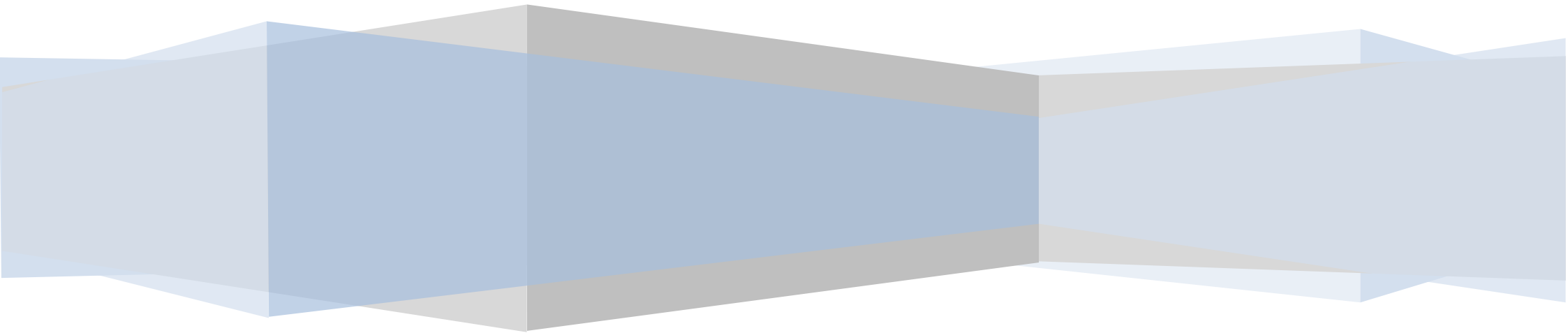




Center for Trade Union and Workers Services (CTUWS)

Impacts of the International Financial Crisis on Egyptian Workers Report II, April 2009



INTRODUCTION

This is the second report issued by the Center for Trade Union and Workers' Services (CTUWS) about the impact of the global financial crisis on workers in Egypt. Although the report covers the most significant events of April 2009 only, the monitoring team affirms that tens of labor sites in many of Egypt's governorates were affected, particularly in new industrial areas which lack any protection for workers. The global financial crisis uncovers the black labor market, for private sector workers in general and new industrial city workers in particular. It also uncovers the absence of any official union organization role in these industrial cities as the number of union committees in a city like Sadat city does not exceed 10 despite the presence of over 2,000 industrial establishments.

The report has also monitored the declarations made by officials about the impact of the crisis on workers, which, contrary to the situation monitored in the previous report, were characterized by honesty away from trying to make the situation look better. The officials' acknowledgment of the impact of the crisis was reflected in the President's refraining from mentioning amount of the social

bonus in his Labor Day speech, which shows the severe effect of the crisis on Egypt's economy. Nevertheless, the government still lacks a clear work plan to face this crisis. It continues to be silent in the face of the employers who laid off workers and reduced their salaries and incentives. The government discourse continues to ignore workers and their rights while focusing only on measures to support businessmen.

CTUWS, affirming the increasing dismissal of workers due to the global financial crisis, which is expected to deteriorate in the coming months, would like to point out that the monitored cases do not represent all cases.

CTUWS also affirms that the report was finalized before the swine flu catastrophe which will certainly have a major impact on the global economy and in turn on Egypt's economy in general and those working in this field in particular, estimated at over 20,000 workers.

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1 May 2009

Egypt's Minister of Economic Development, Othman Mohamed Othman, expected the new fiscal year 2009/2010 to witness a 4% - 4.1% decline in the growth rate accompanied by a 9.5% - 10% increase in the unemployment rate due to the international financial crisis.

In the press conference he held on 23 March 2009 to announce the main features of the 2009/2010 economic and social development plan, the minister said that a 1% decline in the growth rate increases the number of the unemployed by about 150,000. The new fiscal year, he added, will be difficult for the Egyptian economy due to the implications of the crisis. "The global economic crisis has taken us many years back." Othman said.

The minister pointed out that next fiscal year's plan was prepared primarily to face the global crisis, affirming that GDP is expected to reach LE1.181 trillion with the increase in total investment to LE200 billion, compared to about LE195 billion in 2008/2009.

The minister said that the fast-growing sectors will be the most impacted by the crisis as the Suez Canal revenue growth is expected to be -8%, tourism -8.7%, in addition to a decline in manufacturing from 8% in 2007/2008 to 3.8% and a decline in transportation growth from 8.1% in 2007/2008 to 5.3% in 2009/2010.

He explained that the affected sectors during the coming fiscal year, although at varying degrees due the uncertainty of the magnitude and duration of the crisis, will be the construction sector which will decline from 11% to 10%, the wholesale and retail sector which will decline from 6.3% to 5.8% and the financial sector which will decline from 5.4% to 5%. Othman affirmed that there will be a slow impact on the Information and Communication Technology sector which will witness a decline from 11% to 10%.

Othman said that the declining growth rates in different investment sectors are met by growing public investment with the government's commitment to human development and infrastructure programs, and increased rates of growth in the educational, health and other social services sectors from 4.7% to 4.9%, in addition to general government services from 2% to 3.5% and electricity and water from 7% to 7.1%. The minister added that the funding gap between total investment and domestic savings will reach LE85 billion in 2009/2010. This gap is expected to be funded from Egyptian workers' remittances which could amount to LE40 billion, compared to about LE41 billion in 2008/2009 as they were affected by the crisis. He pointed to the declining share of private investment to total investment to 57% compared to 67% in 2008/2009.

For his part, the Industry Modernization Center's executive director Adham Nadim revealed a 30% decline in the value of Egyptian exports due to the global financial crisis. "We suffer from the loss of major markets which had been receiving our export products, particularly in the United States and Europe, in addition to a general decline in global demand due to the implications of the crisis. We are now searching for alternative investment to those that may have pulled out from Egypt following the losses they suffered due to the financial crisis. We must now also seriously search for alternative markets." Nadim said during the symposium held by the Businessmen Association on March 24.

Nadim predicted that factories in the coming period will resort to cutting back on 45% of their current labor force because they are unskilled. He said that 65% of the two million industrial workers in industry in Egypt are insured while the rest remain outside the insurance umbrella, which requires a serious plan to add them.

In the light of the results of the Center for Trade Union and Workers' Services (CTUWS) monitoring group, nearly 6,100 workers had been let go during April in various sectors, including the spinning, weaving and ready-made garment sector, tourism,

construction, timber, food industries, medicine, expatriate workers and mineral industries.

In the **spinning, weaving and ready-made garments sector** over 3,100 workers lost their jobs, including those who were dismissed, directly discharged or given open leave, in addition to the decision to completely shut down a company and discharge its remaining workers without paying the wages owed to them. Salaries, incentives were also reduced and sometimes canceled or delayed. Sanctions were imposed on workers for trivial reasons and they were forced to work extra hours.

In the **tourism sector** nearly 270 workers were discharged. Hotel and tourist company owners adopted a policy of increasing unpaid leave and reducing living expenses while increasing penalties.

As for the construction and wood sector about 1,400 male and female workers have been laid off, offered early retirement or some production lines were stopped, as was the case on a cement company. Factory owners also reduced day labor's pay, production bonuses and incentives. Some factory owners threatened workers not to renew their contracts if they refused to accept new contracts with reduced salaries.

As for banks, although the monitoring team did not monitor layoffs in Egyptian banks, April witnessed a series of measures that some banks have taken that point to their being affected by the financial crisis. Some banks have decided for the first time to put prices on banking services to face the implications of the global financial crisis to improve current year profit indicators. This foretells the laying off of workers during the coming few months.

In the **food industry** nearly 700 male and female workers have been laid off. An agricultural company has forced workers to sign blank receipts and resign in exchange for their continuing to work!!

As for **the pharmaceuticals sector** some holding company have started to consider merging their affiliated companies, which was the case with the Holding Company for Pharmaceutical Industries which decided to merge the Arab Company for Pharmaceuticals with the Cairo Company for Pharmaceuticals. The two companies' workers refused due to the resulting restructuring of the two companies. Production was stopped on some machines at the Orsa tissue and medical supplies factory at the industrial zone in the city of Qaft, Qena governorate. Workers have not received their salaries for February and March 2009 on the pretext that the

factory was being developed. The factory has not laid off workers. However, some workers were sent on open unpaid leave while suspending payment of the LE75 travel allowance since January. Management threatened the workers who have tried to establish a union committee with dismissal. They abandoned the idea.

In the **metal industries sector** CTUWS team has monitored the dismissal of about 550 male and female workers. A company also forced its workers to sign new contracts with lower wages.

The Central Agency for Public Mobilization and Statistics (CAPMAS) estimated the volume of Egyptian expatriate workers to be about 3.5 million, 2.18 million of whom work in the Gulf States with 1.32 million working in Europe, Australia, Canada and the US. The Cabinet's Information Center's monthly report also monitored a decline in the general index of demand on Egyptian workers in general to about 362 points compared to 638 points. Demand also has declined on holders of university degrees on the local and international levels to 257 points compared to 820 points. The Arab Labor Organization general manager also expected a 30% drop in remittances from labor in the Gulf in 2009 in favor of labor from Eastern Europe. European countries, the United States and some Gulf States started to reduce workers at varying rates ranging between 15% and 40%. These countries, however, do not directly lay off workers.

Table of Impacts of the Financial Crisis on Egyptian Workers in Different Sectors

Report II: April 2009

Work Location					Crisis Impact on Labor Conditions			Labor response
Company name	Industrial zone Governorate	Sector	Investment Sector Employer	Total # of workers	Layoffs/Labor reduction	Salary reduction	Stricter work conditions	
Al-Mokhtar Ready-Made Garments Factory	Al-Kawthar Industrial neighborhood, Sohag	Ready-made garments	Private sector Employer: Ibrahim Hassan Mokhtar	1,000 workers, including 16 females	35 temporary workers were laid off, including 10 females	Monthly production incentives reduced from LE50 to LE25	Employees were transferred to administrative jobs	
Ultra Ready-Made Garments Co.	Borg El Arab zone, Alexandria	Ready-made garments	Investment sector Egyptian investor: Engy Ahmed Gouda Hamada	5,00 male and female workers	A number of slippers section workers have been laid off after shutting the section, while the rest of section workers were distributed among packaging, embroidery and preparation sections		The employer is forcing the workers to work overtime shifts till 10 pm by closing the doors to prevent the workers from going out. Paying only LE 6 as daily wage, the factory administration also does not consider the official days off.	
Flosty Ready-Made Garments Co.	Free industrial zone, Ismailiya	Ready-made garments	Investment sector Indian investor	1,500 male and female workers	750 workers were laid off	Salaries were reduced by half while incentives were canceled	Workers are punished by the reduction of half the incentives just for going to the toilet or stopping work for any reason	Workers gathered and organized a sit-in at the company headquarters at the industrial zone for two days. They received the basic salary without incentives.
Ismailiya Ready-Made Garments Co.	Sheikh Zayed area, Ismailiya	Ready-made garments	Private sector Factory owner: Mohamed Gamal	2,000 male and female workers	The company laid off 450 workers since early January	Salaries, which were reduced by up to 30%, were		The company witnessed numerous worker

			Eddin Abul-Enein and his son Khaled Abul-Enein			delayed until the 10 of the following month.		sit ins due to the delay in receiving their salaries and the problems that emerged due to the board of directors' neglecting to pay insurance contributions.
Duby Ready-Made Garmetns Co.	Free industrial zone, Ismailiya	Ready-made garments	Investment sector Indian investor (Rami Buf)	2,150 male and female workers	Remaining 650 male and female workers were laid off. Thus the number of laid off workers reached 2,150	The company stopped paying salaries after the complete closure decision		
May Company	Mayo area, Helwan governorate	Ready-made garments	Private sector Employer: Galal Zorba		800 workers were laid off from the Laundromat			
Egypt Ready-Made Garments Co.	15 th May area, Helwan governorate	Ready-made garments	Private sector Employer: Galal Zorba (chairman of the Industries Union)	289 male and female workers	Eight workers under 16 years old were laid off	Salaries were reduced by varying amounts after production dropped from 3,200 pieces to 1,900 pieces. Total salaries were reduced from LE500 to EL350 due to incentive reduction.		
Delta Spinning Co.	Tanta, Ghabribya governorate	Spinning and weaving	Public enterprise sector		400 temporary workers were sent on open leave in preparation to dismiss them on the pretext that the company is not able to provide their monthly salaries.		Company contracts do not provide any rights to workers.	

Alf Leila we Leila Village	Hurghada, Red Sea governorate	Tourism	Private Sector Village owner: Kamel Abu-Ali	390 workers, including 35 females	45 day laborers were dismissed (casual)	Worker incentives were reduced by 25%, in addition to reducing some privileges, such as living expenses while increasing the number of unpaid leave days	The rate of penalties increased significantly since 50 days. Some workers were also transferred to the Swiss village	
Three Corners Tourism Co.	Hurghada, Red Sea governorate	Tourism	Private Sector Employer: Mohamed Abdel-Maqsoud	890 workers, including 350 females	200 male and female workers were dismissed and given their remaining pay after they signed Form 6 without receiving any of their dues other than their monthly salaries		Penalties increased for trivial reasons	
Safa Hotel	Sohag governorate	Tourism	Private Sector	85 workers, including 7 females	25 workers, 7 of whom are females, were laid off	An amount of LE25 was deducted from all workers. Living expenses (meals) were also reduced, while penalties increased during the past two months (February and March) for trivial reasons	The hotel management decided to increase leave to 9 days every 21 days, only 7 of which are paid leave.	
Goldstone Marble Manufacturing Co.	Shaq al-Thu'ban area, Helwan	Construction and wood	Private Sector	210 workers	100 workers have been gradually laid off since February 2009	Daily pay has been reduced from LE70 till LE30	Work shifts were reduced from 3 to 1.5 per day	
Assiut Cemen Factory	Manqabad city, Assiut governorate	Construction and wood	Private Sector Employer: French Co. Siemens	4,400 workers, including 680 permanent and the rest are temporary and day laborers	The management decided to lay off the 250 day laborers working on the Sea Water	Production bonus and monthly incentives were reduced and some benefits were	Deductions have significantly and unjustifiably increased, accompanied by	

					cement production line	canceled, such as the worker transportation bus which now operates once instead of twice daily	obvious mistreatment on part of the management to force permanent workers to accept early retirement	
Orascom Construction and Manufacturing Co.	6 th October city, Cairo governorate	Construction and wood	Private sector		The 400 temporary workers were laid off in late March 2009			
Suez Cement Co.	Suez governorate	Construction and wood	Private Sector Employer: Italian Cement Co.	2,250 workers	The company offered early retirement in return for LE50,000 per worker according to salaries. Workers and their union committee refused.			
Engineering Co. for Industries and Construction	6 th October city, 6 th October governorate	Construction and wood	Private Sector		The management laid off 150 workers in January on the pretext of the global financial crisis but has not legally settled their position.			
Egyptian Co. for Marble and Granite Manufacturing	6 th October city, 6 th October governorate	Construction and wood	Private Sector		The management forced over 20 workers to resign and accept a compensation equivalent to 2 months' pay per service year			
Fakahani Juice Factory	Industrial zone, Qaft city, Qena governorate	Food industries	Private Sector Employer: Nahed Mohamed Youssef	125 workers, including 75 females	30 workers were laid off on the pretext of giving them open unpaid	LE25 was deducted from remaining workers' monthly salaries of		

					leave	LE250. The factory also stopped paying the transportation allowance of LE45		
Al-Batal Pastry Factory	Naga Hammady city, Qena governorate	Food industries	Private Sector Employer: Guirgis William Aziz	45 workers, including 15 females		Workers' monthly salaries of LE300 were reduced by LE15		
Arab Co. for Agricultural Projects	El-Tal El-Kebir, Ismailiya	Food industries	Private Sector Libyan investors		540 male and female workers have been laid off in late March 2009		Workers were forced to sign blank receipts and Form 6 (resignation) as a condition to let them continue to work in the company	Workers gathered with their families in front of the Tel el-Kebir labor office in the governorate of Ismailiya. They said that the company management ensured them they will be dismissed in preparation to liquidate company due to its losses caused by the financial crisis
Irma Food Industries Co.	6 th October city, 6 th October governorate	Food industries	Private Sector		130 workers were laid off, in addition to those who submitted their resignations. Fifty workers were forced to apply for unpaid leave. The company paid LE15,000 as end of service bonus			
Coca Cola	Ameriya area, Alexandria governorate	Food industries	Private sector		Contracts of 200 workers were terminated at the company factory			

					in Alexandria			
Arab Food Industries Co. (Domty)	6 th October city, 6 th October governorate	Food industries	Private sector		70 workers were laid off since January 2009			
Orsa Tissue and Medical Supplies Factory	Industrial zone, Qaft, Qena governorate	Pharmaceuticals	Private sector Employer: Refaat Mohamed Essayed El-Sewedy	125 workers	Some workers were given open unpaid leave, in addition to 15 days of leave per month to those in the factory	Workers' salaries were suspended in February and March 2009 on the pretext of developing the factory. The transportation bonus of LE75 has also been canceled since January 2009		
Goldi Electrical Appliances Co.	6 th October city, 6 th October governorate	Metal industries	Private sector Employer: Ahmed Bahgat		60 workers were laid off last month			
Dreamland	6 th October city, 6 th October governorate	Metal industries	Private sector Employer: Ahmed Bahgat		40 old workers were laid off			
Electrical cables company	Shubra el-Kheima area, Cairo governorate	Metal industries	Public enterprise sector		600 temporary workers were laid off	The management forced workers to sign new contracts with reduced salaries. It refused to renew the contracts of workers who refused the new contracts. Management also canceled profits amounting to 10% according to its own laws		
Industries Packaging Co. (Formerly Modern Products)	6 th October city, 6 th October governorate	Metal industries	Private sector Employer: Rashed al-Ghoweiry, investor from the UAE		100 workers have been laid off since January 2009		The company management harassed the head of the union committee and	

							prevented him from entering the company	
Nasr Co. for Acrylic Manufacturing (Salemco)	Third industrial zone, 10 th of Ramadan City	Metal industries	Private sector Employer: Mohamed Farid Abdel-Halim Salem	650 workers when the company was established in 2005, including 15% females	Labor was reduced to 300 workers after the salaries were delayed, in addition to mistreatment on part of the management	Production was stopped in some departments due to the lack of raw materials. Production was reduced by 40%, as well as reducing shifts from 3 to 2. The employer also stopped paying insurance contributions.		

*Each color refers to determined sector.

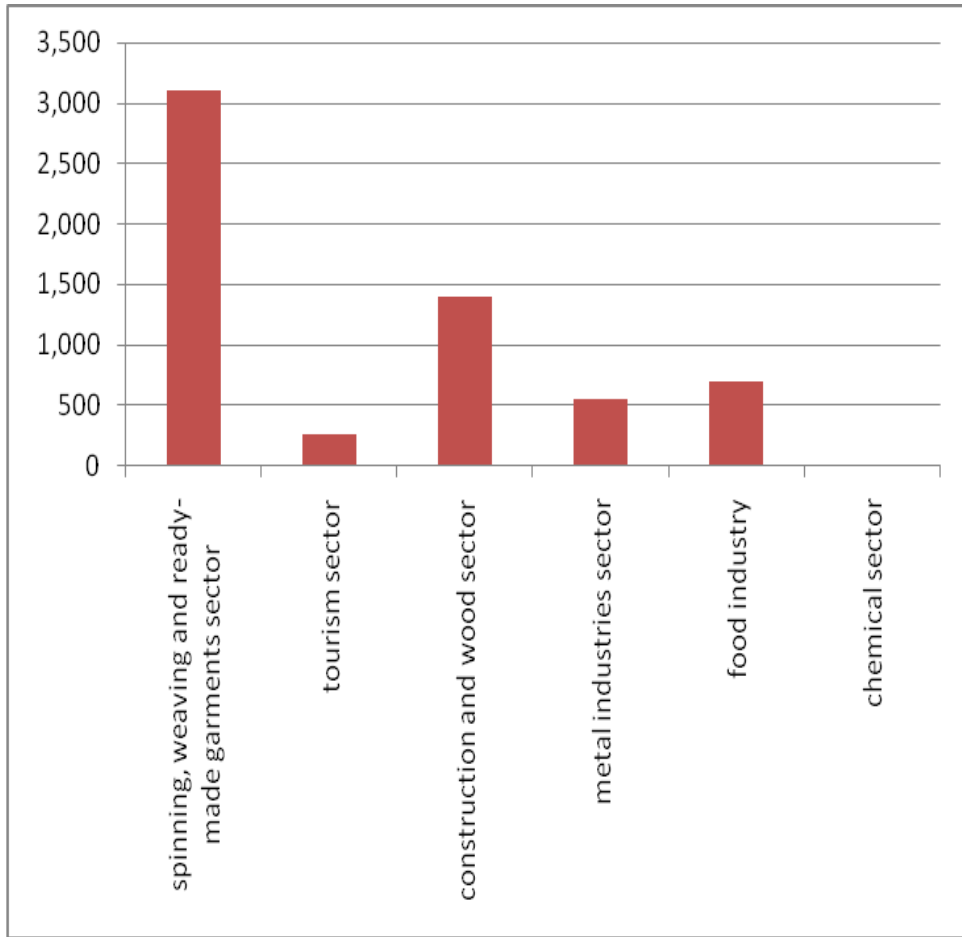


Figure 1: A diagram shows the laid off workers that monitored by CTUWS in April 2009

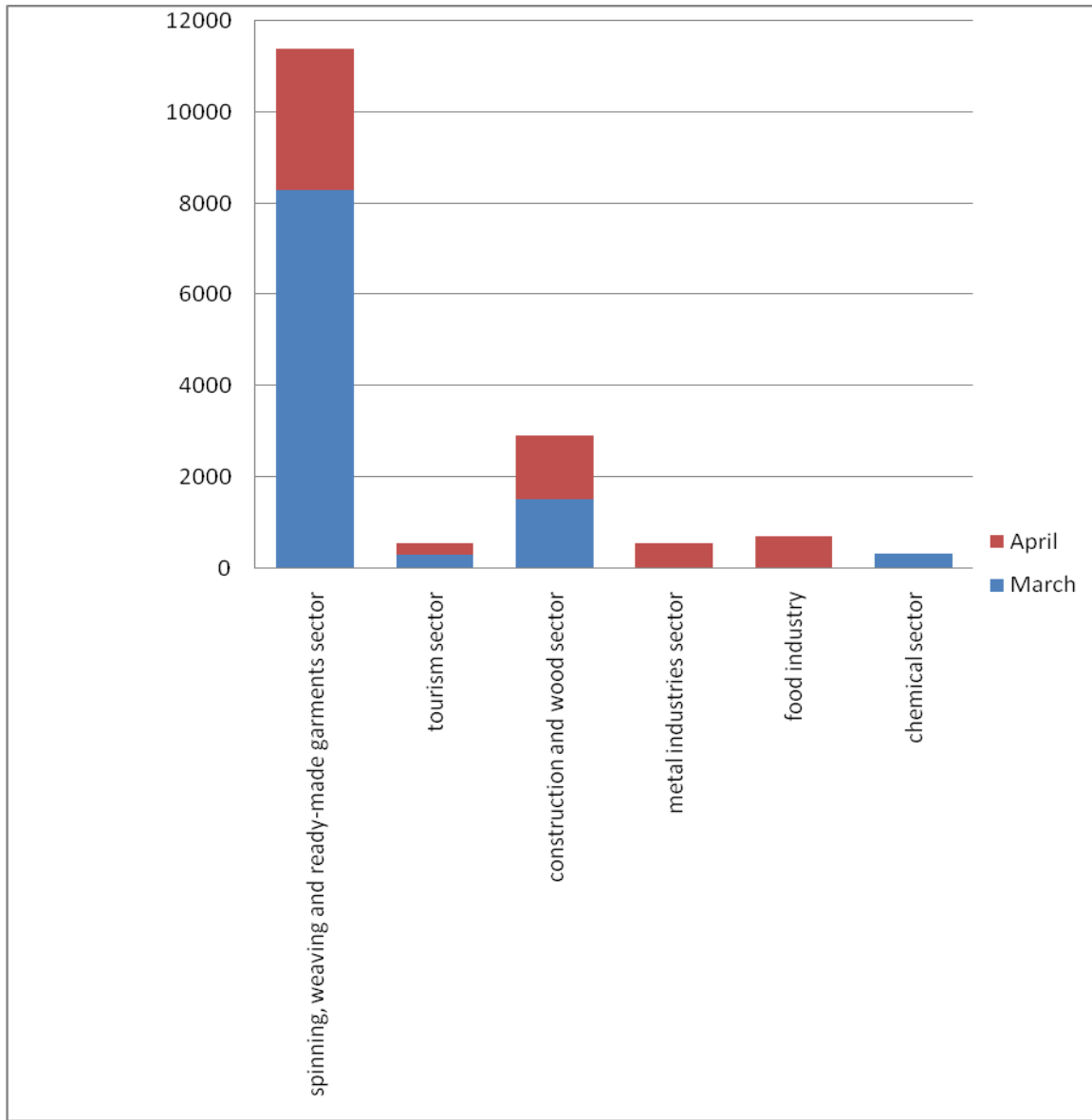


Figure 2: A diagram shows the increased laid off workers that monitored by CTUWS in April 2009 in the light of Report I, March 2009