

# Inequality and its role in the Egyptian Revolution

Esteban Tinoco

Political Economy of MENA Region

Final Research Paper

Spring 2013

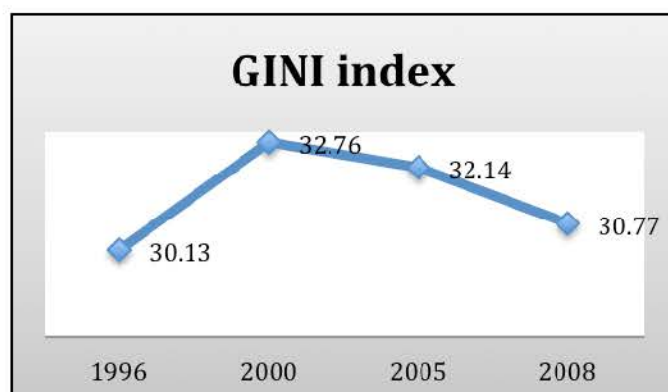
In early 2011, Egypt evidenced the power and impact that a frustrated and united population can have in shaping a country's reality. As it has been mentioned in countless analysis, this seemingly unified voiced demanding the president's resignation, was formed by different groups within society that were not necessarily frustrated for the same reasons. Many of them where rightly tired about the violent abuses committed by the regime in its attempt to silence dissent and the press; others were frustrated by the exclusive political system implemented in the country; yet others, a large number of people, were frustrated by the deteriorating economic and social conditions that many people were suffering. Without trying to discredit the importance of some of the factor that caused the revolution, this paper analyses economic aspects of the revolution, and more specifically, it analyses the impact that the growing inequality levels in the Egyptian society had in people's demands during the uprisings.

First I will demonstrate, using different data and analysis, the increasing level of inequality the country was experiencing before the 2011 uprisings. Then I will analyze how this rising inequality was the result of exclusive government policies, and how the deteriorating conditions increased the government incapacity to improve them. Lastly, I will show the mounting frustration that inequality generated among the population and the rising unrest the country experienced prior the revolution, clearly demonstrating the connection between the events in early 2011 and the inequality levels within society.

The first tool that helps us get a good idea of the levels of inequality in Egypt and its evolution before the 2011 revolts is to look at the Gini coefficient. From the World Bank database between 1996 and 2008, we can see that there has been an overall deterioration of the coefficient level (Figure 1). During the years prior 2000, there was a rapid deterioration of the Gini coefficient, reaching a high point of 32.76. After this deterioration, the coefficient started to improve, but at a much slower pace, reaching 30.77 in 2008. Despite the improvement of the coefficient after 2000, it is important to realize that the level in 2008 is still higher that the level in 1996 of 30.13. Looking at the share of income that the richest 10% of the population holds

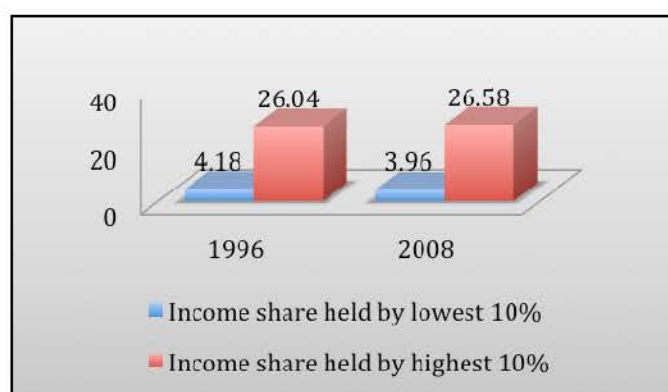
compared with the share of income held by the poorest 10% shows as well the rising levels of inequality between the 1996 – 2008 period. For the wealthiest 10%, the income share went up from 26.04 to 26.58, in comparison with the declining income share of the poorest 10%, decreasing from 4.18 to 3.96 (Figure 2).

**Figure 1: Egypt's Gini Coefficient, 1996-2008**



Source 1: World DataBank, 2013. <http://databank.worldbank.org/data/views/reports/tableview.aspx>

**Figure 2: Income share held by the lowest and highest 10%, 2013.**

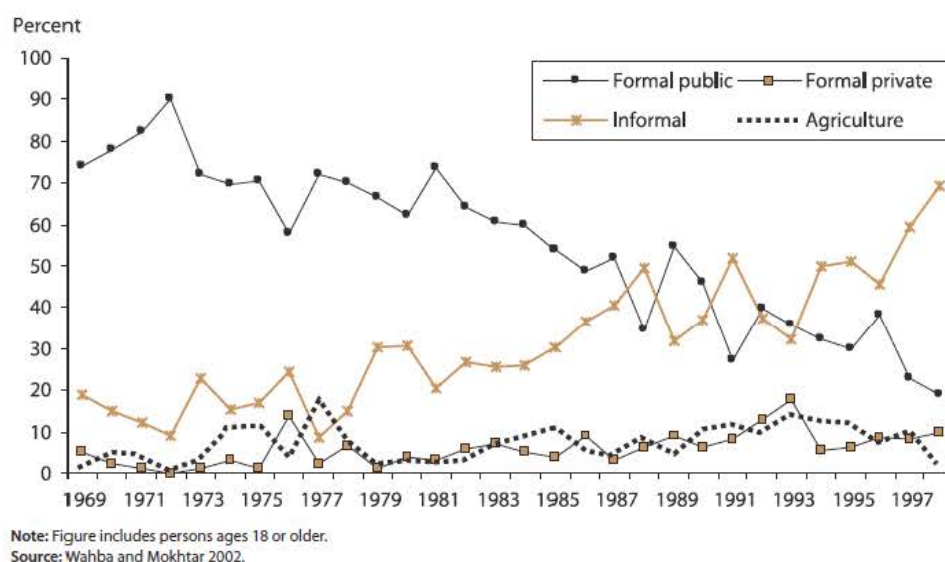


Source 2: World DataBank, 2013. <http://databank.worldbank.org/data/views/reports/tableview.aspx>

There are other indicators that can demonstrate the raising inequality in the country. One significant factor is the raise in importance of the informal sector in the economy. During the 90s, Egypt was among the countries with the highest informal sector employment as a share of nonagricultural employment in the region,

reaching about 55% (Appendix figure 1). This informal sector employment, despite having a lower importance if compared to other regions, such as Sub-Saharan Africa and Asia, has experienced a steady increase in Egypt (Figure 3).

**Figure 3: Share of New Entrants into Formal and Informal Employment in Egypt, 1969-98**



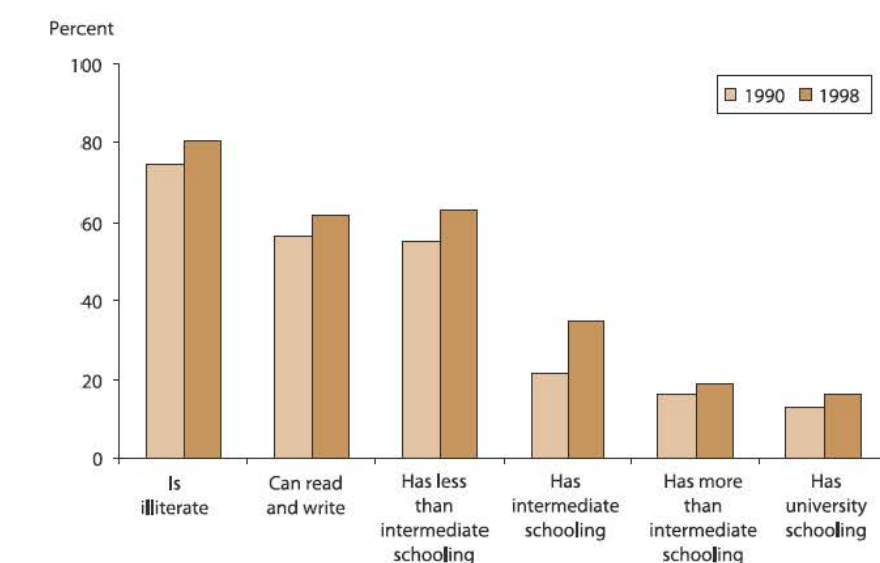
Source 3: World Bank, 2004. *Unlocking the Employment Potential in the Middle East and North Africa: Towards a New Social Contract*. MENA Development Report, pg. 110

Figure 3 shows the volatile, yet continuously increasing share of new entrants into the informal employment compared to entrants into other sectors of the economy. The informal sector received in 1998 as much as 70% of the new entrants into the labor market, while public sector jobs received 20% of the new entrants. Analyzing the graph further, given the relatively stable share of new entrants to the formal private sector and agriculture, it is safe to assume that given the decreasing share of public employment available in the economy, the informal sector served as a vacuum for people entering the labor market, which means that stable and high-paid jobs were replaced by unstable, unregulated and low-paid jobs in the informal economy.

As an attempt to understand the dynamics of this informal sector in providing new jobs, it is relevant to look at the importance of the informal sector according to new entrants' education level (Figure 4). This disaggregation provides

very useful information for understanding rising levels of inequality among the population. As the informal sector was expanding in Egypt and becoming an increasing source of employment in the economy, the probability of having an informal employment showed an inverse relation with the level of education a person had. Therefore, for illiterate people the probability of informal employment reached 80% in 1998, while for people with university degrees, this number didn't reach 20%. Also important is to observe that during the 1990-1998 period, the probability of informal employment experienced a higher increased among people with intermediate education and lower.

**Figure 4: Probability of informal Employment in Egypt, by Education Level, 1990 and 1998**



Source: Wahba 2002.

**Source 4:** World Bank, 2004. *Unlocking the Employment Potential in the Middle East and North Africa: Towards a New Social Contract*. MENA Development Report, pg. 109

The first decade of the 21st century has shown a similar pattern than the 90s in respect to the importance of the informal sector in the economy and the decline in public sector jobs. Looking at the overall contribution to employment growth during the 2000-2005 period, government jobs (among countries included in the data) represent a low share of total employment growth, while the private sector has a greater share, with Egypt having the greater share of 4.2% contribution of total

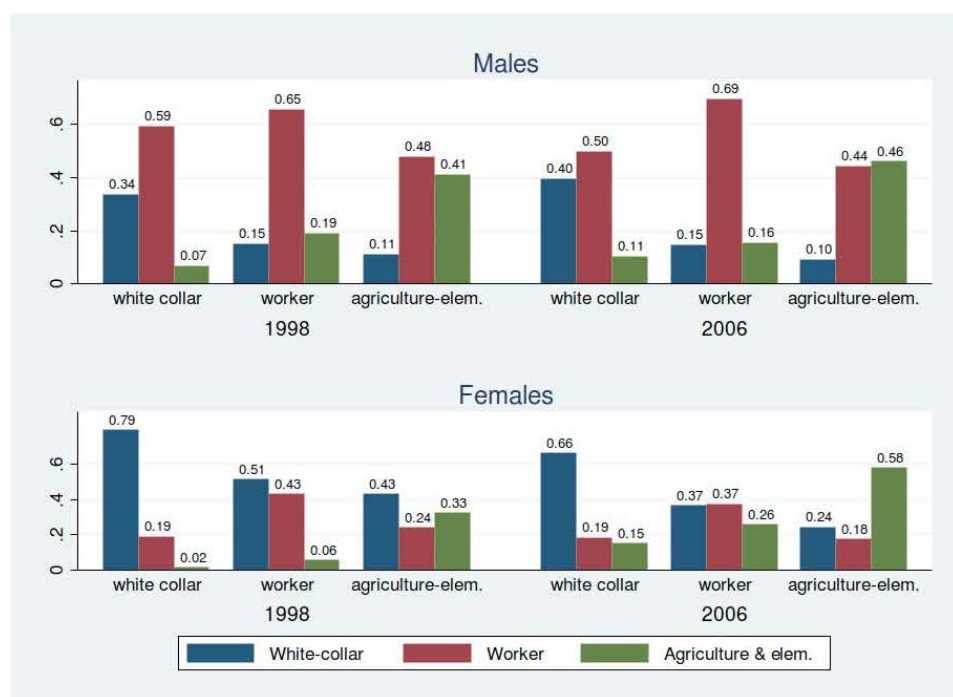


employment growth (Appendix Figure 2). However, it is important to mention that most of the new private sector jobs have been within the low productivity service sector, usually related with the informal sector (World Bank Report: 2007, 61-620) (Appendix Figure 3). To understand the relationship with increasing levels of inequality, the informal sector, despite providing a source of income, does not provide quality jobs for workers, since the sector is not regulated for minimum wages, safety standards, social security coverage, and having contracts. On the other hand, government jobs have been usually known for providing generous income, social security and a stable position.

Apart from income inequality, Egypt also experiences continuous and increasing problems of inequality of opportunity. Looking, for example, at the opportunities of obtaining a stable and well-paid job, in Egypt it is still very important family education levels and socioeconomic status. This job entrance dynamic has created barriers for young people coming from lower socio economic status, whose families don't have the right connections or the right education, and therefore creates inequality of opportunities in the country (World Bank Report, 2012). However, to draw a possible connection between raising inequality and the uprisings in the country, it is also important to notice that this situation has deteriorated, since during the years prior to the revolution this dynamic became more acute and thus could be responsible for creating more pressure and frustration among young educated people entering the labor market.

For example, the public sector (white-collar) employment rate for males with white-collar parents went from 0.34 in 1998 to 0.40 in 2006, while the rate for males with parents dedicated to agriculture declined from 0.11 to 0.10 during the same period (Figure 5). This illustrates the increasing importance between parents' type of employment and their sons' perspectives in obtaining a government job. Also, it shows the divergent path that this employment rate had during this period, increasing for males with white-collar parents, while declining for males with parents in the agricultural sector. In the case of women, despite the declining trend between the two periods in both cases, the decline among females with parents employed in the agricultural sector has been much greater (Figure 5).

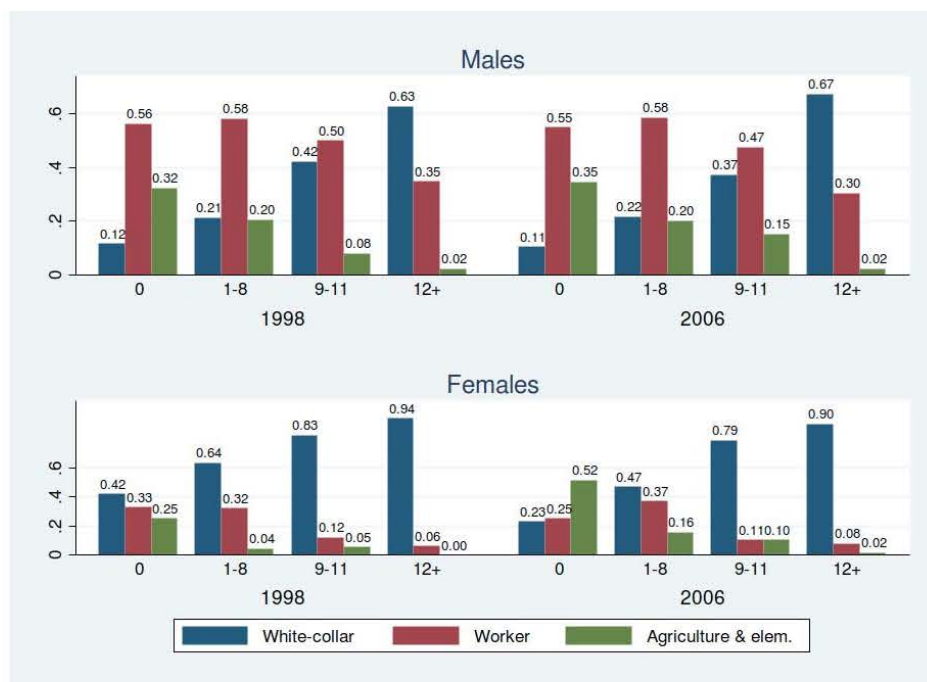
Figure 5: Employment rates given parent's employment



Source 5: World Bank, 2012. *Arab Republic of Egypt: Inequality of Opportunity in the Labor Market*. Report no. 70299-EG, pg.: 61

Also important to recognize is the clear positive relationship between parents having higher levels of education and their son/daughter greater employment rates in the public sector (white-collar). Considering males whose parents have 12 years or more of schooling, the public sector employment rates is as high as 0.63, compared to 0.42 for males whose parents have 9-11 years of schooling. When looking at the inter-temporal rates, the employment rate increases for males with parents with 12 years or more of schooling to 0.67, while declines for males with parents between 9-11 years of schooling to 0.37 (Figure 6). Looking at women's employment perspective given their parents' education level, the relationship is much higher at every level of parent's education, but the positive relationship for parent' with higher education is also maintain (Figure 6).

Figure 6: Employment rates given parent's education levels



Source 6: World Bank, 2012. *Arab Republic of Egypt: Inequality of Opportunity in the Labor Market*. Report no. 70299-EG, pg. 61

These rates illustrate the raising levels of inequality of opportunity Egyptians experience when looking for a well-paid, stable job in the formal sector. It is important to mention that this job entrance dynamic for getting decent jobs, despite been common in the country well before the 2011 uprisings, became more problematic during the years prior the revolution for people coming from the middle to lower socio-economic sectors of society, while for people coming from the upper socio-economic sector it improved. Thus, given the fact that elites and well educated people have greater probabilities to access government jobs, and given the pattern of increasing informal sector jobs and declining public sector jobs in the economy, described earlier, we can see that inequality levels in terms of employment opportunities and stability have deteriorated in Egypt during the years leading to the 2011 revolution.

In an article called *Income Inequality and Inequality of Opportunity: Cues from Egypt's Arab Spring*, Lire Ersado advances the argument of the importance of inequality of opportunities in Egypt and its important role during the revolution.



Ersado points out at some perspective survey results showing that for Egyptians, income inequality is not seen as a pressing issue (Appendix Figure 4), and rather, Ersado focuses on exogenous factors that create barriers through people's life. For him, different circumstances such as race, ethnicity, family background and birthplace create an unfair environment and have a direct impact on people achieving their potentials and goals (Ersado, 2012). These barriers are presented since childhood and increase as people get older, with strong barriers presented in the educational system and later on also present during the school-to-work-transition period (Appendix Figure 5). Therefore, he points at the progressive impact these barriers have during a person's lifetime, thus becoming a major cause for people's frustration and a highly potential reason for fuelling the revolts in 2011.

Despite his effort to separate between inequality of opportunity and income inequality and trying to impose one over the other as a major cause for the revolts, I consider that both types of inequality are highly linked, since the high and rising barriers creating inequality of opportunities can be a major cause for the persisting and rising income inequality in the country. Thus, combining both, inequality of income and opportunities actually provides us with a greater foundation to demonstrate that these levels in Egypt have deteriorated and have created dissatisfaction among the population in the years preceding the revolution.

It is clear that inequality levels have deteriorated in Egypt in the years preceding the revolution, fuelling the general discontent of the people. This deteriorating situation demonstrates the government's incapacity or unwillingness to implement policies to generate an inclusive economic growth, and therefore to prevent further discontent among the population. This dynamic is described in a study linking income inequality and poor institutions (Chong, Gradstein: 2007), where the authors demonstrate that there is a *double-causality relationship* between institutional quality levels and income inequality in a society. They point out that, while it can be understood how poor institutional quality could lead to increasing levels of inequality, it is also true that high income inequality would lead to a deterioration of institutions, as "high income inequality allows the rich to wield stronger political influence, thereby subverting institutions" (Chong, Gradstein:

2007, pg. 463). This analysis helps understand Egypt's situation during the last decades, where as poverty and inequality deteriorated due to increasing exclusive government policies, and at the same time, this higher levels of inequality reinforced and maintained such institutions, thus creating a growing unsustainable and divided system, where "development proved to be profoundly destabilizing, dislocating millions of citizens in the rush to cities, raising the visibility of a detested new class of crony capitalists and creating expectations of mobility that were impossible to realize" (Kandil: 2012).

In order to demonstrate the connection between this increasing social problem and the revolution of 2011, it is important to analyze closely the government policies during this period, and its incapacity to solve these issues despite rising people's frustrations. Starting in the 70s with the Sadat regime, the government implemented fundamental change in the economic model of the country. It was a shift away from the social contract built over many decades between workers and the government (MENA Development Report: 2004, pg. 2), and towards the implementation of an *Open Door* policy, indented to stimulate foreign direct investment and free enterprises. These policies had an immediate impact on workers conditions, since they were based on a more flexible and de-unionized labor force.

Together with these policies, the Sadat regime and the subsequent Mubarak regime implemented Structural Adjustment Policies intended to control inflation and lower public debt, requirements to access international funding such as IMF loans. These policies translated into decreasing government spending on social programs, such as health, education, pensions benefits, salaries, etc. (Beinin et al.: 2010, pg. 12) further pressuring the low and middle-low income classes that relied on this government spending. During the 2000s, the Mubarak government continued to implement market-based reforms with more privatization and further deregulations. These policies managed to correct the structural problems of the Egyptian economy and slightly improved investors' trust in the country, which ultimately delivered economic growth during the years before the revolution.

This economic growth however, did not reach the majority of the population, as high levels of unemployment persisted and even increased among young people, and real wages stagnated (MENA Development Report: 2004). These circumstances fuelled people's discontent and sense of unfairness of the new economic system "reinforcing the popular impression that the game was rigged in favor of insiders" (Kandil: 2012). During the Mubarak period, there were also high levels of corruption within the government, which contributed to maintain the exclusive nature of the regime and its economic system, and to perpetuate the high levels of inequality "The most corrosive consequence of corruption... is that it reduces social and economic mobility. Small- and medium-sized enterprises, the likely engines of mobility, face daunting barriers when they compete with the incumbent elite" (Kandil: 2012). This analysis matches perfectly Egypt's situation and the conclusions reached by Chong and Gradstein on the *double-causality relationship* between inequality and institutions described above.

These harsh conditions were taken into the streets as protests increased considerably, especially after the early 2000s, rising from 164 protest in 1999 to 609 in 2008 (Appendix Figure 6). Workers carried out the majority of these protests demanding better conditions, salary increases, and greater social protection. These protests show the deteriorating conditions that ordinary salaried workers experienced throughout this period and their increasing frustration (Beinin et al.: 2010, pg. 14-15). Therefore, it is not difficult to relate these events with the final protests carried out in Tahrir Square in early 2011 that led to the ousting of Hosni Mubarak. Looking at different analyses describing both the preceding years of the revolution and the demands made during the revolution, inequality is described as a significant factor stimulating the discontent feeling of the people. Saba Mahmood, a UC Berkeley anthropology professor, explains that, since 2004, an increasing number of the Egyptian population had started to engaged in countless strikes and sit-ins demanding better wages and working conditions and basically a "relief from the grueling poverty that has afflicted most of the population while the rich got conspicuously richer and public institutions that once served ordinary Egyptians fell into disrepair and jobs dwindled" (Mahmood: 2011). This description clearly

demonstrates the increasing demands for better social conditions and government actions against inequality, poverty, and a perceived corrupt elite class prior the January 2011 events.

Such anxieties caused by high inequality levels were seen explicitly demanded by protestors during the 2011 uprisings. Days before the January 25 protests, the *Sixth of April Movement* started to incite people, through Facebook, to participate in the planned protest. Among the number of demands they proposed, one of them was the “necessity of changing the philosophy of ruling, focusing on political and economic grievances of Egyptians, such as the emergency laws, the dictatorship of the regime, the double standards in enforcing the law, as well as the deteriorating economic conditions” (Osman, Samei: 2012). This shows that the deterioration of the economic situation of Egyptians was included among the first demands made to the Mubarak government, and thus played a key role in mobilizing people to the streets. This discontent with the worsening economic and inequality conditions was also present during the demonstrations. One of the main slogans of the revolution was *Bread, freedom, dignity* demonstrating again that economic issues were included within people’s demands. “The chant represented the people’s aspirations for a fairer economic system, protesting high inflation rates, low wages and the unavailability of daily rations” (Hafez: 2013), affirmed Karim Hafez, a journalist analyzing the importance of worsening food security in people’s demands. Further, analyzing the meaning of the word *Bread* in the slogan, Ciezadlo, a correspondent for Foreign Affairs, argues that given the country’s history and past events, this word symbolized inequality and a wider feeling of injustice, “The revolutions, of course, are about more than just bread... bread becomes a powerful symbol of all they cannot have” (Ciezadlo: 2011).

The strength of the demonstrations in Tahrir Square and other parts of the country during this time points out the general feeling among different sectors of the population towards the current government of the time and their unified demand calling for Mubarak’s resignation. It is important to point out that rising levels of inequality was not the only social problem people were complaining, but problems such as high unemployment, inflation, insecurity, policy brutality, and

greater political liberties were included in the chants among protesters. However, it is key to recognize that high levels of frustration towards an economic system that had generated rising levels of inequality and towards the political structure that supported this system, were the necessary factors to generate the mass mobilization required to topple the regime.



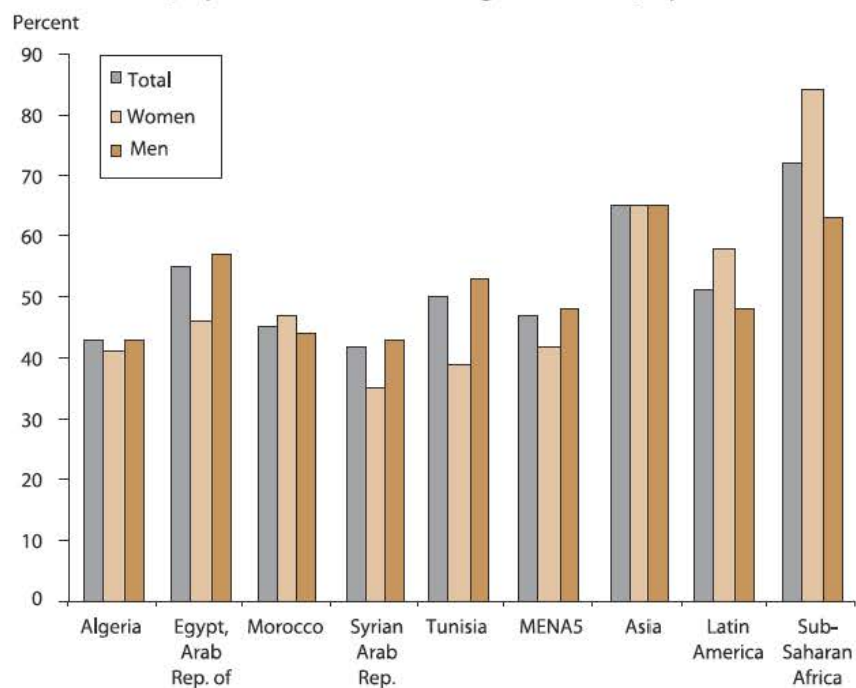
## Bibliography:

- *Arab Republic of Egypt: Inequality of Opportunity in the Labor Market*. World Bank Report, no. 70299-EG, June 21, 2012.
- Beinín, Joel; et al.: 2010, *The Struggle for Worker Right in Egypt*. Solidarity Center. Washington, USA.
- Ciezadlo, Annia, 2011, 'Let Them Eat Bread: How Food Subsidies Prevent (and Provoke) Revolutions in the Middle East', pp. 229-235 in Rose, G. (ed.), 2011, *The New Arab Revolt: What Happened, What It Means and What Comes Next*, New York: Council on Foreign Relations
- Chong, Alberto, Gradstein, Mark, *Inequality and Institutions*. The Review of Economics and Statistics, August 2007, 89(3): 454–465
- Ersado, Lire: 2012. *Income Inequality and Inequality of Opportunity: Cues from Egypt's Arab Spring*. <http://blogs.worldbank.org/developmenttalk/income-inequality-and-inequality-of-opportunity-cues-from-egypt-s-arab-spring>
- *Economic Developments and Prospects: Job creation in an era of high growth*. Middle East and North African Region, World Bank report, 2007.
- Hafez, Karim, *Egypt's revolution: Egyptians still cry for bread*. Ahram online, January 24, 2013. <http://english.ahram.org.eg/News/63140.aspx>
- Kandil, Magda, *Egypt's Economy: the Downside to Growth*. Foreign Policy, December 5, 2012. [http://www.foreignpolicy.com/articles/2012/12/05/egypts\\_economy\\_the\\_downside\\_to\\_growth?page=0.0](http://www.foreignpolicy.com/articles/2012/12/05/egypts_economy_the_downside_to_growth?page=0.0)
- Mahmood, Saba, *The Architects of the Egyptian Revolution*. The Nation, February 14, 2011. <http://www.thenation.com/article/158581/architects-egyptian-revolution>
- Osman, Amr; Samei, Marwa Abdel. *The Media and the Making of the 2011 Egyptian Revolution*, Global Media Journal, Vol. 2, No.1, 2012
- *Unlocking the Employment Potential in the Middle East and North Africa: Toward a New Social Contract*. MENA Development Report, World Bank: 2004.
- *World DataBank*. World Bank , 2013. <http://databank.worldbank.org/data/views/reports/tableview.aspx>

## Appendix:

Appendix Figure 1

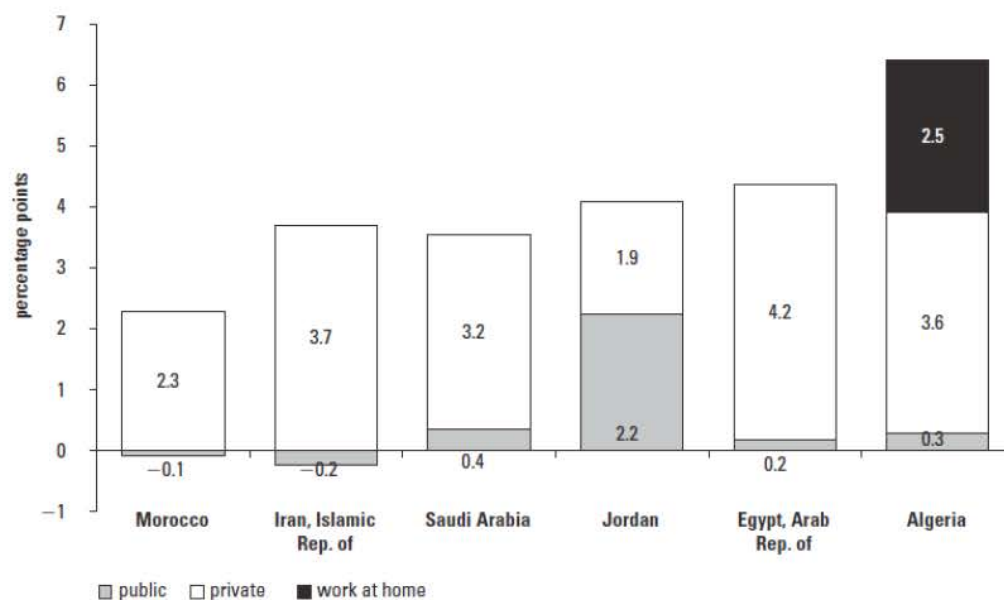
## Informal Sector Employment as a Share of Nonagricultural Employment, 1994–2000



Source: ILO 2002.

Appendix Figure 2

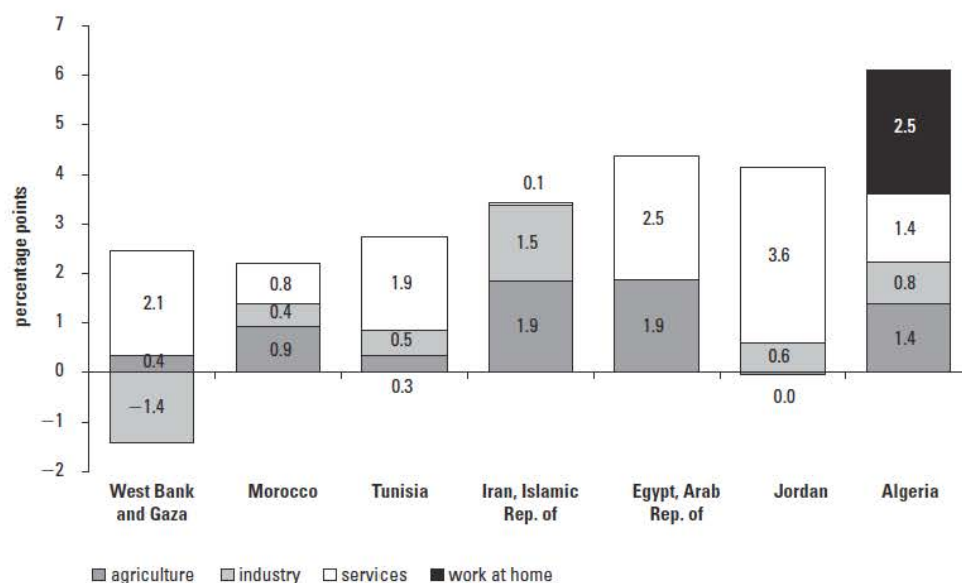
Contribution to total employment growth, public and private sectors, earliest and latest year available in the 2000–05 period



Source: World Bank staff estimates based on national sources.

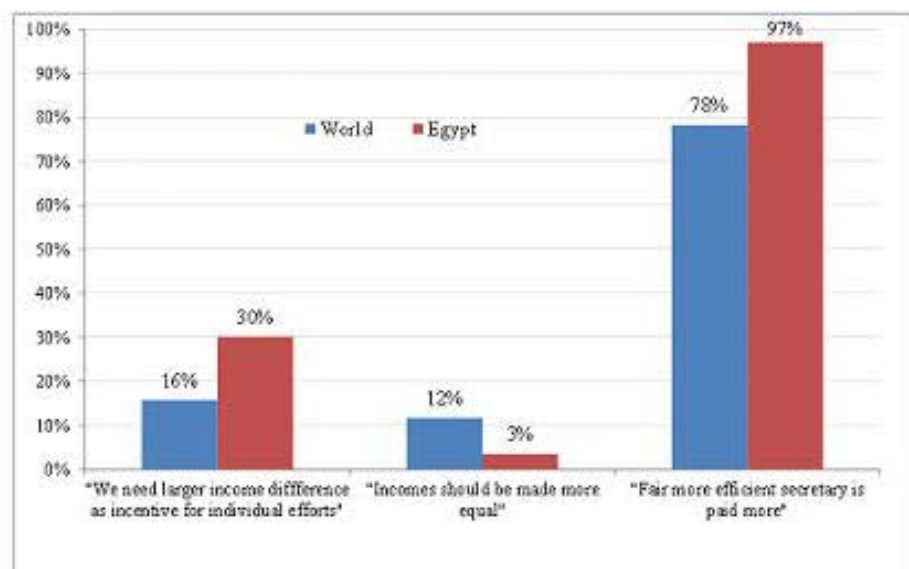
Appendix Figure 3

Contribution to employment growth in percentage points



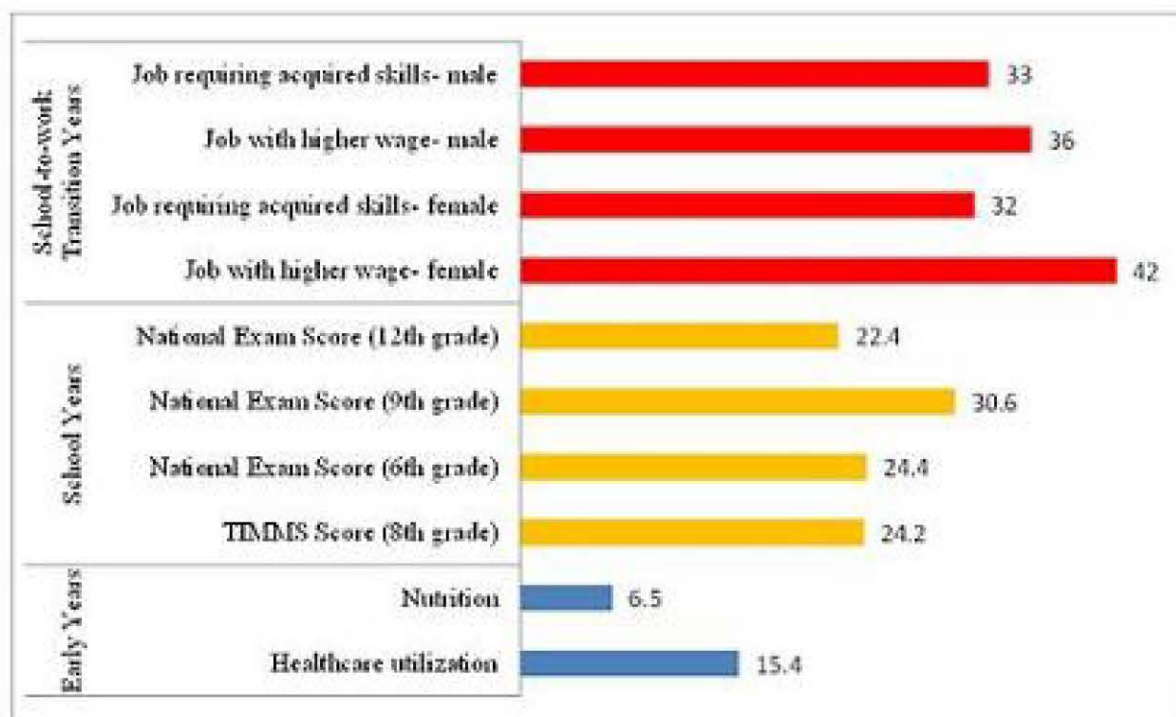
Source: World Bank staff estimates based on national sources.

Appendix Figure 4: Perceptions of Income Inequality and Fairness in Egypt.



Source: "Inequality of Opportunity in Access to Basic Services among Egyptian Children" (World Bank, 2012)

Appendix Figure 5:

**Figure 2: Inequality of Opportunity during the Life Cycle** *(measured by dissimilarity index)*

Source: Based on "Egypt: Expanding Opportunities for the Next Generation" study (World Bank, 2012)



Appendix Figure 6: Protest in Egypt, 1998-2008

Table 2 *Protests, 1998-2008*

	Strikes	Other Forms of Protest	Sit-Ins	Demonstrations	Total
<b>1998</b>					
Sector not mentioned	40	42	18	14	114
<b>1999</b>					
Governmental Sector	13	21	4	2	40
Public Business Sector	10	10	7	1	28
Private Sector	15	4	4	1	24
Sector not mentioned	16	25	17	14	72
<b>Subtotal</b>	<b>54</b>	<b>60</b>	<b>32</b>	<b>18</b>	<b>164</b>
<b>2000</b>					
		Gatherings			
Governmental Sector	3	NA	3	8	14
Public Business Sector	6	NA	10	10	26
Private Sector	9	NA	6	11	26
Sector not mentioned	22	NA	29	18	69
<b>Subtotal</b>	<b>40</b>	<b>NA</b>	<b>48</b>	<b>47</b>	<b>135</b>
<b>2001</b>					
Governmental Sector	6	NA	3	12	21
Public Business Sector	8	NA	13	21	42
Private Sector	5	NA	16	31	52
<b>Subtotal</b>	<b>19</b>	<b>NA</b>	<b>32</b>	<b>64</b>	<b>115</b>
<b>2002</b>					
Governmental Sector	8	NA	3	14	25
Public Business Sector	3	NA	11	8	22
Private Sector	13	NA	12	24	49
<b>Subtotal</b>	<b>24</b>	<b>NA</b>	<b>26</b>	<b>46</b>	<b>96</b>
<b>2003</b>					
Governmental Sector	6	13	5	2	26
Public Business Sector	3	6	3	3	15
Private Sector	16	14	14	1	45
<b>Subtotal</b>	<b>25</b>	<b>33</b>	<b>22</b>	<b>6</b>	<b>86</b>
	Strikes	Gatherings	Sit-Ins	Demonstrations	Total
<b>2004</b>					
Governmental Sector	24	37	45	20	126
Public Business Sector	10	26	22	14	72
Private Sector	9	24	23	12	68
<b>Subtotal</b>	<b>43</b>	<b>87</b>	<b>90</b>	<b>46</b>	<b>266</b>
<b>2005</b>					
Governmental Sector	21	31	21	7	80
Public Business Sector	13	25	29	5	72
Private Sector	12	25	9	4	50
<b>Subtotal</b>	<b>46</b>	<b>81</b>	<b>59</b>	<b>16</b>	<b>202</b>
<b>2006</b>					
Governmental Sector	17	26	24	13	80
Public Business Sector	13	27	33	6	79
Private Sector	17	16	24	6	63
<b>Subtotal</b>	<b>47</b>	<b>69</b>	<b>81</b>	<b>25</b>	<b>222</b>
<b>2007</b>					
Governmental Sector	36	121	80	18	255
Public Business Sector	31	63	47	4	145
Private Sector	43	80	70	21	214
<b>Subtotal</b>	<b>110</b>	<b>264</b>	<b>197</b>	<b>43</b>	<b>614</b>
<b>2008</b>					
Governmental Sector	37	133	67	30	267
Public Business Sector	17	43	38	9	107
Private Sector	68	77	69	21	235
<b>Subtotal</b>	<b>122</b>	<b>253</b>	<b>174</b>	<b>60</b>	<b>609</b>
<b>Total</b>	<b>570</b>	<b>889</b>	<b>779</b>	<b>385</b>	<b>2,623</b>