support services to rural areas outside Greater Cairo.
- ▶ Providing training to employers on creating a nurturing work environment for young employees.
- ▶ Ensure that private sector companies put in place policies to ensure adequate working conditions that build employee loyalty.
- ▶ Reward proactive HR measures aimed at recruiting the best-qualified candidate, in combination with a gender strategy.
- ▶ Engaging decision makers in top firms in an initiative to make workplaces safer for young women.
- ▶ Create comparative advantages for investors to open new business across different governorates in Egypt.
- ▶ Roundtable meetings to implement strict policies against nepotism in the hiring and promotion processes.
- ▶ Boost entrepreneurship initiatives in rural areas in Upper and Lower Egypt

Relevance for Challenge Fund for Youth Employment

- ▶ Youth employment initiatives funded by CFYE should focus on:
 - ▶ Considering accelerator programs that enable scale ups in promising and labour-intensive sectors with a preference for those working outside the Greater Cairo area
 - ▶ Businesses that seek to formalize the jobs provided under their initiatives
 - ▶ Businesses that are willing to improve their recruitment processes and develop and internal HR strategy aimed at career development and employee satisfaction

^{xlvii} Omar, '5 toxic work habits that are predominant in Egypt and how to overcome them', AUC Business School, 2022.

^{xlviii} Ezzat, 'Commentary: Paving the Way for C190: For a Safe Working Environment', Alternative Policy Solutions, 2022.

^{xlix} Abdel-Razek, '2021 Yearender: More room for the private sector', 2021

5. A call for solutions

In light of the above findings and considerations, some key parameters have been determined for CFYE's second Call for Solutions in Egypt, outlined below.

- ▶ CFYE partners in Egypt must be led by a private sector entity
- ▶ Working with the private sector is seen by CFYE as one of the key success factors of the fund as they provide a direct pathway to sustainable job creation, additionally the private sector is the main driver for economic growth and where the majority of jobs are found, thus it only seems plausible to support scalable business solutions presented by the private sector.
- ▶ CFYE partners in Egypt must prioritize decent work
- ▶ CFYE partners need to make the decent work element paramount in their proposed interventions. This means actively abiding by national employment laws and regulations, seeking to provide better working conditions for their employees.
- ▶ CFYE partners in Egypt should focus on initiatives with job growth potential while ensuring business scalability
- ▶ In this second call, CFYE chose to be sector agnostic without presenting a list of focus sectors for potential applicants to ensure a wider net is thrown for all those who are able to provide jobs within their proposed projects. Importance is placed on projects that support and scale the business models of the potential applicants that emphasize their ability to provide decent jobs for youth and women.
- ▶ Each intervention by a CFYE partner in Egypt must provide at least 500 jobs for youth
- ▶ The minimum acceptable threshold for jobs to be included in each intervention should not be less than 500 jobs for youth aged 18-35 years old, with a requirement that at least 50% of these jobs should be for women. The jobs provided in each intervention must be a mix of 2-3 job types (Create, Match & Improve), with a recommendation of 50% for the Create type, no more than 30% for the Improve type and 100% Match job types will be found ineligible.

Further details about the eligibility criteria, selection process and required templates can be found on the CFYE website using the following link:

fundforyouthemployment.nl/call-for-solutions-egypt