

Policy Brief **3**

Echoing the Passive Voice: Challenges and Solutions Faced by Women in the Informal Small Business Sector

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Women's empowerment does not depend on appointing them as governors or ministers: it may be achieved by empowering the neediest ones working in the informal sector. According to CAPMAS, 3.3 million females are Heads of Household (HH), representing 14% of families. Improving women's participation in the workforce may, in turn, improve their families' situations. According to CAPMAS, nearly 34% of Egyptian families depend on women for their daily living expenses, with that percentage increasing to 88% for families living in poor areas and slums. 46% of women in the workforce are employed in the informal sector, and 60% are unpaid. In Egypt, the informal economy contributes to about 40% of GDP. However, the entitlement of women's employment is difficult to achieve in the informal sector.

Definition of the problem:

Egypt's informal sector has grown rapidly over the past two decades. This growth can be attributed to several factors. These include the changing role of the informal sector in creating job opportunities for the growing labor force in Egypt in the late 1990s, as well as rigorous government regulations and tax system. It has been argued that jobs in the informal sector are characterized by inadequate wages, lack of sustainability, and poor working conditions.

At the same time, many jobs in the formal sector are characterized by the lack of stability due to the absence of social security coverage and work contracts as employers refuse to offer binding work contracts and complain about the high cost of the social security system.

The Egyptian economy is skewed towards the informal economy. However, according to a recent study, the informal sector is a key contributor to unequal pay since it is difficult to control and monitor.

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Issues with the current policies:

Numerous obstacles hinder the integration of the informal sector into the formal economy and lead to the increasing scope of the informal economy.

1. There is a correlation between tax burden and the size of the informal economy.
2. Labor market regulations increase the scope of the informal economy as such regulations reduce the demand for labor and the take-home pay of workers.
3. Enterprise owners suffer from the redundancy of bureaucratic and governmental procedures at all levels.
4. Currency devaluation and inflation lead to increasing production costs creating incentives for businesses to organize informally in order to eliminate obligations.
5. There are distinctive characteristics of women's entrepreneurship in the informal economy, such as working in highly gendered and clustered sectors.
6. Women prefer to work from or near their homes in order to fulfill their family obligations.
7. Public sector hiring has stagnated as a part of the structural adjustment policies that began in the 1980s.



Policy alternatives:

A. Simplifying rules and procedures, and reducing costs:

- Unify public efforts (Ministry of Investment, Trade and Industry Ministry, and the Taxation Authority) to remove obstacles and provide incentives for new entrants.
- Foster cooperation between government and large companies to support small ones and provide them with technical assistance and support.
- Establish a quota for women in hiring and financing as a short-term solution until long-term goals are achieved.
- Use trade unions and youth centers as vehicles to spread awareness and increase the outreach of the formal sector ideas.
- Provide vocational training to help raise women's capacity, particularly for less educated ones.
- Provide a safe work environment for women especially in industries like textile, and facilitate women's worker mobility.
- Improve the financial inclusion for women.
- Provide linkages between the agriculture sector and industrialized projects, and provide funds to help sustain women's work.

B. Supporting the Informal Sector

Providing enterprises in the informal sector with incentives instead of punishment may enhance their ability to accumulate capital and join the formal sector. This, in turn, will enable wage progression thereby breaking the current low-skill wage trap or informality trap.

- Civil society may develop a strategy to unify efforts between different donors working in the field to support women. This coordination can be achieved through the NCW since they have oversight over the governorates.
- Domestic workers may be granted legal status to protect their rights and eliminate violence against them.
- Provide women with vocational and technical training opportunities to raise their skills and their ability to have their own formal businesses.
- Provide medical and social insurance to workers to protect their rights and provide them with indirect inclusion in the formal sector. This would also provide stable protection to their families and could allow future generation to be included in the informal sector.



Conclusions and Recommendations:

Access to health, education and a decent job should be considered entitlements. Working in the formal sector may improve women's negotiating power to improve their conditions. Protecting women in the informal sector not only impacts their economic situation but also enables social development. This can be advanced by:

- Collecting disaggregated data (OECD) and adopting a performance budget to track the amounts spent on women's programs.
- Coordinating among donors, governmental entities, and governorate leaders to direct funds where they are most needed.
- Setting a hiring quota for women in both the public and the private sectors—a quota is a successful temporary solution for permanent success.

The Public Policy HUB Where Rigour Meets Creativity

The Public Policy HUB is an initiative that was developed at the School of Global Affairs and Public Policy (GAPP) in October 2017. It was designed to fill in the policy research gap. It provides the mechanism by which the good ideas, plausible answers, and meaningful solutions to Egypt's chronic and acute policy dilemmas can be nurtured, discussed, debated, refined, tested and presented to policymakers in a format that is systematic, highly-visible and most likely to have a lasting impact.

The Public Policy HUB provides a processing unit where policy teams are formed on a regular basis, combining experienced policy scholars/mentors with young creative policy analysts, provide them with the needed resources, training, exposure, space, tools, networks, knowledge and contacts, to enable them to come up with sound, rigorous and yet creative policy solutions that have a greater potential to be effectively advocated and communicated to the relevant policy makers and to the general public.

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