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## Research in Social Stratification and Mobility

journal homepage: <http://www.elsevier.com/locate/rssm>



# Education effects on the school-to-work transition in Egypt: A cohort comparison of labor market entrants 1970–2012

Stefanie Heyne, Michael Gebel\*

University of Bamberg, Department of Sociology, 96045 Bamberg, Germany

### ARTICLE INFO

#### Article history:

Received 27 June 2015

Received in revised form 24 February 2016

Accepted 28 February 2016

Available online xxx

#### Keywords:

School-to-work transition

Returns to education

Gender

Cohort comparison

Middle East

### ABSTRACT

Against the background of profound social and economic changes, this paper analyzes patterns of school-to-work transition for four cohorts of Egyptian school leaver during the period from 1970–2012. Using retrospective longitudinal data from the Egyptian Labor Market Panel Survey 2012 our analyses reveal for women a U-shaped and for men an L-shaped relationship between education and transition rates to first job. We also find a divergent role of education for access to different labor market segments. Specifically, there is a strong positive education gradient on the probability of finding a first job in the privileged public sector and a reversed effect for access to the private informal sector for both men and women. Regarding time trends we find, counter to what is often suspected, that later cohorts of school leaver do not make slower first employment transitions than earlier cohorts. Males from later cohort have even higher transition rates to first jobs than earlier cohorts. For men, returns to higher education are decreasing with respect to the transition rate to the first job and remain stable at positive levels with respect to public sector access probability. For women, returns to higher education remain stable at positive levels with respect to the transition rate to the first job and are strongly increasing with respect to public sector access probability. These differences reflect that alternative employment opportunities in the private sector are education- and gender-specific.

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## 1. Introduction

Youth protests against high levels of unemployment and precarious employment, particularly among those highly educated, was the tipping point and a supporting pillar of the “Arab spring” revolutions and uprisings in Muslim Middle Eastern and Northern African (MENA) countries. In this context, it is often argued that the situation of youths has dramatically deteriorated during the last decades in MENA countries because they suffered more than experienced workers from increased structural uncertainties in the course of strong social and economic changes (Dhillon, Dyer, & Yousef, 2009; Salehi-Isfahani & Dhillon, 2008). While the scenario of increasing labor market exclusion and precarisation of youth has also been described for Western countries (Blossfeld, Buchholz, Bukodi, & Kurz, 2008; de Lange, Gesthuizen, & Wolbers, 2014), in MENA countries youths should have suffered particularly due several dramatic economic, social and political changes coinciding. This is reflected in the fact that the MENA region registers

the highest youth unemployment rates in worldwide comparison (ILO, 2015).

Egypt, the most populous MENA country, represents an interesting case for studying the changing labor market chances of young people in the MENA region because of the profound social, economic and political changes that have taken place during the last decades. After prosperous oil boom periods experienced under a socialist economy, the country still profited from remittances sent by Egyptian workers who migrated to oil-rich countries as well as from trade, capital flows, and bilateral aid from oil-rich countries during the 1970s (Assaad, 2005). As a reaction to the dramatic increase in public debt during the oil crises of the 1970s harsh liberal economic reforms were introduced in the 1980s resulting in a downsizing of privileged public sector jobs and increasing labor market insecurity. Second, next to economic shocks, political crises in the Middle East, such as the Gulf wars and the Palestinian intifadas, also had a profound impact on neighboring countries and further contributed to increased uncertainty. Third, demographic pressures due to growing youth cohort sizes and migration led to strong labor supply pressures in youth labor markets (Kabbani & Kothari, 2005). The so called “youth bulge”, i.e. the high share of youth in comparison to other age groups in the population (Assaad & Barsoum, 2007), has been particularly identified as the root of

\* Corresponding author. Tel.: +49 9518632629.

E-mail addresses: [stefanie.heyne@uni-bamberg.de](mailto:stefanie.heyne@uni-bamberg.de) (S. Heyne), [michael.gebel@uni-bamberg.de](mailto:michael.gebel@uni-bamberg.de) (M. Gebel).

youth labor market integration problem. Fourth, a major expansion of secondary and tertiary education occurred in Egypt during the last decades. The removal of existing social barriers to secondary and higher education as well as the buildup of capacity in vocational education became of primary concern to education reformers. The on-going education expansion has provoked the question of whether the transforming MENA economies were able to provide adequate job positions or whether the improvement of education “devaluated” its value for labor market entrants in the longer run (Huitfeldt & Kabbani, 2007).

In light of these dramatic changes the central research question arises, what impact has this social transformation had on young people in their transition from school to work in Egypt? While there are studies on the impact of social transformation on youth labor market chances for European and other developed countries (Blossfeld et al., 2008; Kogan, Noelke, & Gebel, 2011; Müller & Gangl, 2003), there is virtually no research that addresses the consequences of transformation over time for the youth labor market integration dynamics in MENA countries. Our study intends to fill this research gap by analyzing trends in school-to-work transition for men and women in Egypt during the time period from 1970 to 2012. This paper makes three specific contributions to existing literature.

First, we describe time trends in the school-to-work transition with a special emphasize on the *effects of education* (i.e. the “returns to education”) on youth labor market outcomes. Research on Western and Eastern European countries has highlighted the central role of educational qualifications for the labor market integration of youth (Kogan et al., 2011; Shavit & Müller, 1998). Generally, in transformation countries it is often questioned whether education creates any labor market advantages, i.e. if there are any positive returns to education. This is because social ties, not education, are assumed to be the key resource that helps not only finding a job quickly, but also accessing privileged ones (Kogan, 2011; Kogan, Matkovic, & Gebel, 2013). Furthermore, it is often claimed that educational returns have changed because of evolving socio-economic context conditions, which do not necessarily affect all education groups equally (Gangl, 2002). In view of Egypt’s strong educational expansion and the declining quality of education, doubts have even arisen around whether individual education investments still pay off for young Egyptians. To answer these research questions we analyze which role education plays for a successful labor market integration, in general, and how the education effects changed over time.

Second, we apply a *multidimensional perspective* in order to evaluate the effects of education on the school-to-work transition. Specifically, we measure education effects not only on the speed of labor market entry, in terms of the time elapsed between leaving the education system and entering a first job, but also the quality of the first job. Investigating both the speed of labor market entry and the quality of the first job allows us to detect cumulative (dis-)advantages and potential trade-offs between those two central dimensions of a successful school-to-work transition. In Egypt, a country with a residual welfare state, where youths have to rely on the resources of their parents during job searches, the pace of getting a first job, and thereby gaining economic independence, is a crucial issue in the life course (Gebel & Heyne, 2014). Given the low levels of individual labor market mobility in Egypt (Tansel & Ozdemir, 2014), the quality of the first job is an important indicator for the socio-economic situation of young Egyptians and their future career chances. While Western studies measure the quality of the first job obtained in terms of the occupational status or income, we contrast the chances of finding a job in the public sector, a job in the private formal sector, or a job in the informal sector—a distinction that is more relevant in the setting of MENA countries (Gebel & Heyne, 2014).

Third, we perform *gender-specific analyses* because gender is an important social differentiation at the transition from education to work (Iannelli & Smyth, 2008; Jacob, Kleinert, & Kühhirt, 2013; Smyth, 2005), particularly in MENA countries (Matsumoto & Elder, 2010). In recent decades young women’s prospects seem to be on the rise in MENA countries. Educational expansion, decreasing fertility, as well as economic progress have dramatically changed the situation for women in MENA countries. However, these changes have not translated into increasing female labor force participation (World Bank, 2010). On average less than one quarter of young women in Egypt are employed, while large proportions of young women are unemployed (Assaad & Roudi-Fahimi, 2007; Matsumoto & Elder, 2010). Additionally, many young Egyptian women do not participate in the labor market at all instead doing homework and taking care for children and other family members (Hijab, 2001; Moghadam, 1998; Moghadam, 2003; Spierings, Smits, & Verloo, 2010). A gender-specific analyses of youth labor market outcomes seems particularly relevant given the strong sex segregation in the Egyptian labor market, where women still face many hurdles due to hiring and mobility restrictions as well as absence of family support in addition to the prevalence of traditional attitudes (Moghadam, 2003; Spierings et al., 2010).

This paper is organized as follows: Section 2 provides a description of the Egyptian education system during its period of rapid expansion including a detailed discussion of the structural changes that took place in Egypt. It is followed by Section 3, which offers theoretical reflections on the general role of education and the changing returns to education in the school-to-work transition in the context of MENA societies based on the case study of Egypt. The data set, variables and methods used are described in Section 4 and followed by results of the empirical analyses which are discussed in Section 5. Finally, we offer concluding remarks in Section 6.

## 2. Educational expansion and structural change in Egypt

### 2.1. The Egyptian educational system in a period of expansion

The Egyptian education system consists of four stages. Compulsory education consists of a six-year primary and three-year preparatory stage. From 1990 to 1999 primary education was reduced to five years in order to include a larger number of children into the education system (Assaad & Barsoum, 2009). Upper secondary education is stratified into a three-year general education track and various vocational tracks. Tracking starts early and the critical exam takes place at the end of preparatory education. According to the results of this national exam, pupils are either placed into technical secondary or general secondary education (Amer, 2007). High enrolment rates in technical secondary education were politically promoted during the 1980s, which resulted in a higher share of students in the technical track than in the general track (Assaad & Barsoum, 2009; El-Hamidi, 2006). However, the Egyptian vocational education and training system is highly fragmented and lacks curricular coordination with employers and elements of institutionalized employer-provided training (Dhillon et al., 2009). Higher education is diversified into (1) post-secondary vocational-oriented programs of two years duration at middle technical institutes (MTIs), which operate at the post-secondary, non-tertiary level of education, (2) tertiary vocational-oriented programs of four to five years duration at higher technical institutes (HTIs), which operate at the tertiary level of education, and (3) academic-oriented universities, which also operate at the tertiary level of education. Transition rates from general secondary education to universities are very high, while pupils from technical secondary schools have almost no chance of entering universities.

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