

Chapter VI: Labor Law

Labor Contracts & Social Insurance Requirements In Egypt

Labor Contracts: Requirements & Types

Labor Contracts Requirements

- **Labor contract:** Contract by which the **employee undertakes to work for the employer** under his **supervision** in return of **Salary** Payment
- Contract must be **in writing, in Arabic (or in bilingual form)**
- In at least three original **counterparts**: The employer, the employee, and the Office for Social Security Affairs
- Labor contracts **usually** contain a **three-month probation period**.

Labor Contracts Types

1. Labor Contracts for definite Term of time.

➤ Egyptians:

- If the **employer accepts work performed beyond the expiration** of such definite term, the employment relationship automatically extends for an indefinite term, provided the employee is Egyptian.
 - the parties are allowed to conclude **multiple definite term employment contracts** provided their terms do **not exceed in total five years**.
- ### ➤ Foreign employees may enter into labor contracts for definite terms only.

2. Labor Contracts for indefinite term of time.

Employee Rights = Employer obligations

Employee Rights:1. Salary

- **Salary**

- **includes any payment made by the employer to the employee in **return of his work**: commissions, profit shares, benefits, awards, allocations, Bonus ,...**
- **Free meals ,Free services Should be in return of the Work to be considered as part of salary.**
- **Salary Requirement: currency, place, time.**

Employee Rights:2.Working Hours

- **Required hours: 8 hours per day, 6 days a week**
- **Overtime:** the employee shall receive overtime for each extra hour worked **during the day** at **135% of his/her regular hourly wage**; and at **170% thereof for hours** worked **during the night**
- Employees required to work **on weekends and holidays** are entitled to:
 1. **Double salary for that day**
and
 2. **Another day** in lieu of their rest day during the following week

Employee Rights:3. Holidays

- **21 vacation days per annum** after the first full year of employment.
- Employees who are **older than 50**, or who have been **working for more than 10 successive years** for the same or different employers, are entitled to **30 vacation days per year.**
- All employees are entitled to **full pay for national holidays**

Employee Rights:4. Social Insurance

- **Every employer** in Egypt must deposit in social security account contributions amounting to **40%** of the **basic salary** and **35%** of the **variable salary** to the **pension fund of the authority of Social Affairs**.
- **Those contributions are shared between employer and employees as following:**
 1. **26% of this 40%** must be borne by the **employer**, and the **remaining 14%** must be borne by the **employee** and
 2. **24% of this 35%** must be borne by the **employer**, and the **remaining 11%** must be borne by the **employee**.

Employee Rights: 5. Medical Insurance

- **free healthcare** coverage for their Egyptian employees either through the Medical Insurance Plan of **the authority of Social Affairs** or **privately**.

Employer Rights = Employee obligations

Employer Rights: 1. Required work

- The Employee is entitled **to do his work** :
 - **by himself** with **due care** as it is a personal service.
 - **According to his employer instructions.**
 - **In required Hours.**

Employer Rights: 2. confidentiality & non competition

- Confidentiality Includes **all work information**(assets , debts , commercial & industrial secrets , methods of production , disputes ...)
- **Known information** are not subject to confidentiality.
- **Confidentiality:** Not limited to the existence of labor contract but **extended to the period after termination of the labor contract.**
- **Non competition** should be **limited to reasonable period, place & activity.** (The agreement of non competition can be held unenforceable because it restricts competition for too long period , too large area that could result in financial destruction of the employee)

Case

- Laurice works for Cairo Motors as sales manager. She is studying her Masters. She includes a chapter in her Masters paper concerning a wonderful case concerning her method of work at Cairo Motors by virtue of which she increases the Sales of Cairo Motors.

Cairo Motors Chairman was unhappy , He asks you as Business Law student for advice. What could be your advice?

Answer

- Laurice is an employee of Cairo Motors . As per Labor Law she is entitled to keep **all work information confidential**. So, including a case in her Masters paper concerning her method of work at Cairo Motors is a breach of her obligation of confidentiality as it is not a known public information in the market. I advise **Cairo Motors Chairman to terminate her labor contract for material breach and sue her for remedies .**

Foreign Employees

Work Permits For Foreign Employees

- **Foreign** labor force may **not exceed 10%** of the **total labor force** of an Egyptian company and they should have a **work permit from competent labor office**.
- There must be a **specific need to employ foreign employees**, e.g., due to an employee's specific qualifications.
- The company **must** employ at least **one Egyptian assistant** to be **trained by the foreign** employee and to take over the functions of the "principal" at a later date

Foreign members of board of Directors

- Members of the **board of directors** of joint stock companies are **not** deemed as **employees** of the company, and accordingly **are not subject to Labor Law**.
- They are subject to their service contract with the corporation.
- **So Directors of joint stock companies are excluded from the 10% foreign labor ceiling set by the Labor Law when granting work permits.**