



# **Towards a fair wage for all in Egypt**

**Options for universalizing  
a minimum wage**

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## **Options for universalizing a minimum wage**

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**This study was written by Salma Hussein, an economic researcher, and Farah Marwan, a researcher in labour economics. It was edited by Maye Kabil, senior researcher in the Economic and Social Justice Unit at the Egyptian Initiative for Personal Rights (EIPR).**

**The Egyptian Initiative for Personal Rights (EIPR) has been working since 2002 to strengthen and protect basic rights and freedoms in Egypt, through research, advocacy and litigation in the fields of civil liberties, economic and social rights, and criminal justice.**

**For more information see <https://eipr.org/en>**

## أمر رقم ٣٥٨

بصرف إعانة غلاء المعيشة لعمال المحال الصناعية والتجارية

شحن شصطفى النحاس باشا

لجهد الاطلاع على المرسوم الصادر في أول سبتمبر سنة ١٩٣٩ بإعلان الأحكام العرفية في البلاد المصرية ؛

لعمل الأمر رقم ٢٣٩ بشأن بلان التوفيق بين العمال وأصحاب الأعمال ؛  
لأنظر لارتفاع نفقات المعيشة تبعاً لزيادة أسعار الحاجات الضرورية  
وما تتطلبه من ضرورة توفير مورد للعامل لمواجهة هذه الحالة بحيث توفر له  
القدر اللازم للمعيشة في أدنى الحدود المستطاعة ؛

لؤبتمتضى السلطة المخولة لنا بالمرسومين الصادرين في ٧ فبراير و ٢٦ مايو  
سنة ١٩٤٢ ؛

لُقتَرر ما هو آت :

شادة ١ - لُجيب على أصحاب المحال الصناعية والتجارية أن يصرفوا  
للعمال الذين يشتغلون في هذه المحال إعانة غلاء المعيشة فوق مرتباتهم أو  
أجورهم بحيث لا تقل عن العتات التي فزرتها الحكومة لموظفيها وعمالها  
والمبينة بالجدول المرافق لهذا الأمر .

لُيراعى في تطبيق أحكام هذا الأمر :

لأن عبارة "المحال الصناعية والتجارية" تشمل كل محل يشتغل بالأعمال  
الصناعية والتجارية من أى نوع كانت ويوجه خاص المحلات الوارد ذكرها  
في المادة ١ من القانون رقم ٦٤ لسنة ١٩٣٦ بشأن إصابات العمل .

لأن كلمة "عمال" تشمل كل شخص يؤدي عملاً يدوياً أو عقلياً لحساب  
شخص آخر وتحت إشرافه أو سلطته نظير أجر .

## Executive summary

The picture of the labour market in Egypt is quite bleak; several indicators signal the need to adopt public policies aiming to improve the standard of living of millions of wage workers. This is especially the case for those at the bottom of the income ladder, who constitute the majority of workers, working long hours in manual and irregular jobs.

Modern economic literature indicates that the minimum wage policy is a key tool to improve the conditions of millions of poor and marginalised people.

In light of the continued sharp rises in consumer price inflation since the beginning of 2023, the Egyptian President announced on 16 September an increase in the minimum wage for government sector workers, rendering the minimum wage for a worker in the lowest job grade EGP 4000 per month.<sup>1</sup> The Minister of Finance explained in a later statement that the implementation of this increase will begin in the following month, that is, October 2023, after its approval by the House of Representatives. The new measure will also include a minimum increase for all job grades of no less than EGP 500 for all workers in the state's administrative apparatus and public economic authorities.<sup>2</sup>

The announcement came as part of a bundle of decisions that included increasing the 'exceptional cost of living allowance' from EGP 300 to 600 per month, and raising the tax exemption limit by 25% to reach EGP 45000 annually.

This was the second minimum wage increase in one year and it is a step in the right direction for improving the living conditions of a sector of wage workers in Egypt, in light of high inflation rates during the six months that followed the previous announcement of raising the minimum wage for government

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1 Increasing the minimum wage and good news for pensioners, Al-Masry Al-Youm, 9/16/2023, <https://www.almasryalyoum.com/news/details/2983286>

2 Maait announces the date of implementing the salary and pension increases, Masrawy, 9/17/2023, <https://shorturl.at/uwyH4>

sector workers to EGP 3500 in March 2023.<sup>3</sup> Despite the nominal increases, the real wage situation remains far from fair or sufficient to prevent workers from falling below the poverty line.

Despite the positive step of raising the minimum wage and raising the tax exemption limit for the lower brackets, the decision, on the one hand, only covers workers in the government sector and state-affiliated bodies, and does not include the private sector or informal workers, which constitute the majority of wage workers in Egypt. On the other hand, the method of calculating the minimum wage may require further review in light of food price inflation and the pound devaluation expected to take place after the presidential elections scheduled for the end of 2023. The resulting decline in the purchasing power of those wages will cancel out any positive effects of the recent increase.

Workers in the private sector receive a lower minimum wage than their counterparts in the government sector, and they also suffer from the lack of a binding mechanism that guarantees its implementation. The National Wage Council (NWC) has raised the minimum wage for workers in the private sector from EGP 2700 to EGP 3000 in July 2023.<sup>4</sup> The NWC had issued its decision to set a minimum wage of EGP 2400 for private sector workers in 2021, after having stopped to increase it for 10 years. Then it was raised again in 2022 to EGP 2700, and the positive response of business owners in the private sector to this increase was considered to be a step in the right direction.

In this regard, we in turn see it as a first step in a long road to increasing the wages of workers in the private sector, whose real value has decreased over the course of 10 years due to successive inflation waves.

However, the Egyptian Initiative for Personal Rights (EIPR) has two reservations regarding the decisions of the NWC. First, the decision does not include progressive increases of all wages, similar to government decisions for state employees.

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3 Law No. 18 of 2023, published in the Official Gazette, Issue No. 12 bis (A), on March 29, 2023,

4 The National Wage Council decides to raise the minimum wage for workers in the private sector from EGP 2700 to 3000, Ministry of Planning website, 6/20/2023, <https://mped.gov.eg/singlenews?id=4949&lang=ar>

Second, the NWC has reduced 4% of the rate of the annual raise for private sector workers (from at least 7%, to 3%). It is a very modest percentage, especially since this annual raise is the only means to increase wages in the private sector, after the NWC stopped issuing decisions regarding cost-of-living bonuses for workers in the private sector nine years ago, in parallel with the periodic raise issued for government employees (the NWC had issued raises for the private sector in line with the government sector until 2014). This makes it seem like the granted minimum wage increase was taken in advance with the reduction in the annual raise rate.

In addition, the government is adjusting the minimum wage figure based on the development of the official inflation rate, which is generally positive. But the base year for adjustment is 2013, at a time when the minimum wage was calculated as the minimum cost of living in 2010. Moreover, it does not take into account those for whom the minimum wage is set, who spend most of their income on food and beverages. This is not to mention the existing discrimination between workers in the government and private sectors.

Therefore, EIPR believes that the approach of continuous wage adjustments indexed to inflation is an important step, but it must be issued by a law that includes all employees in the government, public and private sectors, with deterrent penalties for those who do not comply. The base year for such adjustment should be 2010, with a particular focus on the food price index.

This study analyses the development of the wages of workers in the formal private sector and the government sector over 10 years. It finds that workers in the private sector lost 33% of the value of their real wages during that period, while the real wages of workers in the public sector increased by about 9% during the same period.

**The study explains why setting a fair minimum wage and rolling it out to all wage workers in Egypt is a priority now in three points as follows:**

- The minimum wage is a key tool to reduce poverty and stimulate domestic demand.

- International experiences indicate that the minimum wage is a tool for achieving a more equitable distribution of income.
- Adopting a minimum wage acceptable to all stakeholders would reduce social and labour protests.

The Constitution stipulates in Article 13 that the state is committed to preserving workers' rights and working to build balanced relations between both parties of the production process. Article 27 stipulates that the economic system aims at sustainable development and social justice, which ensures accelerating the growth rate of the national economy, improving standards of living, and eliminating poverty. The economic system also works to balance the interests of its various parties, in a way that preserves the rights of workers, and committing to a minimum wage and pensions that guarantees a decent life. Article 93 also stipulates that the state is committed to international human rights agreements, covenants, and charters that have the force of law once ratified.

**The study also reviews the problem of the currently applied minimum wage in four points as follows:**

- The absence of a minimum wage that includes all wage workers, in the government and private sectors, and particularly one that includes informal workers.
- The failure to issue a minimum wage law through Parliament makes it easier not to be enforced.
- The lack of a mechanism to enforce minimum wage decisions and review it annually.
- There is no mechanism for complaints in the event of non-compliance with the implementation of minimum wage decisions. There is also no protection for workers against retaliatory actions if they demand the implementation of minimum wage decisions.
- The value of the minimum wage needs to be adjusted based on updates of a minimum living wage, because the current minimum wage places a household



consisting of four individuals with a single income below the poverty line, which is evident in the continuous increase in the proportion of poor workers.

All this makes the last minimum wage decision a step forward, but it is still less than what is stipulated in the Egyptian Constitution or the International Labor Organization treaties regarding the effective minimum wage<sup>5</sup>.

It is expected that the current wave of inflation will lead to a deterioration in workers' conditions, as inflation rates reached 60.5% between October 2020 and August 2023. In this context the inadequacy of the minimum wage and its lack of universalization is preventing it from performing its function in saving vulnerable workers from falling into poverty.

EIPR sees that it has now become necessary to issue a unified law to reformulate the wages of all wage workers in Egypt, in order for wages to be indexed to inflation, and to set a minimum wage that suffices the needs of workers and their families, and to review it every six months in light of the continuous inflation. Binding mechanisms must also be put in place to implement a minimum wage in the private sector, oblige non-compliant employers to compensate workers for their lost wages, and compensate them appropriately for the harm resulting from being exposed to poverty because they were deprived of their right to a living wage.

**This is our demand and we see an actual possibility of achieving it, especially since the workers' share of the value added in the private sector amounts to only 20%, while business owners receive 80% of it. This percentage is calculated after business owners had already covered what they spent in the production process, including the value of renting the workplace (or its equivalent if they owned the property), interest in the case of loans (or its equivalent if they worked with their own money), as well as taxes, fees, etc. required by the state** ([Wage report in Egypt](#), 2022).

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5 The ILO standards on wages has indicators for effective minimum wage that included its universality in all work relations in all sectors, the sufficiency of its value to meet the basic needs of workers and their families and the periodical revision for its value to cope with inflation and economic conditions.

The study proposes an urgent mechanism to increase wages and set a unified minimum wage, and points to the possibility of implementing other longer term mechanisms requiring more time, which would enable workers—as absent agents from decision-making processes—to be present and active in such processes. Only then it would be possible to talk about real collective three-party bargaining.

## Introduction

*“No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged.”*

**Adam Smith, The Wealth of Nations, 1776, Book I, Chapter Eight, Paragraph 36**

Enacting a minimum wage is considered an almost universal policy, applied by more than 90% of ILO member states. Egypt was considered one of the few exceptions on the African continent (in addition to Ethiopia, South Sudan and Somalia) that had no minimum wage, according to the ILO’s 2020 Global Wage Report. Minimum wage as a policy tool mainly benefits the lower segments of wage workers.

No economic topic was as controversial or polarising as the topic of the minimum wage, as the literature related to this topic was divided into literature supporting its application and explaining its benefits, most of which was issued by the International Labor Organization, in addition to some scattered studies issued by some universities, namely Keynesian literature. On the other side lies the literature based on neoclassical theory, issued by all other international institutions, led by the World Bank and the International Monetary Fund, and academic books taught in most international universities, all of which oppose the minimum wage as a distortion of the labour market that would lead to widespread unemployment and inhibit economic growth (Willem H. Buiters, 2006; Kazandziska, H. and Mahnkopf-Praprotnik, 2009).

The major shift came after the global economic crisis in 2008, when practical reality settled the theoretical dispute. It began when governments –threatened by the spectre of depression–pursued policies to raise the minimum wage. The International Labor Organization’s 2010-2011 World Wage Report devoted a large portion to the impact of the minimum wage in combating both economic slowdown and unemployment.

The report indicates that the United States, England, Brazil, Germany, Ireland, and a large number of other countries resorted to raising the minimum wage in order to stimulate the economy, in an effort to combat the global recession at that time. The report studied the state of wages in 90 countries. Of these, 43 countries raised the minimum wage at a rate greater than the inflation rate, while other countries raised the minimum wage, albeit at a lower rate than inflation. This was the first time such action had been taken to combat recession in history. It was reflected positively in a relative recovery in growth rates.

A number of United Nations organizations welcomed the minimum wage policy, including the United Nations Conference on Trade and Development (UNCTAD), considering it a necessary policy for what it called “inclusive” or “pro-poor” growth.

In the wake of the global crisis in 2008, the UNCTAD highlighted the importance of demand-led growth. A policy paper issued by UNCTAD entitled: “Breaking the cycle of exclusion and crisis” in 2012 stated: “A more balanced, inclusive and stable pattern of growth will require boosting demand in a sustainable manner, through real wage increases and improved social security provision” (UNCTAD, 2012).

**So the logic assumes: When you give more money to the poor, who have a higher propensity to spend rather than save, they will spend that money on buying goods and services, stimulating domestic demand and leading to inclusive and sustained growth.** The paper adds: “this should be the bedrock sustaining a virtuous circle of long-term sustainable investment, rising productivity, higher wages and consumption, and job creation” (UNCTAD, 2012).

Then the World Bank and the IMF finally joined the ranks, releasing a number of studies on minimum wage benefits, especially in reducing income inequality (IMF, [2014](#), [2015](#)). The IMF called on the United States at the conclusion of the “Article IV Consultations” meetings<sup>6</sup> in 2014 to raise the minimum wage at the federal level.

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<sup>6</sup> Article IV of the International Monetary Fund’s Establishment Agreement provides for bilateral discussions with member countries, usually on an annual basis.

Additionally, Sustainable Development Goal 8 on decent work promotes “sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all”. The SDG’s description reads:

*This slow and uneven progress requires us to rethink and retool our economic and social policies aimed at eradicating poverty. A continued lack of decent work opportunities, insufficient investments and under-consumption lead to an erosion of the basic social contract underlying democratic societies: that all must share in progress. Creating quality jobs will remain a major challenge that almost all economies will face beyond 2015.*<sup>7</sup>

**The study relies mainly on collecting and analysing available government statistics in order to paint a picture of wages and their development over 10 years, with the aim of identifying the conditions of wage workers in Egypt, and accordingly developing visions for reforming these poor conditions.**

The study also uses a comparative approach between international experiences in implementing minimum wage policies. The literature reviewing international experiences, especially in developing countries, points out that it is not the value of the minimum wage, but rather the method or mechanism for determining it that counts. **The more comprehensive and simple the mechanism for determining the minimum wage, the more effective it becomes in lifting millions out of poverty, with the least amount of negative effects on the economy.**

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<sup>7</sup> United Nations Development Programme, Sustainable Development Goals, [https://procurement-notice.undp.org/view\\_file.cfm?doc\\_id=67219](https://procurement-notice.undp.org/view_file.cfm?doc_id=67219)

## Minimum wage and living wage

There is a common confusion between the two concepts of minimum wage and living wage, not only in Egypt, but in a large number of developing countries, due to low average wages.

When we talk about the minimum wage, what is meant is the lowest wage that any wage worker should receive. They cannot receive less than it, provided that its value has been determined so that it covers the needs of the workers and their families, and it must be protected by law. It is determined either by legislation or by collective negotiation that leads to legislation. It is obtained by any person who has recently entered the labour market with no experience and few skills. Therefore, this amount must be uniform, because its objective is to grant the lowest wage that any person can require to prevent them from falling below the poverty line.

According to the 2020 ILO World Wage Report countries in which only government sector workers receive a minimum wage are not considered among the countries that implement the minimum wage (p. 61).

As for the living wage, it is the wage given to a middle-aged family breadwinner with accumulated experience in their field of work. This wage should vary according to skills and degrees of education, as well as years of experience and type of work. Adjusting the living wage requires pressure to amend the wage structure at the national level for both the private and governmental sectors

It should be noted that there is a definite relationship between both concepts. First, because there is a large percentage of wage workers in Egypt who are experienced and have families, but they receive an income less than the minimum wage. Therefore, they will benefit when the minimum wage is applied to them. Secondly, because practical experience indicates that setting a minimum wage pushes upward the wages at the bottom of the income ladder.

## First: Why is the minimum wage a priority in Egypt?

A minimum wage would act as a cure for a number of economic and social ills in Egypt:

1- It is considered a tool to reduce poverty and stimulate local demand, especially in times of economic slowdown. In the case of Brazil, in 2008, the boosting of consumer demand in the household sector played a very important role in countering the harsh effects of the global economic crisis that hit the Brazilian economy. The government raised the minimum wage, and this was accompanied by cash transfer programmes for those in need, as well as programmes to facilitate lending, in addition to programmes aimed at increasing regular employment opportunities in the formal sector. This helped Brazil quickly overcome the crisis, thanks to a boost in consumption growth. Previously, during the period 2000-2008, Brazil experienced high growth rates that was not accompanied by a rise in inequality measured by the Gini coefficient. The national minimum wage mechanism played a central role in this (UNCTAD, 2012).

Finally, a phrase from a 2019 South African Parliament statement explains how the minimum wage works: “The law sets 20 rands as a minimum hourly wage for most workers, which would raise the incomes of 6 million South Africans, more than half of the workforce who currently receive less than this amount.”

2- International experiences indicate that the minimum wage is a tool to achieve a more equitable distribution of income.

There is an undoubted distributional impact of enacting a minimum wage, as it provides a barrier against exploitation (Blanchard, O. et al., 2014). Wherever income inequality exists, a minimum wage would help radically reverse this situation (Minimum Wage and Growth, Blanchard, O. et al, 2014).

Empirical evidence indicates that the effect of imposing a minimum wage may not be as negative on job creation as is often propagated. It is often claimed

that its implementation causes higher unemployment. This can be explained by the fact that the absence of a minimum wage may give companies stronger bargaining power, causing them to pay wages to workers that are less than their marginal product. In this case, the presence of a minimum wage eliminates some of the rents that companies earn, while maintaining their profitability, and it continues to hire workers to secure this profitability (Blanchard, O. et al., 2014).

In this regard, it is worth comparing France and Germany. France has the highest minimum wage among industrial workers in Europe (Economic Research Institute, 2024), and is also among the few countries that did not see a big rise in inequality during the end of the 20th century and the first decade of the twenty-first century (WID, 2020). While Germany, which does not impose a minimum wage, has witnessed a dramatic increase in the number of low-wage workers and a growth in income disparities. This is largely due to the “collapse of the bottom” of the income distribution structure (ILO, Social Justice and Growth, 2012).

### 3- Adopting a minimum wage acceptable to all stakeholders reduces social and labour protests.

Politicians have always viewed the minimum wage as a tool for social stability and not just for achieving equality and social justice, as former Egyptian President Hosni Mubarak did, when he raised the minimum wage twice in the first two years of his rule for all workers in the government and private sectors alike.

Afterwards governments in Egypt raised the minimum wages for government sector workers twice, following each revolutionary wave, once in 2011, and once in 2013. Then they raised it again in 2019, with the end of implementing a package of measures recommended by the International Monetary Fund that harmed the lowest income classes of the population. Finally, it was amended twice in a row, in 2022 and 2023, as a result of the continuous increases in prices and the devaluation of the pound against the dollar, a condition of the International Monetary Fund.



### **The recent history of the minimum wage in Egypt**

Demands for setting a minimum wage emerged after the issuance of the new labour law in 2003. The law stipulated the establishment of a Supreme Wages Council, whose mission was to approve a new wage structure that included a minimum wage.

The value of the minimum wage was supposed to be reviewed every three years, but the NWC never succeeded in carrying out its mission, due to the pressure exerted by investors' lobbying groups.

In 2006, the Egyptian Center for Economic Studies issued a paper based on an estimate of the true value of the minimum wage that had been approved by Hosni Mubarak in the early 1980s, which was EGP 34. At the beginning of the century, this amount became equivalent to EGP 214. At the time, the members of the Center's Board of Directors (who are among the largest Egyptian investors) objected to this estimate, and pressured the Minister of Economic Development at that time, Othman Mohamed Othman, to remove the issue of the minimum wage from the government's agenda.

In 2010, the Administrative Court obliged the government to set a minimum wage. The government of former Prime Minister Ahmed Nazif announced in 2010 its intention to set an EGP 400 minimum wage in the government sector, but it never fulfilled its promise. After the revolution, a government decision was issued in 2011 to raise the minimum wage for government workers to EGP 683 per month, then another decision was issued to raise it to EGP 1200 in 2013.

**Therefore, the economic impact of not universalizing the minimum wage at the national level after increasing it to meet the needs of households will be as follows:**

- Domestic demand growth would remain weak, so the economy's growth

will not increase rapidly. This leads to weak demand for work, and economic growth remaining non-inclusive.

- The number of poor and marginalised would increase.
- Social instability would persist.

## **Second: What is the problem with the currently applied minimum wage?**

**Recently issued decisions are contradictory and have a number of shortcomings:**

Several decisions were issued to raise the public sector minimum wage during the last five years, starting with Prime Minister's decree no. 1627 of 2019 with a minimum of EGP 2200 per month, followed by an amendment by the Prime Minister's decree no. 1455 of 2021 to become EGP 2400 per month, then the Prime Minister's decree no. 1325 of 2022, which raised it to EGP 2700 per month for state employees.

Then the fourth amendment came by Prime Minister decree no. 4017 of 2022, according to which the minimum wage was raised for employees of state agencies and public service and economic bodies for all job grades, starting with the lowest grade, which is the sixth grade, so that the minimum wage becomes EGP 3000, and increases to reach EGP 9000 employees in "the excellent grade"<sup>8</sup>. The employee is paid a supplementary incentive that represents the difference between his total wage and the minimum wage for his job grade. Insurance costs are calculated according to that minimum, in accordance with Article 3 of the decree, which means that what workers will receive in cash after deducting insurance will be less than those values.

In March 2023, the President of the Republic issued directives to prepare a package to improve the incomes of workers in the state's administrative apparatus as well as for special-status employees, which resulted in the issuance

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<sup>8</sup> The excellent grade is the highest in the government's pay scale, which consists of nine grades

of Law No. 18 of 2023. Accordingly, the periodic bonus for employees was expedited for the government and public sector employees; it was due at the beginning of April 2023 instead of the usual date of the first of July. Incentives have also been increased for employees and many professionals. It was stipulated that the total increase for government workers would be EGP 1000, and that the minimum wage for workers in the public sector and the public business sector would be EGP 3500 per month.

Finally, the President of the Republic announced on 16 September, 2023 a number of decisions, the most notable of which is an increase of the exceptional cost of living allowance to become EGP 600 instead of EGP 300, and to increase the minimum wage to EGP 4000 instead of EGP 3500, for all employees of the state's administrative apparatus, business sector companies, the public sector, and economic agencies.

As for private sector workers, after the NWC stopped amending the minimum wage for 10 years, the decree of Planning And Economic Development Minister No. 57 of 2021 was issued “concerning setting the minimum wage in the private sector”. The minister issued the decree in her capacity as President of the NWC in its meeting held on June 27, 2021. The decree set the minimum wage value at EGP 2400 to be applied starting January 1, 2022, including basic and variable wages, in accordance with Article 1 of the decree. However, in Article 2, the decree opens the door to an exception from applying the minimum wage if the facility is exposed to economic conditions that make it impossible to apply it. **The result of that exception was an announcement by the Ministry Planning that it received 3000 requests from companies, in addition to requests from 22 sectors to exclude 2855 other companies from applying the minimum wage. The Minister stated that there were 3000 companies whose request to postpone the implementation of the minimum wage had been accepted at the time of that announcement.**<sup>9</sup>

The decision also violated, in its third article, the right of workers to receive

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<sup>9</sup> Implementing the minimum wage for the private sector in January and temporarily postponing it for thousands of companies, Enterprise Bulletin, 12/22/2021, <https://shorturl.at/abyDM>

an annual periodic bonus of at least 7%, as determined by the Labour Law.<sup>10</sup> The article reduced the minimum value of this bonus to 3% of the insurance subscription wage, with a minimum of EGP 60, starting FY 2021.

After the decision to increase the minimum wage for government sector employees to EGP 3000 last November, the income of their private sector counterparts was raised to EGP 2700 per month, in accordance with Minister of Planning and Economic Development decree No. 103 of 2022. Article 2 of the decision stipulated once again that the periodic annual bonus for the private sector is not less than 3% of the insurance subscription wage, with a minimum value of EGP 100.

The National Insurance Authority announced in November 2022 that the minimum insurance wage (on which the periodic bonus is based) will increase to EGP 1700, and the maximum insurance wage to EGP 10900.<sup>11</sup> **This means that the periodic bonus's minimum is EGP 100, and the maximum does not exceed EGP 330 annually, which is a very modest increases, especially since this bonus is the only means to raise wages in the private sector after the NWC has stopped for nine years from issuing decisions regarding cost-of-living bonuses for workers in the private sector, or any other mechanisms to increase wages,** in parallel with the periodic increases issued for government employees, as the NWC had decided to increase the private sector in line with the government sector until 2014.

Then, in June 2023, the NWC decided to raise the minimum wage for workers in the private sector from EGP 2700 to EGP 3000, starting in July 2023, but it remain less than in the government sector, which reached EGP 3500 at the time, before it was recently raised to EGP 4000.

In light of these decisions, the situation of wage workers in Egypt has become

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10 Article 3 of Labor Law No. 12 of 2003 stipulates that “workers to whom the provisions of the law apply are entitled to a periodic annual bonus on the due date of not less than 7% of the basic wage on the basis of which social insurance contributions are calculated, until the National Wages Council issues decisions regulating this bonus.

11 Statement issued by the National Social Insurance Authority, Egyptian Cabinet Facebook page, 11/28/2022, <https://shorturl.at/qGRXY>

disorderly regarding wage policies in general, and ambiguous regarding the minimum wage that is insufficient to guarantee their rights and improve their conditions, for the following reasons:

**1- There is no minimum wage that includes all wage workers in Egypt**

There are two minimum wages in Egypt, one in the government apparatus and the other in the private sector, while workers without contracts in either sector or in the informal sector do not enjoy any minimum wage. According to the latest statistics, only 20.5% of workers work in the government sector, the public sector, and the public business sector across the nation (Annual workforce survey - analytical report - 2021). Their minimum wage is EGP 3500 per month, and will reach EGP 4000 in October 2023. Whereas about 80% of total employees (if we ensure full compliance) are subject to a minimum wage of EGP 3000, which means that there is no minimum wage that applies to all workers. This constitutes a discrimination against the majority of workers who work in the private sector.

**2- In both cases, no law was issued regulating the minimum wage** which makes it easy to circumvent it, especially with regard to workers in the private sector, as there is no penalty for employers who do not comply with applying the minimum wage. Also, Article 34 of Law 12 of 2003, which established the NWC, stipulates how the committee is formed, and that the minimum wage set by the NWC at the national level takes into account living expenses. However, it does not stipulate any penalties to be imposed on those who do not implement its provisions. Therefore, for years, the NWC did not meet, nor did it issue a minimum wage in accordance with the article, without the NWC President or any of its members fearing any consequences.

**3- There is no mechanism for complaints about companies' non-compliance, or protection for workers** against retaliatory penalties for demanding the implementation of the minimum wage, or demanding to improve wages in a general way. Workers in many sites were subjected to reprisals, including arrest, when they demanded either the minimum wage or a wage increase, and then used their right to strike after their demands and the decisions of the NWC were ignored by employers.

### Strikes to demand minimum wages

Workers of Lord Company in Alexandria went on strike in July 2021 to demand the implementation of the minimum wage of EGP 2400 (on the eve of the announcement of the decision), along with other demands. The company management's response was to punish the workers by deducting the value of the Eid al-Adha grant, which the company had disbursed to the workers in the previous month, from the wage for the month in which they went on strike (Union Services House, July, 2021). When the strike continued for more than a week, the administration dismissed 38 workers, which led to the strike being stopped without its demands being met for fear of dismissing others (Jaber, August 2021). The number of workers dismissed subsequently reached 64, and 83 others were suspended from work, their wages were reduced, and they were subjected to forced interrogations and threats, according to Amnesty International. It also stated in its report that the Ministry of Manpower failed to take any action to redress the workers who were subjected to abuse, and that the Ministry rejected their official complaint. and pressured them to end the strike (Amnesty International, 2021).

Under inflationary pressure of high prices, and after the 2021 private sector minimum wage announcement, and the passing of its implementation date in January 2022, workers went on strike in the Arab Spinning and Weaving Company in Alexandria to demand the implementation of the minimum wage, along with other demands regarding bonuses, and to raise the value of wages to be in line with inflation. The strike occurred after the company's management ignored their demands. The workers complained about their poor wages. One of them stated that he had been working for 20 years, and his total wage was only EGP 1200 (Magali and Hamdy, 2023). The company's management justified not meeting the workers' demands to apply the minimum wage by the fact that it had submitted a request to be exempted from implementing the decision due to the economic conditions that the company is going through.

After the strike continued for more than a week, negotiations between the union committee and the company's management, in the presence of the Manpower Directorate, reached an end to the strike in exchange for an increase in some bonuses and allowances, without applying the minimum wage to them (Saad El-Din, 2022).

More seriously, workers were arrested for exercising their right to strike following a strike by Kiriazi workers demanding a wage increase. At least 20 workers were arrested, and the company's perimeter witnessed a heavy security presence during the strike (Mada Masr, 2023).

#### **4- The value of the minimum wage is insufficient to meet the basic needs of workers and their families**

and to meet the minimum parameters set out in ILO guidelines for effective minimum wages. The national poverty line for 2019/2020 was EGP 857 per month per person, the extreme poverty line per person was EGP 550 per month, and the average household size was 4.04 individuals (Statistical Yearbook, 2021, Table 2-14, p. 22) .

This means that the average household needed EGP 3462 per month in order not to fall below the poverty line (Poverty Indicators, Income, Expenditure, and Consumption Survey 2019/2020, p. 2), while the minimum wage in 2019 amounted to EGP 2000 for the government sector, and was not applied to the private sector. Thus, it places any household headed by a single wage worker who receives the minimum wage below the extreme poverty line. Then the minimum increased to EGP 2400 in 2021, so that the situation of such a household would improve and become almost at the poverty line.

If we calculate this amount in light of the rising inflation rates from then until now, the poverty line for an average household becomes EGP 5557 per month, and the extreme poverty line becomes EGP 3566 for a household per

month.<sup>12</sup> Therefore, the minimum currently applied in the private sector, that is EGP 3000, places the worker who receives it and supports a household of four alone below the extreme poverty line, while a government employee who receives the new minimum wage (i.e. EGP 4000) and supports a household of four alone is placed below the national poverty line.

This estimate is close to what was announced by the Deputy Minister of Planning, Ahmed Kamali, of preliminary estimates of the poverty line in the range of EGP 1400 per month, according to indicators of the new income and expenditure survey for 2021/2022, the final results of which have not yet been announced.

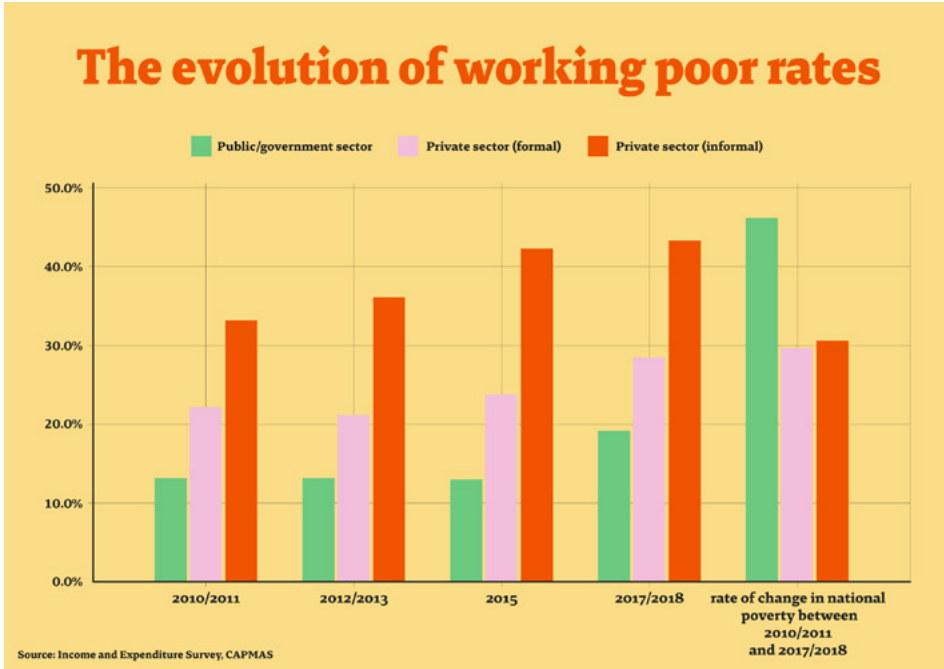
This situation is reflected in the increasing proportion of poor people among wage workers over the past years in various sectors. According to Figure 1, the percentage of poor people in the government sector in 2010/2011 was about 13% and became 19% in 2017/2018; as for workers in the formal private sector, it was 22% and became 28.5%. The largest percentage of the working poor was among those working outside establishments (i.e. informally), which was 33% and then became 43.1%.

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12 The Income and Expenditure Survey timeframe was from 01/10/2019 to 30/09/2020, and the national poverty line for an individual was set at EGP 857 per month, based on inflation calculations at the time. Inflation in the subsequent periods from October 2020 to October 2021, and then from October 2021 to February 2022 on a monthly basis was respectively: 6.27%, 0.15%, 0.08%, 0.85%, 1.61%, then the inflation rate from February 2022 to February 2023 was 40.26%. Therefore, the total inflation rate from October 2020 to February 2023 is 49.22%. We added to it the inflation rates for the months of March and April 2023, which are 2.74% and 1.72% respectively. Total inflation until April 2023 will then become 53.68%. After President Sisi's decision in September 2023 to raise the minimum wage, we added the inflation rates for the months of May, June, and July. and August 2023, respectively, 2.72%, 2.08%, 1.86%, 1.59%. Therefore, the total inflation in the period following the previous Income and Expenditure Survey, from October 2020 to August 2023 is 60.5%. The household poverty line in October 2020 amounted to EGP 3462. Accounting for inflation during the period ( $EGP\ 3462 * 60.5\% = 2,095$ ) + EGP 3462) makes its real value in August 2023 EGP 5557 per month. As for extreme poverty, it was EGP 550 per person, meaning that for a household consisting of 4 members, it was EGP 2222 per month, and adding the value of inflation during the period, it becomes EGP 3566 per month in August 2023.



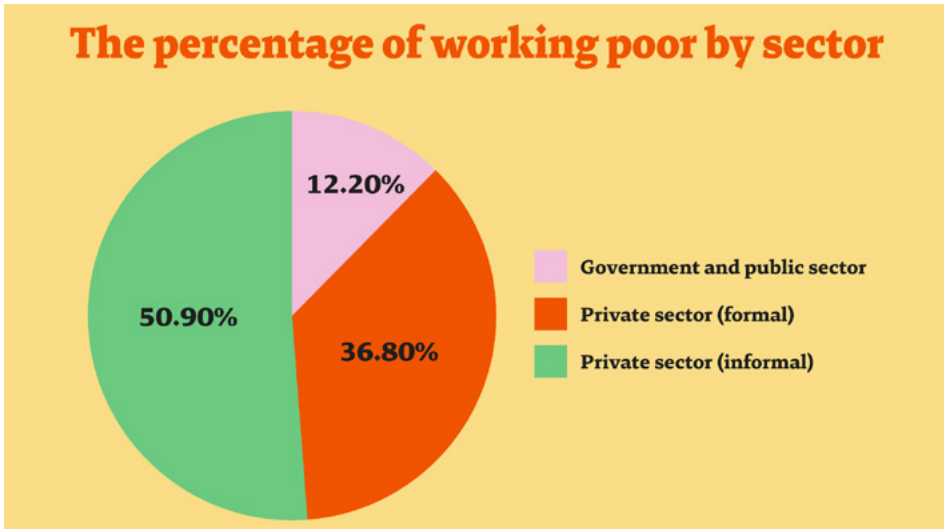
Figure 1:



Although the percentage of poor people working for the government was and still is the lowest among workers in various sectors, it is increasing at a faster rate than in the private sector. The rate of increase in the percentage of poor working people for the state over seven years was 46.2%, and the rate was lower for workers in the formal and informal private sector, with an increase of 29.5% and 30.6% respectively.

Figure 2 shows that workers in the informal private sector had the lion's share of the working poor, according to the 2019/2020 Income, Expenditure, and Consumption Survey, as their share of the total working poor was 50.9%.

Figure 2:



According to the calculations of researchers at EIPR, we tried to count those who earn less than EGP 4000 (the new government minimum wage scheduled for October 2023) in the private sector, based on the latest statistics on wages from “The Annual Bulletin of Employment, Wages, and Working Hours Statistics for 2021” published in June 2022, we added to those wages the 6% annual increase scheduled for the two years, or EGP 160 as a minimum value of the bonus for the two years,<sup>13</sup> in an attempt to reach an estimate of the average wages for 2023, which were mentioned in the decision of the NWC (assuming that workers had already received them).

We found that at least 66% of the total workers in the private sector have an average wage of less than EGP 4000, and that the percentage of male workers whose average wages are less than the minimum wage is 62%, while the average wages for women in the private sector after adding increases is less than minimum wage.

<sup>13</sup> We found that for those whose weekly wages are less than EGP 620, the bonus rate for them was less than EGP 160 per month during the past two years (the minimum bonus in 2022 was EGP 60, and in 2023 was EGP 100). Therefore, we have added for those whose wages are less than or equal to EGP 620 per week EGP 37.3, which is the minimum weekly increase.

**This means that women working in the private sector will benefit more if the minimum wage is universalized to all workers, and nearly half of the men working in the private sector will also benefit from that universalization.**

According to the report of the House of Trade Union and Labour Services for 2022, 1,500 candidates were excluded from the nomination lists in the 2022 union elections, based on security considerations or for the benefit of some unionists in the government union, whether by excluding candidates from independent union committees, or excluding competing candidates in the committees of the government union itself.

**For the four reasons that we have just explained, the current situation, whether regarding the two minimum wage formulas, or the wage situation in general, expresses a clear violation of both the Egyptian Constitution and international agreements.**

One of the cornerstones of establishing an effective minimum wage, according to the ILO, is the requirement of full consultation with social partners. This is the point where there is a major gap in the case of Egypt, an issue that is beyond the scope of this study, but we will suffice here by pointing out the absence of union organisations that effectively express the workers interests and defend their rights.

Consequently, it has become as if the government is only in dialogue with business owners, and the workers have become effectively absent, creating a representation mechanism that does not truly express the interests of millions of workers (House of Trade Union and Labour Services, 2022). This is reflected in the Minister of Manpower statement in an interview about the minimum wage: “We conducted a preliminary session for the decision regarding the minimum wage, we brought together business owners, and we spoke to them. We obtained their approval to raise the minimum wage to EGP 2700, without exceptions.”<sup>14</sup>

14 Mohamed Taha, Minister of Manpower: Raising the minimum wage for the private sector to EGP 2700, Al-Masry Al-Youm, January 5, 2023, <https://www.almasryalyoum.com/news/details/2785867>

The ILO's Minimum Wage Policy Guide establishes three main dimensions regarding minimum wage policy, that is, coverage, compliance and level. (Minimum Wage Policy Guide, p. 5)

The guide indicated that high rates of minimum wage non-compliance negatively affects workers and their families; it also negatively affects law-abiding employers, as it gives non-compliant enterprises an illegitimate cost advantage. The guide explained that appropriate measures must be taken to ensure the effective implementation of all provisions related to minimum wages (Article 5 of the Minimum Wage Fixing Convention No. 131 of 1970). These include the establishment of an adequate inspection system that has powers and facilities to perform its duties, adopting deterrent penalties for those violating the rules of minimum wages, and providing protection against retaliation for workers exercising their right to receive the minimum wage (Minimum Wage Policy Guide: pp. 52-53)

**Whereas the current situation does not provide coverage without discrimination, and allows for non-compliance with minimum wage decisions in the private sector by lacking deterrent penalties, workers are exposed to risks if they exercise their right to request the implementation of minimum wage decisions, or demand that their wages be increased. This is not to mention the inadequacy of the minimum wage - whether in the government or private sector - with what households need in order to meet their basic needs; these factors combined negate the conditions necessary to make the minimum wage effective.**

## **Third: The continuous decline in the value of real wages for wage earners in Egypt**

There are many indicators of the decline in real wages for wage workers, and according to the “Wages Report in Egypt: What’s Left for Workers,” the rate of change in the real average worker’s share of total compensation (which includes wages, insurance, and all in-kind benefits) was negative at -28.4% across the nation between the 2012/2013 and 2016/2017 population censuses. This means that workers lost more than a quarter of their real wages between the two censuses alone. The percentage change in the public sector and public business sector was -10.7%, while in the private sector it was -25.2% (Wages report in Egypt: What remains for workers: p. 6).

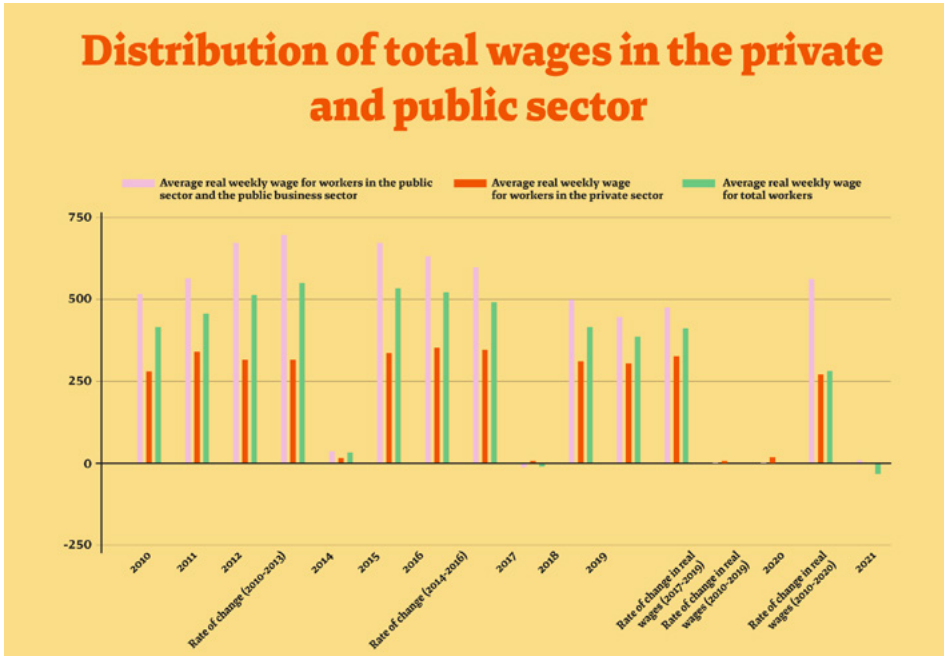
The devaluation of the Egyptian pound in 2016 “reduced real wages by 40 percent over the following three years, pushing the poverty rate up to over 30 percent of the population. The devaluation of nearly equal magnitude that took place in 2022 will have even worse effects” (Ishaq Diwan, 2023).

The next section of the study explains the change that occurred in the wages of workers in Egypt during 10 years (2010-2020), based on available statistics

### **Evolution of wages for workers in the private and public sectors**

Figure 3 shows that the highest wages in general were for workers in the public sector and the public business sector, at a value of EGP 699 per week in 2013, and the lowest for the private sector in 2020, at a value of EGP 271 per week. We also observed that 1.3 million wage workers, in the public and private sectors, who are formally employed in establishments employing more than 10 workers lost about 1% of their total real wages between 2010 and 2019 (the Annual Bulletin of Employment, Wages, and Working Hours Statistics 2019: pp. 9, 13).

Figure 3:



Not all periods witnessed a loss in the value of real wages. The average total wages of workers nationwide increased in the period between 2010 and 2013 by 32%, and then decreased later between 2014 and 2016, and then between 2017 and 2019 by -1% each.

The rise in average public sector wages had a significant impact on these findings, given their large relative weight in the sample used in that period, with 730,782 workers (Annual Bulletin of Wage Statistics: p. 13). The total wages of public sector workers in the first period increased by 36%, then it decreased in the second period by 11%, and after the 2016 devaluation, it decreased by 4%. Based on the detailed annual wages in this sector, we find that the rate of change in the average real wages of workers in the public sector and the public business sector amounted to 9% during the period from 2010 to 2019.

As for workers in private sector establishments with more than 10 workers, their number was 542,917 (Annual Wages Bulletin 2019: p. 13). Their wages increased in the three periods by 12%, 5%, 6% respectively, that is, an increase in their average total wages in the period 2010-2019 amounting to 15%.

Despite the rates of successive increases in the wages of workers in the private sector, their value remains very low compared to the average wages of workers in the public sector and the public business sector. Discrimination reached its peak in 2013, when the average wages of private sector workers was only 45% of the average wages of public sector workers.

By including wage statistics in 2020 to include all public and private sector establishments, the bulletin now covers 21.4 million workers (20.7 million in the private sector and only 677,000 in the public sector). We found that workers across the nation lost 33% of their wages within 10 years between 2010 and 2020. This large loss was caused by the inclusion of workers in the private sector who work in establishments with fewer than 10 workers, and whose wages are usually lower than the wages of their counterparts in larger establishments.

With the entry of these large numbers, the public sector lost its previous relative weight in influencing average wages, although the average real wages of its workers increased by 9% during those 10 years, the decline in average real wages for more than 20 million workers in the private sector by 5% was enough to cause the average real wages of workers nationwide to decline by 33%.

## **Fourth: The growth of precarious work**

According to the 2021 statistics, the percentage of permanently employed people nationwide reached 69.2% of all wage workers. The percentage of those working under a legal contract is 40.4%, meaning that approximately 60% work without legal contracts that guarantee their basic rights, such as insurance, maximum working hours, and a minimum wage.

Precarious workers are concentrated in the informal private sector, and they represent 44.6% of total workers, 31.9% of whom work permanently; the percentage of those who work under a legal contract does not exceed 1.6% (Consolidated Annual Bulletin of Manpower Survey: p. 36).

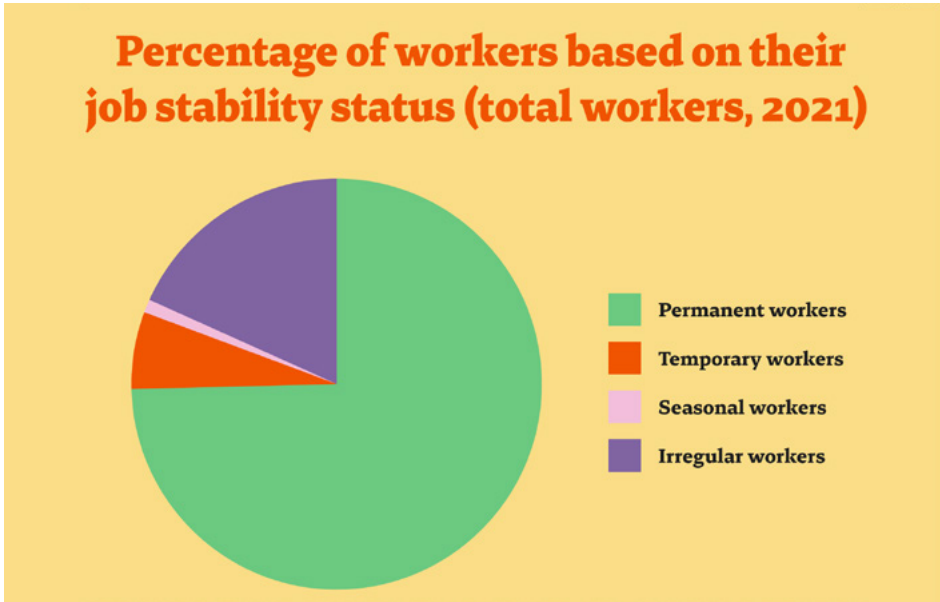
Temporary workers in the private sector constituted 92.3% of total temporary work across the nation, divided between the formal private sector at 72.2%, and informal private sector at 20.1%. Their share of seasonal work is 26.1% and 73.5%, respectively, bringing their combined share to 99.6% of all seasonal work. As for irregular work, all of it belongs to the informal economy.

According to data from the Annual Labour Force Data Bulletin on the state of job stability over 10 years, the percentage of those working permanently was 68% in 2010 nationwide, and became 69.2% in 2021. The number of workers who worked permanently increased 1.8% during this period. The rate of change was negative at -1.9% and -8.9% in the periods 2010-13 and 2014-16, respectively; starting 2017, the percentages oscillated between a decrease and an increase, so that the rate of change in the period 2017-21 was positive at 8.8%.

The percentage of those working under a legal contract decreased by about 26.7%. They represented 55.1% of the total workers in 2010 and declined to 40.4% in 2021. The period 2010-13 was the only one in which the percentage of those working under a legal contract increased. However, starting in 2014, their percentage began to decline steadily, from 57.4% in 2014, to 40.4% in 2021.



Figure 4:



The real problem revolves around the issue of working without a contract in the private sector, whether in the formal or informal sector. Although the percentage of those working permanently in the formal private sector has increased from 74.6% in 2010 to 83.2% in 2021, the percentage of those working under a legal contract decreased from 41% to 34% during the same period.

The only explanation for the contradiction between the increase in the percentage of those who work permanently and the decrease in those who work with a legal contract is the need of businesses for workers to work permanently but without a legal contract. This effectively means the deprivation of all rights, whether health or social insurance, or the legal right to work for a maximum number of hours, the right to paid leave, and the application of the minimum wage to them. It also makes them vulnerable to dismissal at any time without any reward or rights.

We find the same thing regarding those who work in the informal private sector. The percentage of those working permanently increased from 25.4% to 31.9%, while the percentage of those working with a legal contract in-

creased slightly, from 1.5% to 1.6%. The decline in the proportion of those who have social or health insurance, confirms this result, as the data indicate. **The percentage of social insurance coverage has seen a deterioration nationwide from 57.1% in 2010, reaching 44.3% in 2021.** According to the Annual Bulletin of Labour Force Survey, the percentage of insured persons witnessed an increase in the period from 2012 to 2014. The highest percentage was 59.8% in 2012, and then starting in 2015, this percentage began to decrease continuously.

There was no decline in the percentage of those insured by the government, whether among government employees, or those working in the public sector or the public business sector. The decline was in the two parts (formal and informal) of the private sector. The percentage of those insured in the formal private sector was 42.4% in 2010, declining to 36.3% in 2021. With regard to the informal private sector, it was 12.3% and became 10.6%. The percentages of insured people in the private sector witnessed an increase until 2014, after which this percentage began to decrease continuously.

Despite the issuance of the new Insurance Law of 2019, which reduces the rights of the insured and reduces the insurance fees paid by employers, this did not improve the situation much, as the percentages of the insured increased slightly. In 2021, it was 36.3% for workers in the formal private sector, and 10.6% in the informal. However, it has not returned to its previous levels, with the highest percentages of insured people recorded in 2012 at 45.4% for workers in the formal private sector, and 12.7% in the informal private sector.

A similar trend occurred for workers' health insurance. The nationwide share of insured workers was 49.9% in 2010, before declining to 39.1% in 2021. The percentages of those with health insured increased from 2010 until 2014, **before starting to decrease steadily.** As for workers in the formal private sector, the percentage of health insured workers in 2010 was 28%, and it became 28.7% in 2021. The percentages of workers who have health insurance in the formal private sector went through cycles of decrease, then increase. During the period from 2010-2013, the percentage of health insured workers decreased from 28% to 23.4%, then it began to increase in 2014, reaching

25%. In 2016, it reached 32%, which is the peak of 11 years, then it decreased to the lowest point of 22% in 2017. Afterwards, it began to increase until 2021. As for the informal private sector, the percentage of health insured workers in 2010 was 3.7%, reaching 3.9% in 2021.

All that was previously explained—and still to be explained—regarding the continuous poor conditions of workers confirms that “Injunctions by mainstream economists along the lines of “grow first and share later” have proved misguided as the sharing moment seems forever postponed for later.” (Social Justice and Growth, ILO, 2012).

## **Fifth: Is it possible to do better?**

**Is it true what business owners always claim that they are suffering and cannot even implement small increases in the minimum wage due to economic conditions?**

Studies conducted in this field prove that the wages that workers receive is considered a small percentage of the added value that they contribute, especially in the private sector. The labour share of value added across the sectors was 20.8%. For the public sector it was 31.6%, and for the private sector it was 18% in the 2012/2013 census. In the 2017/2018 census, these shares became 23% across sectors, 31.5% for the public sector, and 21.3% for the private sector. The labour share of added value in the informal sector in the last census was 34% (Wages Report in Egypt: What’s Left for Workers, 2022, pp. 30, 32, 40).

This is at a time when the wage shares for the year 2017 in countries such as Tunisia, Turkey, Brazil, the Philippines, and Jordan, amounted to 50.2%, 44%, 58%, 49%, and 49%, respectively.

According to the same report, it became evident that the average worker’s share (including wages, insurance, and in-kind benefits) for the public sector and the public business sector is the highest. Wages in the public sector are

2.8 times the amount of wages in the private sector, and 4.3 times the wages in the informal sector in 2017/2018. (Wages Report in Egypt: What's Left for Workers, 2022: p. 6).

Since we cannot calculate wage shares for a wider period than between the two censuses, as we did with the wage rates, we tried to find out whether the real values of production were increasing or decreasing.

The development curve of real productivity of the private sector went through ups and downs over a period of 10 years, but the periods of upswing were the dominant. The statistical data differentiate between two types of private sector according to the laws regulating establishments, namely the formal private sector and the investment sector (linked to foreign capital and free zones).<sup>15</sup> The data indicate that the increase in real productivity at market price in the formal private sector during the period 2010-2020 was 35%, while it increased for the private investment sector by 4%.

Although the increase in productivity in the investment sector was small, in the end it still increased in real terms, while real money wages declined by 9% in the formal private sector, and by 34% in the investment sector during the same period.

In the Annual Bulletin of Labour Force Survey, which looks into the evolution of working hours in the public and private sectors and across sectors, we found the following:

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15 Private sector companies are companies that are subject to the provisions of Law No. 159 of 1981, which was amended by Law No. 3 of 1998, requiring the keeping of regular books and accounts; the state does not participate in their ownership, and they can be one of the following legal entities: joint stock companies, limited partnerships, limited liability companies, or branches of foreign companies with the abovementioned legal statuses. The Annual Bulletin of Economic Statistics and Indicators for Private Sector Companies 2019: p. 5.

Private sector investment companies are investment companies subject to Law No. 8 of 1997, which was amended by Law No. 72 of 2017 regarding foreign capital investment and free zones; the state does not participate in their ownership and they can be one of the following legal entities: joint-stock companies, limited partnerships, limited liability companies, sole proprietorships, joint liability companies, special limited partnerships, or branches of foreign companies with the abovementioned legal statuses. The Annual Bulletin of Economic Statistics and Indicators for Private Sector Investment Companies 2019: p. 5.

All wage workers in all sectors have an average working hours exceeding 48 working hours per week (the maximum weekly working hours according to the Labor Law). The average working hours were the lowest for public sector workers in 2019 and 2020, which was 49 working hours per week. The average working hours in the private sector in 2020 was 54 hours, while the average wages of workers in the private sector represented 48% of the wages of workers in the public sector in 2020 according to statistics on employment, wages, and working hours.

**This means that the working hours of private sector workers are longer than those of public sector workers, while their average wages are less than half the average wages of public sector workers.**

## **Recommendations**

**Once again, we return to “Injunctions by mainstream economists along the lines of “grow first and share later” have proved misguided as the sharing moment seems forever postponed for later” (Social Justice and Growth, ILO, 2012). Thus, this study believes that the best path to setting the minimum wage should include the following six steps:**

### **1- Commitment to a unified minimum wage at the national level<sup>16</sup>:**

The private sector tends to set multiple minimum wage values. But it is better to stick to one value at the national level as there are no significant differences between the different regions in Egypt in terms of the average cost of living. An Egyptian study calculated the minimum wage according to the cost of living in the various regions of Egypt in 2012, and did not find significant differences (Omneya and Quandil, 2012), as it ranged between EGP 665.5 in Cairo, and EGP 689.5 in the Delta and Lower Egypt regions. Other regions such as north and south Upper Egypt are placed somewhere between those

<sup>16</sup> This study finds that arriving at a specific amount is a matter of three-way negotiation. However, all parties must know the standards, on the basis of which the minimum wage is determined, followed in various international experiences.

two values. In the year prior to that study, the government approved the minimum wage in the government apparatus at EGP 683.

Looking at the latest statistics regarding consumer price index numbers disaggregated by rural and urban areas, the index for rural areas in 2012 was 1.8 points lower than that for urban areas, where the general index for urban areas (base year 2018/2019 = 100) was 42, while for rural areas was 40.2. However, that gap began to narrow until it reached 0.5 in 2020, as the urban price index was 108, and the rural was 107.5 (Statistical Yearbook, 2020: p. 6).

Therefore, setting a unified minimum wage applied to all sectors in Egypt will be appropriate for different regions due to the convergence of living costs.

## **2- Commitment to a minimum that covers basic needs:**

We can be guided by the definition of the minimum wage as stated in the Brazilian Constitution:

“...nationally unified minimum monthly wage, established by law, capable of satisfying their basic living needs and those of their families with housing, food, education, health, leisure, clothing, hygiene, transportation, and social security, with periodical adjustments to maintain its purchasing power, it being forbidden to use it as an index for any purpose”. The study presents in Appendix 1 different methods for determining a fair minimum wage.

## **3- The need for a legislative basis:**

Legislation must be issued through Parliament urgently, rolling out the minimum wage approved by the state to the government and private sectors to save workers below the poverty line, as a minimum wage that achieves the basic living requirements in light of the current inflation. The law should also extend it so that informal workers benefit from it, in a manner appropriate to their work systems. The legislation must provide mechanisms to enforce the implementation of the minimum wage and review it periodically.

#### **4- The need for collective bargaining and worker representation:**

In the longer term, international experiences indicate the success of experiments based on determining the value of the minimum wage through collective negotiation, especially three-way negotiation between workers, employers, and the government. The government, as the most important provider of information and data, plays a central role in supporting the negotiation process, whether to determine the value of the minimum wage or its periodic review mechanism.

This path requires more effective representation of workers in the negotiating process, which is insufficient under the current structures.

Workers in the informal sector, which is weakly organised and poorly informed, will also benefit from participating in these negotiations.

#### **5- Restructuring the NWC so that:**

- It is headed by an independent expert on the labour market, instead of the current Minister of Planning. In return, the Minister of Planning or his representative become a member of its board of directors.
- The Board of Directors includes representatives of all stakeholders linked to wage-related issues.
- The NWC is administratively separated from the ministries, granting it a high level of independence. It may report to Parliament or the Presidency.

#### **6- Taking monitoring and evaluation measures so that:**

- The NWC becomes responsible for the evaluation and review process for implementing the minimum wage policy.
- The minimum wage becomes subject to periodic review.
- The NWC should prepare reports on the extent of compliance with the application of the minimum wage, the impact on poverty, employment, and inflation, and publish all of these reports on its website.

- The NWC should provide technical assistance to the Labour Office and labour unions to enable them to monitor the extent of employers' compliance with the minimum wage.

Reforming the wage structure in the long term requires long-term policies, based on detailed studies of the current wage structure and proposals to reform it. The minimum wage mechanism is only a step towards establishing a fairer and more acceptable wage structure.

**But in the near term, steps can be taken to address** a situation in which average wages have lost much of their real value. In addition to the long-term solution, the matter requires a quick solution, so we suggest the following:

Since workers in the formal private sector between 2010 and 2020 lost 9% of the value of their real wages, we believe that it is fair to increase their wages by a percentage equivalent to at least 9% plus inflation for the period from June 2020 until the time of calculating the wage. Since public sector workers' wages did not decrease, but rather increased, and although the increase is considered less than 1% each year (9% in 10 years), their wages must increase based on the inflation rates of 2021 and 2022, up to the time of calculating the wage. The inflation rate from June 2020 to February 2023 was 50.71%.

Noting that these values are large for wages that have been frozen for more than 10 years, there are historical precedents for Egyptian governments taking decisions with large wage increases during crises, taking into account in particular those at the bottom of the wage scale. This happened in the aftermath of World War II when wages were raised in two years at the bottom of the wage scale by 100%, and within 8 years it had risen by 150%, as the following box demonstrates.



### **Precedents from Egyptian history for increasing wages by 150%**

Military Order No. 358 of 1942 was issued by Prime Minister Mustafa Pasha Al-Nahas regarding the disbursement of a cost-of-living subsidy to industrial and commercial workers. It was stated in its preamble that it was adopted due to the rise in living expenses resulting from the increase in the prices of necessary goods, and the necessity of providing a resource for workers to confront this situation so as to provide them with the amount necessary for their basic living costs. Its first article obliged industrial and commercial employers to pay a cost-of-living subsidy to their workers above their wages, not less than the raises determined by the government for its employees and workers. Article 8 stipulates that the daily minimum wage for a worker aged 18 years or older should be set at 7.5 piasters, provided that the wage of those under the age of 18 is not less than 5 piasters per day. This support was not applied equally to all workers, but the job grade, wage, and number of the worker's dependents were taken into account. The largest rate of increase (50% of the wage) was for those at the bottom of the wage ladder, whose monthly wage is less than EGP 3 and have three or more children. Then Military Order No. 451 of 1943 was issued, according to which industrial and commercial employers were obliged to increase the cost-of-living subsidy they paid under the previous military order by at least 40%. Provided that the wage of an adult worker is not less than 8.5 piasters per day, and 6 piasters for those under 18 years of age. This was followed by Military Order No. 548 of 1944, according to which a minimum wage for a worker was set at 10 piasters per day, and 250 piasters per month. For those under the age of 18, their daily wage should not be less than 7.5 piasters and their monthly wage should not be less than 187 piasters.

The cost-of-living allowance tables replaced the tables of the previous two decisions, so that the highest increase (100%) was also for those with a minimum wage of EGP 5 or less, and those who support three children or more.

Military Order No. 99 of 1950 was issued, according to which new tables were established to replace the previous tables, so that the percentage of the increase for those who earn less than EGP 5 per month and support three or more children became 150%, and the minimum daily wage for a worker became 12.5 piasters, or 312 piasters per month. The minimum for a worker under 18 years of age is 10 piasters, or 250 piasters per month.

## Appendix 1

### What is the appropriate minimum wage?

There are three proposed methods for calculating the minimum wage:

- 1- Calculating the minimum wage at 60% of the per capita share of national income.
- 2- Calculating it as a percentage of the average wages in society<sup>17</sup>.
- 3- Calculating the real value of the minimum wage before devaluing the pound.

Since the average wages of workers in society, according to the literature, have been declining for more than 25 years, and as we saw in this study, workers lost a quarter of the value of their real wages between only two population censuses, and more than a third of it during 10 years between 2011 and 2020, it would not be fair to use average wages as the basis for calculation without taking into account the high inflation rates that occurred during the last two years.

Therefore, we will employ the first and third methods:

#### 1- Calculate the minimum wage at 60% of the per capita share of national income

To calculate the 60% of the per capita share of national income in Egypt, we find that the value is determined as follows:

The value of the gross domestic product in the draft budget for 2023-2024 was EGP 11,841,100 million ([Draft budget 2023-2024](#): Table 1, p. 92)

Population = 104.4 million people (January 2023)

Per capita output per year = EGP 113.400

Per capita output per month = EGP 9451.7

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<sup>17</sup> The flaw of this standard in Egypt is that average wages have been declining for more than 25 years (Samir Radwan, 2011). Consequently, it will result in a minimum wage that is too low to lift a large number of workers from below the poverty line.

**Thus, the minimum wage is 60% (of the average per capita income) = EGP 5671.**

For daily workers<sup>18</sup> this would make a **daily minimum wages** <sup>19</sup> of **EGP 218.**

### **3- Calculating the real value of the minimum wage before devaluing the pound:**

**The minimum value that was applied in the government sector in 2013, amounting to EGP 1200, was the last value that was determined before pound devaluation and the resulting decline in the real value of wages.**

**The demand to extend the minimum to all sectors of the economy requires calculating the true value of this figure today, adjusting it for inflation.**

#### **A- The real value of the pre-devaluation monthly minimum wage in the government sector at January 2019 prices**

In January 2013, the index calculated retrospectively on the new basket of nationwide commodity price inflation was 42.6, and the index for August 2023 was 184.

184-42.6 divided by 42.6 = 3.3, and by multiplying 3.3 by 1200, the number becomes EGP 3983, which is the real value of EGP 1200 at August 2023 prices.

By applying the same calculation method, but on the basis that the EGP 1200 figure was originally estimated in 2010, the calculation becomes:  $184 - 33/33 = 4.58$ . Therefore, the real value of EGP 1200 becomes EGP 5490.

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18 The study here attempts to calculate the daily minimum wage, so that the minimum wage can be applied to irregular and informal workers. In the case of irregular daily work, the gap between the monthly wage earned by the irregular worker and the value of the minimum wage he is supposed to receive can be covered through the Irregular Employment Fund affiliated with the Ministry of Manpower, whose resources depend on fees collected from employers and businesses that use irregular labour.

19 Considering that the working days in a month is 26 days.

**B- The true value of the government minimum using the food and beverages price index:**

Households in the lower income brackets spend a greater proportion of their income on food. Therefore, if we calculate that half of the income is spent on food, and we calculate the value of half the minimum wage before the devaluation according to the food and beverages price index in August 2023, the current value of the minimum wage that was decided in September 2023 for government workers, which we demand to extend to the rest of the wage workers, becomes:

	June 2013	Dec 2016	Jan 2019	March 2019 [1]	Aug 2019 [2]	Sep 2019 [3]	Jan 2020	Jan 2021 [4]	Jan 2022	Jan 2023	March 2022	March 2023 [5]	April 2022	April 2023 [6]	August 2023 [7]
Consumer price index	134.8	218.1	298.8	307	314.8	104	105.62	110.15	118.1	148.7	122.66	162.72	126.68	162.72 [8]	184
Food and beverages price index	155	264.4	371	389.1	392.3	100.3	99.22	98.73	111	164.2	120.84	196.85	130	196.85	223.9

The real value of half the wage using the food and beverages price index up to August 2019

$$600 * 392.3/155 = \text{EGP } 1519$$

The real value of half the wage using the food and beverages index from September 2019 to August 2023

$$1519 * 223.9/100.3 = \text{EGP } 3391$$

**So the real value of the minimum wage in August 2023 is equal EGP 5383:**

3391 (half of the income covering food and beverages) + 1992 (half of the income in real terms).

**The minimum daily wage according to this method will be = EGP 207.**

**From the above, we can clearly see that the government is adjusting the minimum wage figure based on the official inflation rate, which is generally a positive thing. However, this adjustment's base year was 2013, while the calculations on which the minimum wage demands were based was 2010. The government also does not take into account that those for whom the minimum wage is decided spend most of their income on food and beverages, nor does it take into account the existing distinction between workers in the government and private sectors.**

**Therefore, we believe that the approach of continuous adjustment based on inflation rates is an important issue, but it must be done by issuing a law that includes all employees in the government, public and private sectors, with deterrent penalties for those who do not comply with its implementation. The base year for adjustment should be 2010, taking into account the food and beverage price index.**

## Appendix 2

In order to try to see the rate of change in real wages for a longer period in the past decade 2010-2020, we analysed published statistics and reached conclusions from them. Since the largest wage gap is in the private sector, and as we saw previously, the percentage of poor people working in the private sector is much greater than that of workers in the government sector, we will focus more on the wages of private sector workers.

The following is the methodology for dealing with statistics:

First, we rely on statistics in the economic indicators of the regular private sector companies and the private investment sector. The number of workers in them combined was about 2.2 million workers, and they are, respectively, in 2020: 909,330 workers (Annual Bulletin of Statistics and Economic Indicators of Private Sector Companies in 2017, 2020: Table 10, p. 58), 1,256,899 workers (Annual Bulletin of Statistics and Economic Indicators for Private Sector Investment Companies in 2020: Table 10, p. 59).

Secondly, we used annual wage statistics from the Annual Bulletin of Employment, Wages and Working Hours Statistics, which includes detailed statistics on wages. However, until 2019 it was limited to workers in the public sector and the public business sector, and private sector entities employing more than ten workers only. The number of workers included in the bulletin was approximately 1.3 million (Annual Bulletin of Employment, Wages, and Working Hours Statistics in 2019: pp. 9, 13). Starting in 2020, statistics began to reflect all workers private sector establishments, in addition to workers in the public sector and the public business sector, so the number of workers covered by the bulletin jumped to 21.4 million (Annual Bulletin of Employment, Wages, and Working Hours Statistics in 2020: pp. 7, 11). The total number of workers in the same year was 26.2 million (Combined Annual Manpower Research Bulletin 2020: p. 33).



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