Egypt anticipates a resumption of demographic pressures

In the 1980s, Egyptian families saw more of their children survive through their early childhood as a result of large drops in mortality from diarrheal diseases. This generation of children came to be known as the ‘youth bulge’. Those children in turn reached their prime childbearing years in the 2010s and even experienced a slight rise in fertility. There is therefore a demographic ‘echo’ of that youth bulge, which can be mapped using population projections anticipating the upcoming wave of new labour-market entrants in Egypt. Labour-force projections can also be developed, which show the echo of the youth bulge generation of children who will soon reach working age in Egypt.

Recent reduced labour supply pressures and lower unemployment rates in Egypt are likely to be temporary, given the projected net annual increase to the labour force from 2025 to 2030. Increased pressure will return with a vengeance, as the upcoming wave of the echo generation reach working age. Professor Ragui Assaad has carried out projections for the labour force in Egypt, to enable labour supply pressures and unemployment rates to be accurately anticipated.

WHAT WILL THE FUTURE LOOK LIKE?

The annual increase in the child population of Egypt has dramatically grown to 785,000/year (2015–2020), the low being 400,000/year in 2000–2005. In time, these children will enter the workforce, likely with higher educational credentials and expectations than their forebears. It follows that some of these hopes will be unfulfilled, leading to a greater proportion of discouraged workers. Rising fertility rates in the late 2000s and early 2010s and higher numbers of elderly people will also have a knock-on effect on dependency ratios.

Anticipating the future of Egypt’s workforce requires us to look at many complex factors. In order to undertake population and workforce projections, Professor Assaad has examined the UN Population Division’s 2019 projections, the Egypt Labor Market Panel Survey (which has cross-sectional data on the education composition of the population in waves for 1988, 1998, 2006, and 2018), and the Egyptian Labour Force Survey 2003–2017, which provides data on labour-force participation by age, sex, and education.

The population was divided into males and females, ten age groups, and four educational categories: No Certificate; Basic, which includes both primary and lower secondary; Secondary, including upper secondary and two years post-secondary; and University or above, which includes four-year university degrees and above. Working with 11 time periods (for every five years from 2000 to 2050), three projection variants, and two alternative assumptions on trends in labour-force participation, this produced 5280 cells of data. The working-age population can therefore be projected, using low, medium, and high variants. Until 2035 there is a high degree of congruity as the individuals who would have previously worked in the public sector previously did, and is not as hospitable a source of employment for married women. The result is that women who would have previously worked in the public sector are now discouraged, with an impact on their employment statistics. However, more highly educated women participate in the labour market at a higher rate and it is anticipated that the current decline in women’s employment will tail off, resulting in a stabilisation of the participation rate in the labour market.

Dependency is another factor. The Egyptian population is projected to include an increasing proportion of both children and elderly people, and the ratio of dependents to working-age people is directly related to labour-force participation. The temporary reduction in demographic pressure and lower unemployment rates is projected to be a short-term window of opportunity.

WHO WILL BE THE WORKERS OF THE FUTURE?

Labour-force participation also requires examination of different factors. The official data on Egypt’s unemployment rates does not include job seekers who are discouraged and no longer actively searching for work – even though these people are available for work and desire to work. Women are especially likely to be in this group, and particularly those with secondary/post-secondary educational attainment. Between 2012 and 2018 the rate of discouraged unemployment increased from 2.1% to 8.3% of the female labour force, and from 0.5% to 9.1% for the male labour force. Many women simply drop out of the labour force after a period of unemployment, prior to marriage.

Part of the explanation for the high discouragement rate for women is a reduction in public sector employment for intermediate skilled workers, with the reduction in opportunities especially pertinent when it comes to educated married women. The private sector has not provided as many jobs as the public sector previously did, and is not as hospitable a source of employment for married women. The result is that women who would have previously worked in the public sector are now discouraged, with an impact on their employment statistics.
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Currently, the working-age population is anticipated to be growing by 1.7% per annum (2020–2025) and this will accelerate to 2.2% by 2025–2030, representing the coming of age of the echo generation. The current, lower rate of growth has eased labour supply pressure and that has an impact on unemployment rates, but the growth of the youth population is projected to resume with a vengeance. This working-age population has been increasing by just over a million people a year (2010–2020) but the increase is anticipated to reach 1.6 million a year in 2025–2035 before reverting to about a million again by 2045–2050. This again reflects the echo generation who will reach working age and seek employment.

To keep unemployment and discouragement rates constant during the upcoming decade, Egypt will have to seek growth in employment. Employment growth of around 2.7% a year, and therefore GDP growth of at least 6% a year, would be needed for Egypt to absorb the existing stock of unemployed and discouraged potential workers and accommodate the projected growth of the labour force as a result of the coming of age of the ‘echo generation’.

LOW UNEMPLOYMENT: FOR HOW LONG?

Egyptian employment to population ratios are impacted by labour supply. In 2010, prior to the revolution, there was a high of 47.8%. By 2019, this had decreased to 38.5%, with GDP growth of 5.3% and an unemployment rate of 7.1%. This respite from the pressures of labour supply is, however, likely to be transitory as the echo generation starts to enter the workforce and seek employment.

Job creation is therefore likely to be a vitally important factor for Egypt in the near future, as population and labour-force projections indicate the impact of the demographic echo will be large numbers of educated youths seeking to enter the workforce. The research and predictions of Professor Assaad facilitate a more accurate understanding of the Egyptian labour market, and enable us to anticipate the changing nature of employment going forward.

References


Personal Response

What challenges does COVID-19 pose for developing projections?

Projections are based on long-term trends in demographic behaviour, educational composition, and labour-force participation behaviour. While COVID has potentially caused short-term disruptions in all of these variables, it is unlikely to change their long-term trend and thus cause substantial changes in the projections. It is more like a bump in the road rather than a permanent change in direction or speed. We may, however, want to exclude data for the years that were strongly affected by COVID (2020 and possibly 2021) when estimating the long-term trends.

Between 2012 and 2018 the rate of discouraged unemployment increased from 2.1% to 8.3% for women.