Human Capital Development – building evidence on skills and employment
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Outline

• Overview on the LM in MENA context
• Methodology
  – Randomized evaluations
• Egypt Impact Lab
  – Government Embedded Evidence-Based Policy Labs
• Previous evidences on ALMPS in Egypt
• Conclusion
  – What programs works and what not and why
Labor Market Context the MENA region
Features of Labor Market in the region

- High Unemployment rate, especially across younger generations
- Multiple labor market rigidities:
  - Important share of informality, mainly due to the shrinking public sector and the incapacity of the formal private sector to absorb all the excess of labor
  - Skill mismatch between demand (firms) and supply (graduates)
  - Limited access to finance
  - Asymmetric information about job opportunities
  - High share of women Out of labor force, causing significantly low female LFP
  - Problems related to labor market transitions, causing many to be either unemployed or informally employed
Profile of employment in MENA

- Tunisia and Egypt are very similar in terms of a spread of **informality**.
  - The share of non-wage, outside est. is the main source of employment for Egypt and Tunisia.
- Jordan is characterized by significant representation of its **public sector**.
- Egypt has a significantly **low private formal wage share** (7% of total employment).

**The structure of employment by type aged 15-64**

Source: JLMPS 2016, TLMPS 2014, ELMPS 2018
Education and Labor market in MENA

- Vocational graduates are not provided with similar opportunities as university peers making it more probable for them to work in the informal sector, especially in Egypt and Tunisia.

- The share of university graduates working in the informal sector is still relatively high in Egypt and Tunisia.

Source: JLMPS 2016, TLMPS 2014, ELMPS 2018
Profile of labor force participation in Egypt

- LFP is significantly low among women.
- Women in Egypt are much less likely than men to engage in informal wage employment due to the widespread perception.
- For men, with the shrink of the public sector and the incapability of the formal one to create enough jobs, they are oriented to informality, causing allocative inefficiency in the economy.
A recent phenomenon started to take place in Egyptian labor market, which is discouragement to work. As shown in 2018, despite the slight decrease in the standard definition of unemployment, unemployment have actually increased according to the board definition. This suggests that this decrease is not due to recruiting more workers, but actually it means that more people became discouraged, therefore they stopped searching for a job.

Profile of unemployment using different definitions

Evolution of unemployment rate under various definitions, ages 15–64, 1998–2018 (in %)

For both cohorts of school exit, there is a clear **negative correlation** between educational attainment and informal employment, but a **positive correlation** between education and unemployment.

- The more educated could afford being unemployed until finding a formal job.
- The more vulnerable group with lower education tends to be pushed into the informal sector, in order to survive.

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**Labor Market Transition in Egypt**

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**Male first labor market status after school (in %) by educational level and school exit cohort**
The majority of women with below-secondary education chose to stay out of the labor force.

Additionally, in both school exit cohorts formal employment and in particular public sector jobs were more likely to be held by women with post-secondary education.

First-time unemployment was high for the most educated women.

**Labor Market Transition in Egypt**

Female first labor market status after school (in %) by educational level and school exit cohort

- Less than secondary: School Cohort 2006-2010 - 9, School Cohort 2011-2014 - 13
- Secondary: School Cohort 2006-2010 - 87, School Cohort 2011-2014 - 31
- Post-Secondary and above: School Cohort 2006-2010 - 11, School Cohort 2011-2014 - 53

- OLF - 2, 2
- Unemployed - 4, 3
- Other Employment - 2, 8
- Formal Employment - 2, 8
Informality in Egypt

- The proportion of informal jobs within private wage employment witnessed an increase over 2012-2018, for both women and men.
- The proportion of formal wage work has been decreasing overtime, driven by men rather than women.
- Irregular work had increased between 2006 and 2012 before decreasing in 2018, following better economic conditions.

Formality status by gender and round, for private sector employment (aged 15-64)
Relatively small share report being underqualified for their job across all job types.

However, the proportion who report being overqualified is substantial and varies a great deal by job type.

Rising overall share of overqualified workers is due to the changing composition of employment toward informal wage employment.

Source: Assaad et al. (2019) using data from the Egyptian Labor Market Panel Survey (ELMPS)
Randomized evaluations take a scientific approach to tackling poverty
How does a randomized evaluation work?

Before a program starts, individuals are **randomly assigned** to two groups. With enough people, both groups have **statistically identical** characteristics, on average.

**Key advantage of randomized evaluations:** Due to random assignment, members of the intervention and comparison groups do not differ systematically at the outset of the evaluation. Thus, any difference that subsequently arises between them can be attributed to the program, rather than to other factors.
Randomized evaluations shed light on real impacts
Randomized evaluations shed light on real impacts.
Government Embedded Evidence-Based Policy Labs
Scientific evidence supports achieving Egypt’s top development policy goals

Government making major investments in social protection, family development, employment, gender, and climate change.

What are most effective and cost-effective programs to pilot and scale?

EIL is structured around government policy priorities, is embedded in government, and was co-designed by MPED and J-PAL MENA.

MPED, MoSS, MSMEDA, NCW, and NIGSD are poised to be government leaders for using rigorous evidence to inform program design and scale.

Egypt Impact Lab’s MoU signing ceremony in March 2022
An embedded lab in the Ministry of Planning and Economic Development

Our objective is for the government of Egypt to:

- Support institutional change towards using evidence in informing major development policy and program decisions;
- Provide a learning agenda to understand a program’s activities and socioeconomic impact;
- Make meaningful commitments to act on evaluation findings.
Areas of Focus
### Three pillars support the government to institutionalize evidence use

| Pillar 1: Generate evidence on priority themes |
| Co-design and conduct nine large-scale randomized evaluations of government priority programs, and ensure results inform scale decisions. |
| → meaningful government commitments to act on evaluation findings |

| Pillar 2: Build Capacity to Use Evidence |
| Share existing insights from global evidence base with application to policy design questions in Egypt. |
| Conduct capacity building tailored at program designers, implementers, and leaders. |
| → evidence informs scale decisions |

| Pillar 3: Strengthen knowledge ecosystem |
| Integrate Egyptian scholars in conducting randomized evaluations. |
| Leverage administrative data. |
| Strengthen south-south links with governments that have driven research-to-scale partnerships. |
| → use of evidence more deeply institutionalized |
**Gender empowerment and family development**

EIL will also focus on the National Family Development Program, a coordinated effort across government to curb population growth and support healthy families, and other efforts to promote women’s empowerment.

**Environment, Energy, and Climate Change**

EIL is introducing the **Hub of Advanced Policy Innovation for the Environment (HAPIE)**. HAPIE serves as J-PAL’s regional Air and Water Lab in Egypt. HAPIE will focus on supporting climate change policies and strategies for the Government of Egypt.
Previous evidences on ALMPS in Egypt.
The Emergency Employment Investment Project (EEIP) program

- **Design intervention (sample size 732 individuals):** unemployed youth in Cairo and Upper Egypt were randomly split into three groups:
  - a group that received training/employment support,
  - a group that received training/employment support and counseling,
  - a control group that did not receive those services.

- Two separate RCT’s with two NGO’s (*Elsayed & Osman 2018*).

- **The program duration** was:
  - 3-day business training and industry-specific vocational training lasting 6-17 days (NGO1).
    - Together (Maan) → **Self-employment** (training and capital support to start own business), Beni Suef and Minia
  - 4-day soft skills training and 1-6 weeks of on-the-job training (NGO2).
    - Alshanek Ya Balady → **Wage employment** (Training and job matching assistance) in Cairo and Beni Suef
Results

The ALMP had a **positive impact** on labor market outcomes, with **increased employment, working hours, and monthly income**.

- **Employment** increased by 12 percentage points, particularly among women.
- **Monthly income** saw a significant increase for both treatment groups.

Some interventions **did not have significantly impact**:

- **Counseling** component **did not show significant additional benefits**
- **Non-labor market outcomes** were not affected, such as empowerment, happiness, or migration intentions.
Irregular migration

- J-PAL MENA is collaborating with MSMEDA in order to evaluate the impact of 2 components of the Fighting the Root Causes of Irregular Migration project.
  - by generating employment and improving physical living conditions for the beneficiaries in the target areas, as well as enhancing their employability prospects.
- The project covers the 11 governorates with the highest outflows of irregular migration.
- The implementation started with 9 governorates: Qalobiya, Sharqia, Gharbiya, Dakahleya, Fayoum, Beheira, Luxor, Minya, and Asyut.
Program Design

1. Cash-for-work intervention: rapid creation of temporary jobs for income
   • Support to 90 NGOs and community development associations to provide temporary employment in community services
     • Unemployed youth (18-35), at least 60% of which are women
     • Participants work for a duration of 15 to 18 months in projects providing community services (health, environment, adult literacy and nurseries)

2. Training and employment support: facilitate access to wage- and self-employment
   • Support to 34 NGOs and business associations to provide training
     • Unemployed youth (18-35)
     • Participants receive a training for a maximum of 3 months (e.g., maintenance, sewing, hairdressing), and different services (e.g., financial services, job search aid)
Results:

- The interventions were effective to increase the opportunity costs of migration
  - No effects on actual irregular migration to Europe (rare outcome + interventions did not target the individuals with the highest propensities to migrate), but negative effects on intermediary outcomes for men (intentions, plans).
- The income generated by Self employed has increased by 4% after getting Training and Employment support while for Wage employed increased by 21% after applying the Cash for Work Program.
  - Women who got the Training and Employment support have higher intention to migrate to Gulf countries.
  - Men following the Cash for Work program has lower intention to migrate to European countries.
Promoting Entrepreneurship through edutainment

Barsoum et al. (2022): A sample of young Egyptians who are interested in entrepreneurship were encouraged to watch an edutainment programme specifically designed to promote entrepreneurship to young individuals.

Program design

• A randomly generated set of mobile phone numbers called to select a sample and collect baseline information
• Only individuals who matched the following criteria were included: (a) be aged between 18 and 35; (b) watch TV at least from time to time; (c) express a general interest in starting a business.
• A sample of 5924 individuals was constituted
Program design

• The programme, broadcast nationwide, provided viewers with information about entrepreneurship and showcased successful young entrepreneurs.

• The programme was broadcasted for a period of three months consisted of 13 episodes involving 14 contestants, each episode putting contestants in front of a new challenge designed to test their entrepreneurial skills.

• Treatment group was encouraged to watch the show through cheap incentives (text messages)

• To reach its goals, educational content was disseminated in every episode amidst entertaining content
Results

• The programme did not have a large overall impact on respondents’ aspirations towards entrepreneurship, or the likelihood to take any steps towards the creation of a business.

• Nevertheless, the show did manage to convey educational content to some of its viewers. Specifically, it increased the information of those with the least knowledge about entrepreneurship in the baseline.

• The good performance of female contestants throughout the show increased the share of viewers who reported strongly agreeing that it is possible for women to successfully run their own business
Addressing Stigma in the labor market

– Osman & Speer (2023): attempted to address 4 types of stigmas in a sample in Greater Cairo through 2 experiments. There are 4 types of stigma: social, professional, personal, and welfare stigma.

Program Design

• **The first experiment** recruits unemployed youth to a job training program via street-level marketing. **The second** recruits individuals to attend a job fair using door-to-door outreach.

• The control groups receive **basic information** about the programs and their potential outcomes. The treatment groups also get **same information, plus additional information** designed to help them overcome worries about stigmas associated with taking entry-level jobs in low-skill professions.
Results

• **High heterogeneity was observed**: The treatments were successful in overcoming stigma for older, wealthier, and working respondents.

• For other people, treatments merely increased the salience of the stigma without dispelling it.

• **Policy takeaways**: Stigma may not only affect the level of take-up but also significantly change the composition of a program, and potentially its effectiveness.
What works and what does not work and why in ALMPs using evidence-based results

• Administrative data sources in MENA region economies shed light on the problems in their labor markets such as **spread of informality, high mismatch between supply and demand, and the low female labor force participation.**

• Moreover, vocational education is looked at as an inferior path compared to general education.
  – This is why in the end, vocational graduates are more oriented towards informality.

• Evidence from Egypt showed that ALMPs, if well designed and implemented, can have important impacts on the labor market.
What works and what does not work and why in ALMPs?

- Previous studies have shown that employment training does not work all the time.
- Its effectiveness is dependent on:
  - The context of the country, the target population and the type, as well as the efficiency of the training provided.
  - The quality of the workers themselves and the skills required to have a decent jobs matched.
    - This may explain that the studies on employment training worked in Egypt, but not in Turkey or Jordan.
- In addition, access to financial resources is considered the main obstacle to entrepreneurship.
  - This is why entrepreneurship intervention should include capital assistance.
Conclusion: What works and what does not work and why in ALMPs?

• Some jobs are stigmatized.
  – More studies should be done to understand the best way to address these stigmas.
  – In Egypt, EIL is collaboration with the Ministry of Education and Technical Education in evaluating TE reform 2.0 focuses on 2 main pillars
    • Stigma - as an inferior path compared to general education, and how work on reducing this type of stigmas.
    • Teacher's Training
Thank you