

INFORMAL LABOR IN THE CASE OF EGYPT

“A RIGHTS-BASED APPROACH”

EGYPT

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INTRODUCTION

This chapter in the third Arab Watch Report on Economic and Social Rights aims at addressing informal labor from a civil society perspective, focusing on the rights of workers in this wide segment of Egypt's economy. It also determines if this sector meets decent labor conditions, and analyzes profit and loss calculations of the informal sector from both the workers' and society's perspectives.

Accordingly, the report provides an overview of the informal labor definition which exceeds “contractual agreements,” and suggests that “merger” and “restructuring” are neither sufficient nor required if they are not accompanied by workers' dignity frameworks. The next section tackles the reasons leading to the rise of informal labor in Egypt, in light of the world's position towards state economy (?). These reasons included the shift in productive sectors towards services and construction sectors which rely on informal employment, the challenges that SMEs face in obtaining licenses, when, in fact, they are the main source of job creation in Egypt, and the complexity of social security laws, even though workers do not benefit from them in case of disability, death or old age.

Part 3 of the report showcases the size of informal labor in Egypt, and breaks down some of the assumptions which have been deployed to address it, such as correlations that have been made with the quality and level of education. This part also discusses the root causes of the rise of informal labor in the Egyptian context, its relation to moral economy, and to a larger extent to the workers' costs and benefits calculations, and what they perceive as an immediate profit or loss in light of the economic system. Survey data show that, since the end of the 1990's, the Egyptian labor market was mainly characterized by the expansion of informal labor, alongside a decline in public sector recruitment, and a decreased ability by the private sector to create new jobs. However, the decline in unemployment rate from %11.2 in 2005/2004 to %8.7 in 2008/2007 is attributed to the expansion of informal labor in the private non-agricultural sector, which employed %40 of the labor force in 2012, compared to %30.7 in 1998, according to a study on employment and labor market. This increase in the size of informal employment soared with the decrease in public sector employment from %34 in 1998 to %27.1 in 2012, and the stable formal private sector employment rate at %13.5-13 during the same period. (Data from the Labor and Employment Survey, 2014).

In %71, 2012 of Egyptians were working in the industrial sector, and %6.6 of said employment was located in the trading sector. The trading sector created 1.1 million new jobs, %70 of which were informal, between 2006 and 2012. Nevertheless the construction sector witnessed the largest increase in employment. Its share doubled over 14 years only, from less than one million workers in 1998 to 2.5 million workers in 2012. The larger the share of public companies, institutions, and state monopoly are present in a given sector's service provision, the more formalized employment contracts in said sector become. The manufacturing, logistics, and warehousing sectors employ around %50 of its labor formally, whereas only one out of every 6 workers is formally employed in the construction sector.

According to the World Bank report “Better Jobs for Better Lives,” published in 2013, the fourteen years that separate 1998 from 2012 have seen a massive shift towards informal employment. In fact, all industries witnessed a decline in formal employment between 1998 and 2006, which increased in intensity between 2006 and 2012. Transportation and warehousing sectors recorded a staggering %16.7 decline in formal employment between 1998 and 2012, while declines in the internal trade sector were estimated at %14.5. Limited

inter-sector movement was recorded, proving that the decline had, in fact, been in the nature of employment contracts. This was highlighted in the study conducted by Assad et al in 2014, which confirmed that only one third of the decline in formal employment can be attributed to changes in the structure of the Egyptian industrial sector, and that the transformation of some enterprises did not necessarily lead to the formalization of their employees' contracts.

The report also explains that the increase in informal labor cannot be attributed to the change in the composition of labor market entrants, as informal labor increased irregardless of an increase in educated entrants. An overview of the workers' educational structures developments according to the nature of jobs shows that the percentage of workers under a private informal contract with post-secondary education increased from %11 to %23.5 of total new entrants.

Section four focuses on an in-depth qualitative analysis of the decline in the formal nature of some contracts documented in the local bakeries model, and how the law helped achieve some benefits for mostly informal labor, such as in mines and quarries. Traditional bakery workers' experience indicates that “informal work” has reached this sector, in spite of “fake” contracts, whereas mines and quarry workers' problems are alleviated thanks to workers associations and civil society organizations' support.

Finally section 5 discusses how the state and civil society organizations have learned to deal with informal labor, established limited bureaucratic entities from workers and unionists' perspective. It also focuses on civil society initiatives on rights awareness and association support, without being able to influence the size and nature of the relationships that govern informal labor.

The study concluded that attempts to transform informal labor are still ineffective, particularly with the increase in size of informal enterprises, and the unlikelihood of relying on the current social security regime and wage system to provide a decent living to citizens in case of job loss. The following steps may be taken:

- Issuing a labor card for those of working age which includes the following information about its holder:
 - o Profession – wage – employment status – education level
 - o Insurance status – health care – training – previous experience
- Supporting workers unions that are active on the issue of informal employment, which would allow them to achieve union institutionalization, establish funding opportunities through the engineering of a database, enhance their capacity to communicate with entrepreneurs, and build a favorable environment for making collective labor agreements with companies.
- Providing universal social and medical insurance for all Egyptian citizens
- Activating the provisions of articles 26, 16, and 79 of labor law 12, enacted in the year 2003, and which relate to “the prohibition of employment through intermediaries” and “equal terms for expatriate and local labor of the same specialty where applicable with regard to wage and other aspects,” and which “require that all companies inform the informal labor unit of the Ministry of Labor force in any new employment.”
- Documenting labor relations irrespective of the nature and period of labor
- Establishing a special record to classify companies according to a scale of compliance to decent work conditions, through which companies who demonstrate commitment would be provided priority in government contracting within its mandate, and which would lead to the implementation of rewards and punishments for business owners.