EMPLOYMENT PAPER
2002/5

Series on the Informal Economy

Towards Decent Work in the Informal Sector: The Case of Egypt

---

Alia El Mahdi

Employment Sector
International Labour Office Geneva

Copyright © International Labour Organization 2002
First published 2002

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the Publications Bureau (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court Road, London W1T 4LP [Fax: (+44) (0)20 7631 5500; e-mail: cla@cla.co.uk], in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 [Fax: (+1) (978) 750 4470; e-mail: info@copyright.com] or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

ILO
Towards Decent Work in the Informal Sector: The Case of Egypt
Geneva, International Labour Office, 2002

ISBN 92-2-113204-8

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org

Visit our website: www.ilo.org/publns

Printed in Switzerland

Foreword

This report is one of a series of papers that were commissioned under the auspices of the ILO Inter-Sectoral Task Force on the Informal Economy in preparation for the general discussion on the informal economy at the 90th International Labour Conference (ILC) in Geneva in June 2002. The papers in this series include studies of regional trends, selected country level studies and thematic investigations at the global level. Most of them seek to identify new trends and patterns that have emerged over the last several years and to go into more depth regarding the factors underlying the continuing growth of the informal economy, not only in developing countries, but also in advanced countries and countries undergoing transition. Particular attention has been paid to the impact of globalization, liberalization, privatisation, migration, industrial reorganization and macro-economic policies prompting these trends.

The present paper, "Towards Decent Work in the Informal Sector: The Case of Egypt", has been prepared by Alia El Mahdi, Cairo University. It focuses on two dimensions of informality which define the informal sector in Egypt: micro and small enterprises, and informal employment within formal sector enterprises (public and private). The author finds significant gender differences in both the formal and informal sector. Women have especially high rate of unemployment compared to men, face open discrimination in hiring in the private sector, and contribute (along with children) as unpaid family workers in over a fifth of the micro and small businesses. The author goes on to discuss various programmes and policies that have been tried over the years with varying degrees of success. Still, the vast majority of entrepreneurs and workers in the informal economy do not have access to credit, social security, health insurance or training.

The reader will observe that nearly all of the papers in this series attempt to tackle the problem of conceptualising the informal sector. The development of a conceptual framework for the International Labour Conference report was carried out at the same time as the production and finalization of the papers included in this series. As such it was not possible to agree in advance upon a single concept for use by the authors of these papers.

This paper was prepared under the supervision of Andrea Singh, International Focus Programme on Boosting Employment through Small Enterprise Development (IFP/SEED). It has been funded under the IFP/SEED Programme.

Table of Contents

Foreword iii

List of Abreviations vi

1. Introduction 1

2. The surrounding legal, institutional and economic setting 2

3. Concepts and methodology 5

4. Characteristics of the informal unit 6

5. Characteristics of the informal workers 15

6. Linkages, skill formation and globalization 22

7. Action by the government and the social partners 23

8. Conclusions and policy recommendations 31

Bibliography 34

List of Abbreviations

ABA	:	Alexandria Businessmen Association
BA	:	Businessmen Association
CDP	:	Community Development Program
CGC	:	The Credit Guarantee Corporation
ELMS98	:	Egyptian Labor Market Survey 98
ERSAP	:	Economic Reform and Structural Adjustment Program
EU	:	Economic Unit
GC	:	Greater Cairo
GDP	:	Gross Domestic Product
HCCR	:	The Healthcare Cost Recovery
HH	:	Household
HRDP	:	Human Resources Development Program
ILO	:	International Labour Organization
LDF	:	Local Development Fund
LF	:	Labour Force
MLA	:	Ministry of Local Administration
MOEFT	:	The Ministry of Economy and Foreign Trade
MOSA	:	Ministry of Social Affairs
MSE	:	Micro and Small Enterprises
NAWW	:	Non Agricultural Wage Worker
NBD	:	National Bank for Development
NGO	:	Non-governmental organization
ORDEV	:	The Organization for the Reconstruction and Development of the Egyptian Village
PFS	:	Productive Families Scheme
PS	:	Public Sector
Q	:	Questionnaire
SE/E	:	Self-employed/Employer
SEDO	:	Small Enterprise Development Organization
SFD	:	Social Fund for Development
SOE	:	State Owned Enterprises
SS	:	Social security
SSE	:	Small Scale Enterprise
UER	:	Unemployment rate
UN	:	United Nations
UNFPA	:	United Nations Population Fund
UNICEF	:	United Nations Children's Fund
USAID	:	United States Agency for International Development

1. Introduction[1]

Interest in the role of the informal sector by different local and international organizations as well as concerned ministries and NGOs has started to be more intensive and regular since the mid 1990s.

The definitions of the sector differ among researchers. In this paper the author refers to the informal sector as that which includes enterprises that do not abide by the operating rules and regulations on a formal basis, such as acquiring a business license, commercial/industrial registration or maintaining regular account books. If the enterprise does not comply with one or more of these conditions, it is considered an informal unit.

The reasons for this concern are numerous, but the most important is the fact that the majority of micro and small enterprises (MSEs) are informal. Recent data indicate that 82 per cent of MSEs in Egypt are informal enterprises.[2] Therefore, when we talk about MSEs, we are usually referring at the same time to informal enterprises. In the case of Egypt the boundaries between the two terms – MSEs and informal enterprises – are thus blurred.

Another important factor characterizing this huge sector is the structural transformation taking place in the Egyptian economy, which is especially reflected in the labour market.

The essence of the change is that both government and state-owned enterprises (SOE), which we will refer to as the Public Sector, have started to relinquish their role in the area of employment generation. This issue would have been of minor importance if the PS's role were limited to offering job opportunities during the last decades. But Egypt is an example of a country where the PS was responsible for providing more than one third of total employment opportunities and more than half of non-agricultural paid employment since the early sixties.

Since the promulgation of Law 14 in 1964 (amended by Law 85 in 1973), the state has assumed responsibility for hiring all university as well as secondary school graduates within two and three years, respectively, after graduation, in government offices (local or central) or in SOE.

This system of hiring ceased in 1978 in order to reduce pressure on companies due to excess workers. However, the PS (especially the government) remained the main employer until the beginning of the 1990s (59 per cent of paid workers were PS employees), when implementation of the Economic Reform and Structural Adjustment Program (ERSAP) began. One of the main fiscal policy decisions was to reduce the wage bill in order to help cut the budget deficit. This policy meant declining employment and wage growth rates in the PS. The new graduates had to seek more job opportunities in the private sector.

A third reason for the importance of the informal sector is its ability to generate sustainable growth in employment at a relatively low cost per job created. In addition,

[1] Special thanks are due to Mr. Anwar Abdel Aal for his assistance during the preparation of this report, especially in compiling information about the different major support providers to informal enterprises.

[2] This percentage is the same as the percentage of informal enterprises to total small private sector enterprises in 1988.

informal enterprises have succeeded over time in making use of the accumulated small savings and turning them into productive investments.

For all the previous reasons as well as other factors related to work conditions, institutional setting, and the social, health and safety environment in which enterprises function, a genuine concern was henceforth translated into action programmes to provide support to the sector.

This paper aims at offering a detailed description and analysis of the informal sector in Egypt towards the end of the 1990s. The paper includes six main topics that together give an idea of the features of the sector, the key players and their programmes which target the informal/MSEs:

1. The surrounding institutional setting;
2. Concepts and methodology;
3. Characteristics of informal enterprises;
4. Characteristics of informal workers;
5. Linkages, skill formation and globalization;
6. The role of social partners in providing support.

2. The surrounding legal, institutional and economic setting

Three main factors contribute to the emergence and development of the informal sector in Egypt, namely, that (1) the right to work is a basic necessity for every individual; (2) the institutional framework surrounding the setup of a formal enterprise is rather complicated; and (3) the recessionary economic environment encourages the enlargement of the informal sector in replacing the slowly withdrawing role of the formal sector.

2.1 The right to work

The right to work is explicitly and implicitly referred to in the 1944 ILO Philadelphia Declaration, the 1948 Universal Declaration of Human Rights, and both the 1966 International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights.

It is noteworthy that Egypt is a party to all fundamental international labour conventions except Convention No. 182 on the Worst Forms of Child Labour, 1999. The process of ratification of which is underway.

Obviously, informality – which especially means the absolute or relative absence of institutions to support, monitor and inspect enterprises and employment – results in a deficient application of provisions of the international labour conventions and the labour law in the sector.

Further, informality has spread to the formal economy where workers are at times employed without contracts. A recent practice has been for workers who have contracts to sign resignations at their recruitment that can be activated when employers deem it necessary. This ensures flexibility but voids provisions of the content of the law.

As a consequence, job seekers were hired on an informal basis (without contract) or else were handed a contract, while at the same time being obliged to sign and submit their resignation to the employer. This practice secured – from the employers' perspective – the ability to fire workers whenever the business situation requires it.

2.2 Regulatory and institutional framework

If new entrants to the market fail to find jobs or want to work independently, the other options available to them are either to be self-employed or to become employers themselves. This decision however is not easily taken. In order to be able to operate formally, legislators have enumerated a series of conditions and procedures that should be met so that this status may be attained. These conditions and permits cannot be obtained from one single authority, but in some instances more than ten ministries or public bodies are necessary.

The following section sheds some light on the essential steps necessary by the new entrepreneur in order to formally operate a small enterprise.

Legal and regulatory necessary set-up

Small enterprises are surrounded by a complicated set of legal and procedural conditions that should be fulfilled to enable the entrepreneur to start up and operate the activity.

In the start-up phase several conditions have to be met:

The license

Law No. 453/1954[3] regulates the conditions for obtaining an operation license.

Social Security Certificate (SSC)

All self-employed, employers and partners in joint liability and simple liability companies are subject to Law No. 108/1976, which regulates the conditions for acquiring the SSC.

Commercial Registry

Anyone who operates a commercial activity has to register with the Commercial Registry, according to Law No. 34/1976.

Tax Authority

Any businessman who operates an economic, commercial or industrial activity is required to obtain a tax file and a tax card from the Tax Authority according to Law No. 157/1981.

The second phase: the operation of activity requires meeting several additional conditions:

Labour Law

Every business that employs workers has to abide by Labour Law No. 137/1981.

Tax laws

Law No. 157/1981[4] regulates the tax imposed on income as well as on commercial and industrial profits.

[3] Amended by Law No. 359/1956 and Decree No. 288/1974 or Law No. 8/1997.
[4] Amended by Law No. 187/1993.

Social Security

At the beginning of activity – and according to Law No. 79/1975 – the business owner has to notify the social security office.

Besides the above-mentioned laws and regulations, each enterprise – according to its type of economic activity – has to obtain permits from other concerned ministries. A small coffee shop must have permits from certain departments in the Ministries of Health, Tourism, Internal Trade and Industry as well as the District Authority.

Despite the fact that such laws, rules and regulations may appear simple to undertake, practice proves otherwise. Completing any of the previous steps or conditions is both expensive and extremely time consuming. Some ongoing research suggests that 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. The whole regulatory and institutional set-up does not create an enabling environment for small enterprises. Therefore, it is wiser and more rational to sidestep them and operate informally.

2.3 Recessionary economic environment

Implementation of the ERSAP was associated with a recessionary environment. The austere fiscal and monetary policies led not only to a smaller budget deficit but also to a reduction in the Gross Domestic Investment and in the GDP growth rate in the beginning of the 1990s. The implications of such changes were reflected in the labour market in the form of rising unemployment rates.

It should be noted that there is considerable disagreement regarding the exact level of unemployment. Unemployment levels ranged between 8 per cent and 17 per cent toward the end of the 1990s.

Below, estimates of the unemployment rates, as calculated by Assaad, who managed to derive accurate and reliable figures over two relevant years – 1988 (before the implementation of ERSAP) and 1998 (after the implementation of ERSAP) – will be presented.

According to Assaad (1999),[5] two sets of unemployment rates were derived. The first set was based on the extended definition of the labour force, which included a large number of females engaged in subsistence agriculture. This definition increases employment levels and lowers unemployment rates as compared to the second set where the market definition of the labour force (which excludes subsistence agricultural activities performed by females) reduces the labour force and increases the absolute level of the unemployment rate.[6] However, the difference in the absolute levels of unemployment rates does not conceal the trend of rising unemployment during the period of study according to the two definitions.

[5] Assaad, R. (1999), *The Transformation of the Egyptian Labor Market: 1988-1998*, in Conference on the "Labor Market and Human Resource Development in Egypt", EPIC, November 29-30, 1999, Cairo, Egypt, pp. 13-15.

[6] If the data represented in this part shows an UER that is relatively smaller than the published and advertised UER, this can be explained by the wider definition of the labour force applied by Ragui Assaad. However, this lower level of the UER does not conceal the trend of change over time (1988-1998) in the UER.

According to the extended definition, results could be summarized as follows:

- The unemployment rate (UER) rose from 5.4 per cent in 1988 to 7.9 per cent in 1998.
- The number of unemployed grew from .89 million in 1988 to 1.72 million in 1998.
- UER grew by 6.6 per cent annually during the period of study. This rate is twice as high as the labour force growth rate.
- Urban UER remained stable (around 9-9.7 per cent) during the period in question, while rural UER grew from 2.9 per cent to 6.8 per cent during the same two years.
- UER of females in urban areas declined from 17.1 per cent to 15.9 per cent in the same two years. However, in rural areas, female UER increased from 3.5 per cent in 1988 to 6.3 per cent in 1998.
- Male UER rose in both urban and rural areas, but the growth of UER was more accentuated in rural areas. In urban areas, UER moved from 5.8 per cent in 1988 to 6.8 per cent in 1998. Rural male UER grew from 2.4 per cent in 1988 to 7.1 per cent in 1998.
- The highest proportion of unemployed is among individuals with an intermediate or above intermediate education, especially among both men and women in rural areas.
- The percentage of unemployed new entrants to total unemployed increased from 58.2 per cent in 1988 to 70.3 per cent in 1998.

If the limited definition of labour force to market force is applied:

- UER rises to 11.7 per cent per year.
- Women's UER rises from 10.9 per cent to 27.6 per cent.

According to the previous data one can assume that unemployment rates have grown during the decade in which the economic reform programme was implemented. The seriousness of the unemployment problem is more apparent among the labour force in rural areas, and among the educated and the new-entrants. Therefore, the informal sector constituted the answer to the unmet demand for work by a growing labour force.

In conclusion, several pertinent questions arise: How do the three factors affect the growth of the informal sector? What are the main features of the sector? To what extent has the sector succeeded in offering sufficient work opportunities to the growing labour force?

3. Concepts and methodology

Before we begin discussing the magnitude and trends of change in the informal sector, definitions and adopted methodology must be clarified. The data used in this paper are primarily based on an extensive empirical research sponsored by the **Economic Research Forum for the Arab Countries, Turkey and Iran** and conducted in October 1998. It covers 4,800 households. The study includes three questionnaires: the household Q, the individual Q and the family enterprise Q. This data set (ELMS98) was compared to another data set collected exactly ten years earlier in 1988 (LFSS88) using the same questions, thereby enabling comparability between the two years in all major aspects of the labour market.

Two issues in the data sets are relevant to our analysis in this paper. The **first issue** is data derived from the family enterprise questionnaire. Whenever any members of the household proved to be the owner of a small enterprise (in legal terms, such as sole-proprietorship or partnership), he or she was asked to answer the specific "Family Enterprise" questionnaire. As a result, data for 1,614 enterprises were collected and broken down further into formal and informal economic units (EUs).

The enterprises were divided into formal and informal units according to the existence of three conditions: license, registration and regular booking. So when the three conditions were met, the enterprise was considered "formal". In case one or more of the conditions were absent, the enterprise was considered "informal".

The **second issue** is data derived from the individual's questionnaire on wageworkers. The intention is to estimate the size of informal workers within the whole pool of non-agricultural wageworkers. This distinction is based on the availability of contract and social security coverage for the wageworker. So, in case the worker is bound to the employer by a contract and social security coverage (SSC), he or she is considered to be working on a formal basis. Therefore, informal workers can be found in private sector companies as well as in government and SOE.

In addition to the above data sets, two other recent sets will be used:

- A sample survey for the Greater Cairo area, conducted in May 1998. It was structured in the same way as ELMS98, but the questionnaire included more detailed questions.
- A survey covering 620 small enterprises. The aim of the survey was to assess the effectiveness of micro-credit on employment creation. The impact assessment was conducted between two groups of enterprises: (1) an intervention group, which received micro-credit, and (2) a control group that was chosen according to a one-to-one matching process.

4. Characteristics of the informal unit

There are several aspects to be considered in describing the characteristics of the informal enterprise and its owners, the entrepreneurs. Before entering into more detail, it is essential to explain first that entrepreneurs include both employers and own-account workers (the self-employed). Secondly, entrepreneurs can work inside or outside an establishment, or at home. Thirdly, in order to assess the importance of the sector, the magnitude of informal enterprises in the entire small enterprise sector should be discussed.

4.1 Magnitude of the informal EUs

The end of the 1990s witnessed a marked change in the number of informal enterprises in contrast to formal ones.

Table 1. Number of small EUs according to formality and gender of owner

Year	Formal			Informal			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
1988	400,985	101,340	**502,325**	2,031,219	401,303	**2,432,522**	2,432,204	502,643	**2,934,847**
1998	477,459	68,986	**546,445**	2,231,121	544,910	**2,776,031**	2,708,580	613,896	**3,322,476**
% change	**19.1**	**-32.0**	**8.7**	**9.8**	**35.8**	**14.1**	**11.3**	**22.1**	**13.2**

Source: Calculated by the author from ELMS98 data files.

Table 1 indicates that:

- The number of informal enterprises (2.8 million EUs) in 1998 was five times greater than formal enterprises (.550 million EUs) or 83.6 per cent of the total number of small enterprises.
- The total number of SMEs has grown by 13.2 per cent between 1988 and 1998.
- The formal units increased between the two years by 8.7 per cent, while the informal units grew by 14.1 per cent in the same period. These enterprises vary in size and, therefore, in their ability to employ workers.[7]
- Clearly, female owners of small formal enterprises have had a rough time during the 1990s as their numbers dropped drastically by 32 per cent. The reason behind this drop could be the recessionary economic environment that led to the disappearance of a large number of enterprises.

On the other hand, most of the new female entrants were informal entrepreneurs. Working informally thus offered a better and less costly survival mechanism.

- The number of informal female entrepreneurs who owned 19.6 per cent of the total informal units rose by the highest percentage during the period 1988-1998.
- The formal female-owned units rose 19.1 per cent, compared to a 9.8 per cent growth rate of informal male-owned units.

These results are indicative of a regular trend of increasing informality in the Egyptian labour market, especially for the female labour force, which now finds it more difficult to access the private sector except through becoming informally self-employed or an employer. This phenomenon coincides with the privatization process, the socio-economic male bias evident in private sector employment, and the discouraging business environment.

4.2 Geographical distribution of the informal EUs

The last decade saw several changes in the labour force growth rate, namely its ability to move between rural and urban areas, and among different kinds of economic activities.

First, the labour force (LF) grew by 2.8 per cent p.a. between 1986 and 1996. Urban LF grew by 2.58 per cent p.a. and rural LF by 3.06 per cent p.a. in the same decade.

[7] The distinction between small and larger enterprises is based on the legal status of the enterprise. Therefore only individual companies and personal companies are considered small.

Second, there is a continuous trend of movement towards non-agricultural activities. Over the last three censuses, employment in agricultural activities gradually declined from 47.6 per cent of total employment in 1976 to reach 31.2 per cent in 1996.

Third, there is a clear trend of diminishing rural migration to urban areas to the extent that it was estimated to be close to nil net migration, or even a reverse migration in some estimates. There are various reasons for this trend. These include growing urban unemployment rates and rising cost of living in urban areas relative to migrants' wages. These combined factors – *inter alia* – led to a change in the distribution of small, and especially informal, enterprises between rural and urban areas as indicated in the following table.

Table 2. Change in the geographical distribution of small enterprises according to gender of owner and formality

Urban/Rural	Formal			Informal		
	Male %	Female %	Total %	Male %	Female %	Total %
Urban88	71.2	86.7	**74.4**	71.3	59.3	**69.3**
Urban98	67.9	85.1	**70.1**	49.0	48.8	**48.9**
Rural88	28.7	13.2	**25.6**	28.6	40.6	**30.6**
Rural98	32.1	14.9	**29.9**	51.0	51.2	**51.1**
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: Calculated by the author using ELMS98 and LFSS88 data files.

The previous table shows that certain changes took place between 1988 and 1998:

- The trend of movement of small enterprises is more in the direction of rural areas.
- This trend is more emphasized in the case of informal enterprises.
- The informal male-owned enterprises have increased by a higher percentage in rural areas in contrast to informal female entrepreneurs.

The increasing concentration of informal EUs in rural areas is evidence of the undercurrents of continuous developments taking place within the Egyptian population, labour force and labour markets.

4.3 Age of informal entrepreneurs

Since a relatively high percentage of small entrepreneurs are illiterate and, therefore, unable to find work in the PS or in the formal private sector, the informal sector presented a better and safer refuge. Furthermore, the majority of entrepreneurs are poor individuals who are either incapable of learning the legal procedures to license their enterprises and/or cannot afford to cover the costs of formalization, hence, their choice to operate informally. In view of the easy access, modest resources, limited initial capital, lack of access to formal credit, flexible location and markets, and dependence on family members for support which characterize the informal sector, entrepreneurs are likely to be younger than formal entrepreneurs, as demonstrated in table 3. The data reveal that informal entrepreneurs are sometimes young, to the extent that 1.4 per cent are in the 6-14 year age bracket, a feature that is not – understandably – detectable among formal entrepreneurs.

Another distinctive aspect of informal entrepreneurs is their concentration in a younger age bracket (30-39 years), while formal entrepreneurs seem to be concentrated in higher age brackets (40-49 years). This tendency towards concentration of formal entrepreneurs in higher age brackets supports the view that ownership of a formal enterprise requires certain conditions, such as awareness of the different aspects of legal procedures, experience, capital accumulation and knowledge of the market, all of which can only be acquired with time and experience.

There are few exceptions to the young informal self-employed or employers who mostly work in non-localized units, where access to the market is relatively easy and the required capital is usually limited.

Table 3 also indicates that informal female entrepreneurs tend to be more present in higher age brackets than men. This phenomenon can be explained by several factors, one of which may be that the early marriage age discourages younger females from working, while the high cost of living and expenses due to growing children's needs drive females to work at a later stage in life.

Table 3. Age structure of micro and small entrepreneurs according to gender and formality in 1998

Age group	Formal			Informal		
	Male %	Female %	Total %	Male %	Female %	Total %
06–11	0.0	0.0	**0.0**	0.1	0.3	**0.1**
12–14	0.0	0.0	**0.0**	1.3	1.1	**1.3**
15–19	10.9	9.9	**10.8**	8.8	4.2	**7.9**
20–29	20.3	23.1	**20.6**	22.9	20.2	**22.3**
30–39	16.3	30.8	**18.2**	22.9	34.3	**25.1**
40–49	28.3	24.4	**27.7**	21.3	21.7	**21.4**
50–59	15.3	6.1	**14.2**	14.0	13.3	**13.8**
60–64	4.23	5.7	**4.4**	3.6	2.1	**3.3**
>65	4.6	0.0	**4.1**	5.0	2.7	**4.5**
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: ELMS98 data files.

Nevertheless, certain changes did take place in the context of age structure between 1988 and 1998:

First, the highest concentration of all entrepreneurs was in the 20-29 year age bracket in 1988. This concentration, 35.4 per cent, was most clearly evident among informal entrepreneurs. The change over time led to a rise in the frequency of entrepreneurs in a higher age bracket (30-39 years). This could be explained by the need to accumulate more capital in order to venture into independent business. Moreover, it was necessary to acquire more experience to be able to survive market complexities and downturns.

Second, there was a rise in the number of child entrepreneurs in the informal sector, from .89 per cent of the SE/E in 1988 to 1.4 per cent in 1998. This trend, although relatively limited, is a mere reflection of growing needs within poor families, needs which drive children to work at an early age.

4.4 Economic activities of informal enterprises

Economic activities vary according to formality and gender. While men in formal enterprises are mainly concentrated in three main activities – trade, manufacturing and services – informal male entrepreneurs are more dispersed among different economic activities. Formal female entrepreneurs are concentrated in two main activities – services and trade – whereas informal females operate in three main activities: trade, services and manufacturing.

However, comparison between the distribution of informal units among different economic activities in 1988 and 1998 reveal some change from manufacturing (37.5 per cent) and trade (44 per cent) towards more services (10.9 per cent).[8] The trend of change towards less investment in manufacturing in the informal sector could be due to the high cost of investing and the need for acquisition of technology and know-how to become competitive in an open market. Furthermore, the intensive growth in demand for different and new types of services encouraged the emergence of new service enterprises.

Table 4. Distribution of small and micro EUs according to economic activities, gender and formality

Economic Activity	Formal			Informal		
	Male %	Female %	Total %	Male %	Female %	Total %
Mining	0.23	0.00	0.20	0.03	0.00	0.03
Manufacturing	20.20	2.97	18.05	19.84	15.80	19.04
Electricity	0.23	2.46	0.51	0.57	0.00	0.45
Construction	2.03	0.00	1.78	5.92	0.00	4.76
Trade	59.60	22.85	55.01	35.56	49.59	38.32
Transport	2.80	2.97	2.82	5.93	0.34	4.83
Finance	3.93	5.48	4.12	2.12	0.65	1.83
Services	10.98	63.27	17.50	30.03	33.62	30.74
Total	100	100	100	100	100	100

Source: ELMS98 data files.

It should be stressed that informal activities are on a smaller scale and are conducted outside establishments in many cases, e.g. itinerant retail vegetable, fruit, or newspaper sellers, or mobile repair persons, such as plumbers, electricians, painters, or shoe repair persons. As to manufacturing activities, they vary widely, but food processing, metal products, textiles and furniture as well as different wood and paper products represent the largest share.

In a survey conducted in Greater Cairo in 1998 covering a sample of 577 EUs, of which informal units represented 82 per cent, several similar characteristics were detected such as age structure, economic activities and educational attainment levels. This survey also confirmed that EUs performing outside establishments were estimated at 40 per cent of total enterprises, and the proportion of units operating at home was close to 6 per cent of all enterprises.[9]

[8] The last three figures are for 1988.
[9] El Mahdi, A.& K. Powell, *Small Entrepreneurs in the Greater Cairo Community*, SRC, AUC, p. 8-12.

4.5 Capital, labour and finance of the informal enterprises

Mainstream literature and available data seem to indicate three main notions:

i) informal enterprises are poorer than formal enterprises in terms of capital;
ii) informal enterprises employ fewer workers in comparison to formal enterprises;
iii) informal enterprises have very limited access to formal finance.

In other words, since the finance available to informal enterprises is inadequate, their ability to expand and diversify is also limited in terms of number of workers or capital.

The following section examines these three notions more thoroughly:

Financing the small enterprise

Despite numerous micro-credit programmes that were designed to target small and informal enterprises, their impact has been insignificant when we consider the main sources of finance. In this respect, to get a clearer idea about the main sources of finance, data derived from the Greater Cairo (GC) sample survey are more useful. However, the results of the GC survey do not vary from the results deduced from ELMS98. They are used here only because the details they offer are not available in the ELMS98 data.[10] When small enterprise owners were asked to list the major sources they relied on to finance their business, several options were mentioned (see table 5). The small-scale nature of invested capital is closely related to informal funding.

[10] See statistical appendix table 1.

Table 5. Sources of finance to small formal/informal enterprises in Greater Cairo in 1998[11]

Source	Sector							
	Formal				Informal			
	Male	Female	Total		Male	Female	Total	
	%	%	No.	%	%	%	No.	%
Saved it from previous work	29.2	-	20	28.8	44.9	11.6	88	40.6
Saved it from work in Arab countries	5.1	-	3	5.0	2.4	-	4	2.1
Inherited	47.6	-	32	46.9	23.0	41.4	53	25.4
Saved part & borrowed part from EIDB	-	-	-	-	1.0	-	2	0.9
Saved part & borrowed part from commercial bank	1.4	-	1	1.4	0.7	-	1	0.6
Saved part & borrowed part from Islamic bank	-	-	-	-	0.5	-	1	0.4
Saved part & borrowed part from friends & relatives	7.5	-	5	7.4	13.3	7.0	26	12.5
Saved part & borrowed part from other	-	-	-	-	0.5	-	1	0.4
Gameia with friends or relatives	4.1	-	3	4.0	6.7	7.0	14	6.7
Used spouse's money	5.1	100	4	6.4	5.9	26.3	18	8.5
Partner with relatives or friends	7.5	-	5	7.4	4.8	3.2	10	4.6
Borrowed part from commercial bank	1.4	-	1	1.4	-	-	-	-
Borrowed part from Islamic bank	1.4	-	1	1.4	0.5	-	1	0.4
Help from charity	-	-	3	-	1.9	-	3	1.6
Selling assets	5.1	-	3	5.0	3.2	3.5	7	3.3
Pay with steps	-	-	-	-	-	3.5	1	0.4
Total	100	100	68	100	100	100	212	100

1) Savings from previous work in Egypt (34.8 per cent), or in Arab countries (2.3 per cent), inheritance (27.4 per cent), using the spouse's savings (7.4 per cent) or joining a Gameia[12] (5.5 per cent) represent the dominant sources of finance.
2) The role of inheritance is particularly relevant as a source of funding in the case of both formal male-owned enterprises (47.6 per cent of the enterprises used capital that was originally inherited) and in female-owned informal enterprises (41.4 per cent), as opposed to male-owned informal units (23 per cent).
3) But, in general, informal sources of finance together provide 77.4 per cent of invested capital to enterprises.
   In other cases, personal savings or partnerships were supplemented by borrowing from various sources (18.1 per cent), mostly friends and in a very limited number of cases, formal financial institutions.

[11] Ibid, p. 20-21.
[12] Rotating savings scheme, which is usually done by a group of participants for a number of months. At the beginning of each month, one of the members receives the whole amount of contribution by the other members.

4) Informal male entrepreneurs were mostly (44.9 per cent) able to finance their businesses through accumulation of savings from previous work. The role of previous savings is relatively less in the case of formal males (29.2 per cent) and informal females (11.6 per cent) SE/E.
5) Women informal entrepreneurs rely heavily on their husbands' financial support (26.3 per cent of finance) to help launch their businesses.
6) Reliance on formal credit channels is very limited for both formal and informal male entrepreneurs, and is practically non-existent for female entrepreneurs.
7) In accordance with the previous findings, it is worth noting that the majority (81.5 per cent) of the SE/E worked alone without partners. Where they do have partners, these are usually relatives (47 per cent), members of the households (34.6 per cent), or friends (16 per cent). In one fifth of cases, children work in the family business.

Finally, the SE/E in a few instances had to either sell some of their assets to raise the necessary capital or seek help from religious or charitable associations or individuals.

These results indicate the dependence of the SE/E on informal sources of finance and their limited access to formal types of funding. Therefore, despite the different programmes designed to support micro enterprises, their outreach capacity still falls short of fulfilling anything more than a minor fraction of investment needs.

A logical consequence of the previous results is the small size of the informal EUs as indicated in the following two sections.

The present value of the invested capital

The following table reflects several distinctive features of informal enterprises, the most important of which are:

Table 6. Distribution of micro and small EUs according to present value of invested capital in 1998[13]

Informal			Capital	Formal		
Male %	Female %	Total %		Male %	Female %	Total %
3.61	4.04	3.70	None	0.32	1.12	0.42
5.6	12.2	6.9	less than LE 100	0.0	0.0	0.0
11.7	20.4	13.4	LE 100-499	3.75	0.00	3.28
14.9	12.8	14.5	LE 500-999	7.5	4.8	7.2
20.0	19.0	19.8	LE 1000-4999	12.8	8.7	12.3
11.7	10.4	11.5	LE5000-9999	14.4	22.3	15.4
30.3	20.1	28.3	LE10 000 or more	58.7	61.1	58.9
1.9	0.8	1.7	Do not know	2.5	1.9	2.4
100	**100**	**100**	**Total**	**100**	**100**	**100**

Source: El Mahdi, A., op. cit. p. 23.

[13] 1 US$=LE 4.25.

1) Informal enterprises are relatively poor in terms of capital, for more than 58 per cent of the enterprises have a capital below LE5000, while formal enterprises in the same capital size do not exceed 23 per cent of total formal enterprises.
2) Within the informal enterprises, females are disadvantaged, as close to 16 per cent had a capital value lower than LE100.
3) By the same token informal entrepreneurs in high capital categories (more than LE 10000) do not represent more than 28 per cent of total informal entrepreneurs.

The number of workers in the informal enterprise

It can be assumed from the previous results that the informal enterprise has only a modest capacity in generating employment due to the limited funding available. The following table confirms this assumption. However, despite the small-scale nature and the relatively small number of workers per enterprise, the huge number of informal units alone generates more than 5 million work opportunities.

Table 7. Small scale EU distributed according to formality status and number of workers

No. of workers	Informal	%	Formal	%	Total	%
1–4	1,146	94.6	195	74.6	1,341	91.3
5–9	66	4.6	48	16.4	114	6.5
10–29	11	0.6	22	6.9	33	1.6
30–49	2	0.1	3	1.1	5	0.3
50–99	1	0.1	1	0.8	2	0.2
Total	1,226	100	269	100	1,495	100

Source: El Mahdi, A., op. cit, p.26.

The previous table reveals that 95 per cent of informal EUs employ less than 5 workers, whereas the formal units employing the same number of workers represent 75 per cent of total formal EU. Thus, formal enterprises are not much larger than informal units. The second largest concentration of formal EU (16.4 per cent) is in the range of 5-9 workers and only 9 per cent of formal EU employ more than 10 workers.

The ability to increase the number of workers is closely related to the ability to increase the amount of invested capital. The following table reflects the direct and strong relationship between the two variables.

Table 8. The relationship between present value of the invested capital and number of workers in the EU (1998)

The present value of invested capital of EU	Number of EUs in each workers' category					
	1-4	5-9	10-29	30-49	50-99	Total
None	48					48
Less than LE 100	62					62
LE 100-499	174					174
LE 500-999	160	7				167
LE 1000-4999	277	11				288
LE5000-9999	166	2				168
LE10 000 or more	430	93	31	5	2	561
Total	1,317	113	31	5	2	1,468

Source: ELMS98 data files.

As seen in table 8, the graduation from a small to a larger number of workers is closely related to the increase in capital. However, an increase in the amount of capital is not necessarily related to an increase in the number of workers. This only occurs when there is an accumulation in savings and an expansion in capital intensity. One final point, informal enterprises do not serve as temporary solutions for the unemployed. In fact, the great majority of informal enterprises have been operating for more than ten years. Thus, they have the ability to survive, develop, expand and even graduate to work on a formal basis, after they cross a certain size threshold.

5. Characteristics of the informal workers

Related to the previous analysis are the numbers of informal workers, their working conditions, and the extent of security provided in the environment in which they work.

To begin, it must be clarified that the definition of informal workers – as individuals working without contract or social security – does not preclude the possibility of informal workers employed in the formal sector, such as the government, SOE or the formal private sector. All these sectors find it more convenient and less costly to hire workers on an informal basis, since they do not have to subscribe them into the social security system. Moreover, they can get rid of them whenever they do not need their services. Contracts and rigid clauses of the labour law are considered constraints that make it difficult to fire the workers when they deem fit to do so. Additionally, some PS workers tend to work informally in a second job in private enterprises and prefer not to be bound by contracts.

In the following analysis we will focus on persons who are working in non-agricultural activities for wages, on an informal basis and in their main job.

5.1 Volume of informal wageworkers in 1988 and 1998

The importance of the informal workforce could only be understood in the wider context of all wageworkers. The following two tables show the relative magnitude of wageworkers in the entire labour force (1976, 1986 and 1996), and table 10 reveals the volume of formal and informal workforces (1988 and 1998).

Table 9 indicates that wageworkers have represented the largest group in the LF, whether for men or women, for three decades. For women, however, being a wageworker is relatively more important, since her chances of becoming self-employed or an employer is more constrained by several social and economic reasons.

Table 9. Employment status of labour force (6+) according to gender

Employment Status	Male			Female			Total		
	1976	**1986**	**1996**	**1976**	**1986**	**1996**	**1976**	**1986**	**1996**
Self-employed	19.81	26.78	21.24	**5.17**	**4.09**	**4.18**	18.5	24.13	18.63
Employers	8.46	3.93	7.29	**1.43**	**0.65**	**1.44**	7.83	3.55	6.93
Wageworkers	60.51	56.37	61.94	**57.99**	**67.76**	**71.64**	60.28	57.7	63.42
Non-paid family workers	5.64	2.51	2.65	**5.7**	**3.37**	**2.35**	5.65	2.61	2.6
Unemployed	0.35	3.07	0.48	**0.58**	**0.8**	**0.18**	0.37	2.81	0.42
New Unemployed	5.23	7.34	6.4	**29.13**	**23.33**	**20.21**	7.37	9.21	8
Total	100	100	100	**100**	**100**	**100**	100	100.01	100
Number in (000)	9,997	11,817	14,551	**985**	**1,561**	**2,624**	10,982	13,378	17,175

Source: CAPMAS, the PC 1976-1986-1996, Cairo.

In addition, data indicate that government and SOE are the most important job providers for women.[14]

Table 10 classifies wageworkers as formal and informal workers. In the upper part of the table all economic sectors are included for analysis purposes. In the lower part, both government and SOE are excluded, and the remaining data cover the private sector only. The differences between the numbers in the two parts of the table are the data of informal workers in the PS in 1988 and 1998. The upper part of the table indicates several points:

1) Informality among wageworkers decreased from 38.6 per cent in 1988 to 34.6 per cent of total wageworkers in 1998.
2) Informality in 1998 is more clearly accentuated among the male work force as informal workers represent 39 per cent of the total male workforce, while this percentage does not exceed 17 per cent for the total female workforce.
3) Despite the importance of PS employment, informal wageworkers still represent more than one third of total non-agricultural employment.

If we move to the lower part of table 10, where PS employment is excluded, several features could be deduced:

1) Informality among the private sector wageworkers has not changed in the two years, as this remained at around 81 per cent of total private sector wageworkers.
2) Informality is higher among male wageworkers (81.7 per cent of total male wageworkers) in contrast to female wageworkers (73.6 per cent of total female wageworkers).
3) A possible explanation for this discrepancy could be that women prefer a more secure job even if paid lower wages, while men prefer higher wages. Thus, men do not object to working without contract if the wage is acceptable from their point of view.
4) The majority of private sector enterprises prefer to hire male workers on an informal basis.

Table 10. Distribution of non-agricultural wageworker by gender and formality, 1988

	Formal			**Informal**			**Grand Total**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
	3,103,575	1,036,015	4,139,590	2,274,519	329,812	2,604,331	5,378,094	1,365,827	6,743,921
Distribution of NAWW by gender and formality, 1998									
% change between 1988 & 1998	**Formal**			**Informal**			**Grand Total**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
	4,764,183	1,657,305	6,421,488	3,063,238	340,732	3,403,970	7,827,421	1,998,037	9,825,458
	53.5	60.0	55.1	34.7	3.3	30.7	45.5	46.3	45.7
Distribution of private NAWW in 1988 by gender and formality									
	Formal			**Informal**			**Grand Total**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
	416,466	103,843	520,309	2,019,201	253,232	2,272,433	2,435,667	357,075	2,792,742
Distribution of private NAWW in 1998 by gender and formality									
% change between 1988 & 1998	**Formal**			**Informal**			**Grand Total**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
	664,542	108,459	773,001	2,961,415	302,541	3,263,956	3,625,957	411,000	4,036,957
	59.6	4.4	48.6	46.7	19.5	43.6	48.9	15.1	44.6

Source: Calculated by the author from the ELMS98 data files.

[14] See table 2 in the SA.

It is also worth mentioning that the number of formal female workers increased at a very slow rate between 1988 and 1998. The reason could be that the private formal sector is not keen on hiring females into its ranks. The same features can be found in hiring informal females. Their numbers have also witnessed slow growth rates and for the same reasons. The private sector prefers to hire men rather than women.

5.2 Age structure of wageworkers

The age structure of wageworkers reveals an important feature of the informal work force. As seen in table 11, informal workers have certain special characteristics:

1) The informal workforce is characterized by children working within its ranks. **Children represent 3.3 per cent of total informal workers. The per cent of child labour is higher among female (7.8 per cent) than male (2.8 per cent) workers**. This phenomenon does not appear among formal workers. The fact that child labour is higher among females raises major concerns, as early age discrimination in terms of schooling and education could later lead to age discrimination – in terms of access to better skills, training and employment and income levels – in adulthood.

2) The age structure of informal workers shows a particular pattern, i.e., their highest concentration is in the 20-29 year age bracket. The following age brackets have witnessed an evident decline in the degree of concentration. This phenomenon is explained by the fact that after accumulating some savings and gaining sufficient experience, male workers tend to work independently as they move into their thirties. Female workers either retire early or, in fewer cases, start their own businesses.

Table 11. Distribution of workers according to formality, gender and age group in 1998

Age group	Male			Female			Total		
	Formal %	Informal %	% formal of total row	Formal %	Informal %	% formal of total row	Formal %	Informal %	% formal of total row
06–11	0.0	0.1	0.0	0.0	1.7	0.0	0.0	0.2	0.0
12–14	0.0	2.7	0.0	0.0	6.1	0.0	0.0	3.1	0.0
15–19	0.6	19.2	4.8	1.1	21.1	19.8	0.7	19.4	6.7
20–29	17.3	37.7	41.6	21.1	44.8	69.6	18.2	38.4	47.2
30–39	29.8	22.4	67.5	40.2	18.1	91.6	32.5	21.9	73.7
40–49	30.7	10.8	81.6	25.5	2.8	97.8	29.3	10.0	84.7
50–59	19.9	4.8	86.5	11.3	4.9	91.9	17.7	4.8	87.4
60–64	1.6	1.1	69.0	0.8	0.6	86.5	1.4	1.1	71.1
>65	0.1	1.2	15.9	0.0	0.0	0.0	0.1	1.1	15.9
Total	100.0	100.0		100.0	100.0		100.0	100.0	65.4

Source: ibid.

5.3 Economic activities of wageworkers

The distribution of workers among different economic activities is a function of three main factors: first, the weight of economic activities in Egyptian value added; second, the degree of labour intensity in the economic activity; and thirdly, the existence of large-scale projects within each economic activity.

Table 12. Distribution of wageworkers according to economic activities

Activity	Male			Female			Total		
	Formal %	Informal %	% formal of total row	Formal %	Informal %	% formal of total row	Formal %	Informal %	% formal of total row
Mining	0.5	0.5	62.3	0.0	0.0	0.0	0.4	0.4	62.3
Manufacturing	20.3	28.5	52.6	6.1	30.5	49.5	16.6	28.7	52.3
Electricity	2.8	0.0	100.0	1.0	0.0	100.0	2.3	0.0	100.0
Construction	3.4	25.8	17.2	0.9	2.5	64.0	2.8	23.5	18.3
Trade	4.6	18.2	28.3	2.1	24.6	29.8	4.0	18.8	28.5
Transport	7.3	12.1	48.5	2.7	0.5	96.4	6.1	10.9	51.4
Finance	2.9	1.6	73.8	4.1	5.0	80.0	3.2	1.9	75.7
Services	58.2	13.4	87.1	83.1	37.0	91.6	64.6	15.7	88.6
Total	100.0	100.0		100.0	100.0		100.0	100.0	65.4

Source: ELMS98 data files.

Table 12 indicates several important features of worker distribution:

First, informal male workers are more evenly distributed among different activities in contrast to formal male workers, who are primarily concentrated in services and manufacturing. The high concentration in those two sectors is due to the inclusion of PS employment and the existence of large-scale industrial complexes that hire workers on a formal basis.

Second, informal female workers are distributed among three main economic sectors, while formal ones are mainly situated in the service sector, essentially government.

Third, the table indicates the extent of formality in each economic activity. This shows that electricity, social services and finance are, respectively, the most formalized economic activities, while construction and trade activities are the areas where the highest proportion of informal workers is concentrated.

5.4 Work conditions: wages, social benefits and rights at work

Working conditions are a combination of multiple factors. Below, some of the details revealed by available data relevant to these issues will be examined. The emphasis here will be on the private sector's different working conditions in order to understand more about the aspects of deficiency.

The results derived from the Greater Cairo sample survey will be used due to the details obtainable from the data set.[15] However, enterprises in Greater Cairo (GC) are more subject to inspection by different government authorities with a view to ensuring compliance with the law, rules and regulations. This relatively tighter control in the study area has implications for the degree of formality that tends to be higher in GC than in the other regions of the country. (Tables 13-18 are based on results derived from the GC household survey 1998.)

[15] As to the wages, I will be using the ELMS98 data to show the wage differentials at the country level.

Availability of a contract

Results show that the employment relationship between employer and employee in small businesses in GC is generally not governed by a contract. Only 15 per cent of the workers had a contract. However, the non-availability of a contract is not necessarily due to the malicious intent of employers, but mostly due to their ignorance or their being unaccustomed to writing down their agreements. Therefore, a worker could be employed for over ten years but still not hold a contract. The lack of contract may be a reflection of the traditional and informal environment in which the informal enterprise conducts its affairs.

Within the group of workers who had a contract, 63.5 per cent work in formal enterprises and 59.3 per cent are men. This confirms the fact that the degree of compliance with the rules is higher for formal enterprises.

Table 13. The contractual relationship

Contractual relationship	No.	Per cent
Working with contract	63	15.0
Working without contract	360	85.0
Total	423	100

Source: Greater Cairo survey data files.

Permanency in work

The above suggestion concerning stability in work even without a contract is evident by the degrees of permanency in work demonstrated in the following two tables.

Table 14. Workers' permanency in work

Status	No.	Per cent
Permanent	289	68.6
Seasonal	67	15.8
Temporary	67	15.6
Total	423	100

Source: Ibid.

Table 15. Work duration of workers

Time categories	No.	Per cent
Less than 3 Months	84	20.3
3 months -	16	4.1
6 months -	37	9.0
12 month -	41	10.1
24 months -	52	12.5
36 months -	182	44.1
Total	442	100

Source: Ibid.

Clearly, most workers enjoy a relatively long-term and stable relationship with their employer, despite the lack of a contract. The majority of workers (68.6 per cent) are hired to work on a permanent basis and have actually been working for one year or more (62.4 per cent). This does not preclude the fact that 31.4 per cent of labour is either seasonal or temporary and that 20.3 per cent of workers have been working for less than three months. Possible explanations for this phenomenon are that the informal market is a dynamic pool,

characterized by incessant movement of workers into, out of and within its different ranks, and that the young age structure of workers strengthens the degree of mobility.

Social Security Coverage

One of the main determinants of workers being hired on a formal basis is their SS coverage.

Table 16. The workers' coverage by social security

Social security	No.	Per cent
Yes	111	26.4
No	312	73.6
Total	423	100

Source: Ibid.

As shown, SS covers only one quarter of workers in GC. It is clear that subscribing to a social security scheme is not yet a widespread practice, and it means – *inter alia* – that although the majority of workers are permanent in their jobs, their future is not secure. In case of retirement, illness, injury or death, there is no compensation either to them or to their families.

However, it is worth noting that 70.5 per cent of the workers who are covered by SS work in formal enterprises, and 76.3 per cent of them are men. This result concurs with the previous result concerning the availability of a contract. The application of the law as regards the work force is more apparent in formal enterprises.

Other issues of protection

Since protecting persons working in small enterprises is not confined to social security coverage, contracts and wages but extends to other aspects of safety, the following table summarizes the situation in GC regarding some of the pertinent issues.

Table 17. Availability of different safety precautions in GC small enterprises sample

Safety precautions	No.	Per cent
Medical coverage	91	15.8
First aid kit	128	36.6
Industrial security	151	43.0
Industrial precautions	145	41.4

Note: medical coverage is estimated for the community of entrepreneurs only (577 persons). The three last items are measured for the enterprises working inside establishments.
Source: GC sample survey data files.

Noticeably, only 15.8 per cent of entrepreneurs are medically covered. No questions were asked about the workers' coverage. The only medical service provided to them would be through public hospitals. Industrial security precautions – e.g., fire extinguishers, proper ventilation, special safety measures for manufacturing/mining, and other economic activities, especially those related to industrial services – are relatively limited.

Types of income

Until now we were merely concerned with wageworkers, but using the GC data will enable us to gain greater insight concerning other types of workers who may or may not be earning wages. Workers in a small-scale business have a range of different wage relations with the owner. Table 18 shows the different possibilities.

Table 18. Type of wage earned by workers

Type of wage	No.	Per cent
Wage earner	292	69.3
Non paid family workers	90	21.7
Paid by piece	34	7.4
Paid in kind	7	1.6
Total	423	100

Source: Ibid.

A striking feature of the above table is the fact that a substantial percentage of workers (30.7 per cent) are non-wage earners. These employees are mostly household members who are not remunerated for their work since their expenditures are covered by the head of household. Their work contributes to family income and helps pay for the household's different needs. In addition, a small percentage (9 per cent) of the workers are either paid according to production or in kind. Nevertheless, wage earners represent the majority of workers (69.3 per cent), while those paid by piece or in kind represent only a minor fraction of the workers.

Wage levels

The following table reveals wage levels of the private sector wageworkers in non-agricultural activities in Egypt. It worth noting that daily wage levels used in this table include such extra wages as overtime, bonuses, fringe benefits and in-kind wages that are received by wageworkers and calculated to get the daily wage rate accordingly.

Table 19: Total daily wages for private sector wageworkers in 1998

Total daily wage (LE)	Informal			Formal		
	Male %	Female %	Total %	Male %	Female %	Total %
0-<5	26.7	60.6	32.1	7.2	23.1	9.6
5-<10	42.4	29.5	40.4	37.1	40.3	37.6
10-<20	25.3	5.0	22.1	38.7	23.5	36.4
20-<50	5.6	4.8	5.45	15.8	11.4	15.2
50-<100				0.8	1.6	0.9
100->				0.3		0.3
Total	100	100	100	100	100	100

Source: ELMS98 data files.

Despite the fact that informal workers do not have work contracts or social security coverage, the differences in wage levels are significant and detrimental to informal workers.

The likelihood of earning higher wage levels (LE20 or more per day) is quite remote for informal workers. Therefore, while the informal sector is capable of creating jobs at lower costs, the quality of work has to be much improved from the decent work perspective. The fact that women are generally paid less also raises concern from an equal rights perspective.

Within the informal worker community, women are in an extremely disadvantaged position. More than 60 per cent of them earn wages below LE5 ($1.45) per day. Therefore, one can only conclude that small informal entrepreneurs and informal workers work in modest settings that are not equipped to provide protection either to workers through adequate wages or other necessary conditions that should be available at the work place, or to participants in the production process with regard to their social well being, health requirements, and future security.

Due to the lack of any accurate or inaccurate data on the size of informal production and thus productivity, wages could be taken as a proxy of productivity in the sector. The low levels of wages that prevail in the informal sector could be indicative of low productivity of EUs.

6. Linkages, skill formation and globalization

This section briefly examines the informal sector with a view to bringing out its dynamics and degree of adaptability to market changes.

6.1 Linkages and skill formation

Most small entrepreneurs acquire their skills and knowledge through previous work experience – as employees or workers. Such experience is gained mostly in private sector companies, whether small or large, and to a lesser extent through previous work experience in PS companies and/or in Arab emigration countries, or through education in technical schools or institutes. Other additional, though less widespread, sources of knowledge and acquisition of skills include

- cluster communities in which MSEs operate and which facilitate the dissemination of knowledge of new technology;
- sub-contracting operations, which supply larger companies with some inputs of production; and
- machine suppliers who provide training in the use of new machinery.

Only a meager percentage (6.2 per cent) of EUs were offered technical or training assistance by the numerous agencies and NGOs working in Egypt. One of the main technical assistance providers proved to be the machine suppliers. Other agencies, such as the SFD and NGOs, had a minor influence in this respect.

6.2 Globalization

As to the expected impact of the globalization process, the main point is that fear exists among the larger, more advanced, and more competitive enterprises. Thus, small and informal enterprises stand to lose considerably with the opening of the market to goods coming from other developing countries, especially South-East Asian countries, and especially goods which are relatively cheap in regard to quality. In fact several small

workshop owners have been complaining about the fierce competition they face in the market (Cairo) from Chinese and other imported products. Some have had to make drastic changes by lowering their prices and tightening their profit margins in order to compete and survive. Others have stated that they may have to close down if the competition persists.[16]

7. Action by Government and the Social Partners

Supporting and financing the informal/family businesses and MSEs has been the main objective of several social partners in the Egyptian economy. This section presents the main entities and programmes involved in assisting the informal enterprises.

Social partners include the government, employers' associations, such as the Egyptian Federation of Industries (FEI), and the trade unions. Notably, the role of both employers' associations and workers' trade unions is very limited, if not "non-existent". In addition, a growing number of businessmen's associations (BA) have been established during the last ten years. These associations are NGOs run by prosperous businessmen who receive funding from such donors as the USAID programme, which supports MSEs by providing finance. Therefore, these organizations do not represent small employers. Small employers have not until now been well organized into groups with their own representing associations, except in a very few cases.

As for trade unions, their impact is as yet restricted to workers in the SOE, and even here their impact is minimal as they are largely controlled by the government.

The Egyptian Federation of Industries' (EFI) role in supporting informal enterprises is non-existent. In fact, most of the small industries that are members of EFI work on a formal basis. The main limitations of the EFI are that it only serves industrial units and its main focus is providing support to larger enterprises. This leaves a few players in the labour market: the government (certain ministries); the Social Fund for Development (SFD), a semi-governmental organization; the banks; the credit guarantee corporation; and the BA. In what follows I will discuss the role of each of the major supporters of the MSEs.

It is worth mentioning that there are several unions, organizations and ministries involved in supporting MSEs, but these entities face several constraints: a lack of co-ordination among themselves, inadequate targeting mechanisms, limited funds, lack of regular assessment of their projects, and confusion regarding the definition of informal and/or small/micro enterprises, among others.

7.1 The Ministry of Social Affairs (MOSA)[12]

MOSA acts through several programmes to help poor families, youth and women to participate in productive activities. The following is a list of its main programmes.

[16] These are the results of ten case studies conducted in June 2000 with ten entrepreneurs working in different manufacturing activities in Cairo. Three of the entrepreneurs expressed the opinion that they may need to close down.

[12] Ministry of Social Affairs (MOSA), 1998, *Goals, Scope of Work and Main Activities*, compiled by Minister's Bureau, Information Unit, May.

Productive Families Scheme (PFS)

The Productive Families Scheme (PFS) is a social project designed to develop the economic resources of families by putting the potential of family members within their own households to good use. PFS provides access to production advances to be used in small environmental industries and handicrafts, where raw materials are manufactured into products to supply home and foreign markets. Thus, households have been transformed from assistance recipients into productive units.

- Training Services:

PFS provides training services through 3,474 centers, manned by more than 5,700 trainers, and spread out over all the governorates. Some were established through self-financing efforts while others were financed through a MOSA investment plan. In addition to their training services, these centers also perform productive activities, amounting to more than LE 18.5 million in 1996.

- Marketing Services:

MOSA provides marketing services to benefit families by providing the opportunity to display their products to the public in permanent marketing exhibitions set up in conveniently situated commercial areas in all governorates. At present there are 136 exhibitions, yielding sales worth about LE 5.5 million. Participating families are encouraged to improve and increase their production.

A successful family support programme: The Productive Family Scheme

Since its inception, the PFS has been able to help about one million families:

399,543 families were granted production finance downpayments;
495,000 families were supported and became independent in their production and marketing capabilities;
55,516 families receive training every year;
50,000 families are provided with marketing services every year.

Since the 1960s, the PFS has proved to be successful, especially in rural and poor neighborhoods. Its primary goal has been to help small family enterprises, regardless of gender or degree of formality.

Vocational Skill Formation

The Vocational Skill Formation Scheme targets youth who have completed or dropped out of the basic educational system by providing them with productive vocational skills compatible with their aptitudes. In addition to providing vocational training, the scheme also seeks to improve social behavior and provide a degree of learning that ensures non-regression to illiteracy.

Vocational formation in the field of social work is different from similar activities performed by other bodies in that it constitutes a comprehensive welfare process for the individual, of which vocational care is only a part. In addition to the vocational aspect, integrated cultural, social, psychological and health care are provided, not only to individuals in the course of training and after graduation, but also to the trainees' families.

At present, vocational formation programmes are being implemented by MOSA in co-operation with NGOs. Future programmes include an ambitious plan in co-operation with local businessmen to upgrade vocational formation centers in various governorates. Each center is concerned with a specific vocation or trade, such as carpentry, painting, needlework, welding, car-mechanics, electric-mechanics, etc.

Women's Projects

The Ministry has always been concerned with assisting poor women in rural and urban areas. It has undertaken several projects in this respect in co-operation with international organizations, such as UNICEF, UNFPA and others. The main goals of these projects are:

- to improve the economic and cultural conditions of rural women,
- to assist them in overcoming problems that prevent them from becoming more efficient mothers,
- to improve their skills and turn them into more productive workers,
- to raise their standard of living,
- to stimulate cottage industries,
- to increase women's involvement in education and in disseminating health and nutritional awareness,
- to enhance their awareness and self-reliance in improving their living conditions, and
- to guide their efforts towards new high-value economic activities.

Until now the role of MOSA has been expanding with the aim of covering a large number of HH all over Egypt. The positive aspects of a project such as PFS include engaging the whole family in the economic activity and thus increasing the opportunity of raising family income. In addition, PFS has succeeded in marketing the products of a large number of projects through its annual exhibitions and established show rooms. Most of these projects have succeeded in reaching and improving informal home activities. However, these activities are, in general, of a survival nature, except in limited cases where the small entrepreneur manages to develop him- or herself in producing on a wider, more organized scale.

7.2 The Ministry of Economy and Foreign Trade (MOEFT)[13]

In 1998 MOEFT proposed a national policy to develop the MSE sector in Egypt. In what follows, the main features of this policy, and MOEFT's role in it, are reviewed.

The complexity of the constraints facing the MSE sector strongly suggests that involvement of a variety of actors and stakeholders is required. These include government entities, non-governmental organizations, international donors and organizations, banks, the private sector and, whenever possible, the MSE sector itself. Given the multiplicity of the stakeholders involved, and in order to maximize the chances of success of such a policy, two main conditions should be satisfied:

1. The SME development policy should evolve through a participatory mechanism that actively involves various actors and stakeholders; and

[13] Ministry of Economy and Foreign Trade (MOEFT), 1998, *A Draft: National Policy on Small and Medium Enterprise Development in Egypt*, June.

2. Policy formulation and implementation should involve a high degree of coordination among these actors.

The various constraints facing MSEs will be tackled according to priority and two fundamental criteria:

1. Significance for the Target Group: The first policy measures adopted should reflect the needs of the target group in order to maximize support and minimize possible opposition against the policy measures adopted; and

2. Feasibility: A key factor in the prioritization of policy interventions to be conducted is the feasibility of such interventions. By targeting areas where intervention is feasible and relatively free of institutional conflicts, it is anticipated that resistance to implementation of these interventions will be offset, and chances of their success will be boosted. It is essential for initial policy interventions to be successful in order to pave the road and gain the required support for the other more difficult ones to follow.

7.3 Ministry of Local Administration (MLA)[14]

One of the schemes targeting MSEs in the rural areas is the Shorouk Project (SHOROUK). This project is the Egyptian National Integrated Rural Development Program which was launched as an outcome of the National Conference on Rural Development, held in October 1994. ("Shorouk" means sunrise in Arabic.)

This project was implemented by the Ministry of Local Administration (MLA) through the Organization for the Reconstruction and Development of the Egyptian Village (ORDEV). It represents a new era of comprehensive, political and objective vision stemming from people's participation. It seeks to help people improve the quality of life in Egyptian rural areas, with some needed support from governmental resources.

The philosophy behind SHOROUK considers empowerment of Egyptian village communities as the goal and means of sustained rural development. It aims at optimizing the village's human, material, and institutional resources by, and for, the citizens living in rural areas. Community members in rural areas assess and measure their resources, prioritize their own needs, plan their future, and carry out and evaluate the output of their own efforts. Village plans are multidimensional, reflecting local community priority needs in terms of physical infrastructure, social services, and economic opportunities.

[14] Ministry of Local Administration, (1998), *Organization for the Reconstruction and Development of the Egyptian Village* **(ORDEV), (SHOROUK)**.

7.4 Social Fund for Development[15]

Presidential Decree No. 40 of 1991 established the Social Fund for Development (SFD). It is financed by the government of Egypt in co-operation with the World Bank/IDA, Arab Funds, the European Union, the German Financial Corporation via KFW, and multinational and bilateral donors.

By Phase II of operations, SFD resources have reached LE 2.1 billion and have been allocated to beneficiaries through five different programmes. The SFD was established with three main objectives:

- to help alleviate poverty through supporting employment generation and community development efforts;
- to reduce the negative impact of privatization, especially where redundant workers are concerned; and
- to provide assistance to Egyptians returning from the Gulf.

The five programmes through which SFD seeks to achieve its objectives are the following:

1. Small Enterprise Development Organization (SEDO)
2. Public Works Program (PWP)
3. Community Development Program (CDP)
4. Human Resources Development Program (HRDP)
5. Institutional Development program

[15] a) Social Fund for Development, 1999, *Annual Report***.**
b) El Leathy, Heba, 1999, *Evaluating the Social Fund for Development Programs to Alleviate Poverty,* Socioeconomic Policies and Poverty Alleviation Programs in Egypt Conference, organized by CEFRS, SFD, UN and SRC-AUC, Cairo, Egypt, October 16-17.

Below, the two main programmes that have direct or indirect bearing on the development of informal/MSEs is presented.

Small Enterprise Development Organization (SEDO)

SEDO is a target-based organization whose mission is to serve as the principal national institution for establishing, developing, supporting and financing SMEs for job creation. In general, tehir client is a person who is unable to obtain a loan through normal banking procedures for a technically and financially viable project. SEDO has addressed such critical areas for SME development as insufficient access to available markets, limited access to finance, and undeveloped managerial capabilities.

SEDO' Strategy: SEDO aims to encourage sustainable SME growth and development in Egypt through the following: (i) providing SMEs with access to financial means through an effective credit system, as well as technical assistance, advice and training; (ii) improving the institutional capacity of SEDO's sponsoring and executing agencies; (iii) monitoring and evaluating SEDO activities; developing the managerial and institutional capacity of SEDO; and (v) preparing recommandations for policy formulations.

Types of SEDO Enterprises and Clients: All economic activities, except land reclamation and primary agriculture, are eligible for finance. Enterprises may be either new or existing. To encourage the establishment of new enterprises, preferential interest rates are applied to new business start-ups. Technical assistance and training are offered to clients of financed enterprises. Up to 73 percent of the loans offered are less than LE 50,000, thus maintaining the thrust towards social equality. In addition, women are strongly encouraged to become involved in SME development.

Terms and Conditions for End Borrowers: Differential interest rates are charged based on loan size and fixed asset value, so that the asset to loan ratio is approximately 1:1. Interest rates are reviewed semi-annually and revised according to current market conditions. With regard to repayment, two levels are monitored because SEDO acts as a wholesale bank: repayments by the financial intermediaries (FIs) to SEDO and repayments by the client to the FI. Although the FIs carry the credit risk, it is important for the future business of SEDO to monitor the loan portfolio quality of the banks.

Community Development Programme (CDP)

CDP was designed as a model for innovative projects that would alleviate poverty and upgrade the quality of living standards for the poorest segments of the population. This was to be carried out in partnership with NGOs and beneficiary communities.

Micro-credit: CDP's income-generating activities have constituted 12.8 per cent of the total amount contracted and provided loans to approximately 5,200 families in various governorates of Egypt. These families usually work at home on an informal basis. In an initiative to address the challenges of availing micro-credit to target beneficiaries, CDP has focused on NGO capacity building so as to enable Egyptian NGOs to provide loans.

Training and Awareness: About 3.7 per cent of CDP's total budget was allocated to training and awareness-raising activities designed to benefit approximately 660 SFD project beneficiaries in various governorates. In practice, the EDP has helped in providing close to 150,000 loans to beneficiaries. However, the success rate has not been high among start-up enterprises, as the programme did not offer the entrepreneurs technical support and did not follow up their operations closely. On the other hand, the already established enterprises that received funds through the EDP/SEDO proved to be successful in expanding their operations and increasing the number of workers. Although it was claimed that 25 per cent of the loans were allocated to female entrepreneurs, empirical research indicates that this percentage may be much lower (close to 10). It must also be made clear that most of the small funds go to formal enterprises as the lending banks demand numerous documents, which are only available to the formal enterprises.

7.5 National Bank for Development (NBD)[16]

One of the few exceptions to the orientation adopted by most banks is the National Bank for Development. In 1989, the programme started in a pilot effort through a USAID grant to lend to SMEs through NBD branches in Sharkia and Damietta. In the same year, the NBD received another grant from the Ford Foundation to provide credit in Menia. Subsequently, a grant from USAID was made to NBD to support services in thirteen branches throughout Cairo.

In 1992, NBD initiated the small enterprise credit project (SECP) in the Greater Cairo Area with a grant from USAID of LE 33 million which was supplemented with LE 10 million of the bank's own funds. Following this, the bank entered into agreements with UNICEF and CIDA. The NDB adopted innovative institutional measures and developed its institutional capability in lending to Egyptian MSEs. NBD is considered the most proactive bank in the field of micro lending. Now, there are twenty-six NBD branches offering micro finance services. According to its 1997 figures, NBD was able to extend 171,629 loans totaling LE 380,277,933 to 64,251 clients with a recovery rate of 94.4 per cent.

The target group:

NBD finances existing activities of small borrowers who are unable to deal with banks. Until May 1999, the number of loans was 215,455 with a total value of nearly LE 554 million and 77,000 beneficiaries. Almost all beneficiaries are formal small enterprises, since the bank needs several guarantees, such as the license and registration. Informal enterprises are thus excluded from the special advantages offered by this programme.

7.6 Credit Guarantee Corporation (CGC)[17]

The Credit Guarantee Corporation (CGC) was established in 1989 as a private sector joint stock company by nine Egyptian banks and one insurance company with support from the private sector. CGC has two main programmes: the Small Scale Enterprise (SSE) programme, targeting MSEs, and the Healthcare Cost Recovery (HCCR) project, targeting health care providers.

CGC issues guarantees to banks of up to 50 per cent of their loans to SMEs and 80 per cent of their loans to health care providers, in return for a fee of 1 per cent annually on the outstanding balance of the guarantee. By October 1997, CGC had issued a total of LE 462 million in loan guarantees, covering 8,745 loans that totaled LE 973 million, with a loan average of LE 52,820.

The successful performance of CGC prompted USAID and the Egyptian Government to sign a new $85 million project agreement. Under this project, CGC will serve as wholesaler of SME loan funds to existing and new organizations, including NGOs and banks. CGC will establish 60 new MSE-lending units throughout Egypt and will replace USAID in the

[16] a) El-Mahdi, A. et al., *1999, Provision of Finance to Small and Micro Enterprises: A Report on the Major Finance Providers in Egypt*, in conference on "Labor Market and Human Resource Development in Egypt", EPIC, Cairo, November 29-30.
b) Ministry of Economy and Foreign Trade, op cit.

[17] ibid.

supervision of these activities. This programme works mainly through banks, which in turn mostly serve formal enterprises.

7.7 Businessmen Associations[18]

In the late 1980s, USAID's Offices for Trade and Investment and Human Resource Development initiated several new efforts to target small and micro enterprises in Egypt through the use of two models. One model was developed by establishing private non-profit NGOs run by a board of directors from among the local business community. The second model works through Egypt's formal financial system, NBD.

In 1990, the Alexandria Businessmen's Association (ABA), in co-operation with USAID, funded the establishment of an NGO model, which was concerned with starting up a small and micro enterprise credit programme.

The following year another foundation was established in Cairo – the Egyptian Small Enterprises Development (ESED).

Yet another foundation was established in Port Said in June 1994 and another in Sharkia (in November 1996). The actual activity in the latter NGO started in June 1997. Until that time almost all of the Delta region was generally not being served by SMEs' credit assistance programmes, though several programmes were actively providing finance and training to small and micro enterprises in Upper Egypt.

BAs' target group

This model lends to existing enterprises and has two target customer groups: (a) micro enterprises with 1-5 employees (approximately 74 per cent of the programme) and (b) small enterprises with 6-15 employees (which make up the remaining 26 per cent of the programme). According to USAID reports, 138,000 loans valued at LE 412 million were disbursed through these NGOs to more than 64,200 borrowers with less than a 3 per cent default rate, through the end of August 1997.

BA's loans to small entrepreneurs proved to be quite successful. The recovery rate of the loans was close to 100 per cent. They helped unit owners to expand their enterprises, and increase both capital and employment, though the rate of increase in capital for a given change in loans was greater than the increase in employment.[19] One of the main causes for success is that they only specialize in lending to already established EUs and not start-up enterprises. Therefore, the risk related to start-up lending is eliminated.

As has been observed, there are several governmental and non-governmental support schemes directed towards helping MSEs. Among those schemes, the PFS, BA, NBD and SEDO (previously named as Enterprise Development Program) are the most successful. Despite numerous programmes, their impact is still relatively limited in terms of outreach capabilities and success in providing technical support and training programmes. Furthermore, some of the previous schemes (SFD, BA, and NBD) demanded exaggerated

[18] a) El-Mahdi, Alia et al., *Provision of Finance to Small and Micro*, op, cit.
b) MOEFT, op, cit.

[19] El-Mahdi, A. and M. Osman, (2000), *An Assessment of the Effectiveness of Small and Micro-Enterprise Finance in Employment Creation*, EPIC, Cairo, p. 33.

financial guarantees from small enterprises, and this in turn excluded the poor and informal entrepreneurs from benefiting from these schemes. In addition, most of the schemes, with the exception of the PFS and Shorouk projects, required that the enterprises be licensed and registered, thereby excluding informal units from benefiting from these schemes. Thus these conditions impose restrictions or constraints on the informal units. These cannot benefit from the ongoing finance or other support schemes.

8. Conclusions and Policy Recommendations

- It should be made clear that informal activities have always been an integral part of Egyptian economic activity. However, awareness of its potential is only a recent phenomenon attributable to the diminishing role of government and state-owned enterprises, to the slow pace of the formal private sector enterprises in offering work opportunities, and to the recessionary atmosphere.

- Despite the numerous players and social partners interested in helping small/informal enterprises, their ability to reach the millions of informal entrepreneurs is still limited, and their efforts are not well organized.

- Some of the employers' associations, such as the Egyptian Federation of Industries, have until now been basically concerned with lobbying on behalf of large enterprises, in spite of the large number of small enterprises that are members in the federation.

- The role of trade unions in assisting informal entrepreneurs and informal workers needs to be reassessed, vitalized and developed in order to become more effective. Trade unions should be encouraged to out-reach informal sector workers through building organizations, forming coalitions with existing informal sector organizations, and providing necessary support to retrenched and ex-trade union members, in particular.

- Furthermore, the large formal private sector has failed to assume several responsibilities: Firstly, it uses capital-intensive production techniques, thus limiting demand for labour. Secondly, it hires some of its workers on an informal basis to avoid various labour law constraints. Thirdly, it does not offer any support to small enterprises, but rather builds bridges with them through subcontracting, buying some of their input, using them as distributors or depending on them for maintenance operations.

- The role of large companies should be directed towards absorbing more workers, offering better working conditions, and supporting small enterprises by building links with them.

- Although the informal enterprises have a heterogeneous nature, ranging from itinerant street sellers to modern industrial factories or service providers, they share a certain common characteristic: namely, dependence on their own informal resources and linkages. Family ties and assistance from neighbors and friends have been a basic necessity until now – not only in the area of providing finance but also in working and sometimes in distributing the goods produced by the informal entrepreneurs.

- Despite their dependence on informal ties, some of the entrepreneurs have succeeded in overcoming the different constraints surrounding them by developing their enterprises and eventually working on a larger, formal scale. The idea is to try and help more of them to develop in a similar manner.

- Raising the awareness of informal entrepreneurs as to the importance of organizing themselves into specialized associations or networks, with a view to (a) lobbying for their demands, (b) protecting their rights, and (c) increasing productivity and efficiency through co-operation among the members and creation of links with larger enterprises are all necessary requirements at this time.

- The informal community represents a substantial and active part of the private sector workforce. Immediate attention should be directed towards assisting and strengthening it to allow it to survive globalization's sweeping tide.

- Until now, almost all training provided to workers has been carried out "on job site". There are no special training schemes offered to informal workers by the government or NGOs, except in a very few cases where an NGO supplies the self-employed with sewing machines or other such equipment. In these cases the entrepreneur is offered short training on using such machines.

- Working conditions in which enterprises and workers function are not always humanly tolerable, whether for grown-ups or children. Some specific intervention will be necessary not only to raise their awareness, but also to provide them with technical support to improve overall working conditions.

- The participants in the sector, without social or medical insurance, lack security regarding their futures. The high rates of insurance premiums that must be paid by a worker or entrepreneur dissuade them from subscribing. Modification of the ongoing social security scheme is a necessity, if the welfare of the workers is to be considered a priority.

- Strict regulations and supervision regarding children's work need to be enforced in line with International Labour Convention No. 138: Minimum Age, 1973 and No. 182: Worst Forms of Child Labour, 1999. Special attention needs to be paid to female children in this respect. Some ways for providing an education and a healthy environment to working children must be found.

- The Ministry of Finance should devise a special incentive tax scheme for small/informal enterprises. Until now only two kinds of enterprises have enjoyed a five-year tax holiday: those that get loans from the SFD, or those which operate in the new industrial cities. All other enterprises are hampered by overestimated taxes, which are usually collected every four to five years due to the inability and incompetence of the Tax Authority in collecting taxes annually.

- Various legislation and regulations related to establishing businesses should be reviewed so as to streamline existing multiple requirements and complicated procedures, making the overall process less cumbersome.

- The training and technical assistance components in almost all support programmes have had negligible impact. Most of the micro-support schemes are in fact micro-finance schemes. If raising productivity is important in an era of globalization, a new look at the structure of the "national support programme system" must be considered. The purpose would be to introduce strong technical and training components, especially for entrepreneurs engaged in manufacturing and service activities.

- Establishing new domestic and international marketing channels is an area that informal entrepreneurs are in dire need of.

- In Egypt, there are still improvements required for the work to be considered "decent", in particular in the informal economy. Challenges remain ahead for the country, given the fact it has to create 500,000 to 600,000 jobs a year for the new labour market entrants. The informal economy is still in a position to absorb a large number of the new entrants. However, all of the previously mentioned suggestions are to be considered, if an enabling work environment is to be created for all participants in the sector.

Bibliography

Assaad, R., The Transformation of the Egyptian Labour Market: 1988-1998, in Conference on the "Labor Market and Human Resource Development in Egypt, EPIC, November 29-30, (1999), Cairo Egypt.

El Leathy, Heba, 1999, Evaluating the Social Fund for Development Programs to Alleviate Poverty, Socioeconomic Policies and Poverty Alleviation Programs in Egypt Conference, organized by CEFRS, SFD, UN and SRC-AUC, Cairo, Egypt, October 16-17.

El Mahdi, A. & K. Powell, 1999, Small Entrepreneurs in the Greater Cairo Community, SRC, AUC.

El Mahdi, A., 1999, The Labor Absorption Capacity of the Informal Sector in Egypt, EPIC, Cairo.

El-Mahdi, A. and M. Osman, 2000, An Assessment of the Effectiveness of Small and Micro-Enterprise Finance in Employment Creation, EPIC, Cairo.

El-Mahdi, Alia et-al., 1999 , Provision of Finance to Small and Micro Enterprises: A Report on a the Major Finance Providers in Egypt, Labor Market and Human Resource Development in Egypt Conference, organized by EPIC Jointly with CSDC, Cairo, Egypt, November 29-30.

Ministry of Economy and Foreign Trade (MOEFT), 1998, A Draft: National Policy on Small and Medium Enterprise Development in Egypt, June.

Ministry of Social Affairs (MOSA), 1998, Goals, Scope of Work and Main Activities, compiled by Minister's Bureau, Information Unit, May.

Ministry of Local Administration, 1998, Organization for the Reconstruction and Development of the Egyptian Village (ORDEV), (SHROUK).

Osman, M., A. El Mahdi & H. Nassar, 2001, Micro-credits and their Impact on Youth Life Style, NPC, Cairo (not published yet).

Social Fund for Development, 1999, Annual Report.