

# SOCIAL SECURITY

*In its last Universal Periodic Review in 2010, Egypt did not receive a specific recommendation on social security, though it did accept two recommendations on combating poverty. Nevertheless, insufficient actions have been taken in Egypt to address the multiple drivers of poverty. Measures giving effect to the right to effective social security that have been delayed for long are thus more urgent than ever.*

**EGYPT'S CONTRIBUTORY SOCIAL SECURITY SYSTEM SUFFERS FROM LOW COVERAGE.** Despite multiple laws providing contributory social insurance for various categories of employees, the number of insured has been decreasing. It dropped from 19 million in 2004/2005 to 16.7 million in 2010/2011 (CAPMAS, 2013). Further, there is a clear inconsistency in the level of coverage among public and private sector employees. There are 5.5 million public sector workers in Egypt who pay EGP 19.1bn in annual contributions, while 17.9 million work in the public business and private sector who only pay EGP 13.6bn in subscriptions. This indicates that a high percentage of workers in this sector are either not insured or insured at a nominal salary to reduce the amount of contribution by their employers.

Coverage within the private sector is also inconsistent. For example, CAPMAS statistics show that 57.6% of private sector workers within facilities do not enjoy social insurance, compared to 87.7% for private sector workers outside facilities. This indicates the need for greater efforts to ensure the equal inclusion of the private sector in social insurance schemes.

Most significantly, as described in Factsheet 5, the majority of workers in Egypt are employed in informal small businesses or are self-employed. Law 112/1980, regarding insurance of labor in the unregulated private sector, has been suspended. As a result, the majority of employees in Egypt are deprived of basic state protection from poverty and income support.

**Suggested Questions: What are the reasons for the fragmented coverage of social insurance? What steps are being planned to address it?**

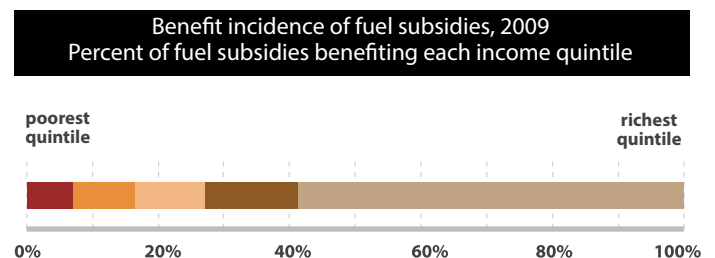
**NON-CONTRIBUTORY PENSIONS ARE INADEQUATE.** Around 1.2 billion people benefit from non-contributory pensions, whose disbursed value is approximately EGP 1.4bn. This puts the individual/family share from social security at EGP 97 per month (around USD 14). In light of high inflation levels in the country, it is not surprising that even those benefitting from pensions do not find them adequate to fulfill their basic needs.

At the same time, as described in Factsheet 1, severe austerity measures have been applied to social spending, especially to programs targeting the poor and vulnerable, such as allocations for health insurance for female headed households. After the steep reduction of fuel and food subsidies in July 2014, the only alternative support that has been announced was allocating EGP 10.7 billion for cash transfers for 1.5 million households, which are to be increased to 3 million households in the current fiscal year. The maximum amount paid for a household of four members is EGP 450 per month, leaving the maximum individual share at EGP 112 per month, about 50 cents per day.

**Suggested Questions: How are pension rates calculated? What safeguards, if any, ensure that pension rates assure recipients an adequate standard of living?**

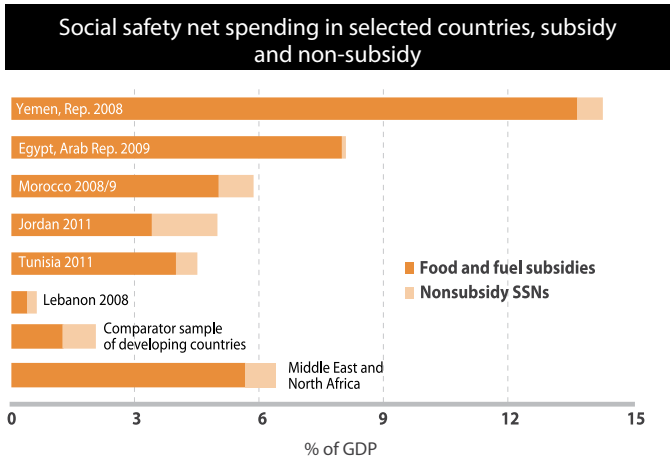
**INEFFICIENT AND REGRESSIVE UNIVERSAL SUBSIDIES CROWD OUT MORE EFFECTIVE SOCIAL PROTECTION ASSISTANCE.**

Egypt invests a significant proportion of GDP in fuel and food subsidies. In 2009, such subsidies accounted for 6% and 2% respectively, for example (World Bank, 2012). As shown in the graph below, fuel subsidies, in particular, disproportionately benefit the already well-off.



Source: World Bank, 2012

By contrast, non-subsidy social protection schemes (e.g. cash transfers, microcredit, health benefits etc.) accounted for only 0.11% of GDP in 2009, a far lower proportion compared to other countries in the region (World Bank, 2012).



Source: World Bank, 2012

Inadequate investment in non-subsidy welfare assistance has led to low coverage, high leakage and limited benefit levels. Only 15% of the poorest income quintile benefits from non-subsidy schemes and they make up only 10% of beneficiaries' income (World Bank, 2012).

**Suggested Question: What are the reasons why investment in non-subsidy welfare assistance has not been prioritized?**

**CURRENT ATTEMPTS TO REFORM THE SUBSIDY SYSTEM THREATEN THE WELFARE OF MILLIONS OF EGYPTIANS.**

Egypt has begun dismantling its subsidy system, especially on petroleum, food, housing, and agriculture, without any meaningful assessment of the human rights impacts of such actions. For instance, between 2011/12 and 2012/13, the agricultural subsidy decreased by 75% (MoF, 2014). Similarly, fuel subsidies were reduced by 23% and food subsidies by 8.9% in the beginning of the current fiscal year 2014/2015, compared the preceding year (ECESR, 2014). This resulted in the increase of the monthly inflation rates from 8.3% in May 2014 to 11.4% in August 2014 (CBE, 2014).

In 2013, Egypt agreed to the World Bank's "Energy and Social Safety Nets Sector Reforms Technical Assistance Project". Phasing out energy subsidies, the Bank states, can "have a significant impact on the fragile socio-political situation in Egypt today" (World Bank, 2013). Nevertheless, it is unclear how the social safety net envisaged under the project will differ from the existing subsidy program, criticized for bureaucratic inefficiency, corruption, and lack of statistical capacity to reach the vulnerable. Notably, the new project relies on the same mechanisms to reach vulnerable households, which reportedly remained inaccessible to many.

Despite the inefficiency of the fuel subsidy regime, subsidies help keep many people out of poverty; simply removing them will have significant impoverishing effects. Cutting subsidies before adequate improvements in other forms of social security are in place is therefore retrogressive and would have a long term adverse impact on the economic, social and cultural rights

of many. Yet such measures have been proposed, and in some cases enacted, without civil society participation or, it appears, prior assessment of their potentially severe human rights impacts or careful consideration of more equitable alternatives.

**Suggested Question: Have human rights impact assessments been conducted to determine to what degree subsidy reforms will affect economic and social rights?**

**RECOMMENDATIONS**  
In line with the recommendations of the Committee on Economic, Social and Cultural Rights, develop a national strategy for the full implementation of the right to social security and allocate adequate fiscal and other resources to this end. In particular, such a strategy should consolidate fragmented minimal social protection schemes and prioritize those targeted towards mitigating the risks facing the poor and vulnerable. Efforts to increase social insurance coverage among informal-sector workers should also be urgently prioritized.  
Avoid retrogression in the enjoyment of rights by undertaking a participatory national study on the human rights impacts of removing subsidies, including on food and petroleum. In particular, compile disaggregated statistical information with a view to identifying the individuals and groups most affected by such measures and increase the effectiveness of efforts to protect their rights.

**ABOUT THIS FACTSHEET SERIES**  
This Factsheet was prepared by The Egyptian Initiative for Personal Rights and the Association for Health and Environmental Development, with the support of the Egyptian Center for Economic and Social Rights (ECESR) and the Center for Economic and Social Rights (CESR) in light of Egypt's appearance before the Human Rights Council's Universal Periodic Review in 2014. The 11 factsheets in this series accompany the joint submission on economic, social, and cultural rights in Egypt endorsed by 130 non-governmental organizations and labor unions.

**REFERENCES**  
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**Central Bank of Egypt (CBE) 2014.** Monthly Inflation Developments (May and August).  
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