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How do the Poor Cope with the Increased
Employment Inadequacy in Egypt?

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INTRODUCTION*

Employment inadequacy has increased in Egypt. On the labor demand side, the implementation of the Economic Reform and Structural Adjustment Program (ERSAP) on the national level, and the implications of globalization on the international level are important causes for rising employment inadequacy in the economy. On the other hand, poverty is quite high in Egypt. Does poverty increase the exposure of labour to employment inadequacy; i.e. are the poor more vulnerable to unemployment as compared to the rest of the labour force? Also, how do the poor cope with employment inadequacy, especially that open unemployment is a 'luxury' that they cannot afford?

To answer the first question, the employment profile of the poor has to be investigated to find out the economic activities in which they are mostly engaged and how do these sectors behave with respect to output and employment growth. But, because of lack of data on the employment profile of the poor, the employment profile of the uneducated will be examined instead since, as will be shown below, the uneducated are a good proxy to the poor in Egypt. For the second question, we shall differentiate between two means for coping of the poor with employment inadequacy. The first means is through searching jobs outside the formal labour market (i.e. getting engaged in informal employment), and the second means is through the adaptation mechanisms they apply to cope with the implication of job inadequacy of low -or even zero-income earned by the household's bread winner(s).

Thus, the paper will consist of four parts beside the introduction which forms part one. Part two will be on the state of poverty in Egypt in the nineties. The employment profile of the uneducated will be examined in part three. Employment inadequacy, causes and trend will be discussed in part four. Finally, part five will be on how the poor cope.

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1. THE STATE OF POVERTY IN EGYPT IN THE NINETIES

The estimates of the poverty level in Egypt in the nineties differ considerably depending on the data sources used and the methodology applied. In 1990/91, the percentage of poor households in total urban and rural households was estimated as 39.0% and 39.2% by Egypt Human Development Report¹ (EHDR) (INP, 1996; Table 2.7), and 35.9% and 54.5% by Korayem (1996; Table 1). Both sources used the expenditure data in the Households Income and Expenditure Survey (HIES) of 1990/91; the difference in the estimates is attributed to the methodology applied in estimating the absolute expenditure poverty line. Using the Household Expenditure Survey (HES) of 1995/96, poverty in Egypt was estimated by Cardiff as 44% of the population (Datt & others, 1998; 23) and 48% by the EHDR² (45.0% in urban and 50.2% in rural sectors) (INP, 1996; Tables 2.2 & 2.7). Using a different data set for 1997 from Egypt Integrated Household Survey (EIHS) carried out by the International Food Policy Research Institute (IFPRI) and others, the headcount index of poverty was estimated as 26.5% on the national level, and 23.1% and 29.1% in urban and rural sectors respectively (Datt & others, 1998). The significantly low estimate of poverty in 1997 is due to the difference in the data sources used, since by applying the reference poverty line of 1997 to the HES 95/96 data after deflating it for the change in the consumer price level between the two surveys, it has been found that the headcount index is 50.5% for 95/96 (Datt et al; 25). The evolution of poverty during 90/91 - 95/96 as revealed from those estimates should be taken with great cautious, since no single source has estimated the percentage of the poor in the Egyptian population using the same methodology for 90/91 and 95/96.

As an alternative to estimating poverty, the share of the low-income people in total population was estimated (Korayem, 2000). The idea was to overcome the differences that evolve in estimating the poverty line and the consequent impact on estimating relative poverty in the country; the poor represent a subgroup of the low-income people.

The estimation of the low-income people in Egypt is based on the concept that income is equally distributed among the population if a given percentage of the population receives an equal percentage of national income (e.g. 10% of the population receive 10% of the national income) and, hence, income is unequally distributed if a given percentage of the population receives a smaller, or greater, percentage share of national income. The former group is the low-income

¹ This refers to what has been called in the Report "upper poverty line".

² This includes what has been referred to in the EHDR as the "poor" and the "moderately poor", which is equivalent to the "upper poverty line".

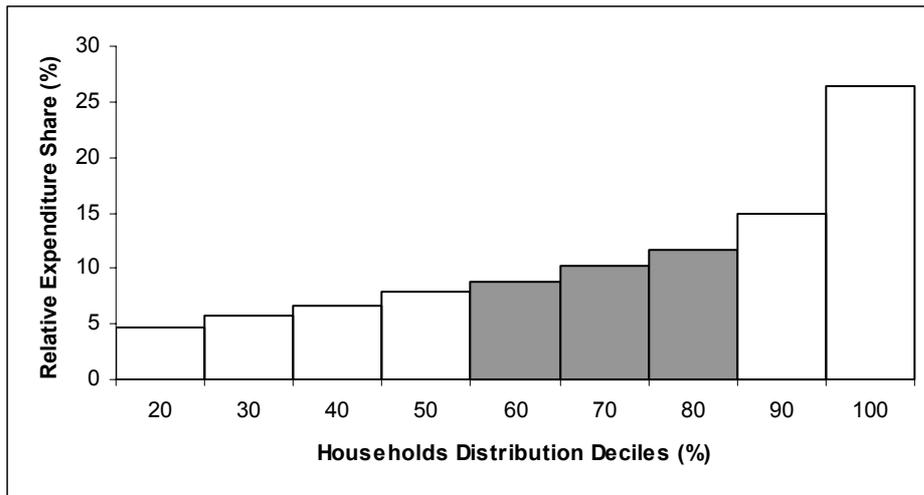
people, while the latter group is the upper-income people. The rest are the group of middle-income people.

Methodology in Brief³: In the decile income-distribution, one may differentiate between three groups: (a) The population (or households) deciles whose shares in national income are less than 10% for each decile; those are the low-income group. (b) Those deciles whose shares are around 10% of the national income for each decile; those are the middle-income group. (c) Those population deciles whose relative shares are greater than 10% of the national income for each decile; those are the high-income group. Hence, in the decile income-distribution, 10% share of the national income is the equal income-distribution share (EIDS), while in the quintile income-distribution pattern, the EIDS refers to 20% of the national income, etc. The EIDS is used in identifying the three household groups mentioned above. However, because of non-availability of income distribution data in the HES95/96, the expenditure data in both Household Surveys (90/91 & 95/96) were used to identify the low-income households group. Accordingly, the equal expenditure-distribution share (EEDS) instead of the EIDS was used to differentiate between the three household groups: low-, middle- and upper-expenditure households. Applying this methodology to the HIES 90/91 and HES95/96, one finds that in both years the lower-expenditure households represent 50% of the urban households and 40% of the rural households. The middle-expenditure group represents 30% of the households in both sectors. The upper-expenditure households represent 20% of the urban households and 30% of the rural households. Figures 1 and 2 show the decile expenditure-distribution of the urban and rural households in Egypt in the most recent year 1995/96.

Thus, the urban sector has a larger lower-expenditure households group and a smaller upper-expenditure households group as compared to the rural sector in Egypt. The middle-expenditure households group is at the same size in both sectors. The low-income group includes the poor who live at the poverty line and below, and the non-poor who live at low-income level just above the poverty line. Thus, the rural sector fares better as compared to urban sector with respect to the size of the low-income population group in 1990/91 and 1995/96, while according to the poverty line estimates the reverse is true; i.e. the rural sector has higher poverty incidence as compared to the urban sector which implies that those who are living at the poverty line and below represent a larger segment of the low-income people in the rural sector as compared to the urban sector.

³ For more details on the methodology and its application on Egyptian data, see Korayem (2000).

Figure 1

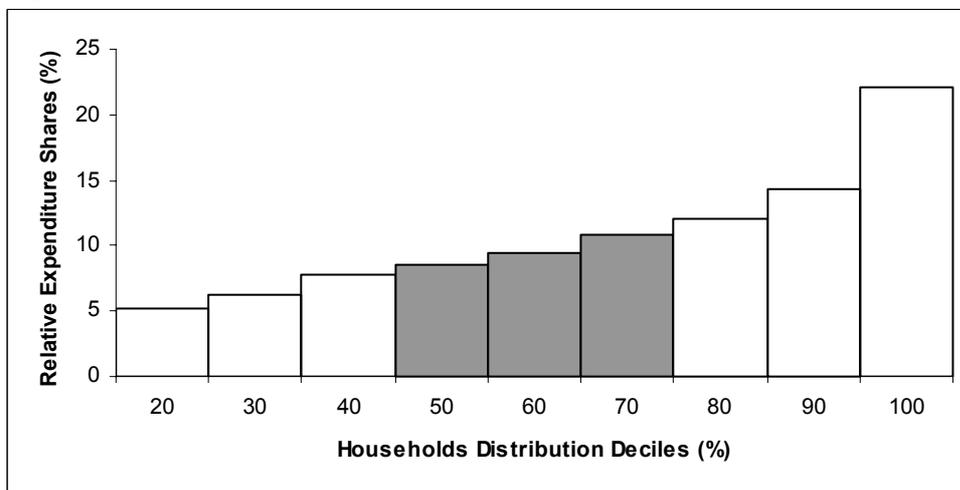


The Decile Expenditure-Distribution of the Urban Households in Egypt; 1995/96

- Lower-expenditure household deciles : left to the shaded area
- Middle-expenditure household deciles : the shaded area
- Upper-expenditure household deciles : right to the shaded area

Source : Korayem 2000; Table 1.

Figure 2



Source : Korayem (2000); Table 1

The Decile Expenditure-Distribution of the Rural Households in Egypt: 1995/96

- Lower-expenditure household deciles : left to the shaded area
- Middle-expenditure household deciles : the shaded area
- Upper-expenditure household deciles : right to the shaded area

2. THE EMPLOYMENT PROFILE OF THE UNEDUCATED

According to the above methodology of identifying the low-income population group to the HES 1995/96, it has been found that this group falls in the expenditure intervals below LE 6800 in the urban sector and LE 5600 in the rural sector (Korayem, 2000). Since there are no data available on the employment profile of the poor, the employment profile of the uneducated will be used as a proxy, since 76% of the identified low-income group in both urban and rural sectors are either illiterates or can just read and write⁴, i.e. about 3/4 of the low-income people and the poor in Egypt are uneducated⁵.

Is uneducated labour in Egypt (as defined above) more vulnerable to job inadequacy as compared to the rest of the labour force? To answer this question, the employment profile of the uneducated has been investigated. The hypothesis is that this group will be more vulnerable to employment inadequacy if they are mostly employed in the economic sectors with relatively low growth rates. According to the Population Census 1996 (PC 96), uneducated employment amounts to 8.5 million, out of a total employment of 15.6 million on the national level, representing 54.5% of the total⁶. Female employment represents 4.7% only of uneducated employment as compared to an average of 13.4% on the national level⁷.

Table 1 shows that almost half of the uneducated labour (48.8%) are employed in the agricultural sector. The three other important sectors in terms of their employment are manufacturing (15.5%), construction (10%), and trade (10%). The important employment sectors with respect to the uneducated females are the same, with the exception of construction; 49.4% of the uneducated females are employed in agriculture, 15.5% in manufacturing and 13.7% in trade.

Thus, the largest employer of uneducated labour is the agricultural sector; next in order, but still after a large gap, comes the manufacturing sector. Looking at the average annual rate of growth of production in both sectors over the period 1991/92 – 1997/98, one finds that it was 3.5% for the agricultural sector and 6.9% for manufacturing, as compared to 5.4% for all of the commodity sectors which comprise agriculture, manufacturing, oil construction

⁴ Calculated from HES95/96 in CAPMAS (1997), Vol. 2 Part 2, Table (5-26) and Vol. 3, Part 2, Table (5-26).

⁵ Throughout the paper, we shall refer to the labour force who are either illiterates or can just read and write as the uneducated labour, and the rest of the labour force –i.e. those who have less than intermediate level of education or higher- as educated labour.

⁶ Calculated from Table A.1 in the Appendix.

⁷ Calculated from Table A.1 in the Appendix.

and electricity⁸. This indicates that agriculture in Egypt is experiencing a slower pace of growth as compared to the commodity sectors in general, which implies a relatively lower capacity for jobs creation. This is confirmed by examining the employment growth in the agricultural sector over the last ten-year period. Thus, over the period 1988 - 1998 it had the lowest employment growth as compared to other economic activities (with the exception of mining). The average annual employment growth rate in agriculture over the mentioned period was 1.6%, with a negative average annual rate of growth for the male employment (-1.9%) and a rate of growth of 4.1% for female employment, while in manufacturing, the average annual employment growth rate over the period was 4.9%; the highest average annual employment growth rate was in the sectors of finance, insurance and real estate (9.1%) and electricity, water, and gas (6.9%) (Assaad, 1999; Tables 9 & 10). The absorption of uneducated labour in the last two sectors is rather modest (0.6% of the uneducated are employed in the finance and real estate sector and 0.3% in the electricity, water and gas sector)⁹.

Given the above-mentioned sectoral employment profile of uneducated labour in Egypt, it should be expected that they will be more vulnerable to employment inadequacy. This is supposed to be reflected in high unemployment rate for uneducated as compared to educated labour. But, examining the unemployment figures in Egypt, the outcome is completely different. The unemployment rate of the illiterates and those who can read & write is 1.1% as compared to 9.0% on the national level; the highest unemployment rate (22.3%) is among the intermediate and less than university level of education (Table 2). The uneducated unemployed represent 0.1 million of a total number of unemployed labour of 1.5 million, representing thus 6.4% only of the unemployed at the national level (Table 2; and Table A.2 in the appendix). This contradiction between the implied inadequacy of job creation for the uneducated and their low rate of unemployment will be resolved when we examine the distribution of the uneducated labour between formal and informal employment; the casual odd jobs in the informal sector are the best alternative to unemployment for the uneducated labour. The poor cannot afford to be unemployed; work is a must for them to survive. In short, open unemployment is a luxury that the poor cannot afford.

⁸ Those production growth rates refer to the average of two figures: the average annual growth rate over the period 1991/92 – 1995/96 (with 1991/92 prices) and the growth rate in the year 1997/98 (with 1996/97 prices); those were 3.2% and 3.7% for the agricultural sector, 6.0% and 7.8% for the manufacturing sector, and 4.2% and 6.5% for all the commodity sectors (calculated from the National Bank of Egypt (2000), Table 2/3).

⁹ Calculated from CAPMAS (1998), Table 21.

Table (1)
The Employed (Age 15 & above) by Economic Activity & Education Level in Egypt in 1996
(%)

Education Level	Agricult.	Manuf.	Construction	Trade	Rest.&Hotl	Transport Stor. & Commun.	Public Administration & Defense	Education	Health & social services	Public & personal services	Other Activities ¹	Total
Illiterates and read & write (Female)	48.8 (49.4)	12.6 (15.5)	10.1 (0.9)	10.0 (19.7)	1.3 (1.0)	6.0 (0.5)	4.7 (2.9)	1.4 (5.0)	0.8 (5.4)	2.4 (3.9)	1.9 (1.9)	100.0 (100.0)
Less than Intermediate (Female)	24.6 (11.3)	19.4 (34.8)	11.7 (1.2)	13.0 (13.1)	1.8 (1.0)	11.9 (6.6)	7.4 (8.6)	2.3 (8.5)	1.4 (7.8)	2.4 (2.7)	4.1 (4.4)	100.0 (100.0)
Intermediate & less than university (Female)	10.6 (3.0)	18.3 (9.9)	5.2 (0.9)	7.9 (4.1)	1.4 (0.3)	5.4 (2.5)	16.7 (20.5)	16.8 (29.4)	4.4 (10.7)	1.5 (1.1)	11.9 (17.5)	100.0 (100.0)
University & Higher (Female)	2.4 (0.8)	7.6 (3.6)	3.8 (1.2)	6.0 (2.5)	0.9 (0.4)	3.0 (2.2)	18.5 (17.7)	33.7 (51.4)	5.6 (7.2)	2.9 (2.6)	15.8 (10.2)	100.0 (100.0)

(1) It includes mining ; electricity, water & gas; finance & real estate; and unspecified activities

Source : Calculated from Table A.1 in the Appendix.

To examine the distribution of the uneducated labour, vis-à-vis educated labour, between formal and informal employment, we shall depend on the data of the Labour Force Sample Survey 1988 (LFSS88) and Egypt Labour Market Survey 1998 (ELMS 98) as included in El-Mahdi (1999)¹⁰. According to these two data sources, the employment profile of the uneducated labour is strongly biased towards informal employment. 64% of the uneducated labour in 1988 and 73% of them in 1998 were engaged in informal employment as compared to 25% and 33% of educated labour in the two years respectively¹¹ (Table 3). The informal sector with its odd jobs and casual work presents to the uneducated labour the alternative to unemployment. This is reflected in their distribution among the employment status (wage earners, self-employed, employer) as compared to the educated labour (Table 4); 54% of the uneducated labour are wage earners as compared to about 91% of the educated, while 41% of the uneducated are self-employed and employer as compared to about 8%-9% in the second group. The uneducated female labour have almost the same employment distribution; 54% of them are wage workers and 31% are self-employed and employer. This employment profile of the uneducated by employment status can be explained by the type of jobs in which the poor are engaged in the informal sector. The jobs classified as "self-employed" and also (to a lesser extent) "employer" cover a wide range of odd jobs prevailing in the informal sector, such as petty traders, street peddlers, shoe polishers, small retailers, selling newspapers and soft drinks, etc.

¹⁰ It should be noted, though, that the samples used in the LFSS88 and the ELMS98 are not good representative of the labour force population in Egypt with respect to the share of the uneducated labour in the labour force, as revealed by the two recent rounds of the Population Census 86 & 96. The uneducated employed labour represent more than two thirds of the employed labour force (69.2%) in the PC86 (calculated from CAPMAS, 1986; Table 17) and more than one half (54.5%) in the PC96 (calculated from Table A.2 in the appendix), while their share in total employment in the LFSS88 is less than half (44.1%) and in the ELMS98 is lower than one third (29.7%) (calculated from Table 3 in the text). The discrepancy in the estimates between the two sample surveys and the population census is actually larger than it appears to be, since both samples –the LFSS88 and the ELMS98- account for the labour force of age 6 and above, while the PC86 and PC96 account for the labour force of age 10 and above and 15 and above respectively. Including the age brackets 6-9 (in LFSS88) and 6-14 (in ELMS98) is supposed to overestimate the share of the uneducated labour in total employment as compared to the population census, since a good number of the labour force falling in the age group 6-14 are too young to receive any education degree and, hence, should be a factor for increasing the share of the uneducated labour in the labour force as compared to their share in the PC86 and PC 96, and not the reverse as we have seen above.

¹¹ Differentiation between formal and informal employment is based on having, and not having, work contract.

Table (2)**The Unemployed (Age 15 & above) & the Unemployment Rate by Education Level in 1996 (%)**

Education Level	The Unemployed			Unemployment Rate
	Previously Employed	New Entrants	Total	
Illiterates and read & write	56.0	3.8	6.4	1.1
Less than Intermediate	12.6	2.1	2.6	4.2
Intermediate & Less than Univ.	26.0	81.4	78.7	22.3
Univ. & Higher	5.5	12.5	12.2	8.7
Total	100.0	100.0	100.0	9.0

Source: Calculated from Table A.2 in the Appendix.

Table (3)

Formal & Informal Employment in Egypt (Age 6 & above)
1988 , 1998

	Formal Employment				Informal Employment				Total			
	1988		1998		1988		1998		1988		1998	
	Thousand	%	Thousand	%	Thousand	%	Thousand	%	Thousand	%	Thousand	%
Uneducated Workers (1)	1176	36.3	912	27.3	2066	63.7	2423	72.7	3242	100.0	3335	100.0
Educated Workers (2)	3093	75.2	5315	67.5	1020	24.8	2560	32.5	4113	100.0	7875	100.0
Total	4269	58.0	6227	55.5	3086	42.0	4983	44.5	7355	100.0	11210	100.0

(1) Consists of those who are illiterates or can read & write

(2) Consists of the rest of the labour force; i.e those who have less than intermediate education level or higher.

Source: Taken and calculated from the Labour Force Sample Survey 1988 (LFSS 88) and the Egypt Labour Market Survey 1998 (ELMS 98) as included in : EL-Mahdi, 1999; Tables 2a, 2b, 3a & 3b.

Table (4)**The Employed Labour Force (Age 15 & above) by Employment Status & Education Level in Egypt in 1996**

Education Level	Employer	Self-Employed	Wage Workers	Non-Wage Workers ⁽¹⁾	Total
Illiterates and read & write (Female)	9.9 (7.2)	31.3 (23.7)	53.9 (53.9)	4.9 (15.1)	100.0 (100.0)
Less than Intermediate (Female)	5.2 (2.4)	18.1 (6.3)	73.1 (88.1)	3.6 (3.1)	100.0 (100.0)
Intermediate & Less than Univ. (Female)	2.7 (0.3)	6.7 (0.6)	90.6 (99.1)	-- --	100.0 (100.0)
Univ. & Higher (Female)	4.3 (1.0)	3.9 (0.9)	91.6 (98.1)	-- --	100.0 (100.0)

(1) Those are who work in the family without receiving financial compensation for their work.

Source: Calculated from Table A.2 in the Appendix.

4. EMPLOYMENT INADEQUACY IN EGYPT; CAUSES AND TREND:

Employment inadequacy means more than just open unemployment; it includes also underemployment and discouraged workers. By underemployment, it is meant those who work less number of hours than they desire because of the non-availability of sufficient full-time jobs (i.e., taking involuntary part time jobs), and also those who are engaged in full-time work, but effectively they are underemployed in terms of their productivity and potential earnings (i.e. disguised unemployment). The discouraged workers are those who desire work, but are not searching it for different reasons (like assuming it is difficult for them to get a job because of the prevailing high unemployment rate, or assuming that they don't have the right qualifications for getting the job, or assuming that they will not get fair financial compensation for their qualifications, etc.).

There is more than one estimate for open unemployment in Egypt. What we care for here is the trend of unemployment. According to the last two rounds of Population Census (the 1986 and 1996), the unemployment rate was 9.0% in 1996 as compared to 12.4% in 1986, indicating a fall in open unemployment over the 10-year period. In the Egyptian Labour Market Survey 1998 (ELMS

98) carried out by the Economic Research Forum (ERF) in cooperation with the Central Agency for Public Mobilization and Statistics (CAPMAS), and designed to be comparable to the October 1988 Labour Force Sample Survey (LFSS) carried out by CAPMAS¹², the unemployment rate was estimated at 5.4% in 1988 (LFSS 88) and 7.9% in 1998 (ELMS 98) using the extended labour force definition, and 3.2% and 4.7% in the two mentioned years, using the market labour force definition¹³ (Assaad, 1999). In both estimates, unemployment rate took a rising trend over the ten years period 1988 - 98. Although the two covered periods, 1986 -1996 and 1988 - 1998, are largely the same, and also despite that the same agency -CAPMAS- was responsible, fully or partly, for the four data sources: the Population Census (86 & 96) and the Sample Surveys (LFSS 88 & ELMS 98), it is striking how large is the discrepancy in the estimates of the unemployment rates. In fact the two estimates are conflicting; the population census showing declining unemployment rate, while the labour force survey indicating rising unemployment.

The events that the Egyptian economy went through in the nineties as compared to the eighties makes one more inclined to believe that unemployment has increased, regardless of its level. The two most important events in this respect were the Gulf War in 1990 and the economic reform and structural adjustment programme (ERSAP) adopted in 1991; both contributed to raising unemployment in Egypt. One may also add globalization as a factor at work in the longer run. The impact of the Gulf War was the return of the Egyptian Labour (about one million individuals), putting pressure on the labour market and putting a hold on the remittances which was one of the important sources for foreign exchange in Egypt. ERSAP's policy package included contractionary fiscal and monetary policies and privatization, which may contribute to more unemployment in the economy (Korayem, 1997). Moreover, jobs creation in the economy is becoming inadequate as can be drawn from the media coverage on the lay-off of thousands of workers in large private enterprises, the hardships that the small private enterprises are facing, the growing number of early retirements in the public sector, and the difficulties that graduates encounter in getting a job. All that points out to the direction that the unemployment trend has been rising in Egypt¹⁴. This rising trend of unemployment and the

¹² This was a special round of the LFSS (Assaad, 1999).

¹³ The only difference between the extended definition of the labour force and the market labour force definition is that the former definition includes the females who are engaged in subsistence agriculture; those count for a large number of employed female labour (Assaad, 1999; 14).

¹⁴ 8000 workers were laid off in the year 2000, 78% of the factories in the city of 10th of Ramadan operate with one third capacity (one shift instead of three shifts), and the number of bankruptcy of small enterprises increased to 150 thousand per year (Akhbar-Al-Yom (weekly newspaper), 2001, May 12).

seriousness of the unemployment problem that the country is facing is corroborated by other researchers¹⁵. An indicator of the seriousness of the unemployment problem in Egypt, despite the low officially announced figures, is that the Cabinet has scheduled five meetings to discuss it¹⁶. Generally speaking, there is a lot of confusion and uncertainty regarding the estimated level of unemployment in Egypt. Official data seem unable to capture the whole picture and characteristics of unemployment. Independent estimates were provided to make up for this deficiency; some estimates suggest real unemployment rate of up to 21%¹⁷.

Regarding the other two components of employment inadequacy - underemployment and discouraged workers- Assaad (1999) estimated the ratio of discouraged unemployment and involuntary part-time employment (which he called visible underemployment) in 1988 and 1998 (using the LFSS 88 and ELMS 98) and found that discouraged unemployment increased over the 10-year period, from 0.5% to 0.8%, while the visible underemployment fell to half its level, from 4.0% to 2.0%. In total, the underemployment ratio (which, according to his definition, consists of open unemployment, discouraged unemployment and involuntary part-time employment) was estimated as 7.6% in 1988 and 7.5% in 1998, indicating that it was almost stable over the 10-year period (Assaad, 1999; Table 7). The underemployment ratio as defined and estimated by Assaad, may be taken as an indicator to employment inadequacy in Egypt. But the estimated ratio should be taken with cautious because of two reasons: First, the significant fall in the visible underemployment ratio in 1998 as compared to 1988 implies that there were more work opportunities available in 1998 as compared to 1988. This result is hard to accept because of the reasons mentioned above regarding the negative impacts of the Gulf War and ERSAP on unemployment in the nineties. Second, the invisible underemployment (i.e., the disguised unemployment) was excluded from his estimate because of data deficiency. The latter variable, if included, is expected to shift a good number of the invisible underemployment to open unemployment in 1998 as compared to 1988. This is because disguised unemployment is usually concentrated in Egypt in the public sector, and with the privatization of public enterprises by ERSAP and the wide application of the early-retirement scheme¹⁸, a good number of the

¹⁵ See, for example, Radwan (1997), and Fergany, N. "Dynamics of Employment Creation and Destruction, Egypt, 1990-1995", *Almishkat Research Notes*, No. 11, January 1998 as cited in: Government of Egypt and Social Fund for Development (2000); 24-25.

¹⁶ *Al-Ahram*, daily newspaper (2000), December 16.

¹⁷ World Bank, Egypt Social Fund for Development, Multi-Donor Review January 23 - February 10, 2000, World Bank Briefing Note for Review Team, 2000, as cited in: Government of Egypt and Social Fund for Development, 2000; 24.

¹⁸ Quite a few of them re-enter the labour market looking for a job, especially after spending the financial compensation they receive from the early retirement scheme.

disguisedly unemployed is expected to be openly unemployed reducing, thus, invisible underemployment and raising open unemployment in 1998 as compared to 1988.

One may point out two causes for the growing employment inadequacy in Egypt at present: ERSAP and globalization. It may be safely said that the Gulf War has already run its course as a cause for raising unemployment in Egypt¹⁹. On the other hand, ERSAP and globalization have, supposedly, continuing effects on job inadequacy. The implementation of ERSAP on the national level and globalization on the international level are having negative implications on the demand side in the labour market and, hence, on rising unemployment in the economy.

4.A ERSAP's Impact on Employment

Egypt has been implementing ERSAP since 1991. The main features of the programme can be summarized as applying contractionary policies to restore the balance between the demand and supply sides in the economy, and enhancing the scope of private sector in the economy at the expense of the public sector through privatization and increasing private investments, domestic and foreign (Korayem, 1997). Among the policies applied which have had impact on employment in Egypt are the contractionary fiscal policy, specifically with respect to government expenditure on wages and public investment, and privatization.

In 1995, out of a total labour force of 16452 thousand, 5589 thousand (i.e. 34.0%) were employed in the public sector²⁰; the majority of them, 73.2%, were employed in central and local government and service authorities (World Bank, 1999; Tables 17 & 4.1). This shows that the government is an important employer in the Egyptian economy. Among the policy requirements of ERSAP was the reduction in the rate of growth of the government wage bill²¹. This has contributed to decreasing government expenditure and achieving one of the important objectives of ERSAP, which is reducing public sector's domain.

¹⁹ After 10 years from the Gulf War, one may say that its impact on the Egyptian labour market is more likely to be terminated. Some of the returnees have gone back to the Gulf, and the rest seems to be absorbed in one way or another in the labour market, either by returning to their old jobs, or by finding new jobs, or by using the financial compensation they received from the Gulf to set up their own enterprises.

²⁰ Public sector comprises central and local government and service authorities (4089 thousand), economic authorities (455 thousand), public enterprise sector (964 thousand), banking sector (65 thousand), and insurance (16 thousand) (World Bank, 1999; Table 4.1).

²¹ ERSAP stipulated that the nominal increase in wages in 1991/92 should not exceed the 1990/91 level by more than 16.4% (Korayem, 1997).

Accordingly, the average annual rate of growth of the wages' item in the government budget fell from 23.0% over the period 1987 - 91 to 19.5% during 1991 - 97²².

Another ERSAP-related factor responsible for the increase in the employment inadequacy in the nineties is the reduction in public investment advocated and implemented by ERSAP. The average annual growth rate of public investment fell from 15.9% over the period 1987 - 91 to 6.7% over the period 1991 - 97²³. Reducing public investment is one of the component of the policy package of ERSAP²⁴. In the first half of the eighties, the average public investment's share in total investment was 74%²⁵. The relative share of public investment dropped to 44% in 1987²⁶, and continued the declining trend in the nineties after ERSAP's implementation to reach 32% in 1997 (Table 5). This has been followed by a fall in the average annual rate of growth of gross domestic investment from 19% over the period 1987 - 91 to 14% during 1991 - 97, and also a fall in the ratio of gross domestic investment/GDP from 29% in the first period to 17% in the second period²⁷. This was quite a drop if we compare the investment performance in the two mentioned periods with the first half of the eighties, where the average annual rate of growth of gross domestic investment was 31% and its ratio to GDP was 30%²⁸. Private investment did not grow at a rate high enough to compensate for the fall in public investment as was envisioned by the GOE and the IMF; to the contrary, the average annual rate of growth of private investment fell from 21% over the period 1987-91 to 19% in the period 1991 - 97²⁹. This fall in total investment, public and private, was another factor for the rise in employment inadequacy in Egypt. The fall in both the growth rates of government wage bill and public investment according to ERSAP indicates that the role of government in employment creation in the Egyptian economy has been reduced, which had negative impact on job creation in Egypt. It should be mentioned, though, that government is not a major employer for the uneducated labour since most of the government jobs are for the educated; more than two thirds of the government employees in 1988 have had intermediate and university education (Zeitoun, 1994; Table 3).

²² Calculated from Table 5 in the text.

²³ Calculated from Table 5 in the text.

²⁴ ERSAP stipulated that public investment which was 18.1% of GDP in 1989/90 should be reduced to 11% of GDP in 1991/92 (Korayem, 1997).

²⁵ Calculated from World Bank (1999); Table 3.

²⁶ This is attributed to the agreement with the International Monetary Fund (IMF) signed by the government of Egypt for the implementation of a structural reform policy package in 1987 (Korayem, 1987). The implementation of this agreement was soon discontinued.

²⁷ Calculated from table 5 in the text.

²⁸ Calculated from World Bank (1999); Tables 3 & 4.

²⁹ Calculated from Table 5 in the text.

Table (5)**Employment-Related Indicators (1987-97) Government Expenditure on Wages, Gross Domestic Investment, GDP Growth Rate**

(LE Million & Percent)

Fiscal Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Gov. Expend. on Wages	3691.0	4570.0	5225.0	6064.0	7089.0	8029.0	9803.0	11096.0	12519.0	14045.0	15368.0
Gross Domestic Fixed Investment	14100.0	21250.0	23500.0	25900.0	24750.0	26500.0	25500.0	29000.0	33100.	36760.0	45200.0
Public	(6237.2)	(9400.0)	(8100.0)	(9800.0)	(10200.0)	(11848.0)	(11097.0)	(10659.0)	(11300.0)	(12581.0)	(14283.0)
Private	(7862.8)	(11850.0)	(15400.0)	(16100.0)	(14550.0)	(14652.0)	(14403.0)	(18341.0)	(21800.0)	(24179.0)	(30917.0)
Gross domestic fixed Investment.(%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Public	44.2	44.2	34.5	37.8	41.2	44.7	43.5	36.8	34.1	34.2	31.6
Private	55.8	55.8	65.5	62.2	58.8	55.3	56.5	63.2	65.9	65.8	68.4
Gross Domestic Invest/GDP	26.1	34.9	31.8	28.8	21.2	18.2	16.2	16.6	17.2	16.6	17.7
Public Invest/GDP	12.1	15.2	10.5	10.2	9.2	8.5	7.1	6.1	5.5	5.5	5.6
GDP Growth Rate (%)	4.2	5.1	4.7	4.8	3.6	1.9	2.5	3.9	4.7	4.9	5.3

Source: National Bank of Egypt, Economic Bulletin, 1988 (1&2), 1994 (4), 2000 (2). & World Bank (1999) Tables 2,3 & 4

The third factor attributed to ERSAP, which has been responsible for the rise in employment inadequacy in Egypt is privatization. The short term impact of privatization on employment is negative as the experience of other countries shows. The overstuffed public enterprises have to get rid of their excess workers before being sold to the private sector. The World Bank estimated that about one quarter of workers in public enterprises will be laid off with the implementation of public enterprise reform (World Bank, 1991). Since laying off workers is very difficult under the current labour Law, early retirement scheme has been widely used to get rid of excess workers in the privatized companies. Out of the 314 companies that the government of Egypt (GOE) have assigned for privatization, 118 of them have been sold until December 1998; GOE has sold controlling interests in 99 and minority interests in another 19 (World Bank, 1999). Approximately 120 thousand employees have taken advantage of the early retirement scheme at a total cost of LE 2.2 billion³⁰ (Privatization Coordination Support Unit, 1999). This means that about 12% of the workers in the public enterprise sector (964 thousand) were got rid off through the early retirement scheme.

4.B Globalization Implication on Employment:

Globalization implication on employment will be through three channels: investment, economic growth, and the demand for labour. The likely impact of globalization on employment in Egypt should be looked at as part of the overall employment implications on the Third World countries in general, which may be illustrated in the following points:

1. The likely impact of globalization on the employment creation in Egypt will be positive if a good part of the world foreign direct investment (FDI) is flowing to the country, raising thus the investment rates in the economy. Looking at the world distribution pattern of the FDI, most of it was allocated to the advanced economies, North America, Europe and Japan. These countries attracted 75% of the FDI flows over the 1980's; and at the beginning of the 1990's, 75% of the total accumulated FDI stock and 69% of the FDI flows were attracted by these three players (Hirst & Thompson, 1998). A tiny fraction of the already small share of the world FDI flowing to the developing countries is received by the Middle East and North African (MENA) countries. Out of a total amount of \$163423 million of net FDI flows to all the developing countries in 1997, \$ 5368 million only were received by the MENA region, representing 3.3% of the FDI flows to the Third World countries; and out of these FDI flows

³⁰ This program provides employees who choose to retire a lump sum of money ranging from LE 12000 to LE 35000.

to MENA, Egypt received \$891 million, which represented 5.8 % of gross domestic investment in the country in 1997 (Abdel-Khalek & Korayem, 2000; Table 7 & p. 35). Consequently, the likely impact of financial liberalization on employment in Egypt is negligible, judging by its receipt of FDI so far.

2. The average annual GDP growth rate in Egypt was 3.8% over the period 1991-97 (Table 5). Will globalization increase this modest rate of growth? Two views -*optimistic and pessimistic*- may be pointed out regarding the impact of globalization on economic growth in developing countries in general. Within the *optimistic views* there are two variants. One variant predicts rapid growth in a substantial part of the Third World in East and South Asia and, possibly in Latin America (Hirst & Thompson, 1998). The other variant holds that all countries will share the benefits of globalization according to the standard theory. This implies an increase in the economic growth of the Third World countries through innovations and access to large markets with the consequent positive impacts on employment. Three exceptions are mentioned in this respect: land-locked countries, tropical-climate countries, and major producers of natural resources such as oil (Sachs, 1998).

The pessimistic view predicts that capital mobility and free trade will shift manufacturing investments from the industrial countries to the low-wage developing countries; but the workers in the latter group of countries will not benefit much since authoritarian governments and repressive labour laws will hold wages down in the Third World. Some even argue that economic growth in developing countries driven primarily by foreign capital is not stable, since FDI is highly volatile and it leads to highly uneven development (Hirst & Thompson, 1998).

Based on the above arguments, we maintain that according to the first variant of the optimistic view, Egypt does not fall in the part of the Third World where substantial growth rate is expected. According to the second variant of the optimistic view, although Egypt does not fall within the group of countries that will exceptionally not benefit from globalization, it is difficult to speculate, though, whether its economic growth will increase through innovation and access to large markets. This is because the research environment in Egypt is not stimulating to innovation, at least for the time being (Korayem, 1999); besides the country is facing difficulties in promoting exports which is reflected in the rising trend of the balance of trade deficit³¹. On the other hand, according to the pessimistic view, globalization is not likely to have positive impacts on the

³¹ The balance of trade deficit in Egypt rose from \$ 7310 million in 1993/94 to \$ 12524 million in 1998/99; i.e. by 71% over a five-year period (calculated from National Bank of Egypt, 2000; Table 3/4).

economic growth of developing countries, Egypt included.

3. The outsourcing of unskilled labour-intensive products to the developing countries with considerably low wages is likely to have positive impact on employment in those countries. However, this expectation should be taken with due caution, since the outsourcing of production to MENA region (and to the Third World countries in general) seems to be limited. This is because a small portion of the world FDI has been channeled to the Third World countries, and a tiny fraction of this small amount has been going to Egypt. Moreover, as labour costs typically represent no more than about 20% of the cost of final product in manufacturing in advanced countries, the benefits of cheap labour are unlikely to attract products for which research and development (R&D) costs or marketing costs are as significant, or more so, than labour costs (Hirst & Thompson, 1998).

4. Generally speaking, by lowering the tariff levels and phasing out other trade restrictions, trade liberalization helps expand markets. This will increase production and, hence, will create more employment opportunities in the producer countries. However, such implied benefits of trade liberalization on employment will not be equally shared by all countries; the lion's share of these trade benefits will be received by the manufacturing-producing countries, while the smallest share will be going to the agricultural-producing countries. This is because the Agricultural Agreement in the GATT 1994 will not liberalize the trade in agricultural goods to the same extent as the trade in manufacturing products, even after its full implementation. According to this Agreement, all tariffs will be reduced on average by 36% (with a minimum of 15% per each tariff line) as compared to the base period 1986 - 88³². Also, where export subsidies are used, expenditure on subsidies are to be reduced by 36% and the volume of subsidized exports is to be decreased by 21% compared with the base period 1986-90 (Tanner & Swinbank, 1998; Safadi & Laird, 1996). The Agricultural Agreement will be fully implemented by the developed countries at the year 2001, and by the developing ones at 2005³³.

³²Despite this relatively low figure of tax deduction on agricultural products as compared to manufacturing products, it is argued that the actual extent of liberalization of agricultural markets resulting from the 36% reduction in tariffs by developed countries at the end of the implementation period is likely to be "far less" than what the figure suggests. One of the reasons brought up in this regard is that the tariff rates in the base period 1986-88 were relatively high as compared to more representative periods because of the considerably low prices of agricultural goods in these years. Consequently, the tariff rate applied on agricultural products after the 36% reduction will be higher than what it would have if the base period was more representative of the average tariff level (Tanner & Swinbank, 1998).

³³ The Agricultural Agreement came in effect in 1995 (Tanner & Swinbank, 1996; 629).

As it is frequently the case in the Third World, the agricultural sector in Egypt is an important contributor to GDP; agricultural product represents 17.7% of GDP (World Bank, 1999; Table 1). Almost 1/3 of the employed in Egypt work in the agricultural sector³⁴, and about half of them are illiterates or can just read & write (Table 1). Accordingly, the impact of trade liberalization on growth and employment creation in Egypt, particularly on the employment of the uneducated labour, is expected to be limited. Generally, the impact of trade liberalization on growth and employment in most of the developing countries is expected to be less than in the case of developed economies that are mainly manufacturing producers.

5. Lowering tariffs under trade liberalization threaten the production of the manufactured goods in most of the Third World countries, including Egypt. Being unable to compete with the foreign-produced products in the domestic and international markets, many of manufactured industries in those countries will most likely be phased out. The result will be a fall in the demand for labour in the manufactured sector in the Third World which may not be compensated for by outsourcing of production from the advanced economies. Besides, outsourcing helps only very few developing countries, since 2/3 of the FDI flowing to the Third World are allocated to ten countries only. Although Egypt is one of the 10 privileged countries³⁵, FDI flows to it in small amount as shown above. Thus Egypt, like most of the developing countries, is likely to experience falling production and increasing unemployment in the manufacturing sector at least in the short term, being unable to compete with low-priced foreign manufactured goods after trade liberalization. Only if it succeeds in raising its competitiveness in manufactured products in the international markets, which may be realized in the medium- or long-term, trade liberalization will have positive impact on growth and employment in the country. A program of Industry Modernization will start soon in Egypt in cooperation with the European Union (EU) to enhance the country's competitiveness in the manufacturing sector.³⁶

6. The labour clause which the developed economies are pushing hard to enforce by the World Trade Organization (WTO), despite the strong resistance of the developing countries, will have negative impact on economic growth and employment in many Third World, including Egypt. According to the labour clause, no imports will be allowed from countries where child labour exists and

³⁴ Calculated from Table A.1 in the Appendix.

³⁵ Those countries are: Singapore, Mexico, China, Brazil, Malaysia, Hong Kong, Argentina, Thailand, Egypt and Taiwan (Hirst & Thompson, 1998; Table 3.2).

³⁶ Modernizing the industry is part of the Egypt-EU Free-Trade Agreement (known as Partnership Agreement).

where working conditions do not abide by the human rights requirements (Castle & others, 1998). This labour clause, if applied, will have detrimental effects on the developing countries where child labour prevails and where working conditions (like wage level, work environment, unionization) do not fulfill human rights requirements. If the developed countries succeed in enforcing the application of this clause by the WTO³⁷, this implies putting trade restrictions on goods produced by the countries which have child labour and unfavorable working conditions. This factor could be important for Egypt, where child labour represented 10% of the population in child-age bracket (10-14 years) (Arab League and others, 1999; 23). The impact of this act will be a reduction in economic growth and an increase in unemployment in those countries, most of whom suffer already from low growth and high unemployment rates.

5. HOW DO THE POOR COPE

How do the poor cope with the situation of employment inadequacy in Egypt? One may point out two means applied by the poor to cope with this situation: working in the informal sector (i.e. getting engaged in informal employment) as an alternative to open unemployment; and the adaptation mechanisms for survival applied by the poor on the family and community levels.

5.A Informal Sector: the Alternative to Unemployment

The informal sector provides the alternative to unemployment to all education levels of the labour force³⁸. But as a means of escaping unemployment, it is considered more essential for the poor who are uneducated and less qualified and cannot afford to live without any source of income.

Differentiation between formal and informal employment is based on having, and not having, work contract. The rise in employment inadequacy in Egypt over the last ten years, 1988 - 1998, has been reflected in the increase in informal employment, which grew by a rate of 61.5% over the 10-year period as compared to 46% for formal employment³⁹. Informal employment is characterized by less job stability, longer working hours per week, and lack of

³⁷ They have already made some success in this direction in the successive meeting of the Uruguay round. In Singapore in December 1996, the members of the WTO agreed to respect social labour standards, but leaving the responsibility for monitoring the implementation of those standards to the International Labour Organization (ILO) rather than the WTO (Windfuhr, 1997; Castle & others, 1998).

³⁸ The role that the informal sector plays as an alternative to unemployment is quite common in other countries as well; e.g., see the case of Spain in Ahn, N. & S. De La Rica (1997).

³⁹ Calculated from Table 3 in the text.

social security benefits (like pension) and other fringe benefits (e.g. sickness leave). But, on the other hand, field surveys showed that wage levels are higher in the informal employment as compared to employment in the government and public enterprises for the same job categories (Hafez, 1996; & El-Mahdi, 1999). It has been also revealed from a CAPMAS survey that about 75% of workers in the informal sector have earnings above minimum wage level (Rizk, 1991; 174). However, this relatively high financial compensation for informal employment does not usually apply to the poor who are uneducated and, hence, work in casual low-paid jobs (like petty traders, shoe polishers, etc.). In 1998, the ELMS 98 survey revealed that 48% of the informal workers fall in the wage category of less than LE 3.00 per day⁴⁰ (El- Mahdi, 1999; Table 10). This ratio is almost equal to the share of the uneducated labour in total informal employment as derived from the survey data (48.6%)⁴¹.

The role that the informal sector plays as an escaping means for unemployment of the poor in Egypt can be derived from the followings:

1. Despite the rising trend in employment inadequacy in Egypt, the uneducated labour - who represent the poor strata in the society- experience considerably low unemployment rate as compared to the national rate, despite that they represent 1/2 of the labour force in the country (50.2%)⁴²; the unemployment rate among the uneducated in 1998 was 1.1% only as compared to 9% on the national level. With their relatively smaller share in formal employment as shown in part 3 above, this implies that the employment solution has been in the informal sector.

2. About 3/4 of the uneducated (73% of them) are engaged in informal employment in 1998 as compared to 1/3 (33%) of the educated labour (Table 3). Since about 3/4 of the low-income people and the poor in Egypt are uneducated as shown in section 3 above, this indicates that poverty is highly correlated with informal employment.

3. As derived from Table 3, the increase of employment inadequacy in Egypt over the period 1988-98 was accompanied by a decline in formal employment for the uneducated by a little less than one quarter (22.4%), and by a rise in their informal employment by 17.3%. The decline in the employment of the uneducated in the formal sector during 1988-98 would have been accompanied by a rise in their unemployment rate in 1998 if the informal employment of the uneducated had not increased by a sufficient amount to

⁴⁰ This is less than one US dollar a day.

⁴¹ Calculated from Table 3 in the text.

⁴² Calculated from Table A.2 in the Appendix.

compensate for the fall in their formal employment and to absorb the increase in the supply of the uneducated in the labour market over that period.

4. Although informal employment of the educated has more than doubled over the 10-year period, this comprises about 40% only of their increased number over the period; out of the 3762 thousand increase in the educated labour during the period, 1540 thousand of them have been informally employed. As for the uneducated labour, the increase in informal employment over the 10-year period (357 thousand) has been almost triple of the increase in their total number over the period (93 thousand) (Table 3). This indicates that although the informal sector is an alternative to unemployment for both educated and uneducated labour as mentioned above, its role in providing employment for the new-comers in the labour market and for the job-seekers in general is more essential and important for the latter group.

5.B Survival and Adaptation Mechanisms: Family and Community Support

Most of uneducated labour live in poverty because of the low income they earn in the labour market. When job inadequacy prevails in the economy, the situation becomes even worse. Income of a growing number of households of both educated and uneducated labour is likely to fall because of unemployment or underemployment of their breadwinner(s). How do the poor cope with this situation in the labour market? One may point out six mechanisms of adaptation. They comprise both the adaptation mechanisms to the state of poverty per se⁴³ (which is attributed mainly to the low earning capacity of the uneducated labour) and the dynamics of adaptation to the fall in income when job inadequacy prevails. Those mechanisms of adaptation are (Korayem, 1996):

(1). Clustering of the Poor in Certain Residential Districts. Clustering of the poor in certain districts helps them to survive financial hardship (like events that call for additional expenses), whether caused by mishaps (like death) or by happy events (like marriage) or even in the case of unexpected social events (like having an unexpected guest at meal time). Those additional expenses will be shared by neighbours and relatives. Although living in the same district is not a necessary condition for solidarity (since relatives help each other even if they are living in different cities), it is still an important factor since sharing is called for when the need for help is felt. This "need for help" can be more easily seen and felt when people are living together in the same district. Living together in certain localities facilitates solidarity among the poor.

⁴³ Those adaptation mechanisms are derived from case studies on the living style of the poor in different districts in Egypt (Shoukry, 1994).

But, on the other hand, the clustering of the poor in the same area has its negative aspects as well. Among those, is the fact that those poor districts suffer from bad sanitary conditions, shortage in basic utilities (like water, electricity), poor housing condition, bad means of transportation, etc., which aggravate the hardship of poverty and, hence, increase the difficulty of adaptation.

(2) Raising Household Revenue through Earned Income and Other Means. Labour is the only source of income for the majority of the poor. Even for the minority of the poor who are asset owners (e.g. the owners of small agricultural land, and the owners of old low-rent buildings in the city), the return on their ownership is too little to live on, and they depend on labour as their main source of income, with few exceptions though⁴⁴. Although job inadequacy does not necessarily imply unemployment for the majority of the poor as shown above, it does imply, however, that a larger number of them will be underemployed and work in marginal jobs. To overcome the very low and intermittent income received from those jobs, which is usually insufficient to support a family, the poor adapt to this situation by several means. On one hand, they try to raise their earned income through longer working hours, multiple jobs, and having more than one income earners in the family. On the other hand, they try to get additional intermittent revenue by different ways other than work, like selling personal belongings (e.g. furniture, kitchen appliances), or joining a *gameiya*⁴⁵ to overcome the deficiency in income.

(3) Minimizing Household Expenditure. Minimizing household expenditure to the utmost, is the third mechanism for adapting to poverty. The case studies reveal common behaviour and practices that are widely spread among the poor, which reduce expenditure as much as possible. One should look at such behaviour as a means to adapt to poverty.

Reduction of expenditure takes different forms, like sharing living with other households, buying low-priced low-quality items, reducing the number of meals (to one or two) per day, sharing clothes, decreasing expenditure on health (e.g. by postponing going to the physician until the case becomes serious, and/or decreasing the dosage of medicine below what is prescribed) and reducing expenditure on education (by borrowing the books, buying the used ones, dropping out of school to join the labour force).

⁴⁴ The exceptions are those people who are not qualified for work (e.g. old and disabled people, or non-working women) and have to live on the small return of their ownership.

⁴⁵ *Gameiya* is a local method for collective saving and interest-free credit. It consists of a group of people whose members pay monthly a certain amount of money, and the total monthly sum is given to members in a sequence related to the relative need of each.

(4) Solidarity. There are different forms of solidarity that exist among the poor: solidarity among the household members, among the relatives, among the community, and among the society as a whole. Solidarity among the household members takes several forms, like sharing the burden of supporting the family through the collective income earned by its members, or the old brother(s) may forego education and work to help in financing the education of his (their) younger brother(s) and sister(s). Solidarity among the relatives takes the form of financial assistance in cash or in kind; also a common practice is that city dwellers host the people coming from the village to seek medical treatment, or to look for a job, etc. At the community level, solidarity takes place among the inhabitants of the poor districts by different forms, like supporting each other financially and morally in bad and good events (e.g. sharing funeral expenses, contributing in cash or in kind to marriage expenses).

Solidarity among the members of the society takes the form of the assistance (in cash or in kind) provided by the government (mostly through the Ministry of Social Affairs) and by the non-governmental organizations (NGOs). One of the most important examples of solidarity among members of society is *zakat*⁴⁶.

(5) Woman's Role in Managing the Household Life. Women, as wives and mothers, play a vital role in the poor households. It is the wife and/or mother who manages to make the small income meet the household needs. She is the one who takes responsibility in finding out ways to get sufficient income to feed her children if the head of the family spends his income on personal expenditure (like cigarettes, tea, coffee, drinks); she may work, or get one (or more) of her children to work, or borrow, or sell household or personal items to provide the basic needs expenses for her family. Also, the case studies showed that if the head of the family cannot find a job, or when his income is too low to meet the household needs, the wife is the one who encourages him to migrate to the city or to emigrate to another country to seek a job, and she bears all household responsibilities in his absence. In many cases she is also the one on whom to depend to secure finances for his trip: by selling any valuables she owes, or by borrowing, or by saving on household expenditure and joining a *gameiya* to provide the travel expenses.

(6) The Dynamics of Adaptation to a Fall in Income: When job inadequacy prevails in the economy, how do the poor in Egypt cope with a fall in their income? Substitution may take place between food and non-food items.

⁴⁶ *Zakat* is the Islamic tax. There are two types of *zakat*. *zakat-al-fitr*, which is due at the end of the fasting month, *Ramadan*, and *zakat-al-mal* which is due on the assets accumulated for a year.

It has been shown that substitution among food items at poverty line is possible to decrease cost without foregoing the safe level of calories and protein intake (Korayem;1996). But substitution among non-food items is a more difficult task. This is because the poor spend supposedly the minimum possible on basic non-food items, such as housing, clothing, health, education, and transportation. In the high-income brackets, the case is different and substitution among non-food items is easier when income falls; for example, they can substitute the low-priced public services in health, education and transportation, for the alternative high-priced private services. This kind of substitution is not

possible for the poor, since they already take advantage of the subsidized and low-priced public services in these areas.

To find out how substitution takes place among non-food items when income falls, the expenditure elasticity of seven main non-food items, representing 75% of non-food expenditure of the poor, has been estimated (Korayem, 1996). Those seven main non-food items are the five basic ones: housing and utilities, clothing, transportation, health, and education plus the two important items: cigarettes, tobacco, drinks, etc.⁴⁷, and furniture and households appliances. The items with the highest expenditure elasticity are the ones to be sacrificed first, and those with the lowest elasticity value will be sacrificed last when income fall.

According to the expenditure elasticity, when income of the urban poor fall, the largest cut in spending is on education, and the smallest reduction in spending is on housing and utilities, followed by health. For the rural poor, when income falls, the larger cut in spending will be on furniture and households appliances and on education, while the least cut will be in expenditure on housing and utilities. Thus, education is the first item to be sacrificed by the urban poor, and the second item for the rural poor, when income falls (Korayem, 1996; Table 8). With the positive relationship between education and employment earnings⁴⁸, this implies that the poor may be caught in a vicious circle: poverty leads to less education, which leads in turn to less income earned and, hence, to poverty. Thus, job inadequacy which is the primary factor responsible for the fall in income of the poor who depend on their labour to earn their living, may not lead to open unemployment for them, but it may increase the probability of bequeathing poverty to the next generation. Cutting the expenditure on education when income falls implies depriving some, or may be

⁴⁷ The expenditure on cigarettes, tobacco, drinks, etc. have been considered main non-food item for the poor, since case studies showed that the men in poor households may spend a considerable part of their income on personal expenses (Shoukry, 1994).

⁴⁸ This positive relationship is especially strong at the university and higher level of education (Zeitoun, 1994).

even all, of the children in the poor households from education and, hence, introducing them to the poor uneducated strata of the labour force in the following generation.

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APPENDIX

Table A.1

The Employed (Age 15 & above) by Economic Activity Education Level & Gender in Egypt
1996

Economic Activity	Illiterates & read & write	Less than Intermediate	Intermediate & less than University	University & Higher	Total ⁽¹⁾
1. Agriculture:	4153294	228388	443379	47738	4872806
Male	(3957151)	(222500)	(409925)	(43442)	(4633025)
Female	(196143)	(5888)	(33454)	(4296)	(239781)
2. Manufacturing	1071821	179896	767482	149057	2168257
Male	(1010267)	(161747)	(657586)	(129755)	(1959355)
Female	(61554)	(18149)	(109896)	(19302)	(208902)
3. Construction	858643	108167	218912	74328	1260052
Male	(855106)	(107541)	(208982)	(67789)	(1239420)
Female	(3537)	(626)	(9930)	(6539)	(20632)
4. Trade	853064	120709	331357	117738	1422872
Male	(798753)	(113897)	(286546)	(104198)	(1303398)
Female	(54311)	(6812)	(44811)	(13540)	(119474)
5. Rest.&Hotels	109710	17075	59408	18219	204412
Male	(105679)	(16528)	(55764)	(16024)	(193995)
Female	(4031)	(547)	(3644)	(2195)	(10417)
6. Transport. & Commun.	513756	110297	226178	59080	909313
Male	(511582)	(106860)	(198705)	(47449)	(864598)
Female	(2174)	(3437)	(27473)	(11631)	(44715)
7. Public Admins. & Defence	400465	68266	699761	363400	1531899
Male	(389049)	(63768)	(473337)	(269496)	(1195656)
Female	(11416)	(4498)	(226424)	(93904)	(336243)
8. Education	120133	20903	703343	662862	1508242
Male	(100380)	(16456)	(379856)	(389694)	(886386)
Female	(19753)	(4447)	(324487)	(273168)	(621856)
9. Health & Social Services	65698	12605	184907	109344	372554

Male	(44079)	(8530)	(66625)	(71081)	(190315)
Female	(21619)	(4075)	(118282)	(38263)	(182239)
10. Public & Personal Services	202411	22667	64487	56425	345990
Male	(187111)	(21263)	(52052)	(42375)	(302801)
Female	(15300)	(1404)	(12435)	(14050)	(43189)
11. Other Activities ⁽²⁾	165481	37682	502167	310252	1015584
Male	(158068)	(35370)	(308339)	(255957)	(757735)
Female	(7413)	(2312)	(193828)	(54295)	(257849)
12. Total	8514476	926655	4202381	1968443	15611981
Male	(8117225)	(874460)	(3097717)	(1437260)	(13526684)
Female	(397251)	(52195)	(1104664)	(531183)	(2085297)

(1) Including the unspecified

(2) It consists of mining, electricity, water & gas, finance & real estate, & unspecified activities

Source: Derived from : Central Agency for Public Mobilization & Statistics (CAPMAS), Population Census, 1996, Vol. 1, Table 21, Cairo, December 1998.

Table A.2

The Distribution of Egyptians (Age 15 & above) by Employment Status,
Education Level & Gender, 1996

Employment Status	Illiterates & read & write	Less than Intermediate	Intermediate & less than University	University & Higher	Total ⁽¹⁾
<u>The Employed:</u>					
1. Employer	845419	48290	112974	88270	1094955
Male	(816896)	(470250)	(110116)	(83204)	(1057243)
Female	(28523)	(1265)	(2858)	(5066)	(37712)
2. Self- Employed	2666595	168185	282918	77958	3195665
Male	(2572326)	(164871)	(275906)	(73175)	(3086286)
Female	(94269)	(3314)	(7012)	(4783)	(109379)
3. Wage Workers	4588654	676965	3806489	1802215	10874337
Male	(4374338)	(630962)	(2711695)	(1280881)	(8997887)
Female	(214316)	(46003)	(1094794)	(521334)	(1876450)
4. Non-Wage Workers (2)	413808	33215	-----	----	447024
Male	(353665)	(31602)	-----	----	(385268)
Female	(60143)	(1613)	----	----	(61756)
5. Total	8514476	926665	4202381	1968443	15611981
Male	(8117225)	(874460)	(3097717)	(1437260)	(13526684)
Female	(397251)	(52195)	(1104664)	(531183)	(2085297)
<u>The Unemployed:</u>					
6. Previously Employed	42028	9448	19518	4122	75116
Male	(40894)	(9071)	(17308)	(3268)	(70541)
Female	(1134)	(377)	(2210)	(854)	(4575)
7. New Entrants	56907	31027	1188684	183336	1459955
Male	(48639)	(24614)	(730026)	(127204)	(930484)
Female	(8268)	(6413)	(458658)	(56132)	(529471)
8. Total	98935	40475	1208202	187458	1535071
Male	(89533)	(33685)	(747334)	(130472)	(1001025)
Female	(9402)	(6790)	(460868)	(56986)	(534046)
9. Labour Force	8613411	967130	5410583	2155901	17147052
Male	(8206758)	(908145)	(3845051)	(1567732)	(14527709)
Female	(406653)	(58985)	(1565532)	(588169)	(2619343)

10. Outside the Labour Force	12959708	3480216	2877244	375320	19692513
Male	(1362622)	(1700704)	(1027707)	(116511)	(4207554)
Female	(1159708)	(1779512)	(1849537)	(258809)	(15484959)
11. Unspecified	37434	15	65	8	37522
Male	(37393)	(6)	(38)	(6)	(37443)
Female	(41)	(9)	(27)	(2)	(79)
12. Total (9+10+11)	21610553	4447361	8287892	2531229	36877139
Male	(9606773)	(2608855)	(4872796)	(1684249)	(18772739)
Female	(1200378)	(1838506)	(3415096)	(846980)	(18104400)

(1) It exceeds the summation of the line because it includes the unspecified.

(2) Those are who work in the family without getting financial compensation for their work.

Source: Derived from: CAPMAS, Population Census, 1996

Vol. 1, Table 20, Cairo, December 1998.