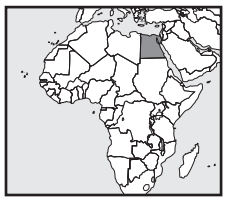
EGYPT

Shrinking state role undermines social protection



Decades of liberalization and structural adjustment policies have severely undermined what was once a highly developed social protection system. Most old-age pensions do not cover even the most basic needs of daily life, while the burden of payment for health care services is increasingly shifting to individual shoulders, and even the public health insurance system is being partially privatized. Meanwhile, growing poverty and inequality are creating social contradictions that threaten to lead to social outbursts with dire consequences.

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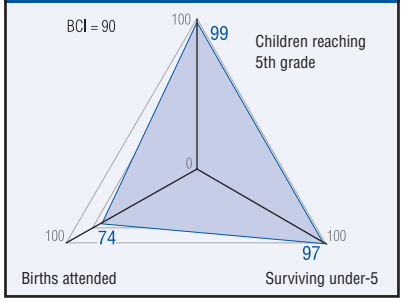
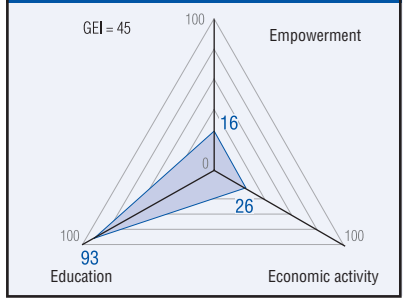
Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The application of liberalization and structural adjustment policies in Egypt resulted in a range of adverse social repercussions. The right to work enshrined in the Constitution has lost its meaning, and the living conditions of the working class have deteriorated due to the rise in unemployment and decline in real wages. Weak levels of economic growth, along with the absence of active industrial expansion, represent sizeable obstacles for the jobless as well as new entrants into the labour market in terms of finding jobs that offer consequential returns for both the economy as a whole and the individuals themselves. Serious gaps have emerged in the distribution of income and wealth among rural and urban segments of the population, while the incidence of poverty has risen, especially in rural areas. This was, in fact, the inevitable impact of the reduced developmental role of the state and the decline in its social duties. The rich became even richer and the poor poorer, as the policies adopted are generally biased towards the rich and the concept of equality of opportunities is usually traded off.

Social protection provided by the government to vulnerable segments of the population shrank with the increasing pressure on aid allocations, education, and health care, the continuous rise in the cost of basic services such as water, electricity and transportation, and the increase in fees levied on services provided by governmental authorities. There are no signs of policy change to remedy these adverse repercussions. On the contrary, successive governments have reinforced these impacts, under the growing influence of those calling for a free market economy and integration in the globalized capitalist system. It should be kept in mind that capitalism transforms many public services into private services, as the concept of public goods is abandoned and social issues are addressed from a market mentality.

Income distribution, poverty and safety nets

Poverty is closely related to two issues: economic growth and equitable distribution. More often than not, weak levels of economic growth are among the main causes for poverty, which means that improving and maintaining growth are crucial for poverty reduction. This however is a necessary but not sufficient factor, because if the benefits of economic growth are not adequately distributed, increased growth will not automatically lead to reduced poverty. In order for growth to favour the poor, there must be policies to reduce gaps in levels of income, wealth and assets. Hence in order to reduce (and eradicate) poverty, increased growth must be accompanied by improved wages, productivity, and job opportunities, especially since low wage earners, low productivity workers and the unemployed represent a large share of the population most vulnerable to poverty.

A quick overview of the evolution of the share of wages in GDP over the last 30 years depicts a significant deterioration in the conditions of wage-earners during this period. In 1975, wages represented about 40% of GDP; this share dropped to a third in 1985-1986 and to a fourth in 1995-1996. Although the share of wages in GDP rose slightly during the first five years of the new century, it remained below the level achieved 25 years earlier. Assuming that the descending trend that extended between 1974-1975 and 1999-2000 was maintained, wages would not make up more than 21% of GDP in 2004-2005.

Finally, the provision of social safety nets (education and health services, pensions, social assistance, etc.) is considered to be crucial for reducing the share of people who fall below the poverty line.

Social insurance does not protect pensioners from poverty

One of the longest standing and most highly developed safety nets is the social insurance system, which ensures that beneficiaries and/or their families are compensated for risks that leave them unable to work, and thus unable to generate income. This system basically relies on contributions paid by employees and employers, with benefits paid out in cases of work-related accidents, sickness and maternity, unemployment, old age, disability and death.

In terms of coverage, Egypt's social insurance system is one of the most highly developed in the world, covering workers in both the formal and informal sectors, employers, government employees, seasonal workers and workers based abroad, as well as the armed forces, with a wide range of social provisions.

However, the question remains: Is the social insurance and social security system playing its role in terms of providing individuals with pensions that are adequate to ensure an acceptable standard of living upon retirement, old age, disability or death, in the case of survivors' pensions? In order to answer this question, it is worth considering the following figures.

The minimum monthly pension for the self-employed is EGP 35 (USD 6), while 75.4% of formerly self-employed pensioners receive less than EGP 100 (USD 18), and almost all of the pensioners in this category (99.1%) receive less than EGP 200 (USD 35). As for those who were salaried employees in the formal sector, more than half (52%) receive monthly pensions under EGP 100.

Seasonal and informal sector workers are eligible for participation in an insurance scheme under the so-called Comprehensive Social Security System, which is limited to old-age, disability and survivors' pensions (in other words, they are not provided with the sickness, maternity and unemployment benefits offered by the conventional social insurance scheme). In return for a monthly contribution of EGP 1 (USD 0.18), subscribers to this scheme receive pensions that currently average EGP 80 (USD 14) a month.

Meanwhile, for those not covered by any social insurance scheme, there is a social security pension known as the 'Sadat pension', an unfunded monthly

benefit paid on a means-tested basis to the elderly poor aged 65 and over. In September 2006, the government raised the social security pension from EGP 60 to EGP 70 (USD 11 to USD 12.50) for recipients living alone.

These figures are more meaningful when compared, for example, to the poverty line, which is currently set at EGP 3,000 (USD 533) annually – or EGP 250 (USD 44) a month. In fact, this poverty line is quite modest, as it represents just over EGP 8 a day, or less than USD 1.50. This amount is barely enough to purchase three humble meatless meals and two cups of tea, thus leaving other basic needs – other essential food and drink items, health care, education, housing, clothing and transportation – unsatisfied.

Many segments of the population fall below the poverty line due to the inexistence of alternative sources of income, including 69% of those eligible for pensions who were salaried employees, all of those who were self-employed, and all recipients of the so-called Sadat pension, even after the recent increase in benefits.

The dangerously increasing privatization of health care

Public spending on health care faced tremendous pressure in the 1980s and 1990s amidst the shrinking socioeconomic role of the state in an effort to reduce the budget deficit. The decline in public spending on health transferred spending from public funds to private ones, in other words, to individuals and households.

According to the World Health Organization (WHO), total expenditure on health in 2004 amounted to 6.1% of GDP. Private expenditure represented 61.8% of total expenditure, while government expenditure accounted for just 38.2%.[1]

These figures are especially troubling when one compares Egypt to the rest of the world. The ratio of public spending on health care to GDP is lower than the 3% average of middle-income countries, to which Egypt belongs. Moreover, individuals carry a bigger share of the health bill (61.8%) than their counterparts in other middle-income countries (50.4% on average). It is also noteworthy that Egyptians carry a heavier share of the health bill than citizens of high-income countries (59.4% on average). Therefore, Egyptians have become more exposed to poor health and disease, and in addition to their rising health care bills, the difficulties they face in receiving treatment add to the plight created by slow development and the increasingly limited role of the state.

Since the implementation of neoliberal economic policies in the early 1970s, the public health system has faced a series of events that have had an adverse quantitative and qualitative impact on the health services available to the population, due to cuts in public spending. The capitalist restructuring of the economy wrought havoc with the public health system, resulting in disparities in the level of services provided, uneven access to health services, low competencies, imbalances in the distribution of private resources between preventive and curative care, and a shifting of the burden of payment to private citizens.

As for public health insurance, which was established in 1964, its resources and capabilities are seriously limited in comparison to the demand on its services. By the end of June 2005, the system covered 36.7 million individuals, or 52% of the country's inhabitants. The majority of beneficiaries (73.8%) are infants, preschool children and students. Workers in the public and private sectors account for another 20.6%, and the remaining 5.5% are pensioners and widows. Although the total number of subscribers has risen, the ratio of subscribers working in the government and the public and private sectors to the total number of currently employed workers and the workforce as a whole remains very low, at 39.2% of total workers and 34.7% of the total workforce in 2004-2005. In addition, the system does not cover large segments of the population such as farmers, homemakers, seasonal workers, informal sector workers, and the unemployed, all of whom have no steady income.

Despite the large subscribers' base in the public health insurance system, the total spending of the Health Insurance Organization (HIO) was EGP 2.14 billion (USD 380.2 million) in 2004-2005. This figure is not much higher than the EGP 2 billion (USD 355.3 million) spent that same fiscal year by the Ministry of Health on treatment at the state's expense, which is restricted to few thousands citizens.

The government then decided to transform the HIO into a holding company as per Prime Ministerial Resolution No. 637/2007. This decision represents a major step towards the total privatization of health insurance and health care. It undermines the concept of social health insurance and the right of citizens to medical treatment. The resolution transforms the HIO into an administrative agency that does not provide services, but rather buys them from the private sector. In addition, it privatizes the administration of the HIO, which will consequently be based on commercial considerations.

The danger of such a step lies in the increased reduction of the role of the state and the deterioration of the concepts of social equity and social solidarity, which form the basis of society according to the Constitution. It also reduces public service to its minimum possible level. This transformation implies shifting the majority of what used to be public services, which the government pledged to provide to the citizens, towards the commercial sector, i.e., private sector establishments or the remaining public sector establishments working on the basis of maximizing profit. This will increase health care costs to levels that only a small section of the population can afford.

Such measures may succeed in reducing the budget deficit; however, they will deprive large segments of the population of the health services they need, except perhaps for primary health care. The direction being followed within the current social and political system increases social disparities, defeats the concept of equal opportunities among citizens, and increases social marginalization, which may have dire consequences on social harmony and cohesion.

A multidimensional crisis

The country was hit by a thorough social crisis as the ruling regime attempted to rebuild capitalism on its soil, under the slogans of liberalization, structural adjustment, and transformation to an open and integrated market economy. It was essentially a follower of a world capitalist economy, in a framework of a totalitarian regime and increased foreign hegemony. The crisis has had economic, social, administrative and political dimensions.

At the economic level, the crisis has revealed the inability of the regime to increase resources and widen the country's resource base, in addition to its inability to effectively manage existing resources amidst widespread corruption.

At the social level, the crisis reflects policies that are biased towards the rich, leading to increased poverty, destroyed safety nets, widespread corruption, and increased crime rates. This has led to severe social contradictions and amplified class struggle in society, which could in turn lead to social outbursts with dire consequences.

At the administrative level, the crisis reveals the weakness of the administration, its incapacity to manage its various responsibilities and the failure to provide the population with basic services. Government agencies are ineffective and have become unable to carry out their basic tasks with even a modicum of capability.

Finally, the political dimension is very clear. It has become common to describe the internal political situation as suppressed and tense. Popular outrage has grown alongside a power monopoly, political tyranny and totalitarianism, coupled with increased personification of power and the emergence of a family regime. There is increasing evidence of the intent to pass power through inheritance, which in turn feeds the internal crisis, as it reveals evidence of the unwillingness of the regime to democratize political life. All of this is combined with the increased concentration of wealth in the hands of a minority, and increased social polarization: the concentration of power intensifies, the basics of popular participation disappear, and the inequality of opportunities available to citizens is even further exacerbated. ■

1 < www.who.int/countries/egy/en/ >

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