



# Egypt's Labor Market and the COVID-19 Pandemic – a longer term perspective

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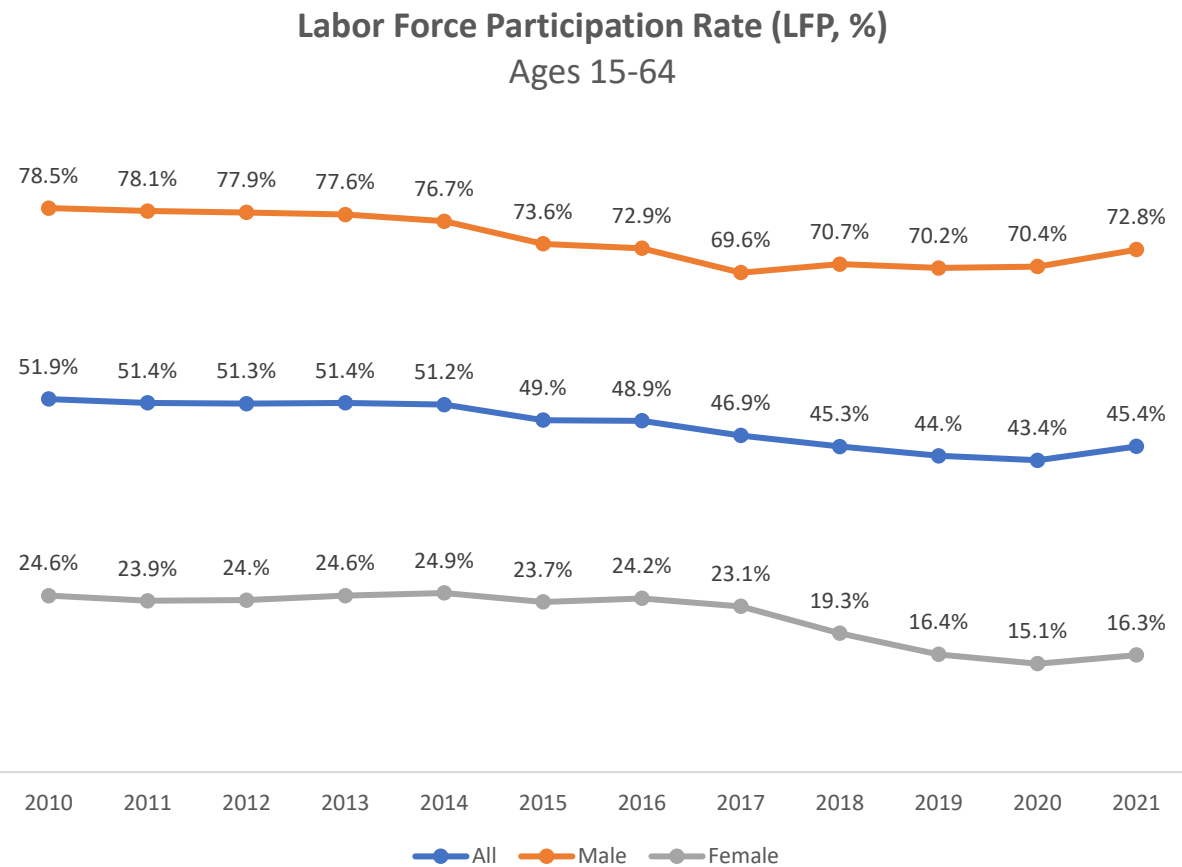
# This paper

- 1) Describes overall trends of employment
- 2) Estimates net employment effects of the COVID-19 pandemic using seasonality difference-in-differences (DID)

A photograph of a bustling outdoor market, likely in a developing country. The scene is filled with people of various ages, including children and adults, engaged in commerce. In the foreground, a man in a light-colored jacket stands looking towards the camera. The market is filled with stalls, baskets of goods, and people sitting on the ground. In the background, there are buildings and a large structure that could be a bridge or a covered walkway. The overall atmosphere is one of a busy, crowded marketplace.

# Rapid population growth and unsustainably low job creation

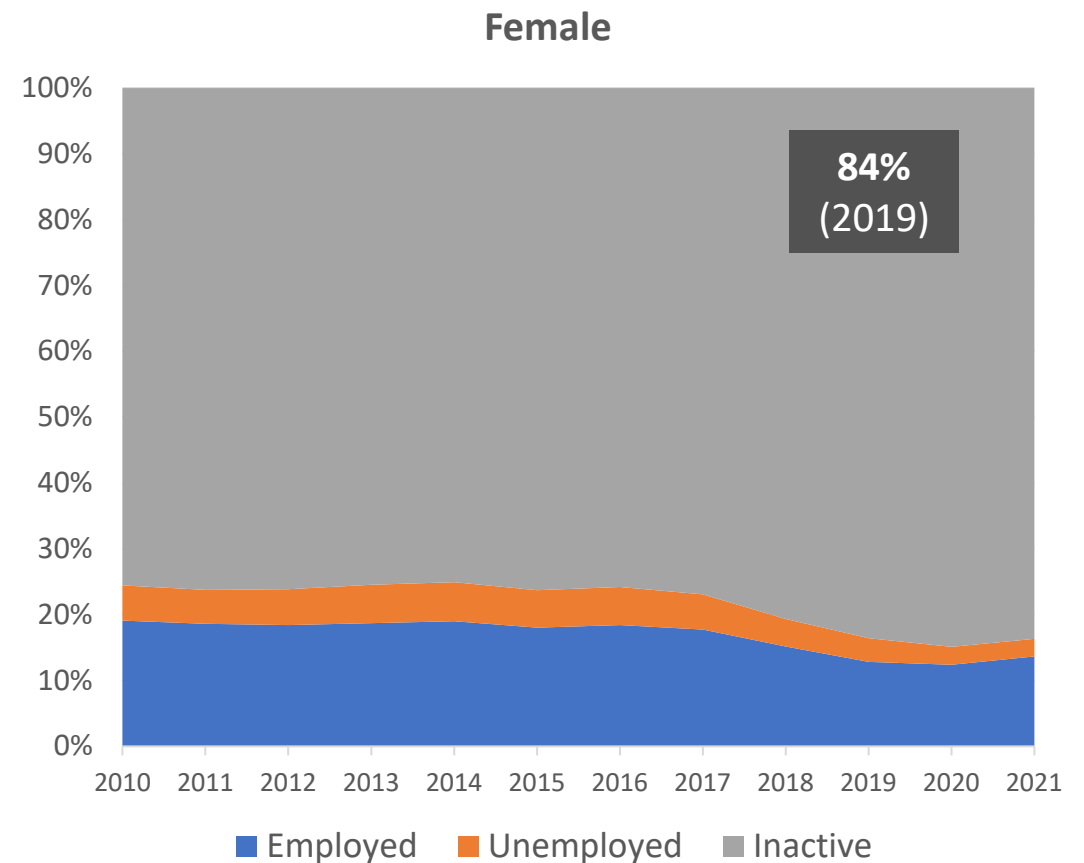
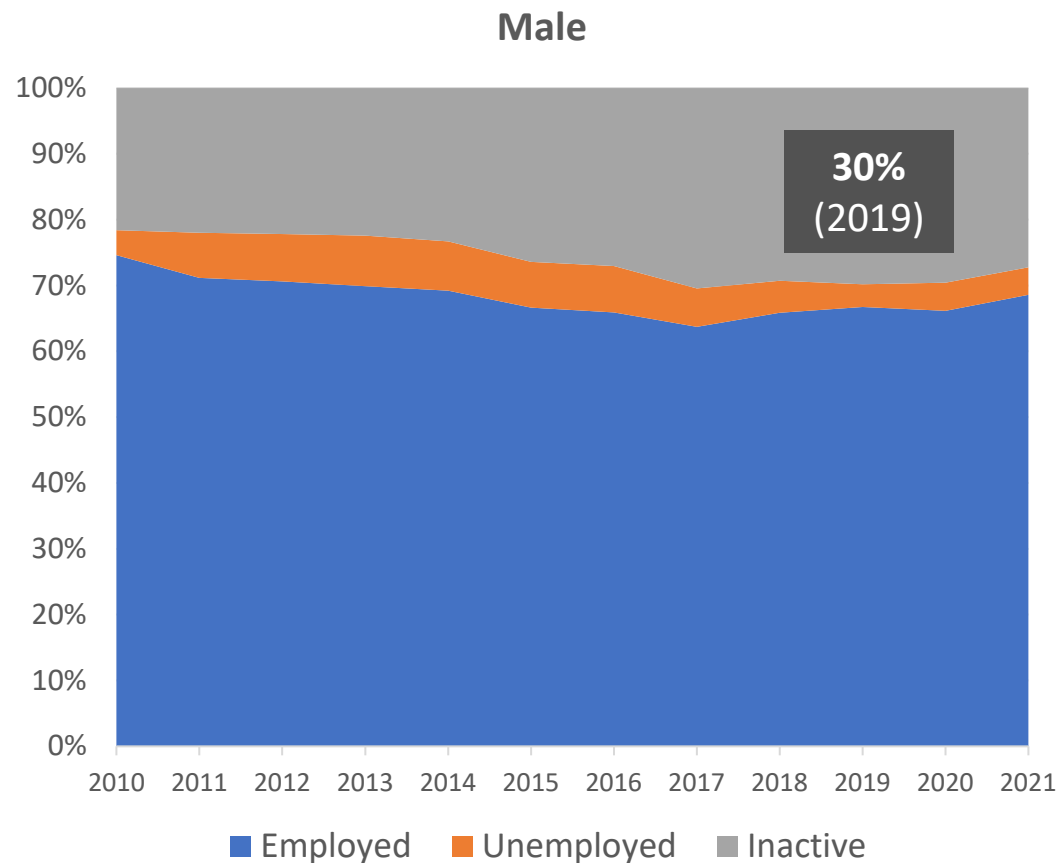
# Preceding the COVID-19 pandemic, many labor market indicators in Egypt were deteriorating



- LFP declined even despite an acceleration of economic growth between 2015 and 2019
- Women and youth's LFP were particularly affected, dropping significantly after the 2017 crisis
- COVID-19 pandemic led to temporary drop in LFP in 2020 Q2, which has rebounded to the pre-COVID levels

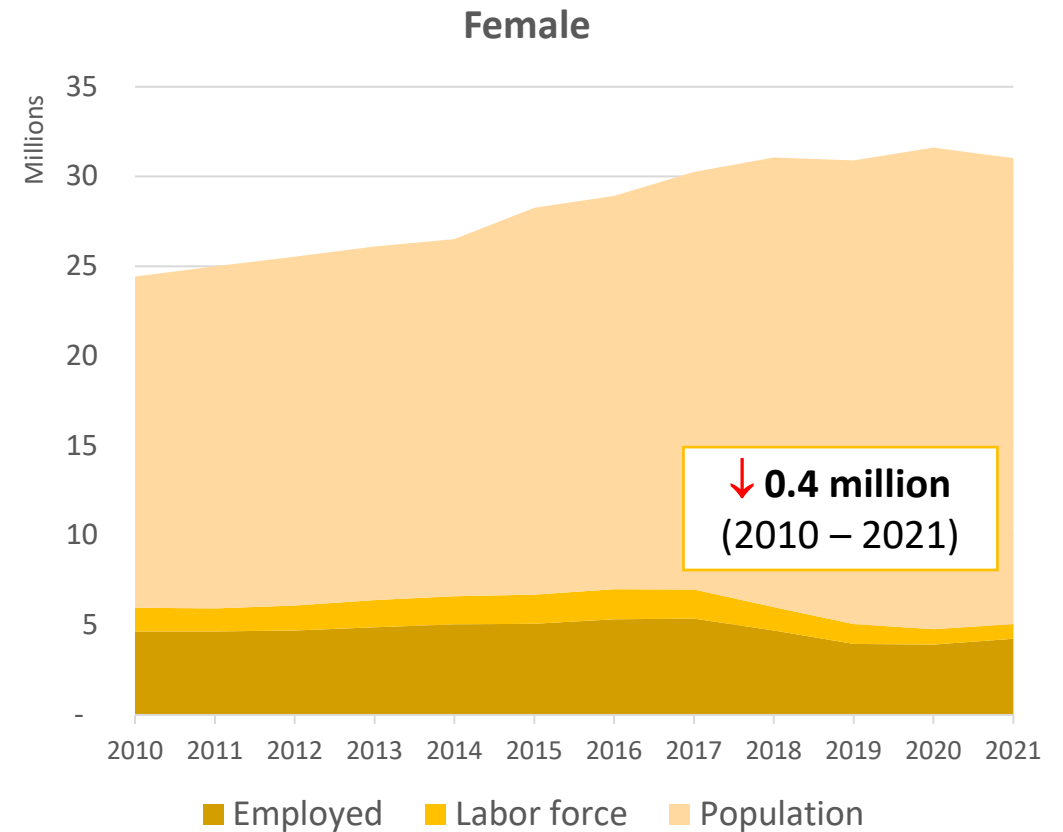
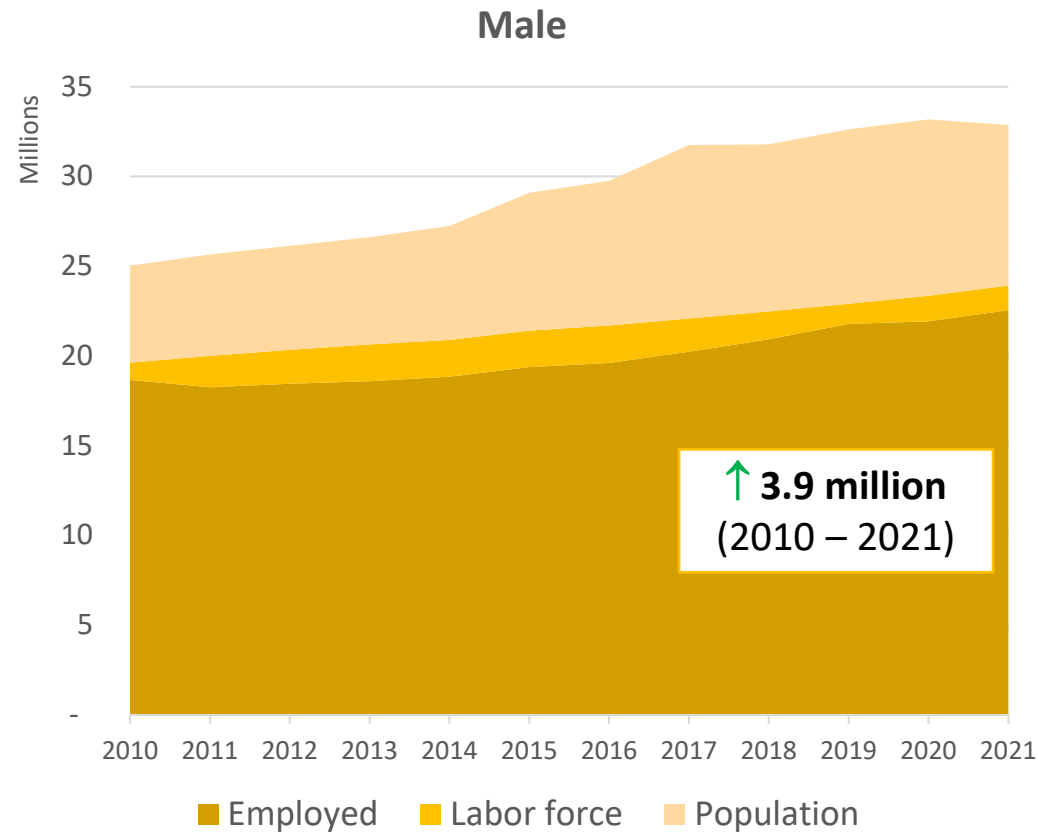
# Shrinking unemployment is accompanied by growing shares of inactive population, especially among women

Employment status of the population, ages 15-64

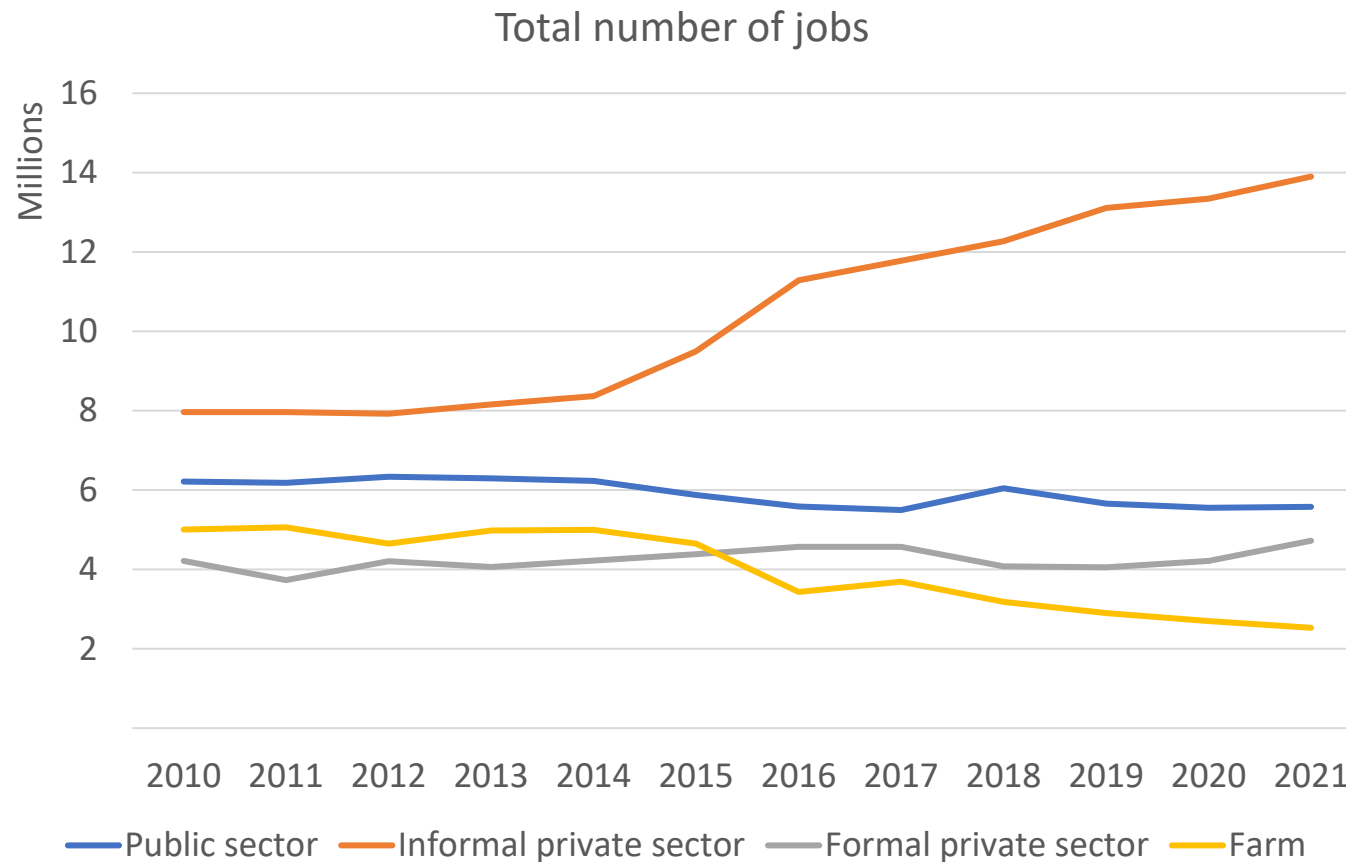


# Working-age population grew by 14.5 million since 2010, but only 3.5 million new jobs were created, at the detriment of fewer women workers

Total number of employed and labor force in the population, ages 15-64

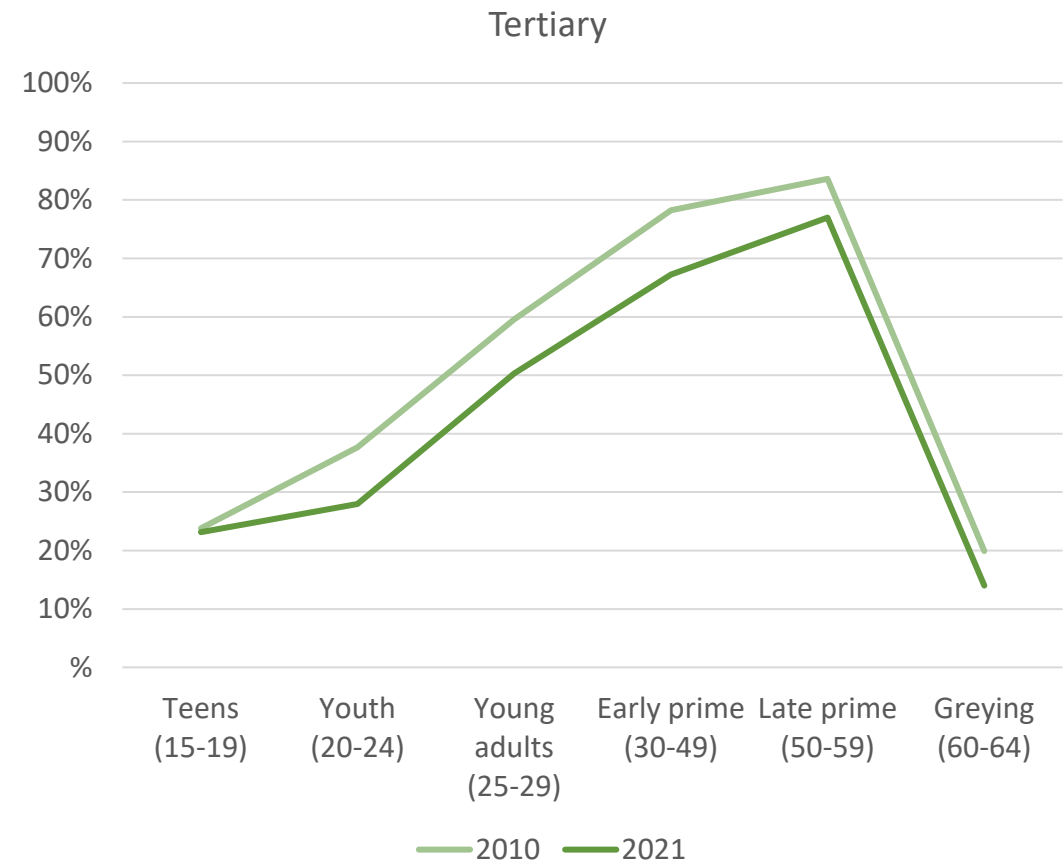
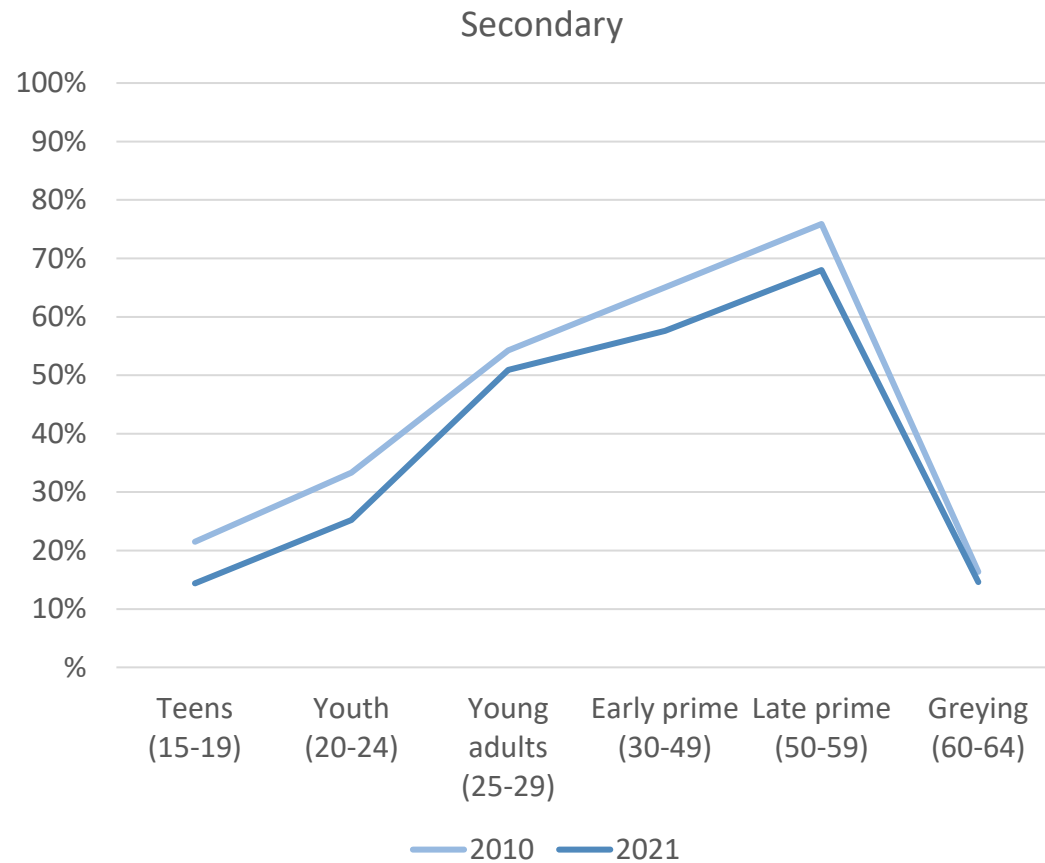


# Rapid increase in number of informal jobs amidst limited job creation in formal public and private sectors




- Public sector moratorium and job losses in agriculture → severe implications on women's employment
- Over 11 years, **formal private sector grew by merely 45,000 jobs a year**
- Pales in comparison to 1.3 million people entering 'work age' each year
- Informal private sector absorbed most of this population growth, growing by 5.9 million since 2010

# Given the same age and education level, it is more difficult to be employed in 2021 than a decade ago





A photograph of a busy street market, likely in a Middle Eastern or North African setting. The street is narrow and lined with shops and stalls. People are walking through the market, many wearing face masks. In the foreground, a woman in a blue and white striped abaya and a young boy in a white t-shirt with 'SUMMER SK' and '8' printed on it are walking towards the camera. The background shows more people, some sitting at stalls, and various goods for sale. A red sign with Arabic text is visible on a building in the background. The entire image is overlaid with a white border and the text 'COVID-19 impacts on employment' in a large, white, sans-serif font.

# COVID-19 impacts on employment

# From “Man-cession” to “She-cession”

- Theoretical predictions suggest stronger negative impacts on women’s employment, unlike typical crisis ([Alon et al 2020](#))
- **Occupational segregation:** women are more likely in high-contact service sector (e.g. tourism and hospitality)
- **Unpaid care work:** women disproportionately bear domestic care responsibilities (child, elder, ill, chores)



## Added worker effect (AWE)

- Female labor supply as insurance or coping mechanism during crisis ([Attanasio et al 2005](#))

# How does COVID-19 affect women and men's employment in Egypt?



- Use multiple rounds of Labor Force Surveys (LFS) from 2010 to 2020
  - 4 rounds per year
- **Seasonal Difference-in-differences:** exploit exogenous timing of COVID-19 using season and year FE
- Look at net employment effects akin to “excess mortality” approach
  - Regardless of “diagnosis” and unconditional to pre-pandemic participation

# Contributing to the fast-growing literature of COVID-19 impacts on employment, by gender

- Most studies confirm the prediction that women are more adversely affected: in both high- (e.g. [Albanesi & Kim 2021](#), [Alon et al 2021](#), [Couch et al 2020](#)) and lower-middle income countries (e.g. [Biscaye et al 2021](#), [Kugler et al 2021](#))
  - Care and occupational segregation play a role
- Some studies find women are more (or at least equally) affected as men: **Canada** ([Lemieux et al 2021](#)); **Holland** ([Meekes et al 2020](#)); **India** ([Deshpande 2020](#)); **Ethiopia, India, Peru, Vietnam** ([Hossain 2021](#)); **Turkey** ([Ikkaracan & Memis 2021](#)); **Mexico** ([Peluffo & Viollaz 2021](#))
- Net employment is positive for women, but conditional on being employed pre-pandemic women are more likely to lose jobs ([Deshpande 2020](#))

# Contributing to the fast-growing literature of COVID-19 impacts on employment, by gender (2)

- Faster recovery for males ([Hoehn-Velasco et al 2021](#), [Tas et al 2021](#)) vs. females ([Lee et al 2021](#))
- Entry of women into employment in some countries, like Indonesia, Malaysia, Thailand and the Philippines seems to indicate “added worker effect” ([ADB 2021](#))

# Econometric Specification

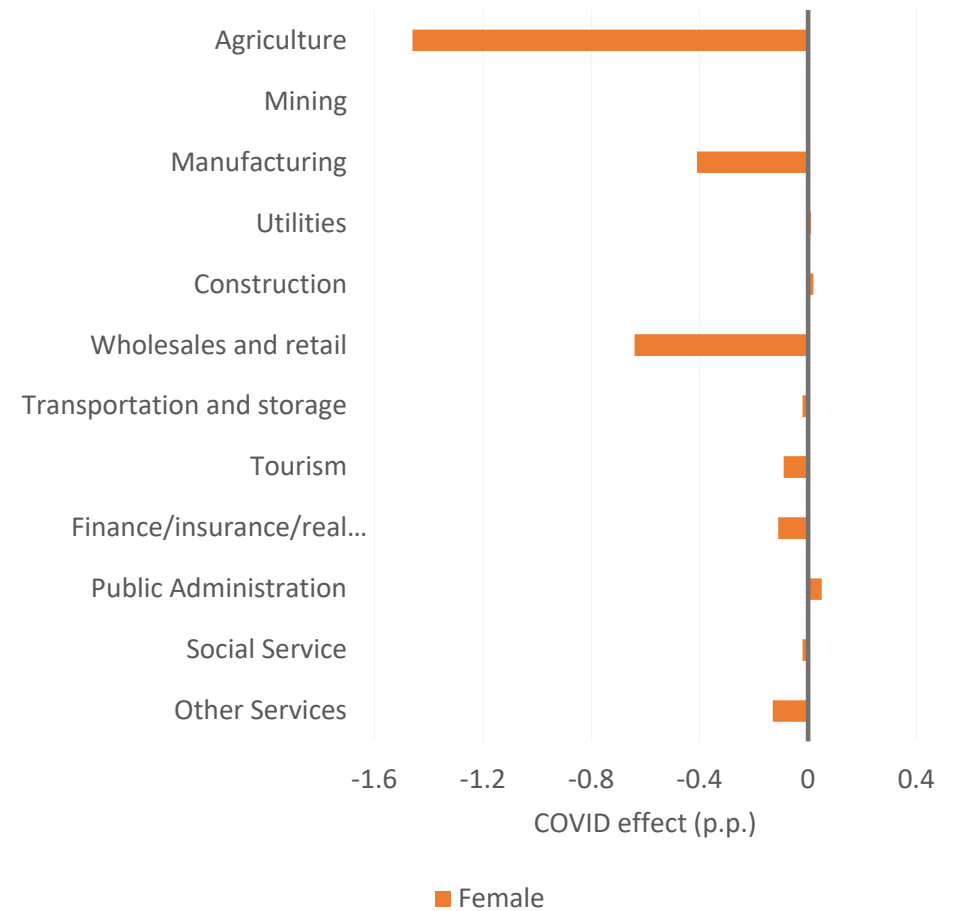
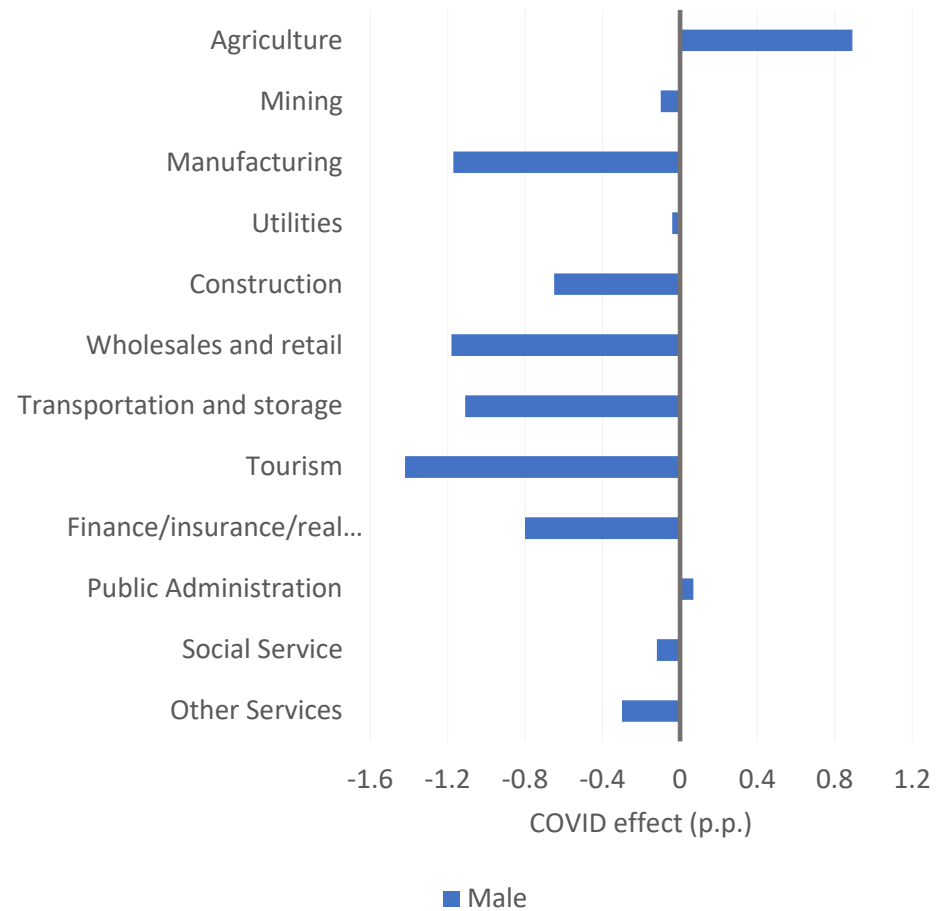
$$y_{ijst} = \alpha + \beta Post_{st} + \gamma_j + \theta_s + \delta_t + \phi X_{ijst} + \varepsilon_{ijst}$$

- $Y_{ijst}$  indicates the labor force outcome of individual  $i$  in governorate  $j$  in quarter  $s$  at year  $t$
- $Post_{st}$  indicates a dummy for Post-COVID-19 period (after Q2 2020)
- $\gamma_j, \theta_s, \delta_t$  denote governorate, quarter and year fixed effects
- $X_{ijst}$  denotes the vector of individual-level controls, including: age, age<sup>2</sup>, household size, marital status, education level, number of children, urban
- Estimated separately for male and female subsamples
- Standard errors clustered at governorate level

# Covid-19 impacts on transition in-and-out of labor force

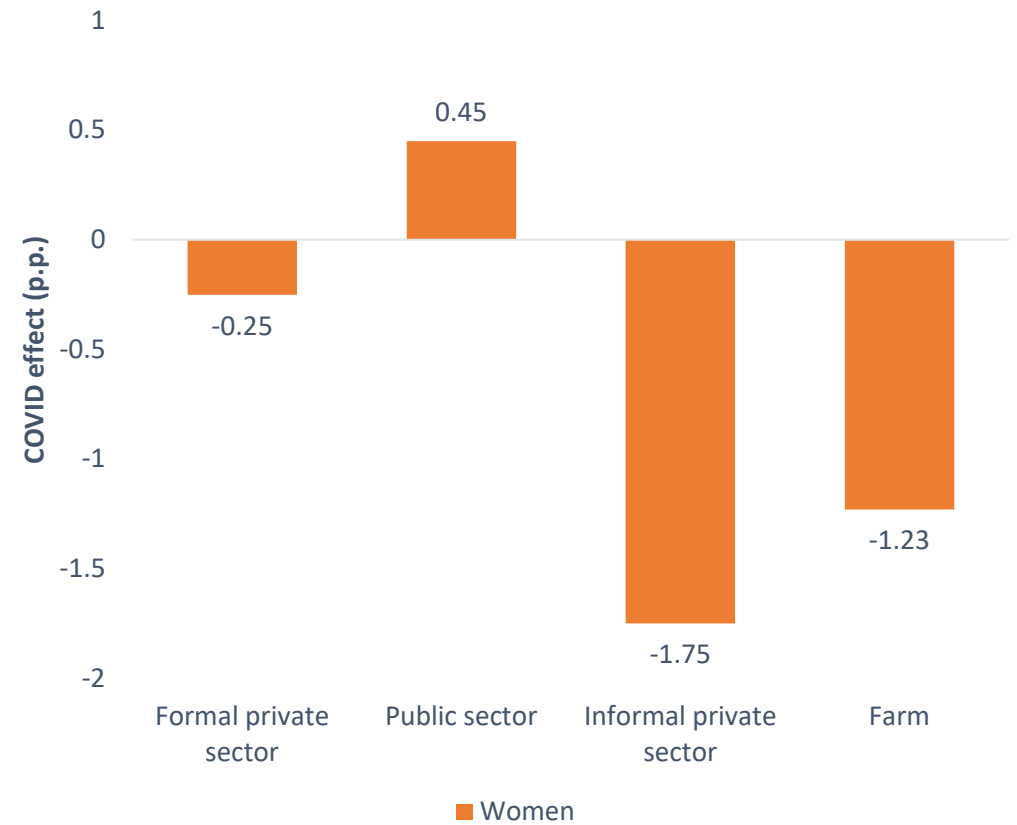
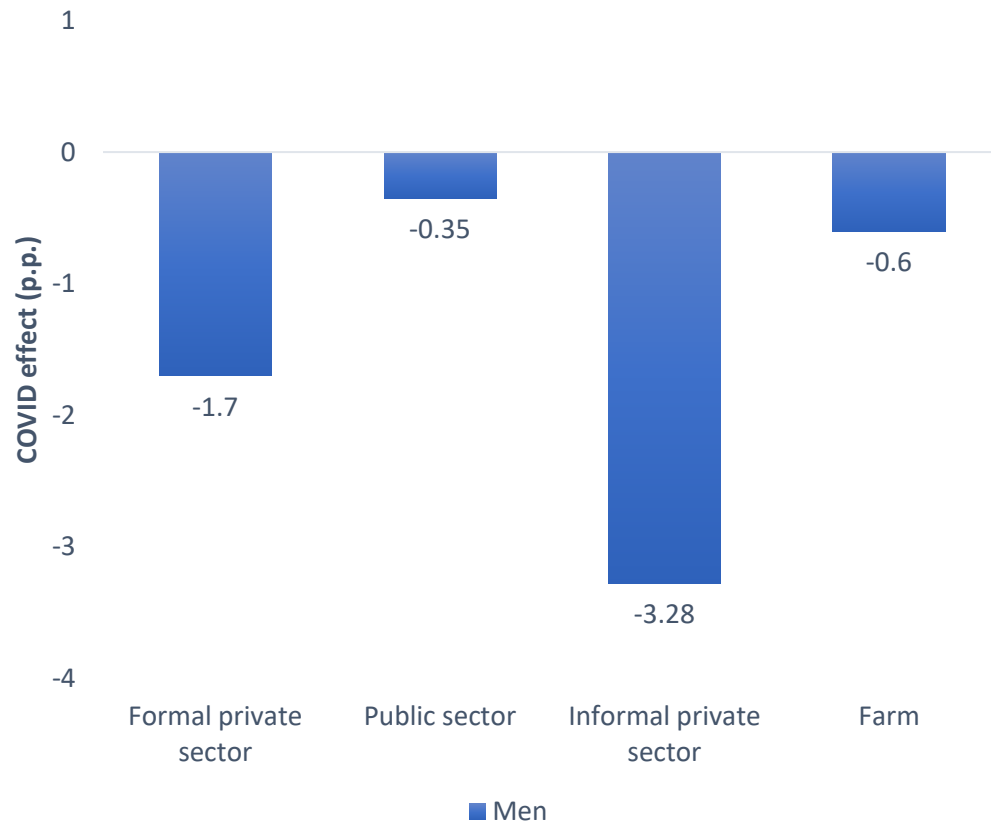
	Employed (1)	Unemployed (2)	Enroll in school (full-time) (3)	Outside LF (4)
<b>Panel A: Women</b>				
COVID	-0.03 (0.01)**	-0.02 (0.00)**	-0.01 (0.00)+	0.05 (0.01)**
Pre pandemic average	0.17	0.05	0.16	0.61
<b>Panel B: Men</b>				
COVID	-0.06 (0.01)**	0.03 (0.01)**	-0.02 (0.00)**	0.05 (0.01)**
Pre pandemic average	0.68	0.06	0.17	0.09

# Effect of the pandemic over economic activity, by gender





# Effect of the pandemic over economic sectors, by gender



# Conclusion

- Stagnant job growth in the private sector restraints Egypt's ability to gain momentum from its demographic dividend, leading to deteriorating labor market indicators
- Lack of diversity in women's employment creates a barrier to take advantage of the economic transition from agriculture
- COVID-19 had negative effects on women and men's employment, more severe for men
- Displaced men are more likely to be unemployed (still looking for work), while displaced women became discouraged and exited the labor force entirely
- Except for women in the public sector, all other sectors are negatively affected by the COVID-19 pandemic
- Men and women were also less likely to be enrolled full-time in school, jeopardizing their long-term human capital investments



Thank you!

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