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LABOR SKILLS, PRODUCTIVITY, AND HUMAN RESOURCE MANAGEMENT STUDY

SUMMARY OF FINDINGS: NOVEMBER 2017

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Preface by Seifallah Fahmy, ENCC Chairman

A key component in rebuilding Egypt and its economy is our human resources. We must ensure the availability of a skilled and globally competitive labor force, and address the issues that are undermining the productivity of labor. Skill development is an important driver in improving employability and the competitiveness of enterprises, thus promoting their development. Skill development facilitates a cycle of high productivity and job creation, contributing to higher incomes for all and inclusive growth.

This report provides the results of a survey conducted to identify Egypt's labor market, productivity, and human resource management challenges and the obstacles that private sector companies face. The objective was to identify policies and reforms that would improve technical training schools in order to ensure that young Egyptians have the skills necessary to capitalize on export opportunities, ultimately improving Egypt's competitiveness. The survey was conducted for 158 enterprise employers, 628 enterprise employees, more than 800 technical and vocational education and training (TVET) mix of female/male graduates, of which 153 were female, and 22 key renowned experts in 7 sectors and 13 governorates.

The study identified a number of policy areas that need immediate intervention: institutional policies; employment services; the TVET system; technical and vocational education; labor productivity; accreditation and validation; housing and accommodation; awareness building; value chain development; and female participation in the labor market.

Implementing these recommendations will lay the foundation for a more competitive economy and stronger economic growth in Egypt. However, it will require that all stakeholders are collectively aligned on the issues and high priority intervention areas for developing the skills of our workforce, focusing on initiatives, not only of today, but also for tomorrow, with achievable and measurable actions. ENCC proposes that the consultations take place over the next year within ENCC's Business Advisory Council (BAC), through the Enabling Business Environment Committee (EBEC). ENCC's BAC, established in 2008 provides a platform for exchange of ideas and experiences, and proposal of reforms, among a wide range of stakeholders: government, industries, businesses, academia, trainers, workers, Parliament, and media.

The report is organized as follows: Chapter 1 furnishes the economic context in Egypt and provides a summary analysis of Egypt's labor market and the technical education and vocation training system. Chapter 2 describes the approach and survey methodology followed by the study. Chapter 3 delivers in-depth analyses of the findings. Chapter 4 attempts to assess the policy environment for labor in Egypt and lays out the recommendations that emerged from the study. The survey questionnaires are also attached for those who are interested in the more detailed aspects of the methodology. Chapter 5 explains ENCC's methodology for stakeholder mapping and the stakeholders identified through this approach. Finally, Chapter 6 summarizes the main conclusions and recommendations.

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ABBREVIATIONS

Baseera	Egyptian Center for Public Opinion Research
CAPMAS	Central Agency for Public Mobilization and Statistics
ENCC	Egyptian National Competitiveness Council
EU	European Union
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GIZ	German International Cooperation Agency
ICT	Information and communication technology
ILO	International Labor Organization
LMIS	Labor market information system
MOETE	Ministry of Education and Technical Education
NAQAA	National Authority for Quality and Accreditation of Education
NGO	Nongovernmental organization
OECD	Organization of Economic Cooperation and Development
RMG	Ready-made garments
SME	Small/medium-sized enterprise
SYPE	Survey of Young People in Egypt
TVET	Technical and Vocational Education and Training
UN	United Nations
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VTC	Vocational training center

FOREWORD

Foreword by Dr. Hossam Badrawi, Honorary Chairman, ENCC; & Chairman, Nile Badrawi Foundation for Education & Development

The development of labor skills is critical for employment generation. Employment is the key ingredient in economic growth and social development. The demographic transition of Egypt makes it imperative to ensure employment opportunities for more than 800 thousand youths entering the jobs market every year.

Egypt presently faces a dual challenge of scarcity of highly-trained, quality labor, as well as non-employability of large sections of the workforce that do not possess the job skills needed by the market. The skill development issue in the country is thus relevant both at the demand and supply levels. To meet the demand side challenge, the government is involved in many projects with the purpose of expanding economic activities and creating employment opportunities for SMEs. On the supply side however, employability has traditionally been viewed as an area of concern for reasons relating to inadequate training infrastructures, inappropriate mix of skills and education, and outdated curricula. The skills development ecosystem in Egypt is undeniably still skewed towards a higher education system at the expense of vocational and technical training and there is a disconnect between the higher education system and work requirements. All these issues are seen as compounding the challenges related to the skills gap, and requiring attention in terms of tackling the quality of labor supply in order to improve Egypt's competitiveness.

What this impressive study has revealed is that while it is important to transform the skills development ecosystem in Egypt and make it more responsive to the needs of both industry and job seekers, the broader policy and structural framework that governs labor policies is equally important and needs to be addressed. Some 158 small and medium enterprise employers, 628 enterprise employees, more than 800 technical and vocational education and training (TVET) mix of female/male graduates, of which 153 were female, and 22 key renowned experts in 7 sectors and 13 governorates were interviewed about Egypt's labor market, productivity, and human resource management challenges and the obstacles that private sector companies in the targeted economic sectors and governorates face. The objective was to identify policies and regulatory frameworks to target through advocacy to ensure that the country's technical training schools prepare their students for the workforce; and identify the skills, competencies, and occupations demanded by the private sector and governorates in each sector and governorate. All responses consistently identified other concerns not directly related to the skills issue such as institutional policies, employment services, value chain development accreditation and validation.

The vast majority of jobs in Egypt are generated by the private sector. SMEs dominate the country's private sector, accounting for approximately 98% of non-agricultural economic units and 81% of the labor force outside the public sector. Given their size, they are the only engine of growth that can contribute significantly to raising industry's share of employment in GDP. Public policy thus needs to play a major role in facilitating the job creation process through interventions that might lie well outside what we traditionally consider employment policy.

The Egyptian National Competitiveness Council will endeavor, through its policy advocacy platform, to facilitate consultations among all relevant stakeholders identified in order to address priority issues selected from the study. Sustained dialogue between all parties is critical for a well-functioning labor market, a friendly business environment, and ultimately A Better Egyptian for a Better Egypt – ENCC's slogan that summarizes its vision for a more globally competitive Egypt.

EXECUTIVE SUMMARY

This study of labor market dynamics in Egypt offers relevant and timely information for stakeholders and decision-makers. The mixed-methods study employed a phased approach to assess Egypt's economic context, labor supply and demand, and the gender context related to the labor market.

The original study was commissioned with support from the United States Agency for International Development (USAID) and carried out in partnership with the Egyptian National Competitiveness Council (ENCC). This report summarizes the most pertinent elements of the study, geared toward a wide audience working on economic growth in Egypt, with the aim of enhancing understanding and enabling evidence-based actions to improve the labor market and Egypt's overall competitiveness.

The first phase of the study comprised (1) a preliminary analysis of macroeconomic, trade, and labor market data, human resource management challenges, policy constraints, and the technical training system in Egypt, conducted primarily through a literature review and desk research; and (2) a rapid assessment through interviews with key stakeholders. Phase One revealed the following needs:

- Capacity building of technical secondary schools and stronger connections with the private sector to enhance the skills of graduates
- Initiatives that identify key barriers and bottlenecks that can be solved at the subnational (governorate) level and challenges that must be escalated to the national level for policy change.
- Identification of challenges and obstacles to productivity and growth that can be improved through development of human resources management in private entities and the workforce.

Phase Two validated, expanded, and analyzed these findings more deeply, assessing the supply of and demand for technical and vocational training skills in Egypt. This phase included a detailed study of workforce supply and demand; further review of the literature; an analysis of macroeconomic statistics, labor market data, and trade data; stakeholder/key informant interviews; a policy assessment; and four surveys with private sector employers and current/potential job seekers.

Together, the elements in this study provide an in-depth examination, offering:

- A detailed study of Egypt's labor market, productivity, and human resources management challenges and the obstacles facing private sector companies in targeted economic sectors and governorates
- Identification of policies and regulatory frameworks that, if targeted through advocacy and other actions, will help ensure that Egypt's technical training schools prepare their students for the workforce
- Identification of the skills, competencies, and occupations in demand by the private sector and governorates in each sector and governorate.

The study includes a stakeholder mapping and analysis that assess the degree of influence and interest of stakeholders at national and subnational levels (government officials, public and private training centers, business and sector specific associations, key industrialists and

companies, parliamentarians, and civil society organizations and development partners). This mapping offers an example of how to build an appropriate engagement plan for each stakeholder group by creating a power/interest grid to understand each group's level of influence and interest.

FINDINGS AND RECOMMENDATIONS

The study has generated a number of recommendations for improving the efficiency and productivity of Egypt's labor market. Key findings are categorized in six groups (age, female participation, the education system, informality, and governing policies), followed by a full listing of recommendations.

Age Group

- Unemployment in Egypt is concentrated among the 20- to 24-year-old population segment, which accounts for 34.7 percent of the total unemployed. This segment's unemployment rate rose from 27.1 percent in 2009 to 33.7 percent in 2014.
- Youths aged 25–29 years comprise 19.8 percent of the total unemployed, and have experienced increasing unemployment (14.3 percent in 2009 to 18.65 percent in 2014).
- Younger youth (age 15–19) represent 12.3 percent of the total unemployed. This segment has experienced increasing unemployment, from 22.1 percent to 28.5 percent in the same period.
- The unemployment rate for individuals in the 30- to 39-year-old age group increased over the same period, from 3.3 percent to 9.1 percent. Their share of the labor force has also increased, from 7.7 percent in 2009 to 17.6 percent in 2014.

KEY FINDING | Although younger groups show the highest unemployment rates, the proportion of unemployed older age groups is also increasing.

Recommendations:

1. Promote labor market reforms targeting youth in 20- to 24-year and 30- to 39-year age brackets and provide them with incentives and training to promote entrepreneurship (this reflects finding from the enterprise survey, in which many workers who were dissatisfied with their jobs expressed a willingness to become entrepreneurs).
2. Develop entrepreneurship curricula to be adopted at TVET schools.

Female Participation in the Labor Market

- Egypt's female labor force is only 6.5 million, compared with 21.2 million males. The average national participation rate in the Egyptian labor force is 48 percent, and this rate drops to 23.1 percent for females, versus 72.3 percent for males.
- The female unemployment rate was 24 percent in 2014, more than double the male unemployment rate of 9.6 percent. In the same year, the gender gap for technical education graduates was higher than the overall gender gap; the unemployment rate of this group was 11 percent for males and 34.5 percent for females.

- Most employers and enterprises do not hire female workers due to preconceptions that working conditions are unsuitable for females.
- Many females are discouraged in the job search and withdraw from the labor market due to lack of opportunities and low prospects for finding suitable jobs. Cultural pressures and lack of security constitute additional factors.

Recommendations:

3. Incentivize private sector employers to offer women flexible hours, childcare, and safe and affordable transportation to ease their commute.
4. Provide females with support in searching for jobs that match their skills.
5. Raise awareness of the importance of female education, recognizing that the female dropout rate is higher, as is female participation in informal sector.
6. Create understanding and awareness of the law ensuring gender equality in the workplace, including law enforcement.
7. Promote labor market reforms targeting females and provide them with incentives and training to promote entrepreneurship activities, thus improving their participation rate in the labor market.
8. Address lodging and commuting concerns for females.
9. Address the shortage of nurseries and other biases.

Education System

- Participation in the labor force increases with higher education for both genders, and the gender gap narrows. Graduates of higher education institutions and postgraduates have the highest workforce participation rate (75.1 percent for this segment, compared with 64.6 percent for holders of secondary education certificates). From a gender perspective, male graduates of technical secondary schools have a 90.9 percent participation rate, compared with 32.5 percent for females. For graduates of higher education institutions and postgraduates, the gap is much lower, with participation rates for males at 85 percent and females at 62 percent.
- One-third of employers/enterprises do not offer formal training. However, TVET outcomes do not match the skills employers look for, particularly practical skills and workplace-ready attitudes.
- However, more than 80 percent of workers acquire the needed skills in their workplace, confirming the phone poll finding that TVET graduates have a general perception that further formal TVET training is unnecessary.
- Of the 1,120 TVET graduates surveyed, 29 percent were unemployed and 45 percent were employed but unsatisfied, meaning they believed their skills should yield better positions and better earnings. The remaining 26 percent were employed and satisfied.

Recommendations:

10. Develop competency-based curricula (updated curricula, practical training programs, and embedded entrepreneurship curricula) in TVET schools to address the shortages in required skills acquired by their graduates. This initiative will improve the participation ratio of TVET graduates in the labor market, as is the case with university graduates.
11. Expand the implementation of the Dual Education System in technical schools to improve the quality of TVET graduates so they can find suitable jobs.
12. Incentivize greater involvement of the private sector in in the Dual Education System.
13. Enhance professionalization of teaching staff and incorporate an incentive system.
14. Complement sector-based training curricula with short training programs that focus on soft skills and basic, crosscutting professional competencies.
15. Improve employment services and matchmaking mechanisms to bridge the gap between supply and demand. Design special programs for females who lack higher education.
16. Promote lifelong learning through the recognition, validation, and accreditation of the outcomes of non-formal and informal learning.

Vocational Training

- Vocational training in Egypt is characterized with high level of fragmentation.
- The ministry in charge of regulating vocational training in Egypt is the Ministry of Manpower and Migration. The ministry is also a training provider owning and operating 27 vocational training centers and 11 mobile training units.
- The Ministry of Trade and Industry and Ministry of Housing, Utilities, and Urban Development have important and solid training departments and training centers.
- Private sector contributions to establish of vocational training centers are limited.

Recommendations:

17. Develop a unified vocational training law that identifies different regulatory aspects, including a quality assurance system.
18. Capitalize on the vocational training departments in the Ministry of Trade and Industry and the Ministry of Housing, Utilities, and Urban Development, and promote a public- private partnership model that encourages the private sector to modernize and use the services of these centers.
19. Incentivize the private sector to invest in vocational training.

Informality

- A main challenge facing Egypt’s labor market is the expansion of the informal sector, including the prevalence of informal employment in the formal sector. The informal sector has been a robust job creator, but most jobs are not “decent work” (they are low- paying or unpaid), with inadequate social insurance and job security. Technical secondary school graduates represent the majority of the labor force that is informally employed (El-Maragy, 2016).
- Informal employment has greatly expanded since 2006. The informal sector employs 8.3 million Egyptians. In 2014, total employment in the informal sector was estimated at 11.3 million, with the female share estimated at 2.3 million — a high estimate, considering their weak representation in the total workforce.
- A 2009 report by the Economic Research Forum estimates the probability of moving from the informal to the formal sector for different labor force segments. The report indicates that males are twice as likely as females to transition from informal to formal jobs (20 percent, compared with 10 percent of females). It concludes that although the informal sector provides valuable early-career job opportunities for highly educated male workers, it is a dead-end for female workers and for uneducated people of both sexes.
- The Egyptian labor market also suffers from an entry problem; most of the unemployed are new entrants. Of the 3.6 million unemployed in 2014, fewer than 1 million had been previously employed. First-time job seekers who find work are increasingly employed in the informal sector, mostly in small and microenterprises.
- Informality is a consequence of the business environment, which makes it costly for small businesses to join the formal sector.
- Formal small and medium-sized enterprises (SMEs) are not represented in the discussions and formulation of laws and regulations that affect the business environment in which they operate. Their participation in such forums could result in creating a different environment that entices them to grow and enhance their productivity.

Recommendations:

20. Address income and Value Added Tax estimates and other costs for small businesses.
21. Address the cost of social security for small businesses.
22. Address the enabling environment for microenterprises and SMEs, including the regulatory framework and access to finance.

Governing Policies

- Employers perceive that the rigidity of the labor law, in terms of hiring and firing, poses multiple challenges for employers.
- Among males, salary is the key factor driving their search for jobs, whereas

three key factors (salary, location, and working hours) drive females in their job search.

- Among respondents who were unsatisfied with current salary (69 percent), the average difference between current salary and desired salary was EGP 1,300, representing almost double their current average salary of EGP 1,535.

Recommendations:

23. Explore initiatives toward a modification of Labor Law #12/2003, with three objectives:
 - o Maintain “flexicurity” (the balance between flexibility and security).
 - o Improve processes related to the sub-indicators of the labor market efficiency pillar in the World Competitiveness Report.
 - o Upgrade employment offices affiliated with the Ministry of Manpower and Migration to enable them to work as employment agencies providing employment services to employers and employees.
1. Adopt a New Unified Law for Vocational Training.
2. Establish a labor market information system (LMIS).
3. Activate the Supreme Council for Human Resources Development to have an effective role in developing labor market policies in Egypt.
4. Promote the development of a unified vision and management mechanism for the Egyptian TVET system, to be coordinated with the TVET II project, which has a special component on governance.

MAKING BEST USE OF THIS STUDY

This study is timely, given Egypt’s “youth bulge” and emerging demographic dividend and the rapidly changing social and economic situation of the country and the wider Arab Region. Readers are advised that the findings and recommendations documented here reflect a particular moment in the history of Egypt’s economic development. These analyses should be updated regularly to incorporate changes in the context.

CHAPTER 1: EGYPT'S ECONOMIC CONTEXT

Egypt has faced enormous political and economic challenges over the past five years, with severe security challenges and social instability. The revolution has escalated unemployment and exacerbated the policy constraints and structural imbalances that have characterized the Egyptian economy for decades.

Unemployment and deterioration of job quality have affected certain categories of the labor force more severely, namely youth, females, and graduates of technical secondary schools. Improving the technical capacity of these segments of the labor force and enhancing their ability to meet the needs of private sector employers is one of the main challenges for Egypt's labor market.

Improving the performance of the private sector and enhancing its growth and development prospects are especially important as the momentum for change gathers speed and the Egyptian government undertakes major economic reforms. The nation's Sustainable Development Strategy (Vision 2030), launched in February 2016, includes several indicators related to fostering economic growth and increasing labor market efficiency (MOP, 2016).

International donors have partnered with the Government of Egypt to enhance technical secondary education and strengthen its ties to the private sector. Projects that target TVET reform, economic development, and labor market efficiency have been implemented by USAID, the European Union, the International Labour Organization (ILO), the World Bank, the German International Cooperation Agency (GIZ), Global Affairs Canada, and other donor agencies.

THE EGYPTIAN LABOR MARKET: SUMMARY ANALYSIS

This section summarizes findings from Phase One of this study, comprising an initial assessment of the Egyptian labor market, policy and regulatory context, and technical training system. Key messages based on this analysis of labor market data are presented in red.

Demographic Developments

With 90 million residents, Egypt has one of the largest populations in the Arab Region and a high growth rate of about 2.5 percent (CAPMAS website, n.d.). Like most countries in the region, Egypt is experiencing a youth bulge, with 61 percent of the population under the age of 30 and almost 40 percent between the ages of 10 and 29 (SYPE, 2014, p. ix.). Notably, between 1990 and 2014, the number of 20- to 25-year-olds in Egypt expanded from 12.9 percent to 13.4 percent.

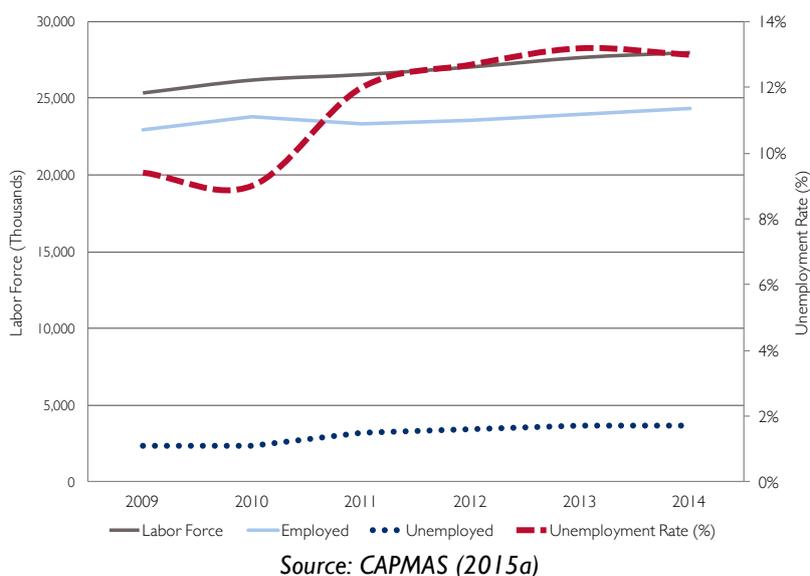
Even as youth swell the ranks of the unemployed, they present a demographic gift — an opportunity to maximize the benefits of a large workforce. This “youth bulge” will soon constitute the largest labor force in recent history, as the dependency rate decreases to 35 percent and the nation experiences a demographic dividend.

KEY MESSAGE | This study is timely; it is important to take advantage of this demographic opportunity for the benefit of the Egyptian economy.

Development of Unemployment Indicators for Gender, Age, and Educational Attainment

Of the 27.7 million individuals who participate in Egypt's labor force, 3.6 million are unemployed (CAPMAS, 2015a, p. 20). The challenges began in the 1980s, when agriculture and the public sector, the two leading employment sectors, were no longer able to accommodate the number of graduates joining the labor market (Radwan, 1997, p. 6). When the government abandoned its 30-year guaranteed employment schemes in 1991¹ (Kheir El-Din & El-Laithy, 2006, p. 3), unemployment skyrocketed and never fully recovered. The economic and political instability of 2010 further aggravated job insecurity, and unemployment rose from 9 percent to 13 percent between 2010 and 2015 (Figure 1).

Figure 1: Development of the Egyptian labor force and unemployment rate

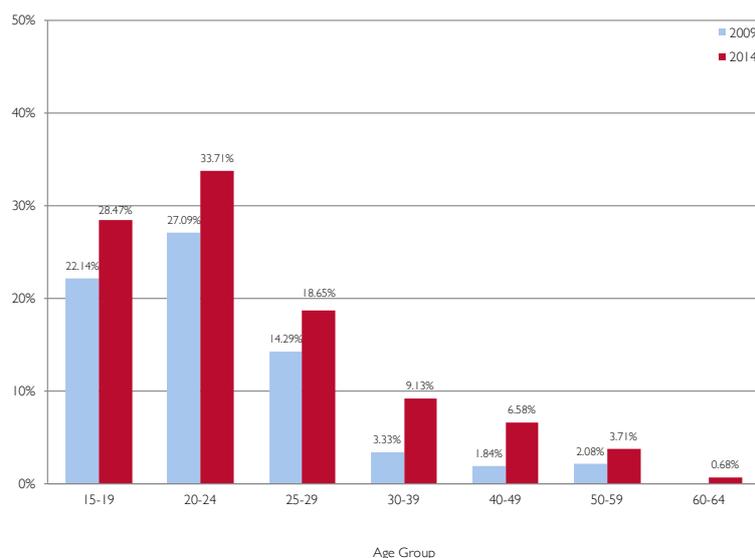


Analysis of the unemployed labor force reveals imbalances and disparities with respect to gender, age, and educational attainment. Since the 1970s, unemployment in Egypt has been increasingly concentrated among youth, particularly among 20- to 24-year-olds, who in 2014 accounted for 34.7 percent of the total unemployed. This group's unemployment rate rose from 27.1 percent in 2009 to 33.7 percent in 2014. Youths 25–29 years, comprising 19.8 percent of the total unemployed, have also experienced increasing unemployment, from 14.3 percent in 2009 to 18.65 percent in 2014.

Another important development relates to unemployment for individuals in the 30- to 39-year-old age group, which increased significantly over the same period, from 3.3 percent to 9.1 percent (Figure 2), even while their share of the labor force increased, from 7.66 percent to 17.6 percent. Younger youth aged 15–19, representing 12.3 percent of the total unemployed, have also experienced increasing unemployment. Therefore, although it is evident that younger groups suffer from higher unemployment, the proportion of unemployed older age groups is increasing.

1 The government adopted guaranteed employment schemes for university graduates in 1961 and for secondary school graduates in 1964 (Assaad, 1995, p. 9).

Figure 2: Unemployment rates by age group (2009 and 2014)



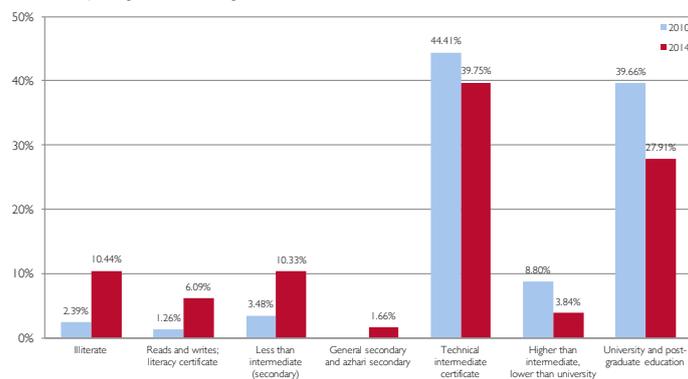
Source: CAPMAS (2011, 2015)

KEY MESSAGE The priority is 18- to 29-year-olds; however, attention to the situation of 30- to 39-year-olds is also recommended.

In Egypt, education is no guarantee of employment. Indeed, unemployment for technical secondary graduates is 16.4 percent, higher than the national rate. Unemployment among these graduates is higher in urban areas (17 percent versus 15.7 percent in rural areas). Of the 8.6 million technical secondary school graduates, 1.45 million are unemployed, representing 39.7 percent of all unemployment in Egypt (Figure 3). A key factor behind the higher unemployment among university and secondary school certificate holders is the mismatch between labor market requirements and graduates' skills and competencies (El-Baradei et al., 2012, pp. 106–7).

KEY MESSAGE There is an urgent need to reform the TVET system and support national efforts to generate an increasing number of decent work opportunities for technical school graduates.

Figure 3: Share of total unemployment by educational attainment



Source: CAPMAS (2015a), Table 21, p. 217

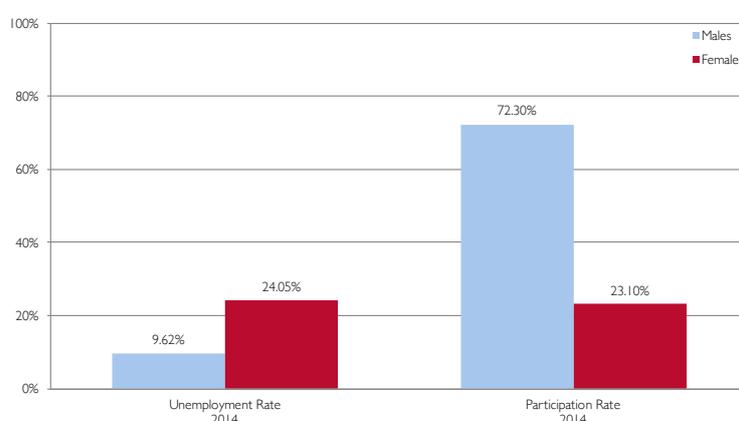
Another important imbalance relates to the gender aspect of unemployment. As Figure 4 indicates, the male unemployment rate in 2014 was less than half the female unemployment rate. The same year, the gender gap for technical school graduates was higher than the overall gender gap: The unemployment rate of this group was 11 percent for males and 34.5 percent for females (CAPMAS, 2015a, p. 217).

Addressing Gender Imbalances in the Labor Market

Addressing the challenges of high unemployment and low economic participation for females requires a multidimensional approach. Programs should provide training and capacity building courses (through local training centers and mobile units) in locations that are accessible to rural villages. This could be achieved through promoting female entrepreneurship and SMEs in these locations, as one of the main obstacles facing female employment is the unavailability of work opportunities near their residences (Galal, personal communication, 2016).

An outreach program could encourage employers to hire females, spreading awareness of the importance of achieving gender balance within the work place, and adopting the Gender Equity Seal on a large scale could help promote female employment in Egypt (Safar, personal communication, 2016).

Figure 4: Comparing male and female unemployment and participation rates, 2014



Source: CAPMAS (2015a), Table D (p. 23), Table 4 (p. 53), and Table 20 (p. 208).

The unemployment situation for females is even more dire, as unemployment rates for both genders are calculated based on a largely male labor force. The female labor force is only 6.5 million, whereas males constitute 21.2 million of the total labor force (CAPMAS, 2015a). The average national participation rate² in the Egyptian labor force is 48 percent, but the rate drops to 23.1 percent for females, compared with 72.3 percent for males. One factor explaining this phenomenon is that many females are discouraged in the job search and withdraw from the labor market due to lack of opportunities and low prospects for finding decent jobs (Safar, personal communication, 2016). Cultural pressures and lack of security may be other factors.

KEY MESSAGE | Special activities and interventions should be designed and implemented that target unemployed female job seekers.

Graduates of higher education institutions and postgraduates are the segment with the highest workforce participation rate (75.1 percent, compared with 64.6 percent for holders of secondary education certificates). From a gender perspective, male graduates of technical secondary schools have a 90.9 percent participation rate, compared with 32.5 percent for females. For graduates of higher education institutions and postgraduates, the gap is much lower, with participation rates for males and females at 85 percent and 62 percent, respectively.

² The labor force participation rate is the percentage of the population that is actively engaged in the labor market (working or looking for work). It provides an indication of the size of the labor supply that is available to engage in the production of goods and services, relative to the working-age population.

**KEY
MESSAGE**

The gender gap that characterizes the Egyptian labor market should be addressed, and factors that lead to females' partial withdrawal from the labor market should be analyzed.

Development of the Informal Sector

A main challenge facing Egypt's labor market is the expansion of the informal sector, including the prevalence of informal employment in the formal sector (Rizk, 2007, pp. 381–2). The ILO defines informal economic activity as activity unregulated by formal institutions and societal regulations, such as contracts, labor laws, social insurance, registrations and taxations (Wahba, 2009, p. 4). The informal sector has been a robust job creator, but most jobs are not “decent work”³ (low-paying or unpaid), with inadequate social and job security (Ghada, 2014, p. 20). Technical secondary school graduates represent the majority of those with informal employment (El-Maragy, 2016).

The last Central Agency for Public Mobilization and Statistics (CAPMAS) census,⁴ conducted in 2006, indicated that the informal sector employed 8.3 million Egyptians, up from 2.6 million in 1986.⁵ In non-census years, the estimate of “out-of-establishment” workers,⁶ which represents a main component of the formal employment and is published annually by CAPMAS, is used to track trends in this sector. According to this estimate, informal employment greatly expanded since 2006. In 2014, total employment in the informal sector was estimated at 11.3 million, with the female share estimated at 2.3 million - a high estimate, considering their weak representation in the total workforce.

The informal sector is the main option for Egyptian females seeking employment, especially after the government, once their leading employer, abandoned its scheme of guaranteed jobs for graduates (Hassan & Sassanpour, 2008, p. 8). An ILO study suggests that females find it difficult to access the private sector except through informal entrepreneurship, which offers a survival mechanism at the least cost (El-Mahdi, 2002). As more females enter informal self-employment, fewer obtain jobs in the formal sector, either in the shrinking public sector or the growing private sector. The ILO report concludes that this phenomenon is consistent with the male bias evident in private sector employment and the business environment.

A 2009 report by the Economic Research Forum estimates the probability of moving from the informal to the formal sector for different labor force segments. Findings indicate that males are twice as likely as females to transition from informal jobs to formal ones (20 percent versus 10 percent of females). The report concludes that although the informal sector provides valuable early-career job opportunities for highly educated male workers,

3 The term “decent work,” introduced by the ILO director general in 1999, is defined as “productive work in which rights are protected, which generates an adequate income with adequate social protection.” It also means sufficient work, in the sense that all should have access to earning opportunities (Somavia, 1999, p. 3).

4 The most accurate estimation of informal employment in Egypt is based on data from the census conducted once every 10 years (CAPMAS, 2006).

5 Based on the definition of informal employment that includes out-of-establishment workers and workers employed by enterprises that hire fewer than five workers.

6 “Out of establishment” employment represents the main component of informal employment, comprising street vendors, home-based workers, and agricultural workers not employed by economic enterprises. The other component is the employment in enterprises with fewer than five workers, calculated only in census years; the bulk of these microenterprises in Egypt are not registered or regulated by prevailing laws. This second informal employment component is calculated only in census years.

it is a dead-end for female workers and for the uneducated of both genders (Wahba, 2009a, p.7).⁷

**KEY
MESSAGE**

Efforts should be undertaken to advocate for the formalization of employment in the Egyptian labor force to create more decent jobs for youths, females, and graduates of technical secondary education.

The Egyptian labor market also suffers from an entry problem, as most of the unemployed are new entrants. Of the 3.6 million unemployed in 2014, fewer than 1 million had been previously employed (CAPMAS, 2015a, p. 208). First-time job seekers who do find work are increasingly employed in the informal sector, mostly in small and microenterprises (Assad & Kraff, 2012).

**KEY
MESSAGE**

New entrants to the labor market should be considered a priority group.

TECHNICAL EDUCATION AND VOCATIONAL TRAINING: SUMMARY ANALYSIS

TVET in Egypt includes formal programs directed by the MOETE and the Ministry of Higher Education and non-formal training programs delivered by various ministries, nongovernmental organizations (NGOs), and private sector organizations.

Formal Technical and Vocational Education and Training

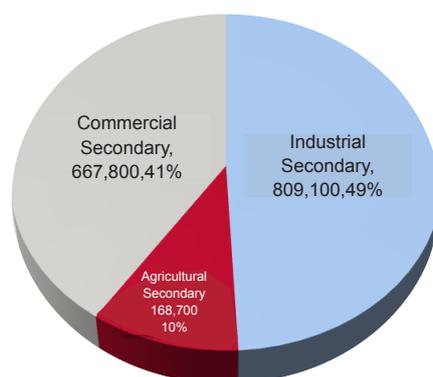
According to the 2014 Panel Survey of Young People in Egypt (SYPE), more Egyptian youth (39 percent) hold secondary degrees from technical schools than any other degree. Technical secondary schools require lower scores than the general secondary schools and graduates rarely continue their studies past the secondary level (Population Council, 2014, p. 32).

Students in technical secondary school follow either a three-year track toward a technical diploma (most common) or a five-year track to prepare to become senior technicians (rare). Students choose to specialize in one of the following fields: industrial, commercial (including hospitality and tourism), or agriculture. Graduates of technical education (both tracks) can enroll in higher education if their scores are high enough, but their transition rates are lower than that of general secondary graduates (Elmaraghy, 2016, p. 100).

As Figure 5 illustrates, the national TVET system comprised about 1.6 million students in 2014/2015 (versus about 1.3 million students in 2009/2010), dispersed over 1,984 schools. (Ministry of Education, Statistical Yearbook 2014/2015) According to the SYPE, 40.1 percent of young people aged 25–29 graduate from technical secondary education - two in every five - an increased from 37.3 percent in the first SYPE in 2010. There are also gender disparities in enrollment, not reflected in the chart: 43 percent of male youth and 37 percent of female youth aged 25–29 attained a vocational secondary education (Population Council, 2014, p. 33).

⁷ This study, which was based on the results of the Egyptian Labor Market Panel survey undertaken by the Economic Research Forum and CAPMAS in 2006, indicated main employment and unemployment trends for both genders in the informal sectors, but did not go further to investigate the causal factors. This area needs further analysis and investigation.

Figure 5: Enrollment in technical education, 2014/2015



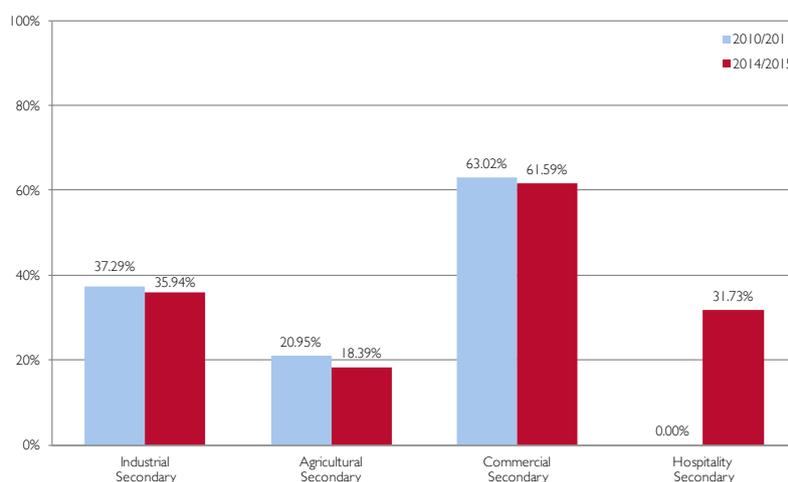
Note: "Commercial Secondary" includes hospitality and tourism.

The 2010 SYPE identified enrollment ratios by gender in the three types of technical secondary schools. Cultural values and norms about gender responsibilities heavily influence the enrolment of females in technical secondary schools, assigning males to industrial and agricultural schools, and females to commercial and nursing schools. Industrial schools, which enrolled just over half of all technical students (53 percent), are heavily favored by males (63.1 percent of males and 36.4 percent of females). Commercial schools enrolled 33 percent of all students, and about half of them were male. Agricultural schools enrolled 5.5 percent of females and 13.2 percent of males, and nursing schools enrolled only 1.4 percent of all students, but all female. (Population Council & IDSC, 2010). Figure 6 summarizes female enrollment in the four main specializations.

KEY MESSAGE

An awareness campaign is needed to address the cultural values that are adversely affecting female enrollment in certain technical specializations and hence their participation in the labor market.

Figure 6: Female enrollment in technical education



Non-formal Technical and Vocational Training

In 2008/2009, there were 681 vocational training centers (VTCs) in Egypt, operated by government ministries, private companies, and public authorities. Public companies account for 41 centers and public authorities account for 34 centers. Several ministries provide training services through 606 training centers, more than half of which (374) belong to the Ministry of Social Solidarity; the rest belong to other ministries (CAPMAS, 2010a).

The public training system has always been fragmented and uncoordinated, as different ministries and government agencies operate largely in isolation from one another. Ownership and administration of individual training centers is vested entirely in the respective ministries. Ministries at the central level are responsible for all financial and administrative decisions and for selecting the training approach. Consequently, there is a significant gap between the operation of VTCs and their core management centers. Several reports have recommended that management of these centers be devolved to individual institutions, in consultation with the private sector and with Local Councils for Human Resource Development (Abrahart, 2003, p. 8).

One of the Government of Egypt's initiatives to resolve this issue has been to create "training councils" such as the Industrial Training Council, created in 2006 within the Ministry of Trade and Industry (recently merged with the newly created "Micro, Small, Medium Enterprises Development Agency") with a mandate to improve coordination and direction of all training-related entities, projects, and policies. Two other councils were also created, the Tourism Training Council and the Construction Training Council, but these were discontinued (ENID, 2014, p. 5). This dramatic fragmentation of Egypt's TVET system suggests an immediate need to create a single institutional framework for all training programs.

The private sector offers a limited number of technical and VTCs, which typically offer short-term training courses. Most of these centers offer courses that qualify firms for quality-related certification. The VTCs tend to be relatively well-organized, with market-driven curricula, trainers with reasonable technical and pedagogical capacity, and modular training courses (ENID, 2014, p. 6).

Relationship with the Private Sector

A number of public-private partnerships have been developed over the years to bridge the gap between training and jobs. Perhaps the most well-known is the Dual Education System, originally known as the Mubarak-Kohl Initiative, which was developed through a Germany-Egypt partnership. The system has been implemented since a 1994 agreement between the

German Federal Ministry of Economic Cooperation and Development and Egypt's Ministry of Education, in partnership with numerous private sector firms (Adams, 2010). While mainstream technical secondary schools follow a regime that includes basic academics and a largely theoretical technical curriculum, a few schools follow the Dual Education System. Students complement academics and theory with practical training at training centers or private companies.

The MOETE equips technical secondary schools with technical teachers, trainers, and required workshops, while the private sector is responsible for training students and providing apprenticeships four days a week. The practical training model is modeled on the German system and designed to improve the transition from school to work by providing real work opportunities aimed at strengthening students' skills for future employment (Grunwald & Becker, 2009, p. 5). Despite many criticisms of this model, especially during its second phase of implementation, it remains the best model of a public-private partnership in technical education (Sayed, Nour El-Din & Sabry, personal communication, 2016).

Another partnership with the private sector includes the sectoral training councils established in the industrial, construction, and tourism sectors. These sectoral councils are led by management boards made up of private sector leaders, technical education leadership, and

vocational training authorities serving the sector, with the goal of tying the training program more closely to industry needs (Amin, 2014, p. 28).

Twelve sectoral and 19 local enterprise training partnerships have been established under the EU-funded TVET Reform Program since 2005. Through these partnerships, private firms partner with schools to enhance the quality of education and produce more qualified graduates (Amin, 2014, p. 28).

**KEY
MESSAGE**

The public training system remains fragmented and uncoordinated, despite the creation of the Industrial Training Council, with limited private sector participation.

Challenges Facing TVET in Egypt

The poor performance of Egypt's technical education system has many causes, some related to the internal efficiency of the system, and others due to external factors (graduates' performance after joining the labor market). Inadequate and inefficient financial allocation for public and private TVET institutions and the expansion of the informal sector are key challenges. Below are main obstacles and constraints of TVET system in Egypt.

INTERNAL INEFFICIENCY

Internal inefficiency involves the relationship between TVET system inputs and outputs and the extent to which the inputs of financial and physical resources meet specific targets (El-Baradei, 2012; Population Council, 2014, p. 66), as reflected in the following:

- *Weak scientific curricula and lack of technical specializations.* Technical education students lack training on needed basic scientific skills, real practical skills, and work readiness competences. For example, students graduate from technical education without computer skills and important basics of applied mathematics (Hassan, 2005, p. 263).
- *Poor school conditions (e.g., classrooms, laboratories, and training workshops) and VTCs.* The 2010 SYPE reported lower-quality facilities and equipment at technical secondary schools than general secondary schools. Technical secondary students were more likely to report problems such as poor lighting and ventilation. VTCs owned by ministries and other governmental institutions have spacious facilities, but the equipment is outdated or is not serviced and maintained regularly (Population Council & IDSC, 2010).
- *Inability to recruit new trainers* as successors to retirees and the low level of remuneration for non-institutional trainers make it more difficult to fill the void.
- *Lack of attention to the continuous training* of trainers in the application of modern means and methods of training.
- *Regional disparities in providing technical specializations.* Increased enrollment in rural areas has outpaced the increase in the number of schools. This implies the existence of many disadvantaged rural areas with respect to technical education. The same applies to VTCs, most of which are affiliated to the Ministry of Social Solidarity in these rural areas. Such VTCs were created via grants that targeted very traditional areas of specializations that were part of the "Productive Families" approach. Facilities are poor, spaces are inadequate, and equipment is obsolete (El-Maraghy, 2016, p. 111).

- *The lack of a national system for the governance of the vocational training system* and its institutions, whether involved in training, testing, quality control, accreditation or certification.

EXTERNAL INEFFICIENCY

The external inefficiency of the education system is represented in the mismatch between supply and demand in the labor market, where educational outcomes do not meet skills and qualifications for job opportunities.

- *Mismatch between training components and labor market requirements.* When the 2010 SYPE asked youth if the education and training they received at technical school had prepared them for employment opportunities in the labor market, only half replied in the affirmative. Technical schools in Lower Egypt and urban areas are better off than other regions, providing more practical training, satisfying the needs of the labor market, and introducing special programs to motivate technical training (Population Council & IDSC, 2010).
- *Higher unemployment among technical education graduates.* The unemployment rate among technical education graduates is estimated at 15.5 percent. Of these, 71.2 percent were taking three or more years to find a job, while only 7.9 percent took less than a year to find a job. Among graduates of secondary schools and public *Azhari* (religious schools) 18.3 percent spend three years looking for a job (CAPMAS, 2015).
- *Legislative framework for the labor market biased against the technical graduates.* Egyptian law gives more advantages to graduates of general education than to technical education graduates, in terms of career promotion in government institutions. This has resulted in a marginalization of technical workers, who are classified at the lowest degrees compared with their counterparts from general education. Technical education graduates are not promoted past a certain level in the labor hierarchy, whereas there is unlimited potential for the other groups (Jebali, 2014). This restricts technical education graduates to “dead-end” jobs, negatively affecting their incomes and standard of living (Oketch, 2007, pp. 229-30).
- *Misallocation and inefficiency of financial resources to technical education (TVET institutions).* Public allocations to public TVET institutions in Egypt are estimated according to the previous year’s expenses, not evaluations of performance. Additionally, funding schemes for technical education depend on the resources in the state budget, without being linked to reform objectives or performance indicators (OECD & World Bank, 2010). Private VTCs are unable to achieve financial sustainability due to low demand for their services and cost factors and affordability on the beneficiary side, whether individuals or enterprises. For this reason, most private VTCs rely mainly on endowment funds or subsidized training activities.
- *Poor governorates get a lower share of national educational investments.* Although poor governorates are the most disadvantaged in terms of schools, VTCs, and technical specializations, the government investment plan typically targets urban governorates (Cairo, Giza, Alexandria, Eastern, and Western) in programs to

develop technical education. Unemployment for technical education graduates is much higher in poor rural governorates, which receive only a small percentage of funding allocations (El-Maraghy, 2016, p. 127).

- *Weak link between TVET institutions and the private sector.* The private sector is reluctant to link to the technical education system by providing funds to enhance its performance, train and employ students and job seekers, or contribute to curricula, training programs and course content, which is crucial for the formulation of different occupations. They are also reluctant to participate in the follow-up and evaluation processes. In general, the private sector contributes little to vocational training system in terms of ownership, and management of vocational training institutions (Sayed, personal communication, 2016).
- *Fragmentation of the TVET sector across several entities and bodies.* The system is unable to provide a coordinated effort and efficient use of resources (El-Baradei & El-Araby, 2011, p. 13).
- *Negative social profile of TVET graduates.* The typically low perception of technical education hampers graduates' opportunities and perpetuates a false impression of their potential (Tobar, Galal, personal communication, 2016).
- *Many training institutions suffer from excessive centralization,* and do not give training centers independence that allows them to innovate, mobilize, and use resources.
- *Lack of an LMIS* and updated statistical and non-statistical information and data on the labor market, covering all players in the labor market, as well as information on labor market trends, policies, and procedures, serving the needs of all users of the system.

This deterioration of the TVET system and the continuous decline in the technical worker's value after joining the labor market have pushed the Egyptian government to pursue reforms, including programs adopted under the framework of international technical cooperation and strategies to raise the quality of TVET outcomes in Egypt. Initiatives include public-private partnership models such as the Dual Education System (Mubarak Kohl), the EU-funded TVET I and TVET II programs, the USAID Workforce Improvement and Skill Enhancement project, and other international projects that focus on specific governorates.

CHAPTER 2:

STUDY BACKGROUND & METHODOLOGY

In a rapidly changing economic and social context, this study offers timely information for a wide range of actors seeking to understand and improve Egyptian labor market efficiency and flexibility. The study assesses Egypt’s current economic context, skills supply and demand, and gender context, and provides recommendations for policy reforms to promote a sustainable and enabling business environment for job creation, particularly for Egypt’s youth.

The study employed a multifaceted methodology (Table 1) implemented in two phases: (1) preliminary analysis and identification of economic sectors and governorates, and (2) a detailed study of workforce supply and demand in each sector and governorate, including four field surveys. This study was initially commissioned by USAID as part of the Workforce Improvement and Skill Enhancement project, which needed to target a subset of economic sectors and governorates for maximum impact. This report has a broader audience, and therefore does not cover findings related to individual sectors or governorates, instead focusing on information that will be useful to a broader set of stakeholders working toward the development of Egypt’s overall economic growth. The findings from this research feed into the policy assessment and recommendations presented in subsequent chapters.

Table 1: Assessment methodology

ANALYSIS	METHODOLOGY
PHASE ONE	
Economic context	Rapid assessment of the labor market using desk research, including literature review, analysis of macroeconomic statistics, labor market data, trade data.
Selection of sectors and governorates	The rapid assessment also analyzed sector- and governorate-level indicators; personal interviews with private sector stakeholders and relevant experts (not included in this report, as it contains project-specific information not relevant to a wider audience).
PHASE TWO	
Enterprise survey with employers and employees	Face-to-face interviews with employers from a sample of 157 enterprises (economic units). In each enterprise selected for the employer surveys, 4 face-to-face interviews were conducted with the employees.
Phone poll with TVET graduates	Phone survey based on 40,000 calls resulting in a sample of 1,120 vocational education graduates between 20 and 39 years residing in 11 WISE governorates.
Phone poll with females	Phone survey with a sample of 153 females in the 20- to 39-year age group who graduated from vocational education in 11 governorates.
Gender context	Desk research, interviews with gender experts, surveys for existing female workers and phone poll for females.
Key informant interviews	Qualitative in-depth interviews with 21 opinion leaders who have deep knowledge and experience about Egypt’s TVET landscape.
BOTH PHASES	
Policy assessment	Desk research, including literature review, analysis of macroeconomic statistics, labor market data, key informant interviews, and results from all empirical tools.

SUMMARY OF WORKFORCE SUPPLY AND DEMAND STUDY

To validate the economic context and Phase One findings empirically, Phase Two included four questionnaires (an enterprise survey, two phone polls, and a gender-specific survey) and qualitative in-depth interviews with 21 key informants and opinion leaders who had deep knowledge and experience about Egypt’s TVET landscape - current and former government officials, parliamentarians, key industrialists, and representatives from academia and think tanks.

Phase Two outcomes validated the initial rapid policy assessment findings from Phase One, provided a determination of the main human resources management challenges that cause employee turnover in Egyptian enterprises, and deepened the survey team’s knowledge of challenges and obstacles to productivity and growth in Egypt.

Enterprise Survey

Data for the enterprise survey were collected through face-to-face interviews with employers across a sample of 157 enterprises, selected from the economic units defined by the CAPMAS economic census.⁸ The units are further segmented into three categories: enterprises with 50–199 workers, those with 200–699 workers, and those with more than 700 workers. Four face-to-face interviews were conducted with the following employee categories in each economic unit, for a total of 600 employees (Table 2):

- Male worker with fewer than three years of experience (if one exists)
- Female worker with fewer than three years of experience (if one exists)
- Male worker with three or more years of experience (if one exists)
- Female worker with three or more years of experience (if one exists).

Table 2: Enterprise survey with employers and employees

ANALYSIS	METHODOLOGY
Overview	<p>Two questionnaires: One for management and one for workers.</p> <p>Data collection (January 3–31, 2017): 20 interviewers participated. Before the data collection a 5-day training was conducted to train the interviewers on the questionnaires to ensure that they all understand the questions and their objectives in the same way. A training manual was prepared to explain the questionnaire. Training included explaining the questions and role playing.</p> <p>Data analysis was completed using statistical software package SPSS version 22 for Windows, using frequencies and cross-tabulations to convey the findings of the survey.</p>
Enterprise management questionnaire	<p>The questionnaire included the following sections:</p> <ul style="list-style-type: none"> • Enterprise characteristics • Workers’ characteristics and employment selection procedures • Work conditions • Impact of instability period on the enterprise • Current empty posts in the enterprise • Future empty posts in the enterprise • Movement across economic sectors • Coordination and sector development
Workers’ questionnaire	<p>The questionnaire included the following sections:</p> <ul style="list-style-type: none"> • Workers’ characteristics • Workers’ education • Current job • Employment history • Movement across economic sectors

⁸ The sample covers enterprises from five manufacturing industries (food processing, excluding horticulture; ready-made garments; textiles; furniture; and renewable energy) and from two services sectors (tourism and logistics).

Phone Polls with TVET Graduates

Additional data were collected through a phone survey with a sample of 1,120 vocational education graduates (20–39 years of age) in 11 governorates (Table 3). The sample was drawn from the Egyptian Center for Public Opinion Research (Baseera) database, which contains phone numbers and information about the phone line owners' age, sex, education, and place of residence.

Because of a large gender discrepancy, which is on par with the rest of the labor market, the study included an additional survey targeting unemployed females with vocational degrees, mainly to explore the reasons hindering them from having jobs. The data were collected from a sample of 153 females aged 20–39 years who had graduated from vocational education in 10 governorates.

Table 3: Telephone polls

ANALYSIS	METHODOLOGY
Phone poll with TVET graduates	<p>Sample: The target was to reach 800 respondents in the age group who graduated from vocational education and dissatisfied about their current jobs or unemployed. Actual sample size was 1,120 youths aged 20–39 years who had graduated from vocational education in 11 governorates (Sharqiya, Alexandria, Beni Suef, Port Said, Menoufia, Damietta, Ismailia, Aswan, Red Sea, Gharbiya, and Fayoum)</p> <p>Listing phase: To select a sample with the predefined characteristics, the Baseera team conducted more than 40,000 phone calls to collect the characteristics of the respondents. Random digit dialing techniques were used to generate the phone numbers to call. A Computer Assisted Telephone Interviews system was developed for use in data collection. The sample was then selected from the respondents with the needed characteristics.</p> <p>Questionnaire sections covered respondents' characteristics, satisfaction about current work, ways to search for new jobs, moving to other sectors, and data collection process.</p> <p>Data collection (January 9–12, 2017): 35 interviewers and 6 quality controllers participated in the data collection process.</p> <p>Data analysis was completed using SPSS version 22 for Windows, utilizing frequencies and cross-tabulations to convey the findings of the survey.</p>
Phone poll with female TVET graduates	<p>Sample: The data has been collected through a phone survey from a sample of 153 females in the age group 20-39 years who graduated from vocational education in 10 governorates (Sharqiya, Alexandria, Beni Suef, Port Said, Menoufia, Damietta, Ismailia, Aswan, Red Sea, and Gharbiya)</p> <p>Questionnaire sections covered respondents' characteristics, work status, and reasons for not working.</p> <p>Data collection (January 31, 2017): 12 interviewers and 2 quality controllers participated in the data collection process.</p> <p>Data analysis was completed using SPSS version 22 for Windows, utilizing frequencies and cross-tabulations to convey the findings of the survey.</p>

Key Informant Interviews

The key informant interviews comprised qualitative in-depth interviews with 20 people who understood Egypt's TVET landscape. The purpose was to collect information from a wide range of people - current and former high government officials, key industrialists, opinion leaders, think tank representatives, and parliamentarians - who have firsthand knowledge about Egypt's growth prospects, policy context, challenges to growth and productivity, and macro-level understanding of the country's labor laws and its skills and training constraints. These experts, with their knowledge and understanding, provided insight on policy recommendations and stakeholder identification.

CHAPTER 3:

IN-DEPTH ANALYSIS OF FINDINGS

QUESTIONNAIRE FOR ENTERPRISE EMPLOYERS

This section presents the results of the field survey conducted with the management of 157 enterprises. A strong majority of the respondents were those in charge of human resources departments, chair of the board of directors, the general manager, or the owner.

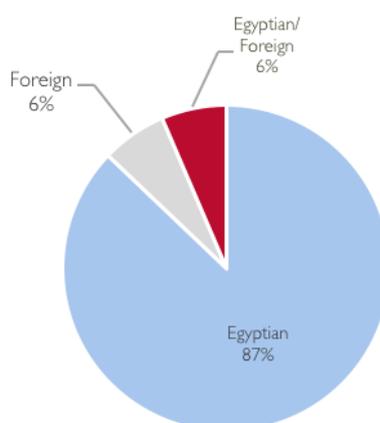
Enterprise Characteristics

In the beginning of the questionnaire, respondents answered some general questions about the enterprise and its owner. About one-fifth of the surveyed enterprises (30 units) belong to the public sector, with four-fifths (127 units) in the private sector. Only one of the private enterprises had a female owner; 124 had male owners, with the other two divided among share owners, with no one exceeding 50 percent.

Most of the surveyed enterprises were corporations (52 percent); this proportion is highest in the tourism sector (70 percent) and is only 21 percent among furniture enterprises. Sole proprietorships comprise 17 percent of the sample (but 46 percent for the furniture sector and zero in the surveyed food industries units). Only 12 percent of the surveyed enterprises were registered on the Egyptian stock market, although this proportion rises to 21 percent among food industry enterprises and drops to 4 percent among surveyed furniture industries.

Respondents were then asked about the nationality of the enterprise capital (Figure 7). The overwhelming majority (87 percent) had begun with Egyptian equity capital; only 10 units (6 percent) started with foreign capital and another 10 units (6 percent) with a combination of Egyptian and foreign capital equity.

Figure 7: Type of capital of companies surveyed



The general outlook for growth was relatively positive; less than one-fifth of respondents (18 percent) expected a decline in the enterprise. Enterprises in furniture and food production showed the highest percentage of expected growth; in each sector two-thirds of the sampled enterprises expected growth in the coming year. Enterprises working in logistics displayed the lowest expectation of growth and the highest percentage of stagnancy at their current level. This could indicate the lack of an integrated multi-transportation system (railways,

roads, waterways, and air) that is efficient and cost-effective. Transportation modes such as railways favor passengers over cargo, thus favoring cargo road transportation over other modes (97 percent road transportation).

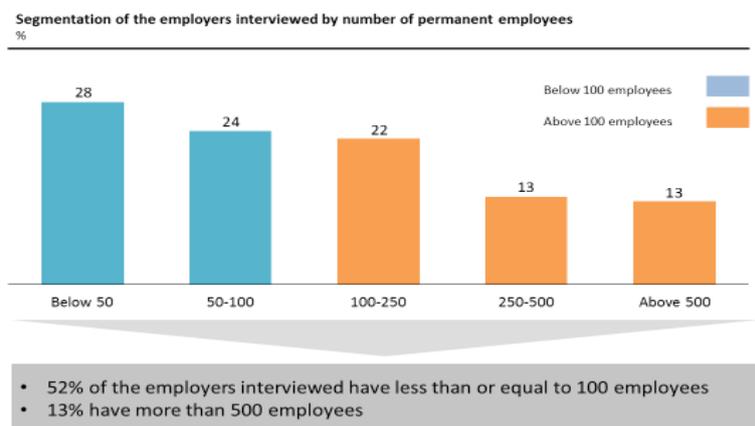
Table 4: Enterprise growth expectations for 2017 by enterprise characteristics

CHARACTERISTICS		GROW	STAY SAME	SHRINK	DON'T KNOW	TOTAL
Sector	Textiles	57.1%	14.3%	28.6%		21
	Ready-made garments	52.0%	28.0%	20.0%		25
	Furniture	41.7%	45.8%	12.5%		24
	Food industry	75.0%	8.3%	16.7%		24
	Tourism	76.7%	6.7%	13.3%	3.3%	30
	Logistics (transport and storage)	58.3%	20.8%	20.8%		24
	Renewable energy	55.6%	22.2%	22.2%		9
Capital	Egyptian	59.9%	19.0%	20.4%	0.7%	137
	Foreign	70.0%	30.0%			10
	Both	60.0%	30.0%	10.0%		10
Affiliation	Public sector	70.0%	10.0%	20.0%		30
	Private sector	58.3%	22.8%	18.1%	0.8%	127
Enterprise size	0-199	54.8%	22.6%	22.6%		93
	200-699	67.4%	20.9%	9.3%	2.3%	43
	700+	71.4%	9.5%	19.0%		21
Date of startup	Before 1980	70.6%	8.8%	20.6%		34
	1981-1999	59.7%	20.9%	17.9%	1.5%	67
	2000-2016	55.4%	26.8%	17.9%		56
Total	%	60.5%	20.4%	18.5%	0.6%	100%
	Count	95	32	29	1	157

Recruitment and Employment Procedures

The second section of the questionnaire assessed recruitment and employment procedures. The average number of permanent employees in all surveyed industries is around 290 (Figure 8). This number reaches 730 in the textiles sector, followed by 442 in RMG and the lowest, 34, in renewable energy. On average, 72 percent of employees are permanent.

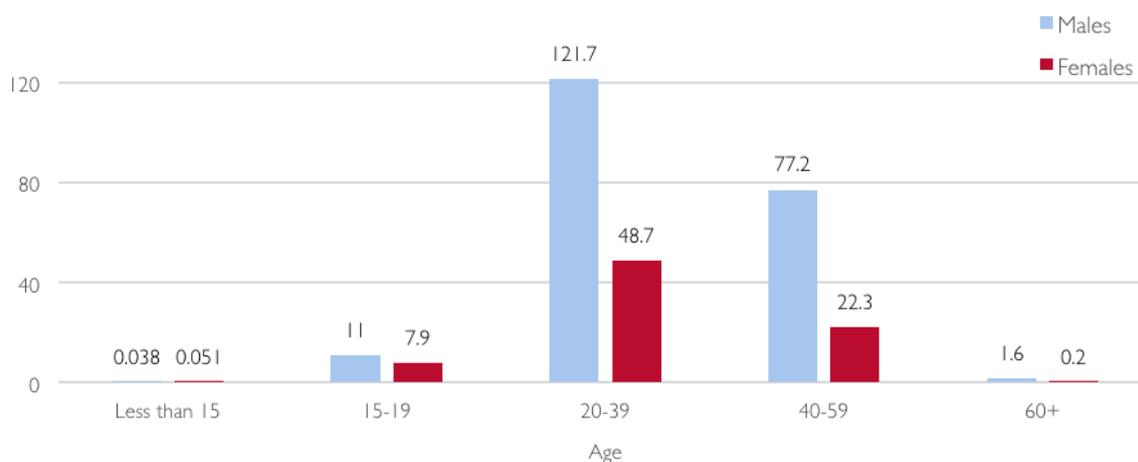
Figure 8: Number of permanent employees in companies surveyed



Source: Baseera phone survey

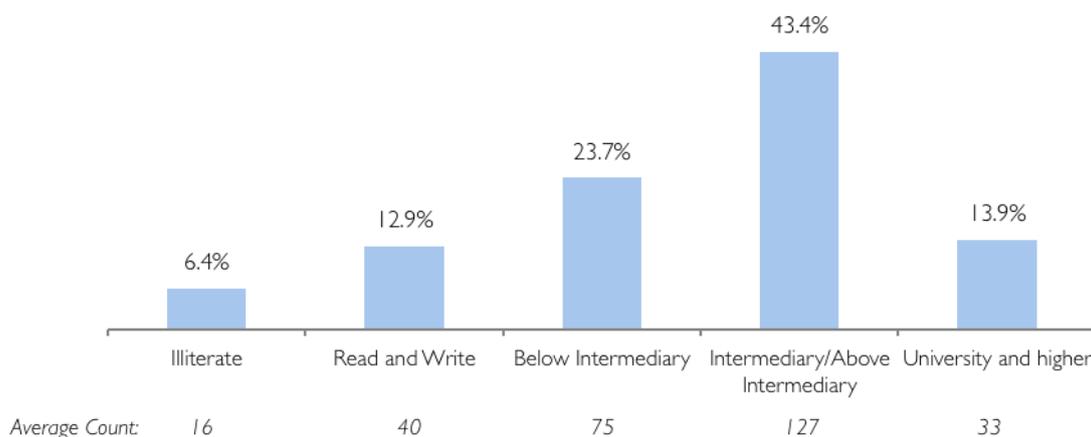
Regarding the distribution of permanent employees by gender and age, Figure 9 illustrates that most workers are males aged 20–39, with a mean of 122 male employees and 49 female employees. The mean employees in the 40–59 age group is 77 males and 22 females. The mean is quite low in the very young (under 15 years) and very old (more than 60 years) categories.

Figure 9: Mean number of permanent employees by age and gender/sex (# of employees)



By education level, the highest number of permanent employees (Figure 10) appears to be for those with intermediate or above intermediate education levels (43 percent in all the sampled enterprises). This is followed by those with less than intermediate education (24 percent of total permanent employees), those with university education and above (14 percent).

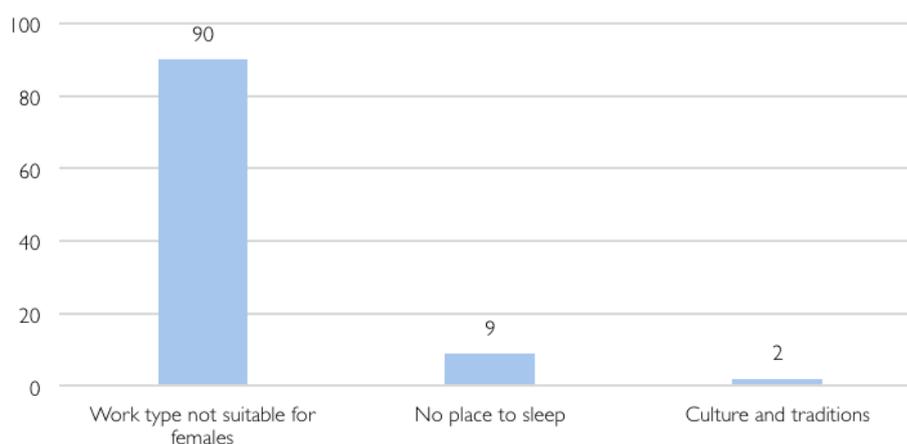
Figure 10: Average percentage of permanent employees by education level



Below intermediary education level refers to primary and preparatory. Intermediary and above intermediary level refers to general secondary, technical vocational, and five-year institute.

Cultural perceptions about the suitability of work for women and the lack of suitable accommodation negatively affect female participation in the labor market. Enterprises without female employees (44 percent) were asked about the underlying reasons for not employing females (Figure 11). The most common reason cited (90 percent) was that the type of work was tiring and thus not suitable for females; 10 percent responded that there was no place for females to sleep when they had to work night shifts; and 2 percent mentioned culture and traditions as the main factor in not employing females.

Figure 11: Reasons for not employing females (% of employers)



Respondents reported that 36 percent of their enterprises employed part-time workers. In these enterprises, there was an average of 50 part-time workers. Beyond sector-specific considerations,⁹ it could be that poor working conditions related to transport, such as the absence of basic amenities (sanitary facilities), safety and security (especially at night and when working in geographically isolated locations) discourage permanent employment, in addition to the absence of opportunities for human resource development. Similarly, 24 percent of the enterprise respondents mentioned that they use seasonal workers.

⁹ Sector-specific data are available for furniture, textiles, renewable energy, tourism, logistics, and RMG.

To understand how enterprises select and employ their workers, respondents were asked about recruitment practices. The most common way to announce job vacancies is through “personal relations” (61 percent), followed by newspapers (32 percent), with little variation by size of the enterprise (Table 5) The least-used method is government training centers (1 percent), indicating the importance of reforming these centers to become sources of labor market information so they can be of assistance in matching job seekers with appropriate opportunities. Only one enterprise mentioned using governmental training centers to announce vacancies.

Table 5: Ways to announce job vacancies

	Newspaper	Personal Relations	Government Training Centers	Work Office Related to Ministry of Labor	Private Employment Bureau	Printed Advertisement	Online	Other	Number of Cases
Sector									
Textile	38.10%	66.70%	0%	19	4.80%	23.8%	14.3%	38%	21
RMG	32%	60%	0%	28%	12%	52.0%	16.0%	20%	25
Furniture	25%	87.50%	0%	16.7	4%	8.3%	12.5%	0%	24
Food industries	33.30%	50%	0%	41.7	0%	20.8%	12.5%	13%	24
Tourism	26.70%	50%	0%	36.7	20%	6.7%	23.3%	7%	30
Logistics	45.80%	45.80%	4%	20.8	0%	8.3%	20.8%	17%	24
Renewable energy	11.10%	88.90%	0%	11.1	0%	11.1%	55.6%	0%	9
Total	31.8%	61.1%	0.6%	26.8%	7.0%	19.1%	19.1%	14.0%	157
Enterprise Size									
0-199	68.80%	68.80%	1%	19.4%	6.5%	14.0%	17.2%	10.8%	93
200-699	30.20%	51.20%	0%	39.5%	7.0%	23.3%	25.6%	16.3%	43
700+	61.90%	47.60%	0%	33.3%	9.5%	33.3%	14.3%	23.8%	21
Total	31.8%	61.1%	0.6%	26.8%	7.0%	19.1%	19.1%	14.0%	157

Respondents were given the choice to choose more than option.

Private enterprises are more attractive for unskilled workers (75 percent, versus 33 percent for the public sector). The most attractive enterprises for unskilled labor are small enterprises (75 percent) and emerging enterprises (founded after 2000; 75 percent), as Table 6 shows. Sixty-seven percent reported that they had received applications without job postings.

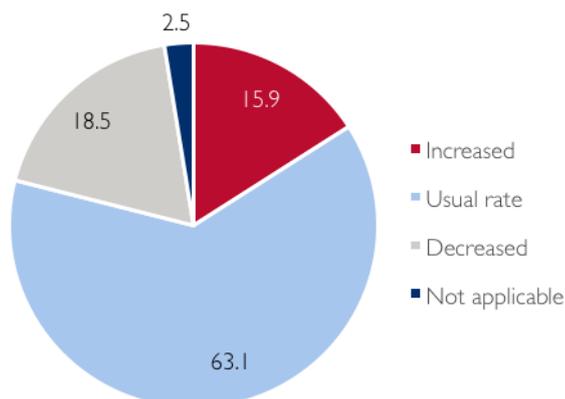
Nearly all respondents (94 percent) affirmed that they use recruitment tests, including 100 percent of enterprises with more than 700 workers. Sixty-eight percent of enterprises mentioned that they offer training programs for new workers, with 80 percent providing this training internally. Around 84 percent of the enterprises surveyed provide workers with on-the-job (post-hiring) training. Around 95 percent of enterprises with at least 700 workers provide on-the-job training.

Table 6: Recruitment procedures and training programs

	Did unemployed skilled workers ask for a job without announcement?	Have you tried to employ any of them?	Are there any employment tests in this enterprise?	Does this enterprise provide new workers with training before work?	Is training applied internally or externally?		Does this enterprise provide current workers with training programs?
	Yes (%)	Yes (%)	Yes (%)	Yes (%)	Internal (%)	External (%)	Yes (%)
Sectors							
Textiles	61.9%	100.0%	85.7%	66.7%	92.9%	7.1%	76.2%
RMG	64.0%	100.0%	96.0%	64.0%	93.8%	6.3%	76.0%
Furniture	95.8%	100.0%	95.8%	66.7%	93.8%	6.3%	91.7%
Food Industries	45.8%	72.7%	91.7%	75.0%	66.7%	33.3%	83.3%
Tourism	73.3%	100.0%	93.3%	76.7%	73.9%	26.1%	93.3%
Logistics	58.3%	92.9%	100.0%	58.3%	64.3%	35.7%	87.5%
Renewable energy	66.7%	100.0%	100.0%	66.7%	83.3%	16.7%	66.7%
Enterprise size							
0–199	75.3%	97.1%	93.5%	66.7%	85.5%	14.5%	81.7%
200–699	55.8%	91.7%	93.0%	67.4%	79.3%	20.7%	83.7%
700+	52.4%	100.0%	100.0%	76.2%	62.5%	37.5%	95.2%
Startup							
Pre-1980	52.9%	88.9%	97.1%	73.5%	76.0%	24.0%	94.1%
1981–1999	67.2%	97.8%	94.0%	64.2%	79.1%	20.9%	82.1%
2000–2016	75.0%	97.6%	92.9%	69.6%	84.6%	15.4%	80.4%

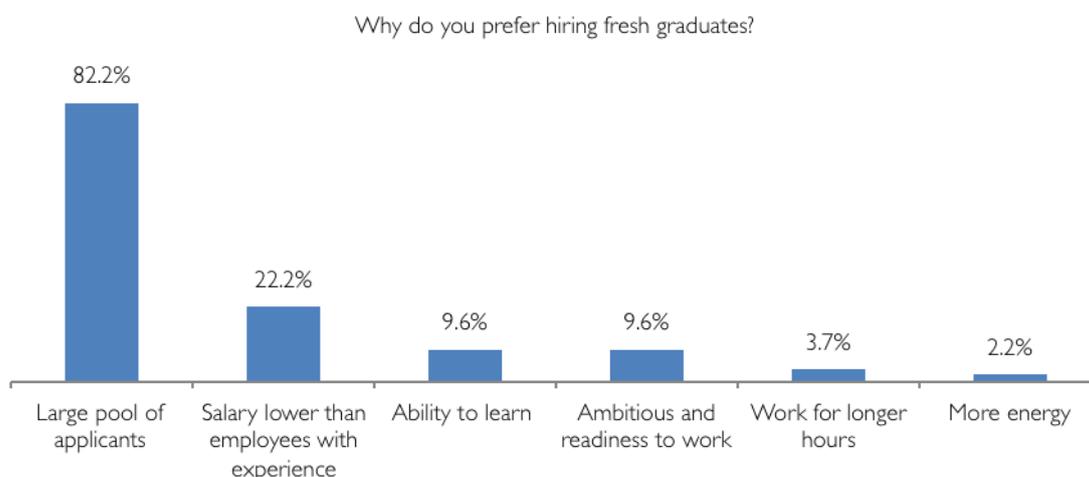
The survey also assessed worker turnover in 2016 and enterprises' preferences for recruitments and employment. The majority of respondents (63.1 percent) mentioned that the turnover rate was unchanged, while 16 percent said it had increased (Figure 29).

Figure 12: Distribution of enterprises by worker turnover vs. previous year (%)



There is a clear trend that enterprises prefer to search for and hire youth (85 percent), although 13 percent of enterprises noted that this preference depends on the nature of the vacancy. When asked whether they prefer to hire fresh graduates or experienced applicants, 86 percent of enterprises surveyed answered that fresh graduates are easier to find, because of the larger number of graduates entering the market each year. One-fifth of respondents mentioned that the salary of a fresh graduate is much less than that of an experienced employee (Figure 13).

Figure 13: Hiring fresh graduates



Respondents were given the option to mention more than one reason.

However, 14 percent of enterprises mentioned that finding experienced applicants was easier; the most frequent reasons given were their abundance due to the fall of the tourism sector, followed by their ability to maintain the quality of the product.

Eighty-five percent of enterprises surveyed preferred to hire less educated applicants, due to their abundance in the market (65 percent) and because the nature of their work allows it (30 percent). About 78 percent of enterprises answered that they prefer to hire low-skilled workers; only 22 percent preferring to employ highly skilled workers. This strong preference relates mainly to expectations for salary and job positions, which are usually lower among low-skilled workers, who are also more available in the labor market and therefore easier to

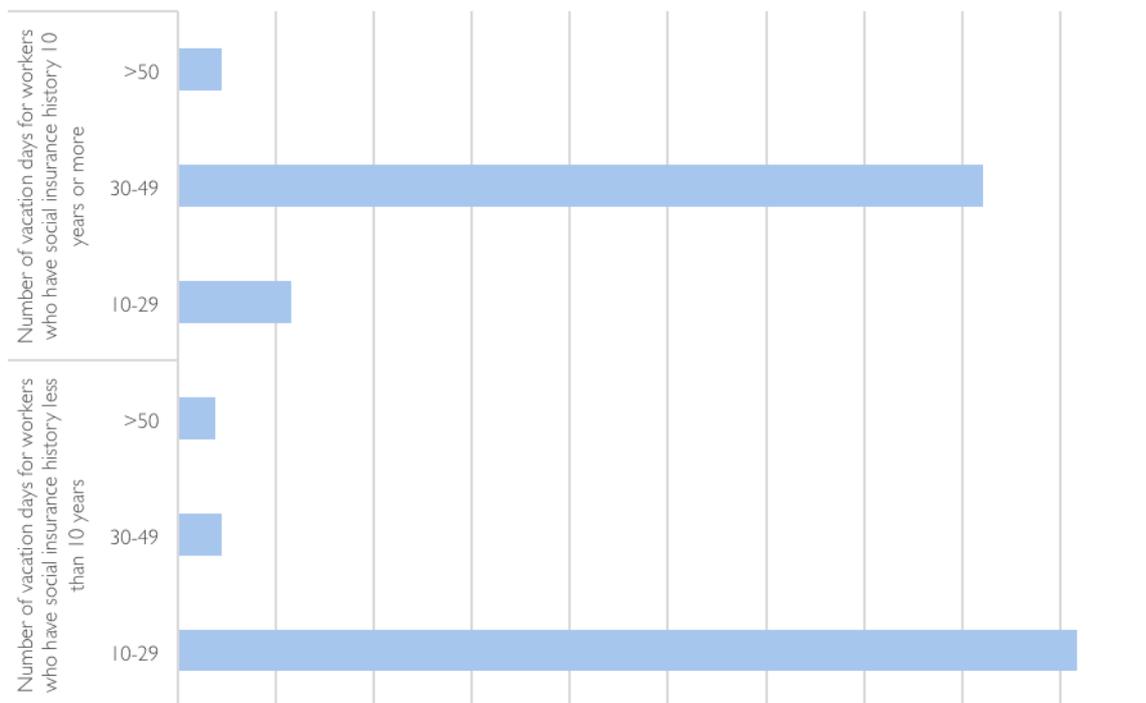
hire. The highest percentage of enterprises that prefer to employ highly educated workers are in renewable energy (33 percent). This could be because this sector requires highly specialized skills, and hence highly educated workers. This also explains the labor market demand for highly educated youth specialized in this sector.

Working Conditions

In this section of the questionnaire, respondents were asked to discuss working conditions and environment. The mean working hours among surveyed enterprises was 8 hours.

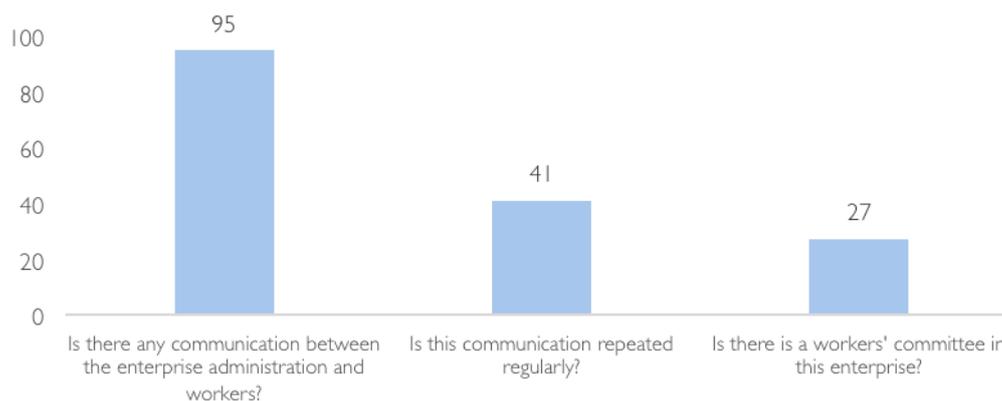
Respondents reported on the total number of annual vacation day that a worker with a history of social insurance less than 10 years can have. About 92 percent reported a range of 10 to 30 days, while 4 percent reported a range of 30 days to less than 50 days, and the remaining 4 percent reported 50 days or more. When the same question was asked for workers with 10 or more years of social insurance history, 82 percent of the enterprises reportedly give between 30 to 50 days of vacation, 12 percent give between 10 and 29 vacation days, and 5 percent said that vacation is 50 days or more.

Figure 14: Number of vacation days



Some 95 percent of respondents confirmed that their enterprises have communication channels between administration and employees. However, only 41 percent mentioned that communication took place on a regular basis. Only 27 percent of the firms have workers' committees (Figure 15).

Figure 15: Communication in the enterprise (%)

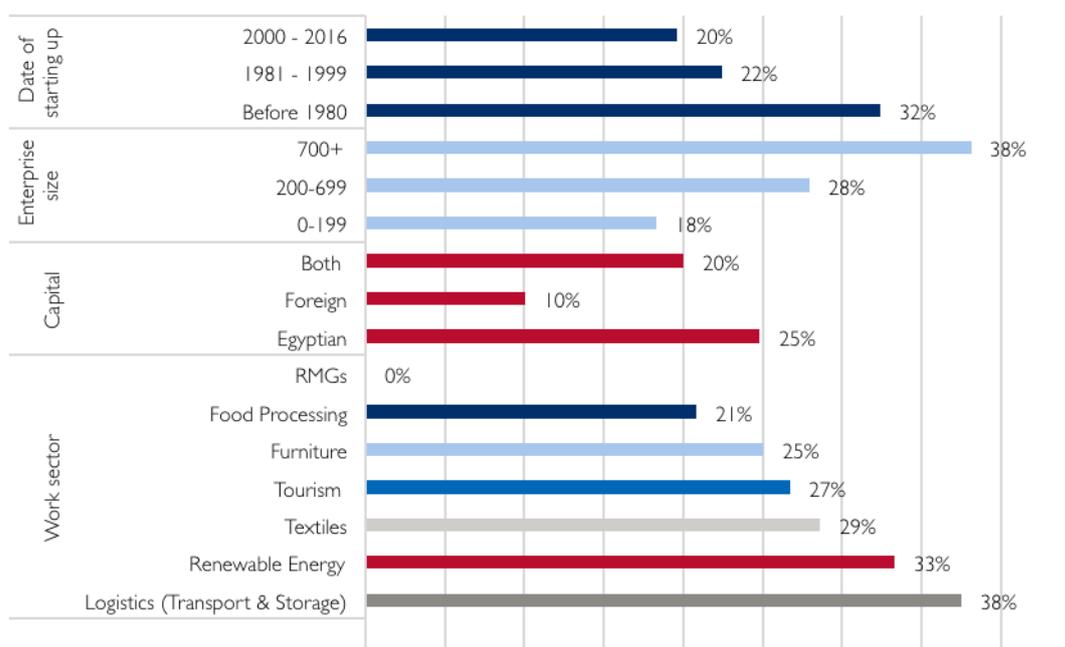


The Impact of the Instability Period on Enterprises

This section of the survey aimed to identify the impact of the recent political and economic instability.

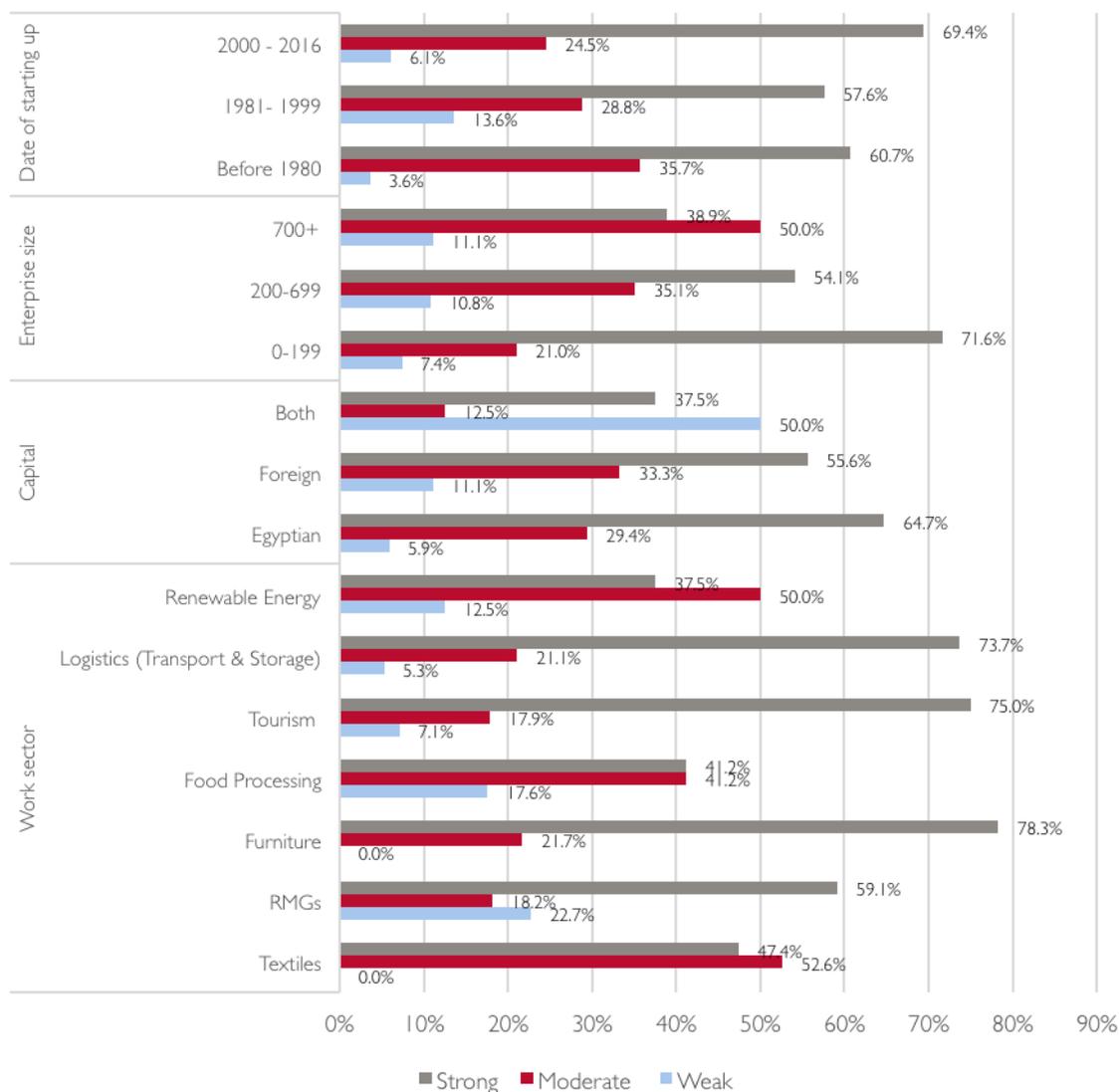
Enterprise owners were asked whether they had to terminate some employees in the previous five years. Almost one-quarter had to let go of some employees (though none in RMG). The main reasons given related to employee negligence, such as absences (44 percent), carelessness (21 percent), and theft (18 percent).

Figure 16: Enterprises that needed to terminate employment (%)



The majority of enterprise owners (88 percent) confirmed that their enterprises were affected by the instability. As Figure 17 illustrates, of the enterprises affected by instability period since 2011, more than half (63 percent) were strongly affected, 29 percent were moderately affected, and 9 percent were only slightly affected. The highest proportion of enterprises that witnessed strong impact was among those with fewer than 200 employees (72 percent).

Figure 17: Degree of effect of instability period since 2011



Owners of enterprises affected by the instability since 2011 were asked to state how their enterprises were affected. Some 67 percent mentioned reduced demand for the establishment’s products or services, explained by a slowdown in growth since January 25, 2011. This factor was mentioned by 75 percent of the sampled establishments working in tourism, one of the most affected sectors over the past six years. Low labor productivity was mentioned by 39 percent as a challenge, mostly in the textiles industry. Other challenges were increased cost (36 percent), decreased liquidity (30 percent), and decreased competitiveness (20 percent).

Table 7: Distribution of how instability affected enterprise

Characteristics	Low labor productivity	Reduced demand for products/ services	Reduced working hours (beyond company's control)	Increased costs	Decreased competitiveness	Decreased liquidity	Temporary work stoppage (beyond company's control)	Other
Sector								
Textile (N=20)	66.7%	65.0%	5.0%	50.0%	20.0%	20.0%	5.0%	0.0%
RMG (N=23)	48.0%	56.5%	4.3%	30.4%	17.4%	17.4%	21.7%	13.0%
Furniture (N=23)	58.3%	60.9%	13.0%	30.4%	17.4%	52.2%	8.7%	0.0%
Food industry (N=17)	45.8%	70.6%	0.0%	41.2%	23.5%	23.5%	11.8%	0.0%
Tourism (N=28)	16.7%	75.0%	3.6%	39.3%	17.9%	35.7%	7.1%	0.0%
Logistics (transport and storage) (N=19)	16.7%	63.2%	10.5%	21.1%	26.3%	21.1%	15.8%	5.3%
Renewable energy (N=8)	11.1%	87.5%	0.0%	37.5%	12.5%	50.0%	0.0%	0.0%
Capital								
Egyptian (N=120)	40.1%	67.5%	6.7%	37.5%	20.0%	31.7%	10.0%	2.5%
Foreign (N=10)	50.0%	50.0%	0.0%	20.0%	10.0%	10.0%	20.0%	10.0%
Both (N=8)	10.0%	75.0%	0.0%	25.0%	25.0%	37.5%	12.5%	0.0%
Enterprise size								
0–199 (N=81)	33.3%	66.7%	6.2%	37.0%	19.8%	32.1%	12.3%	2.5%
699 (N=37)–200	39.5%	64.9%	5.4%	27.0%	18.9%	29.7%	8.1%	2.7%
700+ (N=20)	61.9%	70.0%	5.0%	45.0%	20.0%	25.0%	10.0%	5.0%
Startup date								
Before 1980 (N=28)	38.2%	53.6%	7.1%	42.9%	25.0%	35.7%	7.1%	0.0%
1981–1999 (N=61)	35.8%	70.5%	4.9%	31.1%	23.0%	34.4%	16.4%	4.9%
2000–2016 (N=49)	42.9%	69.4%	6.1%	36.7%	12.2%	22.4%	6.1%	2.0%
Totals								
Count (N=138)	61	92	8	49	27	42	15	4
%	38.9%	66.7%	5.8%	35.5%	19.6%	30.4%	10.9%	2.9%

Respondents were given the option to mention more than one reason.

Job Vacancies

This section reports on two sections in the questionnaire, with questions about current and future job vacancies. Respondents were asked whether job vacancies required a specific gender. Around 52 percent of currently available jobs required males, only 10 percent required females, and 37 percent did not require a specific gender. For future vacancies, 70 percent will require males only, 9 percent will require females only, and 22 percent will not require a specific gender. In logistics, all current and future openings require males. The highest percentage of current vacancies requiring females is in tourism. RMG is the sector with the most female-only requirements for future vacancies (Table 15).

Table 8: Gender requirements, by sector

Does this job require a specific gender?	SECTOR							TOTAL
	Textile	RMG	Furniture	Food industries	Tourism	Logistics	Renewable energy	
Current vacancies								
Require males	66.7%	9.4%	83.3%	75.0%	57.1%	100.0%	80.0%	52.2%
Require females	0.0%	12.5%	0.0%	10.0%	21.4%	0.0%	0.0%	9.8%
No gender requirement	33.3%	78.1%	16.7%	15.0%	21.4%	0.0%	20.0%	38.0%
Total count	6	32	6	20	14	9	5	100.0%
Predicted vacancies								
Require males	100.0%	27.3%	100.0%	86.7%	53.3%	100.0%	66.7%	69.5%
Require females	0.0%	36.4%	0.0%	0.0%	6.7%	0.0%	0.0%	8.5%
No gender requirement	0.0%	36.4%	0.0%	13.3%	40.0%	0.0%	33.3%	22.0%
Total count	1	11	6	15	15	8	3	100.0%

The most mentioned reason for the availability of these vacancies, as shown in Table 9, was “The vacancy is still in the announcement period” (26 percent), followed by “Applicant does not agree with job salary/wage” (19 percent) and “Lack of experience among applicants” (15 percent).

The questionnaire then asked about the information available to applicants. Respondents indicated that 88 percent of jobs have applicants who know the career path for the job. The rate for future vacancies is similar (83 percent).

Respondents were also asked about the availability of information about salary and salary increases. The results show that all current vacancies have applicants who receive this information, but the percentage decreases slightly for future vacancies, to 96 percent.

Table 9: Available information for vacancies applicants according to different sectors

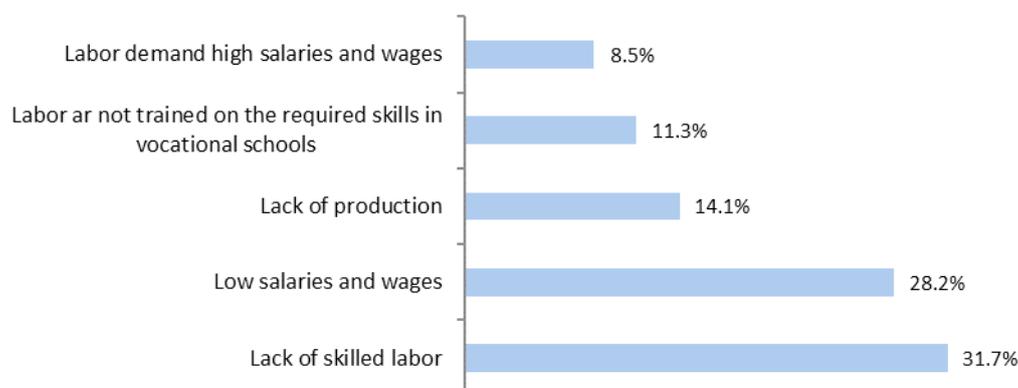
	SECTOR							TOTAL
	Textile	RMG	Furniture	Food industries	Tourism	Logistics	Renewable energy	
Do applicants know this job's career path?								
Current vacancies								
Yes	83.3%	90.6%	100.0%	85.0%	92.9%	77.8%	80.0%	88%
Total count	6	32	6	20	14	9	5	92
Predicted vacancies								
Yes	100.0%	100.0%	83.3%	73.3%	93.3%	50.0%	100.0%	83.1
Total count	1	11	6	15	15	8	3	59
Do applicants know the future salary for this vacancy?								
Current vacancies								
Yes	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100%
Total count	6	32	6	20	14	9	5	92
Predicted vacancies								
Yes	100.0%	100.0%	83.3%	100.0%	100.0%	87.5%	100.0%	96.6
Total count	1	11	6	15	15	8	3	59

Coordination and Sector Development

Respondents were asked a group of questions about the overall work environment. The first question was about the most important barriers that face the Egyptian labor market. The most common figure, as Figure 18 indicates, was “lack of skilled labor” (32 percent), followed by “low salaries and wages” (28 percent) and “lack of production” (14 percent).

These findings reveal that reforming the TVET system should be an urgent priority on the national agenda, to better equip Egyptian youth with the skills and specializations they need to meet the demand of the labor market. They also indicate the importance of improving the business climate and making full use of existing national production capabilities to strengthen the demand side of the labor market.

Figure 18: Barriers facing the labor market in Egypt



Respondents were given the option to mention more than one reason.

Respondents were then asked about which organizations they perceived as being responsible for managing the labor market. The majority (78 percent) answered that they saw that Ministry of Manpower and Migration as responsible for managing Egypt’s labor market. Others mentioned the Ministry of Trade and Industry (31 percent) and the General Authority for Investment (25 percent). About one-third of respondents from the tourism sector mentioned that the Ministry of Tourism is responsible for managing the labor market in that sector.

QUESTIONNAIRE FOR ENTERPRISE EMPLOYEES

The enterprise employee survey was conducted with a sample of workers from different industries. The aim of including workers’ perspectives is to better understand the challenges they face and how they view the Egyptian labor market.

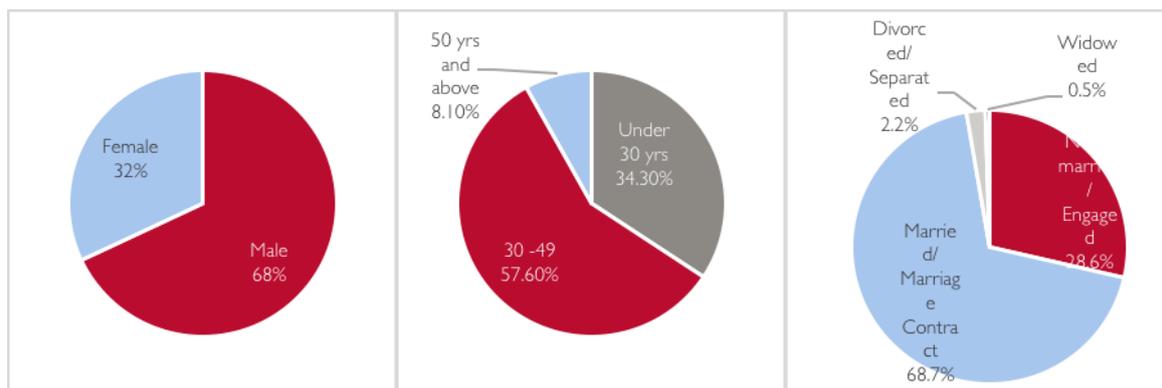
Workers’ Characteristics

The approximate 30:70 split of female to male enterprise workers (Figure 19) is on par with Egypt’s labor market at large. **This gender gap represents one of the main structural imbalances that has characterized the Egyptian labor market for decades. Several factors have led to this severe imbalance, some cultural and social and others related to deteriorating working conditions in several economic sectors, which have a stronger adverse effect on female workers.**

Long periods of unemployment and an unfruitful search for decent jobs have discouraged many females from continuing their search, leading them to withdraw from the national labor force. Females comprise just 22.6 percent of the total labor force, which matches the turnout of female participation in the field survey.

One-third of respondents (34 percent) were under 30 years of age, and more than half (58 percent) were between 30 and 50 years of age. More than two-thirds were married (68 percent), and almost one-quarter had never been married.

Figure 19: Gender, age, and marital status



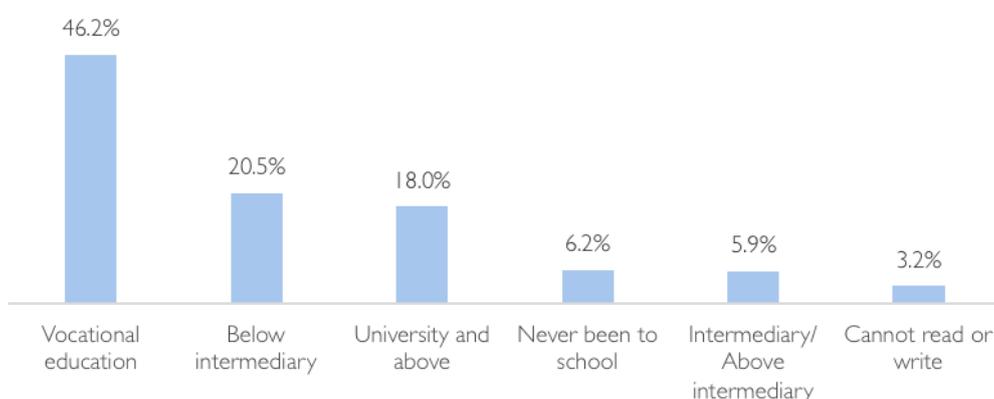
As Table 10 shows, almost one-tenth of respondents are uneducated. Approximately 6 percent have never been to school and another 3 percent cannot read or write. One-fifth have attended a below intermediary education level, namely primary or preparatory.

Table 10: Workers' characteristics

CHARACTERISTICS		COUNT	VALID %
Gender	Male	427	68.0
	Female	201	32.0
Age group	Under 30 years	215	34.3
	30–49 years	361	57.6
	50+ years	51	8.1
Urban/Rural residence	Urban	439	69.9
	Rural	189	30.1
Marital status	Never married	146	23.2
	Engaged	34	5.4
	Marriage contract	3	.5
	Married	428	68.2
	Separated	4	.6
	Divorced	10	1.6
	Widowed	3	.5
Current place of residence	Urban governorates	197	31.4
	Lower Egypt	342	54.5
	Upper Egypt	61	9.7
	Frontier governorate*	28	4.5
Last education level reached	Never been to school	39	6.2
	Cannot read or write	20	3.2
	Below intermediary	129	20.5
	Intermediary/Above intermediary	37	5.9
	Vocational education	290	46.2
	University and above	113	18.0
Total		628	100.0

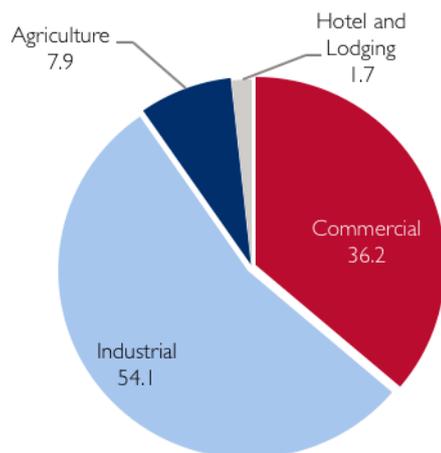
As illustrated in Figure 20 and Figure 21, close to half of the respondents (46 percent) had a three- or five-year vocational degree. Most respondents with a vocational degree had industrial vocational degrees (54 percent), followed by commercial vocational degrees (36 percent).

Figure 20: Highest educational attainment



*Below intermediary refers to primary and preparatory.
Intermediary and above refers to general secondary and five-year institutes.*

Figure 21: Type of vocational education degree



One-quarter (26 percent) had fewer than three years of experience at their current jobs.¹⁰ Close to two-thirds of the total sampled workers (61 percent) had more than 10 years in the labor market and only about one in four of the sampled workers had never had any social insurance (Figure 22).

Figure 22: Social insurance

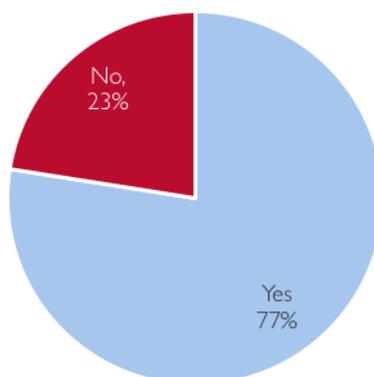
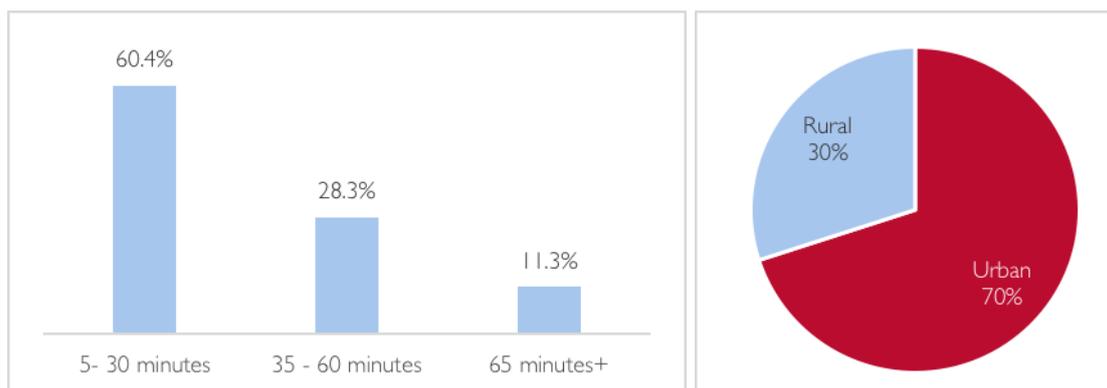


Figure 23 shows that the majority of sampled workers live within 1 hour of their workplace and 60 percent live less than 30 minutes away. Only 44 respondents (7 percent) reported commuting to a different governorate for their work. The large majority (70 percent) were urban residents.

¹⁰ Notably, 49 of the respondents (7.8 percent) either could not recall or refused to state their total years in the labor force, and are thus excluded from the calculation.

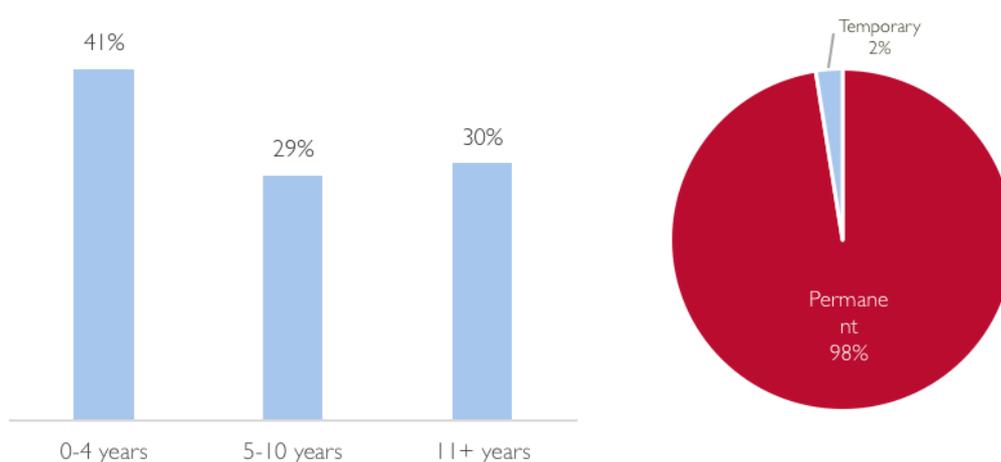
Figure 23: Distance between home and work



Enterprise Employee: Current Work Details

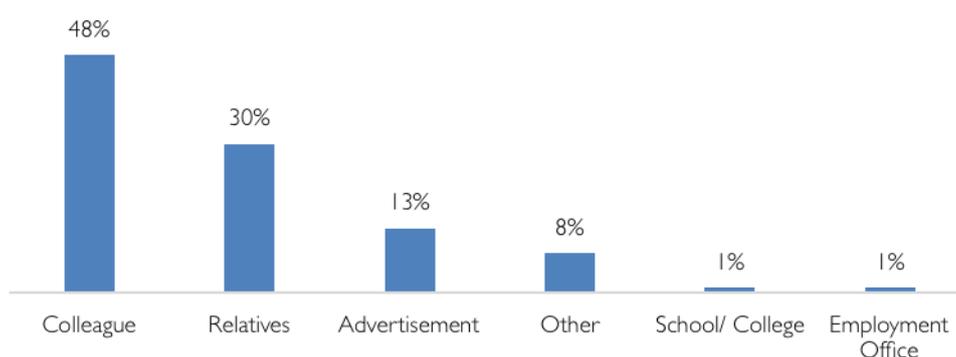
The survey began its inquiry of the respondents' current work details by asking how long they had been at their current enterprise. Forty-one percent appear to be relatively new to their positions, with only up to four years there. The remaining respondents are approximately evenly divided between 5–10 years and more than 10 years. Nearly all of the sampled workers are employed on a permanent basis.

Figure 24: Years at current institution and contract type



Workers were asked how they had learned about their current enterprise. Almost half mentioned a colleague (48 percent), followed by a relative (30 percent) and an advertisement (13 percent). The main response among those who mentioned another source (8 percent) learned about their current employment through their own search. Only 1 percent mentioned that they depended on an employment office affiliated to the Ministry of Manpower and Migration (Figure 25). This finding indicates the ineffectiveness of these employment offices and the need to upgrade them so they can provide different types of employment services to job seekers and employers.

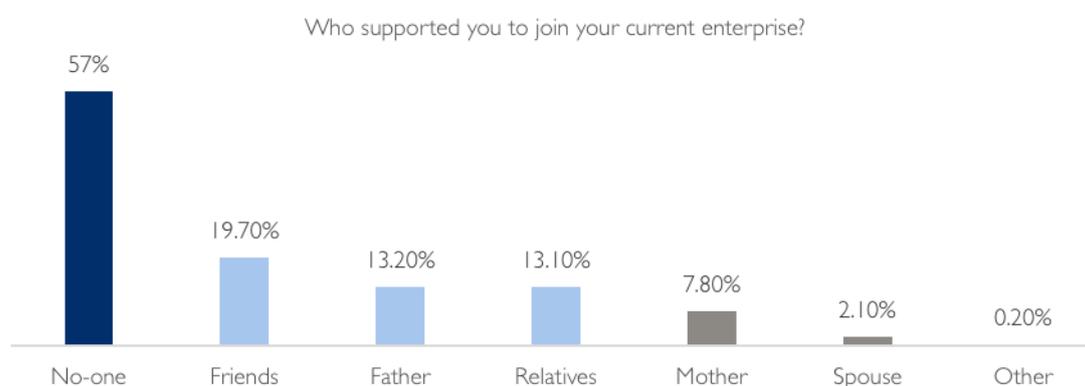
Figure 25: Learning about current job



These employment offices are under-resourced and under-capacitated, and thus unable to build a local labor market database. In addition, they have no communication with the demand side (private sector employers) and a limited role in registering job seekers, making it difficult to undertake their mandate of matching job seekers with vacancies. The large percentage of job seekers who rely on informal social networks of colleagues and relatives indicates that there are no other effective employment services mechanisms except for these offices, **indicating a need to develop innovative mechanisms, especially information technology advances to provide a modern, low-cost matchmaking platform between job seekers and employers.**

More than half of the respondents (57 percent) revealed that no one helped them find their current jobs, with surprisingly no apparent difference between males and females (Figure 26). Here, respondents had the option of selecting more than one source of assistance. About one-fifth mentioned that friends were their main source of support, followed by fathers and other relatives. Mothers, spouses, and employment offices were the least-mentioned sources of assistance. It is possible that mothers' influence on their children's job search is limited, due to a tendency to pamper them if they cannot find employment commensurate with their perceived qualifications.

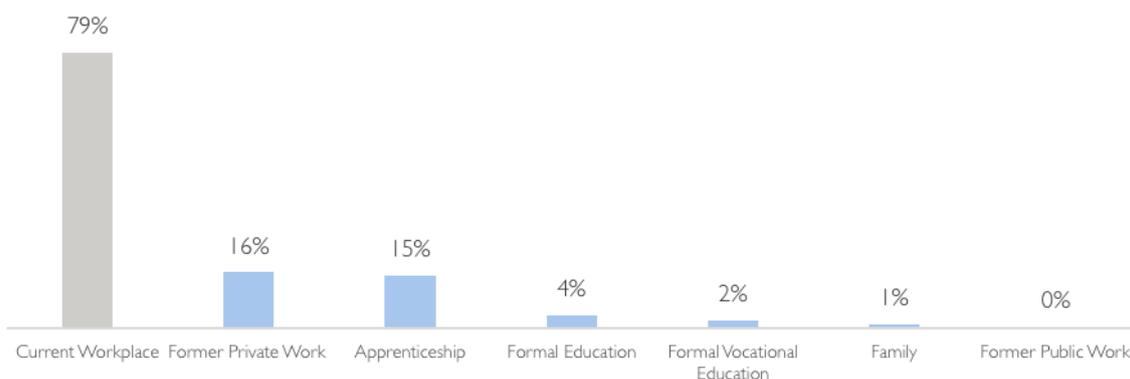
Figure 26: Support for joining current enterprise



As shown in Figure 27, respondents were asked how they gained the required skills for their current jobs, with the option of choosing more than one answer. Most of the surveyed workers (79 percent) reported that they had gained their skills on the job and not before. Some respondents mentioned previous work in the private sector (16 percent) and apprenticeships, informally known as “*ousta*.”

It is therefore urgent to conduct a comprehensive assessment of the TVET system, focused on evaluation of its schools and institutions, toward identifying the reasons that have led to this deteriorated performance. Issues affecting the acquisition of skills in technical schools are complex and diverse, ranging from relevance of specializations to funding issues, lack of training equipment, improper procurement of equipment and supplies, irrelevant curricula, and inefficient teaching methods, to minimal private sector involvement, to governance and asset management issues.

Figure 27: Gaining required job skills



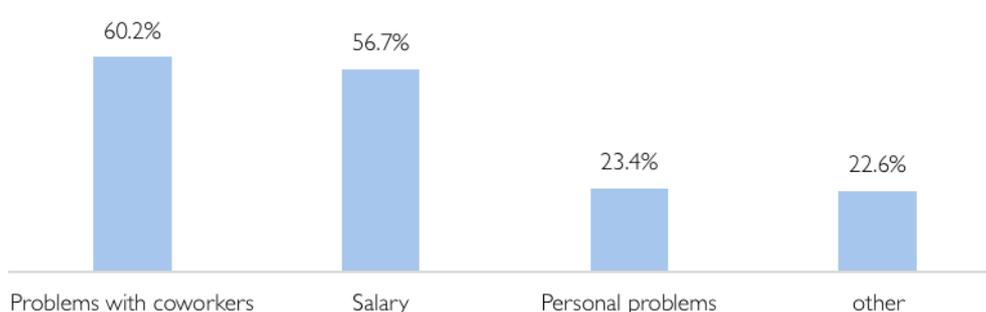
Respondents were given the option to mention more than one reason.

When faced with problems at work, most respondents (86 percent) go to their direct manager. Workers in the tourism sector were the most likely to mention their direct manager (97 percent), followed by females (92 percent). Only about 12 percent mentioned turning to the employer or business owner with their problems, and only 2 percent mentioned the human resources department at the enterprise. When asked what they usually discussed with their supervisors, respondents mentioned problems with coworkers the most (60 percent), closely followed by salary discussion (57 percent). Female workers are more likely to discuss problems with coworkers with their supervisors (65 percent); male workers were more likely to discuss salary with their supervisors (64 percent).

Table 11: Person to turn with problems at current enterprise by respondent characteristics

CHARACTERISTICS		Person to turn to with problems			Total	
		Employer	Direct manager	Human resources	%	Count
Gender	Male	14.3%	83.6%	2.1%	100.0%	427
	Female	5.5%	91.5%	3.0%	100.0%	201
Education level	Below intermediary	14.4%	83.5%	2.1%	100.0%	188
	Intermediary/Above intermediary	13.5%	83.8%	2.7%	100.0%	37
	Vocational education	9.3%	87.2%	3.4%	100.0%	290
	University and higher	11.5%	88.5%	0.0%	100.0%	113
Age group	Under 30 years	8.8%	89.3%	1.9%	100.0%	215
	30–49 years	12.2%	84.8%	3.0%	100.0%	361
	50+ years	17.6%	82.4%	0.0%	100.0%	51
Current place of residence	Urban governorates	11.7%	85.8%	2.5%	100.0%	197
	Lower Egypt	12.9%	84.8%	2.3%	100.0%	342
	Upper Egypt	8.2%	91.8%	0.0%	100.0%	61
	Frontier governorate*	0.0%	92.9%	7.1%	100.0%	28
Sector	Textile	8.6%	87.7%	3.7%	100.0%	81
	RMG	14.6%	82.5%	2.9%	100.0%	103
	Furniture	17.7%	81.3%	1.0%	100.0%	96
	Food industry	5.2%	90.6%	4.2%	100.0%	96
	Tourism	.9%	97.4%	1.7%	100.0%	116
	Logistics (transport and storage)	14.0%	84.0%	2.0%	100.0%	100
	Renewable energy	36.1%	63.9%	0.0%	100.0%	36
Total	%	11.5%	86.1%	2.4%	100.0%	
	Count	72	541	15		628

Figure 28: Workers' usual discussions with supervisor at current enterprise

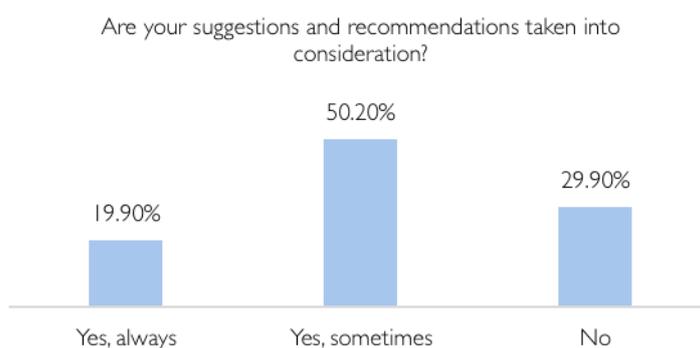


Respondents were given the option to mention more than one reason.

These findings suggest that working conditions including working relations, mutual respect between colleagues, and working conditions could be more important to females than salary level, which is of relatively higher priority for males. **This makes it important to support efforts in private enterprises aiming at developing human resources strategies and departments in general, with a focus on gender-specific priorities and challenges.**

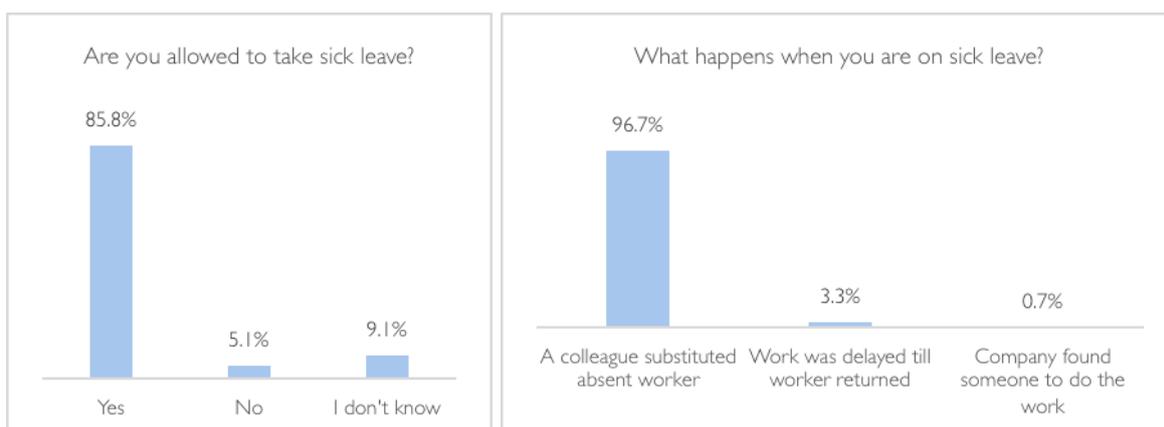
Approximately 30 percent of the surveyed workers stated that their supervisors and managers *never* considered recommendations and suggestions, with a higher proportion among youths under 30 years of age (43 percent) and workers in furniture manufacturing enterprises (49 percent). On the other hand, one-fifth of respondents stated that their supervisors and managers always considered their recommendations and suggestions. Some 33 percent of those working in tourism enterprises confirmed that their suggestions were always taken into consideration. As Figure 29 illustrates, the proportion of those who stated that their recommendations and suggestions were always taken increases proportionally with years of experience (e.g., 35 percent of respondents older than 50 years of age gave this response).

Figure 29: Workers expressing their suggestions at the workplace



Most respondents were aware that they were allowed medical leave, but were unaware of the exact number of days they could take (68 percent). Slightly more than half of the respondents who were aware that they were allowed medical leave reported having taken medical leave during their employment at the current enterprise (57 percent). Most enterprises substituted the absent employee with a colleague during their sick leave.

Figure 30: Sick leave

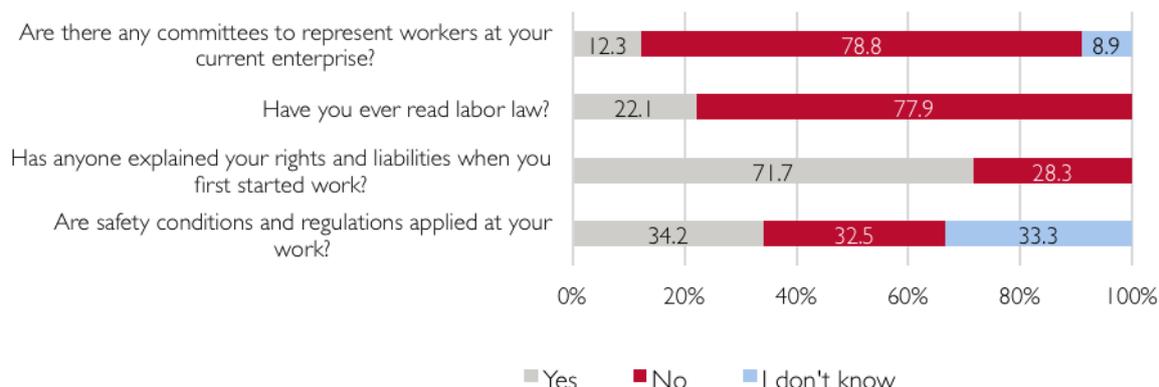


Enterprise Employee: Labor Law and Legal Knowledge

This section of the questionnaire explored respondents' knowledge of the labor law and legal liabilities at their current employers. A large majority (79 percent) stated that their enterprises did not have any committee to represent workers; 9 percent do not know. About 78 percent have never read the labor law, and 72 percent had someone in the enterprise explain their rights and liabilities when they started work. One-third of respondents believed that safety

conditions and regulations were applied at their workplace, another third believed they were not, and the remaining third did not know (Figure 31).

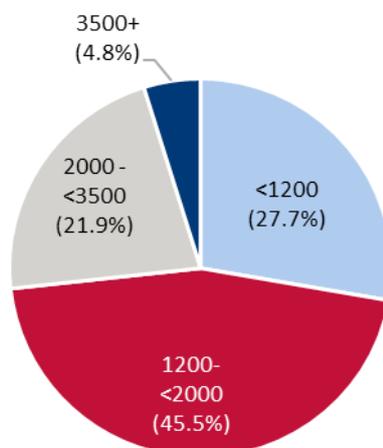
Figure 31: Enterprise workers' legal knowledge of labor law



Enterprise Employee: Salaries and Social Safety Nets

More than one-quarter of respondents reported earning less than EGP 1,200 per month, 45 percent EGP 1,200–2,000, and more than one-quarter earned EGP 2,000 or more. The average monthly salary, as stated by surveyed workers, is slightly more than EGP 1,500 (Figure 32).

Figure 32: Distribution of workers by monthly salary (%)



This survey was undertaken after the devaluation of the Egyptian currency and after the Subsidies Reform Program and consequent rises in inflation, which would increase the percentage of workers satisfied with their salaries. However, most surveyed workers were unsatisfied with their salaries, and would be satisfied with EGP 2,500–3,000 per month. Slightly less than one-third (31 percent) reported their current salary as satisfactory. In general, salary satisfaction decreased with years of experience.

Workers who were not satisfied with their salaries asked for almost double their current salary; an average increase of 97 percent and approximate raise of EGP 1,300. The amount requested increases with higher education level and years of experience, and differs across economic sectors. Workers in the logistics sector requested the highest increase (127 percent), and workers in the furniture sector requested the lowest percentage (69 percent), as shown in Table 12.

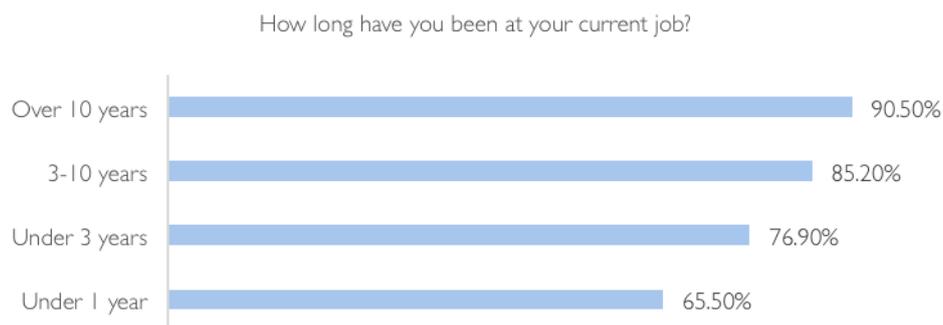
Table 12: Average difference and percentage increase between current salary and desired salary among respondents who mentioned they are unsatisfied with their current salary

CHARACTERISTICS		AVERAGE DIFFERENCE	AVERAGE PERCENTAGE INCREASE (%)
Gender	Males	1,359	97
	Females	1,154	98
Education level	Below intermediary	1,243	110
	Intermediary/above intermediary	1,014	80
	Vocational education	1,190	89
	University and higher	1,810	107
Age group	Under 30 years	1,103	91
	30–49	1,377	99
	50 years and older	1,551	116
Current place of residence	Urban governorates	1,322	93
	Lower Egypt	1,254	96
	Upper Egypt	1,405	120
	Frontier governorate	1,464	111
Sector	Textile	1,131	87
	RMG	1,016	81
	Furniture	1,255	69
	Food industry	1,090	88
	Tourism	1,514	120
	Logistics (transport and storage)	1,574	127
	Renewable energy	1,496	76
Total years of experience	Under 3 years	1,105	94
	3–10 years	1,124	87
	3–10+ years	1,414	100
Total Count		1,297	97
		400	400

Note: Thirty-two cases did not mention current salary or desired salary.

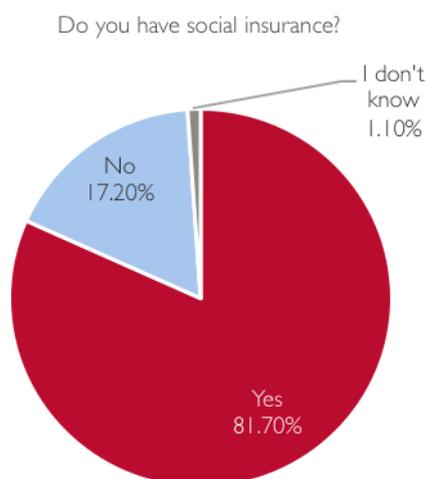
Regarding contracts, most of the surveyed workers confirmed that they have a legal written work contract at their current enterprise (84 percent). Workers with less than 3 years of experience at their current job convey a comparatively lower percentage of contracts (77 percent). Workers with more than 10 years of experience (Figure 33) show the highest percentage of contracts.

Figure 33: Work contracts by years of experience



Approximately 82 percent of respondents reported having social insurance, with the lowest coverage among those with less work experience (33 percent). Furniture industry workers are less likely to be insured (22 percent), due to the high level of informality in the sector (Figure 34).

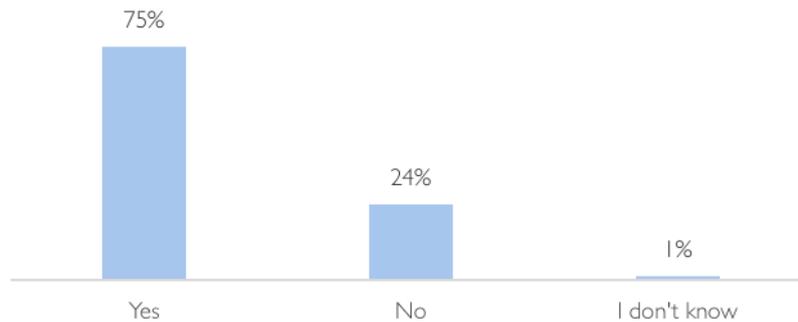
Figure 34: Social insurance



This percentage is much higher than one would expect in the Egyptian labor market, which has a large informal sector that does not gain access to formal work contracts or social protections. This is explained by the nature of the surveyed workers, who mostly work on production lines in private sector factories and therefore have a certain degree of skills. This encourages enterprise owners to offer them contracts with social insurance and other benefits to keep them from moving to other enterprises. **This suggests that upgrading the skills of the labor force is one of the most important factors that would reduce turnover of “blue-collar” workers and support formalization of the labor market, increasing its efficiency.**

Approximately 75 percent of the surveyed enterprise workers reported having health insurance provided by their current enterprise. Like social insurance, the lowest health insurance coverage appeared among respondents with the least work experience (41 percent), due to the high level of informality in the sector.

Figure 35: Workers who report having health insurance

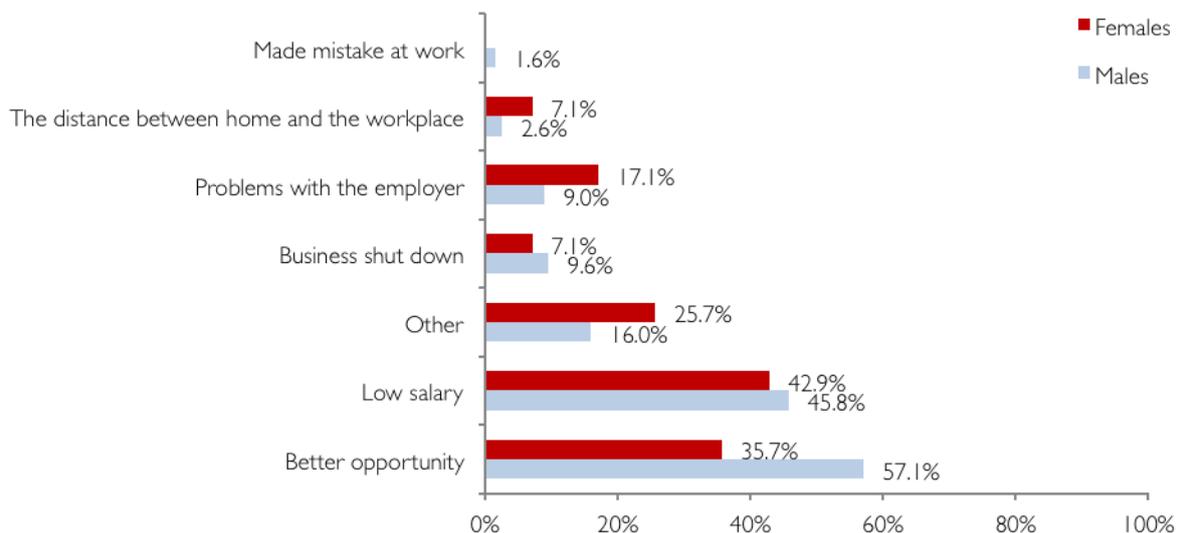


Workers' Opinions of Sector Sustainability

This section of the survey asked workers their opinion on the attractiveness of their work sector and its ability to pull in young labor. An important point is the reason why people quit their jobs. Respondents were asked about previous work experiences, especially reasons for leaving their previous jobs, with the option of choosing more than one answer.

Some 61 percent of respondents had previous work experience, including those who worked while at school, for a continuous 6-month period. “Low salary” and “better opportunity” are the main factors for males and females. **This makes it urgent to explore ways to increase productivity at the national level — and labor productivity in particular — and to link salary increases to improved productivity.** More than half of respondents (53 percent) mentioned leaving their previous jobs for a “better opportunity,” and 45 percent left because of the low salary. Some 18 percent mentioned other reasons, such as school and mandatory army enrollment (Figure 36).

Figure 36: Reasons for leaving previous job



Respondents were given the option to mention more than one reason.

There is a significant difference between males and females with respect to reasons for leaving jobs. Males are significantly more likely to leave because of a “better opportunity,” including, in addition to salary, factors such as a better career path or learning opportunities. Females are more likely to leave for “other reasons,” which could include familial obligations. Females are also more likely to leave because of distance, which may reduce the time

available for family obligations. They are also twice as likely as males to leave jobs because of a problem with employers. **More investigation is needed into the obstacles facing the female labor force in the workplace and how to improve working conditions for females.**

Survey findings also indicate that females would be more likely to stay longer in jobs if working conditions were improved and transportation were provided, whereas males are more likely to search for new opportunities to improve their careers. As expected, the main factor that would make jobs more attractive to the respondents was salary (93.2 percent), followed by work environment (26.3 percent), transportation (16.9 percent), and advertising and public awareness (7.3 percent). Other factors accounted for 4.1 percent of responses; in this category, providing social and medical insurance was the most important factor. **These findings suggest that most of the factors that discourage youth from starting or continue to work in their jobs are not sector-specific. Thus, it is important to have a comprehensive strategy for TVET reform across all sectors.**

Yes/No Questions

This portion of the survey asked respondents to agree or disagree with a number of statements. For the first two statements — *Work in this (sector) is suitable for females more than males* and *Work in this (sector) is suitable for males more than females* — only 19 percent agreed, and 63 percent believed that work in their sector was suitable for males more than females. RMG workers agreed most that work in their sector was more suitable for females (55 percent), and the majority disagreed that work is more suitable for males (87 percent). Workers in furniture, logistics, and tourism appear to believe that their work is less suitable for females (100 percent, 100 percent, and 82 percent, respectively)

For the next two statements (*Because the government isn't concerned with this (sector), it isn't developed and the factories of this (sector) are in remote industrial areas; that's why youth don't like working here*), almost two-thirds of respondents agreed that their sectors remain undeveloped because the government does not give them enough attention. Around half of respondents agreed that youth do not want to work in their sector because factories are in remote industrial areas. Residents of urban and frontier governorates had similar rates of response, indicating that improving transportation should be a national priority across all governorates.

Around 83 percent of respondents think that low salary is the reason youth do not wish to work in a given sector. Generally, all the sampled workers believe their sector is important in Egypt and that the government should give it more attention.

Finally, respondents were asked to mention what would make their sector more attractive. The grand majority mentioned higher salary (93 percent), followed by developing the work environment (26 percent); only 17 percent mentioned providing transportation. A higher percentage of females mentioned transportation (26 percent versus 12 percent of males), although this decreased with age, from 24 percent among youths under 30 years of age to 12 percent among those aged 50 or above.

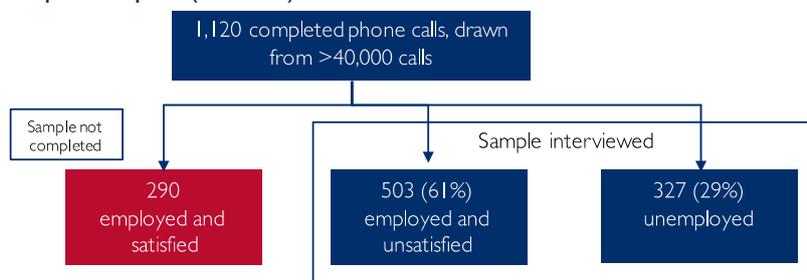
Perceived low salaries emerge as a main factor determining the attractiveness of jobs to employees and the ability of employers to retain qualified labor. **Therefore, reform efforts should focus on enhancing the productivity of the labor force to increase salaries at the national level. Decision-makers should also enhance existing efforts to develop, upgrade, and extend the coverage of Egypt's public transportation system, which**

will encourage youth, especially females, to participate more effectively in the labor market.

PHONE POLL WITH TVET GRADUATES

Data from the phone poll sheds light on the supply side of labor by exploring the characteristics of TVET graduates seeking jobs, their ways of finding jobs, and their skills.

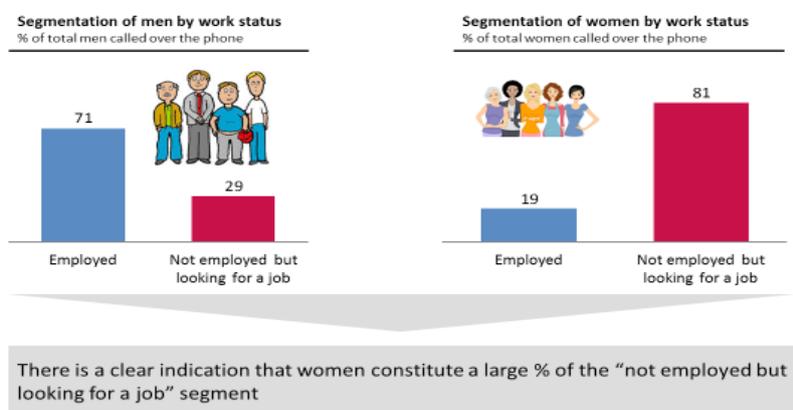
Figure 37: Complete phone poll (N=830)



Source: Baseera phone interviews

Figure 38 shows a significant gap between females “not employed but looking for work,” who accounted for 81 percent of females interviewed over the phone, and their male counterparts, who accounted for 29 percent. This represents one of the structural imbalances in the Egyptian labor market. According to several studies and to the results of the current survey, this is due to several factors. One of the main reasons is the unsuitable working conditions in the work place, which affects female workers more adversely than their male counterparts.

Figure 38: Phone poll segmentation by work status: males (left) versus females (right)



This extremely high percentage of women looking for work indicates challenges that should be addressed, focusing on promoting female labor market participation as a target group. **One area of focus should be supporting the private sector to provide better working conditions for females and complying with labor law articles that guarantee rights to working females.**

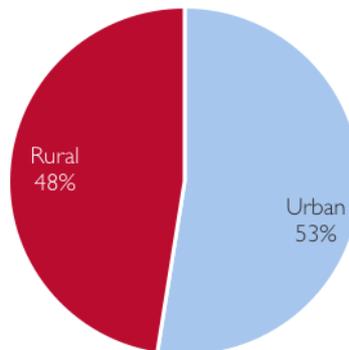
TVET Graduates’ Characteristics

This survey was conducted using landlines and mobile phones on a sample of 1,120 Egyptian citizens aged 20 and 39 years, covering 11 governorates. The sample was evenly divided between urban and rural residents. Most of the sampled youth were males (82 percent).

Area of Residence

Among surveyed TVET graduates, the split between urban and rural areas in each governorate was almost even (Figure 39).

Figure 39: Current place of residence (% of TVET graduates)



Source: Baseera field survey

Demographics among the Sampled TVET Graduates

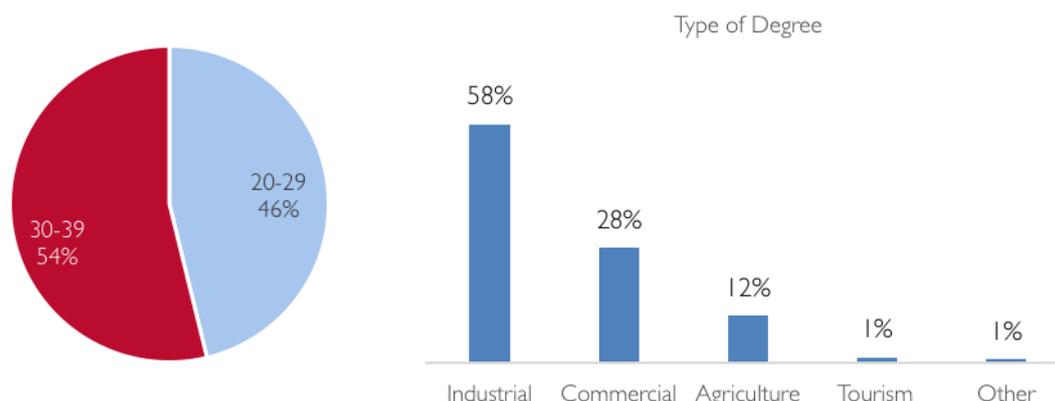
Eighty-two percent of the sampled youth were males. The majority of TVET graduates in this sample were married (71 percent); 22 percent had never married.

Table 13: TVET youth characteristics (phone survey)

			COUNT	%
Current place of residence	Urban governorates	Alexandria	118	10.5
		Port Said	90	8.0
	Lower Egypt	Damietta	89	7.9
		Sharqiya	117	10.4
		Gharbiya	126	11.3
		Menoufia	120	10.7
		Ismailia	120	10.7
	Upper Egypt	Beni Suef	100	8.9
		Fayoum	94	8.4
		Aswan	88	7.9
Frontier governorate	Red Sea	58	5.2	
Urban/Rural residence	Urban	588	52.5	
	Rural	532	47.5	
Gender	Male	919	82.1	
	Female	201	17.9	
Type of vocational education	Commercial	315	28.1	
	Agriculture	129	11.5	
	Industrial	652	58.2	
	Tourism	14	1.3	
	Other	10	.9	
Marital status	Never married	247	22.1	
	Engaged	62	5.5	
	Marriage contract	4	.4	
	Married	793	70.8	
	Widowed	2	.2	
	Divorced	10	.9	
	Separated	2	.2	
Age group	20–29 years	517	46.2	
	30–39 years	603	53.8	
Total			1,120	100.0

The sample is almost evenly distributed among 20- to 29-year-olds and 30- to 39-year-olds. The highest sampled technical degree was industrial accounting for more than half of the sample (58 percent), followed by those with a commercial technical degree (28 percent) or agricultural technical degree (11 percent), and the lowest technical degree, tourism, accounting for just 1 percent of the sample (Figure 40).

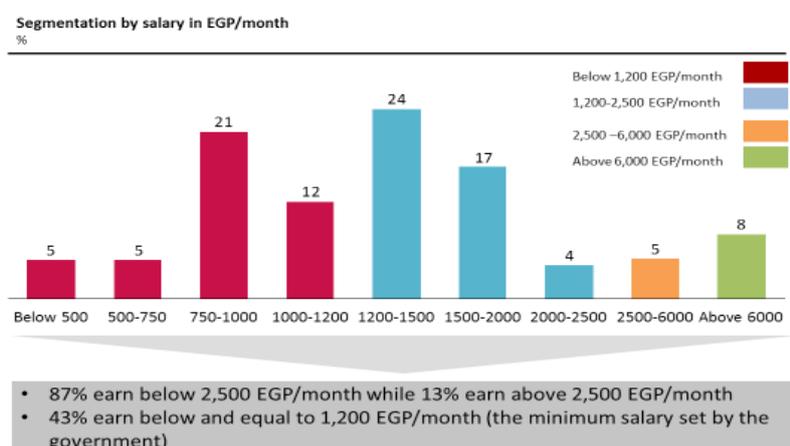
Figure 40: Age and educational attainment



Source: Baseera field survey

Eighty-seven percent of respondents earned less than EGP 2,500 per month, and 13 percent earned more than EGP 2,500 per month. Forty-three percent earned less than or equal to EGP 1,200 per month, the minimum salary set by the government (Figure 41).

Figure 41: Segmentation by salary (EGP/month)



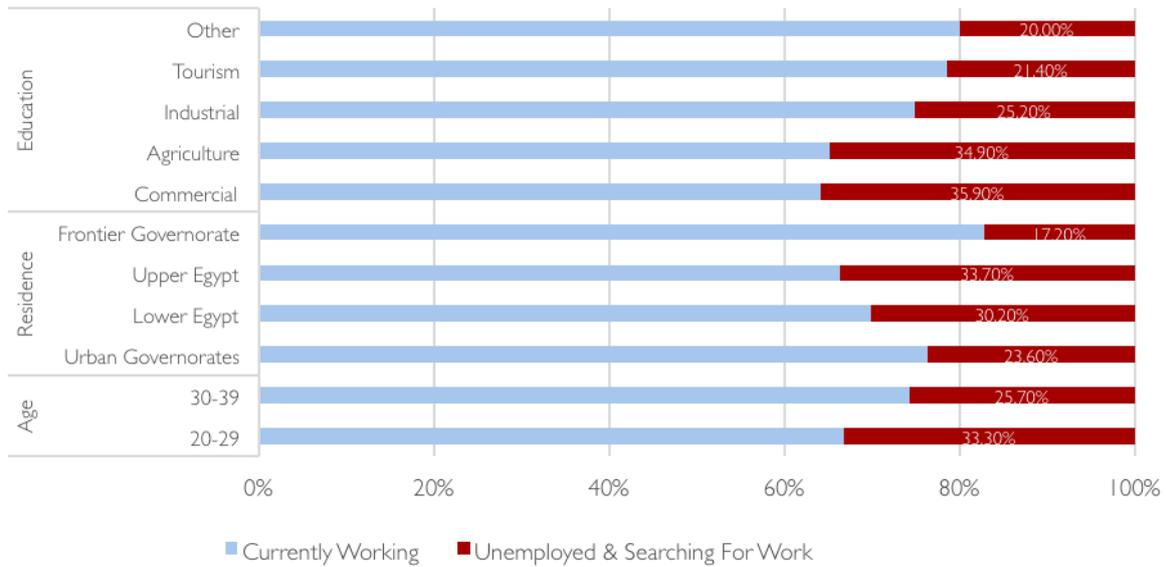
Source: Baseera phone survey

Current Work Status of Technical Education Youth

UNEMPLOYMENT AMONG TVET GRADUATES

Respondents with commercial technical degrees and agriculture technical degrees reported the highest rates of unemployment (36 percent and 35 percent, respectively), confirming the view that technical and vocational schools turn out more commercial degree graduates than the market needs. On the other hand, residents of urban governorates and those with industrial technical degrees display the highest employment rates, at 76 percent and 75 percent, respectively (Figure 42).

Figure 42: Work status by education, residence, and age (%)

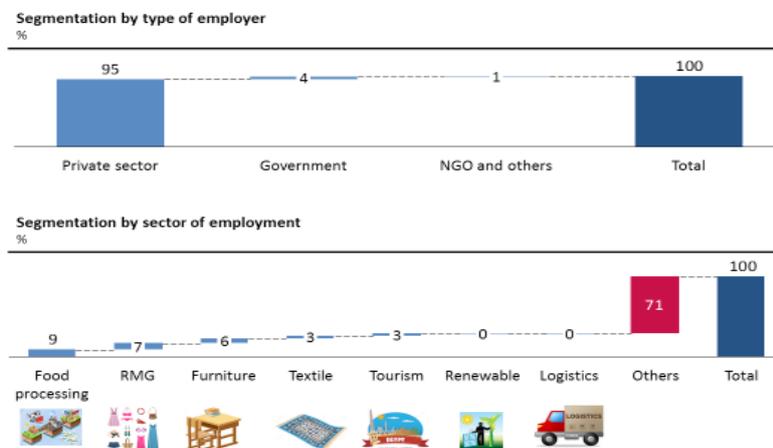


Source: Baseera field survey

INDUSTRY AND SECTOR

A large majority of sampled respondents (88 percent) work in the private sector. The starkest difference appears between the two age groups. Respondents in the 20- to 29-year-old bracket were slightly more likely to work in the private sector than 30- to 39-year-olds (Figure 43).

Figure 43: Segmentation by type of employer

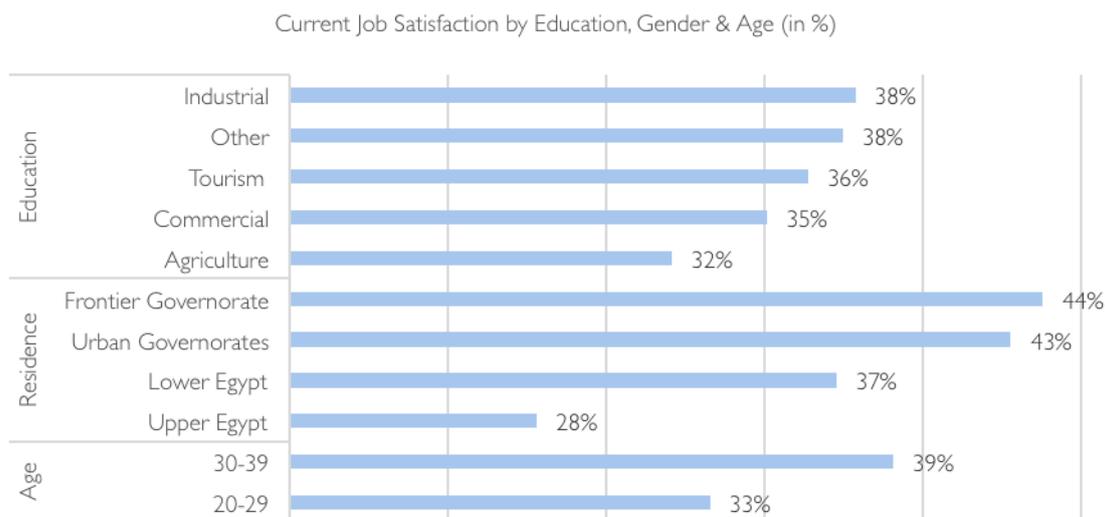


Source: Baseera phone survey

SATISFACTION WITH CURRENT JOB

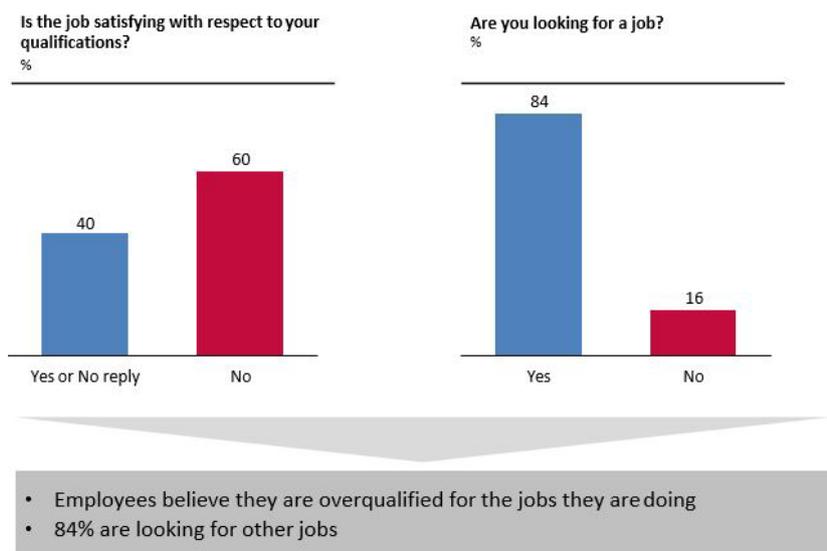
Slightly more than one-third of the employed technical workers (37 percent) felt that their current job is satisfactory and fits their level of experience and qualifications. This reveals a high level of displeasure among technical workers (Figure 44).

Figure 44: Percentage of currently employed TVET youth who believe their current work fits their experience and qualifications



Source: Baseera field survey

Figure 45: Job satisfaction and job search status



Source: Baseera phone survey

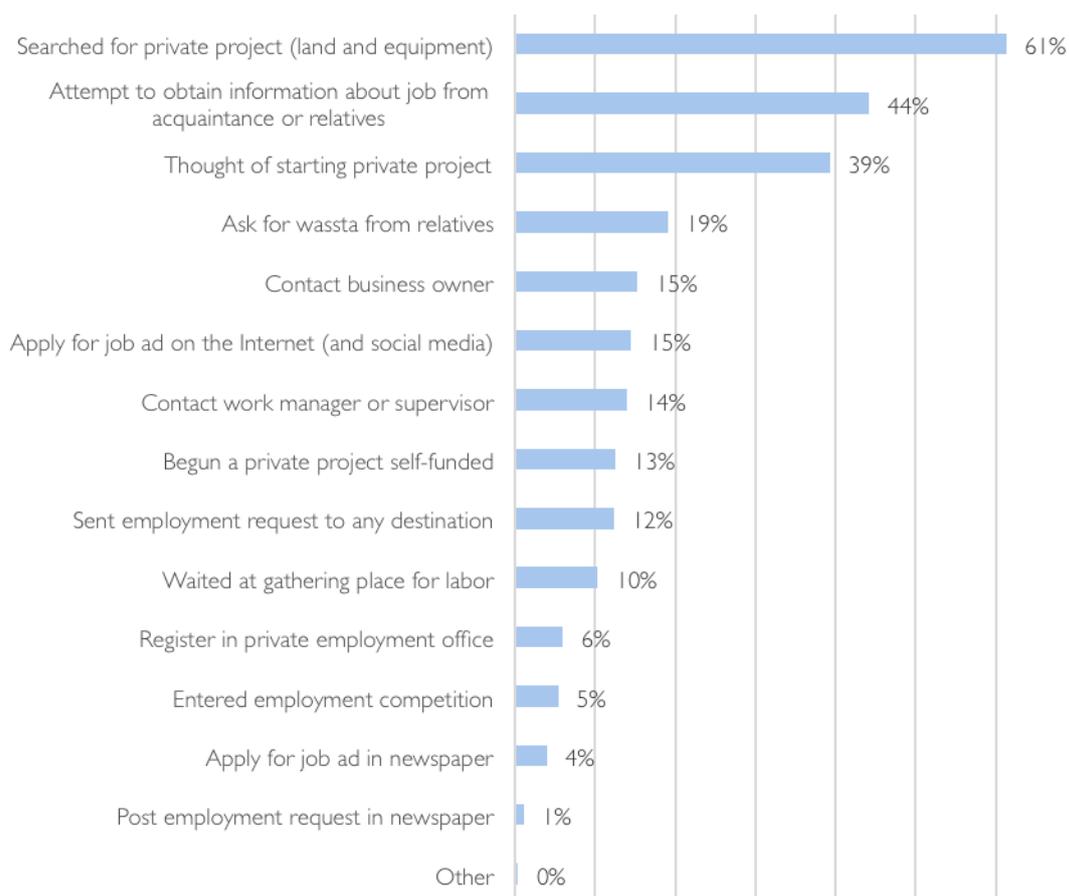
These findings could indicate that graduates of the TVET system overvalue their competencies and skills in a situation where their qualifications do not match jobs in the current labor market. The TVET system is still struggling to respond to the specializations companies require. This mismatch indicates an undersupply of specializations in some areas and an oversupply in others, undermining the employment opportunities of graduates in oversupply areas, as well as their expectations of job positions, wages, career prospects, and job satisfaction. By increasing the relevance of specializations in TVET education, job seekers can be matched to jobs that fit their training. Agriculture, fishing, and construction are low-paying activities with limited value added. They are mostly informal activities with no career path.

TVET Youth Actively Looking for Work

This section filters out unemployed respondents and employed respondents who reported dissatisfaction with their current work. Those respondents believed their current work did not fit their experience and qualifications, but despite their discontentment, not all of these respondents were actively searching for a new job.

The survey also investigated the steps respondents took to look for a new job. Most respondents (84 percent) did not register at an official government employment office. When asked about the specific actions they took to seek a new job during the three months prior to the survey, respondents indicated a relatively high tendency to seek private opportunities. The most-mentioned action was to start a business, such as investment in agricultural land or equipment (61 percent). About 40 percent of those seeking a new job were thinking of a private project, and 44 percent mentioned obtaining job information from an acquaintance or relative (Figure 46).

Figure 46: Percentage of TVET youth taking actions in the past 3 months to seek new job



Respondents were given the option to mention more than one reason.

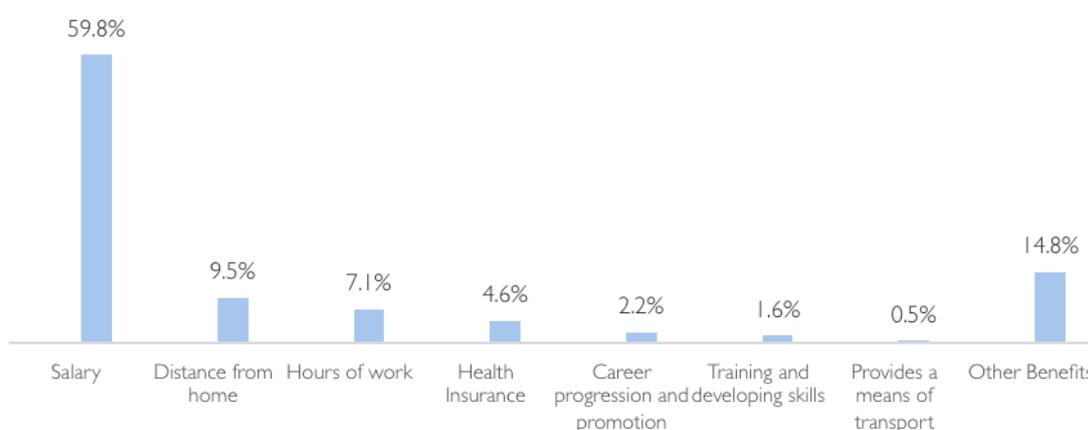
Only half of the unemployed respondents and respondents unsatisfied with current employment thought of increasing skills to adapt to the demands of the labor market. No significant differences were seen among respondents with different characteristics (age, residence, TVET specialization, or work status/satisfaction).

Respondents who mentioned that they had not thought of increasing their skills to adapt to the demands of the labor market were asked for their reasons. The most-mentioned

reason was lack of time (29 percent; this figure rose to slightly more than one-third, or 34 percent, among respondents in the 30- to 39-year-old age group and those with commercial vocational degrees). The second most common reason was the high cost of programs and courses (27 percent).

As Figure 47 shows, salary was the main factor in respondents' decision to seek and accept a new job — in other words, the main factor that made jobs more attractive to the respondents is (59.8 percent), followed by distance from home (9.5 percent) and hours of work (7.1 percent). These findings indicate that most factors discouraging youth from starting or continuing in jobs are not sector-specific. In addition, **some common factors emerged as being the most urgent areas to reform, irrespective of gender or sector of employment: productivity increases, transportation, housing, and working conditions at the workplace.**

Figure 47: Main factors in deciding to seek and accept a new job



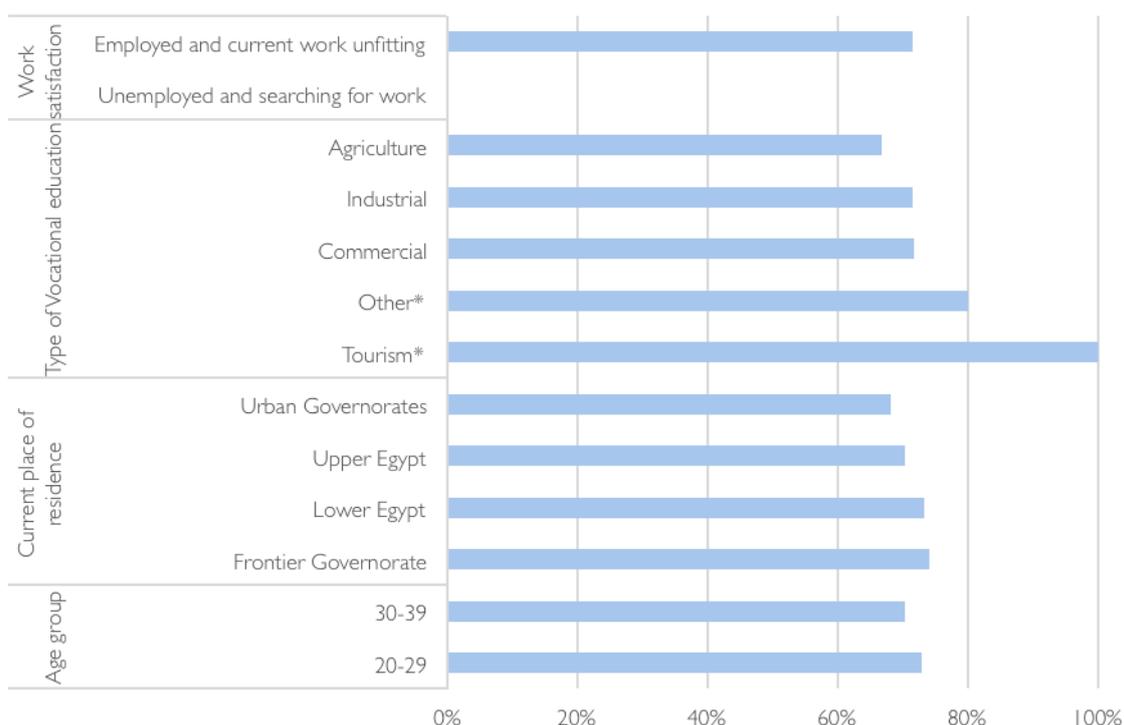
Respondents were given the option to mention more than one reason.

Salary emerged as the most important factor that makes jobs more attractive for both genders. However, its relative importance is higher for men (65 percent) than women (41 percent). Conversely, distance to work (22 percent) and number of working hours (24 percent) are more important for women than men (6 percent and 3 percent, respectively) for reasons relating to family obligations, as indicated elsewhere in the report. Other benefits are more important for men than women, but some of benefits are not highly valued for either sex. Again, these findings indicate that most of the factors discouraging youth from work are prevalent across all sectors, with females valuing jobs that balance work and family obligations.

Most SMEs do not have a human resource function that gives attention to the importance of solid recruitment policies that show new workers their career path and professional development prospects, which explains the low importance of “job growth” for both men and women.

As Figure 48 illustrates, employed respondents unsatisfied with current employment were asked to mention the economic sector they desired to work in. The majority (72 percent) selected a completely different field of work. **The availability of jobs in certain sectors drives employment. There are no real opportunities for choosing a job based on specialization. The lack of an LMIS, including regional systems, and employment services in general does not provide room for match-making, with implications for lower productivity.**

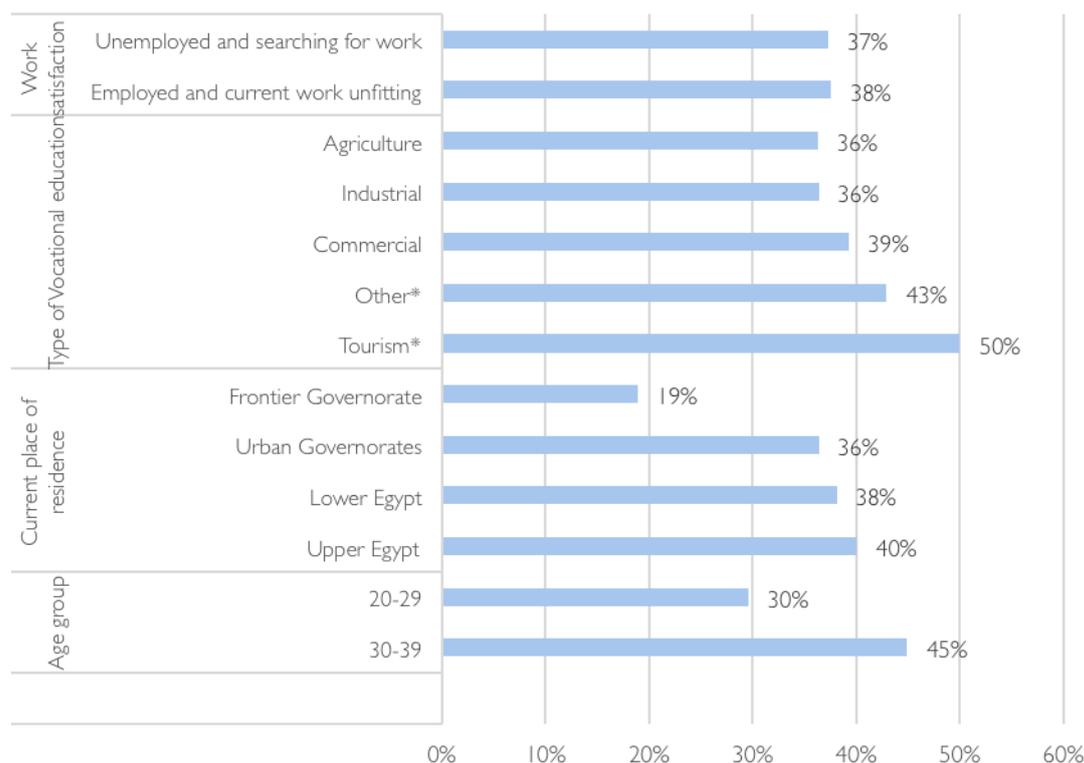
Figure 48: Percentage of TVET not working in desired economic sector among respondents unsatisfied with current employment by respondent characteristics



Respondents dissatisfied with their current economic sector were asked to mention which sector they would like to transfer to. Some 68 percent of currently employed respondents mentioned “other.” Approximately 24 percent of the total unsatisfied mentioned “any other field,” followed by “a government job” (14 percent). The significant percentage of youth who aspired to transfer to another unidentified sector (24 percent) implies that the reason is their dissatisfaction with the current sector of employment and not to any positive value associated with other sectors. Thus, improving working conditions and/or salaries and career prospects in their current employment sector would likely reverse this wish to move between sectors.

As Figure 49 shows, more than one-third of respondents seeking a new job had heard of VTCs (38 percent). Respondents 30–39 years of age were notably more aware of VTCs than respondents 20–29 years of age (45 percent versus 30 percent). **An outreach campaign should be designed and implemented to raise the awareness of the younger age group.**

Figure 49: Percentage of TVET youth who have heard of VTCs



The main reason for not registering at a VTC was lack of time (26 percent), although one-fifth of respondents mentioned that they were not convinced they needed the training.

These findings suggest that VTCs should undertake an intensive outreach campaign targeting job seekers and graduates in the labor market. **Establishing labor market information would help guide job seekers in need of training to the relevant centers.**

SURVEY OF FEMALES: UNEMPLOYED VOCATIONAL EDUCATION GRADUATS

This section examines gender-related issues for unemployed females with vocational degrees.

Characteristics of the Female Respondents

An additional survey targeting unemployed females with vocational degrees was conducted to explore the factors that hindered them from actively participating in the job market. The telephone-based survey was conducted via landlines and mobile phones with a sample of 153 Egyptian females in 10 governorates. Respondents' ages ranged from 20 years to 40 years. The most-sampled vocational degree was the commercial degree, followed by industrial and agricultural degrees. A large majority of respondents were married, and slightly less than two-thirds were urban residents (Table 14).

Table 14: Unemployed TVET women's characteristics

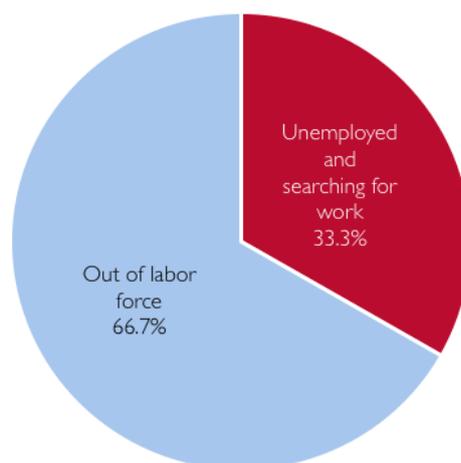
			COUNT	PERCENT
Current place of residence*	Urban governorates	Alexandria	36	28.1
		Port Said	7	5.5
	Lower Egypt	Damietta	2	1.6
		Sharqiya	22	17.2
		Gharbiya	14	10.9
		Menoufia	15	11.7
		Ismailia	11	8.6
	Upper Egypt	Beni Suef	12	9.4
		Aswan	8	6.3
	Frontier governorate	Red Sea	1	.8
Urban/Rural residence*	Urban	83	64.8	
	Rural	45	35.2	
Type of vocational education	Commercial	84	54.9	
	Agriculture	8	5.2	
	Industrial	61	39.9	
Marital status	Never married	1	.8	
	Engaged	1	.8	
	Marriage contract	2	1.6	
	Married	118	92.2	
	Widowed	1	.8	
	Divorced	3	2.3	
	Separated	2	1.6	
Age group	20–29	70	45.8	
	30–39	83	54.2	
Total			153	100.0

* 25 missing cases

Current Work Status of Surveyed Females

The ratio of respondents who were currently unemployed and searching for employment to those out of labor force was 1:2. Females searching for employment had spent on average slightly more than four years (50 months) since beginning the job search. Slightly more than one-quarter had never been employed (Figure 50).

Figure 50: Surveyed Female Sample Work Status



Unemployed Females Searching for Work

This section of the survey focused on the 51 (33 percent) unemployed females who were searching for work. When asked their reasons for not finding a job, respondents most often mentioned “unsuitable work hours” and “inability to find work suitable to their vocational degree.” Sixty percent of those who mentioned “unsuitable work hours” wanted to find work that finished by 2 p.m. and 73 percent wanted to finish by 3 p.m. Approximately one-fifth of the respondents searching for work mentioned they could not find work because jobs were too far away. Eighty percent of those who mentioned that workplaces were too far mentioned that they would be willing to work up to 1 hour away from their homes.

As Figure 51 illustrates, the 10 percent who replied that salary was unsuitable mentioned that the average acceptable salary was EGP 1,800 per month. Most respondents selecting “other reasons” gave relatively vague reasons; “there is no work” and “priority given to relatives” were the most common answers.

Figure 51: Reasons for not finding work



Respondents were given the option to mention more than one reason

Approximately 45 percent of the females searching for employment reported family circumstances as a main reason they were unable to find work. When asked to elaborate,

87 percent mentioned responsibility toward their children as the main reason. The remaining sample mentioned their families' disapproval.

In general, these responses confirm the findings of the previous section, in which salary, unsuitable working conditions, and distance of the workplace emerged as the main obstacles to finding suitable jobs. **This makes it all the more important to focus on efforts that enhance national productivity, strengthen the public transportation system, plan residential areas near industrial districts, and support the private sector to provide better working conditions for females and comply with protections for women's rights in the labor law.**

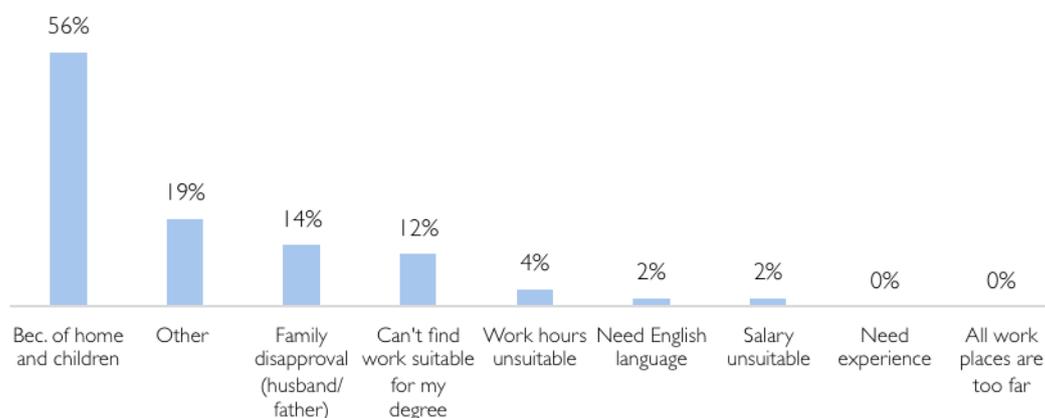
Females out of the Labor Force

"Out of the labor force" refers to those who are currently unemployed and not actively searching for any type of work. These represented 67 percent of the total sample of unemployed females, though 51 percent long to work. This fact indicates a potential to increase the female labor force in Egypt, given suitable conditions (e.g., providing childcare solutions and training on needed skills such as English language training).

The 49 percent who did not express a wish to work were asked to give their reasons. More than half mentioned "caring for their children," 22 percent mentioned a husband's or family's refusal, and 16 percent mentioned "taking care of their homes."

The 51 percent of females out of labor force who do wish to work were asked to mention their reasons for not searching for work. As illustrated in Figure 52, the most common reason was taking care of their homes and children (56 percent). Most respondents who chose "other reasons" mentioned that they believed there was no work.

Figure 52: Out of labor force who wish to work: reasons for not searching for a job



Respondents were given the option to mention more than one reason.

Egypt's Multifaceted Female Employment Challenge

Challenges to female employment in Egypt are multidimensional, some reaching beyond the labor market. In general, the challenges can be grouped in two categories:

- *Challenges facing the overall labor force*, including low wages, unfavorable working conditions, and lack of decent transportation. Males and females alike feel the impact of these obstacles, but some — notably, transportation and working conditions — have more adverse impact on females, to the extent that some exit the labor market completely.
- *Legal and sociocultural challenges facing women in the workforce*. This set of challenges includes legislation (weak enforcement of the labor law articles granting rights and protections for women in the workplace) and lack of services to support working mothers, such as nurseries and flexible hours. Cultural and social expectations further weaken opportunities for females to work in specific sectors or occupations, or to work at all after marriage.

The situation indicates a need to address key challenges in the framework of a comprehensive national strategy to strengthen the potential and prospects for Egyptian females in the labor market. Just as the challenges are multifaceted, addressing them is a complex undertaking, involving:

- *Systems changes*: Reforming TVET education, improving the efficiency of the Egyptian labor market, and boosting labor productivity across all sectors
- *Specific measures to target the female workforce*: This includes raising awareness of the value of female employment for the community and the national economy and of women's rights in the workplace, in addition to improving the cultural context around working females.
- *Efforts to improve working conditions*: Key examples are providing nurseries for working mothers and offering flexible working hours.

These efforts will reduce the number of unemployed females in Egypt, enhance the productivity of those who are already employed, and increase the size of the Egyptian workforce as many of the “discouraged unemployed females” rejoin the labor market.

CHAPTER 4:

POLICY ASSESSMENT & RECOMMENDATIONS

This section assesses the efficiency and flexibility of Egypt's labor market and the need to create a policy environment that enables workforce development, and provides a set of recommendations, gleaned from the assessment, that pave the way for activities that contribute to improving Egypt's labor market.

The policy assessment begins by discussing labor market efficiency and flexibility in Egypt, diagnosing the factors that led to the recent deterioration of Egypt's performance in the Global Competitiveness Index (GCI) of the World Economic Forum and analyzing the following issues in detail: labor laws, education systems, system enablers, and female economic participation. The analysis identifies the reasons why Egypt is not progressing in each area.

OVERVIEW OF EGYPT'S LABOR MARKET

Labor market efficiency is characterized by the flexibility and security of labor markets, among other factors. For a labor market to be efficient, it needs to find a balance between its flexibility, by allowing labor to move between industries at low cost, and security, defined as laws and regulations that protect workers. The GCI measures market efficiency and other economic factors, in which Egypt ranked 115 out of 138 in 2016/2017 with a score of 3.67 out of 7. The index is calculated based on 12 pillars. Egypt's lowest score was in labor market efficiency (135) and its highest in market size (25).

Figure 53: Egypt's GCI score (12 pillars)

Source: Global Competitiveness Report, 2016/2017

	Egypt's Rank
Institutions	87
Infrastructure	96
Macroeconomic Environment	134
Health & Primary Education	89
Higher Education & Training	112
Goods Market Efficiency	112
Labor Market Efficiency	135
Financial Market Development	111
Technological Readiness	99
Market Size	25
Business Sophistication	85
Innovation	122

Labor Market Efficiency: According to the Global Competitiveness Report, market efficiency consists of (1) allocation of resources in their most efficient use; (2) providing workers with incentives to excel in their jobs; and (3) shifting of workers from one economic activity to another with low cost. Burgess and Mawson (2003) define efficiency as the matching between skills and jobs that determines the aggregate productivity growth of a state. Egypt's

low score in market efficiency is therefore explained by its inability to promote productivity, match workers with jobs that best fit their skills, and help employers offer their employees the right incentives.

Market Size: The market size of a state considers the country's population. It is usually an indication of a country's ability to engage in economies of scale. Egypt's large population (92.5 million) is hence a factor that, if used properly, could lead to its advancement in the GCI. Unemployment in Egypt was 12.4 percent in Quarter 4 of 2016 (CAPMAS). However, the rate doubles for those between 15 and 24 years of age, who make up 20 percent of the population.

Of the employed population, 40 percent work in the informal sector, which is characterized by a lack of employee security and the state's inability to collect taxes and gather data on employment to manage it better. It is therefore important to investigate the factors behind Egypt's inability to utilize its workforce and create an efficient labor market.

ANALYSIS OF LABOR MARKET ISSUES

Governing Policies

This section provides an overview of the main policy and regulatory constraints that lead to inefficient practices and distortions in the Egyptian labor market. If left on its own, the labor market, like any market, will achieve an "equilibrium" that is not necessarily equitable. Labor laws aim to increase market efficiency and protect workers' rights. However, laws might restrict employment in general and benefit workers who are already employed, whereas they should protect vulnerable workers in general (Wahba, 2016). These labor market inefficiencies are captured in two important reports, the World Bank's Doing Business Report and the World Economic Forum's Global Competitiveness Report.

In the 2017 Doing Business Report, Egypt ranked 122 out of 190 countries in the Doing Business Index, which measures 11 areas in a country's business ecosystem. The relevant area for this analysis is labor market regulations. The Doing Business Report states that over-regulation negatively affects efficiency. Though labor laws are made to protect labor rights against employers, they can become rigid, to the extent that they decrease labor market efficiency, negatively affecting workers and promoting the growth of the informal sector. This is evident in Egypt:

- Egypt's public sector has decreased the number of workers it hires (Wahba, 2016). The growing labor pool was not absorbed by the private sector as the government discontinued its public sector employment policy.
- Aiming to protect the workers, labor laws are rigid. Because of this rigidity, the private sector is not incentivized to formally employ workers (Wahba, 2016). According to the 2015 and 2017 Doing Business Report, Egypt saw some improvements in the business environment, though less so in labor market regulations, which include difficulty in hiring, rigidity of hours, redundancy, and redundancy cost.¹¹ These challenges have constrained the private sector's ability to offer job opportunities.
- Egypt adopted a pattern of growth that did generate enough formal job opportunities

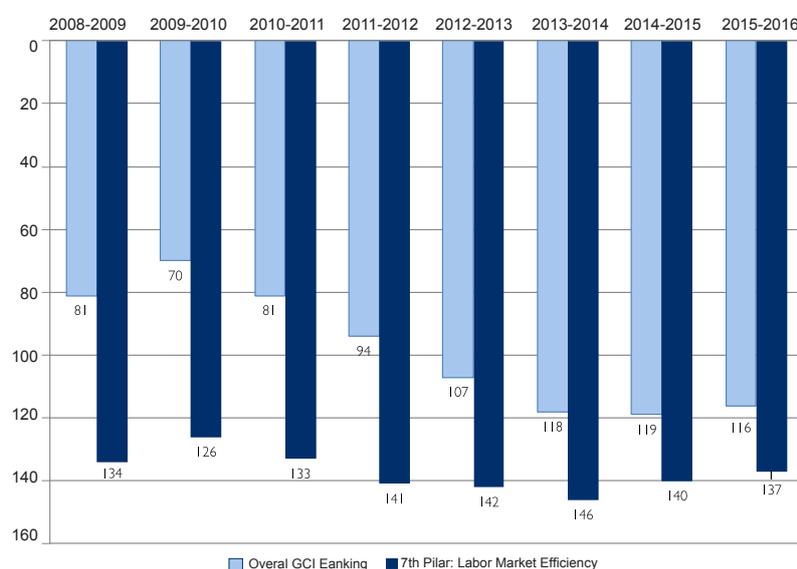
¹¹ The redundancy cost variable estimates the cost of advance-notice requirements, severance payments, and penalties due when terminating a redundant worker, as expressed in weekly wages (Definition from the World Bank/International Finance Corporation, Doing Business Project).

for its increasing labor force, as it was biased to sectors, investment patterns, and modes of production that were pro-capital, not pro-employment. This constrained the formal private sector’s ability to generate decent jobs.

- In addition to the public-sector layoffs, the number of new “employable” people is increasing as Egypt experiences a youth bulge; youth 18–24 years make up 40 percent of the population (Roushdy & Sieverding, 2014).
- As a result, the informal sector grows, and youth unemployment increases.

Figure 54 illustrates the performance of the labor market efficiency pillar and the overall GCI ranking from 2009 to 2016. The trends indicate that the weak performance of the labor market efficiency pillar has not been due to the political and economic instability of the last few years, which caused the GCI to drop by 46 places. During that period, the labor market efficiency pillar ranking dropped by only 11 places, from 126 to 137. This indicates that poor labor market performance relates to fundamental and structural constraints and challenges of the Egyptian labor market, not to external economic or political factors.

Figure 54: Overall GCI and labor market efficiency pillar rankings



Source: World Economic Forum, *Global Competitiveness Report* (various issues, 2008–2015)

The low labor market efficiency score is explained by the poor performance of its two subcomponents, “flexibility” and “efficient use of talent.” The indicator that performed relatively better within the flexibility component is “hiring and firing practices,” which came in 65th, mostly due to the introduction of the one-year temporary contract in the 2003 labor law, as well as the relatively better ranking (70th) of the “flexibility of wage determination” indicator. More flexible wage determination could be explained by two factors:

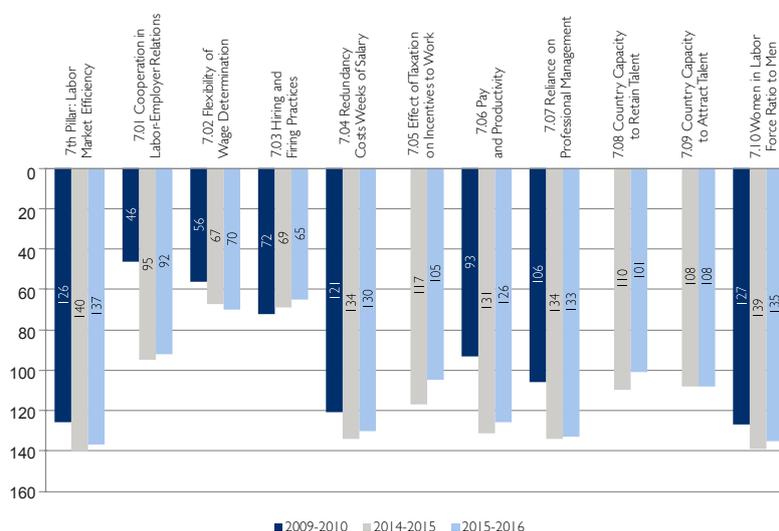
- The large informal sector, where wage determination is more flexible and prevailing labor laws (such as minimum wage) do not apply
- The ineffectiveness of the Egyptian labor unions.

The poor performance of the “flexibility” subcomponent of labor market efficiency indicator can be attributed to redundancy costs (estimates of the cost of advance-notice requirements, severance payments, and penalties due when terminating a redundant worker, expressed in weekly wages), for which Egypt ranked 130 due to labor law regulations that the private sector perceives as biased against employers, especially for layoffs.

The “high taxation” indicator also affects the flexibility of wage determination, despite that indicator’s improvement (117 to 105) in the same period. Labor efficiency is analyzed based on Egypt’s labor market efficiency pillar, one of the 12 pillars of the GCI published annually by the World Economic Forum, which compares the development of the indicators constituting the two components of the labor market efficiency pillar, illustrates a proportional deterioration in nearly all indicators over this period.

Figure 55 compares the development of indicators constituting the two components of the labor market efficiency pillar, illustrating a proportional deterioration in nearly all indicators. The exception is “cooperation in labor-employer relations,” where Egypt’s rank fell sharply between 2010 and 2016, from 46 to 92. One explanation could be the demonstrations and labor protests that started in 2010; in the absence of effective institutions for conflict resolution, such as labor unions, these conflicts frequently lasted longer than expected, with an adverse impact on production. The performance of “cooperation in labor-employer relations” represents one of the few nonstructural deterioration trends of the indicators constituting the labor market efficiency pillar, as it emerged during the few years that witnessed a significant degree of political, social, and economic instability.

Figure 55: Development of Egypt’s ranking in the labor market efficiency sub-indicators



Source: World Economic Forum, *Global Competitiveness Reports (various issues, 2008–2015)*

The second component of the labor market efficiency pillar is the efficient use of talent. Its “pay and productivity” subcomponent indicator, on which Egypt ranked 126, indicates that pay is not necessarily related to the productivity of employees. Egyptian females have equal rights to those of men, according to the Constitution and labor law, but weak enforcement of the law and cultural and social factors rank Egypt at 135 on female participation in the labor force — the worst indicator for this pillar. Another weak-performing indicator is “reliance on professional management” (133), possibly explained by the poor quality of management education and a lack of labor intermediation services, including the LMIS, to better connect job seekers to jobs.

A key weakness of the labor market is the brain drain; Egypt ranks 101 on “capacity to retain talent.” Its “capacity to attract talent” is also low, at 108. A possible explanation for both indicators is the economy’s inability to provide high-quality jobs or decent salaries for its educated labor force. In addition, financing of startups is challenging, as banks tend to treat them as corporates, making it difficult to provide the documentation required to access finance. Thus, most production establishments belong to the informal sector, which does not provide opportunities for the better-educated members of Egypt’s workforce.

PREVIOUS LABOR LAW VERSUS CURRENT LAW AND NEW PROPOSED LAW

The current labor law (Law 12/2003) solved several efficiency issues in Law 137/1981.

Definite-term contracts: With no more indefinite contracts, employers may lay off employees for economic reasons. Indefinite contracts had burdened employers who sought to fire low-performing employees. Law 12/2003 solved this issue and decreased informal employment by 3–3.5 percent (Wahba, 2016). The law has therefore benefited workers who were already employed. However, it remains rigid for new market entrants, due to its hiring and firing articles, disadvantaging the large number of youth seeking jobs. This creates a demographic inequality.

Hiring and firing: Labor Law 12/2003 imposes high firing costs on employers. Figure 56 illustrates how employers are required to compensate their terminated employees based on the length of the employment period (Angel-Urdinola & Kuddo, 2010).

Figure 56: Unemployment protection

Does your country have an unemployment protection scheme?	How is the unemployment protection scheme funded?	What is the amount of the unemployment benefit and for how long does an unemployed worker receive it?
Yes	The employer at the rate of 2% of the wages of the insured persons	60% of the last wage of the insured person. The indemnity shall continue to be paid to the insured person until the day preceding the date of his being engaged in an employment, or for a period of 16 weeks whichever is earlier. This period shall be extended to 28 weeks if the contribution period to this insurance exceeds 24 months. The indemnity shall also be paid during the period of vocational training determined by the Manpower office

Egypt ranks ninth highest in severance payments worldwide, as Figure 57 shows. The Egyptian government does not offer social safety nets for unemployed workers and thus requires the employers to pay terminated employees a high compensation (Wahba, 2010). This challenge was also articulated by key informants, who stressed that the high cost of social security encourages informality (Angel-Urdinola & Kuddo, 2010). Firing costs include the severance payment, a fine for terminating redundant workers, and the cost of notice requirements and notifying a third party, such as the labor authorities (Wahba, 2010). The law's overprotectiveness leads to employers' increased reluctance to hire employees formally.

Figure 57: Top 10 economies with highest severance pay

Economy	Severance pay (in weeks of salary) for a worker with 10 years of tenure
Sierra Leone	132.0
Sri Lanka	97.5
Indonesia	95.3
Ghana	86.7
Zambia	86.7
Mozambique	65.0
Equatorial Guinea	64.3
Ecuador	54.2
Egypt, Arab Rep.	54.2
Lao PDR	52.0

Source: *Doing Business Report, 2017*

An equally important constraint is the enforceability of the law. The Egyptian law enforcement system (courts, labor offices, and the Ministry of Interior) is time-consuming and costly (Hashim, personal communication, 2016). This leads to increased informality and reluctance to hire inexperienced workers, who would be costly to lay off.

This point puts the new market entrants at a bigger disadvantage. As validated in the field survey, employers prefer hiring fresh graduates for their lower salary expectations and their passion for work. Nevertheless, strict labor market regulations make it challenging for firms to hire and fire flexibly as per company needs and its financial status, which increases the unemployment rates among fresh graduates and new market entrants.

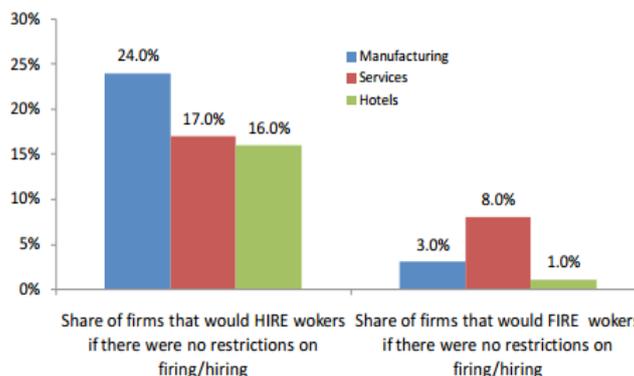
Figure 58: Regulations concerning firing costs

Legal notice period for redundancy dismissal after 20 years of continuous employment?	What is the severance pay formula?	What is the severance pay for dismissal after 20 years of continuous employment?
1 month for employees, workers and laborers.	Since a small scale redundancy is not allowed, there is no legally specified severance formula. The severance requirement for a collective dismissal is 1 month for each of the first 5 years and 1.5 months for any years beyond 5	27.5 months

Source: Angel-Urdinola & Kuddo (2010)

According to Angel-Urdinola and Kuddo (2010) manufacturing firms, service firms, and hotels would hire a net of 21 percent, 9 percent, and 15 percent more workers, respectively, if there were no restrictions on hiring and firing (Figure 59).

Figure 59: Net employment creation if hiring/firing restrictions were abolished in Egypt



Source: Angel-Urdinola & Kuddo (2010)

The training levy. The only payroll levy that has so far operated in Egypt is a small program used to finance a fund managed by the Ministry of Manpower and Migration. The fund, based only on state-owned enterprises, was established in the early 1980s but has been successively reduced over the years. It now collects less than EGP 20 million a year.

In April 2003, the People’s Assembly amended the labor law, which, among other things, now mandates a Training Finance Fund, financed by a 1 percent levy on the net profits of establishments employing more than 10 workers. The Training Finance Fund is a mechanism for managing other funds, such as ad hoc government allocations or finance received from international donors and partners (Abrahart, 2003).

Nevertheless, the Training Finance Fund has not been operational. A number of firms have contested its constitutionality in courts of law, on the basis that it is imposed as a percentage of net profits, and not wages. In addition, the private sector does not play a role in overseeing these funds. Finally, the fund covers not only the cost of continuously training workers to improve their productivity, but also the cost of training to improve the employability of the unemployed, which should not be covered under the levy. In general, there is no mechanism to finance the various training exercises after freezing the Training Finance Fund.

The new proposed labor law has many issues related to dispute resolution, profit-sharing for workers, wages, the Training Finance Fund, labor strikes, and employment companies, as summarized in Table 15.

Table 15: Employer and employee views on the proposed new labor law

ISSUE	EMPLOYER VIEWPOINT	EMPLOYEE VIEWPOINT
1. Dispute resolution and contract termination	<ul style="list-style-type: none"> • The law creates special labor courts without consultation with the Supreme Judiciary Council, as the Constitution requires. • Workers can be fired only by judicial decree. • Financial burden resulting from contract termination. 	<ul style="list-style-type: none"> • Use of vague terms as reasons for firing workers (e.g., “work dignity”) • Expanded list of prohibitions that permit firing (e.g., fundraising, collecting donations, disseminating leaflets, collecting signatures, or organizing meetings)
2. Worker profit-sharing	<ul style="list-style-type: none"> • Labor share in profit is determined by gross profit share, rather than net profit share, breaching Companies Law No. 159. 	
3. Wages	<ul style="list-style-type: none"> • Wages are not tied to production. 	<ul style="list-style-type: none"> • No criteria have been set to determine the minimum wage. The Prime Minister has the discretion to set the minimum wage
4. Training Finance Fund	<ul style="list-style-type: none"> • Fund structure, management system and areas of expenditure 	
5. Employment services (outsourcing agencies)		<ul style="list-style-type: none"> • Worked objected to the creation of such entities
6. Strikes		<ul style="list-style-type: none"> • Strict rules on right to strike

INVESTMENT POLICIES

Another labor market policy constraint relates to national investment policies. A number of studies have indicated that policies over the last five decades have favored capital-intensive and energy-intensive economic activities. The Egyptian investment law does not give adequate incentives to encourage labor-intensive industries (Kafafy, 2015, p. 180). The Prime Minister has the discretion to determine the incentives to encourage labor intensive investments. However, there is no pre-determined such list.

Additionally, capital goods and equipment are exempt from customs duties, sales tax, and 50 percent of energy prices. These exemptions encourage the refurbishment of technical schools and promote technology intensive industries. However, they also promote energy-intensive industries and incentivize employers to invest and work in capital-intensive sectors, thus discouraging them from focusing on employment-intensive manufacturing.

Negative real interest rates have led to a decrease in the price of capital, compared with the cost of labor, which makes it more cost-effective for employers to use capital and not labor-intensive production techniques. These policies have been biased against SMEs, which usually employ labor-intensive techniques, thereby limiting job opportunities demanded by economic enterprises. For example, many tax exemptions, such as those granted to enterprises based in free zones and those granted to the joint-stock companies listed on the stock exchange, are enjoyed only by large enterprises. Furthermore, the exaggerated guarantees required to draw loans restrict smaller enterprises' ability to obtain adequate financing (Fawzy, 2002, pp. 12–13). Recent studies indicate that national and governorate-level investment norms have favored more capital- and energy-intensive activities (Helmy & Al-Ayouty, 2014, p. 18).

TAX LAW

The Egyptian personal income tax threshold has increased, and the highest tax bracket threshold and rate decreased, as Egyptian President Abdel Fattah el-Sisi announced in Law No. 69 of 2015. Under the presidential decree, which went into effect the day it was published in the official gazette, the new progressive personal income tax rates for the 2015–2016 tax year are as follows.

Individuals, whether Egyptian or foreign nationals, are subject to a personal income tax in Egypt. Personal income is taxable under the following circumstances:

- Work performed outside of Egypt and an income that is paid or charges to an Egyptian entity
- Work performed in Egypt, regardless of whether the income is paid by an Egyptian or a foreign source.

The personal income tax rate for an individual working in a secondary place of employment is 10 percent, without any deduction from their gross salary. The rates for individuals (residents and nonresidents) at their primary place of employment are as follows, according to the 2017 amendment to Income Tax Law No 91/2005:

- 0 percent for income up to EGP 7,200 (\$886)
- 10 percent for incomes between EGP 7,200 (\$886) and up to EGP 30,000 (\$4,080)
- 15 percent for incomes more than EGP 30,000 (\$4,080) and up to EGP 45,000 (\$6,130)
- 20 percent for incomes more than EGP 45,000 (\$6,130) and up to EGP 200,000 (\$27,200)
- 22.5 percent for incomes more than EGP 200,000 (\$27,200).

The provisions of the relevant double-taxation treaty may be applied. Therefore, under certain cases some individuals may not be subject to personal income tax in Egypt. In

addition, resident individuals have become taxable on their worldwide income if Egypt is the “center of their commercial interests.”

Where individuals are being paid wholly by an Egyptian entity (or by an offshore entity that then recharges the cost to an Egyptian entity), the Egyptian entity is required to withhold personal income tax and pay this to the Egyptian Tax Authority within 15 days after the end of each month. A quarterly tax return must be prepared and filed with the Egyptian Tax Authority before the end of the month following the end of the quarter.

Although the personal income tax is fairly progressive and biased toward the lower income groups, corporate income taxation remains a burden for small businesses.

PASSIVE AND ACTIVE LABOR MARKET POLICIES

Labor market policies fall into three main categories: institutional policies, passive labor market policies, and active labor market policies. Institutional policies include legislation that governs the labor market and creates related regulatory institutions, as the laws mentioned above. Passive labor market policies aim to provide the unemployed labor force with temporary alternative income until they are integrated into the labor market. Active labor market policies aim to integrate the unemployed or those at high risk of falling into unemployment into the labor market (Lee & Jansen, 2007).

Consistent with other middle-income countries, Egypt does not implement passive labor market policies, which contribute to policy constraints in the labor market, as they cause constant resistance to any reforms targeting the creation of more flexibility (Hashem, personal communication, 2016). Egypt has started implementing a large number of active labor market policies since the launch of the Economic Reform and Structural Adjustment Program, after signing agreements with the International Monetary Fund and the World Bank in 1991. A large package of active labor market policies aimed to protect the segments of the Egyptian labor force that have been adversely affected by the reform program, directly or indirectly.

Important active labor market policies include the human resources development programs, launched by various ministries and government bodies, that aim to establish links between private sector industries and the education system. One of the most well-known is the Mubarak-Kohl Initiative, the dual-system technical education program based on establishing partnerships between the private sector and secondary technical schools (Said, personal communication, 2016; Wahba, 2009).

In general, active labor market policies implemented in Egypt have been characterized by many constraints, low levels of effectiveness, and lack of sustainability, with resulting weak long-term impact on employment (Assad & Barsoum, 2007). These programs are also characterized by lack of coordination, which is considered one of the main challenges of the Egyptian labor market and attributed to the lack of a unified vision and strategy for employment promotion (Kafafy, 2015).

Quality of Technical Education and Vocational Training

There is a clear misalignment between the skills required by the private sector (demand side) and skill preparation in schools (supply side). This disconnect results in labor shortages for employers and unemployment for job seekers from any given education track.

Inadequate labor, a major challenge to business performance, is mostly attributable to shortage of technical skills, (soft) employability skills, low quality of learning among graduates of technical schools, and the attractiveness of temporary work in the informal economy (Ghattas, 2016).

EGYPT'S SUSTAINABLE DEVELOPMENT STRATEGY 2030: TVET CHALLENGES

According to Egypt's "Vision 2030," there are three sets of challenges for technical education and training.

The first set is known for its large impact and relative flexibility to control. Therefore, it becomes first priority and includes:

- Scarcity and inefficient distribution of teachers in some specializations
- Overlooking laws obliging schools to seek accreditation during a specific period
- Deterioration of the social perception of vocational training and technical education and work associated with such education
- Disparities in geographic and program specializations coverage, due to the absence of a mechanism able to link specializations in technical education and training with geographic and qualitative distribution of industries.

The second set of challenges is a secondary priority, characterized by relatively limited impact and ease in controlling them:

- Inefficient assessment, monitoring, and incentives systems
- Necessity of integration between technical education, vocational training, and other educational forms
- Disparities in distribution of schools and training centers according to geographical and industrial requirements
- Poor, outdated, and disintegrated curricula, which is present between industrial requirements and educational institution curricula regarding skills and information
- Limited readiness of schools and training centers for accreditation
- Limited capabilities of the Quality Assurance Authority
- Absence of a unified national authority for accrediting qualifications and issuing licenses
- Low educational and economic return of accreditation
- Absence of an entity responsible for accrediting the training centers
- Inefficient supervision over curricula and absence of binding regulations for curriculum development
- Absence of binding regulations for graduates to obtain licenses.

The third set of challenges is of lower priority; however, this does not indicate lack of importance:

- Lack of adequate budget and resources
- Mismatch between graduates' skills and labor market requirements

- Inadequacy of the current technical and vocational education quality assurance system
- Absence of a clear plan linking vocational education and training system outputs to labor market requirements
- Professional inefficiency of some teachers
- Deteriorating infrastructure in most schools, caused by the lack of financing, which hinders providing a healthy environment capable of attracting students
- Infeasibility of acquiring a practicing license
- Lack of necessary resources and increasing costs of technical and vocational education equipment.

PUBLIC UNIVERSITIES

Even in public universities, studies indicate that students have little to barely sufficient competence in the majority of employability skills. The skills needed for employability are mostly acquired outside the university, indicating a need to modify university curricula to enable further practice of the employability skills demanded in Egypt.

TECHNICAL EDUCATION

Poor employment outcomes from TVET institutions, coupled with the higher unit cost of the sector, led the government to reconsider the policy of tracking into technical education. As part of broader reforms in education, the MOETE has begun to cut back the technical and vocational stream, beginning with approximately 350 commercial schools. Between 2002 and 2006, these commercial schools were converted to general education. The curricula of most technical secondary schools are being redesigned to place less emphasis on general subjects and reduce the hours spent on technical and vocational subjects (OECD & World Bank, 2010).

For those following the technical/vocational secondary route, the most common outcome is direct entry to the workforce at the end of their secondary studies (95 percent). A small minority of technical school students (the top 5 percent) attend further studies at higher education institutes, or occasionally further university training.

While technical education is the mainstream option, vocational education represents a small segment of the sector. Comprising vocational preparatory schools and secondary vocational education, 200,000 students benefit from this system (Abrahart, 2003). At secondary level, it operates only in two fields, paramedical (3-year schools) and tourism/hotels (3- and 5-year schools), aimed mainly at graduating skilled workers who often performing manual work (Ministry of Education, 2011).

In Egypt's vertically segmented education system, vocational education is considered as a third choice, after the general secondary and technical education options. Students who are already on the vocational track (in vocational preparatory schools, at the basic education level) or who fail general preparatory school can only join vocational secondary schools. Only those who succeed with higher marks can enter the general or technical education stream, which provide access to higher education. Information on the employment outcomes of vocational education does not seem to be available.

Table 16: Technical Education Efforts in Egypt

ACHIEVEMENTS AT THE LEVEL OF COMPANY ESTABLISHMENT AND EXPANSION OF SPECIALIZATIONS TO MEET THE LABOR MARKET NEEDS	
Schools established	<ul style="list-style-type: none"> • 15 new technical schools in 2015/2016. • 18 new specialized/vocational disciplines. • 360 new supplementary classrooms. • 5 new vocational schools. • 40 schools within factories.
Schools under establishment	<ul style="list-style-type: none"> • Nuclear technical school, Dabaa. • 3 Dual Education programs, Port Said. • Arabi School, Quesna. • Two logistics schools in Port Said and Ismailia. • Vocational school in Demo, Fayoum. • Two technical complexes in Abu Ghalib and Badr (in addition to 4 existing complexes). • Don Bosco school in Suez. • 435 schools to be converted into Dual Education schools by end of 2018.
Planned	<ul style="list-style-type: none"> • Development and rehabilitation of 100 percent of technical education schools during 5 years, by end of 2021. • Development of 50 percent of industrial, agricultural and hotel schools, and the creation of 200 schools within factories by the end of 2018.
ACHIEVEMENTS AT THE LEVEL OF QUALITY, CURRICULA, AND SPECIALIZED PROGRAMS	
Curricula	<ul style="list-style-type: none"> • A logistics curriculum using the Competency Methodology has been developed through the WISE project. It was applied at the Logistics School at Kantara Gharb. • Transformation of a training program on career guidance and life skills into a curriculum, currently being taught in 200 schools nationwide. • As a first stage, a training program on career guidance and life skills in all Alexandria Governorate schools. • Transforming a training program on entrepreneurship and small enterprises into a curriculum to be taught as a pilot in school year 2016/2017. After the cadre of trainers is finalized, it will be taught to all students. • Ministerial Decree No. 229 of 11-8-2016 was issued to integrate students with minor disabilities into technical education schools. • Specialized professional diplomas for heritage occupations and crafts are being established with the support of the UNESCO-UNEVOC Foundation.

Teachers and Trainers	<ul style="list-style-type: none"> • 250 instructors were trained a new approach to enhance learning by designing curricula guided by the professional competence system, linking graduates to labor market requirements. • 500 instructors were trained to teach career guidance and life skills courses. • Teachers in all directorates have been trained to devise 6 vocational skills for each study group for each of the current disciplines; to be taught to students in the academic year 2016/2017. • Training of 27,000 of 100,000 teachers in technical education, in accordance with the academic professionalism programs, during academic year 2015/2016. • 3,000 practical education teachers are currently being qualified in industrial education colleges to obtain a bachelor's degree in industrial education.
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ACHIEVEMENTS AT THE LEVEL OF POLICY, GOVERNANCE, AND INSTITUTIONAL REFORM

	<ul style="list-style-type: none"> • Standard specifications of 17 occupations have been defined • All syllabi for all technical disciplines will be developed before the academic year 2017/2018. • Evaluation and scholarship criteria have been developed by qualifying level according to the National Framework for Qualifications and professional skills levels. • The number of school hours required for a technical diploma has been standardized according to a 3-year curriculum. • Most of the obstacles that were preventing the increase in the numbers of students in the Dual Education System and increasing their monthly remunerations have been removed. • The dual training contract has been developed to be signed by four parties: the ministry, the industry, the student, and the training entity, adding a supplement to the contract including training outputs. • The target is to reach 50 percent of Dual Education students (1 million students, at 100,000 students per year) over the next 10 years
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Beyond mainstream technical and vocational education, there are apprenticeship schemes and experimental models, although at a small scale. Most of these can be delivered formally and non- formally through public and private providers.

LOW QUALITY OF TRAINING

Many ministries in Egypt provide training services, both sectoral and mixed, and thus determine their budget and activities:

- In accordance with labor Law No. 12/2003, the Ministry of Manpower and Migration is the current ministry responsible for organizing and supervising the rules for the establishment and management of training centers. Although the ministry is responsible for this regulatory and supervisory role, it possesses some 27 training centers and VTCs and 11 mobile training stations.
- The Ministry of Trade and Industry is at the forefront of ministries with a major national industrial vocational training institution — the Department of Productive Efficiency, which cooperates with MOETE, in the application of an apprenticeship system. The system provides an intermediary diploma to about 8,000 students,

in addition to short-term training programs for the manufacturing sectors. The Department of Productive Efficiency has 41 training centers in 17 governorates, with a capacity of 47,000 trainees. The ministry also has a cadre training institute that trains trainers professionally and educationally and provides technical training in some disciplines. The Department of Productive Efficiency's fixed assets exceed those of any other training institution at the national level.

- The Ministry of Housing, Utilities, and Urban Communities owns major training institutions in the field of building and construction under the umbrella of a ministry-owned body, Training Organization of the Ministry of Housing and Reconstruction, with 64 centers and 12,000 trainees. These centers have been involved in the implementation of the Mubarak-Kohl initiative in building and construction through three centers.
- In addition to these key ministries, there are training centers affiliated with the Ministries of Electricity, Petroleum, Social Solidarity, Endowments, and others.

Nongovernmental training centers are limited in number. The most important private centers are Don Bosco and NASS Academy, both affiliated with an industrial developer in 6th of October City. Another training and employment center is affiliated with Alexandrian Business Association in Gheit Al-Enab. These private centers are trying to improve the efficiency and quality of vocational training which are still low. The quality issue refers to the competencies of teachers and trainers, organization of teaching, infrastructure, equipment and materials, curriculum and learning contents, teaching and learning methodology, and learning culture. Of course, there might be individual restrictions caused by instructors' aptitudes. A CAPMAS survey found that only 35 percent of instructors had acceptable training, and only 50 percent had attended any advanced practical training (Amer, 2007).

Surveys regarding the training system indicate that employers consider training provided by the VTCs as deficient in quality and market relevance (Amer, 2007). Employer federations representing SMEs have reported that the demand for semi-skilled workers and technicians is increasing rapidly, but that trained technicians and skilled workers are in short supply. Training programs fail to adjust to the type and quality of skills that employers need.

A crucial problem is the structure and contents of learning, which is often related to the knowledge base of a discipline but not to an occupational field and tasks. Traditionally, learning contents are derived and systematized from and by the logic of a discipline, and thus are decontextualized. The curriculum has been based on a knowledge hierarchy of basic science, followed by applied science and then the technical skills of day-to-day practice. Teachers and trainers need the competencies to design meaningful learning arrangements that are problem-oriented, challenging, holistic, and competence-based, and foster social learning. This refers to the technical and pedagogical competencies of teachers.

Many training institutions suffer from a lack of knowledge about demand-driven, work-related, or competency-based curriculum development methodologies and are unable to adapt curricula to local needs. In addition, most equipment in training centers is outdated and in bad condition.

System Enablers

In 2014, Egypt's unemployment rate reached its highest level in more than a decade. Young people between the ages of 15 and 30 constitute around 90 percent of the unemployed in Egypt. Despite growing job vacancies, the skills available do not match the available positions. Across all sectors, companies are complaining about the low quality of young job seekers.

The lack of accurate, valid, and updated LMIS that can be used to enhance efficiencies and match employers to job seekers seriously handicaps reform. Several attempts have been made to establish an LMIS, to be implemented by national or international agencies, but these efforts have been fragmented and uncoordinated. These efforts include work by the European Training Foundation, GIZ, the ILO (with ENCC's Egyptian Forum for Youth Employment Promotion), and more recently the EU, through TVET II. In addition, there is a lack of institutionalized cooperation between policymakers and economic actors on the issue of promoting youth employment.

Two current LMIS projects are under implementation. The first is with TVET II, led by CAPMAS. The second is an ILO project, also in cooperation with CAPMAS. Both strive to institutionalize cooperation between the various LMIS players through a Prime Ministerial decree that organizes the roles of key players such as CAPMAS; the Information Decision Support Centre; the Ministry of Planning, Monitoring and Administrative Reform; the Cabinet of Ministers; the Ministry of Trade and Industry; the Ministry of Labor; and satellite LMIS in the governorates.

Once the LMIS is established, it will be able to provide policy advice and strategic planning for vocational training and contribute to national consultations on employment. This will enable a more evidence-based approach to developing reforms and programs, with greater involvement of the private sector, which will help improve the information base for policymakers, the advisory and placement services available to job seekers, and the development of demand-based training measures.

The Egyptian labor market suffers from a lack of wage indicators and related sectoral studies, including studies on connecting wages to production to enable workers to benefit from increased productivity and increase the competitiveness of companies. As stipulated in Labor Law No. 12/2003, the National Council for Wages (headed by the minister of planning, with membership from business associations and trade union organizations) meets annually to determine the minimum wage and consider the periodic raise for workers, which is supposed to be reviewed regularly based on economic developments and the cost of living. The council is currently nonfunctional.

Female Participation in the Labor Market

In Egypt, females suffer from the same labor market inefficiencies that affect men, such as the high unemployment rate despite educational attainment and a lack of social security due to work in the informal sector. Nevertheless, females are more burdened, as work conditions disadvantage them greatly, and particularly in the informal sector (Khattab & Sakr, 2009). For instance, work in the informal sector jeopardizes them through sexual harassment (key informant interviews).

The focus on female participation in the labor force is important, as evidence shows that higher rates of female participation lead to faster economic growth (UN Women, 2015).

According to Khalid Ashmawy, GDP growth is directly related to gender equality (Ashmawy, 2016). However, the association between educational attainment and participation is weakening in Egypt, and educated women are increasingly likely to remain outside the labor force (Assaad, 2012).

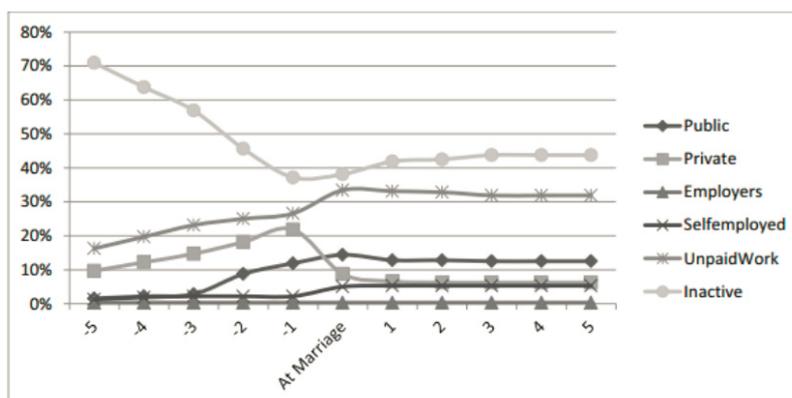
There are a number of reasons the current labor market conditions disadvantage females:

- *Social fallacies*: It is believed that females will take men's places in the job market. Additionally, a common belief, that work outside the household for married females is not important for the family's well-being, restricts females' work to their household responsibilities (Ashmawy, 2016).
- *Lack of enforcement of the labor law*: Even though the labor law guarantees gender equality, this is not enforced. Females' wages, ranks, and job titles differ from men's. And even though the law guarantees equality, employers feel that the law has granted female workers leave that do not benefit male workers, such as maternity leave, daily nursing breaks, and childbearing leave. Some employers perceive these as affecting productivity, so they tend to avoid female workers unless they can pay them lower salaries than male employees (Khattab & Sakr, 2009).
- *Household responsibilities*: Married women dedicate most of their time to unpaid family housework, which makes joining the formal sector difficult.
- *Dependency on public sector employment for its convenience*: Married women look for jobs with flexible hours, part-time opportunities, or fewer work hours that allow them to balance work commitments with family responsibilities. This privilege is no longer offered by the public sector. Hence, labor force participation is 11.4 percent for married women, compared with 25.3 percent for unmarried females (SYPE, 2014).
- *Private sector reluctance to hire*: Females are treated the same way less-experienced workers are treated. Unmarried females are more likely to leave work once they get married, which increases private employers' reluctance to hire them.
- *Scheduling*: Females are unable to work night shifts and in industries that do not offer them the required job security.
- *The rise of "private wage employment"*: This consists of low-productivity activities paid by the hour or the day. This type of employment is easy to find through connections and does not require literacy (Ashmawy, 2016).
- *Transportation*: The lack of reliable public transportation adversely affects women's economic participation. An important policy concerns the provision of incentives for industries to locate to new "industrial" cities. For many reasons, these policies failed to get workers to move their residence to these new cities, and led to a substantial increase in commuting distances among men between 1998 and 2006. Women were unable to increase their commuting time to the same extent, and thus could not access the new employment opportunities.

In addition, public transportation is perceived as neither safe nor reliable for women, given sexual harassment at the workplace and on the way to work. While it is important to set stricter laws against harassment are important, it is also vital to enhance women's safety

and security by providing them with “women only” means of transportation. Cairo’s women-only Metro cars are one example. Extending this model to other forms of transport, such as private buses and minibuses, and incentivizing employers to provide transport for their workers, could encourage female participation in the new industrial zones (Assaad & Arntz, 2005).

Figure 60: Marriage and labor market dynamics for Egyptian females 16–25 years old by employment sector



Source: Egyptian Network for Integrated Development

According to the World Economic Forum, Egypt ranks 132 of 144 in the Gender Gap Index. Egypt’s score is 0.6 (a score of 1 indicates complete equality and 0 indicates complete inequality). The score was dragged down by Egypt’s performance in the “economic participation and opportunity” pillar, where it scored 0.44 (Figure 106). Nevertheless, the educational attainment score is 0.95, indicating relatively equal education opportunities for males and females (World Economic Forum, 2016).

According to the 2014 SYPE, the labor force participation of females aged 15–35 is just 14.9 percent, compared with 63.7 percent for males.

Figure 61: Egypt’s score card on economic participation and opportunity

Country Score Card			
	Rank	Score	Avg.
Economic Participation and Opportunity	132	0.444	0.586
Labor Force Participation	138	0.306	0.665
Wage equality for similar work (survey)	19	0.764	0.622
Estimated earned income (US\$, PPP)	131	0.285	0.502
Legislators, senior officials, and managers	119	0.069	0.358
Professional and technical workers	105	0.601	0.862

Source: World Economic Forum

Clearly, female participation in Egypt’s labor market is not equal, for many reasons. If these issues are resolved, Egypt will have the chance to grow its economy.

POLICY RECOMMENDATIONS

Institutional Policies

Institutional policies are a set of labor market policies that include labor market regulations as well as regulatory institutions of the labor market. Broadly, labor market regulations should strike a balance between increased labor flexibility and relatively high social protection for workers.

- Initiate a national dialogue on the new labor law that involves relevant stakeholders. This is a timely activity, as the Ministry of Manpower and Migration is developing a new draft for the law. Discussions should focus on the amendments needed to achieve balanced legislation that accounts for the rights and responsibilities of employers and workers, in addition to promoting more employment opportunities in the form of decent and sustainable jobs. The law should also target a balance between achieving flexibility in the labor market and security for the labor force, or “flexicurity.” Labor market flexibility results in a more dynamic economy that is more capable of expanding thus eventually increasing demand for labor.
- Amend the Pre-university Education Law No. 139 to achieve a more efficient national education system, and develop a unified training legislation to insure effective coordination of all training initiatives and resources. This is to be done in the context of a national unified strategy for TVET and the framework of the Egyptian Sustainable Development Strategy.
- Link TVET institutions to private sector enterprises through institutional frameworks that strengthen their partnerships, support mutual dialogue, and promote the development of the TVET system in a way that responds to developments in Egypt’s economic sectors.
- Activate the Higher Council for Human Resources Development to enable it to assume an active role in the development of the labor market in Egypt.
- Advocate for the formulation of bankruptcy legislation to reduce the financial burdens imposed on companies that are shutting down. This will facilitate the liquidation of the facilities, allowing their owners to initiate another business and creating other job opportunities.
- Design and implement dispute-resolution mechanisms in parallel to the legislative path to solve issues between workers and employers in an effective way.
- Reform social security legislation, which is criticized for high contribution rates that discourage employees and employers from paying their contributions and reporting actual wages.
- Include an article in investment law that encourages labor intensive industries, and decent employment opportunities.
- Advocate for the implementation of Article 38 of the Egyptian Constitution, which stipulates that the tax system should encourage labor-intensive economic activities.

Employment Services

Policies that aim to create effective employment services are part of active labor market policies. They provide a link between the supply and demand sides of the labor market.

- Support the development of an effective LMIS by promoting and unifying the efforts of relevant stakeholders and initiate a study on anticipated labor market demand for graduates of technical education schools in the short and long terms, in cooperation with the private sector and MOETE. At present, training needs are derived from the supply side, not from private sector demand for skills.
- Extend vocational guidance services to include all technical education students, from the earliest stages of their enrollment in technical education.
- Upgrade existing labor offices affiliated with the Ministry of Manpower and Migration and transform it gradually into a national employment agency that provides labor market services to job seekers and employers and contributes to the provision of geographically relevant labor market information.
- Utilize advances in the field of information technology to support effective match-making efforts between job seekers and employers.
- Establish innovative mechanisms to link students to private sector institutions.

TVET System

STRATEGY AND FINANCE

- Advocate for the development of a unified vision and management mechanism for the Egyptian TVET system, to be coordinated with the TVET II project, which has a special component on governance.
- Promote the decentralization of the TVET system, in particular to determine the required disciplines that will serve the economic sectors in each governorate, and to identify required competencies, in cooperation with the enterprises, that will be the basis for curricula in each governorate.
- Conduct a study examining the regional disparity of technical schools and the misallocation of funding, especially with respect to equipment, with the goal of formulating recommendations for reallocation measures.
- Increase funding for TVET system by increasing public budget allocations to its institutions, as per the articles of the Egyptian Constitution.

TECHNICAL AND VOCATIONAL EDUCATION

- Support MOETE efforts to expand the implementation of the Dual Education System in vocational and technical schools, especially in manufacturing factories, and extend its coverage to five-year schools. The private sector should be encouraged to provide training opportunities for students and teachers at production establishments. This will help overcome the problem of outdated equipment and machinery at the schools.
- Develop assessment and evaluation systems for TVET students that give more weight to practical, behavioral, and soft skills than to acquiring theoretical knowledge.

- Improve school equipment and enhance educational supplies to improve the learning environment.
- Create logistics schools in Port Said and Ismailia within the TVET system to accommodate the development potential in this sector.
- Enhance the professionalization of TVET teaching staff by providing adequate resources and funds. Align incentives with better education outcomes, which should be measured by performance evaluation tools and be the basis for career promotion.

CURRICULUM DEVELOPMENT

- Support the MOETE's vision regarding the development of all curricula using a professional competency system, so that education output is driven by the needs of the labor market. The system should be developed in phases, in accordance with the
- Objectives of Egypt's Sustainable Development Strategy and national plans, and in collaboration with all relevant stakeholders, including international development partners.
- Develop the curricula system in the five-year schools to include a one-year internship at a private sector establishment, including specialized training courses related to the nature of activities in the factory, as a condition for earning a final certificate.
- Complement existing curricula with short training programs that focus on soft and personal skills and basic, crosscutting professional competencies that are priorities for employers.
- Embed entrepreneurship curricula to create entrepreneurial thinking among the students, as a step toward addressing unemployment in the medium and long terms.
- Introduce new curricula reflecting specializations that are forecasted with increasingly higher demand in the coming years, especially those related to renewable energy, recycling, energy efficiency, green construction, security services, and green tourism. Introduce new specializations, such as different fields of logistics that would serve national mega-projects.

TRAINING

- Undertake a multi-stakeholder dialogue on the Training Finance Fund and necessary amendments in the labor Law. Develop a draft outlining its instructional structure and a management system that maximizes the role of the private sector in the Board of Directors and in resources management, toward a more efficient labor market.
- Modify the training levy to base employers' contribution to the Training Finance Fund on insurable wages or salary, thus supporting its enforcement.
- Creating participatory financing mechanisms, in addition to providing incentives for companies that provide training and capacity building for their employees.

- Introduce sector-specific training policies, such as renewable energy, for workers and teachers.

Enhancing Labor Productivity

Efforts should target supporting and launching initiatives focused on enhancing labor productivity at the national level, as a mean to increase salaries.

- Develop and support wage-determination mechanisms across all sectors, based on linking wages to the national poverty line for basic salary identification, and to productivity level for higher salary levels and salary promotions.
- Develop evaluation and assessment tools to measure labor productivity on the sectoral, institutional, and individual worker levels so labor can share in productivity returns.

Accreditation and Validation

- Support efforts of the National Authority for Quality and Accreditation of Education (NAQAA) to finalize the National Qualification Framework for technical education certificates, representing the reference framework for the accreditation of technical and vocational schools and institutions.
- Establish a national system for skill-level measurement that provides national skill validation standards that can be used as a reference for training and for assessing training needs. This requires identifying and authorizing an entity responsible for full implementation of the system.

Accommodation and Transportation

The issues of transportation, commuting time, and long distances between residences and jobs emerged as main factors influencing the decision to accept or continue in jobs, especially for females.

- Organize reliable public transportation to facilitate commuting to and from factories that are distant from main residential areas.
- Plan, at the national level, residential districts near industrial area and regions with economic establishments that are intensively employing TVET graduates, such as manufacturing factories.

Raising Awareness

- Undertake an awareness raising campaign using media, drama, and other communication tools, toward changing public perceptions of the TVET system and raising awareness of its importance for economic development; upgrade the social profile of TVET graduates and students; and promote success stories for those who have achieved economic and social development.

Developing Value Chains

- Develop value chains and production clusters for high employability sector, e.g. spinning, weaving and RMG to increase employment opportunities.

Enhancing Female Participation in the Labor Market

The gender aspect should be streamlined in all aspects of the labor market reform.

- Encourage private sector employers to provide safe and affordable nurseries for children and improve working conditions for females, enabling them to contribute more effectively to the labor market.
- Offer flexible hours for female workers to support them in balancing their professional and family responsibilities.
- Provide female workers with job-search support services to enable them to communicate with the private sector to obtain jobs that suit their skills.
- Investigate, through specific studies and surveys, the cultural, social, and economic factors that have led to females' high unemployment and low participation in the labor force, and the reason for withdrawal from the labor force by the large number of females who are capable and willing to work.
- Promote awareness of the importance of female employment for the development of the national economy, and of women's right to be active members of the national labor force. Special communication messages should be designed to target changing the cultural mindset that views female employment as a negative social practice.
- Promote awareness of the importance of female education, as female dropouts and female participation in the informal sector are both higher than males.
- Expedite enforcement of the labor law to ensure gender equality in the workplace.
- Ensure gender equality in wage determination based on productivity.
- Work with relevant policymakers to provide housing units that can be allocated to female workers to enable them to live near their workplaces. Create job opportunities close to females' residences.

CHAPTER 5:

STAKEHOLDER MAPPING

This study included a stakeholder mapping process to understanding the main stakeholders engaged in Egypt's labor market at national and subnational levels (public, private, civil society organizations, and development partners). Identifying key stakeholders, including their relationships to one another and their relative influence, supports their integration in consultations and communication loop related to reforms or other interventions that may emerge from this study or draw on its findings.

Stakeholder analysis and mapping helps maximize engagement; those with high levels of influence need to be identified and given high priority. However, stakeholder influence can change over time, requiring adjustments to communication and engagement levels. Thus, regular review of this mapping is recommended. Monitoring and enhancing stakeholders' roles as they change can help them fulfill their social missions more effectively and make positive contributions to innovation and efficiency in Egypt's labor market. Finally, it is important to build a relationship of trust with all stakeholders.

STAKEHOLDER SELECTION METHODOLOGY

The main stakeholders for this study were selected based on their relevance, credibility, effectiveness, and inclusiveness (to guarantee a comprehensive set).¹² Some stakeholders were recommended through personal interviews; others were chosen based on the experience of the study team and study partners.

To select stakeholders, the study team first identified main categories based on relevance and inclusiveness criteria. Main categories include sets of institutions representing the supply and demand sides of the labor market. The supply side includes official institutions (Ministry of Education, Ministry of Trade and Industry, and other ministries that contribute to the TVET system through their training facilities). Business associations represent the demand side. Other main categories were included to represent key institutions, mainly from Egyptian civil society and the donor community, that have a current or potential impact on the labor market and the TVET system.

Table 17 summarizes the criteria that were used to identify the two stakeholder categories identified as main targets: job seekers and private sector enterprises. Criteria for job seekers were determined primarily based on the labor market analysis, which indicates that the unemployment burden falls primarily on youth, females, secondary technical school graduates, and new entrants to the labor market. Private enterprises were chosen based on personal interviews with private sector representatives and other factors.

¹² This includes relevance to the objectives and scope of the USAID Workforce Improvement and Skill Enhancement project, under which this study was undertaken. However, as important actors in Egypt's labor market in general, these stakeholders and stakeholder categories are relevant to any study of labor market dynamics or resulting program.

Table 17: Stakeholder selection criteria: private sector enterprises and job seekers

CATEGORY	SELECTION CRITERIA
Private Sector Enterprises	<ul style="list-style-type: none"> • Belongs to the formal sector • Belongs to a governorate identified for WISE intervention • Scope of activity related to sectors identified for WISE intervention • Technical secondary school graduates make up at least 40 percent of total employees • At least 40 percent is youth in the target age group • At least 10 percent of total labor force is female • Balanced representation of large, medium, and small sized establishment • Employs 5 percent special needs employees, as per Egyptian labor law
Job Seekers	<ul style="list-style-type: none"> • First priority to graduates of technical secondary schools • Second priority to graduates of higher technical education graduates • Among youth, first priority to 18–29-year-olds, second priority to 30–40-year-olds • Priority to job seekers who were never employed, as the Egyptian labor market is characterized by an entry problem • Females should represent at least 25 percent (approximately their share in the labor force) • Aim: Include job seekers with special needs

The second step was to select individual stakeholder institutions, based on the effectiveness, credibility, and relevance criteria (Table 18). For example, the Federation of Egyptian Industries came at the top of the business sector representatives list, as it plays a key role in Egyptian economic and social dynamics. The ENCC was selected for three reasons: it has specialized sub-councils in food processing, tourism, youth employment promotion, human resources development, entrepreneurship and energy; it is an evidence-based policy advocacy forum that engages in public-private consultations on competitiveness and productivity; and it is a neutral entity that does not serve any interest group, but works for the national welfare. The Egyptian Tourism Federation also has a place for its leadership in its field.

Other institutions were selected because they have committees or sub-councils relevant to workforce enhancement activities. The Am Cham plays a dynamic role in Egypt and because it serves the aim of strengthening Egyptian-U.S. bilateral relations. Development agencies were identified because of their importance to aspects of this study (e.g., UN Women for gender, ILO for labor markets, and UNIDO for industry).

Table 18: Identified national and subnational stakeholders

CATEGORY	SELECTED STAKEHOLDERS
Business sector representatives and business associations	Federation of Egyptian Industries Alexandria Business Association Egyptian Businessmen Association Egyptian Junior Businessmen Association Am Cham ENCC Other Local Business Associations The Egyptian Federation of Investors Association (EFIA) National Center for Human Resources Development (NCHRD) Women's associations
Sector specific associations	Federation of Egyptian Industries, via affiliated Industrial Chambers & Technical Committees Chamber of Food Industries Chamber of Woodworking Industries Chamber of Textile Industries. Chamber of RMG Federation of Egyptian Industries: New and Renewable Energy Committee Egyptian Tourism Federation Damietta Port Authority Canal Company for Shipping Agency (Damietta)
G1 - Government (Policy)	Ministry of Education Ministry of Finance Ministry of Investment and International Cooperation Ministry of Local Development Ministry of Manpower and Migration Ministry of Planning, Monitoring and Administrative Reform Ministry of Social Solidarity Ministry of Trade and Industry: Senior officials involved in developing the new trade and industry strategy and export councils Ministry of Tourism Ministries with large number of training centers (Trade & Industry, Local Development, Housing) Information and Decision Support Centers National Council for Women CAPMAS Presidential Council for Education Suez Canal Economic Zone New and Renewable Energy Authority
G2 - Government	Ministry of Education: Technical Secondary Schools Training centers in other ministries and governorates Micro, Small and Medium Enterprises Development Agency Export Councils of Ministry of Industry and Trade The National Authority for Quality Assurance and Accreditation in Education (NAQAAE)
Private Training Centers	Private Training Centers related to the identified sectors and governorates NASS Academy in 6th of October City Alexandria Business Association's Vocational Training and Employment Center in Gheit El Enab, Alexandria Sawiris Foundation for Social Development – Red Sea (tourism) Don Bosco

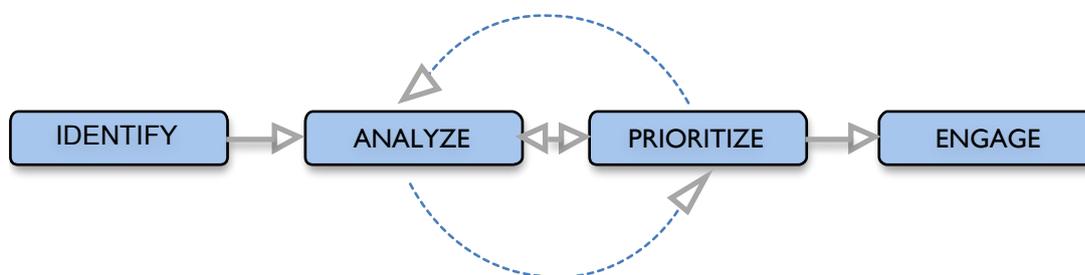
CATEGORY	SELECTED STAKEHOLDERS
Civil Society Organizations	Misr El-Kheir Foundation – Ard El-Kheir Project Sawiris Foundation for the Environment (renewable energy) Beit El Zakat Wal Mal ENCC
Local partners in identified governorates	Technical education directorates of Ministry of Education Employment offices Technical Secondary Schools Public Vocational Training Centers
Parliamentarians/ Parliamentary committees	Youth Committee Manpower Committee Industry and Energy Committee Education and Scientific Research Committee Culture, Information and Tourism Committee
Key industrialists and companies	Karm Solar (SME Renewable Energy) Nadim Industries (Furniture & Export) World Trade Center (RMG) Mac Carpet (Textiles) Mohamed Farid Khamis – Oriental Weavers Galal El Zorba (RMG) – Egyptian Exporters Association (Expolink) Marwan El Sammak – Ship-C.R.E.W. (Alexandria) Maersk (Alexandria) Damietta International Company for Furniture
Opinion Leaders and Think Tanks	ENCC Hossam Badrawi – Founder of Badrawi Education Foundation and ENCC (2 of the top 30 NGOs in Egypt) Ahmed Darwish – Former Chairman, Suez Canal Economic Zone; Former Administrative Reform Minister Mohamed El Sewedy (Member of Parliament) Manal Maher (MP) Ahmed Galal (Former Minister of Finance, and former Managing Director of the Economic Research Forum) Naglaa El Ahwany, Professor of Economics and former Minister of International Cooperation Egyptian Center for Economic Studies
Development Partners	Egyptian Training Foundation ILO EU (TVET II) GIZ Global Affairs Canada UNIDO UN Women Fund for Gender Equality World Bank JICA – upcoming project UNESCO
Media	Columnists: Ezzat Ibrahim and Soliman Gouda Ahram and Akhbar TV Talk Shows
TVET Graduates & Unemployed	Their input in labor market affairs is extremely valuable.
Workers	Their input in labor market affairs is crucial.

INFLUENCE/INTEREST ANALYSIS

Stakeholder analysis is needed to assess the importance, interest, and effectiveness of each group and formulate appropriate forms of engagement and cooperation, enabling better targeted intervention planning. To build an appropriate engagement plan with each stakeholder, it is important to understand each group's level of influence and interest (whether they are for or against the proposed changes) in a power/influence-interest grid that shows degrees of influence and interest of stakeholders in four quadrants. A stakeholder group with high interest and high influence requires more regular communication than one with low interest and low power. Equally, some stakeholders may be used to influence other less-interested stakeholders.

There are four steps of stakeholder mapping and management, depicted in Figure 62 and described below.

Figure 62: The four steps of stakeholder mapping and management



Step 1: Identify stakeholders interested in improving the efficiency and flexibility of the Egyptian labor market. These fall into two main categories — those who contribute to policies (e.g., the government and Parliament) and those who are affected by policies (e.g., training centers and schools and the private sector). Some stakeholders fit into both categories. The government sets policy and provides the funding for schools, but is also affected by the outcome of an education system that negatively affects productivity.

Step 2: Analyze stakeholders' roles and expectations. All stakeholders are not created equal; some have the potential to generate a much greater impact on policies. To understand the magnitude of that impact and make use of it, it is important to follow a logical process. Using a matrix that maps stakeholders according to their influence and interest allows the creation of a picture of their level of involvement and the type of engagement to design. It is important to understand what motivates each stakeholder group and how they can be won over.

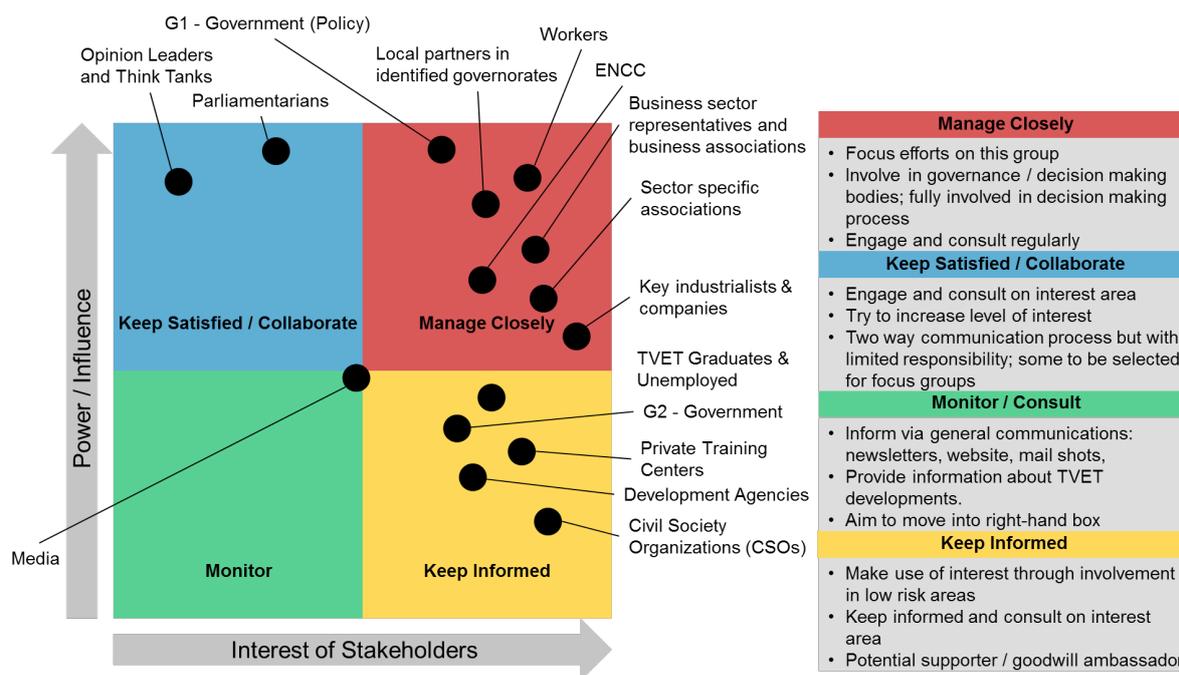
Step 3: Prioritize. Once there is a complete understanding of the different categories of stakeholders, their needs can be prioritized. By categorizing stakeholders, they can be mapped into appropriate engagement levels: Do they need close management, or just to be satisfied? Or maybe informed? Or simply be monitored?

Step 4: Engage. The final step is the process by which key stakeholders are engaged to win their support and understanding. This is the basis of the communications/advocacy plan.¹³

As Figure 63 illustrates, the landscape of stakeholder power and interest in Egypt is dynamic. It is therefore vital to regularly review and update the stakeholder map.

¹³ See <http://continuingprofessionaldevelopment.org/communications-planning-course/>.

Figure 63: The stakeholder power/influence and interest grid



RED QUADRANT: These stakeholders have a high political interest and are powerful enough to either stop work completely or move mountains to make reforms succeed. Stakeholder groups in this quadrant should be fully engaged in the decision-making process and consulted regularly.

BLUE QUADRANT: These stakeholders also wield much power but are not as politically interested in overlooking and being engaged in reforms. Efforts should focus on increasing their interest (moving them to the red quadrant).

GREEN QUADRANT: These stakeholders should be updated regularly on information about the labor market and TVET efforts and developments. The media falls in the middle, because this group need to be engaged in raising labor law awareness and improving the perception of TVET.

YELLOW QUADRANT: These stakeholders' interest should be leveraged through involvement in areas they are capable of influencing. They can also be used as champions for change.

High Interest, High Power

Business-sector representatives and business associations, sector-specific associations, and key industrialists and companies participate in development of training programs, setting training standards, TVET assessments, stakeholder forums, facilitating apprenticeship training/industrial attachments for staff and students. They have an interest in fostering professional development in the TVET system and contribute to determining priority skills. Most business associations do not yet conduct any accreditation to regulate performance of TVET graduates.

The strengths of the associations are the ability to access government, deliver workplace training to employees, contribute funds to a national training fund for skills development, contribute to curriculum review, and develop skills standards.

Major weaknesses include inability to inventory the workforce skills of their member businesses, inability to forecast required knowledge and skills, and limited links with

training institutions. They often do not possess the evidence to strengthen their advocacy endeavors.

Opportunities for engagement include the existence of many training institutions that provide opportunities for industrial workers. They are well-placed to create and promote an enabling environment, because as a group they are a big economic power, and their increased productivity and competitiveness has huge implications for job creation growth and exports development.

Threat factors encompass declining productivity of workers, a challenging business environment, slow economic performance, and an inadequate and lagging TVET system.

Government – G1 (policy) strengths lie in its executive power, which can bring forth change through legislation. In addition, the Ministry of Education and Ministry of Trade and Industry are responsible for developing TVET programs. Moreover, the government controls the tap for funding from the budget and from donor organizations.

High Interest, Low Power

Government – G2 (training centers, private training centers) and local partners (governorate-level): The overarching objective of training centers and local partners is to develop a TVET system that will improve the skills of the different sectors of the economy through creating a high-quality, sustainable, demand-driven, and equitable training system. Private training centers offer programs based on TVET curricula and local socioeconomic activities and assist graduates to form enterprises and find jobs.

Strengths of training institutions include an established training infrastructure and staff. Many public training centers are well furnished with equipment and trainers.

Weaknesses of public training centers and schools are unmet market needs and an absence of updated best-practice training, untargeted skills development, inadequate instructor training, obsolete training equipment, lack of instructional materials, and no feedback mechanism from graduates.

Public sector training providers have the following opportunities: existence of the private sector to help develop business plans to support training activities, existing employers and industry for links and collaboration; existence of other training providers for networking and benchmarking, existence of donors for funding, existence of TVET Fund for targeted training. With the right incentives, the private sector can become involved in training.

Threats include lack of tracer studies to track trainees, supply-driven (not demand-driven) current training programs, poor public perception of TVET education, and competition from higher education institutions.

Civil society organizations' strengths lie in their ability to leverage resources from donors, flexibility in dealing with TVET issues, and ability to cater for disadvantaged groups (e.g., females). They are, however, limited in their access to the government, and hence their ability to contribute to change in the TVET sector.

Opportunities are demonstrated by TVET's being on the national radar, such as Egypt's Vision 2030, the donors who support them, and wider NGO network.

Civil society organizations programs are threatened by donor priorities for sectors other than TVET.

High Power, Low Interest

Parliament, having legislative power, can wield significant influence over the country's national and governorate-level TVET policy and can curtail many of the labor market and policy constraints.

Its weaknesses stem mostly from lower-than-usual interest, since parliamentarians have a multitude of priorities on their agenda.

The communication strategy with parliamentarians should focus on getting them engaged to the largest extent possible and demonstrating to them the importance of TVET reform for productivity, job creation, and economic growth.

Opinion leaders and think tanks are similar, in that they are the filters of ideas and information. In TVET, interest and ideology has its own opinion leaders. They are change agents and active media users who won public trust because of their pure intentions to better their surroundings. Opinion leaders engage with the media, where their ideas are spread to the wider world of those who care about TVET issues. They should be monitored closely and engaged to align all the other stakeholders. Examples are ENCC members that include Dr. Hossam Badrawi (Founder of Badrawi Education Foundation and ENCC, two of the top 30 NGOs in Egypt); Dr. Ahmed Darwish (Former Chairman, Suez Canal Economic Zone, Former Administrative Reform Minister); Eng. Mohamed El Sewedy (Member of Parliament); Manal Maher (Member of Parliament); Dr. Ahmed Galal (Former Minister of Finance and former Managing Director of the Economic Research Forum); and Dr. Naglaa El Ahwany (Professor of Economics and former Minister of International Cooperation).

Think tanks produce research and play a crucial role in evidence-based labor market regulatory reforms that is crucial for influencing decision makers. Other stakeholders can use this evidence for their efforts related to labor market efficiency. Examples are the Economic Research Forum, ENCC, and the Egyptian Center for Economic Studies.

Development agencies: With the rise in cost of training inputs, it is not possible for government to adequately finance skills training. As a result, training standards in the public training institutions have fallen far below the requirements of the end users of the skills.

The main strengths of donors and development partners are the technical ability to support development of national TVET policies and strategy, the availability of funds for TVET, the ability to support capacity building in the TVET sector, the ability to help identify and disseminate TVET best practices, and their global network in the TVET sector.

The weaknesses include donor conditionalities, lack of understanding of the country climate, involvement in grassroots projects that reflect international rather than local/governorate-level priorities, to the extent of undermining confidence and creating dependency.

Opportunities include the government's willingness to embrace donors' views and projects, the ability to sign bilateral agreements, and their ability to bring best practices from their countries.

Donors' and cooperating partners' threats are a global recession that reduces funding for TVET activities, and lack of government commitment to donor-led reforms.

Low Interest, Low Power

Media needs be monitored closely, since these are communication channels to the public that can be good advocates for reform. The media needs to focus on facts, rather than sensationalism.

CHAPTER 6:

CONCLUSIONS & RECOMMENDATIONS

This labor skills, productivity, and human resource management study integrates findings from a literature review, key informant interviews, a detailed analysis of macroeconomic and labor market data and competitiveness indicators, stakeholder interviews, ENCC's institutional knowledge, and field surveys with employers, workers, TVET graduates, and females. This multifaceted exploration provides a more robust understanding of the main labor market policy constraints and features of the TVET system in Egypt; a clearer understanding of private sector needs for skills, competencies in the workforce; and a set of recommendations for areas where legislation, institutional frameworks, and incentives should be introduced and updated to better meet the needs of employers and job seekers (especially females and youth) in the labor market.

This study is timely, given the rapidly changing social and economic situation in Egypt and in the wider Arab Region. Readers are advised that the findings and recommendations documented here reflect a particular moment in the history of Egypt's economic development. These analyses should be updated regularly to incorporate changes in the context.

ECONOMIC CONTEXT

Labor market analysis reveals structural imbalances in the Egyptian labor market, especially related to age, gender, educational attainment, and degree of formality. The declining efficiency of Egypt's labor market is thus *largely unrelated to economic performance*.

Several main messages can be drawn from this analysis. First, it is important to take advantage of the country's demographic dividend for the benefit of the Egyptian economy, by focusing on youth aged 18–29. Second, analysis of labor market indicators shows that females and youth (especially new entrants to the labor market) and graduates of technical secondary schools are the groups that suffer the most from unemployment in Egypt. Finally, given the extremely low economic participation rates for females, there is a critical need to analyze factors that have led to their partial withdrawal from the labor market. This study has touched on a number of these factors, as an important starting point, but there is a need for continued exploration and analysis.

CHALLENGES FACING FEMALES AND YOUTH

Females are largely underrepresented in the labor force for most governorates, with a large discrepancy between male and female graduates that is on par with the rest of the labor market. Desk research indicates that the female labor force is only 22.6 percent of the total labor force, which matches the turnout of female participation in the field surveys for this study. One-third of employers/ enterprises surveyed do not offer formal training, and the majority do not hire female workers, due to an assumption that working conditions are too difficult for females. Whereas salary is the main factor driving the job search for males and females, the female job search has two other important factors — location and working hours.

Among Egyptian youth, more than 80 percent acquire the needed job skills not in educational institutions, but in their workplaces. The phone poll found that TVET graduates have a

general perception that further formal TVET training is not necessary, because it does not yield higher salaries (a diminishing return on investment in training). Furthermore, training is expensive; one-quarter of TVET graduates do not seek further training because of the high cost.

Of the 830 TVET graduates surveyed, 302 (36 percent) were unemployed and 528 (64 percent) were employed but unsatisfied, meaning that they believed their skillset should yield a better position. The phone survey also revealed that a large majority (87 percent) of respondents earn EGP 2,500 or less per month. This is perceived as unsatisfactory, especially following the recent devaluation and accompanying inflation in Egypt.

CHALLENGES FACING EMPLOYERS

Employers face a number of challenges as well, primarily related to the enabling environment, the gap between the skills enterprises need and those available in the labor force, and employees' expectations for salary.

- *Rigidity of the labor law:* The labor law poses distinct challenges for employers. First, firing employees requires paying a costly severance. Second, the employer's portion of social insurance is relatively high and a burden for employers.
- The new investment law does not provide for the exit of firms: As a result, employers prefer to hire fewer employees (to avoid the cost of severance if the business shuts down) or to hire more informal workers.
- *Capital- versus labor-intensive fields:* Capital goods and equipment are exempt from customs duties, sales tax, and 50 percent of energy prices. These exemptions encourage the refurbishment of technical schools and promote technology-intensive industries, but they also promote energy-intensive industries and incentivize employers to invest and work in capital-intensive sectors, discouraging them from focusing on the employment-intensive manufacturing sectors. The Prime Minister has the discretion to determine incentives to encourage labor-intensive investments, but there is no predetermined list.
- *Inefficiency of TVET outcomes:* These do not match the skills required by employers.
- *Salaries:* Employers suffer as employees' high salary expectations drive them to seek other jobs. This affects an employer's ability to depend on employees for long periods.
- *SME involvement:* SMEs are not active in the discussions and formulation of policies that affect them. The Enabling Environment Unit that will be established at ENCC will give SMEs a seat at the table to discuss the issues they face and their needs.

POLICY ASSESSMENT AND RECOMMENDATIONS

The review of policy and regulatory constraints indicates a need to address constraints that have led to inefficient practices and lower performance in the Egyptian labor market. Priorities are reforms of the labor law, the social security law, and laws related to investment.

International economic indicators mirrored the decline in Egypt's enabling business environment, caused by the unfavorable regulatory framework. Egypt ranked 122 among the

189 countries surveyed by the 2017 Doing Business Survey, improving only 4 places from 2016. Property registration, contract enforcement, and insolvency remain key issues. This is consistent with this study's literature review findings, analysis of competitiveness indicators related to the labor market pillar, and interviews with private sector representatives.

The review of Egypt's TVET system suggests that many factors contribute to the system's poor performance, despite its size and high enrollment rates. Some factors, such as quality, relate to internal inefficiencies; other factors include graduates' labor market performance, inadequate and insufficient funding for public technical education, and the consequent movement of graduates into the informal sector. These things represent key challenges facing TVET in Egypt.

Lack of strong ties with the private sector is one reason behind the mismatch between TVET and the labor market. Importantly, lack of a unified vision and management system for TVET, coupled with its fragmentation, is a main factor that has led to its deterioration and inefficiency.

The findings from this study provide important areas for attention, particularly in addressing constraining factors in Egyptian labor law, transforming the education system, and expanding opportunities for female participation in the labor market.

Recommendations for Governing Policies

1. *Address the rigidity of firing articles in the labor law, coupled with increased passive labor market policies and the creation of social safety nets for the unemployed (unemployment insurance):* Employers will no longer be burdened by a high severance pay for workers they fire, and hiring will be easier.
2. *Address "flexicurity" in the labor law (balance between flexibility and security):* The labor law should protect earnings rather than jobs. If it does so — through jobs, social safety nets, healthcare benefits, and other elements — then the labor market will be more flexible, increasing the demand for labor. This would allow for movement in the job market (flexibility) and provide protections for employees (security).

Recommendations for the Education System

3. *Transform the education system to one that is driven by demand,* focusing on narrowing (if not bridging) the labor market supply gap through public training providers. All aspects of Egypt's technical education system should be tackled in phases, according to a national plan and in cooperation with multiple stakeholders, including the donor community.
4. *Transition the TVET system to a competency-based system* to improve the quality of the labor supply, linking schools to the private sector community through cooperation and institutionalizing a public-private partnership approach that will support dialogue and support enhancements to the system.
5. *Link students to the work environment through the Dual Education System and new internship schemes* to enhance education outcomes and ease the transition to employment. Also, expand the implementation of Dual Education, which serves only 4 percent of all secondary technical education students. Raising this to 10 percent would help overcome a primary obstacle (outdated equipment and machinery at schools). Reforms should occur in a framework of an efficient, decentralized management system that considers governorates' specific needs.

Recommendations for Female Participation in the Labor Market

6. *Help private sector employers offer childcare and safe and affordable transportation to ease women's commutes:* If employers participate in improving working conditions, then females will be able to contribute more effectively to the labor market. This includes allowing flexible work hours so married women can balance their household responsibilities and their jobs.
7. *Provide females with job-search support:* Once, females could depend on public sector employment, but now they need private sector connections to find jobs to match their skills.
8. *Raise awareness of the importance of female education:* Female dropouts from the labor force and female participation in the informal sector are both higher than for males.

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