

EGYPT YOUTH ESSAY COMPETITION

YOUTH EMPLOYMENT IN EGYPT

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TACKLING YOUTH UNEMPLOYMENT IN EGYPT

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Abstract - Unemployment is one of the greatest economic challenges facing youth around the world, and in Egypt specifically, where youth unemployment has reached an unprecedented level of 26%. This paper aims to identify the roots of unemployment in Egypt, which stem from the increased supply of unqualified labor, mostly working in the informal sector, and the unavailability of formal jobs to absorb this supply. Although there is no magic formula to deal with youth unemployment that is fit for all economic contexts, Egypt can still gain valuable insights, from the experiences of similarly developing economies combating unemployment like India, Mexico, Kenya, and Malaysia. Egypt can start seeing tangible short and long term results by first of all, reforming its education sector to create well balanced, inquisitive, critical thinkers, whose skill sets are aligned with the job market. Secondly, through fighting the informal economy by developing smart applications targeting domestic labor. And finally, through the creation of an entrepreneurial ecosystem that acts as a vehicle for a multifaceted economic development.

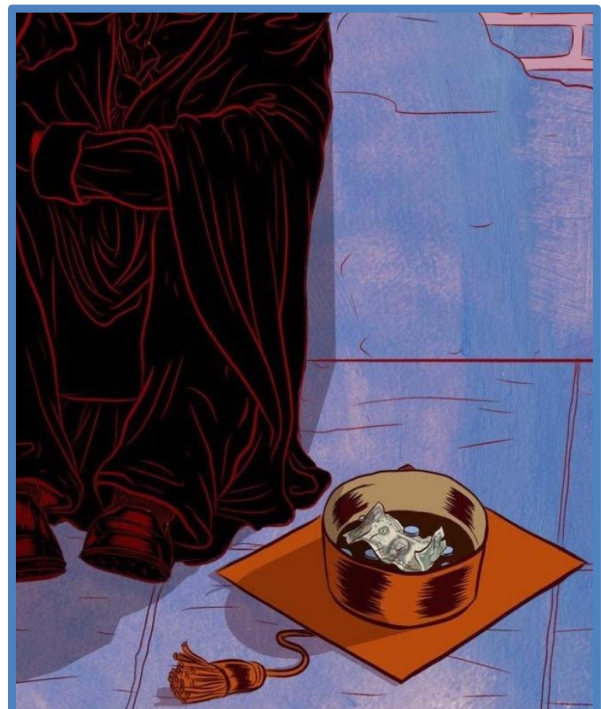
I. INTRODUCTION:

Youth Unemployment a Global Crises Affecting Egypt Locally.

One of the most prevalent and pressing issues discussed annually in the World Economic Forum in Davos, Switzerland, is the global crisis of youth unemployment (Rees, 2014), where the International Labour Organization (ILO) in Geneva indicates that global youth unemployment is at a staggering rate of 13.1 % (71million people), which will continue to rise in 2017 affecting emerging, developing and even developed countries, due to the recession and sluggish growth of the world's economy (ILO, 2016) . Egypt's Gen Ys in particular were not spared by the menace of youth unemployment, as the country suffers from a disturbingly high rate of 26%. In addition, the youth unemployment rate

increases with each level of educational attainment. This phenomena dubbed in literature as "Educated Unemployment" can be both inaccurate and misleading, as education in Egypt does not necessarily guarantee qualification, for work, where 70% of the unemployed youth are holders of academic degrees (Barsoum, 2015).

Therefore, not only is there a massive employment gap, where labour supply exceeds the demand, but also despite attaining higher levels of education, there is a skills mismatch between job seekers and job offers (Abdel-Ghafar, 2016) . This highly resonates with millennials like myself who persistently seek employment, only to be deemed as overqualified or underqualified for the job. Therefore, in order for Egypt to mitigate this problem, it is of optimal importance to adopt a holistic approach that simultaneously addresses the factors contributing to youth unemployment lying on both the supply and demand side of the labour market equation.



This painting named "Academic Degree" by the Spanish illustrator Rafa Alvarez, portraying a jobless university student sitting in the street, begging for money, which is placed in his graduation cap, is perhaps the most accurate depiction of the term *educated unemployment*, and what the youth face in Egypt today.

II. SUPPLY

A) Increased Supply of Unqualified Labor:

Among the primary factors leading to youth unemployment in Egypt is the degradation of the public education system that does not equip its students with the necessary skills to qualify them for work, or help them establish their own business. This problem well knowingly stems from the educational reforms in the 1950s, and 1960s during Nasser's era, which nationalized foreign schools, abolished school fees, and reduced university tuition and entree requirements (Abdel-Ghafar, 2016). This eventually led to an increase in the quantity of people attaining an education, but reduced the quality of education being attained. Hence, Egypt is in dire need of radical reforms in its education system, starting first and foremost with its inadequate curriculums, and teaching methodologies.

SOLUTIONS:

1. Upgrade Curriculums to Meet International Standards

Instead of reinventing the educational wheel in Egypt, it could simply be realigned with internationally certified curriculums from around the world that act as a reliable benchmark, and reference to update school and university curriculums. Moreover these curriculums should be centered on research, and should be initially created and then revised annually by business representatives, in order to ensure the curriculum is relevant to current local and global events. Furthermore, it would align the capabilities of graduating students, with evolving business demands.

2. Decentralization of Education

Secondly, Mexico and virtually every other country in Latin America in the 1990s, have adopted decentralization policies that were the key driver to success in their education sector (Meade & Gershberg, 2008). Egypt should do the same, by shifting the operational aspects of the schooling systems from the federal government to each governorate. This will enhance the

management of financial resources allocated to education, improve accountability, create localized curriculums that are based on industry and market opportunities found in the governorate, and will ensure quality standards and minimum curriculum requirements are being met.

3. Subsidize Elementary and Middle School

In addition, education funds and subsidies should be predominantly focused on improving primary education, and providing children with greater access to technology. Ensuring that all children attend primary school, is necessary to build a strong educational base that would increase their chances of success at later stages. Subsidies on high-school and universities should be removed, and instead merit based scholarships should be offered to those who can't afford it. Scholarships are to be tied to academic performance and meeting a minimum GPA requirement each semester.

4. Integrate Community and Service Hours

Finally, community and service (CAS) hours should be a core and fundamental aspect of education, starting from elementary school all the way to university, where students can do internships in the public and private sectors, and in NGOs, NPOs and technical schools to learn specific skills. Internships should be offered mostly in flourishing industries and key strategic areas that have high economic growth, offering more job prospects in the future to graduating students. The CAS program which is responsive to market needs, will ensure that students at a young age have accumulated practical experience and skills that better prepare them for the work environment, bridging the occupation-education gap. In addition, it helps students make more informed career choices, and know their interests, strengths and weaknesses at a young age. This will also help in creating a more diverse work force, by fighting false social stigmas that limit success to solely becoming an engineer or a doctor.

B) Proliferation of The Shadow Economy:

The proliferation of the informal sector has for long been a key challenge facing developing countries like Egypt, where the volume of the informal sector lies between 1.2 - 1.5 trillion Egyptian pounds, and the percentage of informal activities is between 40-60% (Abdel-Ghafar, 2016). Therefore the untaxed, unmonitored grey economy in Egypt is two-thirds the size of the formal sector. As a result, state revenues are reduced, the quality and quantity of publicly provided goods and services drop, and ultimately tax is increased in the official sector.

SOLUTIONS:

1. E-Sharing Apps

The growing success of apps in Egypt like Uber, Kareem, Dubizzle, and OLX is a strong indicator that the reluctance of making online transactions is slowly, but steadily melting away (Ahmed, 2016). In addition, it is a clear pointer that the increasing number of Egyptians who have access to smart phones and internet, is not class or income specific. As a result E-sharing could possibly be a plausible solution that would bring light to the shadow economy. In India, apps like *Eduwizards*, and website like *Timesaverz* connect anyone from tutors to plumbers, electricians, maids, cooks, and drivers to customers (The Economist, 2016). These apps have formalized domestic informal jobs, as payments are made online, and income tax is automatically deducted (Rao, 2015) (The Economist, 2016). Similar apps and websites could be developed in Egypt that connect domestic workers to a wider customer base, within the geographic vicinity of their homes, increasing convenience of work, and reducing transportation costs.

In addition, these app companies could provide training for these workers to enhance their skills, and do background security checks on them, to assure quality of service and accountability. Furthermore, it guarantees that the workers' standardized wages would be paid in full, and that they won't be subjected to any form of abuse at work. The salaries are determined on

standardized average wages in the given occupation that increase based on performance ratings made by customers, to build a competitive culture that pushes workers to develop themselves and give their best. This system would surely encourage informal businesses and workers to become formal.

Finally this system or these service apps could be integrated with SMS gateways, where transactions could be made using mobile money. Kenya which is similar to Egypt in terms of having high mobile penetration and relatively low banking penetration, uses M-PESA mobile money transfer program created by Vodafone where 45% of its GDP is going through M-PESA (INSEAD, 2016) (IFPinfo.com, 2015). This successful model which made a huge part of Kenya's informal economy switch to formal, could be replicated by Vodafone in Egypt, as an alternative payment method, that credit card or cash.

III. DEMAND:

A Weak Infrastructure for Innovation and Entrepreneurship

Innovation and Entrepreneurship, is not only a successful path for youth seeking to enter the labour market, but is also recognized in modern economic theories as a key instrumental factor leading to sustainable economic growth, competitiveness, and business success (Szirmai, Naudé, & Goedhuys, 2011). Hence, innovation is a powerful mechanism that would generate and increase demand for labour on a continuous basis.

Currently, in Egypt young entrepreneurs face multiple challenges, where those with innovative ideas lack the technical- and business knowhow to develop their product or service (Abdel-Ghafar, 2016). In addition, funding for projects is mostly limited to traditional sources like banks which usually demand collateral, and three years of financials (Werr, 2015). Finally, start-ups face a bureaucratic system, and ineffective anti-trust laws that don't support new businesses, and protect them from larger companies that try to push out smaller competitors (Abdel-Ghafar, 2016).

SOLUTIONS:

1. Create A Strong National Innovation System

Egypt as developing economy could benefit from Malaysia's experience in innovation and entrepreneurship. The country established a potent national innovation system, which allowed it to release a new product daily, and so each year it has a sum of 360 new products invented, and produced locally (Mustapha & Abdullah, 2004). Thus, Egypt needs a National Innovation System that promotes the development, diffusion, and use of new information and technology among people, enterprises and institutions. Similar to Malaysia, a separate ministry for Innovation, entrepreneurship, and scientific research should be formed, to create an entrepreneurial ecosystem through the establishment of technology parks, linking universities, industries and government bodies to undertake large projects. In addition, the ministry should promote the development of government and private-owned incubators that provide early-stage companies, start-ups and entrepreneurs with business advisory services, mentoring services, access to funds, labs, resources, office space etc. in order to help transform their ideas into an actual commercial product or service. Currently, Egypt only has 10 incubators, each functioning independently from the other (EL-Sayed, 2015). Nonetheless, placing all incubators under the administration of a single entity will eliminate the duplication of resources, and will unify them to work under a single vision towards the strategic goals set for the future by the ministry.

2. Incentivize Innovation

The ministry should set policies that incentivize innovation, through the strengthening and enforcement of intellectual property rights and patent laws, along with antimonopoly and competition laws. Other incentives include increasing R&D expenditure, providing prizes, direct government funding and grants to innovators. Moreover, tax incentives through capital gains tax exemptions, non-refundable tax offsets and other forms of tax breaks should be

placed on innovation related investments, to entice investors to support entrepreneurs at the start-up phase. In terms of fiscal policies, in order to generate new employment opportunities, the government should increase and direct its spending, research, and innovation efforts on enhancing the existing local industries with a comparative advantage, especially those that are capital intensive, before generating new industries from green field sites.

3. Ease The Access to Diversified Fund Sources

In order to encourage and promote non-traditional fund sources like venture capitals, crowd sourcing, angel investors, and private equity, localized version of websites like kickstarter, and apps like Unicorn, that act as a platform connecting entrepreneurs with early-stage investors should be developed (Majewski, 2015). On the other hand, traditional funding sources like banks shouldn't simply act as lenders, but rather as investors and active business partners that share profits and loss with entrepreneurs, and offer them mentorship programs to ensure their success. More specifically, financial institutions in Egypt should invest in emerging Fintech start-up companies through setting up in-house venture capital funds, as well as sponsoring innovation labs, incubator, and accelerator programs (Ahmed, 2016). Efforts like Barclays bank's partnership with lat6Labs in Egypt to form a fintech incubator, and CIB's partnership with AUC to create a fintech accelerator program should be encouraged and implemented on a wider scale (Ahmed, 2016). This will allow the banking industry in Egypt to remain competitive providing more innovative-customer oriented financial solutions that would help entrepreneurs gain easy access to wider sources of finance.

IV CONCLUSION:

"Bread, Freedom, Social justice", is what people in Egypt chanted for in the 2011 revolution. Part of social justice, is providing citizens with equal job opportunities that allow them to earn their daily bread. Therefore, youth

unemployment in Egypt is at this point of time a matter of national security that needs to be dealt with in the utmost urgency. Employment, is a basic economic and social right, and if this right remains stripped away and unrealized by the youth, it is highly likely that a second uprising would occur. To avoid that, the government has already taken a number of positive steps that tackle unemployment specifically, and enhance the welfare of the youth in general. Starting with first of all providing the youth with 1 million affordable housing units, which could be paid in instalments over a 25-30 year period. In addition basic commodities like bread, sugar, rice, oil etc. are subsidised specifically for low income families. Moreover, the health care system has been revamped, and the government has been able to cure 1 million citizen from virus C at a cheap cost, which ensures that Egypt's workforce is healthy and productive. In order to stimulate economic growth, and create more jobs, the government has undertaken massive mega-projects, like the development of Suez Canal, along with land reclamation projects, that aim to inhabit rural areas like the governorate of El Farafra. Finally, this October a three-day youth conference was held to address the problems of the youth including unemployment. Nonetheless, further efforts are needed to solve this problem by focusing on the reformation of the education system, combating the informal economy, and building a strong entrepreneurial eco-system in Egypt.

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