

**Terms of Reference:
Position Paper on
Measures to Increase Formal Employment
Under the USAID-funded WISE Subcontract with ENCC**

The Egyptian National Competitiveness Council (ENCC) and USAID's Workforce Improvement and Skill Enhancement (WISE) project issued a new study entitled, "Labor Skills, Productivity, and Human Resources Management," which was prepared in cooperation with the Egyptian Center for Public Opinion Research (BASEERA). The study aimed at evaluating the efficiency of the Egyptian labor market and the ability of related institutions to formulate and implement policies to achieve the objectives of economic growth, competitiveness, and development-planning in an equitable manner by matching labor market needs with the technical skills of Egyptian labor in sectors capable of supporting the Egyptian economy.

The study includes an analysis of labor market imbalances in Egypt, low productivity, and human resource management. The study presents bottlenecks experienced by private sector companies in targeted governorates and economic areas. The objective was to identify the most important procedures and regulatory frameworks related to the labor market that require intervention in order to improve the efficiency and competitiveness of the Egyptian labor market and define the professional competencies that meet the needs of the business sector.

The issues of youth employment, female participation in the labor market, the quality of technical education, vocational training, and informality were at the top of the challenges identified by the study. To tackle these challenges, the study produced a rich set of conclusions and recommendations on developing and empowering Egyptian workers. In addition, the results showed the importance of factors related to the business climate and governing policies to raising the efficiency of the Egyptian labor market.

In order to ensure the sustainability of the work on the recommendations of the study, the Enabling Environment Advisory Group (EEAG) was established to exchange the wide range of experiences with all related parties and identify the necessary priorities to move forward with the required reforms in order to provide an enabling environment for improving the efficiency of the labor market. The EEAG has chosen the topic of the Informal Sector as one of the reform priorities.

Informal Sector in Egypt

The study has identified the following challenges:

- An expansion of the informal sector, including the prevalence of informal employment in the formal sector.
- The last Central Agency for Public Mobilization and Statistics (CAPMAS) census, conducted in 2006, indicated that the informal sector employed 8.3 million Egyptians, up from 2.6 million in 1986.

- In 2014, total employment in the informal sector was estimated at 11.3 million, with the female share estimated at 2.3 million — a high estimate, considering the percentage of females in the total workforce.
- The current tax structure contributes to high informality. It is costly for small businesses to join the formal sector. While the personal income tax structure is fairly progressive and favorable to lower income groups, corporate income taxation remains a burden for small businesses.
- Formal small and medium-sized enterprises (SMEs) are not represented in dialogues related to the formulation of laws and regulations that affect the business environment in which they operate. Their participation in such dialogues could result in creating a different environment that supports their growth and enhances their productivity.

Scope of Work

The required position paper will tackle the issue of the informal sector based on the following recommendations from the Labor Skills, Productivity, and Human Resources Management Study:

1. Addressing corporate income taxes, the Value Added Tax, and other costs for small businesses.
2. Addressing the cost of social security for small businesses.
3. Addressing the enabling environment for microenterprises and SMEs, including the regulatory framework and access to finance.

In tackling these recommendations, the Position Paper will:

- Provide a baseline review of the progress achieved in the field of increasing formal employment.¹
- Propose amendments to the social security law to reduce burdens of small businesses.
- Compile a list from current studies of yet-to-be-addressed conclusions and recommendations tackling the issues of tax cost for SMEs and the enabling environment for microenterprises and SMEs.
- Include a road map for implementing the above-mentioned recommendations for use in consultations with stakeholder representatives.
- Categorize recommendations according to the timeframe required for their implementation.
- Meet the following requirements for length and formatting: 25 pages; Times New Roman 12p font; single spacing; 1-inch margins.

¹ Based on the information derived from the Labor Skills, Productivity, and Human Resources Management Study, the consultant will provide an update on progress achieved in the field of informal sector since the study was issued in March 2017. ENCC will furnish the consultant with an update on progress achieved in the field through February 2017.

Tasks and Deliverables

- The consultant will work under the supervision of the Senior Advisor of the Enabling Environment Unit (EEU) with the support of the Director of the Unit.
- S/he will conduct meetings with relevant stakeholders.
- S/he will incorporate necessary changes as per consultations with the EEU Senior Advisor and Director.
- The first draft of the Position Paper will be delivered within one month from the recruitment date of the consultant.
- S/he will prepare a presentation of the Position Paper to be delivered to the Enabling Environment Advisory Group (EEAG).
- S/he will incorporate feedback from EEAG members into the final version of the Position Paper.
- The final Position Paper will be delivered within three weeks from receipt of EEAG's feedback.

Qualifications

- Egyptian citizenship required.
- A minimum of a Master Degree in economics, social sciences, or related field.
- A minimum of 15 years' experience in the field of SMEs and informal sector employment, including prior experience in the Egyptian context, and strong familiarity with international best market practices and global trends.
- Knowledge of legal and regulatory issues for private sector development in Egypt.
- Analytical and strong organizational skills.
- Ability to work in a team environment is vital.
- Proficiency with Excel and other Office and statistical analysis software packages.
- Excellent writing and presentation skills in both Arabic and English.