

# **FROM JOB GUARANTEES TO STRUCTURAL REFORMS: EMPLOYMENT INFORMALITY IN EGYPT**

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# INTRODUCTION

- The Egyptian labor market suffers from several well-known structural deficiencies that have led to high rates of inactivity, unemployment and informality, especially among women and youth.
- Opportunities available for decent youth employment are diminished compared to those that had been available to older cohorts, and women too are increasingly forced into informality & out of the labor market.
- We review key long-term labor-market trends & examine critical features of Egypt's labor laws & their evolution over time, & how such laws hinder labor market formalization.
- We provide recommendations on key amendments to laws & regulations that would encourage decent job creation while maintaining adequate labor protections.

# KEY QUESTIONS

- To what extent have the laws aimed at improving workers' rights had a detrimental impact on formal hiring? Have they pushed employers to forgo formality altogether, with consequences for job creation, productivity & economic growth potential?
- To what extent have laws aimed at favoring women such as maternity leave & dependent care allowances hindered their participation in the labor market? Have they made it more costly for employers to hire women?
- What best practices can be drawn from other middle-income comparator countries?

# HISTORICAL PERSPECTIVE

- We examine the evolution of labor laws in historical perspective, beginning with the 1952 revolution, and the new social contract and labor policies that it has led to.
- We examine the employment guarantees and how their impacts changed through the 1970s and 1980s, then 1990s with the initiation of the Economic Reform and Structural Adjustment Program and the moves toward less government intervention and a smaller public sector.
- We then focus on the 2003 Labor Law ushered in during the period of acceleration of the structural adjustments program, and the main changes it brought.
- On social protection, we highlight the Takaful & Karama programs of 2014, the Social Insurance and Pension Law of 2019 & the Micro, Small & Medium Enterprise Development Law of 2020
- Finally we assess the prospect of the National Structural Reform Programme of 2021.

# TIMELINE OF LEGISLATION

Employment guarantees following 1952

*Infitah* ('Open Door') policy of 1974

Law 53 of 1984 setting public-sector minimum wages

Economic Reform and Structural Adjustment Program of 1991

Labor Law of 2003 & National Council for Wages setting private-sector wages (esp.'22)

Takaful & Karama cash transfer programs of 2014

Social Insurance and Pension Law of 2019

Micro, Small and Medium Enterprise Development Law of 2020

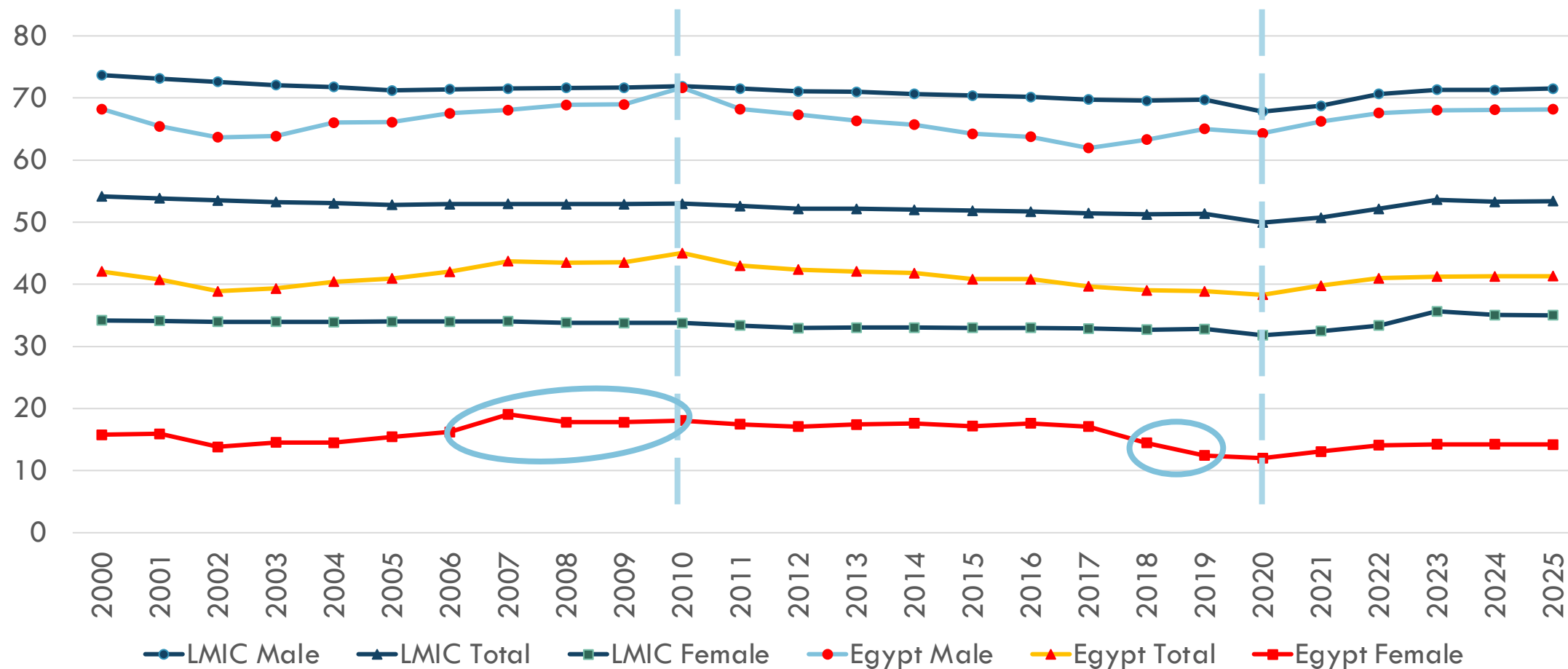
National Structural Reform Programme of 2021

# CRITICAL ANALYSIS

- We carefully examine these laws for impacts on hiring & firing, contracts, wages, and non-wage benefits, including social security, retirement, paid leaves and health insurance.
- Examination of both the extent of coverage, the gaps in coverage, as well as the characteristics of workers who are most likely to have one type of coverage or another.
- The analysis differentiates between public and private employment, and formal and informal enterprises, and pays particular attention to policies specifically targeting women in the labor market.

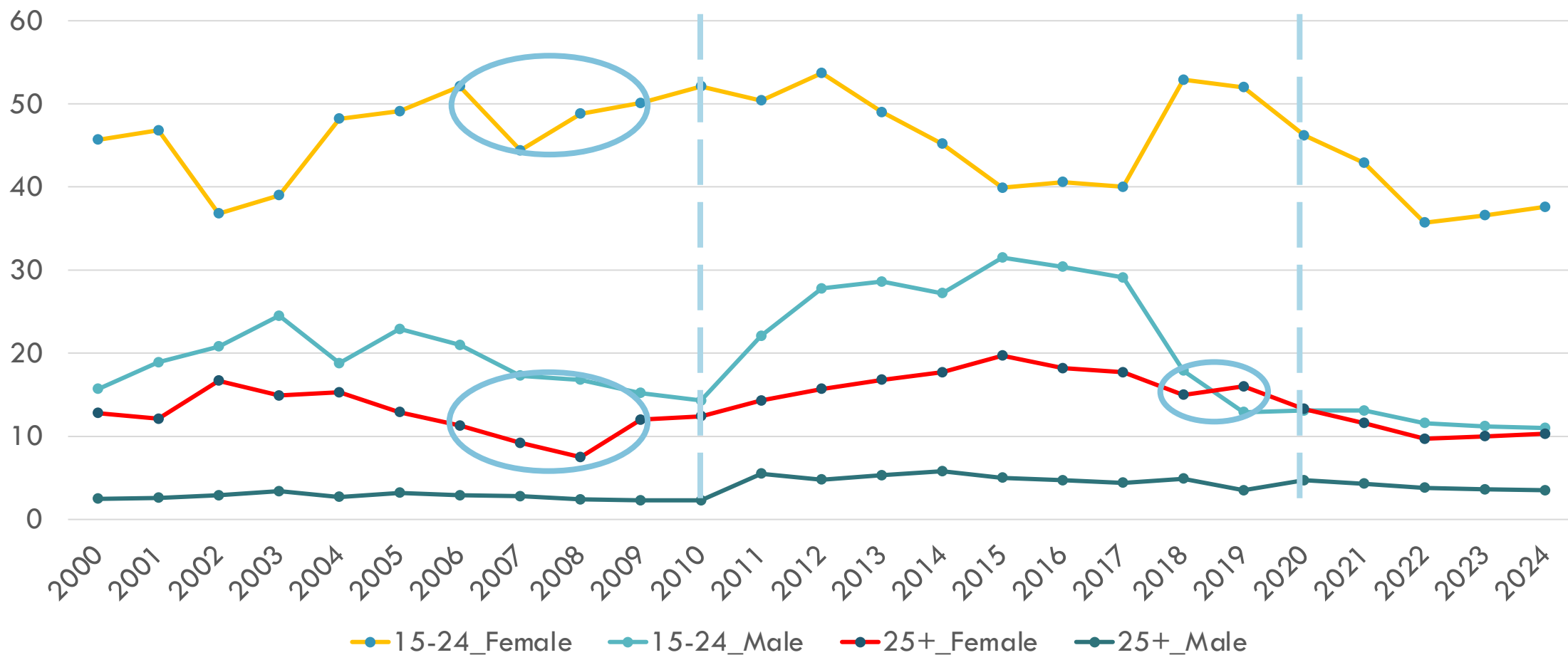


# EMPLOYMENT TO POPULATION RATIO (EPR) LOW & DECLINING OVER PAST 15 YEARS



Source: ILOSTAT (2024).

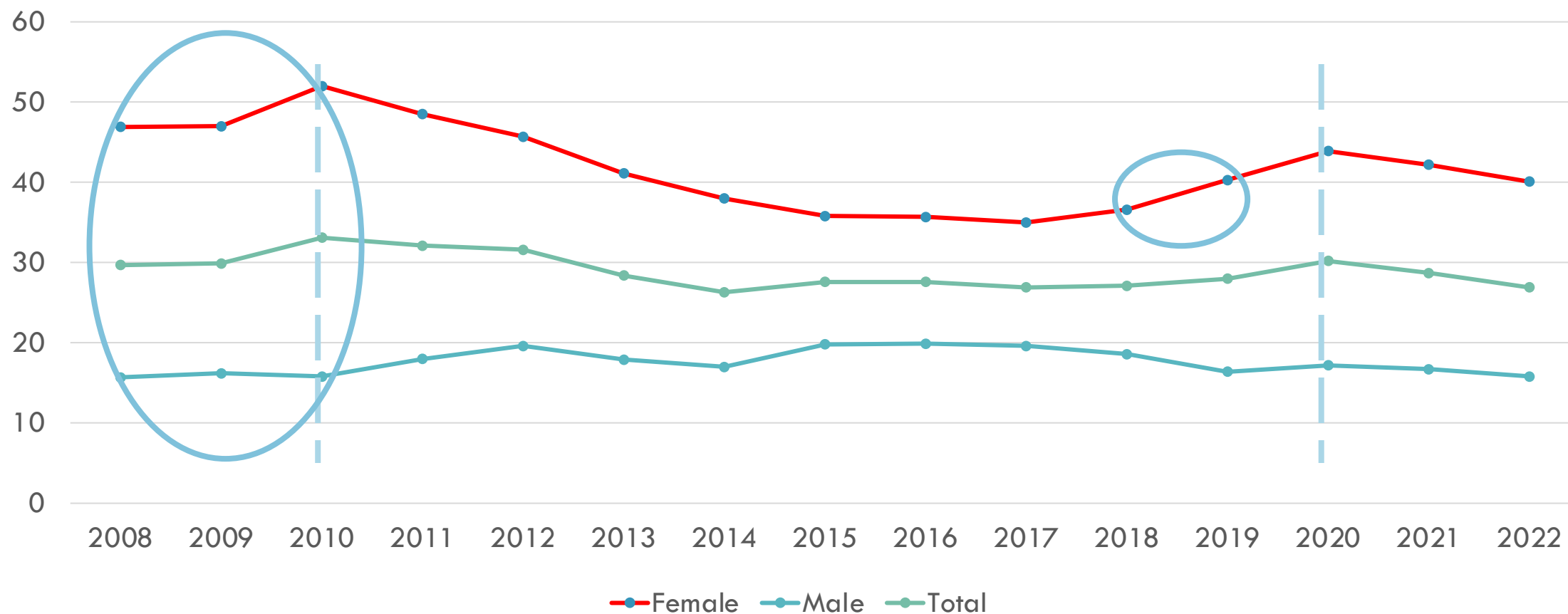
# YOUTH UNEMPLOYMENT RATE HIGH & GENDER GAP RESILIENT



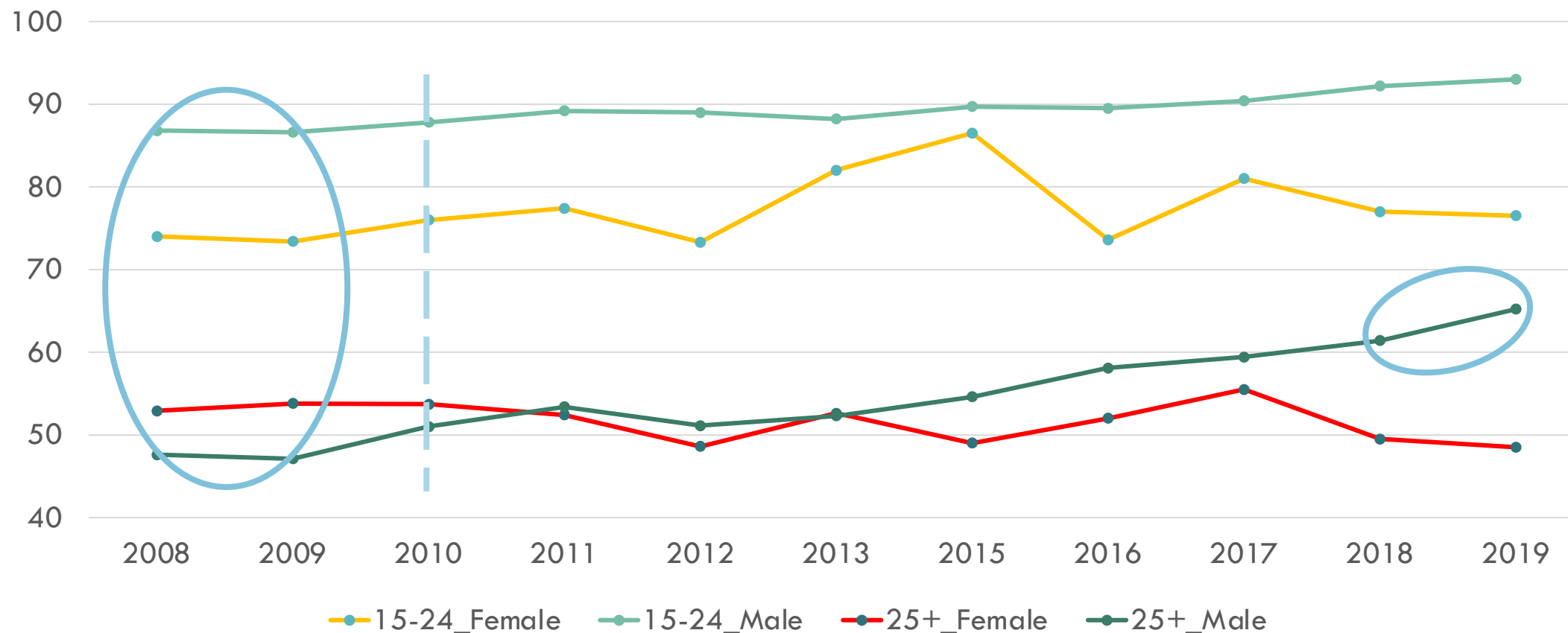
Source: ILOSTAT (2024).



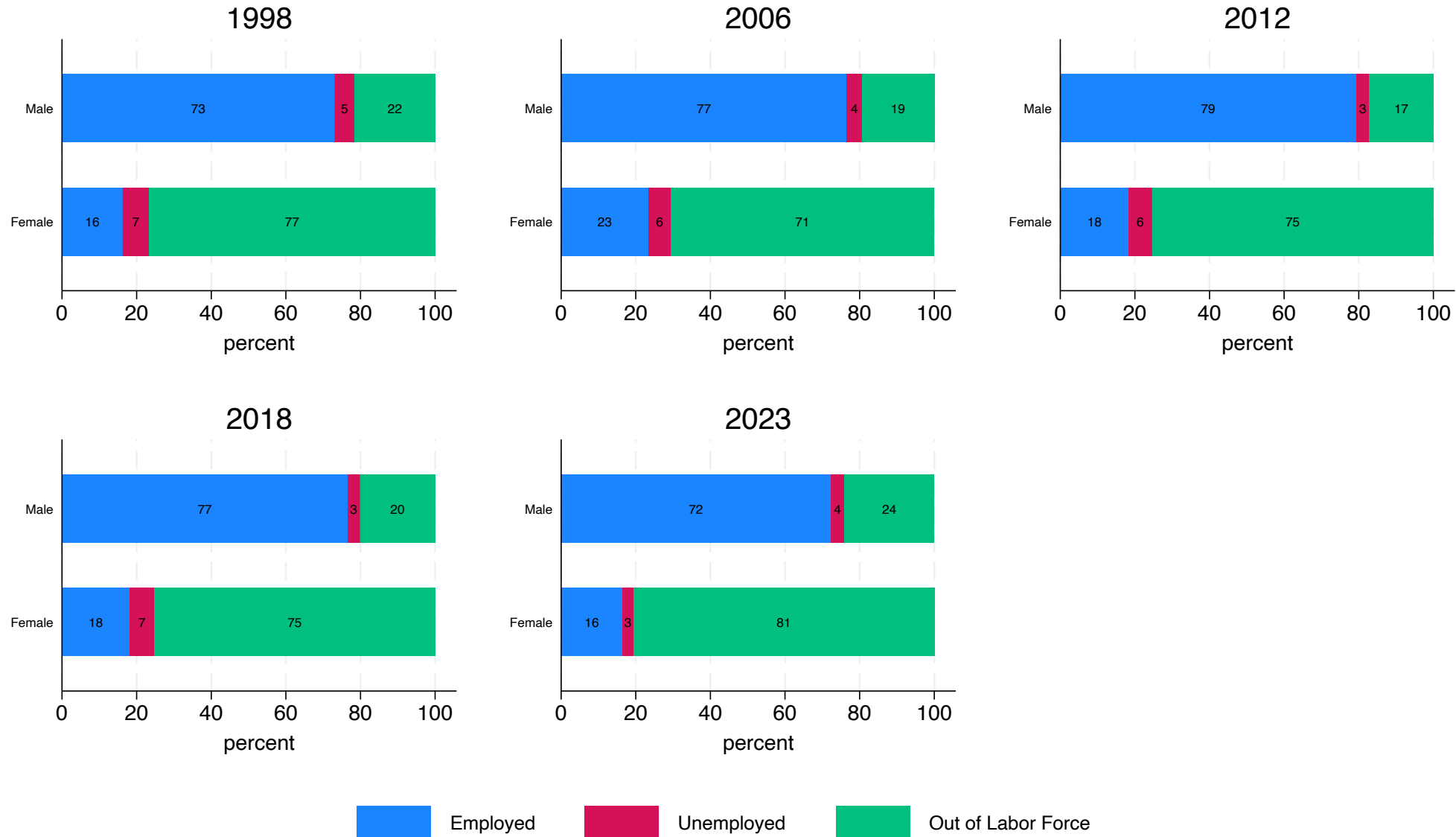
# YOUTH NOT IN EDUCATION, EMPLOYED OR TRAINING CHRONICALLY HIGH, NOT RESPONDING TO GROWTH



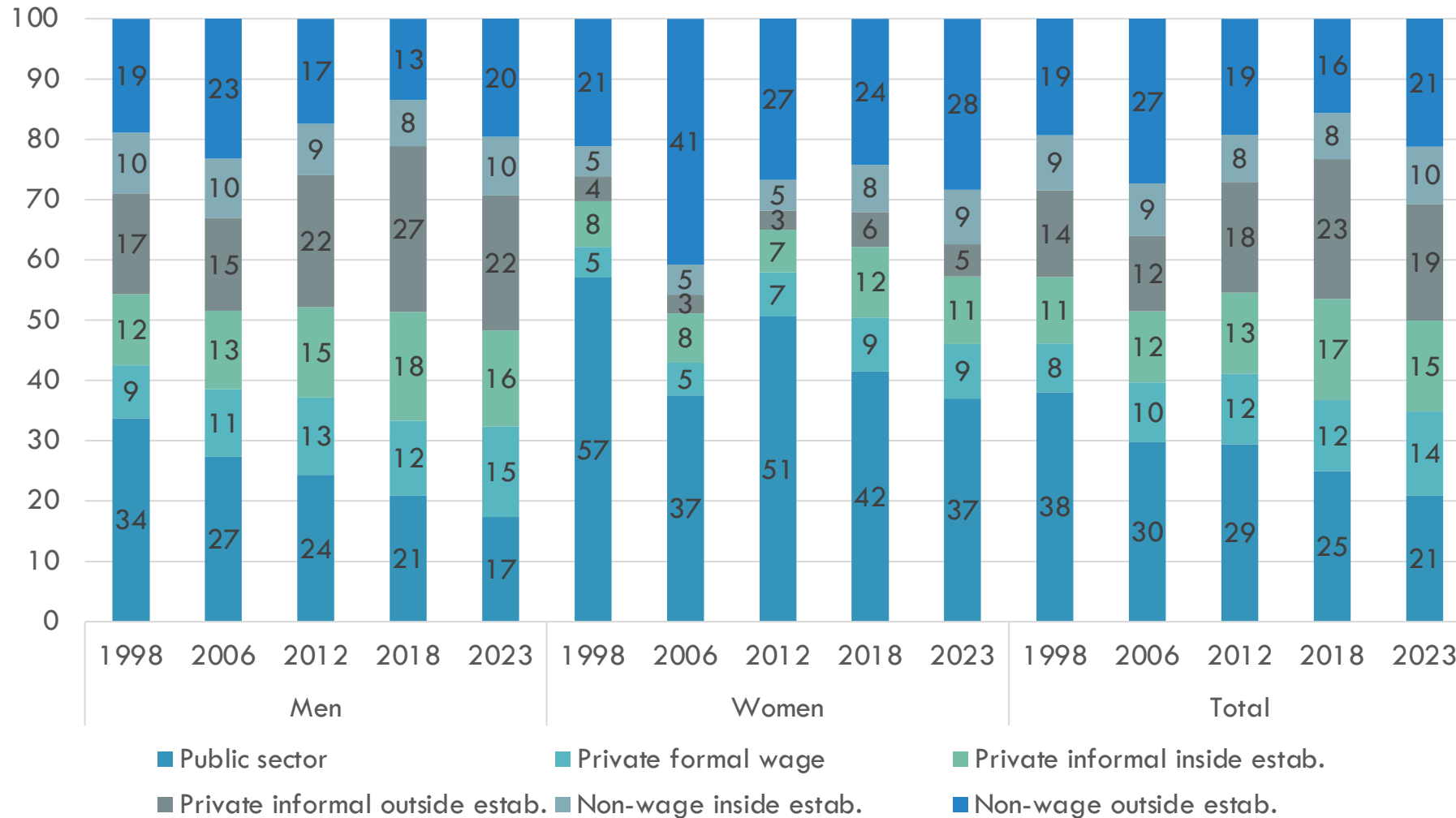
# INFORMALITY RAPIDLY RISING AMONG (OLDER) MEN STAGNATING AMONG WOMEN



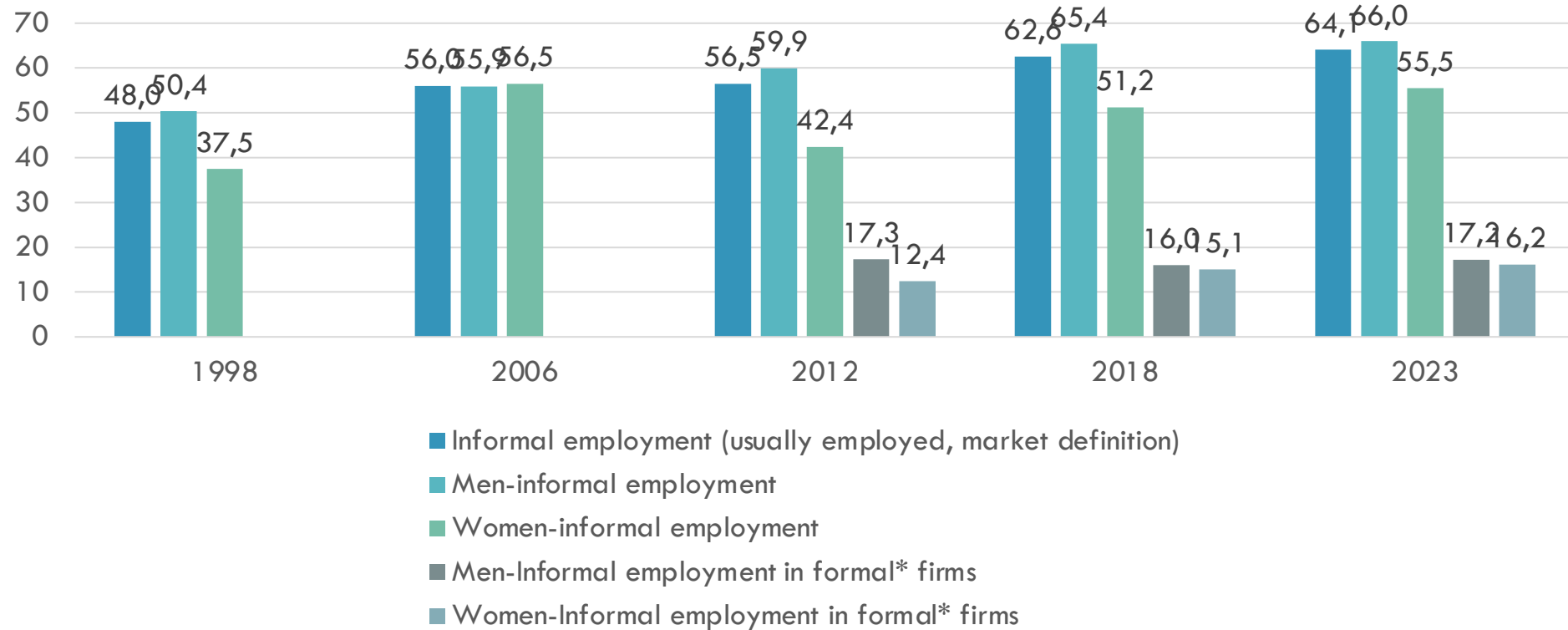
# LMPS DATA CORROBORATE



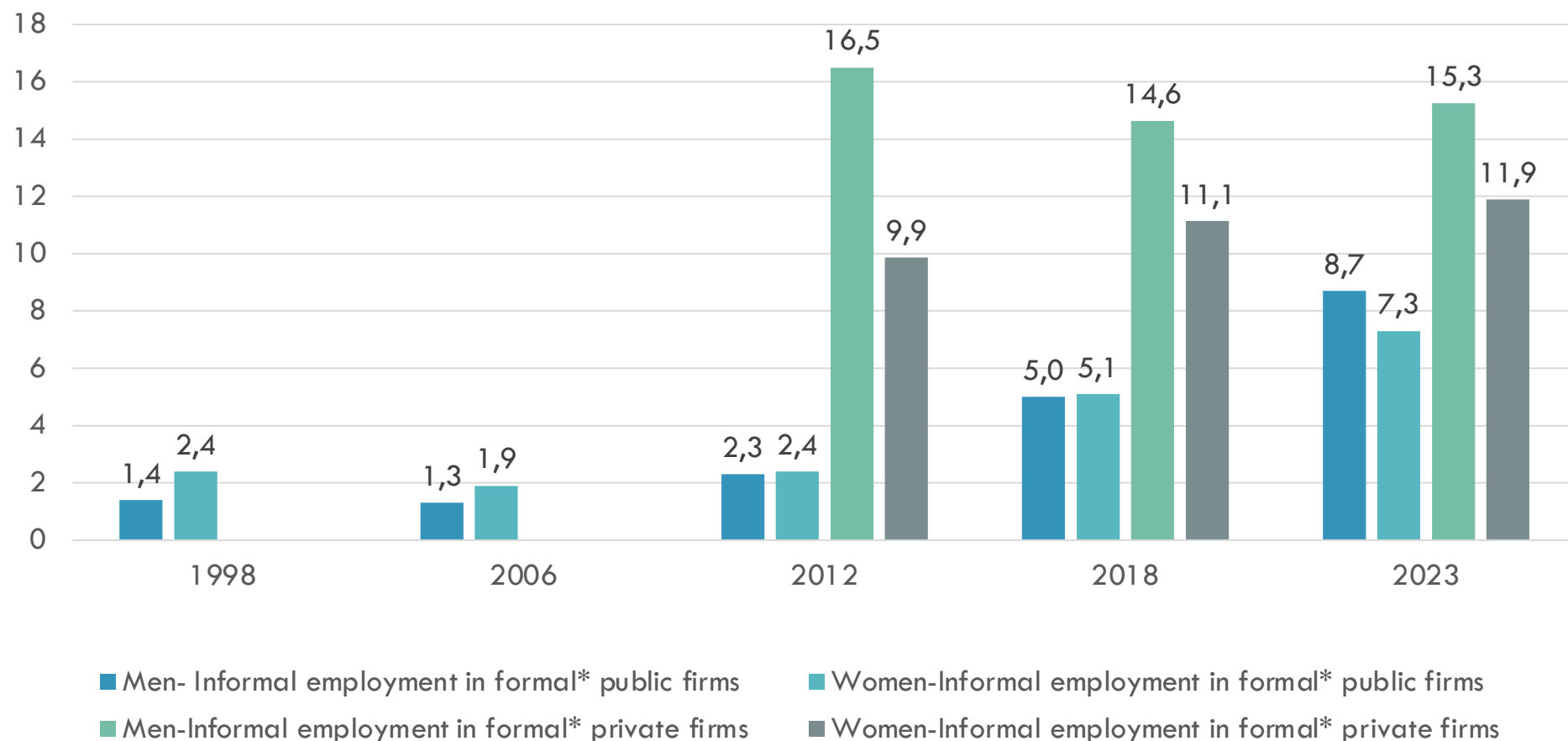
# BUT TRENDS ARE PARTICULARLY CLEAR AT THE EMPLOYMENT-TYPE LEVEL



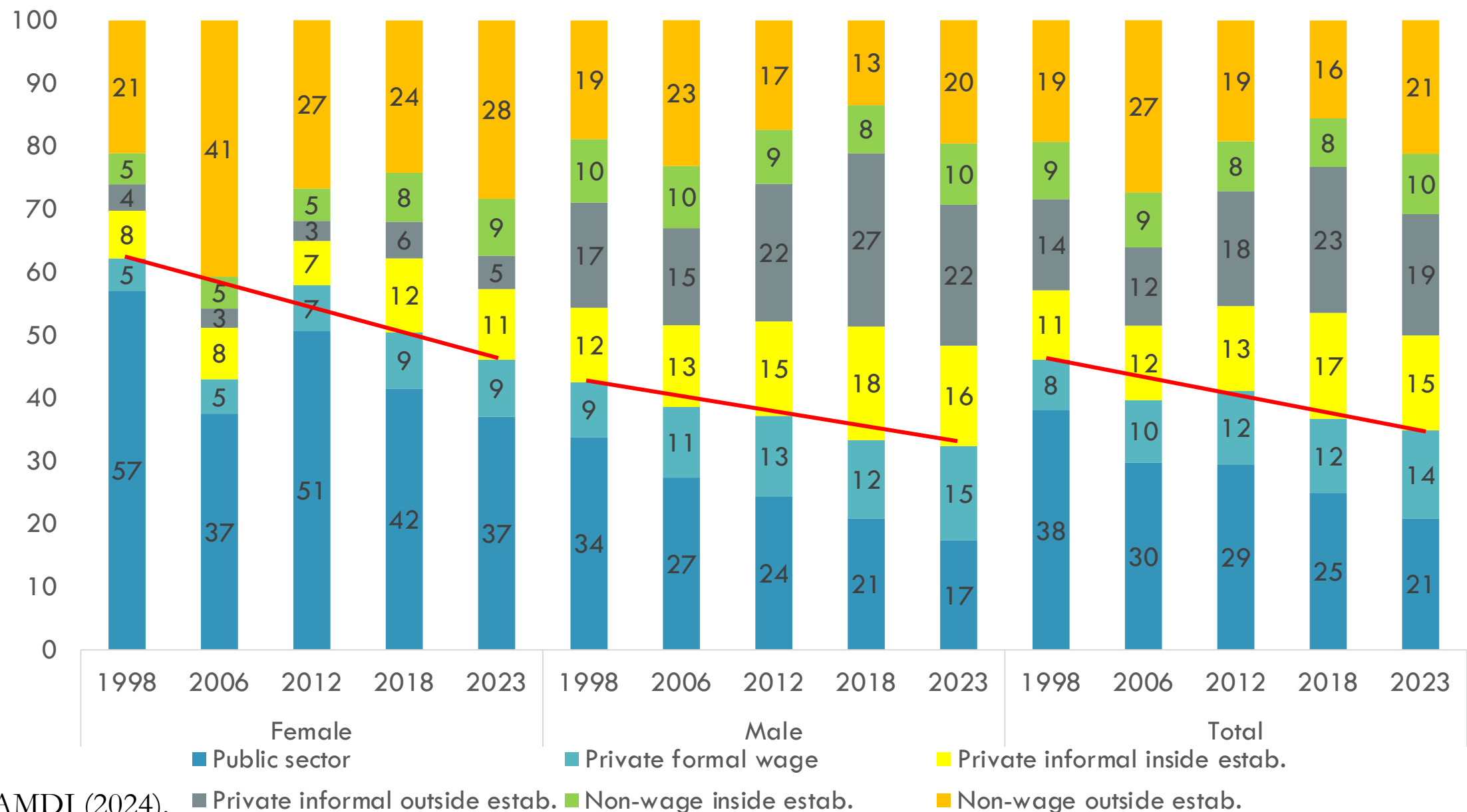
# INFORMALITY HIGH & MOST RECENTLY RISING EVEN AMONG WOMEN



# INFORMAL EMPLOYMENT RISING EVEN IN FORMAL PUBLIC FIRMS

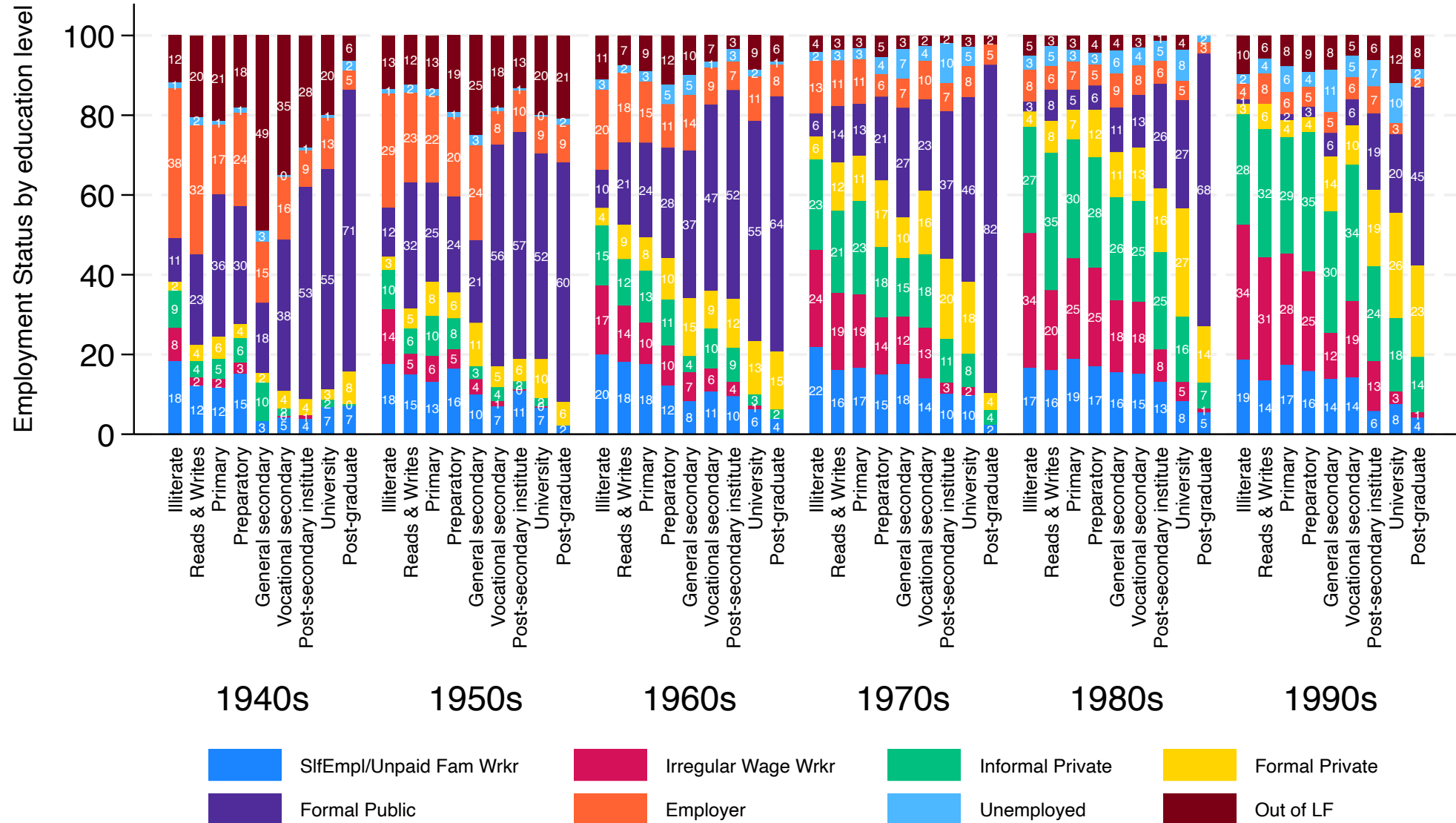


# WOMEN CHanneled TO NON-WAGE & INFORMAL JOBS



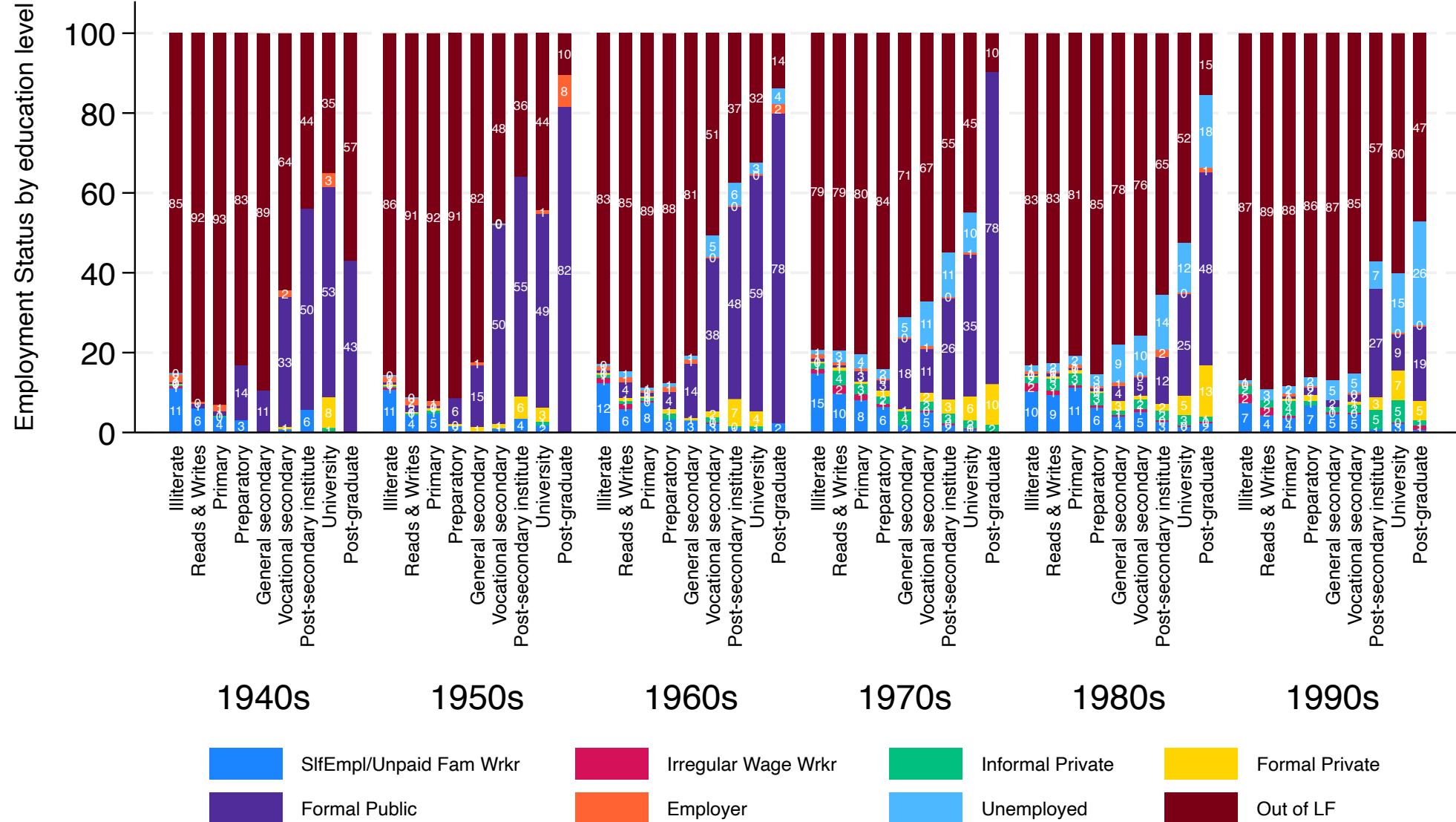


# EDUCATION IS A STRONG DETERMINANT OF MEN'S JOB PROSPECTS, BUT ITS EFFECT EVOLVES OVER TIME



Source: OAMDI (2024).

# FOR WOMEN, DECENT-JOB PROSPECTS HAVE BEEN DETERIORATING & EDUCATION FAILS TO PROTECT THEM



Source: OAMDI (2024).

# TENTATIVE CONCLUSIONS

Egypt has made major strides toward addressing structural gaps in the economy.

The private sector has increasingly taken precedence over public employment.

Social protection and insurance systems have expanded ... but still exclude many workers.

Structural barriers continue to hinder firms' and workers' formalization.

These challenges limit formal job creation and contribute to a significant informal sector.

Job creation continues to lag, especially for youth, and female youth.

The National Structural Reform Programme of 2021 holds promise by targeting vulnerable sectors, firms and workers.