



Termination of Employment Contracts Under Egyptian Law

The legal grounds for terminating the employment contracts under Egyptian law vary depending on the type of the employment contract and the circumstances surrounding the termination.

1. Definite vs. Indefinite Term Contracts

The Egyptian Labor Law no. 12 of 2013 (“Labor Law”), basically, acknowledges two types of employment contracts; namely the definite and the indefinite term contract.

a. Definite Term Employment Contracts:

According to Article (104) of the Labor Law, a definite term employment contract expires automatically upon the lapse of its term. However, according to Article (105) of the Labor Law, if the employee and employer continue implementing a definite term contract after its expiration, this shall be considered as an implied renewal of the contract for an indefinite term.

b. Indefinite Term Employment Contracts:

The employment contract may be concluded for an indefinite term. Pursuant to Article (110) of the Labor Law, the employer can terminate an indefinite term contract based on two grounds:

- employee is deemed inefficient according to the provisions of the employer’s endorsed work regulations; or
- employee committed gross misconduct which justifies dismissal.

Terminating an indefinite term contract requires a prior written termination notice to be sent to the employee.

2. Unjustified Terminations

If one party terminates an employment contract for no justified reason, said terminating party shall compensate the other party for the damage incurred as a result of terminating the contract.

If the terminating party is the employer and the termination is unlawful (i.e. for no justified cause), the employee shall have the right to claim compensation not be less than two month salary for each year of service.

3. Termination for Dismissal

Pursuant to Article (69) of the Labor Law, the employer cannot dismiss the employee unless he/she commits gross misconduct. This Article gives an exemplary list of actions that constitute a gross mistake and hence give rise to justified grounds for dismissing an employee.

Dismissing an employee cannot take place, legally, unless the employer follows specific judicial procedures.

4. Redundancies for Economic Reasons

The Labor Law, Articles (196) to (200), regulates the employer's right to downsize the workforce for economic reasons. The downsizing of the workforce for economic reasons may take place after fulfilling certain conditions and procedures ascertained under the law (i.e. submitting a redundancy request to an official committee. The request shall explain the reasons for seeking the downsizing and the numbers and categories of employees who will be laid off).

If the redundancy request is approved, the employer will be requested to pay redundancy compensation to each redundant employee.

5. Amicable Settlements & Severance Compensations

The employer may choose to terminate (for convenience) a number of employees through amicable settlements. By such settlements the concerned employees would sign voluntary resignations, and the employer - in return - would pay them severance compensations.

The amount of the severance compensation would vary depending on various elements, including but not limited to (1) the type of the employment contract (definite vs. indefinite term contract), (2) the employee's age (i.e. if the employee is approaching the statutory retirement age in short term, or if the employee works after the statutory retirement age) and (3) the employee's history with the company.

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If you have any questions regarding this paper, feel free to contact:



Dr. Eman Riad
Partner

Tel: +2 02 33658064
Fax: +2 02 33658065
Mobile: +2 0122 3633 980
Email: e.riad@riad-riad.com



Heba Soliman
Associate

Tel: +2 02 33658064
Fax: +2 02 33658065
Email: h.suliman@riad-riad.com