

The Global Employer

Focus on Egypt



The purpose of this booklet is to provide a summary of the laws and procedures applicable to anyone who enters Egypt and takes up employment. It does not explore all issues in detail. The law is correct as of 24 December 2014.

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Governing Rules

Employment Related Immigration to Egypt

Pursuant to Article 174 of the Companies Law (the "Companies Law"), Article 3 of the Minister of Labor Decree No. 136 of 2003 and Article 19 of the Minister of Labor Decree No. 700 of 2006, foreign labor may not exceed 10% of the total labor force of an Egyptian company. All foreign employees must obtain validly issued work permits, which require the submission of specific documents by both the employer and the expatriate employee and the fulfillment of certain requirements. Generally, the authorities look to the following criteria in determining whether to issue work permits:

- (i) The foreigner's qualifications and expertise must be adequate for the prospective position;
- (ii) Any other required approvals that must be obtained by the foreigner to work in Egypt;
- (iii) The foreigner may not compete with local manpower;
- (iv) The real need of the establishment for the foreigner's expertise;
- (v) The country's economic status;
- (vi) The commitment of the establishment hiring the foreign experts or technical personnel to hire and train local assistants with qualifications similar to those of the experts or technical personnel and prepare periodical reports of their progress; and
- (vii) A foreigner who is born and residing in the country would be given preference.

Residency status is granted upon the issuance of such work permits.

Egyptian Labour Law

In line with its obligations under the World Labor Organization and the Arab Labor Organization, of which Egypt is a member, the Egyptian Parliament enacted Labor Law No. 12 of 2003 (the "Labor Law"), superseding the former Labor Law No.137 of 1981. Despite its progressive approach, the Labor Law remains to a large extent (much like its predecessor) an employee-biased law, designed to protect the employee.

Egyptian Social Security System

According to the Egyptian Social Insurance Law No. 79 of 1975, employees (except for foreign employees, subject to certain exceptions as described more fully below) who are employed for a period exceeding six months by private sector employers must be registered with the Social Insurance Authority. The Social Insurance Law covers pension, medical coverage, work related injuries, disability and death. In order to fund such coverage and pensions, contributions are paid into a special fund administered by the National Authority for Social Insurance. The social insurance premium payments are divided between the employer and the employee contributions.

Immigration Requirements

General Rules

In principle, any foreigner who intends to live and work in Egypt needs, apart from his/her national passport, a residence and work permit before he/she takes up employment in Egypt (Article 28, Labor Law). The work permit will be issued by the competent Foreigners' Work Permits Office upon approval for employment by the Egyptian Ministry of Manpower and Immigration, subject to the following main legal requirements:

Qualifications/experience: Generally, the following conditions shall be observed while issuing work permits to foreigners:

- The foreigner's qualifications and expertise must be adequate to the job he/she is requesting to undertake;
- The establishment's real need for the foreigner's expertise, with a maximum limit of three years, taking into consideration the country's economical needs and interests for such foreign expertise;
- The foreigner not competing with local manpower; and
- The commitment of the establishment that is authorized to hire foreign experts or technical personnel, to hire two (2) local assistants whose qualifications are similar to those of the experts or technical personnel and train such local assistants, and prepare periodical reports of their progress.

1:10 Ratio: Pursuant to the Ministerial Decrees No. 136 of 2003 and No. 485 of 2010 enforcing the Labor Law, the number of foreign employees of any establishment in Egypt may not exceed 10% of the total number of its employees. An exception to this ratio may be granted by virtue of a decree by the Minister of Manpower and Immigration. However, the said ratio requirement shall not apply to managers of representative offices and/or foreign companies' branches (Article 20, Ministerial Decree No. 485 of 2010).

Notwithstanding the above, it should be noted that Egyptian courts have taken the position that members of the board of directors of joint stock companies are not deemed employees of the company and accordingly are not subject to the Labor Law. Based on this position, it has been the practice of the authorities to exclude directors of joint stock companies from the 10% foreign labor ceiling set by the Labor Law. As a result, we have been able to obtain work permits for directors without compliance with the said Egyptian labor requirement.

Administrative Steps to Obtain a Residence and Work Permit

As a general rule, all establishments intending to hire foreign employees in Egypt must seek an approval on recruitment from the Egyptian Ministry of Manpower and Immigration before the foreign employee enters Egypt. Based on such approval, the foreign employee will be granted the permit as a visa from the respective Egyptian Embassy or Consulate General at his/her place of residence abroad. The Embassy or Consulate General would normally consult with the Passports Authority before the visa is issued. The said visa is normally issued on a temporary basis (a few months) permitting the foreign employee to enter Egypt for purposes of applying for his/her work

permit before the competent Foreigners' Work Permits Office. Work permits require submission of specific documents by both the employer and the expatriate employee. However, all applications must be made with the competent Foreigners' Work Permits Office within two months from entering Egypt.

The Foreigners' Work Permits Office will normally issue a work permit on a temporary basis for six months while a security background check is being completed, and once the security check is received, the employee will be granted a new work permit valid for one year, which could be renewed on annual basis with a maximum limit of three years, subject to the discretion of the Ministry of Manpower to approve further renewals.

Once the work permit is granted, the applicant is then required to submit his/her passport before the competent Passports Authority to obtain a long term residence permit for employment, the term of which will be the same as the term of the work permit, and can be extended/renewed upon further renewals of the work permit.

Terms of Employment

Form of the Employment Agreement

According to Article 32 of the Labor Law, employment contracts must be issued in triplicate with an original copy being passed to the employer, employee and the competent Social Insurance Office. Such employment contract must include certain specific information as set forth under the Labor Law.

Language Requirements

The employment contract shall be executed in at least the Arabic language, with a dual English-Arabic contract also being permissible.

Standard Employment Terms

An employment contract may be drawn up for a definite or indefinite term. The Labor Law provides that a definite term contract may be renewed upon the express mutual agreement of the parties for consecutive definite term(s) without being construed as an indefinite term contract. Nevertheless, if the parties omit to expressly renew the definite term contract but continue to perform same, it shall then be construed as an indefinite term contract (but see exception to foreign employees below).

The Labor Law provides that the employer/employee should notify the employee/employer in writing of its desire to terminate an indefinite term employment contract. If the employee has been employed for an uninterrupted period of less than 10 years with the same employer, the notice must be submitted 2 months before the date of termination. The requisite notice period is 3 months before the date of termination if the uninterrupted period of employment exceeds 10 years with the same employer.

If an employee is hired on probation, the employment contract should expressly indicate the probationary period, provided it shall not exceed 3 months. During the probationary period, the employer may terminate the employee without cause.

Definite Term Employment Contracts

As previously mentioned, the Labor Law provides that a definite term contract may be renewed upon the express mutual agreement of the parties for consecutive definite term(s) without being construed as an indefinite term contract. Nevertheless, if the parties omit to expressly renew the definite term contract but continue to perform same, it shall then be construed as an indefinite term contract. However, it is important to note that this is not the case with respect to foreigners employed in Egypt. Specifically, if the employee is a foreigner with a definite term contract, and there is no express renewal of same, then the contract will remain a definite term contract rather than be construed as an indefinite term contract.

This principle has a significant impact on employment relationships since it provides some flexibility and freedom to the parties, the employer and the employee, to end the contract upon its expiry without being bound to any legal constraints such as the requirement to follow certain termination procedures or to provide justified reasons for termination.

In light of the above, the employer may choose not to renew the definite term contract upon its expiration or he/she may agree with the employee on its renewal for another definite term. However, it is usually advisable to serve a notice on the employee indicating that the employer does not wish to renew the contract.

Part-Time Employment

Part-time employment is not specifically regulated by the Labor Law. As such, a part-time arrangement will be regulated by the terms mutually agreed upon by the employer and employee, which will in turn be governed by the provisions of the Labor Law, under either a definite or indefinite term contract.

Restrictions on Foreigners Employed in Egypt.

Pursuant to Ministry of Manpower Decree No. 136/2003, as amended by Ministry of Manpower Decree No. 292/2010, foreigners are prohibited from engaging in the following professions:

- a. Tour guides;
- b. Export business; and
- c. Customs clearance.

Additionally, and in accordance with the Ministry of Manpower Decree No. 136/2003, as amended by Ministry of Manpower Decree No. 292/2010, foreigners may only be 10% of the total workforce of the employer.

Working Conditions

Normal working hours may not exceed 8 hours per day or 48 hours per week (excluding a 1 hour break entitlement per day). However, Law No. 133/1961 regulating employment in industrial factories provides that such industrial employees have maximum working hours of 42 hours per week, excluding breaks.

Additionally, and pursuant to Minister of Manpower Decree No. 113/2003, employees employed in preparatory works (such as preparing machinery, boilers and furnaces to allow a factory to continue its daily operations) and complementary works (such as fixing machinery in factories and on oil rigs and freight forwarding), security and cleaning are permitted to work a maximum of 48 hours per week, with such hours being decreased to 42 hours per week in the case of industrial employees as stipulated in Law No. 133/1961. Moreover, the amount of overtime hours for the aforementioned employees may not exceed 12 hours per week.

With respect to employees involved in work that is intermittent in nature (such as transportation, agriculture, security and dock workers), Minister of Manpower Decree No. 115/2003 states that such employees may work for 10 hours per day up to a maximum of 12 hours per day.

Most private sector employees work 5 days a week, usually Sunday to Thursday. The number of working hours may be increased under certain circumstances. In any event, and in accordance with Article 82 of the Labor Law, working hours and breaks must be organized so that the total working hours do not exceed 10 hours per day, including the break if it is taken at the workplace. In determining the time for breaks, the employer must take into consideration that the employee should not work for more than 5 continuous hours.

It should be noted that the rules pertaining to working hours and breaks are mandatory rules; parties cannot opt out thereof.

Remuneration and Salary

Salary/Wage

The Labor Law provides a wage, which is defined under Article 1(c) of the Labor Law as being all that the worker obtains in return for his work, whether fixed or variable, in cash or in kind, shall be stipulated in the employment contract. However, Article 37 of the Labor Law states that an employer is required to guarantee an employee a minimum salary that is not less than the minimum wage.

Additionally, the Labor Law provides that the salary and other amounts due to the employee shall be paid in the legal currency at the time, on a working day, at the place of work, subject to the following provisions:

- a. employees who are paid on a monthly basis shall be paid at least once per month;
- b. if the salary is paid "by production" and the nature of the employment requires working for a period exceeding 2 weeks, then the employee shall be paid on a weekly basis an amount commensurate with the work he/she has

performed, with the balance of the salary being paid to him/her during the week following delivery of the work with which he has been charged;

- c. if an employee is hired on probation, the employment contract should expressly indicate the probationary period, provided it shall not exceed 3 months.

Moreover, if the employment relationship ends, the employer shall pay the employee his/her salary and all amounts due to him/her forthwith, unless the employee has quit on his own accord, in which case the employer shall pay the employee's salary and all amounts due to him/her within a period not exceeding 7 days from the date the employee claimed the amounts due to him/her.

It is important to note that, pursuant to Article 174 of the Companies Law, the aggregate salaries of foreigners employed by an entity may not exceed 20% of the aggregate salaries paid to all the employees of the entity.

Bonus

In light of the fact that "wage" under Article 1(c) of the Labor Law is defined as being all that the worker obtains in return for his work, whether fixed or variable, in cash or in kind, such could include bonuses, provided that such bonus is applied in accordance with the employment contract, by-laws and/or handbook of the entity employing the employee, or if such bonus is given on a continuous, consistent, stable and organized manner.

Further, Egyptian law encompasses the doctrine of "acquired rights," which is embedded in Article 4 of the Issuing Law of the Labor Law. Said Article expressly states that the provisions of the Labor Law should not negatively impact the rights of the employees, including salaries and benefits granted by virtue of any previous laws, regulations, articles of association, agreements or internal decisions, prior to the enactment of the Labor Law.

Under the acquired rights concept, if a right or benefit is habitually bestowed upon an employee over a number of years, then the employee may acquire the right to treat such benefit as part of his/her employment package, despite the fact that there was no agreement or contract to that effect. Accordingly, if certain bonuses and/or fringe benefits are habitually paid, the employer runs the risk of such amounts becoming construed as part of the employee's remuneration. Moreover, employees at the same footing must be equally treated.

Overtime Pay

Pursuant to Article 85 of the Labor Law, if the employee works more than 8 hours per day, he/she is entitled to receive the equivalent of 35% of his/her salary for overtime worked during daylight hours and 70% for overtime worked at night, which is defined under Article 1(g) of the Labor Law as being the "period between dusk and dawn." Pursuant to Article 52 of the Labor Law, employees required to work on weekends are entitled to double their salary and another day in lieu of their day of rest during the following week and those working on their holiday will also be entitled to receive double salary for the day(s) worked over and above their salary.

Commission

A commission is considered part of the wages of the employee as per the definition of “wage” stipulated in Article 1(c) of the Labor Law which states that “commission within the context of a employment relationship” shall be considered a wage. Additionally, the definition of a wage includes “a percentage of what the employee is paid in return for what he produces, sells or collects.”

In light of this, any commissions will be paid in accordance with the terms of the employment contract.

Company Car

Provided that the use of a company car is necessary for the employee to perform his/her job, then this would fall under in-kind benefits under the Labor Law. In turn, benefits would fall under “wages” pursuant to Article 1(c) of the Labor Law.

Pensions from the Employer

All private sector companies in Egypt must contribute to the Pension Insurance Fund of the Ministry of Social Insurance.

Additionally, the Social Insurance Law No. 79/1975 (the “Social Insurance Law”) covers pensions, as well as all medical coverage, work related injuries, old age disability and death pensions. However, with respect to social insurance payments, and pursuant to the Social Insurance Law, foreign employees, with the exception of certain Arab nationalities, are not subject to the Social Insurance Law and are not required to pay social insurance contributions unless there is reciprocal social insurance treatment with the country of which the employee is a national under a Double Social Insurance Treaty. In that case, the social insurance contributions will be based on the terms of that Treaty.

We note that if the employee is not subject to the Social Insurance Law, the employer must still pay 2% of the employee’s salary that is subject to insurance to cover the state medical insurance for work related injuries.

Under the Social Insurance Law, an Egyptian employee is entitled to his/her pension in the following circumstances:

- reaching the age of 60;
- death or permanent total or partial incapacitation provided that such employee cannot perform any other job for the employer; and
- death or permanent total incapacitation during the year following his/her last year of service provided that such person is not over 60 years of age.

Such employees shall receive their pension from the Social Insurance Authority provided that they pay social insurance contributions as specified under the Social Insurance Law for each case.

However, the employer may opt for a private pension plan instead. We note that pension schemes that are alternative to the scheme under the Social Insurance law are governed by law No. 54/1975 and Law No. 64/1980, which require, inter alia, that the pension scheme be registered with the Social Insurance Authority, provide better benefits than those under the Social Insurance Law and include at least 1,000 employees or have a minimum paid-in capital of EGP 10 million.

Capital Participation

In accordance with the Companies Law the employees of a joint stock company must participate in the management of the company by any of the 3 methods set forth in the Executive Regulations of the Companies Law for employees participation in management, as follows:

- the first is for the employees' to be represented on the Board of Directors (Article 251 of the Executive Regulations);
- the second is for the company to grant the employees share options in the Company (Article 252 of the Executive Regulations); and
- the third is for the company to establish an administrative committee (Article 252 of the Executive Regulations).

Reimbursement of Expenses

Reimbursement of expenses is not regulated under Egyptian law. However, employers tend to include a provision in the employment contract whereby the employee will not be entitled to reimbursement of expenses unless the employer provides express consent for such reimbursement.

Legal Holidays

Generally speaking, the weekend in Egypt is Friday and Saturday. However, the minimum weekend under the law is 1 day of rest (not less than 24 hours) per week. In all cases, the weekly rest is paid.

Additionally, as per the Minister of Manpower Decree No. 49/2009, there are 14 days of paid holidays per year as follows:

- (Hegry) Islamic New Year;
- Prophet Mohamed's Birthday;
- First 2 days of Eid Al Fitr;
- Standing on Arafat (Pilgrimage);
- First 2 days of Eid Al Adha;
- Coptic Christmas (January 7);
- Police Day (January 25);
- Sham El Nessim;
- Sinai Liberation Day (April 25);
- Labor Day (May 1);
- Revolution Day (July 23);
- Armed Forces Day (October 6)

It should be noted that the dates of Islamic holidays differ from one year to another since the Islamic calendar uses lunar months thus, it is shorter than the Gregorian calendar. In the event that an employer requests an employee to attend work on a national holiday if the work condition so requires, the employee will be entitled to triple the value of his/her salary.

Paid Vacations

Vacation Period

Employees are entitled to a minimum annual paid leave of 21 working days after completing 1 full year of service. However, employees may take a paid leave on a pro-rata basis after completing 6 months of employment. The annual leave shall be increased to 1 month after the employee has worked for 10 consecutive years or reaches the age of 50. All employees are entitled to full pay for national holidays.

Additionally, the period of annual leave shall be increased by 7 days for employees engaged in hard, dangerous, and unwholesome works or in remote areas as determined by virtue of the Minister of Manpower. Minister of Manpower Decree No. 200/2003 stipulates remote areas to encompass the following:

- a. North Sinai;
- b. South Sinai;
- c. Red Sea;
- d. Marsa Matrouh,
- e. El Wadi El Gedeed;
- f. Toshki;
- g. East Owainat; and
- h. Any place of work that is at least 15 kilometers from the borders of the nearest city or villages thereto and where there are no usual means of transportation.

"Hard works" are defined in Minister of Manpower Decree No. 122/2003 as follows:

- a. working in furnaces used for melting, refinement or maturing metals;
- b. blasting works and works related thereto;
- c. glass melting;
- d. metal welding via gases or electricity;
- e. mirrors silver-plating with mercury;
- f. painting with duco (car paint and spray);
- g. treating, preparing or reducing the ash comprising lead, and extracting silver from lead;
- h. manufacturing the tin and metallurgical components comprising more than 10% of lead;
- i. producing lead monoxide (golden litharge) or yellow lead oxide, and lead oxide, lead carbonate, orange lead oxide, and lead sulfate, chromate and silicate;
- j. mixing and kneading operations in the manufacture or repair of electric batteries;
- k. management or control of motive engines;
- l. repair or cleaning of motive engines during operation;
- m. asphalt industry;

- n. working in tanneries;
- o. working in the storehouse of fertilizers extracted from stool substances from the manure of animals or from blood or bones;
- p. skinning and cutting the animals, scalding them, melting their tallow;
- q. rubber industry; and
- r. manufacture of coal from animal bones.

With respect to dangerous and unwholesome works, Minister of Manpower Decree No. 211/2003 mentions the industries and sections which are considered dangerous and/or unwholesome. Said decree defines the following industries:

- a. "Explosives": materials, operations or formulas which may explode due to heat, flame, pressure, shocks or rubbing, which may immediately transform in extremely high temperature and pressure gasses.
- b. "Hazardous substances": any material or mixture of materials comprising danger due to their chemical, physical or poisonous characteristics, or the explosion or ignitability of same whether with or without mixing with other materials.

Moreover, the Labor Law provides that the employer should take into consideration that the minimum threshold for annual paid leave is 15 days at least 6 days of which are consecutive days. Other than the 6 consecutive days, the employee may, upon written request, postpone going on leave and adjoin his annual leave with other annual leave(s) provided that the total of which will not exceed 3 months. National holidays and weekends are not computed in the annual leave.

Furthermore, the employer is obligated to settle the balance of the employee's annual leave every 3 years; to compute the days of the employee's annual paid leave against his/her salary. In case the employment relationship expires before the employee exhausts the balance of his/her annual leave, he/she will be entitled to the salary equivalent to the balance.

Though technically an employee cannot forfeit his/her right in going on annual leave, he/she can refuse in writing to go on leave. However, in such case, he/she will forfeit his/her right to collect their equivalent in terms of salary.

Casual Leave

Any employee is entitled not to attend work due to a temporary cause for a period not exceeding 6 days during the year, 2 days maximum for each leave. The duration for such leave will be deducted from the employee's annual leave.

Leave for Pilgrimage

Employees who spend 5 continuous years in the service of the employer are entitled to a paid leave of 1 month with full pay for pilgrimage duty to Mecca or Jerusalem. Such leave is granted only once during the term of his/her employment.

Study Leave

In addition to the right of an employee to use his/her paid annual leave as study leave, collective labor agreements or the employer regulations should determine the terms and conditions regarding paid study leaves granted to its employees.

Determination of Vacation Time

The employer determines the date and the period of the annual leave for the employee according to work conditions. However, an employee has the right to determine the date of his annual leave in case he is sitting for an exam, provided that he/she notifies the employer at least 15 days prior to the starting date of his leave.

Remuneration During Vacation

During all national holidays, weekly days of rest and annual leave periods, the employee shall receive his/her normal wage/salary.

No Work During Vacation

Article 50 of the Labor Law provides that if an employee is found to be working for an other employer during his/ her leave, then the employer shall be entitled to withhold the employee's salary during said leave without prejudice to any other disciplinary sanctions.

Company Rules and Disciplinary Sanctions

Pursuant to the Labor Law, the employer is obliged to abide by the Official Work Regulations and the Disciplinary Sanctions Regulations the ("Official Regulations") issued by virtue of the Minister of Manpower and Immigration Decree No. 185/2003 ("Decree 185"). The employers' Official Regulations are required to be endorsed by the concerned administrative authority (the competent labor office) that may consult the competent trade union organization. If the administrative authority does not endorse or object to the Official Regulations within 30 days from the date of its submission, it shall be considered valid and enforceable.

According to Decree 185, the model Official Regulations are considered to be a consultative nature. The Labor Office only permits departures from the model within limitations. Each establishment subject to the Labor Law shall set the violations and disciplinary sanctions according to its own working conditions as well as the nature of the establishment, noting that the prescribed in the model system shall represent the maximum limits to be imposed.

Any internal rules or disciplinary sanctions shall be enforceable to the extent that such rules do not violate the relevant laws, regulations and public order.

Sick Pay

Pursuant to the Labor Law, an employee shall have the right to a sick leave to be determined by the competent medical department. During such period, the employee shall be entitled to compensation for his/her salary in accordance with the Social Insurance Law.

The general rule under the Social Insurance Law provides that an employee is entitled to up to 180 days of paid sick leave at between 75%, 85% and 100% of the employee's salary. For the first 90 days, the employee shall be entitled to compensation equal to 75% of his/her salary to be increased afterwards to 85% for the rest of the 180 days, provided that such compensation will not at any time be less than the minimum wage specified under the Labor Law. The employee must notify his/her supervisor of the illness on the actual day of illness, otherwise, the day will be considered as leave for temporary cause.

As an exception to this general rule, the Social Insurance Law stipulates certain illnesses (such as mental illness and leprosy) where the employee would be entitled to 100% of his/her salary as compensation.

Additionally, the employee working at industrial establishments shall have the right to a sick leave every 3 years of service, on the bases of 1 month with full pay, and 8 months with a wage equivalent to 75% of his/her salary, and 3 months without pay, in case the competent medical committee decides the likelihood of his/her recovery.

Payment of the salary during the sick leave is made by the Social Insurance Authority although private sector employees tend to pay sick leave salary if the period is not extensive.

Further, the employee shall have the right to request the transfer of sick leave into an annual leave if the account of leave allows so.

The employer cannot terminate the employment contract due to the employee's sickness unless the employee has exhausted his/her sick leaves and his/her annual leaves. In such case, the employer should notify the employee of his/her intent to terminate the contract 15 days prior to the exhaustion of the employee's leaves. However, if the employee recovers prior to such notice, the employer will no longer be allowed to terminate the employment contract due to the illness of the employee.

Maternity Leave and Parental Leave

Provided that the female employee has spent 10 months or more in the employer's service, and upon a medical certificate indicating the date on which the delivery will most likely occur, a female employee is entitled to a paid maternity leave of 90 days, including the period before and after delivery. In any case, a female employee should not be required to work during the 45 days following childbirth. Nevertheless, a female employee is not entitled to maternity leave more than twice throughout her term of employment. As a measure of protection of female employees, the Labor Law prohibits the discharge or termination of a female employee during the term of her maternity leave

Additionally, a female employee has the right, during the 24 months following the date of childbirth, to 2 breaks for breast feeding, each of not less than half an hour in addition to the regular break(s). The 2 additional breast feeding breaks will be counted as working hours and will not result in any salary deductions.

Further, a female employee working in an establishment employing 50 employees or more has the right to a leave without pay for child care for a period not exceeding 2 years. However, she is not entitled to such leave more than twice throughout the term of her employment

There are no provisions covering paternity leave under the Labor Law.

Social Insurance Contributions

In order to fund social insurance coverage, the employer and employee pay their respective contributions to a special fund administered by the National Authority for Social Insurance. The current maximum amount for contributions is as follows: basic salary: EGP 1,012.5 and variable salary: EGP 1,590. The employer's share is set at 26% of the basic salary and 24% of the variable salary, while the employee's

share is 14% of the basic salary and 11% of the variable salary.

Also, under Article 126 of the Labor Law, the employee is entitled to compensation at the rate of half a month's salary for each of the first 5 years and 1 month for each of the following years of employment past the age of 60, provided that he/she was not entitled to benefits for old age, incapacity or death insurance provisions prescribed in the Social Insurance Law, and as mentioned above under "Pensions."

The Social Insurance Law also provides medical coverage as described above under "Sick Leave."

With respect to foreign employees, it should be noted that according to the Social Insurance Law foreign employees, with the exception of certain Arab nationalities, are not subject to the Social Insurance Law and are not required to pay social insurance contributions unless there is reciprocal social insurance treatment with the country of which the employee is a national under a Double Social Insurance Treaty. In that case, the social insurance contributions will be based on the terms of that Treaty. Nonetheless, even if the foreign employee is not subject to the Social Insurance Law, the employer must still pay 2% of the employee's salary that is subject to insurance to cover the state medical insurance for work related injuries.

Confidentiality and Restraints Against Competition

Confidentiality

The Labor Law provides that the employee must preserve the confidentiality of his/her employer's confidential information. Additionally, the Labor Law provides for termination in the event that the employee breaches his/her duty of confidentiality, leading to serious harm and damages to the employer.

The employment contract may include a stricter duty of confidentiality as well as the time frame for such duty, i.e., the duty of confidentiality may be extended past the termination of the employment relationship.

Non-Competition

The Labor Law provides that an employee shall not work for someone other than the employer, with or without remuneration, if this work shall have an impact on his/her work's performance, reputation, or if it allows and/or assists others to have access to confidential information of the employer.

Moreover, the Labor Law stipulates that an employee shall be prohibited from exercising an activity similar to that being exercised by the employer, or participating in a similar activity, during the term of his/her employment contract.

Pursuant to Articles 686 and 687 of the Civil Code, in order for a post-termination non-competition clause to be effective, the following conditions must be satisfied:

1. the employee has reached the age of majority, i.e., 21; and
2. the non-competition clause is limited in time, place and type of work to the extent necessary to protect the interests of the employer.

Additionally, the Civil Code provides that the employee shall not be entitled to rely upon such clause if the termination of the agreement or the refusal of its extension was not justified, or if the employer committed a breach of contract that justifies the employee's termination of the employment contract.

Furthermore, the penalty for breach a non-competition clause must not be of a detrimental effect, meaning it should not be a way to prevent the employee from terminating the agreement or it shall be considered voidable and extends to the non-competition clause itself.

Non-Solicitation of Customers, Employees and Suppliers

Solicitation of customers, employees or suppliers of a former employer is prohibited in cases where the employee is bound by a post-contractual non-competition covenant, subject to the requirements of a non-competition clause stipulated above.

Business Transfers

In general, the Labor Law provisions provide that, if an entity acquires the business or any part thereof pertaining to another entity, the acquiring entity will be bound to carry on the employment obligations attached to that acquired business. In that regard, the Labor Law states that in the event of the plurality of employers, the employers shall be jointly responsible for fulfilling all obligations arising from the Labor Law. In addition, Article 9 of the Labor Law provides that the liquidation, closure or bankruptcy of the establishment shall not preclude fulfillment of the obligations under the Labor Law. In particular, the merger, assignment, sale or similar transaction of an establishment does not terminate the employment contracts of the entity's employees. Therefore, in the case of a transfer of business, the successor entity shall be jointly responsible along with the former employers for the satisfaction of all obligations arising from the transferred contracts.

In addition, Law No 125 of 2010 and its Executive Regulation provide that the employees' monetary rights arising out from the employment arrangement shall have privileged ranking upon all the employer assets and shall be recovered prior to the payment of judicial expenses, amounts due to the Public Treasury and filling and restoration expenses. Any contradictory arrangement shall be held null and void.

Although the Labor Law does not regularize the method pursuant to which the transfer of employees should be effected, certain procedures need to be undertaken from a practical perspective in order to effect the employees' transfer. In that regard, the employees would need to sign resignations, Social Insurance Forms 6 (to close their social insurance registrations with the former entity) and a termination agreement and final release. The employees would then sign new employment agreements with the new employer entity and new Social Insurance Forms 1 to register under the new employer's social insurance registration.

The treatment of the employees' entitlements upon termination of employment and prior to re-hire with the new entity, is a contractual matter to be set forth in the business transfer agreement, merger or acquisition agreement, as the case may be. Such would then be negotiated amicably with the employees as to whether to pay them their entitlements upon termination or whether to issue an undertaking to the employees guaranteeing that their entitlements and years of service shall survive termination and shall be assumed by the new employer entity.

Equal Treatment

While there are no specific directives or regulations that tackle separately the issue of discrimination, the principle of equal treatment is dispersed in different laws and is further protected as a constitutional right. The Egyptian Constitution provides for equal treatment of all citizens without regard to race, religion, sex, age or national origin.

Moreover, the Egyptian Labor Law has provided for the principle of non-discrimination and equal treatment of the employees under the termination Section. Article 120 of the Labor Law, prohibits termination based on discrimination for race, sex, social status, religion, pregnancy or family obligations, the activity or affiliation of the employee to a syndicate or union, filing any complaint or lawsuit against the employer, attaching the entitlements of the employee which are in the possession of the employer and finally, the use of the legal leaves and vacations by the employee.

Furthermore, Article 35 of same prohibits discrimination in payment of salary on the basis of the sex, origin, language, religion or creed.

Having said that, in case of the any discriminatory behavior against employees on any of the abovementioned basis, the harmed employee may file a complaint at the competent Labor Office.

Discrimination on Grounds of Disability

The Egyptian Labor Law (“Labor Law”) provides a general prohibition of discrimination with regard to the employment relationship between the employer and the employee. In addition, Law No. 39 of 1975 regarding the rehabilitation of disabled individuals (“Law of Rehabilitation of Disabled Individuals”) prohibits discrimination on grounds of disability. Accordingly, Egyptian Law ensures a fair rehabilitation and integration of the disabled individuals into the working environment, through institutions and authorities established by the Ministry of Social Affairs aiming to provide rehabilitation services to such individuals.

Pursuant to the Law of Rehabilitation of Disabled Individuals, disabled individuals, who are registered at the Manpower Office, are given a certificate specifying job/s which they are capable to undertake. According to the said certificate, the Manpower Office is bound to provide assistance to the said individuals in order to find a job equivalent to their age and qualifications. Additionally, Article 9 of the abovementioned Law imposes a legal obligation on companies with fifty or more employees to have the number of disabled employees equal to 5% of its overall workforce. The employer shall employ disabled employees based on the Manpower Office recommendation in this regard. However, the Law of Rehabilitation of Disabled Individuals authorizes the company to employ such individuals without any prior recommendation of the Manpower Office, provided that the disabled employees are registered therewith.

Furthermore, disabled employees are subject to the Social Insurance Law and, consequently, entitled to social insurance according to the provisions of the said Law.

In case of discrimination against disabled employees, such individuals shall enforce their rights under the Law of Rehabilitation of Disabled Individuals. The said Law provides a fine penalty and/or an imprisonment penalty on employers for not complying with the abovementioned obligation stated in Article 9 of the same Law. Moreover, in case of discrimination, the employer shall be obliged to pay a monthly salary to the disabled employee. The said salary should be equivalent to the amount designated to the job, which was supposed to be assigned to the disabled employee. The employer shall undertake the mentioned obligation for a period not exceeding a year.

Termination of Employment

Overview on Termination under the Labor Law

Pursuant to the Labor Law, grounds for termination or non-renewal of employment contracts differ depending on the nature of the employment contract. In general, there are definite term contracts (with a fixed starting date and a fixed expiration date), indefinite term contracts (only its starting date is known to its parties but its expiration date is not set at the moment of the execution of the contract), temporary contracts (those are contracts that fall within the employer's business activities but require a temporary period to perform or are related to specific assignments), incidental contracts (those are contracts that do not fall within the employer's business activities and do not require more than 6 months to perform) and seasonal contracts (performed in known seasons).

As a general rule termination under the Labor Law must be for justified cause and must not be abusive. An employer is not free to terminate its employees for convenience and/or redundancy. Moreover, an employer cannot lawfully dismiss an employee unless it complies with certain procedural steps as discussed in more detail below.

Different cases of Termination of Employment under the Labor Law:

(a) Termination of Definite Term Contracts

The Labor Law provides that a definite-term contract may be renewed by the express mutual agreement of the parties for consecutive definite term(s) without being construed as an indefinite-term contract. Nevertheless, if the parties omit to expressly renew the definite term contract and continue to perform same then it will be construed as an indefinite-term contract.

This principle has a significant impact on employment relationships since it gives some flexibility and freedom to parties, the employer and the employee, to end the contract upon its expiry without being bound to any legal constraints such as the requirement to follow a certain termination procedure or provide justified reasons for termination. This flexibility is based on the rules set out in Articles 104 and 106 of the Labor Law, which state that a definite-term contract is terminated at the expiration of its term and that parties are allowed to enter into consecutive definite-term contracts if each such term is expressly renewed. However, it is usually advisable to serve a notice to the employee indicating that the employer does not wish to renew the contract. Based on other provisions of the Law, it is suggested that the notice be 2 months prior to the term of the contract if the employee has been in service with the employer for less than 10 years and 3 months if the period of service with the employer exceeds 10 years.

Hence, the employer could choose not to renew the definite-term contract upon its expiration or may agree with the employee on its renewal for another definite term. Should the employer wish to terminate the employee prior to the expiration of the term of the contract then the employer will have to prove that termination is for a just cause, as discussed more fully below.

As above mentioned, all foreign employees must obtain validly issued work permits. It is customary to provide for termination of the employment agreement if the foreign employee fails to renew/maintain a valid work permit.

(b) Termination of Indefinite Term Contracts

Unlike definite-term contracts, indefinite-term contracts are relatively more rigid as to their termination. Although Article 110 of the Labor Law provides that indefinite-term contracts may be terminated by either party by virtue of a prior written notice to the other party, other relevant articles go on to severely restrict and control the use of the right of termination. For instance, said articles set forth specified grounds justifying termination, the timing of the termination and the duration of the notice. Both the employer and the employee are subject to and should abide by such restrictions.

From the employer's side, an indefinite-term contract may not be terminated except if the employee commits a grave fault (see "Dismissal" below) or if the incompetence/non-performance of the employee has been evidenced in order for such termination to be justified and legitimate. Further, the legislator under Article 120 of the Labor Law prohibits termination based on discrimination for race, sex, social statuses, religion, pregnancy or family obligations, the activity or affiliation of the employee to a syndicate or union, filing any complaint or lawsuit against the employer, attaching the entitlements of the employee which are in the possession of the employer and, finally, the employee's use of legal leaves and vacations. Accordingly, if the employee proves the termination of his employment for any of the above listed unjustified grounds the termination will be regarded as unjustified.

Moreover, the Labor Law provides for "constructive termination". These are cases where the acts of the employer lead the employee to resign or terminate his/her contract. Such cases would be deemed as unjustified termination by the employer (although in fact it was exercised by the employee) entitling the employee to compensation. Such acts are described under Article 121 of the Labor Law, consisting of a breach by the employer of his material obligations vis-à-vis the employee or if the employer commits any hostile act against the employee or any of his relatives.

However, certain equilibrium is provided in the Labor Law since the employee also has to comply with certain conditions in order for him/her to justifiably terminate employment. The employee should have a justified reason for terminating his employment, such as having health, social or economic conditions preventing his/her job performance.

Having said the foregoing, both the employer and the employee are required under the Labor Law to take into consideration that such termination takes place at a convenient timing for the work circumstances in order for such termination not to be abusive.

A resignation submitted by the employee must be in writing; otherwise it will not be admissible. On the other hand, the employee has the right to withdraw his resignation within one (1) week of its acceptance by the employer. In case of withdrawal of the resignation, the resignation shall be regarded as null and in-existent. This rule aims to give the employee the chance to reconsider the impact of such resignation in an attempt to protect his or her best interests. Accordingly, the employer should take into consideration that the resignation is effective upon the lapse of the one (1) week period.

In all cases, unjustified termination entitles the party suffering to claim damages against the other party. If the claimant is the employee and the court rules in favor

of the employee then the awarded damages for unjustified termination should not be less than (2) months' total salary per each year of service, in addition to any other legal entitlements of the employee. Furthermore, pursuant to recently issued Law No. 180 of 2008, amending certain provisions of the Labor Law, the employee is entitled - pending issuance of a judgment on the merits in a case for unjustified termination - to request the court to issue an urgent order for payment of twelve-months' salary by the employer to the employee.

(c) Dismissal

The Labor Law treats the term "dismissal" as a disciplinary measure that could be used by the employer in the occurrence of a grave fault by the employee. The conduct or events constituting a grave fault which would justify termination of employment are enumerated under Article 69 of the Labor Law, as follows:

- i. the employee presents false identification or false certification;
- ii. the employee is guilty of an act that causes serious material damage to the employer, provided that the employer notifies the competent authorities of such incident within 24 hours following the employer's knowledge of its occurrence;
- iii. the employee failing to observe safety regulations after being notified in writing, provided that these safety regulations are clearly posted;
- iv. the employee is absent without cause for more than twenty (20) intermittent days or more than ten (10) consecutive days in one year, provided that the termination is preceded by a written notice served by registered mail following ten absent days in the first event and five absent days in the second;
- v. the employee divulges the establishment's secrets causing serious damage to the establishment;
- vi. the employee competes with the employer in the same field of activity;
- vii. the employee is found drunk during working hours or affected by any drugs;
- viii. the employee assaults the employer or the general manager, or brutally assaults his supervisors during work or as a result thereof;
- ix. the employee does not abide by the rules of going on strike.

Termination of employment on the basis that an employee committed a grave fault requires the employer to first petition the competent Labor Court. Termination outside the scope of the above events is deemed unjustified and would require the employer to compensate the employee. Pursuant to Article 122 of the Labor Law, compensation for unjustified termination may not be less than the equivalent of two months total salary for each year of service, in addition to any other legal entitlements. Salary in this respect would extend to include all related acquired rights (all what the employee receives in return for his/her work including cash and non cash, fixed and variable consideration, including profit share, commissions, bonuses, raises, in-kind benefits that are not necessary for discharging the work, allowances, agreed gratuity ... etc.). Such damages are the minimum statutory requirement by the Labor Law and labor courts can order higher damages in their discretion, although in our experience labor courts very rarely, if ever, award higher than such minimum damages.

Furthermore, the Labor Law provides that the employer should notify the employee in writing of its desire to terminate an indefinite term agreement. The notice must be submitted two (2) months before the date of termination if the employee has been employed for an uninterrupted period of less than ten years with the same employer. The requisite notice period is three (3) months before the date of termination if the uninterrupted period of employment exceeds ten (10) years with the same employer. During the prior notice period, the employment relationship remains in force. However, the employer may exempt the employee from performing his/her work during that period in consideration of granting the employee all rights and entitlements relating to his/her employment.

With respect to the procedures for termination of an employment contract due to an employee's non-performance, pursuant to Article 64 of the Labor Law the employee must be given notice of the alleged non-performance and granted the opportunity to make a statement in his/her defense in an investigatory meeting which must take place within a maximum of seven (7) days from the date the violation becomes known to the employer. Specifically, in order to be able to terminate an employee's employment on grounds of non-performance, the employer must compile evidence of such non-performance in the employee's employment file, including at least (as a matter of practice) evaluations and assessments of the employee's performance and three warning letters. Based on such documentation, the employer must submit a request to the Labor Court requesting termination of the employee's employment contract on the basis of non-performance.

It should be noted that in the event the employer does not have cause for termination (as per the grounds for termination listed under the Labor Law, as previously described) then the employer can try to reach an amicable settlement with the employee for termination of employment by offering a reasonable settlement package in exchange for the employee's submission of a resignation, settlement and release and Social Insurance Form 6.

(d) Termination in the Context of Closure of Business or Downsizing

The Labor Law confirms the right of the employer to completely or partially close the business or to downsize it for economic reasons necessitating termination of employment of some of the employees. However, the employer is required to obtain the prior approval of a special committee with respect to the closure of business or the downsizing. The request for closure must indicate the cause for such closure or reduction, and the number and job-classification of the employees to be terminated. The said committee must issue its decision within thirty (30) days from the date of submission of the request. Furthermore, the law obliged the employer to notify its employees and labor unions (if existent) with the decision of the special committee. The date of the closure or downsizing shall be determined by the special committee. If the request is denied, the employer may appeal the resolution before another committee.

Moreover, Article 254 of the Labor Law imposes a criminal penalty upon the employer or the responsible manager if they partially or totally suspend the operations, change the scope or type of services provided or limit them in a way which would have the effect of downsizing the labor force without obtaining the prior approval of the Committee.

Having said the above, it should be taken into consideration that this process has very lengthy procedures and according to the characteristics of the Egyptian Labor Law being "pro-employee" in nature, there is a high possibility of such request being rejected by the established committee.

Alternatively, the employer is also granted the option, upon obtaining the approval of the committee and, instead of using the right of termination, to temporarily adjust the terms of the employment and/or assign different positions provided not to decrease his remuneration below the minimum wage.

This provision is an exception to the rule that "the contract makes the law of the parties" and the "acquired right theory" which is extensively applicable in Egypt.

However, if the employee refuses the adjustment of the terms of the employment, said employee shall have the right to terminate the contract and in this case such termination will be regarded as a justified termination exercised by the employer (although it was decided by the employee).

Pursuant to Article 201 of the Labor Law, if the employer terminates any of the employees for economic reasons in compliance with the above rules, the employer should pay remuneration equivalent to one-month wage per year for the first five years of employment and one month and a half wage for each year of employment thereafter.

In the event that the employer does not wish to go through the procedures described above, the other alternative would be for the employer to try to reach an amicable settlement with the employee for termination of employment by offering a reasonable settlement package in exchange for the employee's submission of a resignation, final settlement and release and Social Insurance Form 6. In this regard, it is very important to take into consideration that, under the Labor Law, the employee has the right to withdraw his resignation within one (1) week of its acceptance by the employer. In case of withdrawal of the resignation, the resignation shall be regarded as null and in-existent. This rule aims to give the employee the chance to reconsider the impact of such resignation in an attempt to protect his or her best interests. Accordingly, The employer should take into consideration that the resignation is effective upon the lapse of the one (1) week period.

Employee Representation and Works Constitution

Under Egyptian law, the representation of employees is regulated by the Employees Unions Law No. 35 of 1967 (“ Employees Unions Law”). According to the said Law, the union structure in Egypt is organized on a hierarchical basis. The Establishment Labor Union represents the base of such hierarchy, followed by the General Union (which consists of all of the Establishment Union Committees) and then the General Syndicate (which includes all of the General Unions) and which is at the top of the hierarchy.

Pursuant to the Employees Unions Law, employees of an establishment may form an Establishment Labor Union to include all employees within its jurisdiction (on the basis that they are employees of a particular establishment or on the basis that they are all part of the same profession). The Union Committee shall be constituted upon the request of at least fifty employees of the establishment. According to the Employees Unions Law, an establishment is defined as every project or utility managed/operated by a private or public person. It is the General Union that will determine whether the requirements for formation of the Establishment Labor Union have been fulfilled and the General Syndicate is competent to decide on any disputes or conflicts which may arise in this regard.

The Employees Union Law provides as well that it is prohibited to constitute more than one Establishment Labor Union in an establishment or more than one Professional Labor Union in one city.

Pursuant to the Employees Union Law, the Union Committee is competent to :

1. Settle individual and collective disputes related to its members. It is prohibited to conclude a collective agreement unless with the consent of the General Committee.
2. Participate in preparing draft collective employment contracts with the General Union.
3. Participate in discussions regarding the productions plans of the establishment and to contribute in the execution thereof.
4. Give opinions regarding the disciplinary regulations and other regulations related to the employees whether in putting such regulations in place or in respect of amendment of same.
5. Implement the service programs confirmed by the General Union;
6. Contribute to social activities in which employees participate.
7. Prepare reports regarding the Union’s activities and suggestions and present information and clarifications required by the General Union.

Moreover, the Employees Union Law sets out the requirements membership in the Establishment Labor Unions as follows:

1. members shall not be less than 15 years old from the date of submission of the membership request;
2. members shall not be placed under the ward of a court;
3. the employee must not be an employer in respect of any commercial, industrial, agricultural or service activity;
4. members shall not be subject to a criminal sanction or restriction in a misdemeanor involving moral turpitude unless rehabilitation has taken place;
5. members shall be employed in the professions or works included in the description of the Union as required by the General Union; and
6. members shall not be members of any other Union even if said member undertakes more than one profession.

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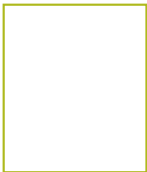
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