Inequality in Egypt and Algeria: How Much Progress Since the Arab Spring?

George Lahoud

Abstract

This article explores economic inequality in two prominent Arab North African Nations: Egypt and Algeria. This topic has gained interest due to the Arab Spring revolts that started in Tunisia in 2010 but then spread across the Arab World, with significant protests also occurring in Algeria and Egypt. Although Egypt’s and Algeria’s levels of inequality have improved over the past few decades, especially within Algeria after the colonial French Era, it is clear that both countries continue to battle with economic inequality. This article explores why this is the reality for two nations who have fought against inequality and explores possible solutions to remedy this problem.

I. Introduction

Inequality within society has catalyzed many uprisings in all parts of the world. Human suffering and inequality have been seen to go hand in hand. The Arab Spring is one significant example of how inequality can cause a regional movement—sparked in Tunisia in 2010 with the self-immolation of Mohamed Bouazizi, an unemployed Tunisian frustrated with his economic situation. This catalyzed protests and riots against the poor conditions and the authoritarian regime seen to be causing this unsatisfactory reality.

This article aims to dive into one of the causes of one of the most significant social movements in the history of the Arab World: income inequality. Income inequality is the unequal distribution of earnings among individuals in a society, which many factors, such as social status or economic policies, can cause. It is not only an issue within the Arab World but a global issue. With that, there are various ethical lenses to examine inequality around the world.

This article is organized into six sections. Following this introduction (Section I), a brief literature review explores some of the existing scholarship on inequality of Egypt and Algeria. Following the literature review, Section III provides some socioeconomic background information for these two nations, looking at GDP per capita, literacy rates, and life expectancy. Section IV analyzes the Gini index, the income shares earned by the highest and lowest 20 percent, and government spending in healthcare to better understand the evolution of inequality in Egypt and Algeria. Section V explores some of the many ethical perspectives of inequality and applies them to mitigation policies by Egypt and Algeria before the last section provides some conclusions.
II. Brief Literature Review

The Arab Spring began in the early 2010s, partially due to poor economic conditions throughout the Arab world. Ever since these events, much literature has described how income inequality has persisted in various countries, including in Egypt and Algeria. Ali (2022) and Fauad (2021) discuss income inequality in Egypt, while Ameur and Seffih (2021) and Matallah, Benlahcene and Matallah (2022) discuss income inequality in Algeria. All four publications discuss how inequality in their country began and examine why it persists today.

- Ali (2022) analyzes the relationship between Egypt’s economic growth, structural changes, and income inequality. The study discusses various policies that help and hurt economic growth. Ali discusses how economic growth positively affects income inequality, but this effect is only significant for lower levels of inequality. However, industrialization, agriculture, and openness to foreign trade were found to have no significant impact on income inequality. Overall, the study highlights the need to consider both economic growth and structural changes when analyzing income inequality and suggests that policies focused on increasing urbanization can help reduce inequality in Egypt.

- Fauad (2021) discusses poverty and inequality in Egypt, shedding light on the high level of inequality of income and wealth. Fauad specifically references the fundamental issue of wealth inequality between the wealthiest 10 percent of Egyptians and the rest of the population. This author also addresses the tax system as a significant source of inequality in Egypt, with low-income individuals bearing a disproportionate burden. This study analyzes how the distribution of wealth in Egypt contributes to income inequality.

- Ameur and Seffih (2021) discuss the relationship between economic growth and income inequality. It was found that there is a significant negative impact of income inequality on economic growth in Algeria. Ameur found that high inequality in Algeria has led to the concentration of wealth in the nations to only be in a few individuals’ hands. This has caused monopolies which hurt productivity, efforts to allocate resources more equitably, and overall economic growth. This confirms previous findings that high inequality impedes growth in developing nations.

- Matallah, Benlahcene and Matallah (2022) examine the impact of government subsidies on income inequality in Algeria. The study confirmed the effectiveness of the joint effect of government subsidy and corruption control in reducing income inequality in Algeria. The empirical analysis from the study shows that income inequality is heavily affected by political instability and GDP per capita growth. Political stability and absence of violence create certainty in the political and economic environment which reduces inequality, while higher GDP per capita contributes to a more unequal distribution of income.

III. Socioeconomic Background

As shown in Figure 1, in 1970, Algeria’s life expectancy was 43.2 years, but by 2020, it reached 74.5 years. Egypt’s life expectancy was 50.0 in 1970 and rose to 71.0 in 2020. Interestingly, while Algeria’s life expectancy was about seven years lower than Egypt’s in 1970, Algeria has consistently maintained a higher life expectancy than Egypt since 1983. From 1980 to 1990, Algeria’s life expectancy rose by 14 years, making it the highest jump in life expectancy within a decade from 1970 to 2020. Egypt’s life expectancy, however, only increased by about eight years.
within that decade, and this was the decade with the highest increase in life expectancy in Egypt. Overall, Algeria has had faster and more drastic increase in its life expectancy than Egypt.

**Figure 1: Life Expectancy at Birth, 1970–2020**

![Life expectancy graph](image)

Source: Created by author based on World Bank (2023).

**Figure 2: PPP-adjusted GDP per capita, 1990–2021**

![GDP per capita graph](image)

Source: Created by author based on World Bank (2023).

As shown in Figure 2, in 2021, Egypt has a higher GDP per capita (adjusted for differences in purchasing power parity (PPP)) than Algeria. However, between 1990 and 2020, Egypt always had a lower GDP per capita than Algeria. In 2020, Algeria’s GDP per capita was $10,845 and
Egypt’s was $11,381. From 1990 to 2000, Egypt’s GDP per capita rose from $5,972 to $7,469, while Algeria’s GDP per capita declined from $8,829 to $8,768 respectively. The decline in Algeria’s GDP per capita occurred right after 1990, but quickly increased again in 1995. There were slight drops in GDP per capita between 1996–1997 and 2008–2009, and from 2016 onwards, it consistently decreased. Egypt’s GDP per capita decreased slightly between 1990-1991 but consistently increased until 2010. Their GDP per capita continued to fall between 2011–2013, which can partially be attributed to the Egyptian revolution that occurred in 2011.¹ Their GDP per capita began to increase again in 2014, the year Egypt’s political crisis ended, and GDP per capita then rose consistently until 2021.

As shown in Figure 3, the minimum literacy rate for Egypt was in 1976, with 38.2 percent, while for Algeria it was 49.6 percent in 1987. However, the maximum literacy rate in Algeria was 81.4 percent in 2018, the most recent data point. Egypt’s highest literacy rate was 73.9 percent in the year 2012. The rate later decreased compared to the most recent data point of 71.2 percent in 2017. Despite the limited data available, it is clear that Algeria’s literacy rate has been growing at a more consistent rate than compared to their Egyptian counterparts.

Figure 3: Adult Literacy (all available years)

![Figure 3: Adult Literacy (all available years)](source)

Source: Created by author based on World Bank (2023).

IV. Analysis of Inequality in Algeria and Egypt

The Middle East and North Africa region, even before the COVID-19 pandemic, is one of the most unequal regions in the world.² This section first examines the evolution of the Gini index and some income shares over time and then reviews the two countries’ health expenditures.

IV.1. Analysis of Gini Index and Income Shares

As seen in Figure 4, although statistics for the Gini index are limited for Egypt and Algeria, according to the available data, Algeria has seen some significant reduction in inequality in the

¹ Abdou and Zaazou (2013).
² Kentikelenis et al. (2023).
last few decades, with the Algerian Gini index in 2011 being 27.6 percent. This makes Algeria the most equal nation in North Africa, which as a whole has an average Gini index of 40 percent.\(^3\) Conversely, Egypt, although also under the region average of 40 percent, has a Gini index of 31.5 percent as of 2017.

Although these two nations have similar equality measures according to the Gini coefficient, the trajectory of their inequality rates has differed over time. Algeria’s income inequality has decreased since the Gini coefficient was first measured in 1988, when it was 40.2 percent, the peak for Algeria. Later on, in 1995, around a five percent decrease was observed, with the Gini index being 35.3 percent. This trend continues based on the most recent data point of 27.6 percent in 2011.

![Figure 4: Gini Index (all available years)](source)

Egypt follows a more constant trend than Algeria. In 1990, the Egyptian Gini index was at 32.0 percent, with a slight decrease in 1995 at 30.1 percent, which was lower than Algeria’s Gini index for the same year, which was 35.3 percent. Egypt then hovers around the 32 percentage mark, with a Gini of 32.8 percent in 1999, 31.8 percent in 2004, 31.1 percent in 2008, and 30.2 percent in 2010. Egypt then gets near Algeria’s Gini of 27.6 percent in 2011, with Egypt having a Gini of 28.3 percent in 2021. However, this slight decrease is reversed, with the index being 31.8 percent and 31.5 percent in 2015 and 2017.

Another critical dimension to understanding inequality in Egypt and Algeria is to examine the share of income of the wealthiest 20 percent and poorest 20 percent. Figures 5 and 6 display the evolution of these indicators in Algeria and Egypt. Figure 5 shows a relatively persistent income share of the richest 20 percent of the population in Egypt, with the income share ranging between a minimum of 38.6 percent in 2012 and a maximum of 42.1 percent in 1999. In Algeria, the top

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\(^3\) World Bank (2023).
20 percent earned 47.2 percent of the total income in 1988. In 1995, this number went down 42.6 percent, and in 2011 (the last data point for this statistic for Algeria) the share reduced further to 37.2 percent. Thus, in Algeria, we are seeing a prolonged decrease in the income share earned by the top 20 percent of the nation.

**Figure 5: Income Share Earned by the Highest 20 Percent (all available years)**

![Figure 5](image)

Source: Created by author based on World Bank (2023).

**Figure 6: Income Share Earned by the Lowest 20 Percent (all available years)**

![Figure 6](image)

Source: Created by author based on World Bank (2023).
Looking at the income share of the lowest 20 percent of the population in Figure 6, it is clear that (consistent with the evolution of the income share of the richest 20 percent) very little progress has been made over time in Egypt. The income share of the lowest 20 percent of the Egyptian population varies between a minimum of 8.7 percent in 1990 and a maximum of 9.8 percent in 2012. On the other hand, in Algeria, the income share earned by the lowest 20 percent increased from 6.5 percent in 1988, to 7.0 percent in 1995, and finally to 9.4 percent in 2011, which is the last year such data is available for Algeria.

### IV.2. Government Spending on the Health Care Sector

Government initiatives and programs that invest into the healthcare sectors in both Algeria and Egypt have proven to be beneficial in reducing inequality. Improving the healthcare sectors in nations can have positive effects for inequality due to improving access to healthcare services for all citizens, creating jobs and helping economic growth.

- In Algeria, some of the government initiatives that have increased government spending in healthcare have been the five-year infrastructure development program in 2010. This program has directed funds that have established over 1,500 health facilities in the nation by increasing capital investment into healthcare. Thus, access to healthcare in Algeria has increased due to more facilities being available to the population. This program has caused maternal and infant mortality rates to improve over time due to these massive investments.\(^4\)

- The Egyptian plan created in 2018 to provide universal health insurance coverage by 2030 has helped fight inequality in the nation. One way that it has done this is through the Universal Health Insurance Law passed in 2018, which improved healthcare access for all Egyptians regardless of their economic standing.\(^5\) This was accomplished by the government covering the treatment of the poorest people and those who can’t afford to pay premiums, which consists of 25 million people in the nation, which is made possible by an increase in the health care budget.\(^6\)

When looking at health expenditures as a percent of GDP, which is shown in Figure 7, we see some fluctuations for both countries, though more so for Algeria than in Egypt. In Algeria, the lowest level spent on health expenditures was 3.2 percent of GDP in 2005, which increased to 5.4 percent of GDP in 2009, and it never dipped below 5 percent after that point. The maximum percent of GDP spent on health expenditures in Algeria was 7.0 percent in 2015, which was the end of the five-year infrastructure development program. However, we see a steady decline in health expenditures as a percentage of GDP after 2015.

In Egypt, health expenditures stayed within 4 to 6 percent of GDP during the whole observation period. In 2000, Egypt’s health expenditures amounted to 4.9 percent of GDP. It then increased to 5.5 percent in 2002, after which it declined nearly continuously to an overall minimum of 4.2 percent in 2010. Egypt’s health expenditure (as a percent of GD) then increased steadily for the next seven years, reaching an all-time high of 5.6 percent of GDP in 2017. It then declined again in 2018 and 2019, reaching 4.7 percent of GDP in 2019.

\(^{5}\) Oxford Business Group (2022).
\(^{6}\) Center for Global Health and Development (CGHD) (undated).
Figure 7: Current Health Expenditure (percent of GDP), 2000–2019

Source: Created by author based on World Bank (2023).

Figure 8 shows the purchasing power parity (PPP)-adjusted health expenditure per capita. Though the trends are overall similar to Figure 7, Figure 8 provides useful additional information. If measuring health expenditures in per capita terms (and adjusted for differences in PPP), Algeria spend about the same amount (around PPP$350) as Egypt from 2000 until 2006. However, Algeria’s PPP-adjusted health expenditure per capita then increase sharply from 2006 to 2009 (reaching PPP$682 in 2009), and then again from 2010 to 2014, reaching an all-time high of PPP$851 in 2014. Egypt’s (PPP)-adjusted health expenditure per capita increased very modestly from PPP$300 to PPP$416 in 2010. It then increased to an all-time high of PPP$620 in 2017, after which it decreases a little bit in 2018 and then remained stable from 2018 to 2019.

Figure 8: PPP-adjusted Health Expenditure per capita, 2000–2019

Source: Created by author based on World Bank (2023).
It is clear that although both nations have implemented policies in the health sector in an attempt to decrease inequality, more can be done, especially in Egypt. Although Egypt has made progress with the Universal Health Insurance Law of 2018, it is essential that Egypt continues to invest more into their health care system, which not only increases access to healthcare for all people but also opens more job opportunities and hence, leads to more economic equality. It is clear that Algeria’s 2010 development plan has resulted in higher health spending that benefits the nation.

V. Ethical Analysis

Many views and stances exist on the different ethical implications and arguments of inequality in Algeria and Egypt. This section provides an ethical analysis that is structured into two subsections. The first subsection analyses some ethical implications of inequality based on a variety of philosophers. The second subsection analyses some attempts by Egypt and Algeria to curb inequality in their countries beyond the health sector programs already explained in the previous section.

V.1. Ethical Implications of Inequality

Famous American philosopher John Rawls, who focused on liberal and free-market democracy principles, has contributed a lot to this field of the ethical implications of inequality. Rawls argued that “Each person has the same indefeasible claim to a fully adequate scheme of equal basic liberties, which scheme is compatible with the same scheme of liberties for all.” Rawls advocated for a social and political structure that guarantees equal fundamental liberties for all individuals and ensures that this ethical distribution is compatible with the same set of liberties. He also argues that there are inequalities that are ethically justified if they help the position of the poorest in society.

A different ethical perspective of inequality is the argument derived from libertarian schools of thought, influenced by philosopher John Locke’s belief that inequality is justifiable as long as wealth has been acquired legitimately. This perspective is derived from the belief that individuals have a right to the fruits of their labor and have individual property rights.

A third ethical perspective that has been instrumental in understanding how we look at inequality today is Immanuel Kant’s humanist point of view. Kant believed that all human beings have the inherent right to equality. Thus, inequality is unethical as it breaches one’s human rights. Kant would argue that any societal structure or distribution of resources that respects a person’s autonomy, dignity, and equality aligns with his humanist perspective.

In conclusion, these different views of the ethical arguments surrounding inequality show diverse perspectives shaping our understanding of justice today. John Rawls’s emphasis on equal fundamental liberties as an ethical foundation for social and political institutions represents the importance of creating a system that helps all individuals. He argues for ethically justifiable inequalities if they improve the conditions of the least advantaged. However, the libertarian perspectives, influenced by figures like John Locke, focus on the legitimacy of wealth accumulation as the key to justifying economic disparities. Kant’s humanist viewpoint, stemming

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7 Toyama (2012), Principle 1.
8 Toyama (2012).
9 Moseley (undated).
10 Rauscher (2022).
from the inherent value of each individual, provides another ethical lens, deeming inequality unethical as it conflicts with vital human rights. Collectively, these perspectives contribute to a nuanced understanding of the ethical dimensions of inequality.

V.2. Attempts to Curb Inequality

Egypt has made attempts to curb inequalities since the Arab Spring and in recent years. One of these new policies is a new tax on the wealthier individuals in the nation. Additionally, the Egyptian government introduced a package of tax reform amendments with Law No. 30 in 2023, in an attempt to eliminate rich members of the nation from taking advantage of tax loopholes. One of the major aspects of this change was that the tax exemption range was expanded from an income of 24,000 to 36,000 Egyptian pounds (about $1,160). Additionally, people earning over 1.2 million Egyptian pounds (about $38,773), now have to pay a 27.5 percent tax rather than a 25 percent tax. The increase in the highest tax bracket is predicted to bring in an additional 4 billion pounds (about $130 million), which is planned to cover what the government has lost from increasing the tax exemption window. With the Egyptian government increasing their taxes on the wealthy while lifting the burden of taxes for the lower tax brackets, this is in line with the utilitarian view of ethics. The reason why it aligns with this approach is that although Egypt is not treating its citizens equally in terms of their tax payments, for a net positive result in inequality. This net positive result being that the overall welfare of society is improved. The additional revenue generated from the higher tax bracket is used to fund public services and infrastructure, which benefits all citizens.

Although Algeria has also implemented a progressive tax system, with individuals with a greater income paying a much larger percentage of taxes, additional policies are in place to fight inequality. For example, recent importance being placed on health and education investments is one way Algeria is fighting inequality within their borders. Algeria has been investing heavily in education in recent years, with the government focusing on specifically improving education practices and improving teacher training. Additionally, Algeria’s education ministry will receive the second largest budget allocation, after national defense. On top of the increased health spending Algeria has done due to the 2010 development program, they have taken serious steps to improve their preventative care system. One way they have developed their preventative care system is through the opening of two specialized centers in Batna and Sétif which have served to improve health access to the eastern provinces. These improvements in both the educational and health sectors heavily align with the virtue approach of ethics. The reason being is that the action of funding education and health can be done through the virtue of generosity.

Both Egypt and Algeria’s measures to decrease inequality in their respective populations, whether that be through progressive tax reform laws or an increase in spending in the health and education sectors. Although both nations are clearly putting effort to fight inequality, the ethical principles that guide them to this decision differ. On one hand, the utilitarian ethical perspective guided Egypt’s adaptation of these tax changes. On the other hand, the virtue approach of ethics, specifically the virtue of generosity, led Algeria to improve funding and highlighted their health

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11 PwC (2023).
12 This paragraph is based on information provided in Español (2023).
and educational sectors. This exposes the fact that different ethical perspectives can still yield similar economic outcomes.

VI. Conclusion

This article’s inquiry of economic inequality in Egypt and Algeria provides interesting insights into the ongoing challenges these nations face in achieving a more equitable society, particularly in the aftermath of the Arab Spring. The Arab Spring, sparked by economic hardships, underscores the influential impact of inequality on social and political dynamics. It is clear that while both countries have made progress in reducing inequality over the past few decades, persistent challenges remain. However, this article shows that Algeria has been more successful after the Arab Spring in reducing inequality than Egypt. For example, when looking at health expenditures as a percent of GDP, Algeria has constantly spent more on the health sector since the Arab Spring than Egypt.

Since public spending on health is important for a nation’s population to have access to health, this contributes to the reasons Algeria’s efforts to counter inequality have been more successful. The effects of public health spending on inequality are reflected in the changes in the income shares earned by the richest and poorest 20 percent of the population. When comparing Algeria’s most recent data in 2011, 37.2 percent of the income was earned by the top 20 percent of the population. This differs to Egypt, where around the same time in 2010, 40.1 percent of the income was earned by the top 20 percent of the population. Algeria’s improvement in inequality is highlighted further when looking at data from 1995. In 1995, the situation was quite different as Algeria’s wealthiest 20 percent of the population earned 42.6 percent of income while the situation in Egypt was better with only 39.9 percent of the income earned by the wealthiest 20 percent of the population. It is clear that overtime Algeria has improved inequality in a more efficient way compared to Egypt.

Algeria’s virtue approach of ethics that has caused them to invest in sectors such as health has proved to be effective. Although Egypt has shown signs of improving inequality in recent decades, it is clear that more needs to be done if they want to catch up with Algeria. One solution for Egypt is to increase spending on health, with their massive population this is a very important aspect to consider. Finally, this article has shown that more needs to be done in collecting more data on inequality to better assess inequality in the Middle East and North Africa.

References


