INTRODUCTION
This chapter in the third Arab Watch Report on Economic and Social Rights aims at addressing informal labor from a civil society perspective, focusing on the rights of workers in this weak segment of Egypt’s economy. It also determines if this sector meets decent labor conditions, and analyzes profit and loss calculations of the informal sector from both the workers and society’s perspectives.

Accordingly, the report provides an overview of the informal labor definition which exceeds “contractual agreements,” and suggests that “merger” and “restructuring” are neither sufficient nor required if they are not accompanied by workers’ dignity frameworks. The next section tackles the reasons leading to the rise of informal labor in Egypt, in light of the world’s position towards state economy. These reasons included the shift in productive sectors towards services and construction sectors which rely on informal employment, the challenges that SMEs face in obtaining licenses, when, in fact, they are the main source of job creation in Egypt, and the complexity of social security laws, even though workers do not benefit from them in case of disability, death or old age.

Part 3 of the report showcases the size of informal labor in Egypt, and breaks down some of the assumptions which have been deployed to address it, such as correlations that have been made with the quality and level of education. This part also discusses the root causes of the rise of informal labor in the Egyptian context, its relation to moral economy, and to a larger extent to the workers’ costs and benefits calculations, and what they perceive as an immediate profit or loss in light of the economic system. Survey data show that, since the end of the 1990’s, the Egyptian labor market was mainly characterized by the expansion of informal labor, alongside a decline in public sector recruitment, and a decreased ability by the private sector to create new jobs. However, the decline in unemployment rate from %11.2 in 2005/2004 to %8.7 in 2008/2007 is attributed to the expansion of informal labor in the private non-agricultural sector, which employed 34% of the labor force in 2012, compared to %30.7 in 1998, according to a study on employment and labor market. This increase in the size of informal employment soared with the decrease in public sector employment from %34 in 1998 to %27 in 2012, and the stable formal private sector employment rate at %15.5-15 among the same period. (Data from the Labor and Employment Survey, 2014).

In %71, 2012 of Egyptians were working in the industrial sector, and %6.6 of said employment was located in the trading sector. The trading sector created 11 million new jobs, %70 of which were informal, between 2006 and 2012. Nevertheless, the construction sector witnessed the largest increase in employment. Its share doubled over 14 years only, from less than one million workers in 1998 to 2.5 million workers in 2012. The larger the share of public companies, institutions, and state monopoly are present in a given sectors service provision, the more formalized employment contracts in said sector become. The manufacturing, logistics, and warehousing sectors employ around %50 of its labor formally, whereas only one out of every 6 workers is formally employed in the construction sector.

According to the World Bank report “Better Jobs for Better Lives,” published in 2013, the fourteen years that separate 1998 from 2012 have seen a massive shift towards informal employment. In fact, all industries witnessed a decline in formal employment between 1998 and 2006, which increased in intensity between 2006 and 2012. Transportation and warehousing sectors recorded a staggering %9.7 decline in formal employment between 2006 and 2012, while declines in the internal trade sector were estimated at %14.5. Limited