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Echoing the passive voice: Women in the informal small business sector: Challenges and solutions

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2018

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Abstract

Local and international organizations, as well as concerned ministries and governmental authorities in Egypt, showed a growing interest in the role of the 'informal sector' over the last two decades. Policymakers perceive informality as a challenge due to its impact on Egypt's economy which is characterized by a large and growing informal sector. On the other hand, individuals and households who work in the informal sector suffer from a lack of sustainability due to the absence of social security coverage, work contracts, and poor work conditions.

This paper, first, examines the concept and the environment of the 'informal sector' and the formal regulatory environment of Egypt, and statistics. Second, it highlights the causes of the expansion of the informal sector in Egypt regarding women's participation and their status in the sector, which are both tackled in regards the workplace, wages, working hours and labor rights, such as social insurance. It then concludes with suggesting suitable regulatory policy to formalize the informal economy in Egypt and encourage female workers, as well as employers, to work formally.

Background of the problem

Economic empowerment is one of the top priorities of women in Egypt. Empowering women is not dependent on appointing them as governors or ministers, rather, it will be achieved by empowering the neediest women working in the informal sector, hence, improving their situation will improve the welfare of their families. Almost 34% of Egyptian families depend on women for their daily living expenses, which increases to 88% of families in the poor areas and slums, according to CAPMAS. 46% of working women are working in the informal sector, 60% of those working percentage are unpaid works (like household jobs done by women without getting paid for it) (CAPMAS, 2017).



Credit: Ami Vitale/ FAO

According to CAPMAS 2017, 3.3 million females are House Hold (HH) which represents 14% of families. In addition, 59.1% of women are illiterate and, usually works in the informal sector.

Defining the Informal Sector

The 'informal sector' has been a controversial subject for policymakers as well as scholars. Debates continue about its defining features and impact on formal economies. This concept was first coined by Keith Hart in 1971 to describe part of the labor force that works outside the formal sector (Abd El-Fattah, 2012). In the same manner, the International Labor Organization defined the informal sector – in its report published in 1993 – as activities, “engaged in the production of goods or services with the objective of generating employment and income to the persons concerned. Operating at a low level of organization, with little or no division between labor and capital and on a small scale. Labor relations are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees” (ILO, 1993).

Generally, the term refers to the significant, “share of economic units and workers that remain outside the world of regulated economic activities and protected employment relationships” (Chen, 2006), it comprises all forms of ‘informal employment’— that is, employment without labor or social protection—both inside and outside informal enterprises, including both self-employment in small unregistered enterprises and wage employment in unprotected jobs.

The definition of Small and Medium Enterprises (SMEs) are Micro ones with 1-5 workers with total capital not exceeding one million L.E. While if it is recently established, the capital should not exceed 50 thousand L.E. Small ones have 5-50 workers and capital between 1-50 million L.E. Furthermore, if it is recently established, the capital should range between 50,000- 1 million L.E, according to the Egyptian law No.15 (2017) for companies.

Accordingly, the informal economy consists of a range of informal enterprises and informal jobs, they could be classified as follows:



Photo credit: Mostafa Darwish

- Self-employment in informal enterprises: workers in small unregistered or unincorporated enterprises, including either employers and, own account operators: this includes heads of family enterprises and single person operators and unpaid family workers.
- Wage employment in informal jobs: workers without worker benefits or social protection who work for formal or informal firms, for households or with no fixed employer, including: employees of informal enterprises, other informal wage workers such as: casual or day laborers, domestic workers, unregistered or undeclared workers, some temporary or part-time workers, and industrial outworkers (also called homeworkers).

Problems within the current policy environment

Numerous obstacles hinder the integration of the informal sector into the formal economy and lead to the increasing scope of the informal economy. These include the high costs and complicated procedures of establishing enterprises, operating and obtaining funding.

The Tax burden is one of the determinants that push individuals into the informal sector – whether it is high-income tax rates or high rates of indirect taxes. There is a relationship between tax burden and the ration of the informal economy to GDP. For example, countries with a lower tax burden (around 35%) like Japan, the U.S., and Switzerland, have an informal economy that hovers around 10% of GDP (Kassem, 2014). In Egypt, the informal economy contributes to about 40% of GDP (Egypt Independent, 2017) due to a tax burden of more than 25% (Kassem, 2014). Governments also need to tackle tax avoidance and put limits on shareholder returns and executive pay (Oxfam report, 2017). To illustrate, countries which impose lower labor regulation like the US and the UK tend to have an informal economy of about 10% of GDP, while countries with intensive regulation (Iceland and Greece, for example), hover around 25 percentage. In Egypt, the regulatory and institutional framework in the formal labor market prevents new entrants from finding jobs or working in the formal sector. (Kassem, 2014).

In the same manner, rigorous 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 (Kassem, 2014).

In addition, enterprises' owners suffer from the redundancy of procedures at all levels as some of the official documents could be required from different governmental agencies more than one time. Enterprises have to obtain approvals from more than one governmental agency and ministries. In 2018, Egypt is ranked 128 in Doing Business report, and it takes 14 days to start a business. This is a remarkable position since most of the Middle Eastern countries took 18.6 days, yet Egypt needs more fast-moving in procedures.

For example, a small coffee shop must have permits from specific departments in the Ministries of Health, Tourism, Internal Trade, and Industry as well as the

District Authority (El Mahdi, 2002) and it is hard to coordinate between those entities. -

Such laws and regulations are time-consuming and expensive; and will eventually lead to diversion to the informal economy. According to El Mahdi, it could take an enterprise close to one year to complete these procedures. Moreover, it is quite costly for a small entrepreneur to cover the expenses of the previous steps (El Mahdi, 2002).

From a macroeconomic perspective, most of the small business works under difficult conditions, especially after the increase of prices and devaluation of the pound which raised the cost of living and the cost of business, has resulted in a tendency for the small business to be informal without any capacity nor hope to expand in the future. According to Assaad and Erntz, 2004, in which they state that the economic situation of the country and the impact of liberalization of the economy have a positive impact on the supply side to push women to work and leave the luxury of staying at home to help in sharing the cost of the family. Furthermore, this can also have a negative impact on women joining the formal sector since there is less demand and an increase supply for job opportunities; it increases the total cost to provide women with facilities like nurseries and leads women to stay in the informal sector (HDR, 2010).



Credit: Women development organization

Concerning Women's side: There are distinctive characteristics of women's entrepreneurship in the informal economy, such as working in highly gender and clustered sectors, and a low tendency to formalize (Bardasi, Sabarwal, & Terrell, 2011). Several reasons drive women to work in the informal sector such as the lack of alternatives, low levels of education, and lack of skills (marketing, feasibility studies, financial knowledge, market needs), access to raw materials, in addition to the cultural norms. Moreover, pliancy in work from home, family care, and life satisfaction with independence and income have pushed women to work in the informal sector. Additionally, other factors could be summarized

in high taxes, low benefits of being formal, and a lack of deficiency in future aspirations (Karki, & Xheneti, 2016).

Another reason could also be society and traditions in some governorates like Damietta, women work is encouraged to take the responsibility while their husband is abroad during the year as noted by Sarah Bossier, the Director of the Zaitouna Center for Women and Child Rights. Women in Damietta works in patisseries, and manufacturing nets for fishing as the area is an industrial one compared to some restrictions in the agricultural regions. Aya, the field supervisor in Alexandria, assumed that the societal impact is the primary constraint against women working in the formal sector. They feel ashamed to work when they have children. Sometimes there is a religious and racial annoyance from the society (prefer Muslim workers or Egyptian over refugees). People tend to prefer what they know instead of trying a new product or encouraging new entrants to the market. Furthermore, men support men (gender discrimination) and deal with them to repay money, compared to a lack of trust in women's ability to remain in the job and repay money. This highlights the World Bank report in 2012, which discussed the need to provide an environment that makes a balance between women's commitment and job duties.

Security: women prefer to stay home or nearby, particularly after the instability and insecurity Egypt witnessed after the revolution and the massive increase in the number of street vendors. This has an impact on increasing the informal sector with women increasing their preferences to have a nearby Kiosk instead of going to a far away, formal setting.

The formal sector (especially the private one) does not provide women with facilities stated in the law, like establishing nurseries for women in the working place. Moreover, married women and mothers find it hard to have a balance between their work and personal life, which needs taking into consideration the main, suitable, flexible conditions to facilitate and enhance female participation. For example, factories in the 10th of Ramadan provide transportation for women from home to factories and back and, it is known that the reputation of girls in those conservative communities is crucial (Mahmoud Kamal, Economic researcher).

Most of the job opportunities are created within the informal sector, so women by default are joining this sector. This is true especially after "The decreasing public hiring opportunities", after the increasing rate of public servants in the public sector and the IMF demand to decrease those numbers. In addition, the increasing requirements to join the public sector and nepotism in some cases leads to hard competition, (Mahmoud Kamal, an Economic researcher in an interview). Despite the fact that the economic reform program's attack on public sector as the largest employer of women will disproportionately affect women, the government is working as part of the program on implementing gender budgeting starting 2018–19 and expanding its expenditure on public nurseries to enhance the ability of women to seek employment. Given the real difficulties that are facing women in the labor market, it is important that these

programs do not end up being a superficial way of crossing “gender inclusion” of the IMF checklist after the female labor force participation rate had dropped since 2013.

According to Ragui Assad and Caroline Krafft (2013), who study the Egyptian labor markets, some areas like Upper Egypt and rural areas where there is little government intervention have the highest private sector participation. Women find it easier to have informal contracts with the private sector, with minimal intervention from the government. Workers in general and women, in particular, find no other better options than the informal economy. There is an increasing need to reach women in the informal sector to join the formal one.

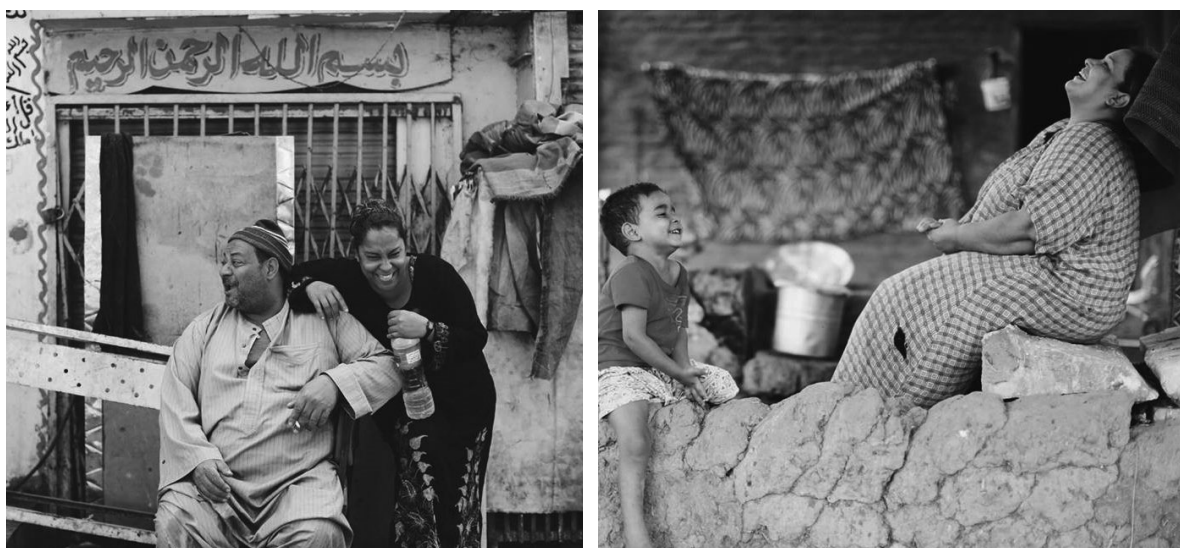


Photo credit: Rana Gamal

Lack of a permanent source of capital: Most of work is self-financed or financed from family members or the people close to the family. This may include some professional people as well as those who lend with higher interest rates. In some financial institutions, funds are directed towards specific nationalities in relation to the funding institutions (for example the Kuwait company fund was directed to the people returning from Kuwait) (Al Masry, 2018). Access to credit has difficult conditions, too, as banks provide them with only 30 thousand L.E.–which is too low for projects– and the bank requires many documents like the Tax and the Commercial register. Women lead 23% of SMEs, 45% of loans are directed to women, while the average amount of loans directed to women are less compared to the ones directed to men (IFC, 2011)

The majority of women are illiterate, and some industries are not funded like poultry –which is common in the rural areas–. Women need warrantor. Banks do not fund the eldest (65 years and above) and impose higher interest rates since there is a higher risk to lend to these projects (Yousra Hussien, Alexandria Bank). Here you end up with increasing fears to ask for loans as women doubt their ability to pay back. (as Aya Abou El Kheir, Field supervisor said) This fear is being targeted now by the government through a financial inclusion initiative, which is expected to raise for some women who have bank accounts from 9%

to 18% by 2030. More initiatives directed toward financing women will be mentioned later.

Women's work related to handmade products from home using online tools and are not registered as well, though is growing with the advent of the internet. Therefore, this is an indication that most of recent online jobs needs a different way of thinking about how regulation will work and how fast they are growing in Egyptian society.

Measuring the Informal Sector in Egypt

The Egyptian informal sector has grown fast over the last two decades. This growth can be attributed, firstly, to the changing role of the informal sector in creating job opportunities for the growing labor force in Egypt in the late 90s (El Mahdi, 2000). Secondly, this is also due to the rigorous government regulations and tax system (Abd El-Fattah, 2012). Nevertheless, it is argued that jobs provided in this sector are not decent enough regarding wage, sustainability, and work conditions. On the other hand, many jobs in the formal sector are characterized by a 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 (Nassar, 2011).

The Egyptian economy is twisted towards the informal economy. That is one of the most vital sectors creating job opportunities, which is why women join this sector since it is the vital source of creating job opportunities. Small projects manage to have the best optimization of the opportunity cost compared to large ones as they are more dynamic and increase vastly between women. It unleashed the initiative and incentive among women.

According to a study published in 2000 by Mokhtar & Wahba – which measured the degree of informality in the Egyptian economy – it was revealed that that new entrants to the labor market in the 90s had been drawn into the informal employment (El Shamy 2015). Another study by Schneider in 2002 investigated 110 countries and found that the percentage of employment in the informal economy in Egypt reached 35.1 for the years 1999/2000. The ILO, later, argued that the percentage of employment in the Egyptian informal economy in non-agricultural activities increases to 51.2% in 2011.

Second: ILO Recommendation 204 for Formalizing the Informal Sector:

In June 2015, The International Labor Organization agreed on several guidelines concerning the formalization of the informal sector, which became known as recommendation 204. This ensures that there are mutual benefits among governments, workers, and employers so that a convenient consensus can be reached:

- The variation of needs and characteristics of the workers and economic units of the informal sector should be tackled through various well-designed approaches. This is a mean to avoid the “one size fits all” strategies.

- The legislative framework, various policies, and national priorities concerning the transition to the formal sector.
- The necessity for coherence and coordination across the policies.
- The reinforcement of the rights of all those who work in the informal sector, in addition to applying decent work conditions. Also included is the need to balance between the incentives and sanctions to avoid transition to the informal sector.
- ***The enhancement of gender equality. Besides, this includes*** the prerequisite to care about the people who are vulnerable to serious work deficits in the informal economy such as females, older people, migrants, people with disabilities, etc.
- The expansion and promotion of the workers' capacities and skills with particular focus on the entrepreneurial potential.

Third: international Best Practices in formalizing the informal sector

Various successful experiences followed distinctive guidelines and tools to formalize the informal sector.

1) African experience:

There are some guidelines and steps learned from African countries that may help in the transition to the formal sector: (LO/FTF Council, August 2015)

- Determine the targeted group of the informal sector and diagnose their problems
- Explicate the services that could be presented
- Launch awareness campaigns
- Assist the workers to be organized and build their capacity in negotiation
- Market the positive stories to attract more members through highlighting their benefits
- Advocate and organize a social dialogue with the government and the employers to ensure decent work conditions for the workers. The Trades Union Congress (Ghana) had remarkable efforts in educating and organizing the informal economy members. Additionally, it had essential endeavors in the international and national dialogue on formalizing the informal sector. Moreover, it researched the process of formalization with a concentration on the trade union's perspectives. The TUC (Ghana) attempted to reinforce the state competency to get rid of the bureaucratic obstacles. On the other hand, The Ghana Employers' Association (GEA) helped in reaching agreements between the workers and the local governments on issues such as taxation, registration, and certification. The GEA and the TUC coordinated in initiating a project that seeks to advocate the formalization of the informal sector. (LO/FTF Council, August 2015)

2) Kumasi Informal Bakers' Association Case:

KIBA has about 280 females in their membership out of 300 individuals. This association was established in 1981 during the Asian economic crisis. The association is now responsible for representing its members and negotiating with the government on their behalf. KIBA has followed some principles to formalize the activities of its members: (King, Braimah, & Brown, 2015)

- Organizational Capacity
- Legality and Regulation: KIBA has worked to strengthen the regulatory environment for members and their relations with the local government. Bakers operate legally in the municipals, and the local authority regulates their daily activities. KIBA works as a mediator between its members and the government.
- Bakers' Assets as Collateral for Bank Loans: KIBA acts as a guarantor for members who need to get a loan because it has assets in the form of group savings of the members. Also, bakers have fixed locations and some assets which qualify them to get loans from the formal institutions and banks.
- Tax Obligations: The association provided training for its members concerning the importance of paying taxes. Furthermore, KIBA imposes sanctions on those who are not committed to tax payment.

3) Sierra Leone experience:

The Sierra Leone Labor Congress (SLLC) has organized the workers of the Informal Economy (IE) to protect their rights and to enforce their voice. The SLLC helped in registering ten trade unions of the IE workers with 279,856 members out of 2 million. The unions were working in several fields such as agriculture, trade, entertainment, etc. Sierra Leone adopted a significant strategy to assist in the formalization process. The key components of this strategy are as following: (LO/FTF Council, August 2015)

- Recruitment campaigns: The trade unions were registered and formalized with the help of SLLC
- Social protection: Ensuring social security for the workers of the IE
- Fund: The IE members borrowed some money from various sources to either start or preserve their businesses or enterprises. The workers' registration of the IE unions, the government and the banks provided low-interest loans to the operators of the IE through their organizations.
- Representation and social dialogue: The SLLC advocated for developing the workplace conditions and the other issues that maximize the benefits of the IE workers.
- Training and Capacity Building: Various workshops and training sessions were provided to the IE works.

4) India's experience

Implementing self-targeted public works programs similar to those supported by the National Rural Employment Guarantee Act (NREGA) in India is known as the "Informal sector minimum wage." This law guaranteed at least 100 days of waged work to every rural household whose adult members volunteer to do unskilled manual work with a guaranteed minimum wage to both men and women. If work was not provided within 15 days of application, applicants are entitled to an unemployment allowance, which ensures the legal entitlement. This program enhanced livelihood security in rural areas, built rural infrastructure (e.g., roads, canals, ponds, and wells), protected the environment, reduced rural-urban migration (by creating rural employment), empowered women and closed the gender pay gap in rural areas (El Hadad, 2018).

5) Latin American Experience:

Adopting only minor reforms in the formalization process might not always get the favorable outcome. In Peru, there was no considerable change in the formalization process after the simplification of obtaining a license. Furthermore, starting campaigns for the simplification of the registration process in the international experience did not lead to successful reform in the informal sector. This means that significant reform strides should be applied which may lead to substantial impact. On the other hand, in Mexico, it decreased the number of days needed to start a small business from 30.1 to 1.4. This reform resulted in raising the percentage of the registered enterprises by 5% (Beegle, Benjamin, & Recanatini, 2014).

In conclusion, merging is not achieved by orders and force; it is achieved by reforming the whole process.

Stakeholders analysis:

1) Women: assuming that all women share the circumstances is not precise, as we consider them isolated from other factors as they have different needs, yet, share the same challenges. We need to take into consideration the organizational and context analysis to determine the different circumstances.

2) The society: Norms and traditions differ from one society to another. Although it is hard to measure, empowering women cannot be achieved without the unification of all the actors surrounding them. This includes family members' support, as well.

3) The governmental entities: concerning ministries, Small and Medium Enterprises Development Agency, the national council for women, 16 public incubation (14 out of them in Cairo), and the central bank and other banks to provide them with funds with a small interest rate. (Seleem, 2018)

4) The National Council for women is the entity responsible for empowering women and developing women's status through advising policies and regulations, advocacy for the change of policies and regulations (Morsy, 2018). In addition to, campaigns and awareness workshops will improve the status of women it links and coordinates among stakeholders. It has branches in different governorates of Egypt which ensures the expansion and decentralized options for women throughout the country.

- Other banks in the banking sector (39 with almost 3320 branches all over the country) can help in improving access to credit and to directing credit more to women. (Al Masry, 2018). An example is the NCW and the Agriculture Bank initiative called “Bent Mesr” to support female HH, especially in rural areas, with loans (1000-25000) and the possibility of collateral guarantee.

5) NGOs: many local and international donors work to boost the economic situation of women. Although they number almost 15 thousand, for example, the German Agency for Development, Alexandria Business Men (ABA), the Canadian Egyptian Program for International Development, JICA, UNIDO USAID, and GIZ, are among the top performers in this category. However, they are oftentimes characterized by their weak ability to provide huge funds compared to banks. (Al Masry, 2018). Some, still consider these international donors under the public institutions as they are regulated under the Ministry of International Cooperation. (Seleem, 2018)

6) Private sector: Corporate social responsibility from some institutions like the Sawiris one to develop the situation of women.

7) Specialized councils, like the National Council for human rights and the National Council for Motherhood and Children. (Morsy, 2018).

8) Media: awareness and the society are the main pillars, the target campaigns should be simplified to ensure reaching out to many women and the neediest ones.

Challenges:

There might be a conflict of interests. Since there are different stakeholders and each stakeholder has its primary goal which differ from the other. We can conclude them in the following points, that:

1. Some women prefer a stable, public job even when they are provided with technical assistance and vocational training. So, there might be a rejection of women’s working in this sector to adapt to a new system or search for another opportunity. (Maie El Abd, Senior Researcher)

2. Two entities find the informal sector as a source of profits, for example Ministry of Finance found it a source to allocate taxation, which is not correct since most of the income generated by these firms is self-financed by the owners by transferring the savings of owners into a source of income. The other entity is the banking sector to attract more customers. Yet, the informal sector plays the same role as the banking sector since it transfers the savings of small investors to projects immediately without the need to credit, unless in the case of expansion. Therefore, there is a need to move towards a developmental approach instead of making use of the one we are using (El Mahdy, 2018)

3. A majority of women joining the consultancy and training programs care about having a source of income, rather than having a sustainable one, as Abou El Kheir, field supervisor said. Difficulty to follow up with women and to convince them to participate. Women may waste the financial resources

they have on the marriage costs because they are impatient in learning and waiting for the project to develop. Aya argued that most women do not trust the fund given from NGOs to their projects and teach them these skills. They fear learning nothing from provided trainings. Besides, the criteria of women's selection from institutions do not target the neediest. The easy reached ones without a clear way of selection, still leaving them vulnerable.

4. Although with exerted effort, the aim of most of the governmental institutions is to improve the situation of the small business sector without a specific focus on the female side of the sector.

5. The government may prefer to leave the market for large companies instead of the small ones since they are easily tracked and regulated and, pay higher taxes so that they have a direct impact on society.

6. Some women do not believe in the ability of the government to help them. This may be explained because of the previous experience in similar projects. Second, they fear the government as their final purpose is to monitor for payment. This was the case in Damietta, for example, as Bossier, said. "Women and we as NGOs do no longer trust the government when addressing women empowerment issues."

7. Most of the assistance of the small projects is directed towards educated youth who have access to adequate capital, ending up benefiting the highly educated people who have experience in the business sector and with higher access to capital. These conditions prevent reaching out to women and leading them to reducing their opportunity to benefit from the assistance. (Al Masry, 2018)

8. The slow pace of the government entities to change and adopt effective regulations. This is accompanied by the slow pace of changing the cultural constraints in the society. This is hard to adapt to the dynamic and flexible nature of the informal sector, which requires a quick response.



III. The significance of the problem:

What is missing in the informal sector to encourage women joining the formal one? (Opportunities)

- 1) Some women after forty, tend to leave the informal sector, as they started working during their early years and now having medical issues, improved social status, expansion in the work where they became supervisor, or the inability of the project to survive). This is an important criterion the future of women and how they can adopt without medical and social insurance. They become unable to have access to a fixed source of income.
- 2) The dangerous, unsafe working environment, as sometimes women work in dangerous jobs without insurance coverage nor safety standards. Those entities are not regulated so they are not abiding by the labor law. Women will be vulnerable to physiological/ physical violence.
- 3) Due to some constraints imposed by men, men refuse to provide women with the required raw materials, which will lead to increased operating cost. This will impact marketing, raising prices and the high rental rates for some expositions (Abu El kheir).

The Coptic Evangelical Association for Social Services' created an initiative to study the situation of women in the informal sector, as women the most fragile actor within the sector. The study found that usually, men work in most of the highest income jobs, whether as informal labor within official institutions or as a part of informal projects. In contrast, women's activities are confined to jobs with lower incomes within the sector, particularly the service sector, such as housework or low-wage factories services, or as workers in the informal institutions (CDB, 2016).

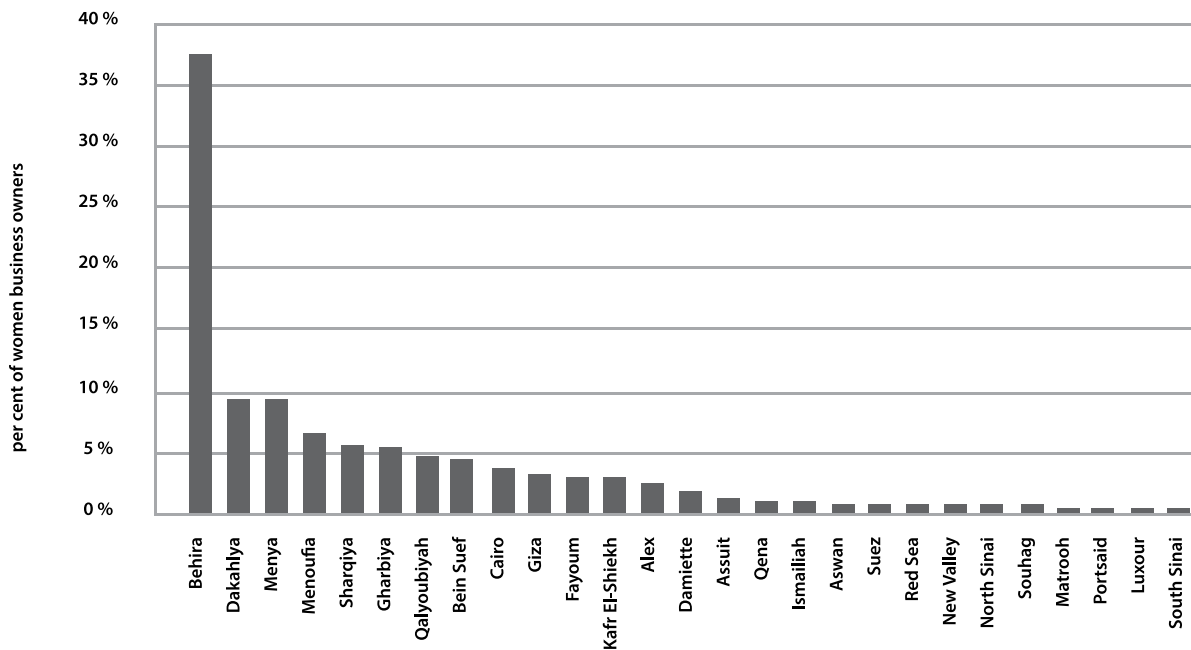
The Labor Force Sample Survey (LFSS) measured informal employment – defined here as the number of private sector workers employed outside establishments (including agriculture) – to have employed 10.8 million workers in 2008, representing 48.1 of total employment. The survey estimated that 20% of informal employment was among females, representing 48% of total female employment (Nassar, 2011).

A more recent study - covering Cairo, Giza, Qalubiya, Beni-Suef, and Minya - revealed that more than 70% of women in the informal sector have started working after 2010, of which 32.5% have started after January 2014. This indicates the sustainability of the informal work and stability of it for women. Regarding the status of workers, it found that around 63% of women are sustainably working in the informal sector, while 30% of women are hired on a temporary basis. Upper Egypt governorates witnessed an increase in the temporary employment compared to the Greater Cairo area. Further investigation showed that 60% of the employed women at the sector are either working in workshops or factories and by lower rates on farms, housework or business owners (CDB, 2016). The workplace and working hours were also under focus, stating that 43% of the working women work at a registered entity, while 26% do not know whether the

entity is registered or not, and 33% work at unregistered entities. Furthermore, 59% of women work more than 8 hours per day; this was noticed more in Cairo and Giza than other provinces (CDB, 2016).

The study by the Cairo Center for Development Benchmarking also addressed labor rights; indicating that out of fear that they would be fired if they asked for their insurance from the employer, 75% of informally working women do not have access to any insurance system. In some cases, women refuse to participate in insurance as they do not want any deduction from their current salary for future benefits. Other reasons for disengaging in any insurance system include lack of awareness regarding labor rights as well as lack of knowledge concerning necessary procedures. Concerning wages, the maximum monthly wage recorded in the informal sector is around 860 Egyptian pounds in Cairo and Giza, whereas the lowest monthly wage is estimated to be 470 pounds in Beni-Suef (CDB, 2016).

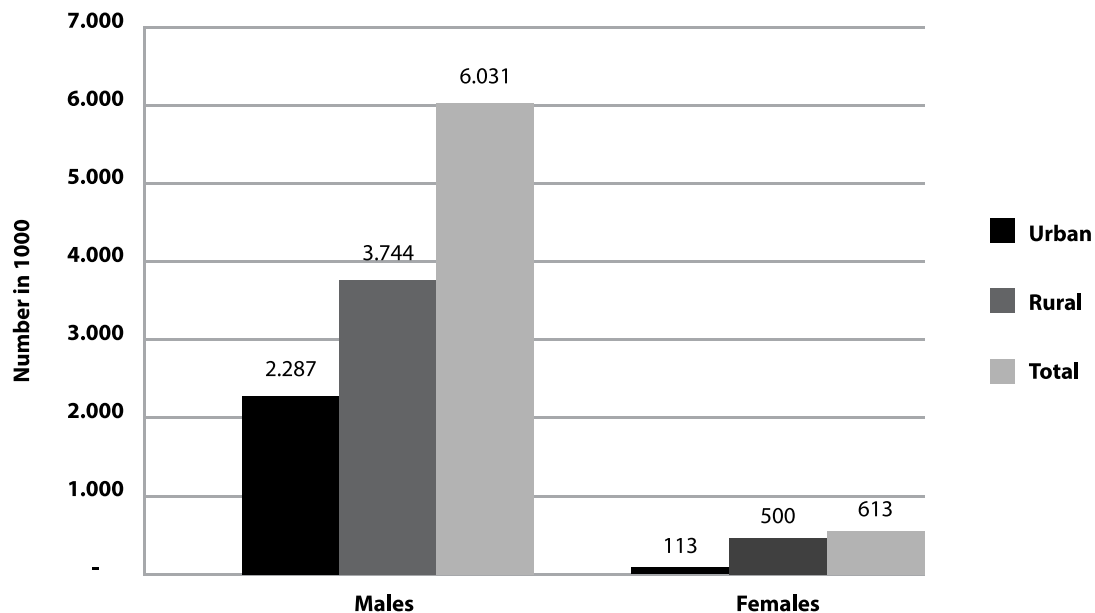
Geographic distribution of women business owners by governorates:



Source: Women’s entrepreneurship development assistance, ILO, 2016

IV. Problem Statement:

The increasing number of women in the informal sector and avoidance to join the formal one is considered the main problem. There are 26.3% Female household under the poverty line. The unemployment rate for women is 24%. The gender gap increased (from 29% to 56%) (Mahfouz, 2018.) According to a recent study by El Hadad, the informal sector is the main reason behind the unequal pay since it is hard to control and monitor, responding to market power without the imposed increased annual percentage by the government (2018).



Source: Women’s entrepreneurship development assistance, ILO, 2016

Previous policies:

**From a legislative perspective, there has been recent legislative reform, through issuing and modifying different laws like the new companies’ law which encourages establishing an individual company” the “One-person company” law, with many facilities to help the individual. The new investment law which emphasizes on empowering women and neutral policies towards women and men in providing lands and starting a business.

**The new taxation laws, the government tries to encourage the effort of formalization through the tax exemptions for five years for the people who register as president Sisi declared during an interview in 2018. Although those taxation reforms were adopted since the adoption of VAT in 2017, the recent announcement of this represents the political will.

**The launch of the second phase of Mastoura Loans to finance women micro projects. – under the ministry of social solidarity and the president SISI, The Minister of Social Solidarity and the Bank Nasser Social Bank has received LE 100 million from the TahiaMisr (Long Live Egypt)

*Fund to support “Mastoura” loan project, with almost 250 million L.E. The

project provides micro-finance to Egyptian women, and higher capacity to create income to raise the standard of living of their families. The first phase of the project financed 6,483 projects, worth more than LE 97.5 million. The projects varied between commercial, industrial and service projects. The amount of the loan for Mastoura project ranges from LE 4,000 to LE 20,000, for women who can work but have no fixed income. The loan is granted as a project and not cash (Egypt today, 2018).

* Ministry of Trade and industry has “industry strategy for 2020” to develop and increase the productivity of the SMEs sector. The strategy tries to solve central problems facing this sector like lack of training and inability to access credit. It is claimed that there were not a clear steps to practically to achieve this strategy (Seleem, 2018)

*The Small and Medium Enterprises Development Agency: (The Social development fund before), providing incentives to join the formal sector besides helping in the establishment phase.

*AMAN certificates issued by Egyptian national banks, 500-2500/person to provide social insurance for part-time workers in the informal sector. It lasts for three years and automatically renews once more with an interest rate (16% annually) after deducting the monthly insurance installments (4- 20 L.E)

*The increasing number of policies and stakeholders involved represents the tremendous political will to develop and enhance the economic status of Egyptian women. There is some deterrence from executives in middle positions to implement policies. Yet, this includes a political will in favor of women’s empowerment.

The goals and objectives:

The SDGs tackles 4 pillars to improve the situation of women, including economic empowerment, a social one, and legal protection. Those pillars are hard to achieve with the tight and inflexible economic conditions in the informal sector. The SDGs for 2030 includes eliminating the gender gap, eliminating the percentage of the population under the poverty line, fighting unemployment and eliminate the percentage of female household under the poverty line. (Morsy, 2018). Empowering women and the disclosure of the unpaid housework is also included. The national strategy of Egyptian women targets the marginalized women through economic empowerment; the target is to eliminate Female HH under the poverty line from 26.3% to reach 9% in 2030. Also, increasing the percentage of women in labor force from 24.2% in 2015, to 35% by 2030 (NWC, 2018), this indicates the need to work in the informal sector. This will impact the society and their family.

Economic empowerment includes equal opportunity for women, which is hard to achieve with this increasing percentage of women’s participation in the informal sector. The SDGs include the responsiveness towards women basic needs in the poor rural areas, which is most of the informal sector focused (policy

alternatives, 2018). It is expected that by increasing the number of women the same as men in the society will lead to increasing the GDP of Egypt by 34 % (DeAnne et al., 2012)

Encouraging business owners, men and women, to register in the formal sector, in addition to women having their own projects to gain benefits and combat threats in the informal sector will lead to: A sustainable source of income and health insurance.

- A need to reach the SDG target of gender equality. Improving women's situation leads to a decrease in the poverty and unemployment rates that will lead to providing the basic women's needs and families ones. According to Sen's approach to development, empowerment means freedom and impact on the family and the society.
- Increasing the income leads to increasing the productivity and less unemployment especially for women. This will lead to decrease female dependency rates, especially as 2030 strategy includes SMEs as a source for women empowerment.



Policy alternatives:

1. Simplifying the rules and procedures and reducing costs:

1. This depends not only on the investment sector, but also is related to the tax authority, and social security to emphasize on protecting the workers' rights.
2. Encouraging repaying the debt for women who defaulted with grace period facilities.
3. The cooperation between the government and large companies to help in encouraging small ones and providing them with technical assistance and support through sharing capital.
4. Have a clear M&E for the progress of the small business projects.
5. Unification of organizations against gender discrimination efforts (especially

the ones keen about the “Entrepreneurship.”) to help in supporting women’s engagement in the business sector.

6. Trade unions and youth centers to spread the awareness and increase the outreach of the formal sector ideas.

7. Developing the mechanism of information about the business and awareness to help in connecting opportunities and needs. Furthermore, simplify the procedures and dispute settlement to facilitate exit from the market.

8. Providing vocational training to help in raising women’s capacity, particularly to the less educated one to enhance their abilities.

9. Working on financial inclusion of women, the core of financial inclusion of Egypt is in women. This have an impact on their families and the society.

10. Developing the situation of women in the agricultural sector through linking with industrialized projects and providing funds to help to sustain women’s work.

11. Improving the situation of the Nile stock exchange market which aims at encouraging small business’s financial and quality status. In return, those companies will have access to long-term funds. This can be achieved through the proper way of announcing the ways of joining and the benefits resulted from joining. Also, there may be preferential treatment for women to encourage joining. This positive discrimination for women aims to avoid the unintended consequences of the gender-neutral policies.

12. Simplifying the procedures in the taxes (there was a grace period for the VAT which is a good step done by the government directed towards attracting small business to join the taxing system). The need to give incentives to small companies to join the formal sector.

13. Coordination between different entities working in the business sector and elimination of any inconsistency among them.

14. Provide a safe working environment for women (like building houses near factories) especially in industries like textile and facilitate mobility.

2. Supporting the Informal Sector

El Mahdi, 2018, preferred to leave the informal sector and provide opportunities instead of the increasing pressure on formalizing. This informal sector managed to have an independent source of income instead of waiting for the government’s assistance. So, by removing this burden on the government’s shoulder, it is preferred that the government remove the burden. Assisting the informal sector with a set of incentives instead of punishing, may enhance the ability to accumulate capital and expand, then join the formal sector. This, in turn, will enable wage progression thereby breaking the current low skill-low wage trap inertia or informality trap.

Taking into consideration the new law No. (92), 2018, which deals with rationalizing and encouraging food-carts by forcing them to pay maximum amount of 5000 L.E, this may raise the fees instead of providing with incentives. Adding to that the fact of exempting them from paying taxes on profits for three years, the procedure should have a set of incentives and costs to encourage people join the formal sector. Especially since there is was no determination of the size, capital and type of activity of those units in the law. This may cause more costs and restrictions instead of helping those small carts business.

- The need to expand collateral funding.
- Having an administrative entity to target and help informal entities joining the formal sector.
- The collaboration between the government policies and the civil society (represented by the NGOs and trade unions) to work as a linkage between policymakers and the people to develop a stable, healthy environment for them and to secure their rights. This will, as well help them in their search for new workers (especially in the industries which need specialized ones).
- The civil society needs to develop a strategy to unify the efforts between different donors working in the field to target women. This coordination can be achieved through the NCW since they expand across governorates.
- Provide technical assistance about marketing mechanism to ensure the sustainability of the projects.
- Providing flexible working conditions to protect women's rights in the informal sector.
- Regulating the domestic workers to protect rights and eliminate the violent actions against them.
- Providing women with vocational and technical training opportunities to raise the skills and ability to have their own formal business.
- The inclusion of the workers through medical and social insurance, to protect their rights and provide a way of indirect inclusion and their activities in the formal sector. This will lead as well to provide stable protection to their families and may prevent future generation to be included in the informal sector.
- Spread of technical assistance to different areas in Egypt to ensure that most of the women can access them. They can work with different government entities (local development, social solidarity, and the civil society)
- The contribution of members of parliament and, trade unions to provide a clear image of the type of training and how to access the needy women.
- Data should be collected in consultation with workers and employers.

Stakeholders should collect, analyze, and disseminate data about age, sex, workplace, etc. to identify the size and characteristics of the informal sector.

Conclusions and Recommendations:

Being formalized gives women a negotiation power and association to help her protect her conditions directly. Access to health, education and a job with a decent environment should be considered as an entitlement, for women to raise their voice louder for all of society. We cannot plan for a better future while forgetting half of the society in unbearable work conditions. Protecting women in the informal sector does not only impact the economic situation but also protects against the social development and health conditions. Women have been preferred to work and raise the family even under the austerity-economic situation, so they understand best practices for spending money. The percentage of Arab women participation in labor force (25-54 years) is little compared to men, 63% for women compared to 94% for men. Access to credit and access to internet services is only 55% women and 60% for men. This all leads to high income inequality in the world, 30% is justified within the same family. The loss on the society because of income inequality is almost 160 trillion dollars (according to the World Bank and other entities study). The society will benefit 14% increase in human capital and GDP annually.

This can be achieved through:

- Focusing on training and education. The enhancing of women's high self-esteem to fight for their work in front of the society and overcome obstacles. This must be accompanied by physiological treatment to mitigate any adverse impacts on themselves.

The need to have a dis-aggregated data (OECD) and, adopting a performance budget to track the funds spent on women's programs. The data includes expenses and returns. Besides, programs focusing on local development. The coordination between different donors and governmental entities with people who are residents in the governorate (like members of parliament) or the trusted/famous/reliable people in villages. This will help in directing those funds towards the needy ones.

- The need to have a quota for the hiring of women in both the public and the private sector. A quota is a successful, temporary solution for permanent success.

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List of interviews

were conducted by the researcher over the phone, during (February, March 2018). The interviews try to have comprehensive opinions (officials, academics and NGOs)

- Abu El-Kher, Aya, Field Supervisor at NGO.
- Bossier, Sarah, the Director of the Zaitouna Center for Women and Child Rights.
- El Abd, Maie, Senior Economic researcher at General Authority for Investment,
- El-Mahdy, Alia, Professor of Economics, Faculty of Economics and Political Sciences, Cairo University, Ex-Dean of Faculty of Economics and Political Sciences.
- Hussien, Yousra, Associate credit risk analyst, Alexandria Bank.
- Kamal, Mahmoud, Senior Economic researcher.



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