Center for Trade Union and Workers Services (CTUWS)

Impacts of the Global Financial Crisis on Egyptian Workers
The Third Report – May 2009

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Introduction

This is the third report of the Centre for Trade Union and Workers Services (CTUWS) to monitor the most serious impacts of the current global financial crisis on workers rights during May 2009 in tens of work sites. The report emphasizes the continuous bleed of workers layoff for the fourth month successively in tourism and spinning, textiles and garment sectors. The report emphasizes as well the warnings announced in the first report against employers who exploit the workers under the pretext of the global financial crisis. This was apparent clearly in the case of the Nile Cotton Ginning Company. In an official meeting of the board chairman with the Ministry of Manpower, he promised to disburse salaries in a regular manner. The workers were surprised with an administrative decision to cut off their incentives for extraordinary work under the pretext of the financial crisis. As expected, many other businessmen started the threat to shut off their businesses in order to be allowed to reduce the workers dues. The report monitored as well an official memorandum from businessmen to the Prime Minister in which they asked for more incentives for themselves, without the slightest reference to workers rights preservation.

Deploring the government's persisting silence towards the monitored layoffs, CTUWS calls for urgent mechanisms and plans to confront such actions, reemphasizes the need to activate the emergency and unemployment funds stipulated by the labour law and the social insurance law and warns against the employers' manipulation of the global financial crisis to layoff workers and deprive them of their rights. CTUWS is seriously concerned with the trend of some employers to constrict and violate the workers rights or to take predetermined arbitrary procedures as if they were waiting for such a crisis in order to put these procedures into effect. They call for government support and assistance and claim that they are unable to bear more pressures in addition to those of the financial crisis. However, it is the opinion of CTUWS that such an approach - which makes businesses wash their hands from any social responsibility and which has practically led to several crises in work sites during the past few weeks – will lead to more tensions and consequently to more passive repercussions and more serious reactions.

The Centre for Trade Union and Workers Services (CTUWS)

1st June 2009

Presentation

For the third month successively, government officials admitted the impacts of the global financial crisis on the Egyptian economy. Egypt's Minister of Trade Mr. Mohamed Rasheed announced that "unemployment rate in Egypt is rising higher than the 9% rate at the present time." In his statements at the Global Economic Forum in Jordan he added that he cannot give an accurate figures but "we will definitely witness an increase of 5 or six percent" during the first quarter of the next fiscal year which starts 1st July. According to governmental statistics, unemployment rates in Egypt reached 9.4% during the first quarter of 2009. This means that there are about 2.35 million unemployed persons from the labour force of 25 million.

In his press statements, Mr. Rasheed announced that these expectations are based on the growth rates targeted by the government for this year which reach 3.4%. Thus, it would be difficult to provide 700 thousand job opportunities annually as was the case during the last two years which witnessed 7% annual growth rate. The Minister of Trade added that the government is doing its best to regain the previous growth rate and to override the negative repercussions of the global financial crisis on sectors such as tourism and other industrial labour intensive sectors such as engineering, textile and food industries.

In the same context, the Minister for Economic Development Dr. Osman Mohamed Osman confirmed that growth rates plummeted from 7.2% to 4.2% after six months of the global financial crisis (from October 2008 to the end of March 2009). In a press conference held on 14th May 2009 the Minister disclosed that the unemployment crisis during the past six months was the worst. According to the Minister: about 100 thousand workers were laid off and unemployment rate jumped to 9.37% during the first quarter of 2009 due to the slacken private investments and economic growth rates. In addition, the budget deficit rose from 11.8 billion to 20.2 billion Egyptian Pounds during the period from January to March 2009.

In a reference to the Egyptian economy the Minister for Economic Development announced that it was too early to predict the start of its recovery and warned against being carried along by the assumption that the American economy is recovering. Nevertheless, the Egyptian economy will stand stead fast vis-à-vis the crisis by its own power and by pumping additional incentives. He also said that 320 thousand female workers have become employed. It is necessary to encourage small industries and to activate of the Social Fund for Development. There are persisting negative impacts on sectors such as tourism and manufactures and on the Suez Canal. The negative growth in tourism scored about 6% during the fourth quarter of the fiscal year against an increase by 32.3% during the same period last year. The negative growth reached about 17% since the beginning of the crisis until last March. The growth of implemented investments slowed down to reach about EGP 57 billion scoring 9% increase as compared with 36% during the same quarter of last year. The Government decision to pump an additional amount of EGP 15 billion during this year incited domestic demand to a large extent and compensated for the slowdown of private investments. Domestic markets were activated in general. This was reflected on raising the share of public investments of the total implemented investments to 52% during the third quarter of 2008/2009 as compared with 32% during the same quarter of lat year. The total implemented investments during the period October-March remained at EGP 109 billion (2007/2008 and 2008/2009). The state revenues dropped by about 13.3% during the third quarter of 2008/2009 as compared to a relatively slight decrease in public expenditures by 3.8% which resulted from the government obligation to reduce the burden of budget deficit and to provide the basic social services. The balance deficit showed a remarkable decrease during this quarter (about 54%). Trade balance showed a deficit by 12% against an increase by 26% during the same quarter of last year as a result of a decrease of goods imports by US$ 2.7 billion and a decrease of goods exports by about US$ 2 billion. The surplus in the services balance dropped by about 47% during the third quarter as a result of a drop of tourism revenues by 17%, a drop in investment revenues by about 67% and a decrease in expatriate Egyptian transfers by about 15%.

The monthly bulletin of the Information Centre of the Cabinet showed a decrease in the available job opportunities by 14% during one month but this was not indicated in the national employment bulletin. 14.12 thousand job opportunities were announced in February 2009 against 12.14 thousand in March 2009.

A recent study published on Thursday 14th May 2009 by the Information Centre of the Cabinet on market performance in shade of the financial crisis confirmed that, similar to many other countries, several sectors of the Egyptian economy were seriously affected by the global crisis.

The study showed that the financial crisis did not affect the bank system because banks adhered to the rules of the Central Bank of Egypt. Moreover, the government bonds invested abroad are not part of the banking system. They have the highest interest rate and the least risks and can be liquidated at any time. The bank reform plan adopted by the Central Bank of Egypt since the last three years protected Egypt from the financial crisis implications.

The study reviewed the exchange rate of the Egyptian Pound against foreign currencies. The value of the Egyptian Pound vis-à-vis the Euro rose by 10.7% during the first quarter of 2009 (January – March) in comparison with the first quarter of 2008.

The study monitored the Egyptian capital market indicators. The stock market had a downward trend since the beginning of the financial crisis from September to December 2008. EGX 30 showed the highest decline by 63.9% as compared with the same period in 2008. The study showed as well that the ability of the Egyptian economy to confront the crisis goes back in particular to the government policies and procedures to increase investment expenditures and to the confrontation of the crisis repercussions on unemployment through a social program that encourages maintaining employment levels and putting a plan to support farmers and the agricultural sector.

However, a recent study on the impacts of the financial crisis on the Egyptian economy foresaw a decline of employment levels in several production sectors. According to Dr. Nehal el Megharbil of the Faculty of Economics and Political Sciences employment levels are expected to drop by 5.6% in the production services sector, 2.5% in building and constructions, industrial sector by 1.6% and the agricultural sector by 1%.

Garment and leather industries were the most affected by the crisis and the decline of employment by 18.6%. they are followed by paper, paper products, printing and publications by 8.1%, food industries and beverages by 6.3%, basic metallurgical industries by 4.3% whereas the spinning and weaving industries occupy the fifth position amongst the industries most affected by the crisis which(scoring a reduction of 3.2%) followed by raw metals and machines (a reduction of 0.1%). Meanwhile, foreign direct investments (FDI) to Egypt witnessed a remarkable decline during the first six months of the current financial year 2008/2009 to reach US$ 4 billion only. This decline announced the appearance of the negative impacts of the global crisis on the net flows of FDI in spite of the recovery witnessed during the past three years. Such a recovery was crushed by the financial crisis and showed that the assumption that Egypt is not affected by the crisis is incorrect.

According to the Ministry of Finance estimates, the total FDI attracted during the first six months of the financial year 2008/2009 is US$ 4 billion only whereas the previous year 2007/2008 scored the highest levels of FDI to Egypt which reached US$ 13.2 billion in comparison with US$ 11.2 billion in 2006/2007, US$ 6.1 billion in 2005/2006 and US$ 3.9 billion in 2004/2005.

Minister of Investment Dr. Mahmoud Mohey Eddin emphasized at the beginning of the crisis that the expected decline in FDI would not be sharp. He expected that foreign investments would reach US$ 10 billion by the end of the current year 2008/2009. but the initial figures are not that promising and they do not make any space for the Minister's optimism. Supposing that the remaining six months in 208/2009 will realize the same level of the first six months in spite of the aggravation of the crisis impacts then those of the swine flue and the resultant worry of money and business markets, the realized investments will be within US$ 8 billion, i.e. less than the past year by about US$ 5 billion. If we put into consideration that such figures are subject to decline in shade of such successive crises, we will have to meet another serious crisis due to the failure to attract foreign investments to Egypt. Although an official of the General Investment and Free Zones Authority announced that the swine flue will not have a serious negative impact on investment decisions in Egypt because they are based on long term considerations, the coming days may bring the worst. There will be accumulation of repercussions on top of the growth rate decline to 4% only.

In the same context, the financial crisis drove the Qatari Company “Diyar” to postpone the establishment of an industrial zone in Burg el Arab on an area of 5.5 million square meters. It was estimated that the construction and operation of the project will reach EGP 12 billion during 10 years and that it will provide 57 job opportunities during the same period.

The Minister of Trade and Industry Engineer Rasheed Mohamed Rasheed announced that the Qatari Company is obliged to establish the industrial zone which is the biggest zone established by the private sector in Egypt. He said that Diyar asked for an extra period of time to review the current situation and the impacts of the global crisis on its international investments. At the same time the company renewed its intention to establish the industrial zone with the help of a major company from Singapore specialized in industrial zones construction and management. In press releases, the Minister of Trade and Industry said that the zone will introduce the “industrial developer” system where a developer develops the industrial lands but does not own the land. On the other hand, an “investor” owns the land on which the factory is built.

The Chairman of the Qatari Investment Authority Mr. Amro Asal said that Diyar had spent EGP 25 million on the final plans of the industrial zone which represents the largest investment of Diyar Company (which is owned by the Government of Qatar) in Egypt. He indicated that the industrial zone of Burg el Arab will be specialized in food industries, petrochemicals and engineering and electronic industries. Another commercial and services zone will be established on about 3 million square meters. Its production will be exported to European markets.

The Egyptian Businessmen Association sent a letter to the Prime Minister Dr. Ahmed Nazif which included 50 suggestions for 8 sectors to mitigate the crisis impacts on the Egyptian economy. The suggestions include non interference of the government to support the value of the Egyptian Pound which, according to the letter, it is already higher than its actual value and is responsible for raising exports prices. They also suggested sending the liquidity provided by the public treasury to the social insurance and pensions organizations for partial repayment of their funds which are automatically invested together with the National Investment Bank in public sector companies and agencies. This will be an introduction to separating social insurance and pension funds from the state budget. They also recommended cancelling the entry visa fees until the end of this crisis. The purpose is to encourage tourism. In addition, there were three other suggestions related to finance and credit sectors: reducing the interest rate for borrowers, realizing balance between interest rate and inflation rate reduction and organizing campaigns to regain the confidence of external correspondences in Egyptian banks. In the imports and customs sector, they recommended to be cautious in case of imposing protective or additional costs on imports without verification of the data according to which the decision was taken. As for the construction sector, the recommendations called upon the government to accelerate the implementation of its commitment to disburse EGP 51 billion to provide stability of the sector and to activate the Prime Minister’s decision to give priority to the Egyptian engineer and the Egyptian contractor, to disburse the contractors dues and compensations, review the method of tax calculation and to facilitate supporting Egyptian companies to create job opportunities.

Moreover, the suggestions called for the establishment of a fund for tourism modernization, deduction of inputs tax from the sales tax due on hotels, subsidy of air tickets to tourist cities and scheduling the hotel sector debts. There were some suggestions to reconsider water and electricity prices to factories, reduce interest rates on industrial loans, facilitate credits for small and medium enterprises and confront dumping and smuggling.

In the **tourism** sector, Mr. Hisham Za’zou first Assistant of the Ministry of Tourism emphasized that the current financial crisis has negatively affected the Egyptian tourism sector. The decrease in the incoming tourist movement during the last three months declined by 4.13%. In addition CTUWS team monitored over 50 worker layoffs in a tourist company in Aswan. The company compensated the laid off workers by three-month salary only, while another company laid off some of its workers and compensated them by one-month salary only.

In the **Spinning and Textiles** sector CTUWS team monitored over 885 worker layoffs. According to CTUWS estimates, this sector remains the most affected sector by the global financial crisis.

In the **Food Industries** sector CTUWS team monitored over 70 worker layoffs. This number includes some workers laid off due to continuous absence.

For the first time since the issuance of monthly reports on the current global crisis, it was found out that the **oil** sector was not secure from the crisis. CTUWS team monitored about 1450 worker layoffs in this sector. In addition, many workers were changed from permanent to temporary status, which is the case in the Egyptian Petroleum Services Company (EPISCO). This report monitors for the first time the impact of the crisis on **Leather Industries** sector. Tens of workers were laid off by the Pyramids Trade and Industry Co. In addition, the company stopped to disburse the workers dues such as overtime payment.

In the **Metallurgical Industries** sector 360 workers were laid off in one batch from "Betchenwa" Co. for Electrical Products. Other companies in the same sector stopped disbursing incentives, allowances and overtime payments.

In addition to the global financial crisis, the swine flue epidemic threatens thousands of the Egyptian cleaners. The epidemic was accompanied, as usual, by quick decisions taken without paying attention to the destiny of the workers who will be affected by such decisions. Even though garbage collectors think that it was necessary to remove the peg pens and solid waste dumps outside the densely populated areas in order to avoid diseases and environmental disasters, they emphasized that the government had taken the decision to remove them without providing a practical solution to preserve their sustenance. They indicated that garbage dumps should have been removed several years ago but government bureaucracy delayed such a process. It is not logical that the government decides to implement - in a minute and under the pressure of the swine flu disaster - decisions which were taken several years ago. This made hundreds of thousands of workers in industries related to garbage collection and pegs raising lose their jobs.

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Annex

Table of Impacts of the Global Financial Crisis on Egyptian Workers
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WORK SITE					CRISIS IMPACT ON WORKERS			WORKERS RESPONSE
Company Name	**Industrial Zone / Governorate**	**Sector**	**Investment Sector/Employer**	**Workers Total No.**	**Layoffs/ Retrenchment**	**Wage Reduction**	**Stringent Work Conditions**	
Care Clean for Hotel Cleaning	Aswan	Tourism	Private sector Employer: Abul Fadl Ahmed Mahmoud and Co.	480	Some workers were laid off because contracts with floating hotels were terminated. Laid off workers were one month salary only as end of service compensation..	incentives were reduced between 25% and 20% of the basic salary.	Reduction of the medical care amount from EGP 25 to EGP 20	
Moon Light Floating Hotel	Aswan	Tourism	Private sector Employer: Ibrahim Raslan Al Gaafary	140 including 40 women workers	50 workers were laid off and given 3 month salary only as end of service compensation.	Reduction of the 12% which they used to take and of other benefits such as meals and tips.		
Isis Floating Hotel	Aswan	Tourism	Private sector Employer: Isis Co.	90 workers including 15 women		Reduction of the 12% which they used to take to 5% then to 2,5% of the tips	Reduction of certain benefits such as meals, transportation to and from work place and medical care.	

Al Salaam Underwear Factory	Al Kawthar, Sohag	Textiles and garments	Private sector Employer: Abul Fadl Ahmed Yaseen	48 workers including 30 women	18 women workers were given open vacations as from 1/4/2009 with 50% of the monthly salary.		Two 12- hour shifts daily without overtime pay.	
River Alabaster Factory	Luxor, Aswan	Textiles and garments	Private sector Employer: Refaat Abdul Mageed Al Axory	120	20 laid offs	Longer unpaid vacations and EGP 40 cut off incentives as from 1/4/2009		
Egyptian Co. for Synthetic Threads	Sadat City, 2nd Industrial Zone	Textiles and garments	Private sector Employer: Turkish Investors	120	35 laid offs	Shift hours dropped from 12 to 8 hours. No overtime payment		
Halawa for garments Co.	Sadat City	Textiles and garments	Private sector Employer: Turkish Investor	870	All 220 new contracts were terminated in April.			
Middle East Carpets Co.	Sadat City	Textiles and garments	Private sector	380	Over 100 workers left the company last month.	Overtime payment which reached 60% of the basic salary was cancelled		
Nour Niletex Co.	Free Zone of Sadat City	Textiles and garments	Private sector Employer: Turkish Investor	189	80 works dismissed at once because of decreasing exports			

United Dyers Co.	2nd Industrial Zone of Sadat City	Textiles and garments	Private sector	680	70 workers laid off at once last April due to demand reduction	The company announced cancellation of the workers meal as from the beginning of June. Other workers are expected to be laid off		
South Spinning, Textile and Dying Co.	Sadat City	Textiles and garments	Private sector Employer: Turkish Investor	1200	Over 100 laid offs	The Turkish investor refused to disburse the raise he promised six months ago		The workers went in a strike on 7th May 2009
Nile Cotton Ginning Co.	Minia, Gharbiya and Beheera	Textiles and garments	Private sector			Cut off incentives of 26 days	Delayed disbursing May salaries due to the financial crisis	Workers of Minia, Gharbiya and Beheera went in strike on 29 April for more than three successive weeks.
Geneedy Garment Companies and Stores	6 October City Helwan	Textiles and garments	Private sector	250		Cut off all incentives for the workers of the factories and stores. Salaried dropped by 30%.	The management started to restrict workers movement in case of going to clinks (only 2 hours are allowed to go to the clink and come back). If a worker is late more than one hour a one-day salary is deducted.	

Nile Linen Factory	Quesina Industrial Zone, Menoufiya	Textiles and garments	Private sector French Investor	300 workers including 200 women	250 workers laid off at once	The remaining workers did not get production incentive estimated at EGP 130 monthly	Buses were reduced from nine to one bus only to transport factory workers.	

Aziz Biscuits Factory	Al Kawthar, Sohag	Food industries	Private sector	240 workers including 40 women workers	25 workers were laid off under the assumption of continuous absence	EGP 25 are deducted every 2 months under the assumption of increased social insurance payments	Penalties rose since 1st April for the slightest reason.	
Fakahany Factory	The Industrial Zone of Qaft, Qena	Food industries	Private sector Employer: Nahed Mohamed Yusuf	125 workers including 75 women workers	20 workers forced to take unpaid leave during last April	EGP 25 are deducted from the remaining workers		
Albata Sweets Factory	Naj' Hamady, Qena	Food industries	Private sector Employer: Girgis William Aziz	45 workers		Deduction of EGP 15 from every worker without known reasons. Monthly salaries are reduced from EGP 300 to EGP 275.		

Sweet Factory	Al Kathar District, Sohag	Food industries	Private sector Employer: Mohamed Hosny Mohamadeen	240 workers including 80 women workers	25 workers were laid off on 15/3/2009 because of factory losses. Another 25 workers were given open unpaid leave as from 1/4/2009. they are promised to be re-employed when conditions get better.		More salary deductions, and bad treatment since 1/2/2009.	
The Southern Factory for Food Materials Dehydration	2nd Industrial Zone of Assiut	Food industries	Private sector Employer: Mohamed Gamil Farghaly	140 workers including 80 women workers		No overtime payments after exports decline and termination of export contacts to Kuwait.		
Dakahliya Sweets Factory	2nd Industrial Zone of Quesna, Menoufiya	Food industries	Private sector Employer: Magdy Mahmoud Ahmed Nagm	150 workers including 50 women workers		No overtime payments because production was reduced by 20%.		

Egyptian Oil Drilling Company	Cairo, Ismailia and Port Said	Oil	Private sector	3000 workers in different company branches	1400 lay offs from different branches			Over 300 workers announced a sit-in on Monday 11 May 2009 in front of the Ministry of Manpower in Nasr City.
Egyptian Company for Petroleum Services	Suez	Oil	Public sector	1000 workers			Old employees contracts were changed to temporary contracts. Salaries were not disbursed for two successive months.	Workers announced a sit-in in front of the Ministry of Petroleum in Nasr City.
Sun Egypt Petroleum Company	Ras Gharib City	Oil	Private sector		About 50 workers were laid off last May			
Helwan Portland Cement Co.	Helwan	Building and Wood Industries	Private sector	3000 workers		The management refused to disburse the remaining part of the workers share in profits (for six months). Work hours were reduced from 12 hours against EGP 45 to 8 hours against EGP 35 since last March.		

Al Anbar Co. for Modern Industries	6 October City	Metallurgical Industries	Private sector			No incentives or overtime payments. These amounts are between EGP 600 and 800.		
Betchenwa for Electrical Equipments	Sadat City	Metallurgical Industries	Private sector	360 workers	360 workers were laid off as one batch			
Small Industries “Aquatech” Co.	6 October City	Metallurgical Industries	Private sector	400 workers		Disbursement of basic salary only. Other benefits such as transport, housing and meal allowances (about EGP 600) were stopped.		
Al Ahram Trading and Industry Co.	4th and 6th Industrial Zones of 6th October City	Metallurgical Industries	Private sector		Tens of workers were laid off because they called for their salaries.	Salaries disbursement stopped since April 2009.		
Leather Shoes Co.	Industrial Zone of Ismailia	Leather Industries	Investment sector Employer: Italian investor	450 workers		Refused to pay overtime money for extra hours after 2 p.m.		Workers went in strike on Monday 11 May and refused to return to work until the end of the day.

*Each color refers to a certain sector.

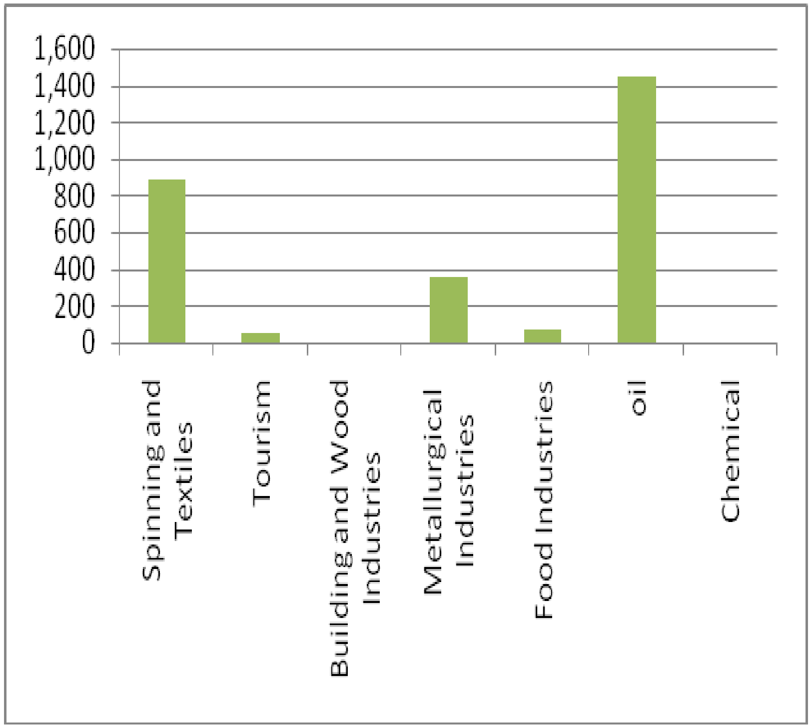

Figure 1: A diagram shows the laid off workers that monitored by CTUWS team in May 2009

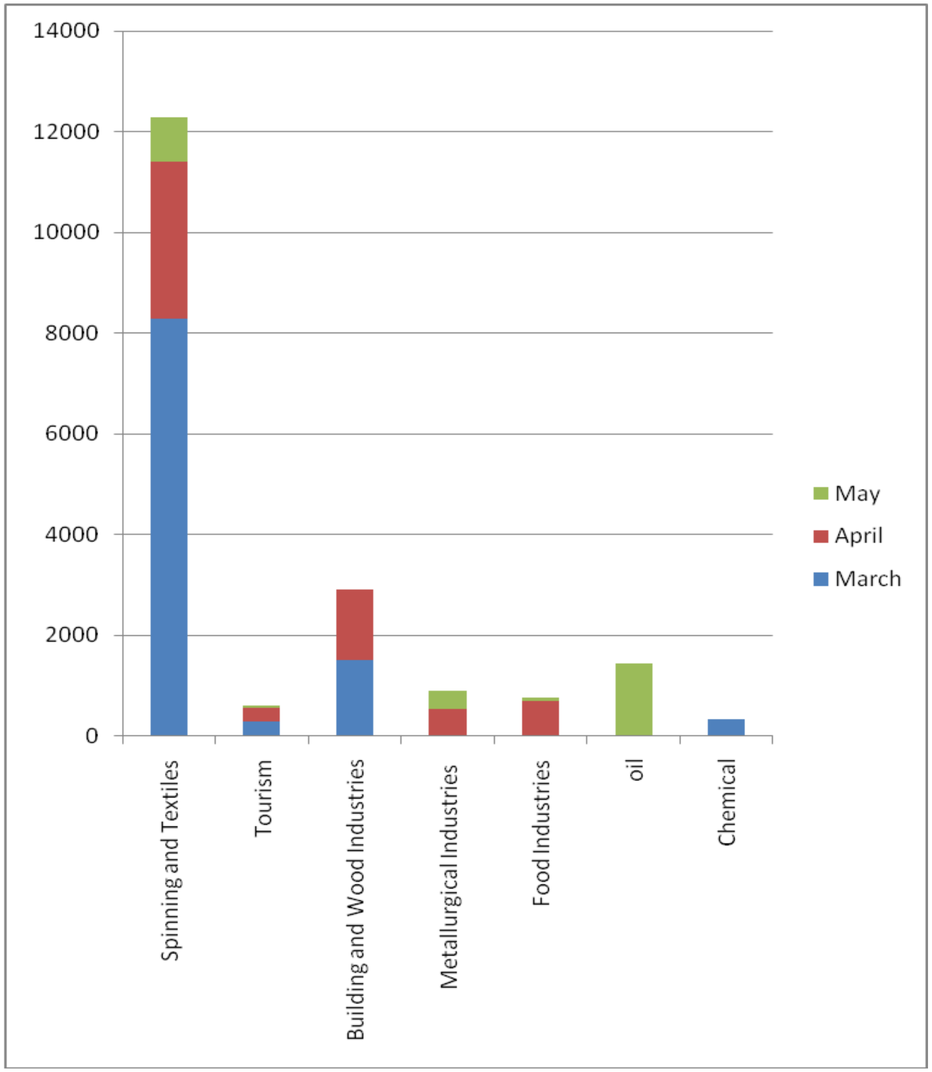

Figure 2: **A diagram shows the increased laid off workers that monitored by CTUWS team in May 2009 in the light of Report I, March 2009 and Report II, April 2009**