Labour Compliance in the Cement Sector in the Middle East and North Africa

Report on a field verification visit to:
HeidelbergCement Egypt

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Introduction

This study takes place in the context of the BWIs campaign on labour rights in the construction sector in the Middle East and North Africa (MENA) region. The study focuses on the two leading cement companies in the MENA region: HeidelbergCement Group and LafargeHolcim Group. Particularly, three countries were selected for this research: Jordan, Lebanon, and Egypt. The choice for these countries was informed by the Dutch Ministry of Foreign Affairs’ Dutch Good Growth Fund (DGGF) list due to the countries links to BWIs affiliate Mondiaal FNV.

The overall objective of this study is to provide an overview of the business activities and a controversy scan of HeidelbergCement and LafargeHolcim, as a basis to conduct future in-depth research on their activities and labour rights commitments for the lobby, campaign and support work. Particularly, this study seeks to answer the research question: What are the labour conditions at the companies’ sites and do these conditions comply with national and international labour standards?

In this context, the present report lays out the results of a field visit to two plants in Egypt the Sokhnah Plant of the LafargeHolcim Group and Suez Cement owned of the HeidelbergCement Group.

Background

The trade union situation in Egypt

The trade union situation in Egypt has been under considerable pressure and change during the last decade. The trade unions have excited in Egypt since 1957 but under significant restrictions. In a period after 2005 up until the Arab Spring in, there were some changes in these restrictions and the formation of independent unions started. The revolution in 2011 created an unclear situation were several confederations were formed and tried to gain political influence through the union confederation framework. This led to a renewal of the restrictions to the formation of trade union and confederation formation and a law introduced in 2013 created a framework where 15 federations could form a confederation and only unions with more than 150 members at a company level would be recognised as a union. In 2017 these thresholds were adjusted after a large number of complaints about the restrictions, and at this moment there is a 10-federation threshold to start a confederation and 50 members to get a union recognised.

Still criticised restrictions and obstacles stands in the way of the formation of unions in the country. The process is lengthy and requires detailed personal details of prospective members – including social security number, which is hard for many informal and private sector employees to obtain. At this moment there is no official records or statistics of how large part of the working population that is unionized.

When it comes to social dialogue, there are no effective instruments for the process to take place. The labour law stimulates the rights to social dialogue, but there have not been any examples of any dialogue as defined by ILO since 2014. Before that, there were some regional and sectorial level examples in the period between 2011 and 2014, but these have since stagnated. The government tolerate the formation of social dialogue because they want to attract investments, and for that purpose, it is necessary to be aligned with international standards. However, for social dialogue to function, there needs to be capacity building, and the government is not supporting this. There is potential within the social dialogue to improve labour conditions if education and awareness-raising are provided.
Egypt has neither national nor sectorial CBAs. Agreements are only reached at a company level. There was a booming situation for these types of company-level CBAs between 2011-2016 in the private sector. Unfortunately, not all of them have been acknowledged by the Ministry of Labour, which is required for them to be valid. ILO tried to map CBAs formed but had no access to information through the Ministry of Labour and could hence only access to 240 CBAs published between 2011 and 2017 that was published in the Egyptian Gazette; however, this seems not to be an exhaustive number.

There is little to no updated information of grievance mechanisms accessible to workers and unions. There is a large number of cases at the labour court, with more than 1000 pending cases. The process can take up to 5 years, and this can bring high costs to the individual workers and hence be beneficial of the employers. The labour law facilitates escalation pathways to conflict resolution. The unions play a role at awareness-raising, especially in the informal sector. When the new law came out, the law stipulated that unions had to defend the rights of workers regardless of whether these were unionized or not – thus, in a way, leaving the responsibility of access to justice to unions.

When it comes to the rights to strike, it exists in theory but is not in practice. It is constrained by the protest law that restricts public gathering, which requires that all protesters have to register protest/public gathering and get a security clearance. Demonstrations do however take place at the company level as there are no social dialogue mechanism and no mechanism to settle disputes to avoid resorting to protests/strike.

**General Trade Union of Building and Wood Workers at HeidelbergCement**

It is estimated that 25% of all workers in the construction sector are unionized, which is one of the most significant percentages of unionization within a sector. At the HeidelbergCement plants, approximately 30-35% of the total workforce is paying union members. The General Trade Union of Building and Wood Workers is seen to be an independent union.

Egyptian workers are facing problems at HeidelbergCement plant. In 2010, the company started to rely on subcontracting companies for all types of services and core activities at the plants. Workers were informed that the companies did not have enough means to hire workers at some instances there were dismissals. When it comes to unionizing subcontracted workers, there is a possibility within the bylaws of the unions, but it does not happen in practice. This leads to a significant difference in working conditions between permanent employees at the plants that members and subcontracted worker.

When it comes to the renewal of CBAs, there is a change in attitude by the company reported by the union officials. In the past, the union and the management used to get together three months in advance to negotiate. Still, nowadays both companies keep on delaying the negotiations, which conveys the message that they are not committed to the process of CBA negotiations.

In general, there is tension between union and Heidelberg as the union have taken the company to court to settle disagreements twice and won both cases. A third case has recently been taken to court but have not been decided at the moment of the field visit. All of the court cases are tied to non-compliance with CBAs on matters of allowances and workers’ rights to profit shares.
Methodology

Fieldwork was conducted in Egypt from 8 to 13 December 2019. During this period, the research team conducted face-to-face interviews and focus group discussions (FDGs) with workers, and other stakeholders including trade union officials, government officers, and representatives from national and international non-governmental organisations (NGOs).

Interviewees and FGDs participants were identified in close collaboration with the local trade union affiliate. These interviews took place at Sokhnah plant owned by the LafargeHolcim Group and Suez Cement owned by HeidelbergCement. The interviews were complemented with transect walks to the different working stations in each of the visited plants. The list and number of persons interviewed, were applicable, at each of the plants are presented in Table 1.

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Heidelberg</th>
<th>Suez</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Staff</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Supervisors at the project level</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Construction workers / Union members</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Union leaders</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Government officials</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>NGO representatives</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td></td>
</tr>
</tbody>
</table>

The labour and social practices at the construction sites were assessed based on ILO labour standards and other international norms as well as labour laws. In total, nine issues were covered: four core labour issues (child labour, forced labour, freedom of association, and collective bargaining and discrimination) and five labour and social issues (wages, ethical hiring and contracting, working hours and overtime, gender equality, occupational health and safety). Table 3 shows the list of labour issues and topics assessed during the site visits.

<table>
<thead>
<tr>
<th>Labour issues</th>
<th>Topics considered for the assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child labour</td>
<td>• Child labour policy</td>
</tr>
<tr>
<td></td>
<td>• Child protection measures</td>
</tr>
<tr>
<td>Forced labour</td>
<td>• Coercion</td>
</tr>
<tr>
<td></td>
<td>• Violence</td>
</tr>
<tr>
<td></td>
<td>• Non-voluntary overtime</td>
</tr>
<tr>
<td></td>
<td>• Debt-bondage</td>
</tr>
<tr>
<td>Freedom of association and collective</td>
<td>• Freedom to join/form unions</td>
</tr>
<tr>
<td>bargaining</td>
<td>• Support for union operations</td>
</tr>
</tbody>
</table>

Table 1 List of stakeholder groups and number of persons interviewed

Table 2 List of labour issues and related issues
For the assessment, we have used a traffic light system assigning colours to the company’s level of compliance with the labour issues above (Table 3). The findings of this study (including individual assessments for each of the plants) are discussed, and conclusions are provided in Chapters 1-3. Chapter 4 provides recommendations.

Table 3  The categorisation of the level of labour compliance

<table>
<thead>
<tr>
<th>Colour code</th>
<th>Level of compliance</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red</td>
<td>Very low</td>
<td>The company does not comply with several key issues under the topic and does not appear to be taking any concrete actions towards compliance.</td>
</tr>
<tr>
<td>Yellow</td>
<td>Low</td>
<td>The company does not comply with some key issues under the topic. The company is conscious of the issues but remains lax on concrete actions towards compliance.</td>
</tr>
<tr>
<td>Green</td>
<td>Medium</td>
<td>The company complies with several critical issues under the topic with concrete actions. However, it still needs to take some actions towards continuous improvement.</td>
</tr>
<tr>
<td>High</td>
<td>The company complies with most key issues under tb topic with concrete actions and has established good continuous improvement measures.</td>
<td></td>
</tr>
</tbody>
</table>
HeidelbergCement Egypt – Suez Cement plant

HeidelbergCement has 1,540 direct employees (FTEs) spread over its four plants in Egypt. Out of these 1,540 direct employees, 243 work at the Suez plant. In addition to the direct employees, 231 subcontracted employees work at the plant.

Since 2018, Heidelberg is reducing the number of staff (i.e. not extending the contract of fixed-term workers). This is done as a measure to reduce loses (2000 workers lost their job since, which represent ca. 50% of the total workforce). Upon dismissal, each of the conditions was negotiated on an individual basis. The workers did not want to go to the union because they were content with the compensation they received from the company. The company is trying to coerce workers to go into early retirement.

1.1 Child labour

The Egyptian government has established laws and regulations related to child labour *ILO C. 138, Minimum Age* and *ILO C. 182, Worst Forms of Child Labour*. No evidence suggests underage workers at the plant sites. Workers ensured that children are never allowed within the plant, and there are clear safety measures to keep non-authorised from entering the premises. There are no active programs to provide benefits for employees with children such as childcare, but there is a scholarship program to support excelling students through high school and university.

1.2 Forced labour

Egypt has ratified ILO *Conventions 29 and 105 on the Elimination of Forced Labour and Compulsory Labour*. There is no evidence of forced labour taking place at the Suez Cement plant.

1.3 Freedom of association and collective bargaining

Egypt has ratified both *C098 - Right to Organise and Collective Bargaining Convention, 1949* and *C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948*. All direct employees at the plant are unionised. When it comes to subcontracted workers, there is no right to join the union. However, the union assists them if they face problems at the workplace.

The relationship between the union and the management is at the moment strained due to a long-term conflict concerning the workers right to profit shares. The conflict is based on a CBA agreement that, in accordance with the Egyptian law, ensures employees the right to 10 percent of the profit share of the company. This has not happened since 2015. The union went to the labour court and got a final decision which confirmed the workers right to a percentage of the profit share, but till now the company has not replied to this decision (the ruling has been out for two years). They filed the case in 2016, and finally, the verdict came out at the end of 2017, giving the workers right and specified that there where profits made. There are law enforcement mechanisms to enforce this verdict through seizing assets of the companies. However, the union chose not to do this because the workers would be the first ones affected by this measure. Hence, the conflict has reached a standstill.

Due to the conflict, there is no real implementation of the negotiated CBA. The current CBA was negotiated in 2017 and is valid until 2020. The company says they do not have financial resources to enter a new negotiation and therefore does not want to sign any new CBA. However, according to the law, if no new CBA signed, the oldest CBA applies.

1.4 Discrimination
There are signs of gender discrimination as there are only 10-12 women employed at the plant conducting finance, HR director, talent manager, laboratory tasks. However, there is no clear evidence that this is due to discriminatory practices at the point of hiring or if it is connected to cultural customs.

There are no demonstrated efforts by the company to change the gender distribution among the employees.

There is significant but hidden discrimination between direct and subcontracted employees. There is no clear division of the activities that are performed by subcontracted employees. However, there are still considerable differences in employee benefits provided, from wages, right to leave, access to health care and ethical hiring practices. There is no freedom of association for subcontracted workers. Financially, the system has set subcontracted and regularly hired workers against each other (i.e. there is no incentive for stable workers to fight for the rights of subcontracted workers).

The unions argue that they have very little room for action, and by fighting for the subcontracted workers’ rights, they would be jeopardising these workers’ job security. Subcontractors do not fall into the jurisdiction of HR either and are therefore not covered by actions taken to improve the conditions of the human resource.

1.5 Wages

The direct employees are all receiving a salary substantially higher than the Egyptian minimum wage. It is paid regularly by a monthly bank transfer, and there is a clear payslip given to each employee. Additional benefits that are provided by the company includes a daily meal and medical insurance that also covers their family members (up to 24 years of age).

For subcontracted employees, the wages keep close to the national minimum wage of 2000 Egyptian pounds (128,52 USD), for a 42h work week (7 hours a day 6 days a week). This is a breach of ILO C. 100 Equal Remuneration, which Egypt has ratified.

1.6 Working hours and overtime

Working days are of 8 hours, five days a week, 40 hours in total for direct employees. Workers are not obliged to do overtime, but the regular overtime reaches a maximum of 2-4 hours a day which is compensated with a 200% salary compensation.

Subcontracted workers work 6 days a week with 7 paid working hours as per the Egyptian Labour Law. For packers, the work is built up in a special way where teams work for one-hour and then have a one-hour break for a 14-hour shift. This is a particular practice of shift work which the implications for the workers’ health can be discussed, but it is seen to be on the legal side within the grey zone of the labour law.

1.7 Ethical hiring and contracting

There is a transparent HR process when it comes to direct employees of HeidelbergCement. Every employee receives an individual contract. There are two types of contracts: temporary (for one year) and permanent. As of the last five years, all new contracts are renewed yearly. This is because companies want to reduce costs and this way, they can dismiss workers easier. Also, early retirement is increasingly encouraged by the companies.

There is a transparent payroll system from where every employee receives a payslip at the end of the month.
For direct employees, there are open grievance mechanisms in place. Individual complaints are solved in collaboration between HR and the union. The workers can go to direct management which refers to HR; other workers go to the union, which conveys the problems to HR. The HR aims to settle disputes discretely, but if this doesn’t work, the disputes go to court, which is a very long drawn process.

For subcontracted employees, the hiring practices differ significantly. The HR is not involved in the employment of subcontracted workers, nor the implementation of any policies concerning their labour conditions. Subcontracted workers interviewed by the research team, did not have any individual contracts but were instead given the news about their work prospects each month. One man gave accounts of working under this routine for more than 10 years. As the responsibility of contract compliance lays at the department of contracting, there is no transparent system of grievance for the subcontracted workers. However, accounts were given by management that contracts of subcontractors have been suspended due to lack of compliance to labour clauses in the contract. These subcontractors are excluded from joining future tendering processes.

The major conflict connected to the contracts of direct employees is the one of the profit shares as mentioned in the introduction. Under the CBA and the labour law, there is a right for workers to receive 10% of the profit shares. Since 2015 when the plant was still a part of Italy Cement the profit shares have not been distributed among workers. The company claims that this is due to that the company claims that they have not made any profits. On the other hand, the union claims that this is due to that the company covers losses for other parts of the organisation, to hide profits made. The conflict has gone to the court which has declared that there are profits which the workers have rights to. However, this has not settled the dispute between the parties.

1.8 Gender equality

As mentioned earlier, there are signs of gender discrimination as there are only 10-12 women who work at the plant (finance, HR director, talent manager, laboratory). However, there is no clear evidence that this is due to discriminatory practices at the point of hiring or if it is connected to cultural customs.

1.9 Occupational Safety and Health (OSH)

The cement sector is seen as a hazardous sector and therefore requires extensive OSH measures. This can be seen to have been duly respected at the Suez Cement Plant. There are security checks to enter the plant vicinity. Before accessing the area, a security induction performed for all visitors, and there are clear demarcations for walking areas and non-walking areas. A LOTOTO system is introduced during the year of 2019 but still not fully functional on a personal level and for subcontracted workers.

With regards to social security and access to healthcare, there are significant differences between the direct employees of Heidelberg and subcontracted employees. For direct employees, a private health insurance is provided, and there is a clinic on site. In case of an accident, workers go to the clinic (two doctors per shift, two nurses per shift and two ambulances), they can receive first aid. Still, if it is a more severe accident, the ambulance takes them to the nearest hospital (15-minute drive away – Airforce hospital). The employees’ direct manager writes an email explaining the accident to the doctor and the safety department. Workers who cannot return to their functions are given another task, and they get a compensation (according to Egyptian law, workers are entitled to all their benefits, plus compensation, and the company pays for medical costs).
For subcontracted workers, access to healthcare looks different. They have access to health insurance but cannot use the onsite clinic. When it comes to social security, many subcontracted workers face issues because they need to be given a social security number from their employers, which they do not have.

Not having a social security number is not only a constraint to organise in unions, but also to access other benefits. In the public sector, employers are very reluctant to give this to workers, and this is possible because different laws apply to this sector. In the private sector, women are more affected by regulation: if they get any number at all, this goes to men. Most companies are SMEs (between 80-90 percent) each with an average of 12 workers. The atomization of SMEs makes it challenging to enforce the workers’ rights to social security. While healthcare is part of the workers’ benefits by law, this one is very basic and not very efficient.

Weekly toolbox meetings are held. PPE, vest, glasses, helmet, earplugs, safety shoes, is distributed and obligatory for all workers but also here there is a difference in quality between the equipment received by direct and subcontracted employees.

Health checks are performed by the Ministry of Manpower (MoM), quarterly or yearly, depending on the risk assessment of the work that the employee performs. HeidelbergCement reports accidents to MoM for direct workers every six months, and subcontractors are responsible for reporting about their workers. Checks are random.

### 1.10 Conclusions from labour compliance assessment

In Table 4, an overview of the compliance to international and national labour standards is presented for the HeidelbergCement plant visited. Overall, it shows that the level of compliance is to a great extent med-level in the sense that there is an awareness of issues. However, there is still work to be done to reach full compliance with international labour standards and in order to show continuous improvement of the labour situation at the plant. The most severe non-compliance observed was connected to the use of subcontractors and the lack of implementations of labour policies and standards by these subcontractors and the lack of control mechanisms within the HeidelbergCement operation to monitor these actors.

<table>
<thead>
<tr>
<th>Labour issues</th>
<th>Summary of findings</th>
<th>Summary of non-compliance /breach of local and int. labour law</th>
<th>Level of compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child labour</td>
<td>No child labour at the plant site</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forced labour</td>
<td>Overtime is voluntary. Subcontracted workers are kept for 14 hours at the workplace but just paid for 7h of active work.</td>
<td>C029 - Forced Labour Convention, 1930 (No. 29) C105 - Abolition of Forced Labour Convention, 1957 (No. 105)</td>
<td></td>
</tr>
<tr>
<td>Freedom of association and collective bargaining</td>
<td>Freedom to join/form unions Agreements are reached in court</td>
<td>C098 - Right to Organise and Collective Bargaining Convention, 1949</td>
<td></td>
</tr>
</tbody>
</table>
| **Discrimination** | • No evidence of gender-based discrimination  
• Equal employment opportunities for workers disabled during the course of duty  
• Discriminatory labour conditions for subcontracted workers.  
| **Wages** | • Minimum wages are provided to all workers  
• Subcontracted workers receive a much lower salary for the same work.  
| **Working hours** | • Regular hours and overtime are limited for direct employees.  
• Subcontracted employees are paid for 7h work even though that the shifts is spread over 14h.  
| **Ethical hiring and contracting** | • Turnover is low and new employees recruited as subcontractors  
• Contracts and payslips are provided for direct employees.  
• Training is provided.  
| **Gender equality** | • Equal opportunity for women but no encouragement for women at each type of work.  
| **Occupation safety and health (OSH)** | • OSH management system is in place  
• Some health services are provided (First Aid and medical checks)  
• PPE is provided, but its use not sufficiently enforced  
• Subcontracted workers do not have access to the clinic on site  
• Collective bargaining agreement (CBA) has not been negotiated for 4 years and not fully implemented.  
• C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948.  
• ILO C111, Discrimination (Employment and Occupation) Convention, 1958.  
• U/S 345 of BLA 2006.  
• ILO C100 Equal Remuneration,  
• ILO C131 - Minimum Wage Fixing Convention, 1970  
• Articles 2 and 6(2) of the ILO C001 - Hours of Work (Industry) Convention, 1919  
• ILO C155 - Occupational Safety and Health Convention, 1981.
1.11 Recommendations

Below are several recommendations on each of the topics assessed. HeidelbergCement should endeavour to work in partnership with independent experts and union leaders to develop an action plan for addressing the issues identified and implementing the recommendations outlined.

Child labour

- HeidelbergCement should ensure that there are childcare facilities and support the education of its workers’ children.

Freedom of association and collective bargaining

- There should be a continuous process of negotiating CBAs, and this should not be affected by any court cases handled by the union.

Discrimination

- HeidelbergCement should ensure equal treatment and the provision of similar welfare facilities for workers irrespective of their type of contract.
- HeidelbergCement should take concrete steps to ensure women’s access to all positions within the company.

Wages

- HeidelbergCement should strive to pay decent living wages to all workers on the project, based on well-researched studies on living wages in the construction sector in Egypt. The company should commence the implementation of a wage scale for all categories of workers.
- HeidelbergCement should ensure that workers can earn a decent wage within ordinary working hours, without engaging in extensive overtime.
- HeidelbergCement should ensure that all bonuses that are legally entitled to the workers are paid without delay and in accordance with the law and/or negotiated CBA.

Working Hours and Overtime

- HeidelbergCement management should establish and enforce a policy that workers’ overtime should not exceed the legally allowed maximum. A mechanism for recording and monitoring workers’ overtime should be established.
- Prior to engaging the workers in any overtime work, HeidelbergCement should ensure that workers provide written and signed consent. Workers should be informed of their rights to refuse over time and should not be punished for refusal. Records of this written consent must be kept.
- Subcontracted workers should only be tied to their workplace for 8 hours on an ordinary shift. If the work is heavy-duty, breaks should be included in these shifts. If the worker is working every second hour, the hour of the break should also be considered working time.

Ethical hiring and contracting

- HeidelbergCement should ensure that all agreements of subcontractors have clauses on labour conditions and specific requirements for adherence to the labour law and company policies on human resources.
- HeidelbergCement should ensure that subcontracted workers are allowed annual leave and sick leave according to the law.
• HeidelbergCement should ensure that the company directly hires the subcontracted workers that perform core activities.

Gender
• HeidelbergCement should establish a gender policy that indicates its commitment to gender equality and the maximum participation of women on equal terms with men in all aspects within the project. The policy should be in line with the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) 1979.
• HeidelbergCement should ensure that there is proper documentation of all reported cases of sexual harassment or violence against women at project sites.
• HeidelbergCement should establish a formal complaint and grievance system and procedure for reporting all cases of sexual harassment and domestic violence, explicitly including steps to be taken for adequate protection of victims (and witnesses), appropriate medical examination and treatment. This system and procedure should be mandatorily socialised at least twice a year.

OSH
• HeidelbergCement management should endeavour to provide PPEs with good quality. The company should ensure that all workers are entitled to and given at least four sets of PPEs per year according to the union - helmets, boots, gloves, clothing (full overall), reflectors, earplugs, eye protection etc. The company should ensure that it has adequate stock of PPEs and can replace them in no less than a couple of days after the worker makes a request.
• HeidelbergCement should comply with regulations on first aid in the workplace, by making sure that each location or plant site has adequate first aid box with facilities in the form of necessary equipment, supplies, and materials used in administering first aid.
• HeidelbergCement should ensure that all workers, including subcontracted workers, have access to the same health benefits and are subjected to periodical health checks.
• HeidelbergCement should ensure that all subcontracted workers have the right to sick leave and compensation to any work-related injury or health issue.
Reference
