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The Cabinet
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Implications of the Global Financial and Economic Crisis on the Tourism Sector in Egypt



January 2010





Implications of the Global Financial and Economic Crisis on the Tourism Sector in Egypt

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January 2010

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International Labour Organization

Implications of the Global Financial and Economic Crisis on the Tourism Sector in Egypt

By Mohaya Zaytoun with the cooperation of Ahmed Heiba and Maha Abdel Hakim;
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Foreward

The 2008-2009 global financial and economic crisis is one of historical dimensions, some would dispute it as one of the broadest, deepest, and most complex crises since the great depression. Despite its origin in the housing mortgage market in the USA, this crisis has created economic difficulties for both developed and developing countries. The difficulties experienced in the USA housing market spilled over into the financial markets in the USA and Europe. This financial crisis then spilled over to the real sector as reduction in income, wealth, and credit resulted in a reduced demand for goods and services.

Tourism is especially vulnerable to economic uncertainty and volatility for a simple reason; most travel and tourism involves luxurious expenses. During tough economic times people conserve their cash to cover the essentials in life. However, this does not mean that tourism stops.

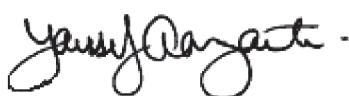
This study is a contribution to the debate on the impacts of global economic and financial crisis on the tourism sector in Egypt generally and on tourism employment in particular. It is obvious that tourism is one of the dynamic sectors within the Egyptian economy, it has backward linkages with different sectors, and it is also highly exposed to world market and external demand.

Given the importance of this issue, the present study is the result of a collaborative effort between Information and Decision Support Center (IDSC) and International Labour Organization / Sub-Regional Office for North Africa in Cairo (ILO/SRO-Cairo). In this respect, the study tries to reflect different views of stake holders whether employers or employees in order to come up with comprehensive assessment. The unit of analysis is the hotel establishment, as hotels are usually considered the most important segment of the tourism industry. The study covers hotel categories (5-, 4-, 3- star) in most prominent tourism destinations, "Greater Cairo", "Luxor and Aswan", and "Red Sea and South Sinai". This segmentation is useful because each region represents a distinctive touristic motivation or tourism type. "Red Sea and South Sinai" region stands for beach tourism, "Luxor and Aswan" typify culture tourism, whereas "Greater Cairo" combines a multi-purpose tourism: culture, recreation, business, education, health, religion...etc.

The study provided several recommendations to ease the impact of the crisis on the activities and employment in the Egyptian tourism sector and it tried to explore the expectations of respondents concerning the trajectory of the crisis, as the majority of them expected the termination of the crisis impact on tourism at most by the end of 2010.

Finally, we hope that through cooperation between the ILO and IDSC in mutual areas of interest, we will have a significant impact on developing the decision-making process in Egypt, as this study is a particular example of establishing linkages between national and international agencies in order to share and disseminate knowledge.

Yousef Qaryouti, Ph.D.



Director

ILO/SRO-Cairo

Magued Osman, Ph.D



Chairman

IDSC, The Egyptian Cabinet

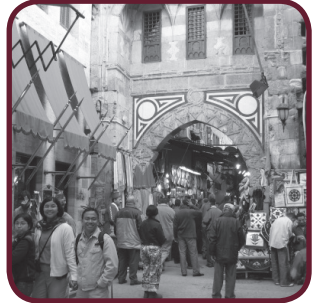
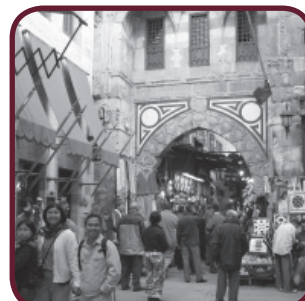


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Abstract

The main objective of this study is to examine the impact of the global financial and economic crisis (GFEC) on Egyptian tourism generally, and on tourism employment in particular. The importance of this examination stems from the fact that tourism is one of the few dynamic sectors within the Egyptian economy, and it is also an economic activity closely connected to world market and external demand. The crisis therefore is most likely to exert a crucial impact on employment in the tourism sector which is essentially a service sector.

For the purposes of this study, the FY 2008/2009 is considered to be the equivalent of the crisis period. Analysis of the quarterly and monthly official statistics reveals detailed information of the impact of the crisis. The findings demonstrate that tourist demand in Egypt witnessed a setback in 2008/2009 where the burden of crisis fell heavily on International Tourist Arrivals (ITAs) and Tourist Nights (TNs) during the months of January – March 2009. A negative but small rate of growth of foreign exchange receipts (FER) has also been observed for the whole FY 2008/2009. The most severe negative growth, however, appeared during the third quarter of this year.

However, given the high performance of most tourism indicators over the period preceding the GFEC, and the optimistic future expectations predominant before the crisis, the opportunity losses were found to be considerable in terms of ITAs, TNs, FER and tourism GDP. Yet, a tendency towards partial recovery has also been observed for all tourism indicators towards the end of the FY 2008/2009.

The study has also undertaken a Hotel Sample Survey (HSS) covering the Egyptian hotel sector, in order to highlight the crisis impact utilizing first hand data and direct information which cannot be easily obtained from published statistics. The Hotel Sample Survey's (HSS) results have revealed the existence of a widespread negative impact of the crisis on: hotel occupancy, hotel revenues and liquidity. Regarding the impact on employment policy, there is almost consensus among hotel employers that the impact of the crisis has been negligible re: laying off workers, transferring them from one hotel or company to another, or changing their employment contracts. On the other hand, the employment policies which have been more frequently adopted in response to the crisis are in decreasing order of importance: ceasing new appointments, reduction in workers incentives and bonuses, and in some cases imposing compulsory vacations on workers. The (HSS) results reveal further that the negative impacts of the crisis have not been directed against any particular group of workers.

The study finally presents tourism workers' viewpoint on the impact of the crisis. It is claimed that workers dismissal has not been a rare event, particularly during the early period of the crisis where uncertainty and confusion prevailed.



General Overview

Since September 2008, the world economy began to clearly face an exceptional financial crisis which has triggered one of the most severe recessions in generations. It started as a financial crisis in the USA and the developed world, and has now become a Global Financial and Economic Crisis (GFEC). The severity of the GFEC is revealed from the World Bank statement that the global economy is shrinking for the first time since World War II.

Although Egypt and many developing countries were relatively less exposed to the crisis until the end of 2008, no country now remains unaffected. Developing countries have become severely vulnerable to the global slowdown as almost all advanced economies entered into recession, and many businesses and companies have been forced into bankruptcy and closure. Many observers agree that this recession may last even beyond 2009.

The sectors most likely to be hit by the GFEC are those greatly dependent on external markets and world demand. The tourism sector is particularly vulnerable to external economic uncertainty and volatility, since most activities related to tourism are usually optional, and in time of crisis people in advanced countries tend to focus on the essentials of life. The demand for recreational activities is likely therefore to decline, or at least change as short-haul destinations are preferred to long-haul ones. Either way, this is most likely to negatively impact Egyptian tourism which depends mainly on tourists from advanced countries.

On the other hand, the more crucial tourism is to the overall economy, the greater the influence of the crisis on that economy. In Egypt the tourism industry is one of the few dynamic economic sectors, playing a vital role in the economy, including contribution to gross domestic product (GDP), foreign exchange earnings and employment.

The impact of the GFEC on this sector, therefore, deserves careful examination, focusing particularly on the role tourism plays in employment and how this role is being affected by the crisis.

The paper is divided into the following four sections. The first underlines the main features and developments of the Egyptian tourism sector particularly during the few years preceding the crisis (2004-2008). In the second section the impact of the GFEC on the tourism sector in Egypt will be investigated using secondary data and assembling the information available so far on the impact of the crisis. The third section deals with an indepth analysis of the impact of the crisis utilizing the results of a hotel sample survey. The survey is constructed by the present study to portray hotel employers' response to the crisis, especially with regard to employment. In addition, two other sources of information are utilized reflecting the point of view of tourism workers', especially that of the hotel employees. The study ends with a fourth section which provides some insights on ways and means of counteracting the impact of the crisis on Egyptian tourism and its future prospects.

(1) Overview of the Egyptian Tourism Industry Prior to the GFEC

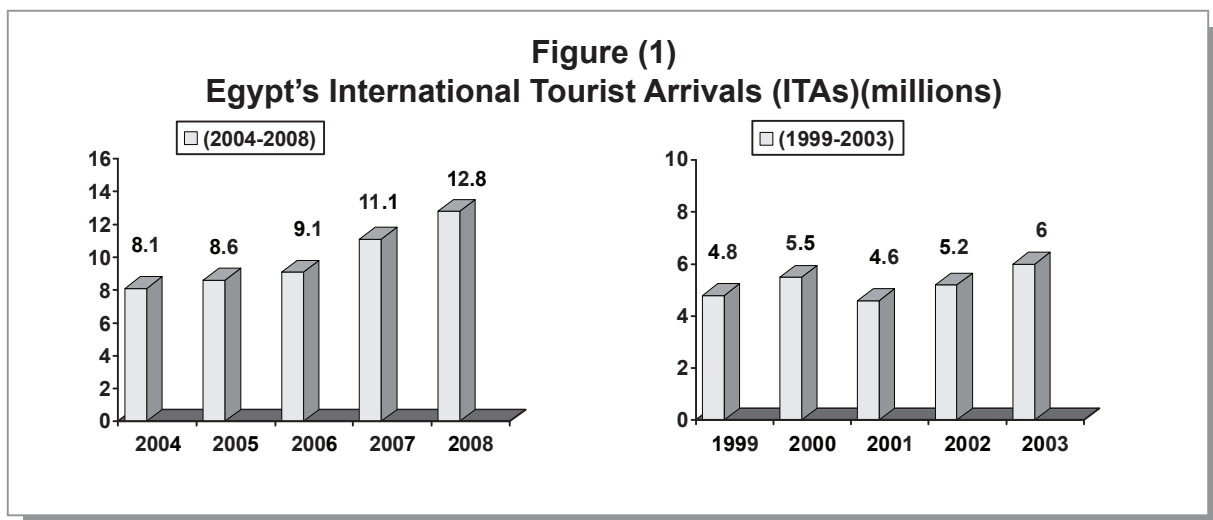
The overview covers three main components of the Egyptian tourism industry which are directly related to the purpose of the present study, namely: Demand, Capacity and Employment. The analysis will focus on the period 2004-2008, but developments since the beginning of the decade will occasionally be reviewed.



(1-1) Tourist Demand

(1-1-1) International Tourist Arrivals

The growth potential of international tourist demand over the period 2004-2008 was very promising. A steady increase occurred over the period compared with the 1999-2003 period where the number of international tourist arrivals (ITAs) was erratic due to several occurrences such as: September 11 events, Iraq war and some extremists' attacks on tourists. Inflow of ITAs to Egypt is demonstrated in figure (1). The number of tourists increased from 8.1 million in 2004 to 12.8 million in 2008, making an average over the period of about 10 million tourists, representing almost double the average achieved during the previous period (1999-2003).



Source: CAPMAS (Central Agency for Public Mobilization and Statistics), Annual Bulletin of Tourism Statistics, Different Issues.

The development of ITAs flow to Egypt and its increasing proportional importance regionally can be viewed from the information given in table (1).

Table (1)
Development of International Tourist Arrivals (ITAs) and Egypt's Share (in millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
World ⁽¹⁾	640	687	687	707	695	765	804	847	904	922
Middle East ⁽²⁾	21.5	24.2	24.5	28.5	29.5	36.3	37.9	41.4	47.0	55.6
Egypt ⁽³⁾	4.8	5.5	4.6	5.2	6.0	8.1	8.6	9.1	11.1	12.8
Egypt/World ⁽⁴⁾ (%)	0.75	0.80	0.67	0.74	0.86	1.05	1.07	1.07	1.23	1.39
Egypt/Middle East ⁽⁵⁾ (%)	22.3	22.7	18.8	18.2	20.3	22.3	22.7	22.0	23.6	23.0

Sources:

(1) World Tourism Organization (UNWTO), Tourism Market Trends, 2006.

(2) UNWTO, World Tourism Barometer, Vol. 7, No. 1, January 2009.

(3) UNWTO, World Tourism Barometer, Vol. 6, No. 3, October 2008.

(4) CAPMAS, Annual Bulletin of Tourism Statistics, Different Issues.

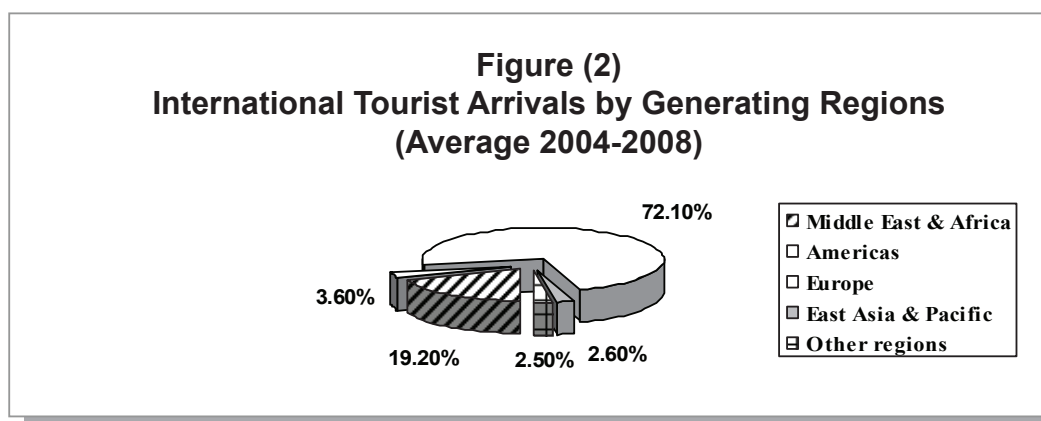
(5) Ministry of Tourism, Egypt.

In addition to the above, the number of tourist nights spent over the same period manifests an impressive increase from 31 million in 1999 to 129 million in 2008, achieving an annual compound rate of growth as high as 17.2%. During 2004-2008 the rate of growth of tourist nights remained high (12.1%), yet lower than the average for the whole period.

(1-1-2) Tourists Generating Regions

The demand for tourism to Egypt in 2008 can be segmented by generating regions. Western Europe is the major generating sub-region accounting for 46% of ITAs to Egypt. Eastern Europe is the second major sub-region (29%). The European region (West and East) supply the great majority of tourists (75%), far exceeding the share of the Middle East and Africa region (16%) which occupies the second place after Europe.

The average relative share of each region for the complete period 2004-2008 is given in figure (2). The figure confirms almost the same pattern of distribution given for the year 2008.



Source: CAPMAS, Annual Bulletin of Tourism Statistics, Different Issues.

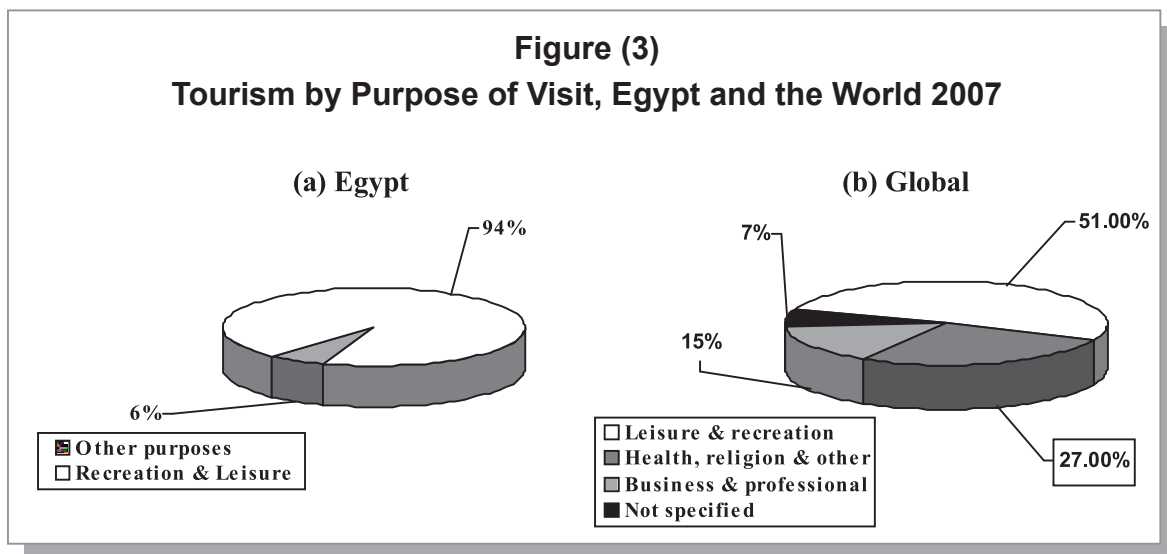
It should be noted, however, that between 2004 and 2008, Eastern Europe has greatly substantiated its position as a generating sub-region for Egypt by increasing its relative share from 16.6% in 2004 to 29.2% in 2008. This is a continuation of the trend prevailed in the previous period where the share of Eastern European tourists in 2000 was only 6.1%. The increase has taken place at the expense of the decline in the relative share of Western Europe and to some extent the Middle East region.

Furthermore, in two consecutive years: 2006 and 2007 Russian tourists moved to the first position in the ranking of nationalities visiting Egypt. Achieving 1.6 million visitors in 2007, they replaced German, UK, and Italian visitors who occupied the top rank in previous years.

(1-1-3) Purpose of Visit

Traditionally, tourism in Egypt has focused on the Egyptian cultural heritage. However, since the rapid development of South Sinai and the Red Sea tourist destinations, recreation and leisure activities have become gradually the main tourism purpose accounting for 94%, i.e. more than 10 million out of a total of 11 million ITAs in 2007 (figure 3). From the same figure it can be noted that the relative share of all other purposes of visit do not exceed 6.0%. Among the other purposes, same-day visits represent the major purpose (66%), whereas education and health treatment stand for almost negligible shares.

Compared with the corresponding world pattern illustrated in figure (3), it is obvious that the Egyptian pattern of the purpose of visit is quite different. Worldwide leisure activities and recreation represent a much lower percentage (51%), while business and health motivations account for a much higher percentage than in Egypt.

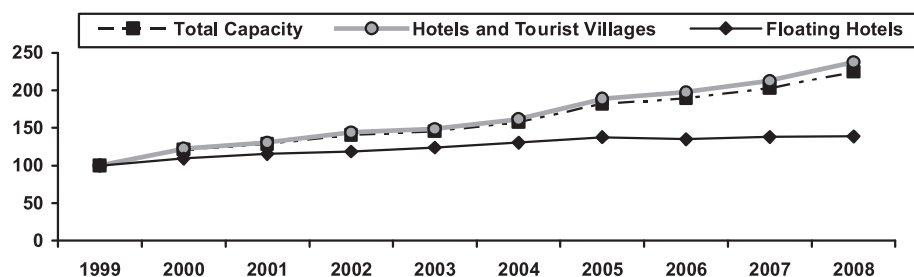


Source: Ministry of Tourism, Tourism in Figures, 2007.
UNWTO, Tourism Highlights 2008.

(1-2) Tourism Capacity

The high rate of growth of ITAs to Egypt has been accompanied by a rapid expansion of hotel capacity during the present decade. The total number of hotels reached 1490 in 2008 rising from 914 units in 1999 and from 1207 in 2004. The number of hotel rooms reached 211 thousand in 2008 up from 94 thousand in 1999 and from 148 thousand in 2004. Total capacity grew at an average annual compound rate of 9.4% during 1999-2008. As shown in figure (4), the growth is concentrated mainly in hotels and tourist-villages which have increased by an annual average rate of 9.9%.

Figure (4)
Index Numbers of Hotel Capacity by Type of Accommodation
(1999-2008)

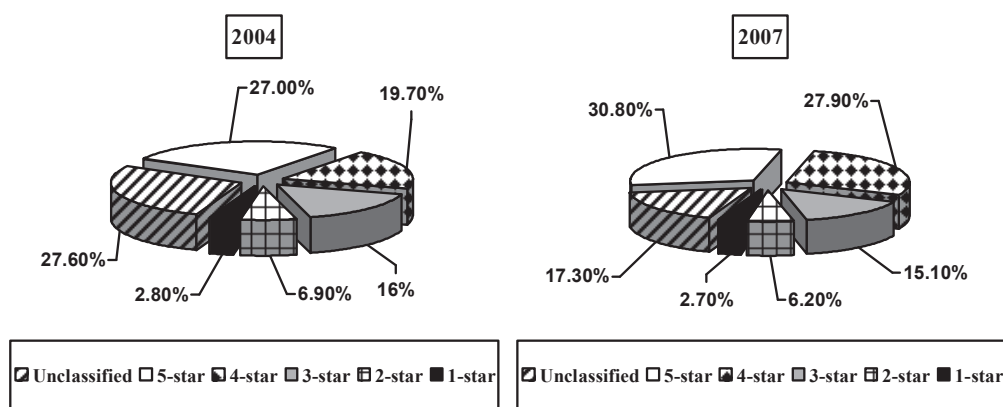


Source: Ministry of Tourism

From the same figure the slow expansion of the floating hotel capacity can be observed (with annual rate of growth 4.1%). Its share in total hotel capacity declined from 13.1% in 1999 to 8.1% in 2008. Floating hotels used to be a flourishing type of tourist accommodation in Egypt. However, the present decade witnessed a significant decline on both the demand and the supply side. On the demand side decline is due to the low service levels, and on the supply side it is due to overcrowding and inadequate infrastructure necessary for this type of tourist accommodation¹.

As far as the relative distribution of hotel capacity (number of rooms) according to hotel ranking is concerned, 5-star hotels continue to retain the highest share of total hotel capacity as given in figure (5). The share of both 5-star and 4-star hotel capacity also shows a significant increase, over the three-year period.

Figure (5)
Hotels and Tourist Villages Capacity (No. of Rooms) by Category
(2004, 2007)



Source: CAPMAS, Hotels and Tourist Villages Statistics, 2004.
 Ministry of Tourism, Tourism in Figures, 2007.

¹- American Chamber of Commerce in Egypt, Tourism Sector Developments in Egypt, Business Studies and Analysis Centre, March 2008.

(1-2-1) Regional Distribution

Distribution of tourism capacity across different tourist destinations in Egypt is shown in figure (6). It can be clearly seen that the rapidly developed areas of the Red Sea and South Sinai capture the great majority of hotel capacity. The share of these two destinations increased from 58.7% of total capacity in 2000 to 70.2% in 2008. Such expansion has occurred at the expense of the decline of the relative share of all other destinations including Greater Cairo. The share of Luxor and Aswan, the traditional two destinations well known for their unique cultural heritages, has significantly declined. From 2004 to 2008 the same trend is observed, showing significant capacity expansion in the Red Sea and South Sinai governorates at the expense of the relative share of other governorates.

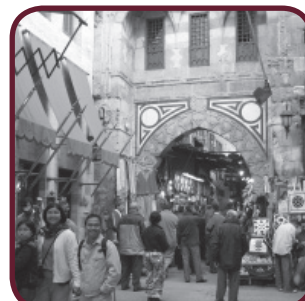
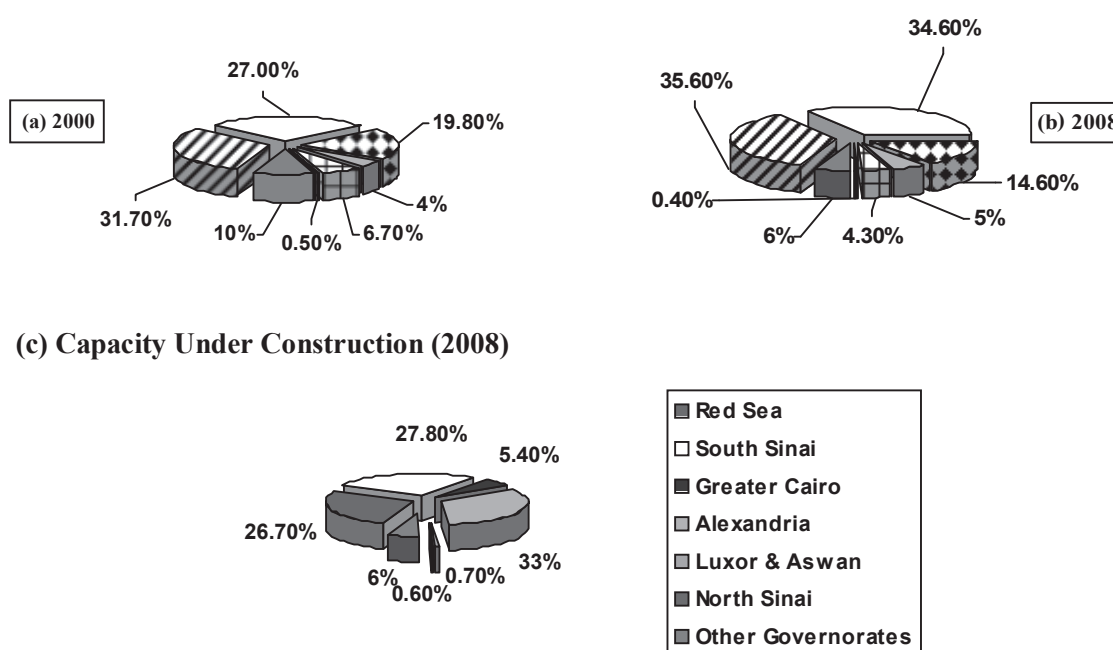


Figure (6)
Existing and Under Construction Hotels and Tourist Villages Capacity by Main Governorates / Areas (2000-2008)



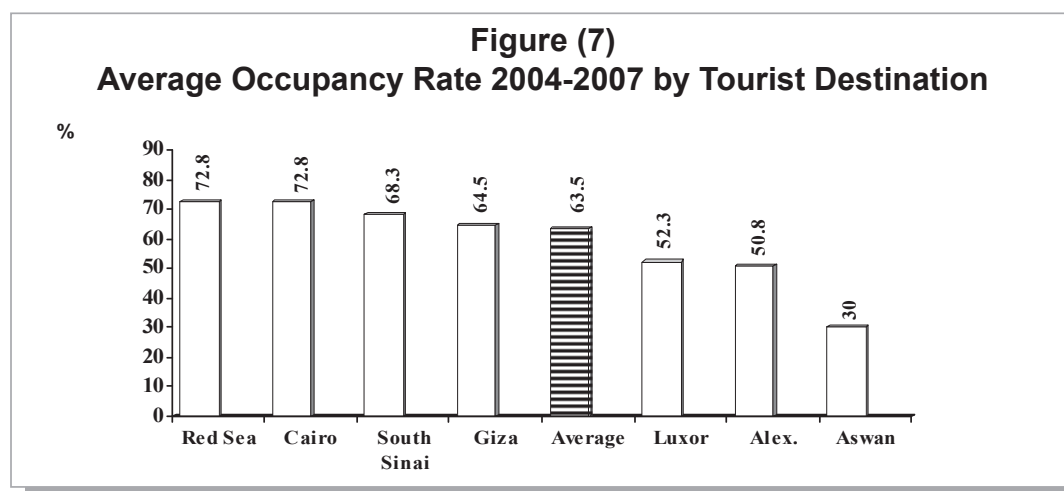
Source: Ministry of Tourism

In the future, the Red Sea and South Sinai governorates are expected to continue their speedy expansion. Each of them captures a very large share of the capacity under construction (26.7% and 27.8% respectively). However, Alexandria is supposed to realize the highest rate of growth in the future having a relative share of capacity under construction amounting to 33%. The expansion in this area is concentrated mainly in the North Coast area.

(1-2-2) Occupancy Rate

The rate of occupancy in Egypt fluctuates from one year to year. The highest overall rate since 1995 was achieved in the year 2000. The rate dropped over the following three years then increased in 2004 but has never reached the high level achieved in 2000.

Hotel occupancy among different tourism regions also varies significantly. The occupancy rate during the period 2004-2007 for each tourist destination is shown in figure (7). The average overall occupancy during the period is 63.5%. Red Sea, Cairo, South Sinai and Giza realized the highest rate of occupancy (higher than average), whereas Luxor, Alexandria and Aswan attained a lower than the average rate.



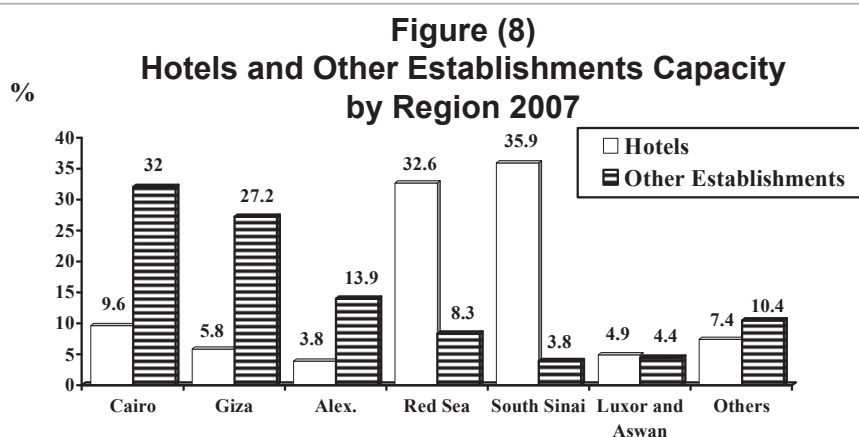
Source: Ministry of Tourism.

(1-2-3) Other Tourist Establishments

Although hotels may be considered the most important establishments related directly to tourism capacity, other tourism establishments such as restaurants, cafeterias and night clubs are also of significant importance, particularly as far as employment creation is concerned as will be shown in section 1.3. Unlike hotels, capacity related to these establishments is distributed differently across regions. From figure (8), Cairo, Giza and Alexandria had the largest share of these establishments in 2007, representing 73.1 of total capacity. In contrast, the Red Sea and South Sinai, the two most important governorates absorbing hotel capacity, accounted only for 12.1% of the capacity of other establishments. A situation which can be explained by the fact that fewer number of restaurants and cafeterias usually exist outside the hotel sector in remote tourist areas such as the Red Sea and South Sinai compared to the capital (Cairo) and other urban governorates.

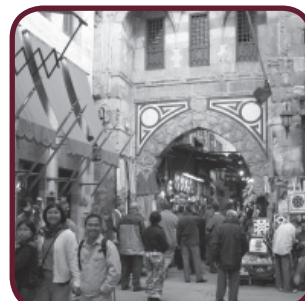
(1-2-4) Travel Agencies

Besides the expansion of hotels and other establishments' capacity illustrated above, the supply side of the Egyptian tourism industry has witnessed a significant increase in the number of travel agencies over the period 2004-2008. The annual growth rate over this period is estimated to be 8.2%.



Source: Ministry of Tourism, *Tourism in Figures*, 2007.

* includes: restaurant, cafeterias, night clubs.



(1-3) Tourism Employment

The tourism sector is generally considered as one of a highly labour intensive nature. Nevertheless, accurate estimation of employment generated by tourism is usually a difficult task. It is even more complex in Egypt due to the variations in national data collection practices and the different institutions formally responsible for this task².

The term tourism employment itself is rather ambiguous. Tourism creates direct and indirect employment, formal and informal, permanent, part time or seasonal. Even the straightforward term direct employment (utilized across the present study) is not confined to one or two specific activities, but rather it extends over several tourism services such as hotels, restaurants, air travel, recreation, transportation, travel agencies and shops. Furthermore, jobs created by most tourism activities are a mixed outcome of international tourist demand, domestic tourist demand and demand by ordinary Egyptian citizens or foreigners not conforming to the international definition of tourist. No wonder therefore that estimates of tourism employment tend to be either under-or over-estimated.

Any analysis of tourism employment should therefore be treated cautiously given the fragmented structure of the sector, variations in coverage, the difficulties involved in estimating all types of tourism labour and the mixed outcome of tourism and non-tourism employment.

(1-3-1) Development of Tourism Employment

Despite the above assessment, consistent comparative data on employment in hotels and tourist villages collected annually by (CAPMAS) are available. The data are based on comprehensive coverage of all hotel categories existing in Egypt. In spite of some deficiencies, they may be considered the most likely to be reliable. In addition, CAPMAS collects annual data on employment in the overall economy based on the Labour Force Sample Survey (LFSS). The hotel and restaurant activity represents tourism in these surveys, providing a full image of employment in the tourism and other economic sectors. Information from the latter source is displayed in table (2).

² - Sakr, Mohamed, *Action Plans for Employment Promotion and Working Conditions Improvement in the Egyptian Tourism Sector*, ILO, Cairo, August 2005.

Table (2)
Employment in Hotels and Restaurants (2004-2008) (100 Workers)

	2004	2005	2006	2007	2008
(1)Hotel and Restaurants	3344	3664	4114	3708	4623
(2) Total Employment	187175	193417	204436	217239	225073
(1)/(2)%	1.8	1.9	2.0	1.7	2.1

Source: CAPMAS, Labour Force Sample Survey, Different Issues.

It can be observed from the table that the expansion of tourist demand and capacity has yielded a significant growth in hotel and restaurant employment. Share of employment in this tourism sub-activity shows an increase from 1.8% of the total Egyptian workers in 2004 to 2.1% in 2008. The year 2007, however, seems to be an exceptional year where the share of hotel and restaurant employment diminished to 1.7%, a lower proportion than that recorded earlier for 2004.

Expansion of tourism employment is revealed also from the significant increase in the number of tourist guides employed in the sector especially between 2006 and 2007 where the rate of growth reached 41.1%. Tourist guide is one of the very few occupations purely related to tourism activity. Yet the number of jobs created by this occupation (14048 in 2007) is limited and did not exceed 3.8% of the total hotel and restaurant employment in 2007.

In spite of the above indicated expansion of hotel employment, two observations are in order:

- When compared with the contribution of other economic activities to total employment such as agriculture (31.6%), manufacturing industry (11.4%) and construction (10.1%), or services such as education (9.1%), the hotel and restaurant activity still represented, until 2008, a minor direct contribution (2.1%).
- Compared with the expansion in both tourist demand and hotel capacity, the growth in hotel employment seems to be more moderate table (3). This implies that the increase in international tourist demand (and capacity), may not necessarily create a corresponding increase in tourism employment. Underemployment which can be considered a typical feature of the Egyptian labour market and certainly of tourism employment, offers one explanation. Another may be productivity changes particularly in 4- and 5- star hotels which may tend to reduce employment growth. The automation of kitchens and other secondary activities and the shift from serviced meals to self catering are some examples.

Table (3)
ITAs, Tourism Capacity and Tourism Employment

	ITAs (,000)	Hotel Capacity	Employment* (,000)
1999	4796	93822	210
2000	5506	113611	217
2001	4646	120720	217
2002	5192	132109	239
2003	6045	136510	260
2004	8104	148039	285
2005	8608	170776	315
2006	9083	177613	345
2007	11091	190191	380
2008	12835	210800	(..)
Growth Rate	11.9%	9.4%	8.1%

* Employment data given for FY (1999/2000-2007/2008). (..) Not yet available

Source: Ministry of Economic Development. (MED)

(1-3-2) Labour Force Characteristics

The most important characteristics are those related to workers' gender, educational status, skill, regional distribution and nationality. It should be noted here that another feature of particular importance to tourism employment concerns security of employment. Information related to this aspect is not, however, available. It is hoped, therefore, to obtain further information from the survey outcomes given in the last section of the paper.

Female Employment

It can be observed from both tables (4) and (5) that Egyptian tourism does not seem to create a significant number of job opportunities for Egyptian women. Even worse, statistics in both tables reveal that the share of female employment in the hotel activity declined significantly over the period 2002/2003-2008. It is also worthy of notice that, according to the LFSS results, the number of female workers in some of the most important tourist destinations such as Aswan, Red Sea and South Sinai is very small.

However, taking into consideration that the official data may fail to record the number of casual workers in the tourism industry, its links with the informal economy and the possibility that women may represent a larger share in these activities than men, a certain degree of under-estimation of women's employment cannot be ruled out. Actually, Egyptian women may be active informally in guesthouses and family-based small hotels frequented usually by domestic tourists.

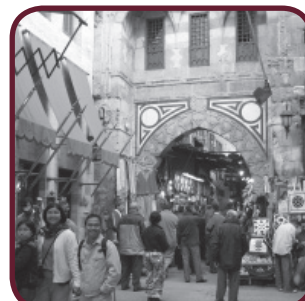


Table (4)
Total and Female Employment in Hotels and Tourist Villages

	2002/03	2004	2005	2006	2007
Total	84981	91581	95504	119996	117086
Female	6623	6683	7110	7659	6986
% Female	7.8	7.3	7.4	6.4	6.0

Source: Calculated from CAPMAS, Hotels and Tourist Villages Statistics.

Table (5)
Total and Female Employment in Hotels and Restaurants (Hundred)

	2003	2004	2005	2006	2007	2008
Total	2913	3345	3664	4114	3708	4623
Female	148	142	90	169	123	110
% Female	5.1	4.2	2.5	4.1	3.3	2.4

Source: CAPMAS, LFSS, Different Issues.

These statistics underline the fairly low participation of Egyptian female workers in tourism activities. This outcome may be supported by the fact that Egypt is a country of strong social traditions concerning women's roles. Many of the tasks involving a direct contact with tourists are preferably carried out by men. The same applies to jobs requiring night work or working in remote hotels far from the area of the women's residence. The especially low rate of women participation in hotel and restaurant activity is made more visible in light of the fact that the proportion of Egyptian women in the total labour force, according to the same data source, was as high as 20% in 2008.

Based on these information, it may be concluded, therefore, that women participate only marginally in tourism employment, and they are likely to be engaged mainly in low status and low wage jobs which are akin to their domestic roles such as cleaning, bed making and kitchen assistance. Such conclusion may be tested, however, in light of the survey results in section (3).

Employment by Tourist Destination

The distribution of employment in hotels and tourist villages by governorates is given in table (6), together with hotel capacity. The relative share of total workers employed in each governorate corresponds closely with the governorate's share of hotel capacity. The Red Sea and South Sinai, the two governorates with the highest hotel capacity, also have the highest proportion of employment. They absorbed 64.3% of total hotel employment in 2007.

Table (6)
Distribution of Employment in Hotels and Tourist Villages
and Hotel Capacity according to Governorate (2007)

	No. of workers	%	Rooms	%
Cairo and Giza	24877	21.2	23658	17.7
Alexandria	2972	2.5	4670	3.5
Red Sea	37107	31.7	40849	30.6
South Sinai	38220	32.6	40937	30.6
North Sinai	390	0.3	794	0.6
Aswan	2266	1.9	3490	2.6
Luxor	3833	3.3	4361	3.3
Matrouh	1861	1.6	3759	2.8
New Valley	176	0.2	498	0.4
Others	5384	4.6	10608	7.9
Total	117086	100.0	133624	100.0

Source: CAPMAS, Hotel and Tourist Villages Statistics, 2007.

The situation becomes completely different, however, when considering employment in both hotels and restaurants as given by the following two observations:

- The hotels and restaurants together account for multiples of jobs created by hotels only (3.2 times as many). For instance in 2007 the number of workers employed in hotels and tourist villages was estimated to be 117086 compared to 370800 employed in hotels and restaurants. This may imply that restaurants are much more labour intensive than hotels.
- There is a sharp contrast between the regional distribution of employment taking hotels and restaurants together, and taking hotels only. In the former case the main tourist destinations, with the exception of Greater Cairo, lost their top position as employment creators. This is owing to the previously noted regional distribution of restaurants and other non-hotel establishments which were intensified nearer Greater Cairo, and Urban Governorates, which are low in the main tourist destinations.

Skill Level

Three indicators can be used to assess the skill level of the hotel workers. The first is the level of education, the second is the occupational structure and the third, which is specific to tourism activity, is knowledge of foreign languages.

Table (7) demonstrates the relative distribution of both the hotel workers and the total Egyptian workers according to educational level. It is quite obvious that the hotel workers enjoy a much higher level of education than workers in the whole economy. In particular, the share of illiterate workers in the hotel industry is extremely small (1.6%) compared to that of the total workers (28.6%). The hotel sector also employs a much higher proportion of highly educated workers.



Table (7)
Relative Distribution of Hotels and Total Number of Workers according to Educational Level (2006)

	Illiterate	Read and Write	Lower than Intermediate	Intermediate and below University	University and above	Total
Total Workers (%)	28.6	14.2	8.1	33.9	15.2	100.0
Hotel Workers (%)	1.6	6.8	13.8	49.8	28.0	100.0

Source: (1) Computed from CAPMAS, Statistical Year Book, 2007.
(2) CAPMAS, Hotel and Tourist Villages Statistics, January 2008.

The relatively high share of educated workers among hotel employees, however, does not seem to conform to the occupational structure given in table (8), which is dominated mainly by services occupations requiring low or no skills. In some reports, this contrast is explained by job seekers who accept low status jobs in the hotel industry³ as the only alternative to joining the ranks of the unemployed.

The third indicator, knowledge of foreign languages, CAPMAS hotel statistics show that nearly a quarter of the hotel employees are proficient in foreign languages (mostly English). This implies that as far as language skills are concerned hotel employees are superior to the average workers employed in the Egyptian economy.

Table (8)
Occupational Structure of Hotel Employees (2006)

Occupation	Owners	Managers and Administrative Staff	Supervisors and Observers	Services Workers	Technical Services Workers
%	0.1	18.5	12.6	44.2	15.0
Occupation	Other workers	Total			
%	9.6	100.0			

Source: CAPMAS, Hotels and Tourist Villages Statistics, 2006.

The above indicators underline the fact that the hotel labour force is more educated and knowledgeable as far as language skills are concerned, in comparison with the average Egyptian workforce. This raises a question of whether or not remuneration of the hotel workforce is pertinent to their higher than average qualifications.

3 - Ibid.

Information on average weekly wages and hours of work are collected by CAPMAS, covering the hotel and restaurant activity and all other activities of the economy. Table (9) shows that average weekly wages of the hotel and restaurant activity in the private sector, which employs the great majority (97.7%) of the hotel labour force, is much lower than the average for the whole economy. The average weekly wages for both the private and public hotel sectors (LE 216) is also significantly lower than the corresponding average for the overall economy (LE 252). The average number of work hours in the hotel and restaurant activity is slightly higher than the average for the overall economy.

This result, however, contradicts with that derived from a study of the economic census data (2000/2001) for hotels and other sectors of the economy. The study concluded that “the tourism industry [in Egypt] is not a low paid activity as proclaimed”. Such contradiction implies that a further analysis of remuneration in the tourism and other sectors of the economy is required in order to achieve a more reliable conclusion.

It is also to be noted that within the hotel activity itself labour remuneration may vary considerably among different hotel categories. The range of data coverage, therefore, is a crucial factor in determining the level of average wages in the hotel activity. The highest average level of wage prevails in 5-star hotels followed by 4-star hotels. The average declines gradually in direct proportion with hotel category.

Table (9)
Average Weekly Wages and Hours of Work in the Hotel and Restaurant Sector and the Whole Economy (2007)

	Average Wages (LE)		% Workers		Average Work Hours	
	H&R	EE	H&R	EE	H&R	EE
Public	318	308	2.1	40.2	60	53
Private	175	214	97.9	59.8	58	57
Total	216	252	100.0	100.0	58	55

H&R: Hotels & Restaurants

EE: Egyptian Economy

Source: CAPMAS, Wages and Hours of Work, 2007.

Foreign Workers

Egypt is committed under GATS to the liberalization of the tourism sector and the removal of many restrictions to foreigners' access to the tourism market⁴. On the other hand, numerous hotels in Egypt, particularly those belonging to 5- and 4- star categories tend to enter into contracts with international hotel management companies giving them full responsibility for the hotel operation. Such contracts usually guarantee the free movement of personnel across borders, and open the way to the employment of foreigners in hotels. Furthermore, the new labour law No. 12/2003, granted more flexibility and freedom to each ministry in utilizing foreign labour according to the requirements of its affiliated entities, by authorizing the responsible minister the right to determine the percentage of foreign labour⁵. In a country like Egypt suffering a serious unemployment problem, this issue is likely to raise many complications.

The only information available about foreign employment are those derived from CAPMAS statistics on hotels and tourist villages. The percentage of foreign employees calculated from these statistics is very low indeed and does not exceed 0.4% of the total hotel workforce during the period 2004-2007.

4 - Ragab, Adla, Assessment of Trade in Tourism and Travel Related Services in Egypt in Relation to the GATS, Cairo, October 2007 (Unpublished Paper).

5 - Ministry of Trade and Industry, Labor Law no. 12/2003, Eighth Edition, Amiria Publishing, 2004.

According to the same data source, the majority of foreign labour is employed in 5- star hotels; they absorb 70.4% of all foreign tourism workers in 2007, whereas 5- and 4- star hotels together absorb 89% of foreign workers.

However, it is not only the number of foreigners employed in the tourism industry which is important, but also the type of jobs they occupy. There is no recent information related to the type of jobs occupied by foreign personnel. Still, a sample survey study on hotel employment conducted by the Ministry of Tourism and CAPMAS in 1993 revealed that foreign labour in the tourism industry occupies the top managerial and high technical expertise jobs such as: general manager, manager of food and beverage department, sales manager, head chef and health spa supervisor. This tendency is believed to prevail to the present⁶.

In addition to the hotel occupations, foreigners are also hired as tourist guides, an occupation which requires fluency of foreign language. During the last few years, Egypt witnessed hot debates in the mass media and parliament concerning the increase in the hiring of foreigners for this occupation. The leader of Tourist Guides Union declared that foreigners enter this occupation through obtaining a translation license (not a tourist guide license). This means that they are not officially registered as tourist guides. Yet it is they who actually practice the guiding task, accompanying Egyptian guides who usually remain silent. The leader of Tourist Guides Union considers this situation as catastrophic, since foreigners do not comprehend the real history of Egypt. Officials from Ministry of Tourism, on the other hand, consider it a necessity due to the shortage in the number of Egyptian tourist guides with competency in some rare languages such as Korean and Polish⁷.

Whatever the explanation, there seems to be a problem on the supply side concerning the rapid expansion in the number of tourists speaking languages other than English and French, without a corresponding increase in the number of Egyptian tourist guides mastering these languages. In 2007 for instance while the Russians became the top visiting nationality, representing about 15 % of all ITAs to Egypt, the percentage of tourist guides speaking Russian language did not exceed 1 %⁸.



6 - Zaytoun, Mohaya, Tourism and Egypt's Future, Dar El-Shorouk, Cairo 2002.

7 - Al Ahram Newspaper, 1st of September 2009.

8 - Ministry of Tourism, Tourism in Figures, 2007.

(2) The Impact of the Crisis: Aggregate Level Analysis

Information gathered on the impact of the GFEC on the tourism industry in Egypt, can be analyzed through the following three channels:

- Since tourist demand in Egypt is derived from the international tourist flow worldwide, it will be affected as long as the GFEC continues to impact tourism worldwide. The first step, therefore, is to briefly examine the changes which have taken place in ITAs globally during the crisis period.
- The tourism industry is an integral part of the whole Egyptian economy. It is expected therefore that data on the impact of the crisis on the overall economy, would provide useful information on its impact on tourism.
- The third and most important channel is the analysis of the direct impact of the GFEC on Egyptian tourism. The analysis will draw a special attention to the tourism variables directly affected by the crisis, namely: ITAs to Egypt, some essential economic variables and employment.

(2-1) Global Trends Under the Crisis

According to the IMF, Global GDP was estimated to have declined in 2009 between -0.5 to -1%, which is considered the worst global recession in the past fifty years. Decline in the advanced economies, especially Europe and Japan, is the steepest ranging between - 3.0 to - 3.5%. A milder recession is estimated for the emerging and developing economies ranging between -1.5 to -2.5%⁹.

This gloomy outlook of the advanced economies under the GFEC, reflected on global tourism. According to the World Tourism Organization (UNWTO), international tourist demand exhibited a significant deterioration under the impact of the GFEC¹⁰. The UNWTO World Tourism Barometer of June 2009 revealed a continued trend by the same percentage (8%) for the first 4 months of 2009, and expected the trend to continue declining through to the end of June 2009¹¹. Also, although the WHO did not, so far, place any restrictions on travel due to the outbreak of the influenza A (H1N1), uncertainty of the situation may result in a decline in the ITAs flow to some regions.

However, a brighter picture is revealed from more recent information given in the later edition of the UNWTO Barometer of October 2009. It was expected that the decline in ITAs may have reached its rock bottom, due to the fact that the two high season months of July and August 2009 have witnessed a decline of 3 % only, after that of 10.6% and 7.3% in May and June respectively. Data available so far for September seem to confirm a continuation of this trend. Moreover, the Barometer demonstrates that regions of Asia, Europe and the Middle East, show a similar pattern of gradual pick-up. Figure (9) demonstrates the reverse trend of ITAs between the first and the second half of 2008, together with a sharper decline observed for the first eight months of 2009.

However, the UNWTO forecasts for the whole of 2009, still concur the organization's previous estimates of a decrease in ITAs by around 5%¹².

Regarding ITAs motivations, from the preliminary results, UNWTO finds that costs tend to be the main drive of trends in all regions. Travelers for business are likely to enter a new age of austerity making fewer, shorter and cheaper business trips in 2009. As to leisure travel, secondary short

9 - World Bank, Egypt and Global Economic Crisis: A Preliminary Assessment of Macroeconomic Impact and Response, June 16, 2009.

10 - UNWTO, World Tourism Barometer, Interim Update, April 2009.

11 - UNWTO, World Tourism Barometer, Vol. 7, No. 2, June 2009.

12 - UNWTO, World Tourism Barometer, Vol. 7, No. 3 October 2009.

breaks appear to have been hit more than main vacations, and long-haul travel more than short-haul trips.

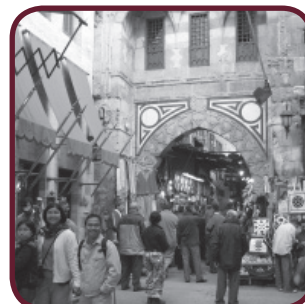
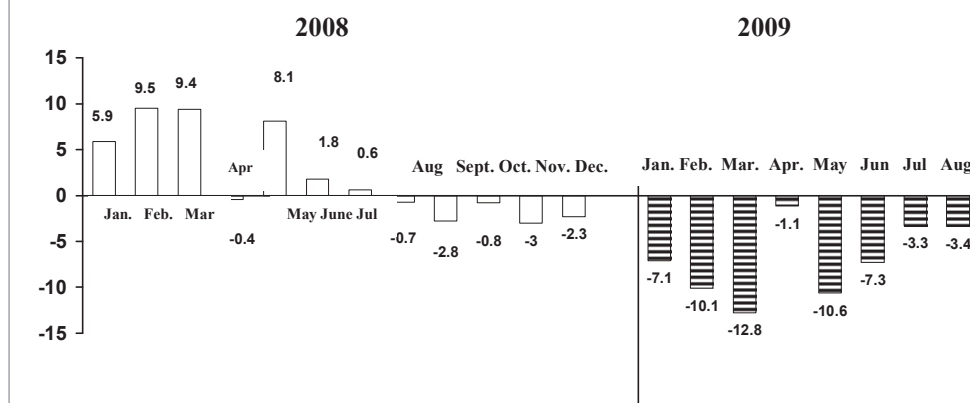


Figure (9)
Monthly Change in Global ITA during the Crisis Period



Source: UNWTO, World Tourism Barometer, Volume 7, No.3, October 2009.

The slowdown of international tourist flow in the first 3 months of 2009 is backed up by the air transport data reported by IATA and various regional air transport associations. IATA's forecasts estimated losses of US \$ 9 billion losses in 2009. Hotel performance data for the first four months of 2009 further support this trend. As reported by Deloitte¹³, overall occupancy was down in all regions and particularly in Asia.

Employment trends are no exception. The ILO Global Employment Report points to the possibility of global unemployment increasing to between 210 and 239 million in 2009. More alarming, however, is the potential increase in unemployment of vulnerable workers. It is estimated that half the global workforce (seven times the number of unemployed) are likely to lose their jobs and join the ranks of the unemployed this year.

(2-2) The Egyptian Economy Under the Crisis

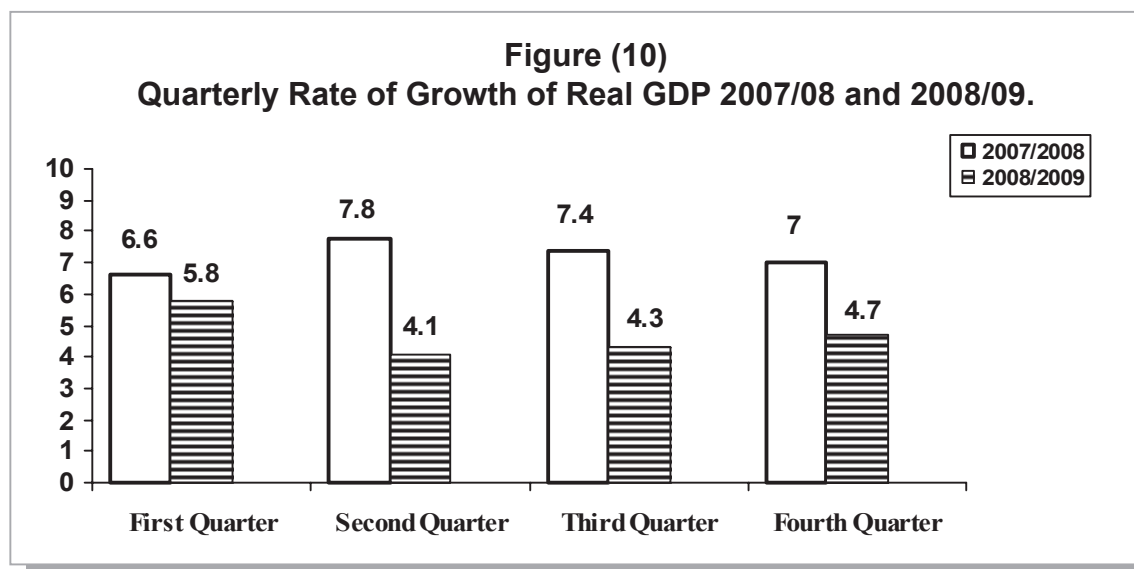
Since the high rates of economic growth achieved by the Egyptian economy during the few years preceding the crisis were a result of mainly external demand and foreign investment, the gloomy prospects of the global economy are most likely to adversely influence the Egyptian economy.

The GFEC caused a decline in the rate of growth from its high level in 2007/2008 (7.2%) to 4.7% in 2008/2009¹⁴. However, the 2008/2009 rate of growth is still slightly higher than the rate previously expected under the crisis (4.5%). It may also be higher than the dwindled rates realized by the advanced and many developing countries.

The quarterly rates of growth realized during 2008/2009 in comparison with the corresponding quarters in 2007/2008 may be more illuminating. Figure (10), reveals a pattern of growth probably heading towards recovery. The worst decline took place rather early in the second quarter (October/ December), whereas a slow tendency towards recovery follows.

13 - "Deloitte" is the brand under which independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, and tax services.

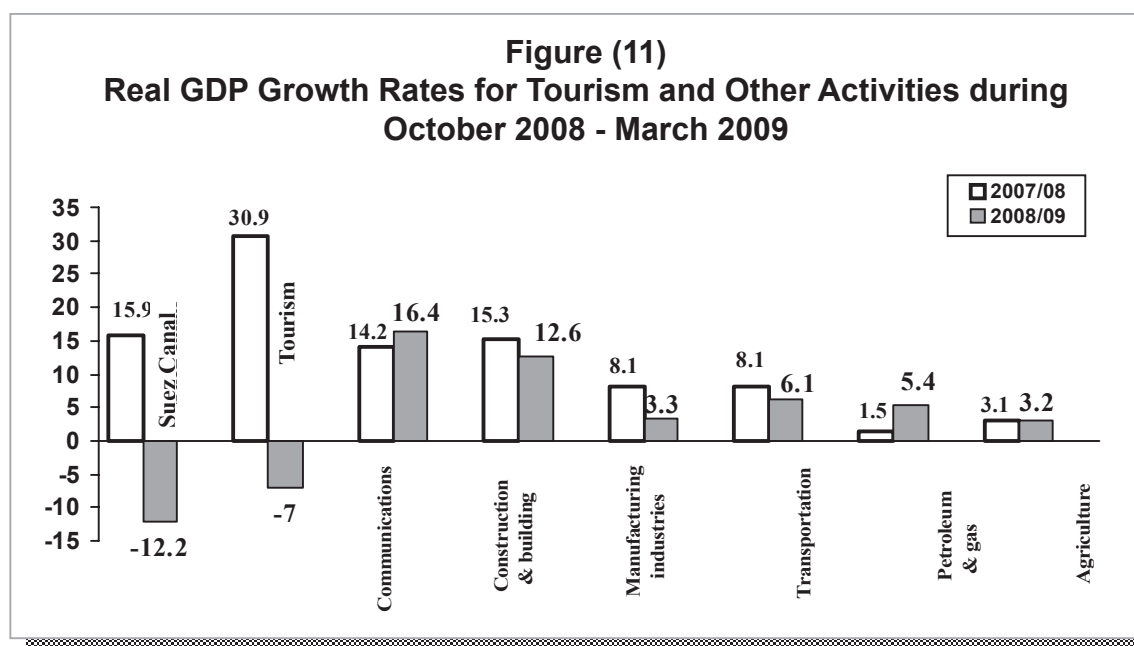
14 - Ministry of State for Economic Development, Main Indicators of Economic Performance, 2008/2009 (Arabic Version).



Source: MED, Indicators of Economic Performance, 2008/2009.

Regarding the activities that have been most adversely affected by the GFEC, the follow-up report prepared by the Ministry of Economic Development (MED) identifies hotels and restaurants and the Suez Canal services, in addition to other two activities mostly connected with foreign markets, namely, oil refinery and intermediate manufacturing industry (mainly through exports). A recent World Bank report confirms this finding by indicating that the sectors suffering most from the fall in external demand are the Suez Canal and hotels and restaurants¹⁵.

Figure (11) illustrates the rate of growth of real GDP for several sectors of the Egyptian economy during October 2008-March 2009, the period witnessing the most severe impact of the crisis on economic growth. Hotels and restaurants and the Suez Canal are the only activities displaying negative growth. Other activities continue growing but some at a slower pace compared with the same period the previous year. It can be also noticed that the activities displaying positive growth trends, despite the GFEC, are mostly those linked to local market demand such as wholesale and retail trade and communications.



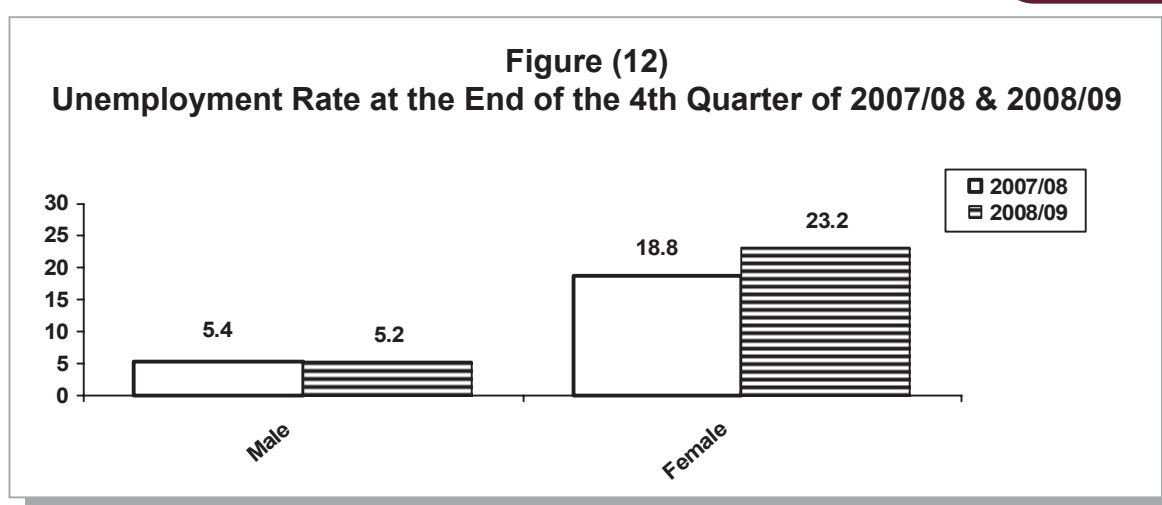
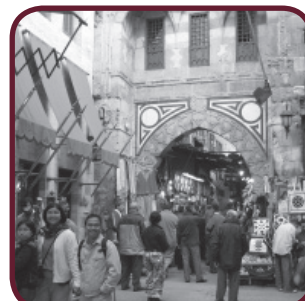
Source: MED, Follow up Report on Economic and Social Development Plan, 3rd quarter of 2008/2009.

¹⁵ - World Bank (WB), Op cit.

The MED estimated that, as a result of the decline in the rate of growth, the number of jobs created in the Egyptian economy in 2008/2009 has fallen to 600 thousand, showing 13% decline. It can be also observed that the decrease in the number of jobs created was more severe in the last quarter of the year compared to the first two quarters (and the third to a lesser extent), implying that the negative impact on employment may be a delayed reaction. By the end the 4th quarter of 2008/2009, the rate of unemployment increased to 9.4% in comparison with 8.4% in the last quarter of 2007/2008.



According to the same source, the unemployment gender gap has greatly widened figure (12). While the female rate of unemployment increased from 18.8% in 2007/2008 to 23.2% in 2008/2009, the rate of male unemployment has only marginally declined from 5.4% to 5.2% during the crisis period. According to these estimates, at times of crisis, women are likely to bear the brunt of unemployment, in other words, they are the more likely to be laid off by businesses.



Source: Ministry of Economic Development

Another important economic indicator concerns the volume of foreign exchange receipts. According to the MED, Egyptian losses of foreign exchange in 2008/2009 amounted to US\$20 billion. The large majority of this loss was caused by the reduction in foreign direct and portfolio investment. The two items contributed respectively to a decline by about US\$ 5.12 and US\$ 7.84 billion. This is not an unexpected outcome of the crisis given the findings of a recent report by McKinsey Global Institute, revealing that international capital flows fell by 82% to US\$ 1.9 trillion from \$ 10.5 trillion in 2007¹⁶. Tourism has also contributed to the decline of Egypt's foreign exchange receipts but by a much smaller margin as will be demonstrated below.

(2-3) The Impact of the GFEC on Egyptian Tourism

(2-3-1) The Impact on Tourism Demand

In line with the fall in the global tourist movement due to the crisis, tourist demand in Egypt exhibited a significant setback. Table (10) shows that during the second half of the year 2008/2009, the worst hit by the crisis were ITAs and tourist nights (-9.5%). However, the positive rate of growth achieved in the first half of the year (July/December) counterbalanced the sharp negative impact leading to zero and moderate negative rates of growth for the whole FY July-June 2009 (0.0%, -3.1% respectively).

¹⁶ - Lund, Susan, et al, Global Capital Market Entering a New Era, McKinsey Global Institute, Sept 2009.

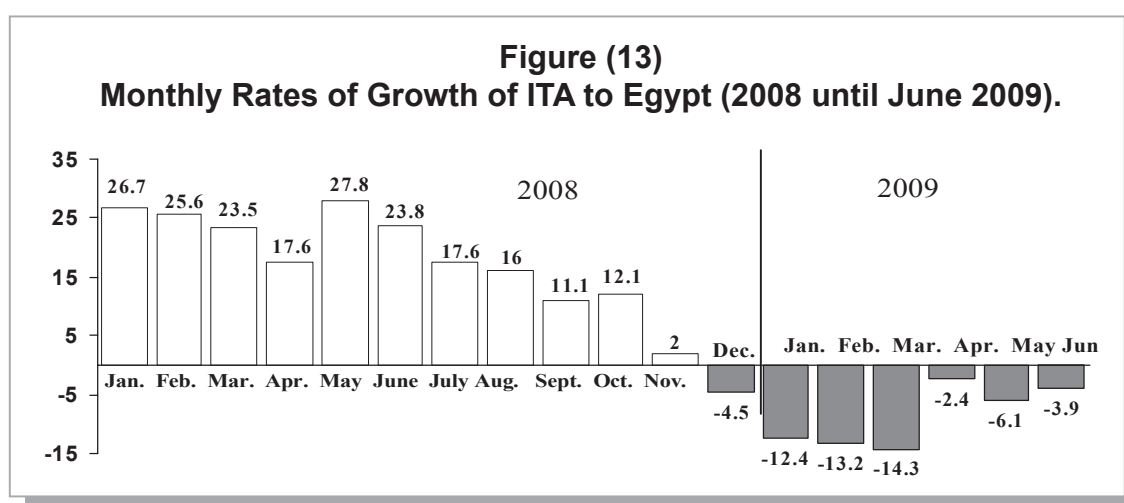
Table (10)
Number of Tourists and Tourist Nights (mn) under the GFEC.

	FY July-June		July-December		January – June	
	ITAs	TNs	ITAs	TNs	ITAs	TNs
2007/2008	12.3	127.4	6.0	65.6	6.3	61.8
2008/2009	12.3	123.4	6.6	67.5	5.7	55.9
% Change	0.0	-3.1	+10.0	+2.9	-9.5	-9.5

Source: Ministry of Tourism.

Ministry of Economic Development.

The crisis' impact on ITA appears clearer from the monthly rates of growth given in figure (13). The slow down of the tourist movement began to take place during the second half of 2008. However, the negative impact of the crisis did not materialize until December 2008, and continued with more severity through the first 3 months of 2009. The month of June, on the other hand, witnessed a significant recovery in the rate of decline even in relation to the previous month of May.



Source: Calculated from Ministry of Tourism, Unpublished Monthly Statistics.

It is also interesting to compare the impact of the crisis on ITA to Egypt with the corresponding impact globally. The comparative data are given in table (11). They reveal that Egyptian tourism withstood the crisis for a longer period than the global, during which positive growth continued (until November 2008). The negative trend in the rate of growth, however, turned out to be sharper than the global movement as of December 2008, and lasted during the first quarter of 2009. April, as appears from the table, is a month of low rate of decline both globally and domestically because, according to the UNWTO explanation, it is the Easter vacation month where the number of international tourists shows an unusual increase.^(*) In June 2009 an evidence of partial recovery appears both for Egypt and the world tourist movement. Summing up, the consequence for the whole FY 2008/2009 is a more satisfying outcome for Egypt at a zero rate of growth, compared to the expected global rate of -5% for 2009^{17**}.

Table (11)
Monthly Rate of Change of ITAs during the Crisis Period in Egypt and the World

	2008						2009						The full year
	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan	Feb.	Mar.	April	May	June	
World	0.6	-0.7	-2.8	-0.8	-3.0	-2.3	-7.1	-10.1	-12.8	-1.1	-10.6	-7.3	-5.0%(2009 Expected)
Egypt	17.6	16.0	11.1	12.1	2.0	-4.5	-12.4	-13.2	-14.3	-2.4	-6.1	-3.9	0.0% (2008/2009 actual)

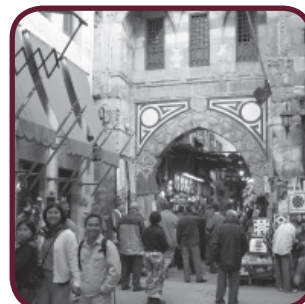
Source: Figure (9), and Figure (13)

(*) - In 2008 the Easter month was in May.

17 ** - It should be noted that the rates of growth for Egypt and the world are not strictly comparable since the global rate is estimated for the calendar year 2009, whereas the rate for Egypt covers the FY 2008/2009.

Some of the factors which led to the decline in ITAs to Egypt during the crisis period include:

- The majority of ITAs to Egypt as manifested in section (1) above originates from the European region where the crisis impacted quite severely.
- Russian tourists who became the top tourist nationality, witnessed a substantial decline in 2008/2009, estimated by the MED to be 195 thousand tourists and 3.2 million tourist nights, i.e. a decline by 10% and 19% respectively.
- The great majority of tourists visiting Egypt are groups motivated by leisure and recreation. These are thought to be the most severely hit by the GFEC. From the UNWTO Barometer it is observed that sun and beach is the Egyptian tourism segment that has been the hardest affected by the crisis. Sharm El-Sheikh, the most famous destination in South Sinai which used to enjoy peak rates of occupancy before the crisis, suffered according to the Barometer a decline in occupancy rate by 10 percentage points¹⁸. On the other hand, however, according to a specialized travel agent in Egypt, "high end" tourism has been mostly unimpaired during the crisis period¹⁹.



(2-3-2) The Impact on Tourism Foreign Exchange Receipts (FER):

As stated earlier, the greater the contribution of tourism to the national economy, the more crucial would be the impact of the crisis. Egyptian tourism in addition of being an activity closely related to the world market and one of the activities most sensitive to the crises generally, it is one of a few dynamic economic sectors in Egypt. Some of the main indicators of this dynamism have already been demonstrated in section (1), including the high rate of growth of ITAs to Egypt and the rapid expansion of tourism capacity, in addition to its function as a job creator.

The importance of the tourism industry can be further revealed from the size of foreign exchange receipts (FER) it generates. In fact, tourism can be considered a major source of foreign exchange provision for the Egyptian economy. As indicated in table (12), before the unusual rise in the world prices of petroleum, tourism receipts represented 54.4% of export proceeds in 2003/2004. In spite of the falling rate that followed, tourism remained a major foreign exchange earner (at least in gross terms), producing in 2007/2008 a sum almost equal to 40% of export proceeds, 75% of petroleum exports proceeds and more than twice the Suez Canal dues.

Table (12)
The Contribution of Tourism to Foreign Exchange Receipts (2003/2004 – 2008/2009)
(US \$ million)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/2009
Tourism Receipts	5475.1	6429.8	7234.6	8183.0	10826.5	10487.6
Export Proceeds	10452.5	13833.4	18455.1	22017.5	29355.8	25168.9
Tourism% Export Proceeds	54.4	46.5	39.2	37.2	36.9	41.7
Tourism % PetroleumExports	140.0	121.3	70.8	81.0	74.8	95.3
Tourism% Suez Canal Dues	192.2	194.4	203.3	196.3	210.0	222.2

Source: Central Bank of Egypt (CBE), Monthly Statistical Bulletin, Different Issues.

18 - UNWTO, June 2009, Op cit.

19 - Pharr, Clarissa, High end Tourism Rises to the Challenge, American Chamber of Commerce, Business Monthly, August 2009.

The rate of growth of tourism FER during the few years immediately preceding the crisis (2003/2004-2007/2008) was very high (18.6%). As a result of the crisis however, FER have declined from US\$ 10826.5 mn in 2007/2008 to US\$ 10487.6 mn in 2008/2009, i.e. by US\$ 338.9 mn (-3%). Table (13) provides further evidence of the quarterly rate of growth of FER during the crisis period. The first quarter of 2008/2009 displays a relatively high positive rate of growth (15.2%), whereas the third quarter (January-March) shows the highest rate of decline (-17.2%). It matches the period witnessing the most severe decline in ITAs to Egypt given in figure (13) above.

Table (13)
Quarterly Tourism FER under the GFEC (\$ mn)
(2007/2008, 2008/2009)

	Q₁ July-Sep.	Q₂ Oct. – Dec.	Q₃ Jan. – Mar.	Q₄ April - June	Whole year
2007/2008	2848.4	2732.0	2643.1	2603.0	10826.5
2008/2009	3281.0	2457.8	2187.5	2561.3	10487.6
Rate of Growth%	+15.2	-10.0	-17.2	-1.6	-3.1

Source: CBE

In the fourth quarter (April–June), the rate of decline greatly diminished reaching -1.6%, probably caused by some financial supports initiated by the government to ease the impact of the crisis(*), and to the fact that this quarter includes the month of April showing the least rate of decline in ITAs as previously mentioned. Generally speaking, the average rate of decline for the whole of FY (2008/2009) is rather mild, especially when compared with the impact of the GFEC on other sources of foreign exchange in Egypt, as given in table (14).

Table (14)
The Impact of the GFEC on FER from Tourism and Other
Foreign Exchange Sources (2008/2009)

	Tourism	Exports	Petroleum Exports	Suez Canal
2007/2008	10826.5	29355.8	14472.6	5155.2
2008/2009	10487.6	25168.9	11004.5	4720.6
Rate of Growth%	-3.1	-14.3	-24.0	-8.4

Source: CBE

(*) - According to the (MED) the Egyptian government's financial support is considered responsible for the upward turning point of the rate of economic growth during the second half of 2008/2009.

(2-3-3) Tourism Contribution to GDP

Another indicator related to the contribution of tourism to the economy and the likely impact of the GFEC, concerns tourism's share in GDP. From table (15) this share shows a steady rise (except in 2005/2006 where a slight decline is observed). The average contribution for the period 2004-2008 is higher (3.4%) than the average for the previous period 2000/2001-2003/2004. However, when compared with the direct contribution of other economic activities to GDP, such as agriculture (13.2%), manufacturing (16.3%) and trade (10.9%), the contribution of tourism appears to be fairly modest (3.8% in 2007/2008).

The implications of the GFEC impact on income from tourism can be seen from the same table. Between 2007/2008 and 2008/2009 a positive but small increase in tourism GDP is noticeable. However, when the change is depicted in terms of the rate of growth, a considerable decline emerges from 32% in 2007/2008 to 6% only in 2008/2009.

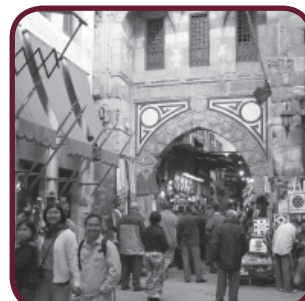


Table (15)
Development of Tourism Share in GDP (LE mn)

	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009
Tourism GDP*	5357.0	6457.0	7704.1	12661.6	16712.8	18797.9	24565.4	32423.6	34381.9
Tourism / Total GDP %	1.6	1.6	2.0	2.8	3.3	3.2	3.4	3.8	3.5

* GDP at factor cost and current prices.

Source: MED Time Series Statistics (www.mop.gov.eg)

Concluding from the above analysis a brief summary of the indicators showing the impact of the GFEC on Egyptian tourism is displayed in table (16).

Table (16)
**Summary Indicators of the Impact of GFEC
on Egyptian Tourism (2007/2008, 2008/2009)**

	ITAs		TNs		Tourism FER ⁽¹⁾		Tourism GDP ⁽²⁾		Tourism contribution to overall RG
	No. (million)	RG* (%)	No. (million)	RG (%)	\$ mn	RG (%)	GDP (LE mn)	RG (%)	
2007/2008	12.3	+25.6	127.4	+32.3	10826.5	+32.3	32423.6	+32.0	0.85
2008/2009	12.3	0.00	123.4	-3.1	10487.6	-3.1	34381.9	+6.0	0.05

(1) (FER) = Foreign Exchange Receipts

(2) LE mn

* RG = Rate of growth

Source: From previous tables and MED.

(2-3-4) The Crisis Impact in Terms of Foregone Opportunity

The impact of the GFEC on Egyptian tourism analysed above may be viewed as incomplete. Opportunity foregone whether in terms of ITAs, tourist nights, tourism FER, or tourism income may accentuate the impact of the crisis beyond that which is implied by the plain figures. The opportunity foregone describes the impact based on an assumption that without the event of the crisis, the rates of growth of tourism variables achieved previously would have more or less continued. For instance, it has been observed that the decline in ITAs to Egypt in 2008/2009 was (0.00 %), which was considered a much less severe impact than the anticipated negative rate of decline in ITAs globally (-5%). But since the rate of growth of ITAs to Egypt before the crisis was considerably higher than the corresponding global rate, losses to the Egyptian inbound tourism are likely to be much greater than previously estimated.

Given the fluctuation in the rates of growth of tourism variables from one year to the next, it may be more realistic to calculate the opportunity foregone using the average rate of growth over the four years preceding the crisis (2004-2008). Table (17) demonstrates the outcome of these calculations.

(2-3-5) The Impact on Employment

Employment is one aspect of the present study to which particular attention is given. Unfortunately, available statistics covering the crisis period are not adequate enough to enable an analysis similar to the one applied to other tourism variables. The series of annual statistics published by CAPMAS on Hotels and LFSS which the study used extensively to draw a profile of the Egyptian tourism industry and to document its development in section (1) above, falls short of covering the 2008/2009 year which for the purposes of this paper is considered the equivalent the crisis period.

Table (17)
The Impact of the GFEC on Egyptian Tourism
(The Opportunity Foregone)

Tourism Indicators	Average RG* 04-08 (%)	The Opportunity Foregone during 2008/2009
ITAs	12.2	1685 thousand visitors
Tourist Nights	12.1	19383 thousand nights
Tourism FER**	18.6	2373 (US \$ mn)
Tourism Income	22.0	4583 (LE mn)

* RG = rate of growth

** FER = Foreign Exchange Receipts

Source: Calculated from previous statistics.

An adverse effect on tourism employment resulting from the GFEC is expected to emerge based on the following considerations:

First: The decline in the rate of growth of all tourism indicators given above is likely to impede the growth of tourism employment.

Second: Since a sizable proportion of the tourism workforce is employed on a temporary or seasonal basis, it would be easy to lay off workers when tourism slows down as a result of the crisis.

Third: As shown above, unemployment indicators related to the Egyptian economy as a whole manifested significant rise during the crisis period. It is likely that tourism is one of the contributing factors to this rise.

A recent World Bank report computed projections for the rates of growth for employment in different sectors of the Egyptian economy during the crisis. The projections, though not precise, are a useful guide for quantitative analysis. The calculations are based on the rate of GDP growth and the ensuing employment elasticity for each sector. The study's findings reveal that the two sectors which showed a negative rate of GDP growth due to the crisis are the same two sectors for which a negative rate of employment growth is projected, namely: the Suez Canal and hotels and restaurants, showing -2.6% and -2.4% rate of growth, respectively.

To further elaborate the impact of the crisis, and provide first hand information on tourism and employment, the third and last section of this study will focus on the analysis of the results of the Hotel Sample Survey conducted in August/September 2009.

(3) The Impact of the GFEC on Egyptian Tourism and Employment: The Hotel Sample Survey (HSS)

(3-1) Profile of the Hotel Sample Survey

The sample which was designed by experts at the Information and Decision Support Center (IDSC), is constructed to take into consideration two main indicators, namely: Three broad tourism regions and three hotel categories (5-, 4- and 3- star), at a confidence level of 95% with a margin of error of 0.10.

To begin with, it may be useful to explain two important decisions concerning the coverage of the HSS: The first is to focus the survey on the hotel sub sector only, and the second is to limit the sample to three main regions and three hotel categories, without hindering the rational behind our survey.

First: As to the decision to focus our survey analysis on the hotel sub sector only, due regard was given to the following considerations:

- In a limited scope study, like the present one, it is not possible to cover the whole tourism industry, since as indicated before, it spreads over a wide range of economic activities such as hotels, restaurants, travel agents, transportation,...etc., making a comprehensive survey practically impossible.
- Hotels represent a most important segment of the tourism industry. It is also the segment which can be subject to a broad and comprehensive survey analysis and investigation.
- The theme of the present study which focuses on the impact of the GFEC, direct our approach towards the effect caused by the turbulence in the world market, or in the case of tourism, the travel and tourism market. The majority of international visitors use hotels for their accommodation during their stay in Egypt. The hotel sector therefore can be regarded as a convenient component of the tourism industry reflecting the impact of the crisis and serving the purpose of the study.

Second: As previously observed in section (1), hotel capacity in Egypt extends over a great many governorates, five hotel categories and three types of accommodations: Hotels, tourist villages and floating hotels. However, to design a compact and reasonable-cost survey, the following framework within the hotel sector was found to be feasible:

- The governorates covered are the main ones attracting ITAs and known by the Ministry of Tourism to be the most prominent tourism destinations, namely: Cairo, Giza, Luxor, Aswan, Red Sea and South Sinai.^(*) Also, it is appropriate to classify these destinations into three broad tourism regions : “Greater Cairo”^(*), “Luxor and Aswan”, and “Red Sea and South Sinai”. This classification is useful not only because the different regions share many similarities, but also each represents a distinctive tourist motivation or tourism type. The “Red Sea and South Sinai” region stands for beach tourism, “Luxor and Aswan” typify culture and heritage tourism, whereas “Greater Cairo” combines multi-purpose tourism: Culture, recreation, business, education, health, religion...etc.
- It was considered unnecessary for the survey to cover all hotel categories (1-5 star hotels). The sample population was therefore restricted to the first three categories: 5-star, 4-star and 3-star hotels, given that they attract the great majority of international hotel residents, and contribute a very high proportion of hotel employment.
- Floating hotels were excluded from the of the survey since they represent a small proportion of



^(*) - Alexandria is excluded because it depends mainly on domestic tourism.

^(*) - Greater Cairo region includes the following four governorates: Cairo, Helwan, 6th October and Giza.

the total hotel capacity (section 1). Also, it would be difficult to accommodate this type of hotels without special treatment, since they are not contained within a specific region. The sample however covers both hotels and tourist villages.

- Table (18) demonstrates the sample's excellent representation of the hotel sector, with reference to total hotel capacity, number of hotel residents and employment.

Table (18)
The Importance of the Three Tourism Regions and
Hotel Categories Relative to the Overall Hotel Sector

	Survey-Hotel Categories ⁽¹⁾	Survey-Tourism Regions ⁽²⁾
% Total Hotel Capacity	89.2%	96.5%
% International Hotel Residents	96.0%	95.6% ⁽³⁾
% Total Hotel Employment	94.2%	92.9%

(1) 5- , 4- , 3- star hotels

(2) Greater Cairo, Luxor and Aswan, Red Sea and South Sinai.

(3) Percent of total hotel residents (i.e. including domestic).

Source: Calculated from CAPMAS, Hotel and Tourist Villages Statistics 2007, February 2008.

The survey sample included 122 establishments out of a total number of 342 hotels (Appendix I). The sample was distributed between the three regions and hotel categories taking into account the minimum number of establishments necessary for each region and category. The results of the survey were afterwards adjusted according to the actual weights. The HSS questionnaire was designed by the research staff at the IDSC in cooperation with the author. The unit of analysis is the hotel establishment. Out of the total number of 122 establishments the response rate proved to be very high (119 hotel) representing 98% of the sample size.(*)

(3-2) Pattern of Hotel Ownership and Management

The survey results reveal three distinctive patterns of hotel ownership: Egyptian or domestic ownership, joint venture, and foreign ownership. The dominant type of ownership is domestic representing 82.5% of all hotel establishments. Besides, all tourist villages and almost all 3-star hotels are locally owned. On the other hand, joint and foreign ownership are more visible in 5- and 4-star hotels. Luxor and Aswan is the region incorporating the highest percentage of domestic ownership (93%), followed by the Red Sea and South Sinai. In the Greater Cairo region a quarter of the hotel establishments are either jointly or foreign owned (Appendix II).

Regarding the pattern of hotel management, 72.2% of all establishments are managed domestically. The proportion declines however to less than half for 5-star hotels where 54.5% of the establishments are managed by foreign and joint venture companies. In fact, the lower the hotel category, the higher is the percentage of domestic management. Regarding management pattern by region, Greater Cairo is the region with the highest proportion of foreign or jointly managed hotels (38.6%). Despite the fact that nearly no foreign or joint ownership was observed in the Luxor and Aswan region, the percentage of hotels managed by these two types is 28.6% (Appendix III). These results indicate that the pattern of hotel management does not necessarily correspond to the ownership pattern.

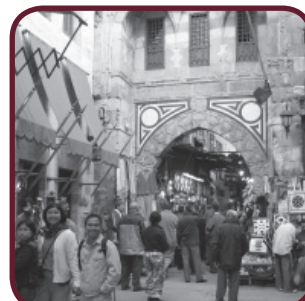
In addition, hotels are either managed by the owner or by contracted management. Overall, 47.5% of all establishments are run by contracted management, against 52.5% managed by the

^(*) - I would like here to thank Ghada Hussein, Ahmed Kamal and Maha Abdel Hakeem for the effort each of them dedicated to data collection, the preparation of the survey questionnaire and data cross tabulation, in addition to their full responsibility for the HSS field work.

owner. This pattern is widespread under Egyptian ownership where 61.2% of the establishments are managed by their owners. The rate declines to 16.7% under joint ownership and to none at all under foreign ownership, where all hotels are run by contracted management.

Based on the above information, the following remarks can be made:

- Foreign and joint management is more pronounced than ownership in the Egyptian hotel sector generally.
- Both foreign and joint hotel management and ownership are relatively more evident in 5- and 4- star hotels, their presence however, in the 3-star category is negligible.
- Foreign and joint hotel management (and to a lesser extent ownership) is more dominant in the Greater Cairo region relative to the other two tourism regions.
- While joint venture ownership is more prevalent in the hotel sector than foreign ownership, the reverse is true regarding management, where foreign management is more common in the Egyptian hotel sector than joint management²⁰.



(3-3) The Overall Impact of the GFEC

The overall impact of the GFEC on the hotel sector can be seen from the response of the hotel establishments to a question on whether their activities were impacted since the beginning of the crisis (September 2008-July 2009). Several items were incorporated in this question. The response to each of them could be negative, positive or neither, as shown by table (19).

Table (19)
The Overall Impact of the GFEC* (% Hotels) (September 2008-July 2009)

	Occupancy	No. of workers	Wages	Cost	Competitiveness	Investment	Liquidity
Negative Impact	84.1	55.5	33.1	56.9	57.3	62.5	74.9
Positive Impact	5.4	1.5	1.9	12.5	10.0	5.0	1.8
No Influence	10.6	43.0	65.0	30.7	32.6	32.5	23.3
Total**	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Percent of hotel respondents.

** Figures may not add to 100 due to rounding.

It is evident from the table that the negative answer is dominant (more than 50%) for all the items questioned except wages, where 65% of the hotels declared that they experienced no impact on wages. The three elements most showing negative impact are: the occupancy, liquidity and investment. Among those admitting a decline of occupancy, 86.5% asserted that the GFEC is the main reason behind the decline, whereas 12.3% mentioned that it is partly the reason. The likely impact of (H1N1) flu appears here, since the respondents giving other reasons for decreased occupancy viewed the swine flu as the most important other reason.

Furthermore, 67% of all hotels surveyed indicated that the average period of stay per tourist declined during the crisis period. A far higher proportion (89.6%) maintained that they suffered a fall in hotel revenues. Among them 60% stated that revenues fell by the same percentage as occupancy, 27% by a higher rate and 12.8% by a lower rate. Attention may be paid also to the regional response,

20- Unless otherwise stated, all sources of data in sections (3-1) to (3-6) are derived from the Hotel Sample Survey (HSS) results.

where all hotels (100%) in Luxor and Aswan region mentioned a decline in revenues, against 80% and 77% in the Red Sea and South Sinai and the Greater Cairo regions, respectively.

(3-4) The Impact of the GFEC on Hotel Demand

As noted above the direct impact of the crisis is reflected in the first instance on tourist demand. This is measured by occupancy rate and the number of hotel residents. The great majority (about 85%) of the hotel establishments as shown in section (3-3) above declared a decline in hotel occupancy. Table (20) further illustrates the pattern of decline in hotel occupancy during the critical period January-July 2009 compared with 2008.

Table (20)
Occupancy Rates (January-June 2008 and 2009)

2008				2009		
Occupancy Rate	Frequency*	%	Cumulative	Frequency*	%	Cumulative
Less than 20%	1	0.7	0.7	2	2.0	2.0
20-<40%	1	1.3	2.0	12	12.0	14.0
40-<60%	11	11.2	13.2	30	29.4	43.4
60-<80%	28	27.4	40.5	42	41.5	85.0
80-<100%	60	59.5	100.0	15	15.0	100.0

* Frequency = Number of responding hotels. Response to this question is 101 out of total 119 hotels.

An average rate of decline by -16.3% in the number of hotel residents is documented for all establishments over the period under consideration. This rate is higher than the corresponding rate (-9.5%) given in table (10) for ITAs based on actual official statistics. This could imply that the impact on the number of hotel residents is more severe than that on the total number of visitors to Egypt. The rates of decline are calculated also according to tourism region and hotel category table (21). As indicated in the table all regions witnessed a remarkable decline in the number of hotel residents, but the reported decline is perhaps more significant in Greater Cairo region. With respect to hotel category, there does not seem to be any significant difference between the categories.

The most pronounced variation concerning the rate of decline in the number of hotel residents, is between the different types of hotel ownership and management nationality table (22). Both foreign ownership and foreign management realized a sharp decline (-26% and -20%, respectively) in the number of hotel residents compared with the overall average of -16.3%. Here, documentation error cannot be ruled out since the response to the relevant question requires precise month by month data recording and a differentiation between foreign tourists and foreign residents in Egypt and between international and domestic tourists. An alternative reasoning however may be that foreign owned and managed hotels are closely associated with international tour operators in advanced countries, and therefore may be lacking flexibility in adjusting their demand to the new circumstances.

Table (21)
The Decline in the Number of Hotel Residents by Region and Category
(January-July 2008 and 2009)

Region	2008	2009	% Decline	Category	2008	2009	% Decline
Greater Cairo Luxor and Aswan Red Sea and South Sinai	915727	737582	-19.5	5-star	1975374	1642254	-16.9
	254736	218299	-14.3	4-star	1664375	1407175	-15.5
	2868995	2427083	-15.4	3-star	399711	333534	-16.6
	4039459	3382963	-16.3	Total	4039459	3382963	-16.3

Table (22)
The Decline of Number of Hotel Residents
by Ownership and Management Nationality
(January-July 2008 and 2009)

Ownership	2008	2009	% Decline	Management	2008	2009	% Decline
Egyptian	2824315	2399783	-15.0	Egyptian	2243203	1880095	-16.2
Joint	639534	559212	-12.6	Joint	516725	480592	-7.0
Foreign	576610	423969	-26.3	Foreign	1279530	1022277	-20.1
Total	4039459	3382963	-16.3	Total	4039459	3382963	-16.3

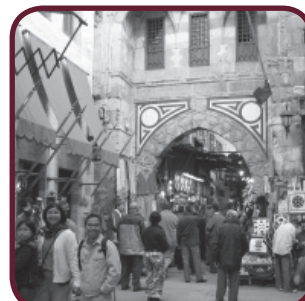


Table (23)
The Impact on Hotel Demand by Tourist Nationality

	Western Europe Nationals	Eastern Europe Nationals	USA Nationals	Arabs	Asian	Africans	No Influence	No International Tourists
Frequency (Number of hotels)	94	61	30	20	19	7	3	0
Percent of Hotels	78.4	51.1	25.3	16.5	15.6	6.0	2.3	0

The negative impact of the GFEC on hotel demand by tourist nationality can also be disclosed from the survey results. Information given in table (23) supplements the demand analysis of section (1) above. Thus the two most important sources of tourist demand were considered to be Western Europeans followed by Russians and Eastern Europeans. These two nationality groups are also the two where a high percentage of hotel establishments confirmed a fall in their demand due to the crisis.

(3-5) Pattern of Hotel Employment

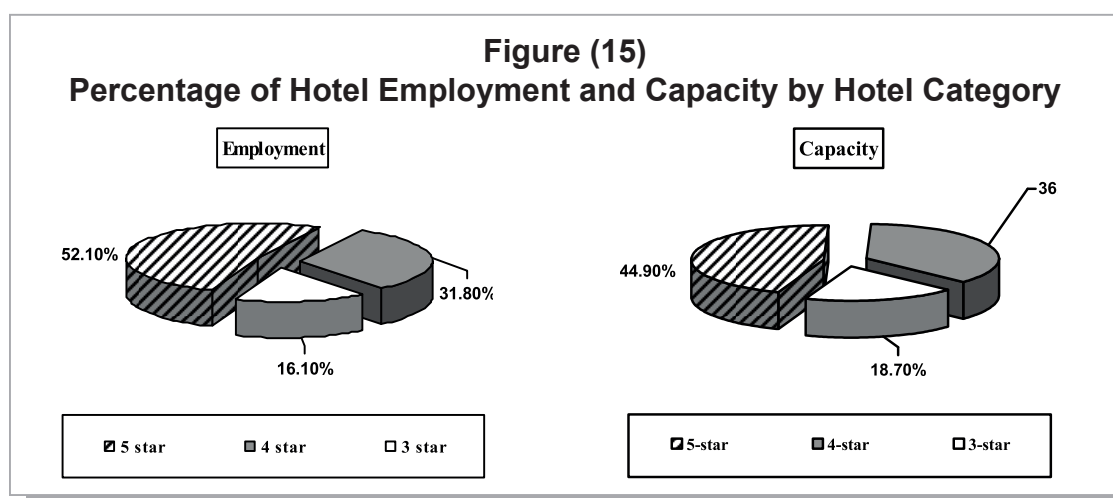
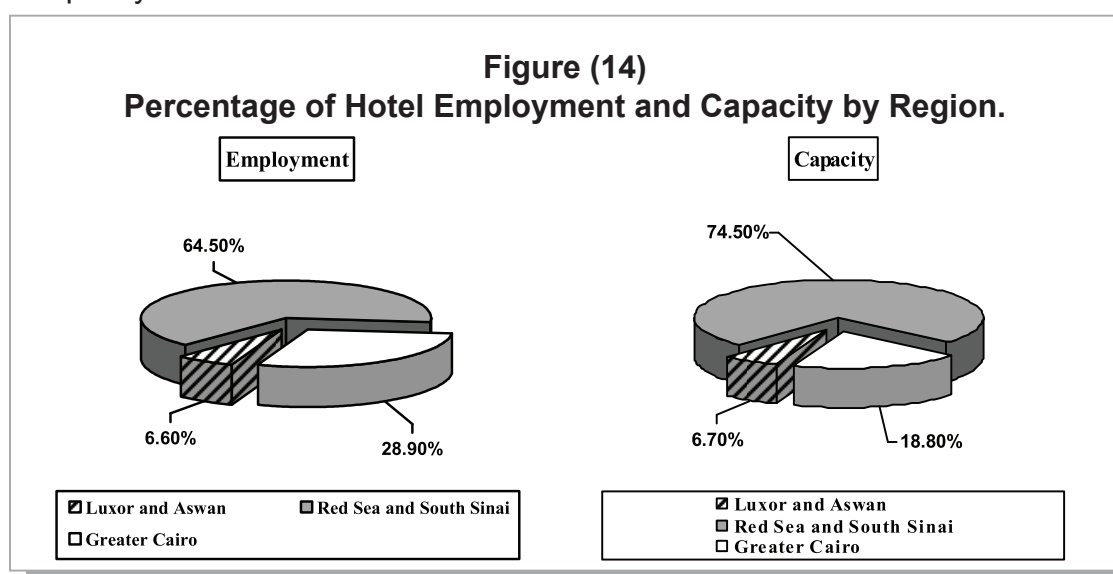
Based on the survey results, the following four topics will be examined in this part of the study to supplement the employment analysis in section (1):

- The overall pattern of hotel employment and its relation to capacity (number of rooms).
- Hotel employment by gender.
- Employment of temporary and foreign labour.
- Levels and pattern of labour remuneration.

(3-5-1) Overall Hotel Employment

The total workforce employed according to the HSS results amounts to almost 35 thousand workers employed in the three tourism regions by the three hotel categories. Almost 2/3 of this workforce is located in the Red Sea and South Sinai region, which absorbs 64.5% of the total employment (the same percentage as given in table 6 above). However, when compared with its share in hotel capacity (74.5%) the region's employment proportion tends to be relatively low (figure 14). In contrast, the Greater Cairo region which absorbs only 18.8% of total hotel capacity, has a much higher proportion of hotel employment. Greater Cairo can be considered, therefore, the region with the most labour intensive pattern of employment. On the other hand, Luxor and Aswan's contribution to employment is the same as the region's share in hotel capacity.

Correspondence between the proportion of hotel capacity and employment is also displayed by hotel category in figure 15. As indicated in the figure, 5-star hotels which account for 44.9% of total hotel capacity provide a higher share (52.1%) of hotel employment. Moreover, 5-star and 4-star hotels together yield 83.9% of total employment. On the other hand, 3-star hotels which are supposed to be labour intensive, contribute a lower proportion to employment than their share in total hotel capacity.



This outcome should be explained not only by labour intensity relative to hotel capacity, but rather by the prevalence of a wide range of complementary hotel activities such as restaurants, cafeterias, health spas, shops, swimming pools and the like in 5- and 4- star hotels, and their limited

availably in 3-star hotels. Several of these activities are labour intensive and, therefore, create much additional employment.

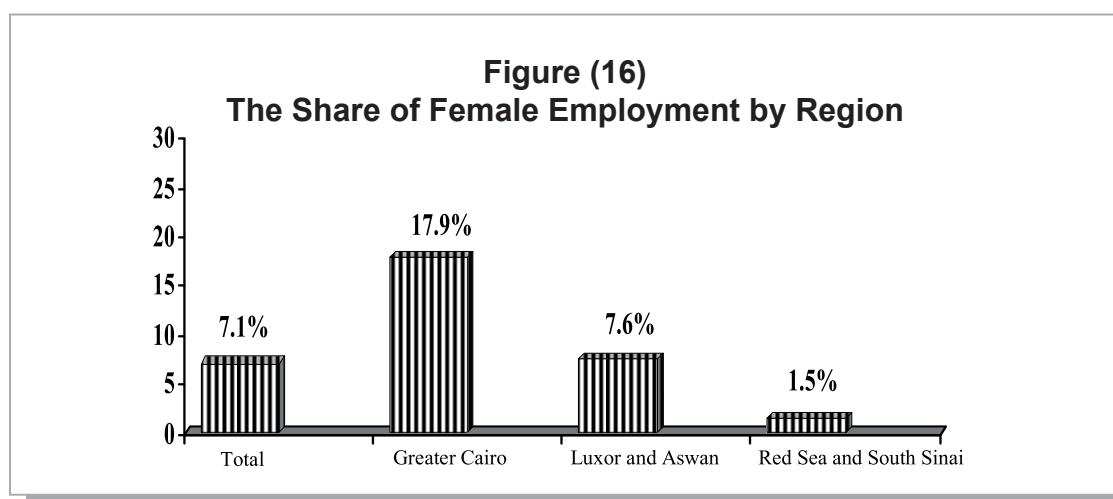
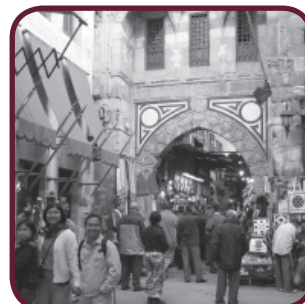
(3-5-2) Employment Pattern by Gender

The second important issue is the distribution of employment by gender. Based on CAPMAS statistics in section 1 above, it was found that the hotel sector provides very low employment opportunities for Egyptian women. This conclusion is confirmed by the survey results. Among the 34994 workers covered by the HSS, 2319 or 7.1% only were female workers. This percentage is not significantly different from the corresponding proportion derived previously from the 2007 CAPMAS hotel statistics (6.1%).

The share of female workers in hotel employment in the different tourism regions varies. The Greater Cairo region is not only the most favorable in terms of its contribution to total employment relative to capacity, but it can also be considered the most encouraging region as regards female employment. As clearly seen from figure 16, Greater Cairo workforce involves the highest percentage of female workers (17.9%). The region also absorbs in its hotels the great majority of the female hotel workforce (78%). In contrast women represent a minor proportion of the hotel employment in the Red Sea and South Sinai region (1.5%).

This outcome regarding women's employment in the hotel sector can further be verified by the results of the survey, as follows:

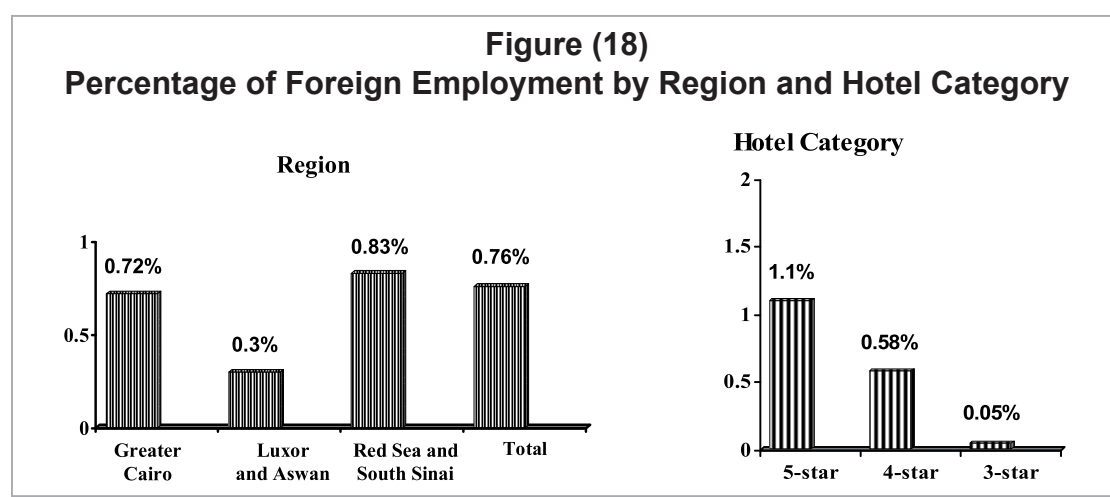
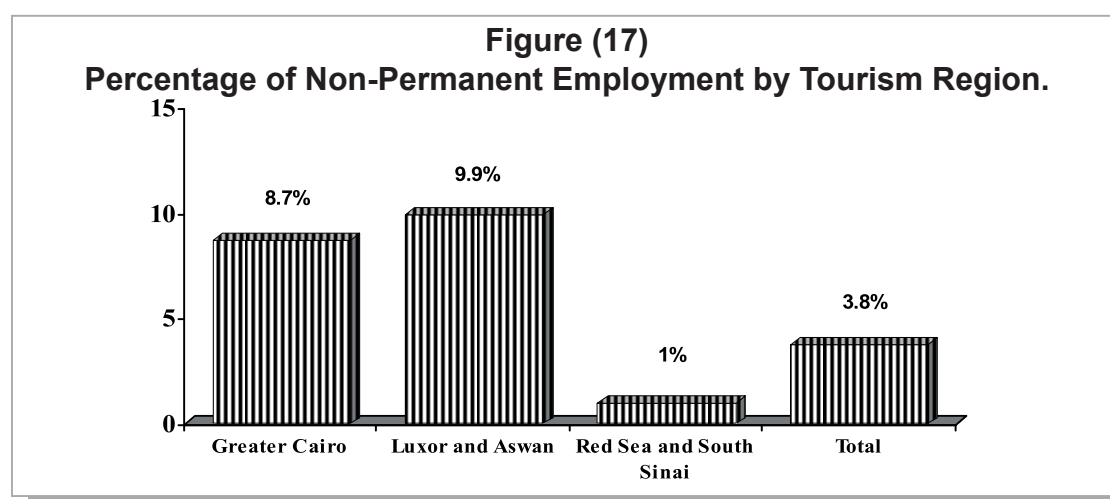
- Social and religious reasons, as mentioned before and confirmed by the survey results, play a dominant but negative role in women's hotel employment. In response to an enquiry about whether or not the hotel faces difficulties due the reluctance of male/or female youth to working in hotels, 50% of the respondents answered positively in the case of women, against 28% for males. The most important reason in the case of women was given by respondents to be "religious", "personal" and "cultural" considerations. The same reason however ranked fourth in importance for male workers.
- Not only do the women themselves avoid hotel occupations, but it is also sometimes the hotel employers' preferences that contribute to the situation. The HSS results reveal that 37% of the hotel respondents have their own preference as to the gender of their employees, even when the two genders are equal in qualifications and skills. Among those, 97.7% prefer male workers.



- The location of the hotel establishments offers another important explanation, on both the part of the employers and employees, for the low participation of women in hotel employment. Among employers answering yes to the preference of a certain gender of employees, 50% belong to the remote Red Sea and South Sinai region, and 100% of them asserted their preference for male workers. In addition, the remoteness of the hotel location is considered the second most important reason for the women's reluctance for hotel employment (63.5% response against 46.1% for men).

(3-5-3) Temporary and Foreign Labour

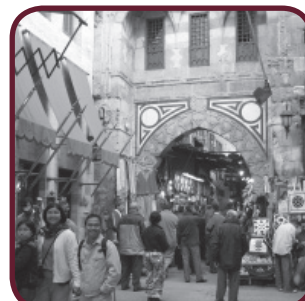
Contrary to our expectations, the proportion of temporary employment in the hotel sector given by the HSS results seems to be very low (3.8% of total employment). A certain degree of under-estimation however may be involved perhaps due to the deficiency, whether deliberately or not, in recording this type of employment. But an alternative reason may be that remote regions such as the Red Sea and South Sinai may tend to employ labour more on a permanent basis to ensure their attachment to the establishment and continuous availability. The validity of this explanation may be appealing given the share of temporary labour on a regional basis (Figure 17).



Regarding female employment in temporary jobs, their share equals their corresponding share in total employment, which indicates no bias against women in permanent jobs.

In connection with foreign labour, it has been observed from CAPMAS Hotel Statistics that the share of foreign labour in total hotel employment is negligible. It did not exceed 0.41% over the period 2004-2008. The proportion obtained from the HSS results (0.76%) is also very low but higher than (almost double) the CAPMAS rate. From figure (18) it can be seen that the Red Sea and South Sinai region employs a relatively higher percentage (0.83%), whereas Luxor and Aswan employs a very low percentage of foreign labour (0.30%). Regarding hotel category, more than 75% of foreign labour is employed by 5-star hotels and 98.9% by both 5- and 4-star hotels.

It is interesting to note that, in contrast to Egyptian female employment, the number of foreign female employees (136) exceeds the number of males (130). That is, females represent 51% of all foreign labour employed by the three hotel categories (No foreign females are employed in 3-star hotels according to the HSS results).



(3-5-4) Levels and Pattern of Labour Remuneration

The survey results confirm our earlier finding based on CAPMAS wage statistics showing the low level of wages in hotels and restaurants compared to the average for the whole economy (Section 1). The survey results found the average wage for male workers to be LE 840 per month. This wage level is almost identical to the average obtained for hotels and restaurants (LE 864) from CAPMAS statistics.

The low level of wages for both female and male workers is obvious from the results in table (24), where the great majority of workers' wages for both genders lies below the level of LE.1000 per month. The wage differential between male and female workers is also obvious, given that 81% of female workers' wages fall below that level, against 73% for male workers. Besides, the percentage of male workers earning LE 2000 and above is 4.2% versus 1.1% for female workers. On average, female wage is found to be LE 673 per month representing 80% of the average for male workers (LE 840).

Table (24)
Distribution of Male and Female Workers by Wage Level (LE per Month)

Average wage	% Male workers	% Female workers
Less than 500	24.4	34.7
500-<1000	48.7	46.3
1000-<1500	16.0	13.7
1500-<2000	6.7	4.2
2000 +	4.2	1.1
Total	100.0	100.0

The most common interpretation among hotel respondents for the gender wage differential, is the different tasks performed by each gender; this explanation is also confirmed by the response to a question about the occupations hotel respondents find more suitable for female and male workers. The most frequently stated occupation for female workers is a receptionist, and for male workers is a hotel cook.

Wage differential prevails also between different tourism regions, hotel categories and types of management. Table (25) displays average wages for male and female workers in each case.

Table (25)
Average Wage (LE per Month) for Male and Female Workers
by Region, Hotel Category and Management.

Region			Hotel category			Hotel management		
	M	F		M	F		M	F
Greater Cairo	738	612	5-star	1001	779	Egyptian	795	614
Luxor and Aswan	948	663	4-star	998	810	Foreign	870	700
Red Sea and South Sinai	862	715	3-star	598	435	TNCs	1672	1900
Total	840	673	Total	840	673	Joint	938	794

The data given in the table lead to the following findings:

- Luxor and Aswan is the region which provides the highest average level of wages. The type of tourism attracted by the region, which is basically culture tourism, may furnish a sufficient explanation. The region attracts what is called “high end tourism” which usually requires a special quality of employees.
- Average wages in 5- and 4- star hotels are much higher than the average for 3-star hotels. This applies for both female and male workers. The finding is self-explanatory and matches with the earlier result obtained from the CAPMAS statistics.
- Egyptian management shows the lowest wage levels for both male and female workers. This may be due to the fact that all hotels from the 3-star category (except one) are under Egyptian management.
- What attracts attention most is that the wage level under the transnational management corporations (TNCs) is exceptionally higher than the overall average.(*). It is also unusual that average wage for female workers under TNCs management is higher than the average wage for male workers. This would imply that management corporations employ foreign female workers who enjoy high skills and occupy top employment positions.
- Finally, it is to be noted that many hotel establishments provide their workforce with non-pecuniary benefits over and above the direct wages. The HSS reveals these extra non-wage benefits as given in table (26). Whether all workers benefit from all these additional advantages or not, cannot be decided. However, according to the survey results more than 95% of the hotels acknowledge the provision of social insurance, annual vacation, health insurance, meals and formal clothing.

Table (26)
Number and Proportion of Hotels Providing Non-Pecuniary Benefits

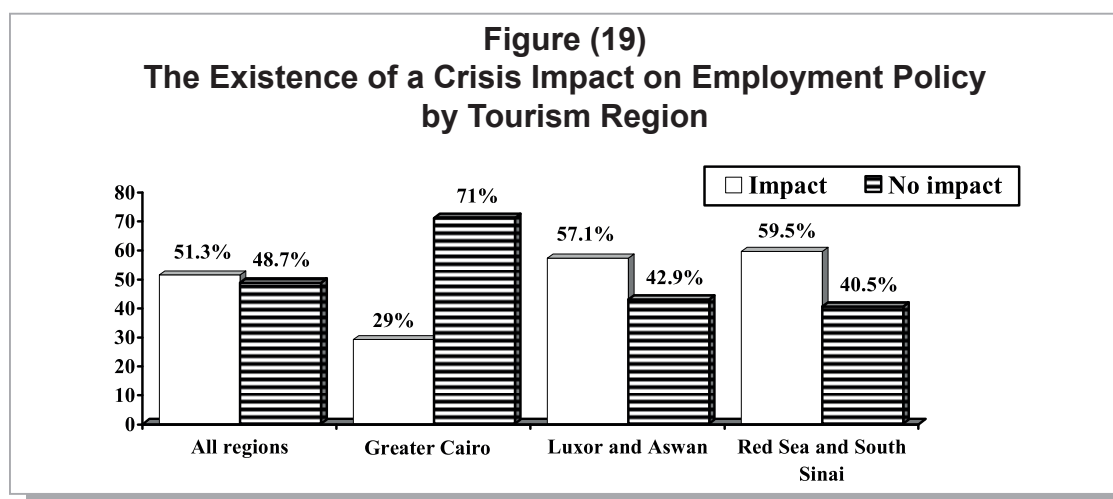
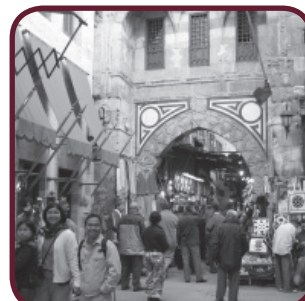
	No.*	%		No.	%
Social Insurance	118	100	Birth Leave Children Care Benaus Workers Fund Children Kindergarten	79	66.4
Health Insurance	114	96.6		58	48.3
Meals	118	99.2		38	31.7
Annual Vacation	116	98.3		3	2.5
Formal Clothing	117	97.5			
Transportation	102	85.7			
Accident Insurance	84	70.6			

* Out of a total 119 hotels.

(*) - They represent part of the foreign management companies, but are separated here in view of their exceptionally high levels of wages.

(3-6) The Crisis Impact on Employment

To determine the nature of the impact, a broad question was raised enquiring whether the crisis has affected the hotel employment policy. As shown by figure (19), 61 hotels or 51.3% of all hotels covered by the survey, responded positively, whereas almost an equal number (58 hotels or 48.7%) indicated that the crisis has no influence on their employment policy. From the figure it can be observed that greater Cairo is the only region where a high majority of its hotels (71.0%) introduced no changes to their employment policy in response to the crisis. The Red Sea and South Sinai region recorded the highest rate of positive response to this question (about 60%). The number of hotels showing an impact on employment in this region is 44 hotels out of the 61 giving a positive response. The impact of the GFEC in Luxor and Aswan region is greater than the Greater Cairo region, but only slightly less than the Red Sea and South Sinai region.



Among all establishments recognizing the impact of the crisis on employment policy (61 hotels), there was almost consensus that such impact is negligible as far as laying off workers (whether employed on a permanent or temporary basis), transferring workers from one hotel or company to another, or changing employment contracts (for instance towards more flexible work contracts as in table (27)). According to the survey results therefore, the impact of the GFEC on employment is more pronounced in terms of the following measures, ranked in order of their importance:

- Ceasing new appointments: 47 hotels out of the 61 acknowledged the adoption of this policy. The rate is equally high for the three tourism regions involved, and particularly high for hotels under foreign management.
- While only 5 hotels declared a reduction in wages, 15 hotels admitted adopting a policy of reducing workers incentives and bonuses, 12 of them in the Red Sea and South Sinai region.
- Although imposing compulsory vacations on workers is not a commonly followed policy, yet 9 hotels certified using this policy measure, seven of them in the Red Sea and South Sinai region, and one in each of the two other regions.

A further enquiry about the impact of the GFEC on wages and incentives was included within another question examining the impact on hours of work and non-pecuniary benefits.

Table (27)
Employment Policy Response to the GFEC by Policy Component

Policy Components	Type of Response*		
	Positive	Negative	Negative%
Laying off Perm. Workers	1	60	1.9
Laying off Temp. Workers	2	59	3.8
Change in Employment Contracts	2	59	3.8
Workers Transfer to Another Branch	1	60	1.9
Transfer to Another Company	1	60	1.9
Reduction in Salaries	5	56	8.8
Compulsory Vacations	9	53	13.9
Incentive Reduction	15	46	24.0
Ceasing New Appointments	47	14	76.3
Total	61	58	-

* Positive: Hotel numbers adopting the policy component.

Negative: Hotel numbers not adopting the policy component.

As mentioned before, the majority of respondents declared no change in salaries. It should be noted, however, that no change in salaries may imply a negative impact if hotel establishments usually pay annual increments. 24 hotels stated an increase in wages as opposed to only 11 hotels that stated a reduction in wages. (*) Response is not measured only by the number of hotels indicating wage change, but also by the rate of this change. In comparing the increases and decreases in wages (table 28), the increase is found to be less than 10% implying that it is the regular annual increment. The decrease, on the other hand, although limited in numbers, is greater in percentage.

It should also be noted that none of the hotels (with the exception of one) carried out a policy of increasing the working hours without a corresponding increase in wages. However, 16 establishments introduced a reduction in the non-pecuniary benefits granted to workers.

Another issue which has been subject to investigation by the survey is whether the crisis impacted differently on different groups of workers. The survey results reveal that a very large proportion of the establishments (82.4% or 98 hotels), stated that the impact of the GFEC is the same for all workers. In other words, the negative impact is not biased against a particular group of workers. Only five establishments mentioned that the impact is not the same for all workers. Among those, three considered the most affected workers to be: those with intermediate education, low experience, male workers and workers with Egyptian nationality.

Table (28)
The Rate of Change of Wages

Percentage Change	<10%	10-<20%	20-<30%	30-<40%	40+
Increase (%)	20	64	8	4	4
Decrease (%)	9.1	18.2	54.6	18.2	-

(*) - The number of hotels admitting reduction in wages (11) is greater than the 5 hotels with the same reply given previously, which may throw some shadow on the accuracy of the results concerning the impact on wage policy.

Summary of the Impacts

From the above analysis a summary table can be drawn illustrating two main categories showing the negative impacts of the crisis: (i) the overall or general impact on hotel establishments and (ii) the specific impact on employment and wage policies. Table (29) shows the two types of impacts expressed in terms of the number of hotels responding in each case.

It is obvious from the table that the overall impact is widespread and conceded by majority of hotel establishments. Decline in hotel revenues (90% of all hotels), and hotel occupancy (85% of hotels) rank high on the list of negative impacts. In contrast, the change in employment and wage policies in response to the crisis is not as sharp or widespread. According to the survey results, Egyptian hotel establishments rarely resort to marginal impact employment policies such as laying off workers, changing place of work and employment contracts. Perhaps the low proportion of temporary labour identified by the survey results, and the expectations that the impact of the crisis may not last for long, explain to a certain extent such marginal impacts measures. Some hotel establishments recourse to other less socially harmful policies such as those given under the 'low impact' in table (29). A much larger number of establishments adopted other alternative policies in response to the crisis exemplified in the form of reductions in incentive payments and ceasing new labour appointments.

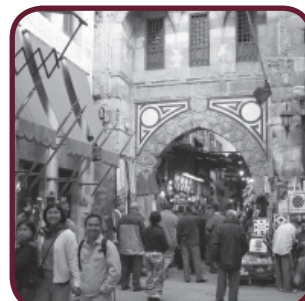


Table (29)
A Summary Table of the GFEC Negative Impacts*

Overall or General Impacts		Employment and Wage Policy Impacts	
The Impact	Frequency	The Impact	Frequency
Decline in Hotel revenues	107	Negligible Impacts	
Decline in occupancy rate	101		
Negative impact on liquidity	89		
Decline in average period of stay	80		
Negative impact on investment	74		
Negative impact on costs	68		
Negative impact on competitiveness	68		
Cancellation of contracts performed in 2008	36	Laying off workers (permanent)	1
Contraction of hotel activities	34	Laying off workers (temp.)	2
		Transfer to another establishment	1
		Transfer to another company	1
		Altering work contract	2
		Increasing hours of work	1
		Low Impact	
		Reduction in non-pecuniary benefits	16
		Reduction in overtime payments	16
		Reduction in wages	11
		Compulsory vacation	9
		Relatively High Impact	
		Reduction in incentive payments	42
		Ceasing new appointments	65

* Total number of hotels included in the HSS= 119

(3-7) Workers' Viewpoint of the Crisis' Impact

The results of the survey provided a good presentation of hotel employers' view regarding the impact of the GFEC and their policy response to this impact. It is necessary to present the view of the workers on the impact of the crisis. Although a survey covering the employees in the same establishments was also carried out, time constraints and the extended length of the study did not permit even a preliminary analysis of it. Therefore, to shed some light on workers' standpoint concerning the crisis, and reveal to what extent they coincide with the results given above, two sources were employed:

- (i) Information based on an interview with the president of the Hotel and Tourism Workers' Union.
- (ii) Elaborate information gathered and presented by an independent workers' organization operating in Egypt.

(3-7-1) Union Leader's Interview(*)

The following are the most important outcomes which can be concluded from the interview:

- Hotels represent a sub-sector of the tourism industry, where the impact of the crisis can best be observed. The impact on employment in other sub-sectors such as restaurants may not be as visible since this activity depends basically on local demand. This enhances the feasibility of the decision taken in the present study to thoroughly investigate the crisis impact through a sample survey of the hotel sector.
- Concerning ITAs to Egypt, a fall in the size of inbound tourism following the crisis is asserted. It is maintained, however, that long-haul tourism is the most negatively affected. Short trips of 2 or 3 day visits have not been severely impacted, particularly during the later period of the crisis. At the early period on the other hand, occupancy rates dropped sharply (declining to 20%), but later gained a gradual increase reaching about 40 to 50%.
- The size of foreign labour in the hotel sector in the recorded statistics may not be precise. Foreign management operating in Egypt usually get a number of foreign workers with them. Since not all of them apply for work permits they may not be visible in the official records. This may to some extent explain the very insignificant proportion of foreign labour given in the CAPMAS Hotel Statistics even in relation to the HSS results.
- The size of temporary workers/labour as estimated by the Union leader seems to be higher than that given by the HSS results. In the Greater Cairo region it is expected that the proportion of permanently employed labour in the hotel sector is approximately 75%. In Luxor and Aswan the anticipated proportion is 60%. In the Red Sea and South Sinai region the information may not be clear enough to allow a reasonable estimation.
- The HSS results showed a very high rate of workers protection provided by hotel establishments in terms of social, health and accident insurance. Contrary to these results, however, it is believed that insurance covers a limited proportion of workers particularly in the remote tourism region (Red Sea and South Sinai).
- The impact of the GFEC on employment in the Egyptian hotel sector was alarming at the early stage of the crisis when a great deal of uncertainty and confusion prevailed. The group of workers worst hit by the crisis was basically informal workers such as temporary and casual workers. At

(*) - The interview was undertaken with Mr. Mohamed Helal El-Sharkawi, President of the General Union of Tourism and Hotels Workers and member of the International Union of Tourism Workers. Mr. Fayez Fahmy from ILO (Cairo office), and Mr. Ahmed Kamal from IDSC were both present at the meeting.

this early stage it is estimated that about 35% of temporary workers were arbitrarily dismissed (without prior negotiation with the union). Here also a certain deviation from the HSS results is noticeable.

- As regards the impact on employment from a regional perspective, Cairo and Alexandria are considered to be the most reasonable and balanced regions, meaning that policy measures in response to the crisis were taken only after negotiation with workers' representatives. This coincides with the HSS results where the Greater Cairo region is the region to least apply negative policy measures towards workers. On the other hand, hotel establishments in remote tourism areas such as Hurghada and Sharm El-Sheikh, were quick to lay off their temporary workers at the early stage of the crisis to discharge non-permanent labour. This trend however slowed down after union intervention and the realization that the impact of the crisis is not as severe as previously thought.
- The rather mixed results obtained from the HSS regarding the impact on wage policy are becoming clearer here, and more in line with our earlier explanation of the low level of wages in the hotel sector. According to Union leader's perception, employers could not directly reduce wages. However, an important component of the earnings of those working in the services occupations consists of variable payments obtained mainly through tips. Total earnings gained by this group of workers must have diminished in proportion to the fall in hotel occupancy and the number of visitors.



(3-7-2) Information from Reports by (CTUWS)

To keep track of the impact of the GFEC on workers in Egypt²¹, the Center for Trade Union and Workers Services (CTUWS) has issued eight reports so far. Tourism was given special attention in these reports. They monitored the impact on workers mostly in hotels and tourist villages case by case, explicitly specifying the name of each hotel establishment and the name of its owner. The negative impacts confronting workers were sorted into three categories: laying off workers, wage reductions, and more stringent working conditions. It should be noted, however, that unlike the results of the HSS, the impacts on workers identified by the CTUWS reports do not represent the actual quantitative statistics on the impact of the crisis in the tourism or hotel industry, nor do they represent the actual impact in any specific tourism region. Nevertheless, they have to be considered as good indicators or cases reflecting the behavior of some hotel establishments towards workers in response to the crisis, as detected by a non-governmental workers organization.

The following findings can be inferred from the last three reports (August, September, and October) when the impacts of the crisis on tourism employment became more visible:

- The hotel industry was the segment of the tourism sector upon which the CTUWS working team focused in their effort to monitor the impact of the crisis on workers. This coincides with the focus of the present study.
- In the cases expounded in the three reports, laying off workers seems to be a more frequent occurrence, compared to the HSS results where it was found to be extremely rare. In the August report, for instance, six of the eight hotels and tourist villages covered dismissed workers. One of the six however replaced high wage workers by low wage workers. Among the eight hotels

21 - Center for Trade Union and Workers' Services, The Impacts of the Global Financial Crisis on Workers in Egypt, August, September and October Reports (in Arabic), Cairo, Egypt 2009 (www.ctuws.com).

covered in the September report, seven dismissed workers, and three of the seven replaced them by new low-wage labour. According to the CTUWS reports, worker dismissals continued until recently. The October report reveals that out of 11 establishments monitored, nine of them resorted to workers' dismissal.

- It is not only the frequency of laying off workers which is brought to attention in the different reports, but also the number of workers dismissed which often tends to be sizable. For instance, the October report states that in just one establishment, over the preceding three months, the size of the workforce was reduced from 650 to 420, by dismissing 230 workers. The reports also claim that the dismissed workers have not always been paid sufficient compensation. However, it is also noted that the majority of the workers dismissed belong to the casual workers group.
- In compliance with both the results of the HSS and the outcome of the interview, total workers' earnings and not wages by themselves are the most likely to be negatively affected by employers' response to the crisis. All hotels and tourist villages covered by the different reports have in one way or another adopted a policy towards reducing some of the earning components usually received by tourism workers, such as:
 - The most frequently mentioned negative impact on workers' earnings is the reduction of the workers' share of the 12% service charges. This share is often reduced by half.
 - Reduction of, postponement or even cessation of overtime payments is not infrequent.
 - Earnings seem to be substantially affected by the reduction of bonus payments which usually compensate for the low remunerations of tourism workers. Moreover, a decline in earnings normally takes place due to the decrease in tips as a result of the decrease in hotel residents.
 - Also reported are several instances of stringent working conditions such as compulsory unpaid or half-paid leave, reduction of non-pecuniary benefits such as the number of meals including meats, extra un-paid hours of work, cessation of grants paid on some special occasions, reduction of transportation facilities and/or travel allowances and more fines.
- Despite the fact that the results recorded by the reports are not representative of the hotel industry, it is worthy of notice that all establishments monitored in the August and September reports (16 establishments) are situated in the Red Sea governorate, and 14 of them are located in Hurghada, the famous tourist destination in that governorate. The October issue includes other tourism regions namely: Luxor and Aswan. However, among the 13 establishments monitored, seven are located in Hurghada. This may substantiate the earlier outcomes given by the HSS and union leader's interview, which show the Red Sea and South Sinai region to be the region that most resorted to negative policy measures towards workers.

(4) Combating the Crisis and the Future Prospects

In this final section of the study, it is worthy of notice that the GFEC has revealed a positive consequence in drawing attention to the huge inequality in the balance of power prevailing at two levels: First, the world economy: as the crisis initially originated from some imprudent financial and economic policies adopted by advanced capitalist economies, particularly the USA, and its impact was not confined to these powerful economies, but rapidly extended through the many globalization mechanisms to badly hit the weak developing economies.

Second, within the developing economies: resilience to the crisis impact as portrayed above, was essentially possible for the more powerful stakeholders, that is employers who are motivated to defend their interests through different policies and measures. These measures however, were harmful to the workers, the group of stakeholders who are the less able to carry out effective measures to protect their rights and interests. It is true that union representatives and official labour authorities often enter into negotiations with hotel employers in support of workers' demands. It is also true that workers themselves sometimes respond by filing complaints to the labour office, or gathering and protesting against the lay offs and earnings reduction policies.^(*) But in reality, the support provided cannot often withstand the employers' power and their ability to not to rescind policies detrimental to the workers.

It remains now to elaborate on the response of the third stakeholder, namely, the government, in alleviating the impact of the crisis. In 2008/2009 the Egyptian government in principle, introduced a cluster of fiscal packages worth LE 15.5 billion which represented 1.5 % of GDP. According to a recent report by the Ministry of Finance, this cluster was intended to basically stimulate domestic demand and prevent a sharp decline in economic activity²². However, a World Bank (WB) report monitoring the crisis impact on the Egyptian economy, considers the size of the cluster packages to be lower than that necessary to fully make up for the fall in external demand²³.

Regarding government support to the tourism sector, which is the main concern of the present study, the report by the Ministry of Finance identifies the following package:

- Rescheduling of outstanding debts and facilitating loans for different projects in the tourism sector.
- Intensifying marketing campaigns in conjunction with international travel agencies.
- Enhancing marketing efforts directed at emerging economies with high potential for outbound tourism.
- Supporting charter flights programs.
- Increasing efforts to bring in low cost carriers to the Egyptian market.

It can be observed that the cluster does not include a single measure to directly support workers and moderate policies of labour dismissals and earning reductions. Perhaps this is due to the government decision makers' belief in the benefits trickle down approach. Several of the above measures are directed towards the revival of the international tourist movement to Egypt and to the restoration of touristic activities. The first measure especially is intended directly to support investors and owners of tourism enterprises.



(*) - As revealed by the CTUWS reports.

22 - Ministry of Finance, Egypt Response to the Global Crises, Macroeconomic Policy Unit, Cairo, Egypt, June 2009.

23 - World Bank (WB), Op cit.

It may be appropriate at this point to go back to the HSS results to disclose hotel employers' point of view concerning government support, and whether they have received financial aid or other facilities to refrain from workers dismissals. The great majority (115 establishments out of 119) replied negatively. Only four admitted receiving facilities. All of the four, however, denied receiving any of the following governmental aids: Financial support, soft loans, tax deduction, rescheduling debts or outstanding tax payments. The only support acknowledged by three of the four respondents related to the reduction of the establishment's subscription to the Chamber of Hotel Establishments. Asked whether this support was sufficient to deal with the lay off problem, the three respondents answered "No". These outcomes, therefore, shed some doubts on the governmental measures given above, and the extent to which they have actually been carried out.

From the point of view of hotel respondents, the government policies considered most suitable to relieve the impacts of the crisis on tourism, are: reducing taxes imposed on their activities, rescheduling outstanding tax payments (interest free), and postponing payment of water and electricity bills. Despite the fact that majority of the hotels acknowledged their suffering from a liquidity shortage, only a few expressed a wish for direct financial support or soft loans,.

In addition to the measures undertaken to reduce labour costs, hotel establishments took unilateral measures to counteract the crisis by adopting a number of policy actions. The most important of these policies was the promotion of domestic tourism. 75% of the establishments endorsed this policy. However, most of them asserted that the increase of domestic tourism was not sufficient to compensate for the decline in ITAs. Directing promotional efforts towards new markets and reducing prices of hotel services were also two important policies applied by 66 and 60% of the respondents respectively, to revitalize hotel demand.

As to the future prospects, according to the reaction of the respondents, they seem to be uncertain and vague. A high proportion of hotel establishments expect no change in the future activities of their enterprises (80 hotels or 67.2%). Another 31 hotels are unable to decide about. Only five expect a decline, and another four expect expansion of their activities. Expectations regarding the course of the crisis and the termination of its impact on tourism appear also to be divided, as shown in table (30).

Table (30)
Hotel Respondents' Expectations Regarding the Termination of the Crisis Impact on Tourism

Expectations	No. of Establishments	%
The End of 2009	37	30.9
The End of 2010	37	31.2
Beyond 2010	28	23.3
Do Not Know	17	14.7
Total	119	100.0

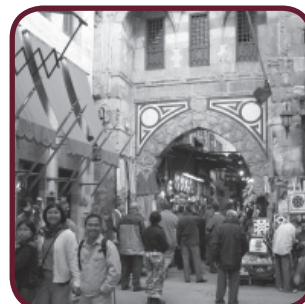
News of the world, on the other hand, cite a gradual but slow recovery trend of the world economy. As far as Egyptian tourism is concerned some signs of partial recovery from the severe drop in tourism in early period have been already observed in the present study. Such partial recovery is confirmed also by the Egyptian Minister of Tourism who expected a full recovery by the third quarter of 2010²⁴.

Lastly, it can be expected that the future prospects of tourism will in the short-term be subject to dual effects, i.e. the dwindling of the GFEC and the rising effect of the (H1N1) flu.

²⁴ - World Bank (WB), Op cit.

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Appendices

Appendix (I) Distribution of Actual and Sample Hotel Units by Region and Hotel Category

	Greater Cairo		Luxor and Aswan		Red Sea and South Sinai		Total	
	Actual	HSS	Actual	HSS	Actual	HSS	Actual	HSS
5-star	27	13	13	8	55	16	95	37
4-star	17	8	9	7	85	26	111	41
3-star	46	18	19	11	71	15	136	44
Total	90	39	41	26	211	57	342	122

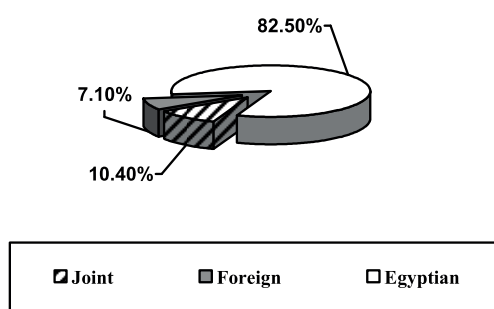
Source: A Short Note Written by Ghada Hussein at the IDSC about the HSS Design.

Appendix (II)

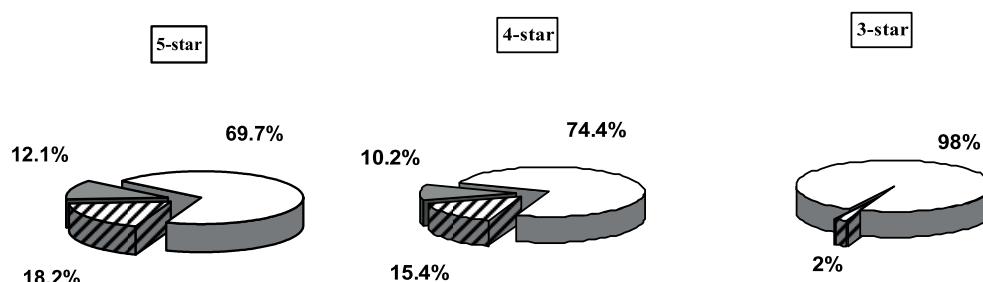
Percentage of Hotel Establishments by Ownership Nationality.



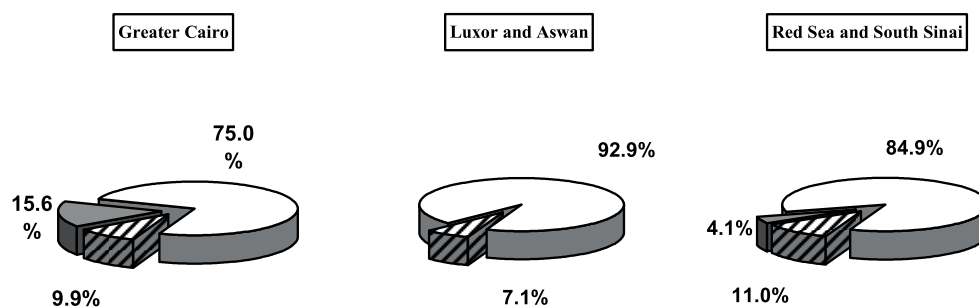
(a) Total Establishments



(b) Hotel Category

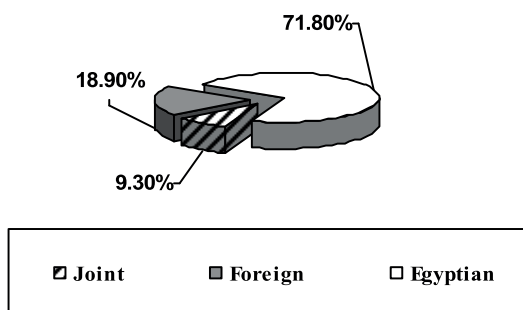


(c) Tourism Region

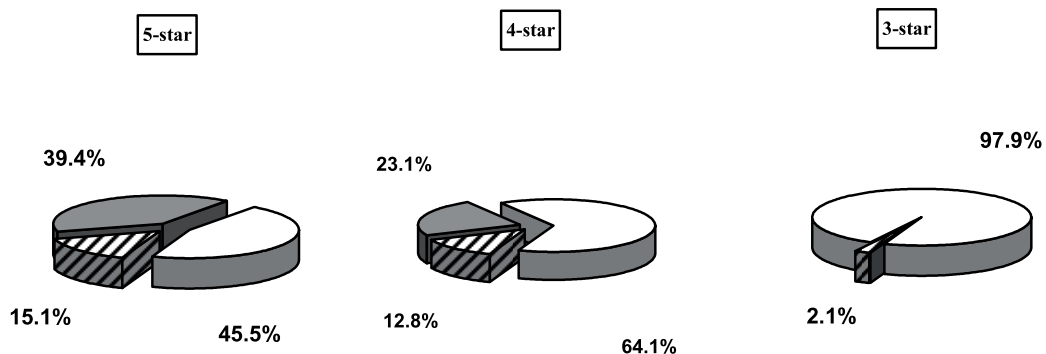


Appendix (III) Percentage of Hotel Establishments by Management Nationality.

(a) Total Establishments



(b) Hotel Category



(c) Tourism Region percentage numbers changed

