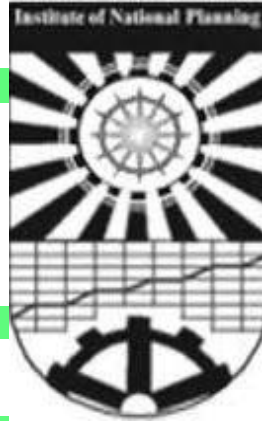


ARAB REPUBLIC OF EGYPT

THE INSTITUTE OF NATIONAL PLANNING



Memo No. 1542

The Egyptian Economy and The poor
in the eighties (main features, and
the identification of the poor)

BY

Dr. Karima Korayem

Dec . 1991

CAIRO

SALAH SALEM St. NASR CITY

الاقتصاد المصري ، ومحدودى الدخل فى الثمانينات
(المعالم الاساسية للاقتصاد المصرى وتعريف محدودى الدخل به)

د . كريمة كريم

يهدف هذا البحث الى بيان المعالم الأساسية للاقتصاد المصرى فى الثمانينات ، ثم تعريف من هم محدودى الدخل به على أساس أن الفقر هو أحد هذه المعالم الهامة ، التى بالرغم من أهميتها الكبيرة من حيث آثارها الاجتماعية والاقتصادية والسياسية ، الا انها لم تحظى بقدر واف من الدراسة والبحث فى مصر .

ويهدف الجزء الأول من البحث الى استعراض المعالم الأساسية للاقتصاد المصرى فى الثمانينات من خلال تركيبة جدول يتضمن المؤشرات الاقتصادية والاجتماعية الهامة للاقتصاد المصرى واتجاهات تغيرها خلال حقبة الثمانينات . والقرص من ذلك هو اعطاء صورة ملخصة ومتكاملة ومتسقة احصائيا عن التطورات الاقتصادية والاجتماعية الاساسية التى حدثت فى مصر دون الحاجة الى اللجوء الى المصادر المتعددة وعميل حسابات مختلفة على الاحصاءات للحصول على هذه الصورة .

اما الجزء الثانى من البحث ، فيتضمن تعريف من هم الذين يعيشون على دخل خط الفقر أو دونه ، وهم من يسمون مجازا بمحدودى الدخل ، فرغم وجود بعض الدراسات التى قدرت دخل خط الفقر فى مصر ، وعدد الاسر التى تعيش عند هذا الخط أو دونه ، الا أن هذه الدراسات لم تتضمن أى محاولة لتعريف من هم هذه الاسر ، ويهدف هذا البحث الى محاولة تعريف من هم محدودى الدخل فى مصر ، باستخدام ما هو متاح من بيانات ، رغم قلتها ، وذلك لاقاء بعض الضوء على مجال كان مجهولا تماما لنا ، برغم أهميته ، فهذه المحاولة يجب ان ننظر اليها على انها خطوة أولى فى طريق ممتد يحتاج الى مزيد من البيانات والدراسة من الهيئات المختصة والباحثين الجادين .

وتعريف الفئات محدودة الدخل ليست مهمة سهلة . فلا يوجد اى مصدر للبيانات الاحصائية فى مصر - سواء فى شكل تعداد قروى او بحث بالعينة - يشمل توزيع الاسر بين شرائح الدخل أو شرائح النفقات الاستهلاكية المختلفة جنباً الى جنب مع بيانات عن خصائص الاسر فى هذه الشرائح ، فمثلاً بحث ميزانية الاسر بالعينة يتضمن بيانات عن توزيع الاسر بين شرائح الانفاق المختلفة ، ولكنه لا يتضمن اية معلومات عن وظائف من يعملون هذه الاسر لتعرف من خلالها على نوعية الوظائف والاعمال التى يقوم بها عائلى الاسر فى شرائح الانفاق المختلفة . ومن ناحية أخرى نجد تعداد السكان يتضمن بيانات عن الخصائص الوظيفية للسكان دون ان يتضمن اى معلومات عن توزيع هؤلاء السكان بين شرائح الدخل أو شرائح الانفاق المختلفة . وهكذا نجدنا عاجزين عن استخدام بيانات اى من المصدرين لتعديد من هم محدودى الدخل فى مصر .

ومع عدم توفر اى بيانات على المستوى القومى ، سواء فى شكل تعداد أو فى شكل بحث بالعينة كما ذكرنا اعلاه ، فإنه لا يكون امامنا الا طريق الاجتهاد لتحديد من هم محدودى الدخل وذلك باستخدام مؤشرات نوعية مع الاختبارات الكمية للتأكد من ان تقديراتنا لـ مجموع هؤلاء لا تبعد عن الحقيقة . وهنا يجب الاشارة الى منهجين يتبعان فى هذه الحالات ، المنهج الاول يقوم على تحديد الفقراء ، او محدودى الدخل كمجموعة نلقبهم هنا ، على انهم هؤلاء الذين يقعوا فى فئات اجتماعية - اقتصادية معينة *Socio-economic groups* مثل العمالة الزراعية غير المالكة للأرض ، او موظفى الحكومة ، الخ . . اما المنهج الثانى ، فيعرف الفقراء على انهم هؤلاء الذين يتمتعون بصفات وخصائص معينة تسود الا عند مستويات الدخل الدنيا ، مثلاً الذين يعيشون فى مناطق جغرافية معينة (كالأحياء الشعبية) ، او الذين يقطنون فى منازل بسيطة ، ذات مواصفات فقيرة ، الخ .

كل من المنهجين له قصوره وعيوبه . فالعيب الاساسى بالنسبة للمنهج الاول هو التفاوت الكبير الذى يوجد داخل الفئات الاجتماعية - الاقتصادية الواحدة . ولكن من ناحية أخرى ، يمتاز هذا المنهج بسهولة تطبيقه حيث لا يحتاج الى بيانات كثيرة كما هو الحال فى المنهج الثانى ، كما انه يسهل اجراء المقارنات بين الدول وبعضها .

اما بالنسبة للمنهج الثانى ، فيؤخذ عليه انه يحتاج الى توفر بيانات كثيرة ومفصلة عن الفئات ذات الدخل الصغيرة ، حتى يمكن من خلالها تحديد أهم الصفات التى تنفرد بها هذه الفئات دون غيرها من ذوى الدخل الاعلى ، بالإضافة الى ذلك ، فإنه يصعب من وجهة نظرنا ، تطبيق هذا المنهج على المجتمعات التى تمر بمرحلة انتقال حيث ان هناك أمور كثيرة تختلط خلال فترات الانتقال بحيث يصعب معه

رسم خط فاصل بين الخصائص التي ينفرد بها الافراد والاسر ذوى الدخل المنخفضة وبين تلك ذوى الدخل الاعلى ، ففي مصر مثلا ، وهى خير مثال للمجتمعات التي تمر بمرحلة الانتقال ، نجد ان فى الاحياء الفقيرة يعيش عمال مهرة ترتفع دخولهم عن دخل خط الفقر ، بينما فى الاحياء الراقية يعيش موظفين تقل دخولهم عن دخل خط الفقر ، وذلك بسبب تجميد ايجارات الساكن عند مستويات دنيا منذ الستينات .

وبناء على ذلك ، وفى ظل محدودية البيانات المتاحة لدينا ، فيستخدم المنهج الاول لتعريف محدودى الدخل فى مصر ، وذلك بتقسيم افراد المجتمع الى فئات اجتماعية - اقتصادية مختلفة . ولكن لتقليل سلبيات هذا المنهج ، وحتى تتركز اساسا فى التفاوت الكبير الذى يمكن ان يوجد داخل الفئة الواحدة ، استخدم دخل خط الفقر المقدر فى دراسة سابقة للتمييز بين محدودى الدخل وغيرهم داخل كل فئة - اجتماعية - اقتصادية ، ثم استخدمت الاختبارات الكمية للتأكد من أن تقديرنا لمجموع هؤلاء لا يبعد عن الحقيقة . وبناء على ذلك قامت الدراسة بتقسيم قوة العمل الى فئات اجتماعية - اقتصادية ، ثم قامت بتحديد محدودى الدخل داخل كل منها . وبالتالي توصلت الدراسة الى أن محدودى الدخل يتمثلون فى الفئات التالية :

- (١) العاطلين .
- (٢) اصحاب المعاشات واصحاب التأمينات الاجتماعية .
- (٣) موظفى الحكومة والقطاع العام من الدرجة الثانية وأقل .
- (٤) العمال الزراعيين عن الحائزين على ارض زراعية .
- (٥) الحائزين على ثلاثة افدنة زراعية وأقل .
- (٦) حوالى ٧٠٪ من العاملين فى القطاع الخاص غير المنظم .
- (٧) وحوالى ٤٠٪ من العاملين فى القطاع الخاص المنظم .

THE EGYPTIAN ECONOMY AND THE POOR IN THE EIGHTIES
(MAIN FEATURES, AND THE IDENTIFICATION OF THE POOR)¹

by Karima Korayem²

1-Introduction

The present economic structure in the eighties, which we shall focus upon in our description, is not the outcome of one form of economic structure that developed over the years, with its ups and downs. But it is the offspring of different structural transformations that moved the economy from one extreme in the fifties -private sector's domination- to another extreme in the sixties -public sector's domination- then trying to move it again to somewhere in between these two extremes, where the public and private sectors may share the economic activities more or less equally. Thus, the first question that we shall address in this study is: what are the main features of this economy in the eighties?

¹This paper is part of the study: Adjustment and Equitable Growth; the Case of Egypt, sponsored by the Organization for Economic Cooperation and Development (OECD).

²Professor of Economics, Faculty of Commerce, El-Azhar University, Cairo.

The Egyptian economy has been undergoing several structural changes since the revolution of 1952, which overthrew the king. It was a completely market oriented economy, where government role was just the traditional one of defence, security keeping, etc. The nationalization of the Suez Canal Company in 1956 was the beginning of a new different period for Egypt, not only politically, but economically as well. The Suez Canal nationalization has been followed by the Egyptianization of banks and some businesses that were owned by foreigners. This is how the government role in the economic activity started in Egypt. However, the major structural change in the direction of more government participation in the economic life, took place after the Nationalization Acts in 1961. According to those Acts, a large public sector has been created where the government took control of a large part of the economic activities in the country, with the exception of agriculture where the private sector continued to play the main role. Rent controls have been imposed, price controls and minimum wages introduced, a second agricultural land reform applied, tax system changed raising tax rates on higher income levels to reach 90% on the annual income of LE 10,000 and more. In short, laws and regulations have been introduced to transform the society to socialism, according to official announcements², where the government has the upper hand

²Some social scientists disagree with that on the basis that the Egyptian economy has been transformed to a 'state' economy and not to a 'socialist' one.

official announcements³, where the government has the upper hand in the economic activities in general, with the responsibility of providing more equal opportunities and less economic and social inequalities among the individuals. This structure of the economy, which is characterized mainly by the relatively large role of the government vis-a-vis the private sector in the non-agricultural activities, continued until the mid seventies.

After the October War in 1973, changes started to occur, by introducing the open door policy in the mid seventies. The main crux of this policy may be pointed out as encouraging the private sector to play a larger role in the economic activities and open the door widely for the emigration of the Egyptian labour to work abroad, mainly in the Arab Gulf countries. This policy is still prevailing, with the consequence of having a kind of mixed economic structure, with the public sector still dominating the non-agricultural activities, in terms of investment and output, but with a growing role for the private sector encouraged by the government. The present government policy encourages the private sector by all possible means -e.g., by tax exemptions, tariff reductions, etc.- to increase its relative share in the economic activity.

³Some social scientists disagree with that on the basis that the Egyptian economy has been transformed to a 'state' economy and not to a 'socialist' one.

This quick pace of economic transformations, all within a period of less than forty years, makes any adjustment process not an easy task to do. This is because the present structure has its social and economic inheritance from the different transformation phases, which any policy package should consider; and this implicates the adjustment process because of the complexity of the system it has to deal with. For example, the productivity in the public enterprises should be raised, but without laying off the excess labour in those enterprises, since strict labour legislation that favour the employees, and almost prohibits firing -except in some limited cases- is one of the economic inheritances from the socialist phase. Another example is the general downward look, socially, on the manual work, which is one social inheritance from the fifties -i.e. in the market oriented and class structure phase- and which has not changed during the socialist phase in the sixties, inspite of its contradiction with it. Accordingly, any education policy directed towards decreasing the number of university graduates, who are in excess supply, and increasing the number of skilled workers, who are in excess demand, will be opposed inspite of the serious production and unemployment problems the Egyptian economy is facing.

Poverty is one of the important features of the Egyptian economy, which has serious implications, not only economically, as many of the other features have, but also socially and

politically. But, inspite of the widespread of poverty in the society, as will be shown below, no serious attempt has been made to identify who are the poor in Egypt. Thus, identifying the poor in Egypt is the second question which we shall attempt to answer in this study.

Accordingly, this study will consist of three parts. The first part is the introduction. The second part discusses the main features of the Egyptian economy in the eighties; and the third part includes the identification of the poor.

2-Main Features of the Economy in the Eighties:

Looking at the present structure of the Egyptian economy, one finds that agriculture plays a leading, though declining, role in production and employment. As it is shown in Table 1, from which all the indicators in this section will be taken unless otherwise stated, in 1986/87, agriculture produced 16.7% of GDP and had 36.3% of the labour employed, as compared to a relative share in GDP of 18.5% and in employment of 39.5% in 1981/82. The second most important commodity sector in terms of both production and employment is industry. It produced 14.8% of

GDP and has 14.4% of employment⁴. Petroleum is another important commodity sector for the Egyptian economy, especially as foreign exchange earner. Its relative share in GDP is almost the same as manufacturing, and exceeding it slightly in some years. However, the sector's employment capacity is very small as compared to manufacturing because of the nature of its production which needs highly capital intensive techniques⁵. Thus, these commodity sectors produce together 46.3% of the Gross Domestic Product and employ 50.7% of the labour. On the other hand, the services sectors - transportation and communication, trade and finance, and services - produce together 47.0% of the GDP and have 43.5% of employment in 1986/87. It has been the trend in the Egyptian economy for sometime that the relative share of the services sectors in GDP is increasing, while the relative share of the commodity sectors (excluding petroleum) is decreasing. This is particularly true for the two most important commodity sectors, agriculture and manufacture.

Another important feature of the Egyptian economy is the distribution of employment between public and private sectors. The public sector employed about one third of the labour in Egypt. For example, in 1982/83 and 1986/87, 32.3% and 34.4% of the employed

⁴In Table 1, mining and petroleum are aggregated with industry regarding employment data, while mining is combined with industry in the data on production. However, the mining and petroleum shares in employment are relatively very small; and in production, the mining share is trifle.

⁵For example, in 1983/84 the petroleum sector employed 27.6 thousand workers as compared to 1612.6 thousand workers employed in manufacturing; see Korayem (1990, Table C-12 in Appendix C).

labour was in the public sector. This shows a significant rise in public sector's employment as compared to ten years ago. In 1976, the public sector's employment was 26.9% of total employment (CAPMAS, 1976: Table 16, 169-173). This increase in public sector's employment cannot be taken as an indicator of a proportionate increase in the production share of the public sector in GDP, because of the very loose relation between production and employment in the public sector. There has been a lot of discussion in recent years about the low productivity of labour in this sector, and how can it be improved. This large increase in the public sector's employment is attributed mainly to the prevailing laws and regulations that make the government responsible for providing a job to the graduates of the intermediate and university levels of education⁶. Whenever the economic conditions deteriorate and the employment opportunities in the formal private sector, which pays generally higher wages, get tighter, the public sector becomes the main supplier of jobs to the new comers in the labour market.

The largest share of the public sector's employment work in the government vis-a-vis the public enterprises⁷. The freedom given to the public enterprises managers recently, helped in curbing the growth in employment in those enterprises. About two thirds of the employment in Egypt are in the private sector. As can be seen from Table 1, 65.6% of total employment in 1986/87 are working in the

⁶This process of guaranteeing a job to the graduates has been slowed down, though, in recent years by lengthening the job waiting period of the graduates to four years and more.

⁷In 1986/87, for example, 72% of the public sector's employees worked in government versus 28% in public enterprises (calculated from Table B-2 in Appendix 8).

private sector, with more than half of them working in agriculture.

The public sector's investment is about two thirds and more of total investment on the national level; it represents 66.9% of national investment in 1986/87 as compared to 33.1% for the private sector. The fact that the public sector has one third of total employment as compared to two thirds in the private sector, while having two thirds of national investment as compared to one third in the private sector, is attributed to the nature of the economic activities, that the public sector is engaged in, which requires mainly capital-intensive techniques; e.g. petroluem, public utilities, manufacture, etc.

The GDP growth rate has slowed down during the eighties, reflecting the economic crisis Egypt is facing. The annual real growth rate fell from 9.9% in 1982/83 to 4.2% in 1986/87; i.e. it fell to more than half its level over a four year period. The income per capita has increased from LE 553.0 in 1982/83 to LE 851.4 in 1986/87. However, if we take inflation into consideration, one finds that the income per capita in real terms remains almost at the same level in 1986/87 as it was in 1982/83. The income per capita in constant 1981/82 prices is LE 518.2 in 1986/87 as compared to LE 511.6 in 1982/83.

Prices of many goods and services in Egypt are subject to price controls, and some of them are heavily subsidized. However, this system is changing gradually in response to the IMF policy

recommendations and according to the austerity program applied by the Egyptian government along the IMF line. An example of the subsidized commodities and services are the basic food commodities and education; the latter is provided free of charge. In spite of the price controls, the consumer price index rose by 25% in 1986/87, according to the official data. The official consumer price-index data underestimate the actual rate of inflation prevailing in Egypt, because it is based on an outdated basket of commodities -taken from the Households Budget Survey of 1964/65- which is also heavily weighted in favour of commodities with controlled prices.

Looking at the balance of payments, one finds that the commodity balance of trade has been suffering from a chronic deficit during the last twenty years, with the exception of 1969 and 1973, and with a large jump in this deficit starting 1975 (Korayem, 1990: Table C-17 in Appendix C). However, until mid seventies, the trade deficit has been compensated for by sufficient amounts of positive net factor services income, leading to a surplus in the current account balance in all the years, except in 1966 and 1967. This trend has been reversed starting mid-seventies, turning the surplus in the current account balance into a deficit in all the years, except in 1979 and 1980, inspite of the workers' remittances from abroad that started to flow into the country at about the mid-seventies (Korayem, 1990: Table C-17 in Appendix C). The deficit in the current account reached US \$ two billions in 1986/87 (see Table 1). This significant deterioration in the current account balance from the mid-seventies and until now is attributed to three main factors: the jump in world

prices, the lax of the Egyptian government to control and manage the foreign exchange earnings of the country, and the official devaluation of the Egyptian pound. The last two factors seem to be part of the open-door policy as conceived and applied by the Egyptian government.

Looking at the exports and imports structure, it is found that Egypt's exports consist mainly of primary commodities, petroleum and agricultural commodities (mainly cotton lint). These primary commodities represented 87% and 85.6% of total export in 1982/83 and 1985/86 respectively, and then fell sharply to 67% of total export in 1986/87, because of the sharp decrease in petroleum prices on the world market and the consequent restriction in its production. Regarding the structure of Egyptian imports, about one fourth of the total are imported consumer goods, mainly food products.

Until March 1987, the foreign exchange transactions in Egypt were divided into three pools: the Central Bank pool, the commercial banks' pool and the free-market, which is also referred to as the black market; the first two pools are the official exchange rate markets. The Central Bank pool handles the export revenues of petroleum, cotton, rice, and Suez Canal dues, and the import payments of five essential foodstuffs (wheat, wheat flour, edible oil, tea and sugar), insecticides and fertilizers and most public sector capital transactions. Up to May 1987, the commercial banks pool received revenues of workers remittances, tourism, and exports not going through the Central Bank pool, and provided foreign exchange for