




Creating Private Sector Jobs is the Surest Path to Boosting Shared Prosperity in Egypt

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Egypt has been plagued for many years by low-quality, insecure and unstable jobs but this can be reversed through reforms aimed at vitalizing the private sector, promoting formal employment, and engaging excluded and vulnerable populations. A new World Bank report, *More Jobs, Better Jobs: A Priority for Egypt*, provides insights into the deepening structural problems of the Egyptian labor market and highlights short and long term policy interventions needed to unleash the potential of the private sector to create a large and diverse set of jobs. Egypt's youth need jobs and the private sector has the potential to provide them with good quality and stable employment," said Hartwig Schafer, World Bank Country Director for Egypt, Yemen and Djibouti. "The World Bank Group is committed to supporting Egyptians in improving their livelihood to participate in prosperity and growth." Over the last 15 years, jobs in Egypt have become less and less likely to offer social insurance or a written contract. This type of informal employment has been primarily affecting young people, who have not managed to transition into formal jobs despite dramatically higher levels of educational attainment. The rate of informal employment in Egypt is high by world and regional standards, and the Egyptian labor market has been deformatizing even as the rest of the world trends towards more formal employment arrangements. According to International Labor Organization (ILO) figures, 56 percent of male non-agricultural employment in Egypt is informal, much higher than Turkey, 30 percent, and nearly as high as the Palestinian Territories, 60 percent. The report shows that private sector dynamism is being undercut by the favoritism and privileged position enjoyed by certain firms, diminishing the ability for new firms to compete with existing ones based on merit rather than on connections. "Politically connected firms are particularly likely to work in energy-intensive industries and so take advantage of energy subsidies," said Tara Vishwanath, World Bank Lead Economist for the Poverty Global Practice and Lead Author of the Report. "Among large firms, politically connected firms account for only 11 percent of employment but they receive 92 percent of loans made to large firms. Overall, Egypt suffers from a regulatory framework that inhibits firms from entering and exiting the market, makes it difficult to run a business, and stifles the growth of the private sector." Economic policy reforms can remedy this by creating a level playing field in the private sector. These reforms include strengthening the competition authority, upholding the primacy of rules over regulatory discretion, and promoting accountability and efficiency in the public sector. In addition, the government can ease the stringent laws on bankruptcy, liquidation and restructuring procedures, which will make it less risky for entrepreneurs to open new firms and take risks. In order to make sure these reforms benefit workers as well as firms, the report outlines a three-level approach to the informal jobs dilemma: encourage entrepreneurial firms to formalize, incentivize existing firms to offer formal jobs, and work to provide the benefits of stability to the unorganized and informally employed through unions, non-governmental organizations, and public-private partnerships. By reforming Egypt's economic policies and public services, the government can help to bring better quality jobs to a new generation of educated Egyptians and build a stronger, more resilient labor market for the generations to come. The World Bank's portfolio in Egypt includes 26 projects for a total commitment of US\$5.5 billion. The World Bank finances projects for faster delivery of benefits to the people of Egypt in key sectors including energy, transport, water and sanitation, agriculture and irrigation as well as health and education. The World Bank 1818 H Street, NW DC 20433 Washington USA
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