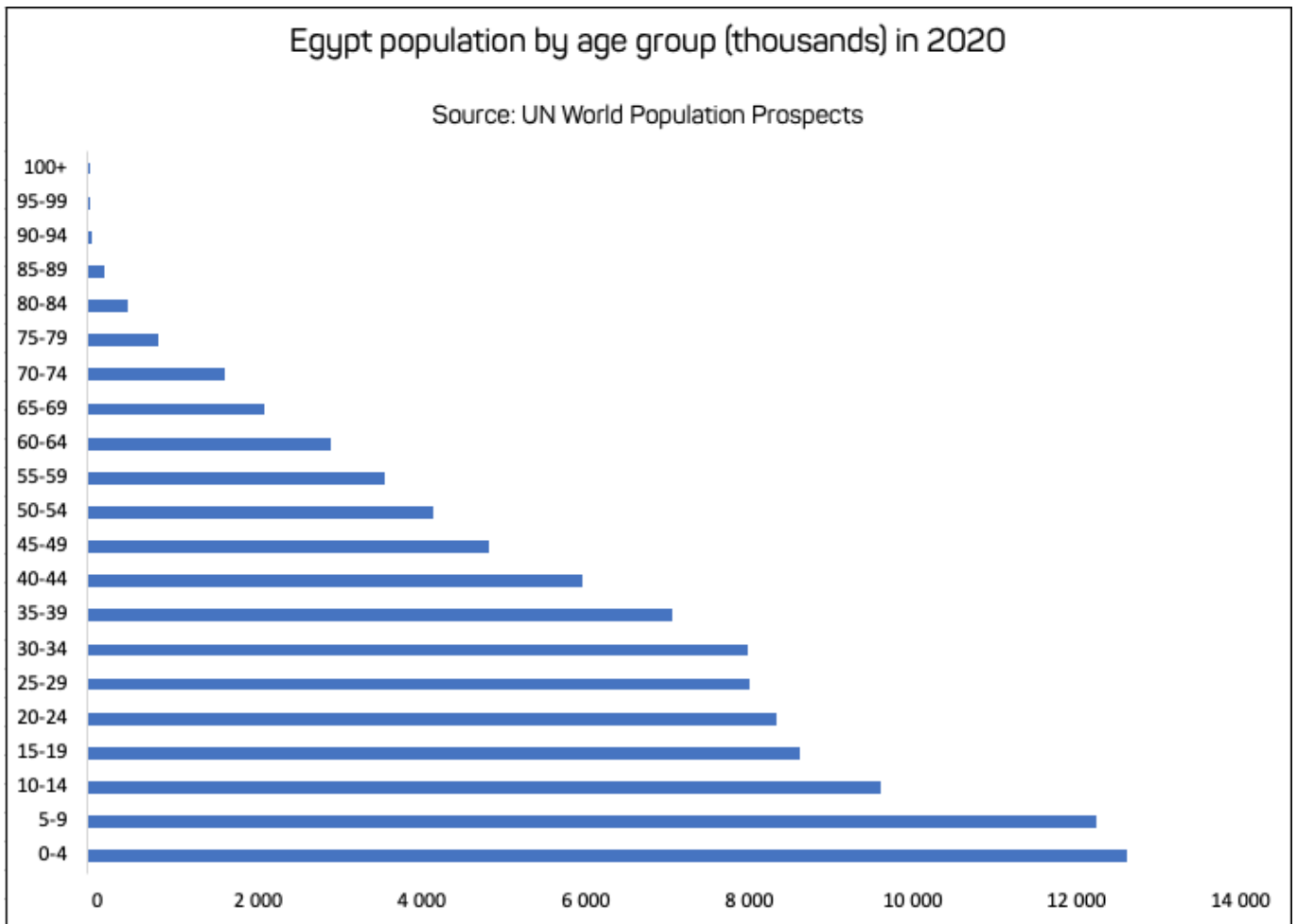


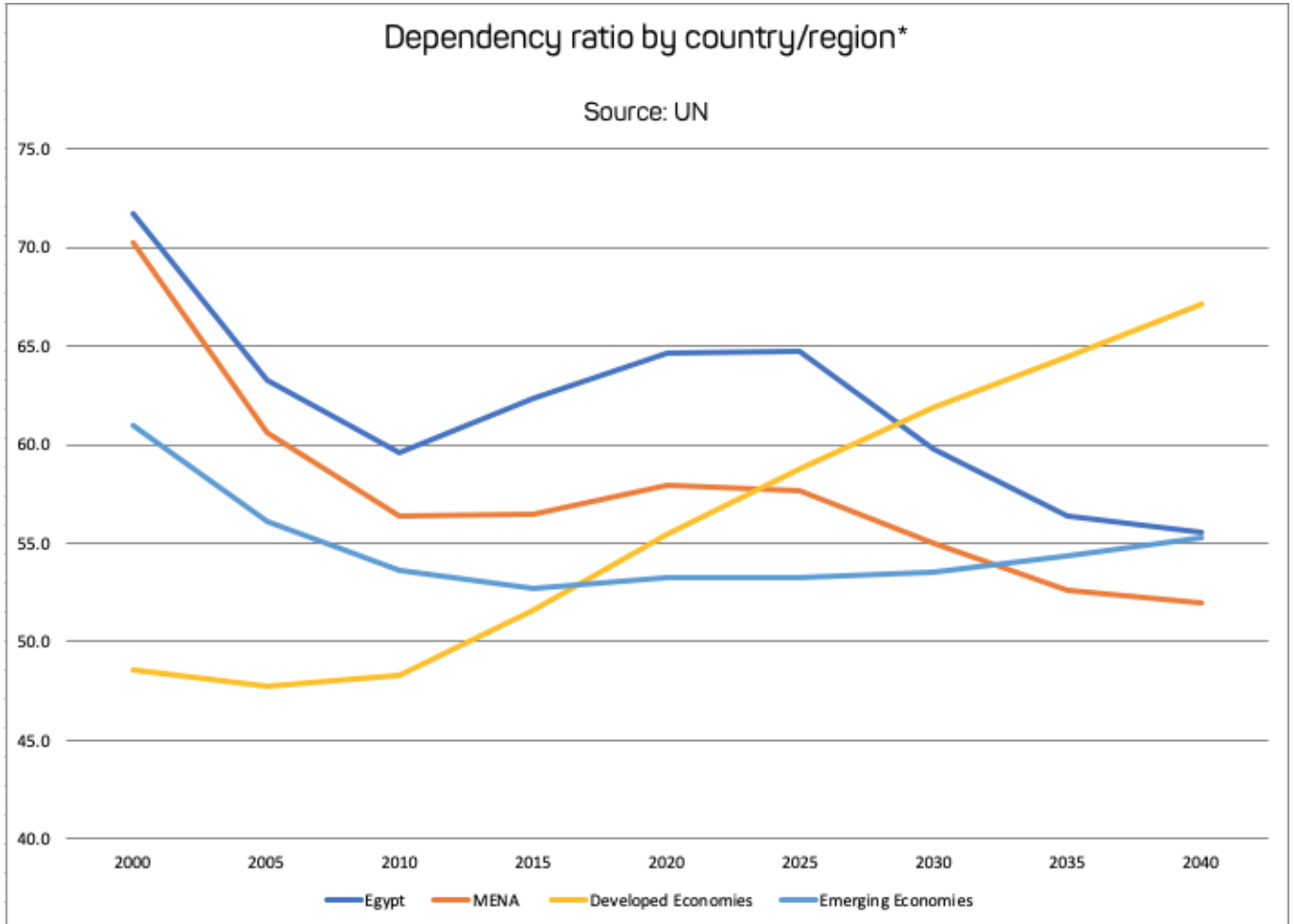
Egypt's rapidly growing youth population offers significant opportunities for economic development over the long term. However, a persistent skills shortage and misalignment of education and job market needs may prevent the country from successfully taking advantage of this potential demographic dividend. A failure to achieve the human capital and education plans outlined under Egypt Vision 2030 will jeopardise economic diversification plans and leave the country vulnerable to social and political instability.

## Power in youth

Egypt's population will continue on a growth trajectory throughout the next several decades, with expectations to surge from the current 100m to over 120m by 2030 and to just under 160m by 2050, according to UN estimates. Meanwhile, the youth cohort is sizeable, with an estimated 50% of the Egyptian population currently under the age of 25.



Egypt's vast youth population brings inherent advantages in terms of its ability to drive long-term economic growth. First, a rapidly expanding working-age cohort will create a large labour pool for businesses to capitalise on, helping to keep a lid on labour costs. Second, it creates a strong domestic market and scale opportunities for firms operating in the country. Finally, a rising proportion of working-age adults to dependents will lower Egypt's dependency ratio, reducing the strain on both private and public social welfare providers, and increase available income for spending on non-essential goods and services.



*\*Note/Dependency ratio is the population of 0-14 and 65+ year olds divided by the population of 15-64 year olds*

## Vision 2030: Bringing human capital in focus

Egypt can only capitalise on these demographic advantages if new workforce entrants can be integrated into productive employment. According to the IMF, the labour market will need to accommodate an estimated 3.5m new workers over the next five years.<sup>[1]</sup> The government is acutely aware of the opportunities the country's demographic profile presents and the need to improve employment prospects. Furthermore, reducing unemployment has been at the centre of policy debate since the January 2011 revolution.

This is reflected in the Vision 2030 sustainable development strategy (SDS)<sup>[2]</sup>. The SDS places significant emphasis on boosting human capital and education, as well as encouraging private-sector

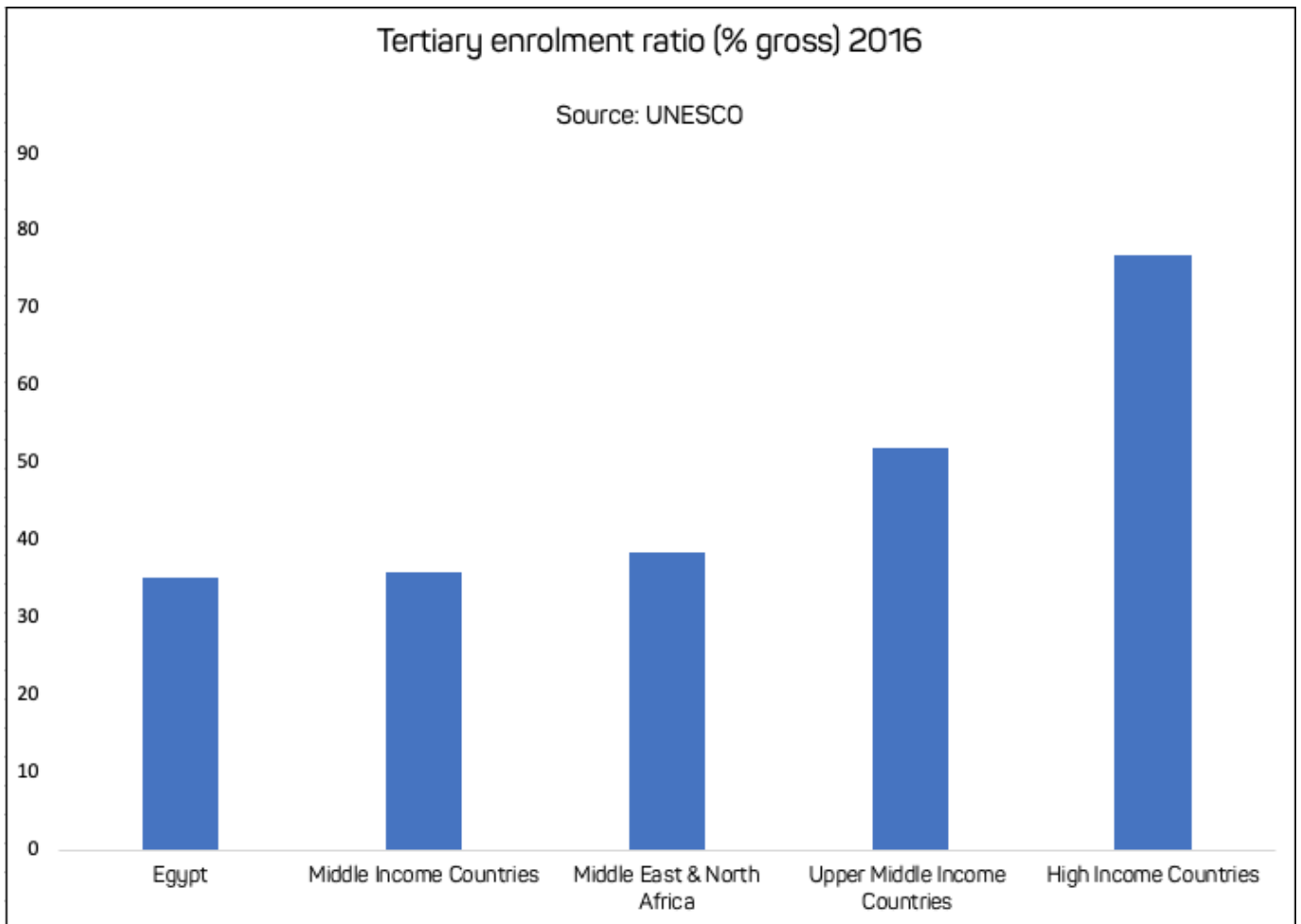
participation to drive job creation, and includes key performance indicators (KPIs) related to education and human capital.

| Select education and human capital-related KPIs in Vision 2030   | Current Value | 2020 Target | 2030 Target |
|--|---------------|-------------|-------------|
| <b>Unemployment rate (%)</b>   | 12.8          | 10          | 5           |
| <b>School drop-outs under 18 years old (%)</b>   | 6             | 2           | 1           |
| <b>Female labour force participation (%)</b>   | 22.8          | 25          | 35          |
| <b>Number of Egyptian Universities listed among the top 500 universities in the world (Shanghai Index)</b> | 1             | 3           | 7           |
| <b>Higher education enrolment rate, 18-22 years old (%)</b>  | 31            | 35          | 45          |
| <b>Technical education graduates working in their fields of specialisation (%)</b>                         | 30            | 60          | 80          |

Source: SDS Egypt Vision 2030

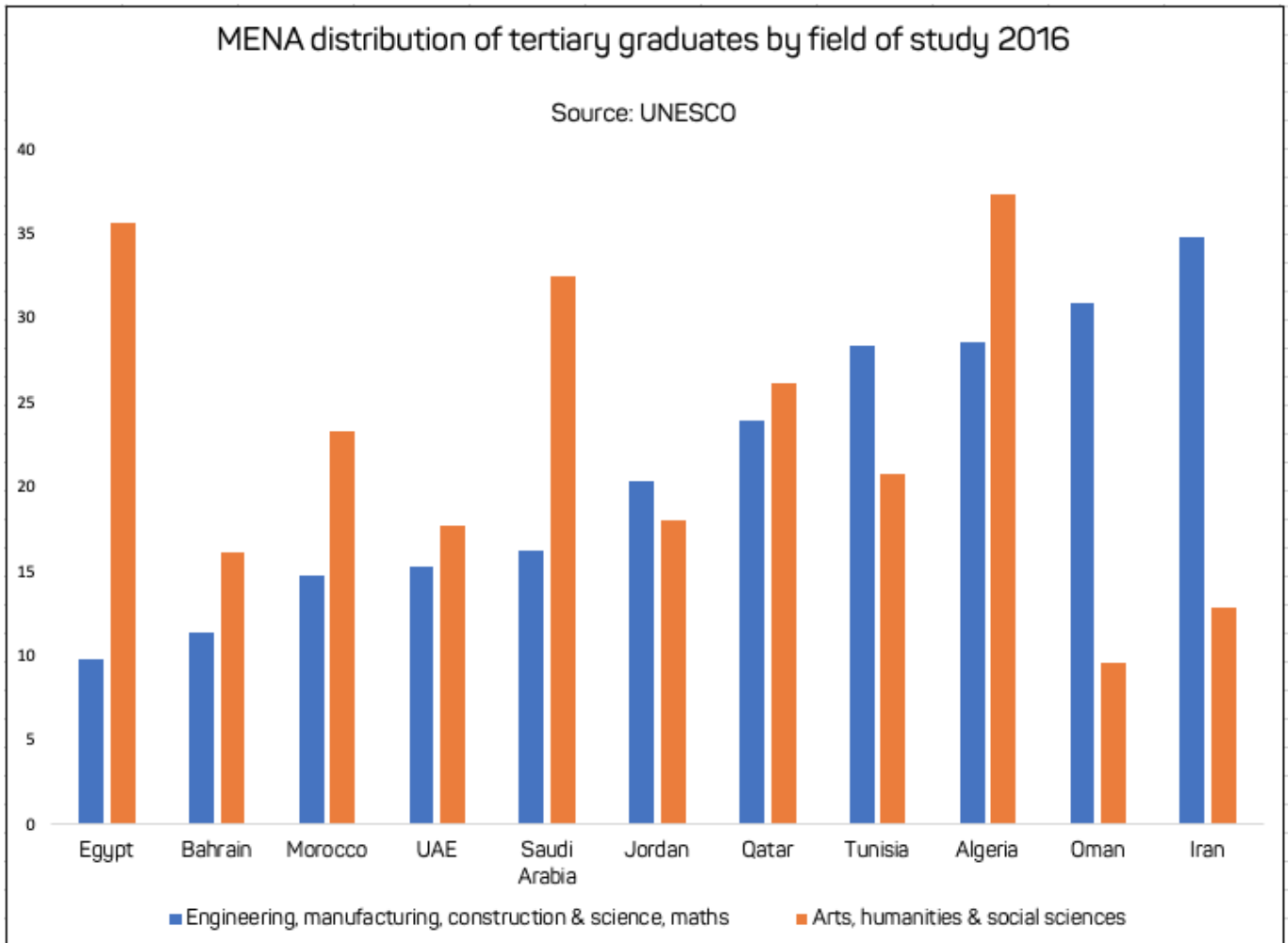
### Bringing skills in line with market needs

A persistent skills shortage and mismatch will be one of the most important obstacles successfully taking advantage of this potential demographic dividend. Higher education attainment levels are relatively low in Egypt, meaning that there is a general lack of available skilled labour. According to data from UNESCO, Egypt's enrolment rate for tertiary education stands at around 35%—lower than the averages for both the MENA region (38%) and middle-income countries as a whole (36%). Vision 2030 aims to address this with a 2030 tertiary enrolment target rate of 45%.



But even if the country successfully meets this education target, it may still struggle with aligning education with the demands of the economy and labour market. More than 35% of university graduates are specialised in the humanities and social sciences; meanwhile, just 6.2% have degrees in engineering and manufacturing and only 4% graduate with degrees in science and mathematics. This skills gap in the science, maths and engineering fields is more pronounced in Egypt than in all other countries in the MENA region.

Furthermore, new entrants to the labour market have typically shown a preference for employment within the government, rather than the private sector, perceiving a civil service career as more secure.



## Economic diversification plan dependent on skills alignment

This skills mismatch will become increasingly problematic as the country strives to diversify its economy. Vision 2030, for example, lays out a plan to establish Egypt as a regional trade, industry and energy hub. Achieving these goals will mean an increase in demand for skilled labour from the energy, [high-tech manufacturing](#) and logistics sectors.

A lack of skills and practical experience in these sectors among Egyptian university graduates will present significant bottlenecks to the country's growth outlook. If businesses in the country are forced to hire foreign workers to meet these demands, they will likely be forced to cope with higher wage

costs and labour restrictions.

## Big payoffs or demographic burden?

A failure to achieve the human capital and education plans outlined under Vision 2030 would not only jeopardise economic diversification plans; it could also leave the country vulnerable to social and political instability.

Egypt's macroeconomic outlook has improved notably over the last few years, with unemployment rates falling from just under 13% in 2015 to under 10% in 2018. However, youth unemployment remains high at around 32%, according to World Bank figures. Furthermore, [Egypt's economic rebound](#) has partly been founded on a multi-year government austerity programme overseen by the IMF, which has slashed social subsidies and raised living costs for some of the poorest Egyptians. According to the Central Agency for Public Mobilization and Statistics, 32.5% of the population lives below the poverty line. There is a significant risk that if rapid population growth continues without solid education and labour market reforms, growing discontent and youth unemployment could spark social unrest and political instability in the coming years.

Social stability has already deteriorated in recent months, with widespread protest against government corruption in September 2019 only subsiding after a heavy-handed clampdown by security services. While social instability is not currently an existential threat to the government of Abdel Fattah el-Sisi, there is recent precedent for public protest to force regime change. In 2011, as part of the wider Arab Spring, mass public protest in Egypt contributed to the toppling of the regime of President Hosni Mubarak. High levels of youth unemployment and government corruption were important triggers of social instability in 2011.

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Sources:

[1] IMF, 2019

<https://www.imf.org/en/Publications/CR/Issues/2019/10/10/Arab-Republic-of-Egypt-Fifth-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-48731>

[2] Sustainable Development Strategy (SDS): Egypt Vision 2030,

<https://www.greengrowthknowledge.org/sites/default/files/downloads/policy-database/Egypt%20Vision%202030%20%28English%29.pdf>