

2017

Egyptian Social Insurance System

A comprehensive guide



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Introduction

Social insurance programs are government implemented schemes that aim to protect the citizens of any given country. The Egyptian social protection system has traditionally consisted of social insurance, health insurance, and various means of social assistance and has not undergone much reform since its inception in the 1950s. That being said, when it was first implemented it was considered one of the most advanced in the world due to its extensive coverage of groups that were often excluded in similar schemes in other countries.

Although the structure, as we know it today, was realized in 1952, a more primitive form of this system was introduced in December 26th 1854, by a decree defining the country's pension policy at that time. It was financed by public revenue, and only benefited a small and select group of permanent civil servants. Later on, the Pension Insurance Organization (PIO) was established in 1963 for government employees, who had previously been insured through the Ministry of Finance.

Private sector employees were officially made a part of the social insurance system in 1956 through the Savings and Insurance Establishment, which was changed to the General Insurance Establishment in 1959. This in turn was changed to the Social Insurance Organization (SIO), established in 1964, for employees in state owned enterprises and the private sector. These two pension organizations or funds administered the system for their respective groups of workers and pensioners, collecting contributions and distributing benefits.

The government entity responsible for the administration of this sector is the Ministry of Social Insurance which was established by Republican Decree No.889/1973. Through the issuance of Law No. 79/1975 a unified social insurance system was established two years later to cover all regular employees in the public and private sectors. This law was broader in its application than its predecessors since it extended the coverage to the aged, disabled and survivors. It also provided more benefits such as sickness and maternity leave, unemployment, workman's compensation and redundancy indemnity. Since then, the law has more or less been kept the same, with slight amendments being made in 2010 and 2015.

Social Insurance Laws in Egypt

The Egyptian social insurance system is divided into a number of schemes, each one covering a different type of worker. Regulating these schemes are four corresponding laws, namely Law 79 of 1975, Law 108 of 1976, Law 50 of 1978, and Law 112 of 1980. These laws provide coverage for public and private sector wage workers, employers and the self-employed, Egyptians working abroad, and irregular or “unorganized” workers, respectively. For the purposes of this brochure, we will be focusing on Law 79 of 1975 in detail, and will provide an overview of the other laws when appropriate.

1- General Wage Workers Scheme (Law 79/1975)

Law 79 of 1975 outlines the general scheme for the social insurance system, insuring all government, public sector and formal private sector employees. The law makes social insurance coverage mandatory for all workers age 18 and above in the public and formal private sectors, and those age 16 and above in the government. The law makes employers responsible for enrolling their employees in the system.

Employees’ contributions are deducted from two types of monthly wage earnings: the base wage and the variable wage, and the social insurance premium payments are divided between the employer and the employee as follows:

- Employer pays 26% of the basic salary and 24% of the variable salary
- Employee pays 14% of the basic salary and 11% of the variable salary

The current maximum amount for contributions is as follows:

1. Basic salary: EGP 1,012.5
2. Variable salary: EGP 1,590

In this context, a basic salary means the amount paid to an employee before any other amounts are added or deducted, whereas the variable salary is the remuneration he receives as a result of his performance at work.

Specific Benefits:

Below you will find the details of the qualifying conditions specified by the above law, for the various groups covered by social insurance. It should first be noted however, that benefits in Egypt are paid daily, weekly, or monthly, depending on the frequency of the insured's wage payments.

a. Old age Benefits

These are typically available to retirees after the age of 60 and they take on a number of different forms, the conditions of which can be found below:

<u>Type of Benefit</u>	<u>Qualifying Conditions</u>
Old Age Pension	Age 60 with at least 120 months of contributions.
Early Pension	Any age with at least 240 months of contributions.
End of Service	Paid if eligible for an old-age pension.
Supplements	Paid if the insured has more than 36 years of contributions.
Increments	Paid if eligible for an old-age pension.
Social Solidarity	Paid if eligible for an old-age pension.
Old Age Settlement	Age 60 but does not qualify for an old-age pension; at any age if permanently emigrating, or for an insured woman aged 51 or older (married, divorced, or widowed) who does not qualify for an old-age pension.
Lump- Sum Benefit	Paid if eligible for an old-age settlement.

In addition to the above qualifications, the rates of benefits vary, as follows:

- ✚ The minimum total pension (base plus variable) is 50% of the average monthly (base plus variable) earnings in the last two years (with at least 20 years of coverage).
- ✚ The maximum total pension (base plus variable) is 80% of average monthly (base plus variable) earnings.
- ✚ Old-age settlement: A lump sum of up to 15% of the total reference (base plus variable) earnings multiplied by 12 is paid for each year of contributions.

- ✚ For private-sector employees, the reference monthly base earnings are the insured's average monthly base earnings in the last two years or in the five years before the last two years, multiplied by 1.4, whichever is lower, up to 912.5 pounds.
- ✚ For public-sector employees and civil servants, the reference monthly base earnings are the insured's average monthly base earnings in the last two years, up to 912.5 pounds.
- ✚ The reference monthly variable earnings are the average monthly variable earnings for the total contribution period plus 2% for each complete year of contributions, up to 1,200 pounds.
- ✚ Lump-sum benefit: One month of base earnings is paid for each year of contributions.
- ✚ Benefit adjustment: Pensions are increased by 5% after each five-year period of continuous disability, up to age 60

b. Disability Benefits

These apply to people with partial or full physical and/or mental disabilities, and again, exist in a number of forms depending on a particular case as follows:

<u>Type of Benefit</u>	<u>Qualifying Conditions</u>
Disability Pension	Must be assessed with a total or partial disability and permanent incapacity for any gainful employment, be younger than age 60, and have at least three consecutive months or a total of six months of contributions. The disability must begin while in covered employment or within a year after employment ceases; 10 years of contributions are required if the disability began more than a year after employment ceased.
End of Service Benefit	Paid if eligible for a disability pension.
Special Increment	Paid if eligible for a disability pension.

Social Solidarity Allowance	Paid if eligible for a disability pension.
Constant-attendance allowance	Paid if the insured requires the constant attendance of others to perform daily functions.
Disability Settlement	Paid if the insured is assessed with a total disability but does not qualify for a disability pension.
Special Increment	Paid if eligible for a disability settlement
Supplementary Benefit	Paid if the insured is eligible for a disability settlement.

Disability Benefit Rates:

The following rates are applicable to the above:

- ✚ Base disability pension: Up to 2.2% (2.5% for arduous work or 2.8% for dangerous work) of the reference base earnings is paid for each year of contributions, up to 36 years.
- ✚ For private-sector employees, the reference monthly base earnings are the insured's average monthly base earnings in the last two years or in the five years before the last two years multiplied by 1.4, whichever is lower, up to 912.5 pounds.
- ✚ For public-sector employees and civil servants, the reference monthly base earnings are the insured's average monthly base earnings in the last two years, up to 912.5 pounds.
- ✚ Disability benefit: One month of base earnings is paid for each year of contributions.
- ✚ The minimum benefit is 10 months of the reference base earnings.
- ✚ Supplementary benefit: 12 times the reference base monthly earnings used to calculate the disability pension multiplied by the age is paid for a total disability.
- ✚ The benefit is reduced by 50% for a partial disability.
- ✚ Special increment: 25% of the base pension is paid, with a minimum of 20 pounds and a maximum of 35 pounds.

- ✚ Flat-rate allowance: 10 pounds is paid.
- ✚ Constant-attendance allowance: 20% of the pension is paid.
- ✚ Variable disability pension: 2.2% (2.5% for arduous work or 2.8% for dangerous work of the reference variable earnings is paid for each year of contributions for total disability.
- ✚ The reference monthly variable earnings are the average monthly variable earnings for the total contribution period plus 2% for each complete year of contributions, up to 1,200 pounds.
- ✚ The minimum total pension (base plus variable) is 65% of the average monthly (base plus variable) earnings in the last two years (with at least 20 years of coverage) or 127.75 pounds a month (whichever is greater).
- ✚ The maximum total pension (base plus variable) is 80% of the average monthly (base plus variable) earnings or 65% of the maximum monthly earnings used to calculate contributions (2,112.5 pounds), whichever is lower.
- ✚ Supplementary benefit: 12 times the reference monthly variable earnings used to calculate the disability pension multiplied by the age value is paid for a total disability. The benefit is reduced by 50% for a partial disability.
- ✚ Constant-attendance allowance: 20% of the pension is paid.
- ✚ Disability settlement: Up to 15% of the total reference (base plus variable) earnings multiplied by 12 is paid for each year of contributions.
- ✚ For private-sector employees, the reference monthly base earnings are the insured's average monthly base earnings in the last two years or in the five years before the last two years multiplied by 1.4, whichever is lower, up to 912.5 pounds.
- ✚ For public-sector employees and civil servants, the reference monthly base earnings are the insured's average monthly base earnings in the last two years, up to 912.5 pounds.
- ✚ The reference monthly variable earnings are the average monthly variable earnings for the total contribution period plus 2% for each complete year of contributions, up to 1,200 pounds.
- ✚ Lump-sum benefit: One month of base earnings is paid for each year of contributions.

- ✚ The minimum benefit is 10 months of reference base earnings.
- ✚ Supplementary benefit: 12 times the total reference monthly (base plus variable) earnings used to calculate the disability pension multiplied by an age coefficient is paid. The benefit is reduced by 50% for a partial disability.

c. Survivor Benefits

Survivor benefits are applicable to the certain family members whose main earner has passed. Eligible survivors include a dependent widow or a dependent widower with a disability; dependent sons and brothers younger than age 21 (age 26 if a student, no limit if disabled), unmarried daughters and sisters, dependent parents, and a divorced spouse without any other source of income and previously married to the deceased for at least 20 years.

<u>Type of Benefit</u>	<u>Qualifying Conditions</u>
Survivor Pension	Paid if the deceased was a pensioner or had at least three consecutive months or a total of six months of contributions; at least 10 years of contributions if the death occurred more than a year after employment ceased and before the insured reached retirement age.
Special Increment	Paid if eligible for a survivor pension.
Social Solidarity	Paid if eligible for a survivor pension.
Survivor Benefit	Paid to eligible survivors or the legal heir if the deceased met the qualifying conditions for a survivor pension at the time of the death.
Survivor Settlement	If the deceased did not qualify for a survivor pension, a lump sum is paid to eligible survivors or the legal heir.
Special Increment	Paid if eligible for a survivor settlement.
Death Grant	Paid to the surviving spouse or eligible children for the death of

the insured.

Funeral Grant

Paid to the surviving spouse or to the eldest child.

Benefit Amounts:

The rates of the above entitlements are as follows:

- ✚ Base survivor pension: 80% of the insured's average monthly base earnings in the last year before the insured's death is paid
- ✚ The maximum monthly base earnings used to calculate the base survivor pension is 912.5 pounds
- ✚ The minimum base pension is 127.75 pounds a month
- ✚ The maximum base pension is 730 pounds a month

- ✚ Lump-sum award: One month of base earnings is paid for each year of contributions
- ✚ The maximum monthly base earnings used to calculate the lump-sum award are 912.5 pounds

- ✚ The minimum lump-sum award is 10 months of base earnings

- ✚ Benefits are split among eligible survivors according to a schedule in law, including a widow of any age, a widower with a disability, dependent sons and brothers younger than age 21 (age 26 if a student, no limit if disabled), unmarried daughters and sisters, and dependent parents.

- ✚ All survivor pensions may be taken as a lump sum

- ✚ If the insured receives benefits under the old-age, disability, and survivors program, the total work injury survivor pension (base plus variable) is 100% of average monthly covered (base plus variable) earnings.

- ✚ Variable survivor pension: 80% of reference monthly variable earnings is paid

- ✚ The reference monthly variable earnings are the average monthly variable earnings for the total contribution period, up to 1,200 pounds

- ✚ Benefits are split among eligible survivors according to a schedule in law, including a widow of any age, a widower with a disability, dependent sons and brothers younger than age 21 (age 26 if a student, no limit if disabled), unmarried daughters and sisters, and dependent parents.

- ✚ All survivor pensions may be taken as a lump sum

- ✚ If the insured receives benefits under the old-age, disability, and survivors program, the total work injury survivor pension (base plus variable) is 100% of average monthly covered (base plus variable) earnings.

- ✚ Death grant: Three months of the permanent disability pension the deceased received or was entitled to receive (base plus variable) pension is paid

- ✚ Funeral grant: Two months of the permanent disability pension the deceased received or was entitled to receive (base plus variable) pension is paid

- ✚ The minimum grant is 200 pounds

In addition to the above groups and their entitlements, employees are entitled to a number of other benefits for sickness, maternity, unemployment and injury, the summary of which can be found below:

Sickness and Maternity Leave

The general rule under this law is that an employee is entitled to up to 180 days of paid sick leave at between 75%, 85% and 100% of the employee's salary. For the first 90 days, the employee is entitled to compensation equal to 75% of his/her salary, to be increased to 85% for the remainder of the 180 days, provided that such compensation will not be less than the minimum wage specified under the Labour Law at any point. Additionally, the employee must notify his/her supervisor of the illness on the actual day they become unwell otherwise, the day will be considered as temporary leave.

As an exception to this general rule, the Social Insurance Law stipulates certain illnesses (such as mental illness) where the employee would be entitled to 100% of his/her salary as compensation. Additionally, the employee working at industrial establishments shall have the right to sick leave every 3 years of service to be calculated as follows:

- 1 month with full pay,
- 8 months with a wage equivalent to 75% of his/her salary,
- 3 months without pay in case the competent medical committee decides upon the likelihood of his/her recovery.

To further ensure workers' rights, an employer is strictly prohibited from terminating the employee's service due to sickness unless the employee has exhausted the aforementioned period.

A female having spent 10 months in the service of an employer is entitled to 4 months maternity leave with full pay including the period preceding giving birth. The female employee is not entitled to this maternity leave for more than twice during her working period, however new terms can then be negotiated with the employer if and when the situation arises. Maternity benefits are paid at 75% of the last covered wage.

Aside from the aforementioned maternity leave entitlements, there are a number of other rights entitled to women within the law. Firstly, female workers in establishments where 50 workers or more are employed will have the right to obtain non-paid leave for a maximum of 2 years to care for the child but this leave will only be entitled twice throughout the service period. Furthermore, employers with 100 workers are obliged to establish a nursery school to care for the workers of the children. During the 24 months following the date of childbirth, a female employee also has the right to two periods of rest daily, each one 30 minute, for breast-feeding her child, with the option to combine both periods in one.

Workplace Injury and Unemployment

All workers covered by social insurance are eligible for a workplace injury benefit; there are no eligibility criteria in terms of contributions made. Workers' Medical Benefits include general and specialist care, surgery, hospitalization, maternity care, dental care, laboratory services, medicine, rehabilitation services, and appliances employer, public, or other medical facilities provide service benefits under contract with the Health Insurance Organization, the rates of which are as follows:

- For temporary disabilities, 100% of the wage is paid from the day after the injury until the worker is either able to return to work or is certified as permanently disabled.
- For permanent disabilities, the worker receives a benefit equal to 80% of the monthly base wage in the year before the disability occurred, with a cap of 875 LE on the wage used to calculate the benefit.
- For partial disabilities, a percentage of the benefit is paid according to the assessed percentage of the disability.

Unemployment benefits are available to workers who have made at least six months of contributions, including the three months immediately prior to unemployment, and who did not leave work voluntarily or as the result of misconduct or the refusal of a suitable job offer.

Unemployed persons must also be ready to work and registered with the manpower office. Benefits are equal to 60% of the last monthly wage for up to 16 weeks, or up to 28 weeks if the insured has made at least 24 months of contributions. However, it is worth noting that the existence of this benefit does not seem to be widely known and it appears to be very rarely received.

Employers and Self-Employed Scheme (Law 108/1976)

Law 108 of 1976 extends mandatory social insurance coverage for old age, disability and survivors benefits to employers and the self-employed age 21 to 65. Despite this, the other benefits afforded to the public and private sector workers, such as maternity leave, health insurance, and workplace injury insurance, do not apply to employers and the self-employed. Covered categories of workers include those who are self-employed in the commercial, industrial and agricultural sectors, members of production cooperatives who are working on their account, owners of real estate that yields at least 250 LE yearly, owners of means of transportation, operators of home-based industries employing one or more persons, farmers who own 10 feddans or more, and owners of fishing boats employing one or more persons.

The self-employed must declare their own level of insurable income, with the monthly contribution set at 15% of the declared income. The limit on declared income is 1,000 LE monthly. Pension eligibility is at age 65 with 120 months of contributions. As with waged employees, pensions are calculated as 1/45th of the monthly pensionable income chosen (or the average monthly income if the declared level was ever changed), multiplied by the number of years of contribution. The minimum pension is 50 LE per month and the maximum is 80% of the pensionable income chosen. Early retirement is possible for the self-employed, with associated deductions in the pension amount, as it is with waged employees.

Migrant Workers (Law 50 of 1978) and Casual Laborers (Law 112 of 1980)

A system very similar to that for the self-employed and employers exists here, with nearly identical eligibility requirements and benefits under Law 50 of 1978, with the major difference being that for this group social insurance enrollment is voluntary . Casual and irregular laborers, or all those not covered by another social insurance scheme, are legally required under Law 112 of 1980 to register with the Comprehensive Social Insurance System (CSIS).

As with employers, the self-employed and migrants, this scheme for casual laborers insures only for old-age, disability and survivors benefits. Contributions are made through the purchase of monthly stamps from the NSIO offices. Pensions are disbursed at a flat rate of 63 LE per month payment to those who have contributed for at least 120 months. As with the social assistance pensions that were established under Law 112 , the CSIS was intended primarily as an income support mechanism for those not covered by one of the other three social insurance schemes described above, and its contributions are supplemented by state resources in order to cover pension costs .

Foreign Workers

With respect to foreign employees, it should be noted that according to the Social Insurance Law, foreign employees, with the exception of certain Arab nationalities, are not subject to the Social Insurance Law and are not required to pay social insurance contributions unless there is reciprocal duty under a Double Social Insurance Treaty in the employee's national country. In such cases, the social insurance contributions will be based on the terms of that Treaty and not Egyptian national law. Nonetheless, even if the foreign employee is not subject to the Social Insurance Law, the employer must still pay 3% of the employee's salary that is subject to insurance to cover the state medical insurance for work related injuries.

Insurance System Law 135 of 2010

Prior the occurrence of the January 25th 2011 revolution, a major reform of the social insurance system was scheduled to go into effect on January 1st 2012. This reform, passed through Law 135 of 2010, would gradually move Egypt from its current defined-benefits PAYG system to a defined-contribution notional accounts system. Notional accounts are virtual individual accounts that record employees' contributions, which are then disbursed at the time of retirement with interest. The system also provides for solidarity accounts, to which a set percentage of each individual's contributions will be paid; if and when the individual's retirement account is exhausted, he or she may draw a certain amount from the solidarity fund.

Law 135 also included a reduction in the contribution rates on basic wages to 11% for the employee and 19.5% for the employer (compared to the current 14% and 26%, respectively) and eliminated the cap on the pensionable salary. These measures would effectively lower contribution levels for low-earning workers and raise them for high-earning ones (those earning more than about 3,000 LE per month). The law also provides for the regular adjustment of pensions for inflation, as long as the inflation rate is above 8% .The new reform would raise the retirement age to 65 instead of 60 years old. This increase in age will occur gradually, with the retirement age set to 61 in 2015, 62 in 2018, 64 in 2024, and finally reaching 65 in 2027.

In addition to these changes in the contributory pension system, Law 135 would establish a minimum pension for all persons aged 65 or over who do not have another form of old-age support, regardless of whether or not they had participated in the pension scheme. This minimum pension would be equal to 15% of the national average wage. In an effort to encourage participation among informal sector workers, the government will contribute an additional amount equal to 25% of the individual's contributions to the pension accounts of seasonal workers and farmers. Finally, the law extends unemployment insurance, which would be available to all workers who have contributed to social insurance for at least 12 months. The maximum period for receiving unemployment benefits would be 12 months at a rate that gradually reduces over time from 65% of the average wage in the year prior to unemployment.

Future Changes

Under the new draft law, any employer who fails to register his employees under the social insurance system will be fined 20,000 pounds per employee, and jailed for a year – in lieu of the 100 piaster fine enforced by the current law. In addition, there is no article in the new draft law which prevents an employee from suing his employer for not having him insured.

Further developments were also announced this year by the Minister of Finance who stated that the services of e-government would be extended to all social insurance services, in order to facilitate matters for the majority of citizens. The National Social Insurance Authority (NSIA) has updated its website to provide many new features, including previewing the insured citizens' data, questions about subscription periods, account data and payments/settlements for expatriates, and information on leave without pay.

Pensioners and related beneficiaries will therefore be able to calculate their pensions and raises and compare them to the money they actually receive, which will enable the detection of any mistakes in pension value. Additionally, the site will upload all the insurance laws, presidential decrees, executive regulations and circulars related to insurance and pension in a bid to increase accountability and transparency in this sector. In addition to this, it will include information on pension-calculation methods, privileges guaranteed by the law, terms of eligibility, and requirements that must be met to ensure individuals under these laws.

Furthermore, it has been stated that pensions across the border will increase to 10 % from 2017 according to these laws

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Although this book provides a detailed analysis of the law and discusses some of its ambiguous areas, it is important to note that the application of the law in a formal setting will require collaboration with a professional to ensure its accuracy.

Maher Milad Iskander & Co. has been operational in Egypt for 30 years, and our team of attorneys has considerable experience with employment law. Whether you are looking to draft an employment contract or to terminate an existing one, our attorneys will be able to provide you with comprehensive and tailor made advice at your request.

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