ADSERO

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Brief on the Proposed Draft on the New Labour Law

June 2023

*This document is merely a commentary on a draft law and may not be relied on in any manner whatsoever.

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INTRODUCTION

The Senate initially approved a new draft of the labour law, to be issued soon, entirely replacing the current labour law no. 12 of 2003 (the "**Draft Law**"). The Draft Law aims to catch up with the development and modernity in the employment field to adapt to the social and economic changes that Egypt has experienced in the recent period. In addition, the Minister of Labour confirmed that the Draft Law is drafted in conformity with international labour standards and treaties Egypt is a party to.

The Minister of Labour assures the public that the Draft Law regulates the relationship between employers and employees in a manner aiming to achieve more balance between the interests of both parties in an employment relationship. However, we note some provisions that might be more lenient towards the employees following the footsteps of the current labour law primarily, since the main benefits under the Draft Law in favour of employers are more of clarifications (such as severance payments) tackling the existing grey areas rather than granting new rights. We also note that some employees' rights granted under the Draft Law may create issues in practice (e.g., an employment agreement exceeding 4 years will be deemed an unlimited term agreement and has removed poor performance as a basis for lawful termination). In all cases, we expect that the Parliament will still introduce some revisions to the Draft Law that will continue to protect employees while considering the interests of employers and their investments.

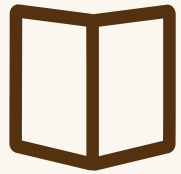
This brief will shed light on some of the main insights we have noted under the Draft Law. Meanwhile, please keep an eye out for our comprehensive overview and commentary published once the Draft Law is officially issued.



New Principles



- Forced labour and explicit employers' restriction to have a person forced to work.



- Introducing the explicit option to hold digital ledgers.
- New leaves granted to employees for their actual exam days, fully paid, and should not be deducted from their balance leave.



- New fund for irregular employees.
- Conciliation as a new means to settle collective disputes.



- Obligation on employers to notify the concerned authority about the escape of its foreign employee. Such obligation is triggered when the foreign employee is absent for 15 days without lawful reason.



- Now, the principle is that the employment contract is for an unlimited period but may be made for a limited period of not less than 1 year.



- The employment contract will be deemed unlimited if renewed for more than 4 years, among other cases.

New Principles



- Obligation on the employee to undertake the necessary tests to check for drug usage or any contagious diseases, upon the employer's request and at their expense.

- The employer must maintain confidential the medical check-ups of the employee and not disclose the employee's medical status resulting from such check-ups.



- New Resignation Regulations:

i. Automatic Resignation: if an employee is absent for 10 consecutive days or 20 non-consecutive days per annum without cause;

ii. If the employee wishes to resign, they must submit their resignation to the employer but must first have it ratified by the competent authority.

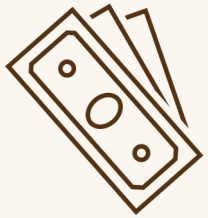
- New Renewals Regulations:

- In case of renewing the contract for less than 4 years, any party may terminate it by giving a 2 months' notice provided that in case of termination from the employer's side, they would be obliged to compensate the employee at the rate of 1 month per year of service.



- The concerned medical authorities may prohibit an employee from attending the work premises if they have been in contact with a family member having a contagious disease. The determined rest period is not from the employee's leave balance and is fully paid.

New Amendments



- Annual periodic raise of 3% from the insured salary with an option to request an exemption in emergencies.



- One of the financial resources for the training fund is 0.25% from the total insured salaries instead of 1% from net profits.



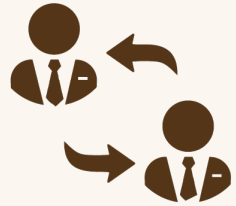
- The retention period of the employee file is now 5 years (instead of 1).



- Female employees are entitled to maternity leave upon serving at least 6 months at the employer (instead of 10 at any employer).
- Maternity leave is now 4 months, with up to 3 times during the employee's service.

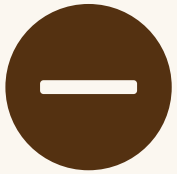


- In establishments of 25 or more employees, a female employee who served a least 1 year at the employer shall be entitled to an unpaid childcare leave for a period not exceeding 2 years.
- Child care leave is eligible for not more than 3 times (as opposed to 2 times) throughout the employee's service period, provided that the period between the first and second leave is not less than 2 years.
- The above amendment complies with the Child Law and resolves the contradiction between the latter and the current labour law.



- Revised conditions to obtain a license to undertake recruitment activities. Among these are: adjusted minimum share capitals; removal of nationality requirements for managers and founders; and 1 year (renewable) license term instead of 5.

New Amendments



- New categories of leaves:
  - 15 days for first-year employees; and
  - 45 days for employees above the age of 50.



- Neither of its parties may terminate unlimited term agreements unless for lawful and sufficient reasons. In case of termination from the employer side, they would be required to compensate the employee at the rate of 2 months per year of service and benefits.



- No caps on the number of official holidays.
- Causal days are now 7 instead of 6 days.



- It is prohibited to employ children before they reach 15 years old; however, they may be trained once they are 14 years old in a manner that does not hinder them from continuing their education.



- Currently, maximum aggravated penalties could reach EGP 100,000, while previously, the maximum it could reach was EGP 20,000, in addition to optional and obligatory closures in certain cases.



- There are no requirements to obtain the approval of the competent authority for overtime, but a notification from the employer to the competent authority. In addition, the employee may not be at work for more than 12 hours per day.

New Amendments



- Employees in industrial entities are entitled to paid sick leave every 3 years of service as follows: with pay for 3 months, then 6 months with a salary equivalent to 85%, and 3 months with a salary equal to 75%.



- Failure to comply with the forced labour and discrimination restrictions shall expose the employer to a fine not less than EGP 2,000 and not exceeding EGP 20,000. The fine shall be multiplied based on the multiplicity of employees in whose respect the crime occurred and shall be doubled in case of repetition.

THANK YOU

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