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# ANKER LIVING WAGE REFERENCE VALUE

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**RURAL  
EGYPT  
2020**

**LIVING WAGE**

**EGP 3,957  
PER MONTH  
(US\$252)**



Anker   
Research  
Network

**GLOBAL**<sup>7</sup>  
LIVING WAGE  
COALITION

*The Anker Reference Values are endorsed by the Global Living Wage Coalition (Fairtrade International, Rainforest Alliance, Social Accountability International and ISEAL Alliance). Development of the methodology was initiated and supported by Fairtrade International and German Federal Ministry for Economic Cooperation and Development (BMZ). Further support was received from Rainforest Alliance, Social Accountability International and Clif Bar & Company.*



# Anker Living Wage Reference Value<sup>1</sup>

## Rural Egypt 2020

### 1. Anker Living Wage Reference Value for Rural Egypt 2020

The Anker Living Wage Reference Value for 2020 for rural Egypt is EGP 3,957 (USD 252)<sup>2</sup> per month, with a 95% confidence interval around it from EGP 3,569 (USD 227) to EGP 4,385 (USD 279). This is the wage required for workers to be able to afford a basic but decent living standard in a typical rural area of Egypt. The Reference Value comprises a net living wage (i.e. take-home pay) of EGP 3,686 per month (USD 235) plus EGP 272 per month (USD 17) in taxes and social security which would be payable as the living wage.

*“A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.” (Global Living Wage Coalition)*

### 2. Anker Reference Value Methodology

Anker Living Wage Reference Values are based on a new methodology developed by Richard Anker, Martha Anker, and Ian Prates. This methodology is based on a statistical analysis of 40 internationally comparable, quality-assured Anker methodology studies spread across low-income and middle-income countries carried out primarily under the auspices of the Global Living Wage Coalition. Anker Reference Values are internationally comparable, consistent with results from existing Anker living wage and living income benchmark studies and easy to update every year, and so are especially valuable for countries where it has not yet been possible to organise and fund a full quality-assured Anker methodology living wage or living income study.

Anker Living Wage Reference Values represent a living wage for typical families in rural or urban areas of low-income and middle-income countries. Since they are based on a statistical analysis, they have a margin of error for typical rural (urban) areas of a country which is generally around + or - 10% using a 95% confidence interval. Since Reference Values are not location-specific within countries and represent the situation in typical rural (or urban) locations, the margin of error might be larger than this for unusual locations with atypical living costs within a country such as large cities with high living costs, or poorer (richer) areas with relatively low (high) living costs and norms.

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<sup>1</sup> Prepared by: Mamkoottam Kuriakose, Valsala Kuriakose, Ian Prates, Martha Anker and Richard Anker

<sup>2</sup> Exchange rate used to convert to US dollars is 15.71. This is the average exchange rate for the three-month period from November 2019 through January 2020 according to IMF data.

### 3. Country context

#### *Geography and demographics*

Egypt is a Mediterranean country in the north-eastern corner of Africa, bordered by the Gaza Strip (Palestine) and Israel to the north-east, the Gulf of Aqaba and the Red Sea to the east, Sudan to the south, and Libya to the west. It controls the Sinai Peninsula, the only land bridge between Africa and Asia. It also includes the Suez Canal, a sea-link between the Indian Ocean and the Mediterranean Sea.

Egypt was a founding member of the United Nations, the Non-Aligned Movement, the Arab League, the African Union, and the Organisation of Islamic Co-operation.

The largest country in the Middle East and North Africa and the third most populous country in Africa after Nigeria and Ethiopia, Egypt had a population of 100.4 million in 2019.<sup>3</sup> Vast areas of the country remain sparsely populated or uninhabited as most of it is desert. A majority (57%) of the population is rural, and approximately 95% of the population lives within 20 kms of the Nile River and its delta (which account for a mere 5% of Egypt's total land area). Greater Cairo, Alexandria and the major cities in the Nile Delta are the densely populated areas. Islam is the dominant religion (90% of the population) with the remaining 10% following Christianity (primarily Coptic Orthodox). Arabic is the official language, while English and French are widely understood by the educated classes.

Because of falling mortality rates and a longer life expectancy at birth of 72 years, the annual population growth rate has remained high at 2.0%.<sup>4</sup> The under 5 mortality rate/1000 births is 22 (18.7 for urban areas and 27.7 for rural areas), while the total fertility rate is 3.3 (3.6 for rural areas and 2.7 for urban areas). According to population projections of the UN Population Division, at the current fertility rate, Egypt's population may reach 151 million by 2050. Egypt also hosts many migrants from other countries, especially from Syria and Libya that are suffering from war. In 2014, the largest proportion of the population (60.4%) was in the working age group of 15-64 years, while 35.3% were below age 15.<sup>5</sup>

#### *Economy*

Egypt is a lower-middle income country with a GDP per capita of USD 3,020 in 2019. The services sector accounted for 54% of GDP, followed by agriculture contributing 35% and industry 11%.<sup>6</sup> Real GDP per capita growth averaged 2.6% from 2015 to 2019 compared to 0.6% from 2010 to 2014. As the rate of food inflation was kept under control, the overall annual rate of inflation dropped to an average of 5.8% in the latter half of 2019 compared to around 20% in 2017-18 and 10% in 2010-16.<sup>7</sup>

<sup>3</sup> <https://data.worldbank.org/indicator/SP.POP.TOTL>

<sup>4</sup> UNFPA (2016). Population Situation Analysis, Egypt, 2016 December.

<sup>5</sup> UNFPA (2016). Population Situation Analysis, Egypt, 2016 December.

<sup>6</sup> <https://databank.worldbank.org/reports.aspx?source=2&series=NY.GDP.MKTP.CD&country=EGY>

<sup>7</sup> World Bank (2020). The World Bank in Egypt, worldbank.org.

*Poverty*

During the political strife and uncertainty in 2010-11, the poverty rate in Egypt was as high as 36.4%. According to World Bank estimates<sup>8</sup>, with greater stability, the poverty rate declined to 30.4% in 2012-13 and to 29.2% in 2015. The sharp fall in poverty rates is said to be attributed to the larger number of households receiving smartcards (which enables them to purchase food items at subsidised rates) and the increased number of monetary transfers from government.

However, there are significant differences in poverty rates across regions and rural and urban areas. Poverty rates are much higher in rural areas than urban areas (e.g. 12% in urban Lower Egypt compared to 22% in rural Lower Egypt in 2015). Poverty rates are also much higher in Upper Egypt compared to Lower Egypt (e.g. 58% in rural Upper Egypt compared to 22% in rural Lower Egypt in 2015).

*Standard of Living*

The Human Development Report (2019) ranked Egypt at 116 among 189 countries.<sup>9</sup> Between 1990 and 2018, Egypt's Human Development Index increased by more than 28%. During this period, life expectancy at birth increased by 7.3 years to an average of 72 years, mean years of schooling increased by 3.8 years to 6.7 for females and 8 years for males, and expected years of schooling increased by 3.3 years to an average of 13.1 for males and females. The HDR also indicates that Egypt's GNI per capita increased by about 86.8% to USD 3,046 between 1990 and 2018.

Noteworthy is the fact that despite a high poverty rate of 29.2% in 2015, more than 90% of households have access to drinking water and more than 99% of households receive electricity in their homes.<sup>10</sup>

However, various forms of gender inequality are prevalent in Egypt. Education is lower among women than men; 25% of females age 6 years and above, compared to 14% of males, have no education. Similarly, 71% of adult men have completed secondary education compared to only 59% of adult women.

*Labour Market*

Despite being the most populous country of the region, Egypt still has a high population growth rate along with a high unemployment rate. Employment rates are low in Egypt due in large part to low female labour force participation rates (only around 28% for rural women aged 25+ according to LABORSTAT data). Unemployment rates are higher for rural women aged 25+ compared to rural men aged 25+ (11% compared to 2%), and unemployment rates among youth are as high as 25%, with a large percentage of graduates with technical training and tertiary level education unemployed. In fact, an ILO sponsored study<sup>11</sup> suggests that due to the demographic

<sup>8</sup> World Bank (2019). Understanding Poverty and Inequality in Egypt.

<sup>9</sup> HDR (2019). Human Development Report 2019: Inequalities in Human Development in the 21<sup>st</sup> Century.

<sup>10</sup> World Bank (2019). Understanding Poverty and Inequality in Egypt.

<sup>11</sup> Bruni, Michele (2017). Egypt: Labour Market Report, International Organisation for Migration (The UN Migratory Agency).

transition and an increasing working age population, Egypt, like many other developing economies, is likely to experience excess labour supply and unemployment for the next two to three decades.

Self-employment and micro-enterprises are prevalent in Egypt. According to the World Bank,<sup>12</sup> at least 15% of employed persons are self-employed, and nearly one-third of the workforce is engaged in micro-enterprises of 2 to 4 workers with another 10% of workers in firms with 5 to 9 workers.

#### **4. Living wage ladder and gaps to living wage**

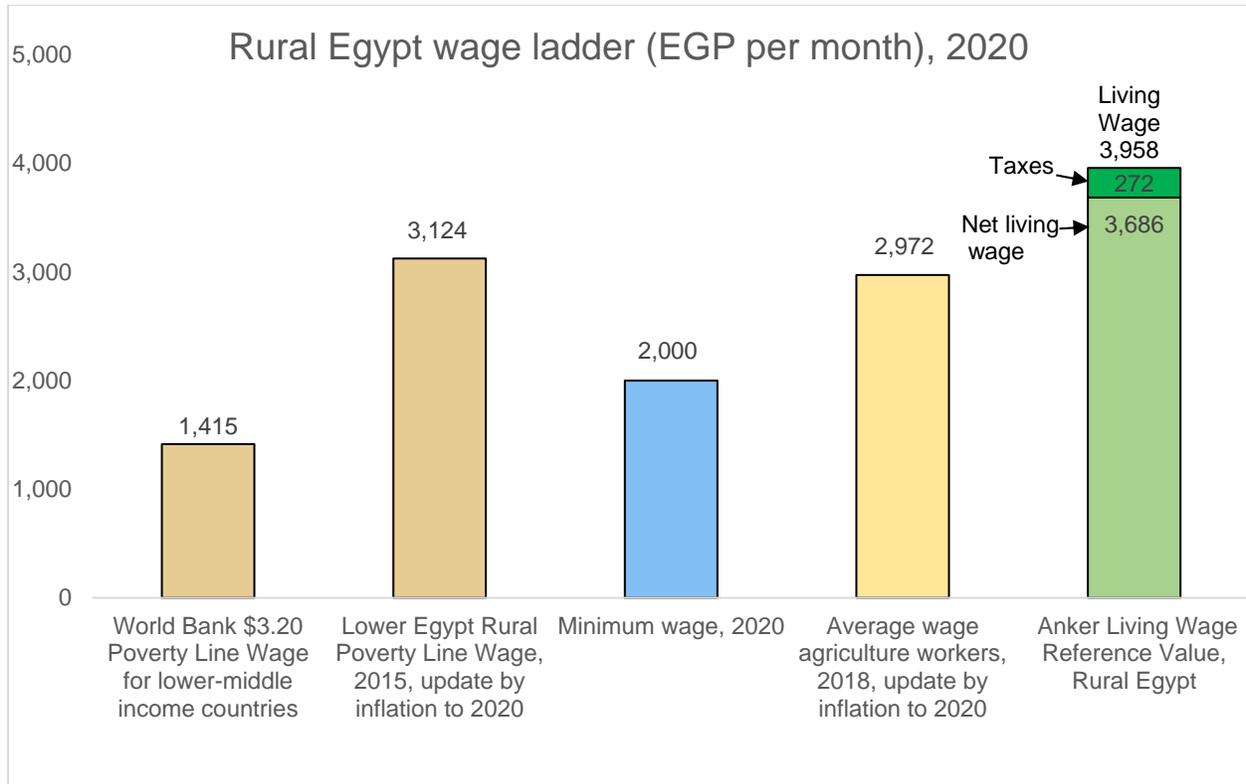
Figure 1 below provides a living wage ladder for rural Egypt and gaps to a living wage. It compares the Anker Living Wage Reference Value for rural Egypt (EGP 3,958) with four other wage indicators. The Anker Living Wage Reference Value is much higher than all of these comparators. It is almost 3 times as high as the World Bank \$3.20 poverty line wage for lower-middle income countries like Egypt; 27% higher than the national rural poverty line wage; and more than double the minimum wage.

Given the large variation in poverty rates in Egypt (see above), it is likely that the rural living wage and gaps to the rural living wage vary considerably across rural Egypt. This implies that the Anker Living Wage Reference Value for rural Egypt is probably too high for rural Upper Egypt, which is poorer and less developed, and too low for rural Lower Egypt, which is richer and better developed. To better understand and measure location-specific living wages and gaps to living wage within Egypt, quality-assured Anker methodology studies are required. In the meantime, it would be appropriate to use a living wage closer to the upper confidence limit for rural Lower Egypt (i.e. closer to EGP 4,385 than 3,958), and closer to the lower confidence limit for rural Upper Egypt (i.e. closer to EGP 3,569 than EGP 3,958).

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<sup>12</sup> World Bank (2019). Understanding Poverty and Inequality in Egypt.

**Figure 1**



**Notes:** <sup>a</sup> Rural poverty line for Egypt, which is per person, was set in 2015. We updated this by inflation to 2020. Egypt has separate poverty lines for metropolitan Egypt, rural Upper Egypt, urban Upper Egypt, rural Lower Egypt, and urban Lower Egypt. We used the Lower Egypt rural poverty line (EGP 5,636) in the wage ladder. It is almost the same as Upper Egypt rural poverty line (EGP 5,677).

<sup>b</sup> The World Bank poverty line wage for Egypt was estimated using the World Bank poverty line for lower-middle income countries (\$3.20 PPP).

<sup>c</sup> Family size of 5 (2 adults and 3 children) was used for expositional purposes to estimate the national rural poverty line wage and the World Bank poverty line wage. This family size is in between: (i) average household size for rural areas of 4.37 when single-person households (that do not have children) and very large households (that are likely to be extended families with more than 2 adult workers) are excluded; and (ii) the rural total fertility rate adjusted for rural child mortality of 3.4 which implies a family size of 5.4.

<sup>d</sup> Number of full-time equivalent workers per family of 1.53 is used for expositional purposes to estimate poverty line wages. It was estimated using micro data from the 2017 labour force survey on national male and female labour force participation rates and unemployment rates for ages 25-59 that were adjusted to obtain separate rural and urban values using ILOSTAT data on differences between rural and urban labour force participation rates and unemployment rate for males and females aged 25+. Part-time employment rates (less than 35 hours per week) for all-Egypt for males and females aged 25+ used were drawn from ILOSTAT.

<sup>e</sup> Payroll social security tax is assumed to be EGP 211.50. Income tax would be EGP 210 on the Anker rural living wage Reference Value using income tax rates effective July 1, 2020.

<sup>f</sup> The Anker Living Wage Reference Value is estimated directly based on statistical analysis and therefore does not have an explicit number of full-time workers per family or reference family size (although rural reference family size falls from 6 to 4 with development in Anker living wage benchmark studies).

<sup>g</sup> Minimum wage was last increased in 2019. There has been about 10% inflation since then to 2020.