THE IMPACT OF GLOBALIZATION ON HRM POLICIES AND PRACTICES IN EGYPT: THE CASE OF THE PUBLIC SECTOR

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Abstract

Global exchange of goods and services increasingly exerts pressure on the productivity of labor. Uncompetitive labor is marginalized and forced out of the market altogether. In Egypt, the public sector has long suffered from HRM practices which are far behind the state of the art. Outmoded HRM practices include: Wage compression, public-private wage differential, limited training, poor performance appraisal systems, poor employee benefit packages, and hierarchical unified non-meritocratic structures. Research has dealt with these issues extensively. The "shamrock" organizational scheme suggested in this paper may help the public sector of Egypt lead the country under the auspices of the 'win or die' philosophy of the global economy.

Key words: globalization, human resource management (HRM) policies, developing countries, public sector, Egypt.

JEL classification: M52, M54

INTRODUCTION

"The only constant today is change. The emergence of the twin forces of globalization and the technology revolution has resulted in the redefinition and reshaping of our human society in every possible way – politically, socially, economically, and culturally. Change brings opportunities but can also be quite unsettling. Although we can not control every change, we can control the way we perceive, adapt to, and utilize change" (Chan, 2002: 19).

Globalization has changed the outlook of the world. It became the force that dominates the universe. It is the inevitable fate that all countries must accept and utilize the changes it brought (Anca-Ioana, 2013). Although the above quote was written twelve years ago, the public sector of Egypt has failed to neither adopt nor adapt to change till nowadays. This paper focuses on the need for radical change of the Egyptian public sector HRM policies and practices. Studies on Egyptian HRM practices, especially on the private sector, are rare. However, it is a rising problem that cannot be ignored after the recent political incidents happening in Egypt and their implications on the economy and the business environment. This paper aims at shedding the light on this issue.

This paper is divided into four sections. The first and second parts expose the importance of HRM for developing countries in general, stressing the role of government HRM as a driving force of development. The third and central part takes the case of Egypt as an example. In the final part, an HR model, which has won broad acceptance in the literature, is proposed to serve as a different paradigm for Egyptian public sector HR policies. Before entering the discussion however some introductory remarks may help to understand background and reason for this endeavor.

THE IMPORTANCE OF HRM FOR DEVELOPING COUNTRIES

The fact that the world has become a global village is no longer news. The impact of globalization has, and will still ever be, realized in all sectors of all economies on both the macro and the micro levels (Bamber, Ryan & Wailes, 2004). The complex global linkage system has led to a vast escalation of underutilized business opportunities, ones which smart companies are proactively attempting to make use of. The workforce, being a country's most valuable resource, and on the micro-level, a company's main source of core competence, was due to undergo radical change if it wanted to survive as an economic factor in the world market. Successful HRM practices are correlated with higher organizational productivity (Choo, Halim & Keng-Howe, 2010).

The phenomenon has been sufficiently defined. What remain, however, are its implications. Simple intuitive logic postulates the following: As markets become more and more open, the consequences of free trade rule. Organizations, on the micro-level, governments on the macro-level, have more and more access to the means of production. This entails capital flows around the globe, cheaper imports, and larger export markets, all made fast through technological advances and the efficiency of information flow. This, in turn, implies that only competitive labor and competitive countries will reap the benefits of the global market: the global workplace.

As Al-Hamad (2003) very convincingly argues in his piece on the Challenges and Responses in the Arab World Globalization effects, and or benefits, on developing countries are vastly different from those on the developed countries. Countries, developing countries in particular, must prepare themselves for even fiercer competition in the future, lest they should be marginalized in the world economy. These countries must change, reform, and implement the right management policies to survive globalization. Sustainable economic growth is one of the important factors in eliminating poverty (Akoum, 2008).

Since labor – the human resource – is the most valuable asset of any country, the most important of those policies will be the Human Resource Management (HRM) policies. HRM is increasingly linked in the literature to organizational development and entrepreneurship (Montoro-Sanchez & Soriano, 2011).

CHALLENGES OF GLOBALIZATION AND THE PUBLIC SECTOR

International trade and affiliations, international capital markets and FDIs are some of the challenges facing the economies of all countries. The work of Bamber, Ryan and Wailes (2004) compared between ten developed economies on the changes in employment relations as a result of globalization. Among aspects handled were child labor, unionization and emerging forms of employee representation. The authors concluded that any theoretical framework used in HRM should be adapted to the conditions of the country.

One issue of concern is that the implementation of HR best practice techniques as a result of globalization effects is different not only between developed and developing countries, but also between public and private sectors within each country, specifically the developing countries. In general, "country stability, cultural traits, level of advancement, and type of government" directly impact the pressing need for new system reinforcement as a result of globalization. Cost issues are also a concern. Moreover, a fatal fallacy, resulting from a misconception of many companies particularly in the developing countries, is the fact that best practice techniques are taken as "solutions slathered over public sector wounds as if they are a magic salve" (Hays & Plagens, 2002: 327). Best practices are not universal. To be effective, adaptations are necessary. Customizing the HRM techniques is the responsibility of the management body (Bamber, Ryan & Wailes, 2004).

In order to create and maintain competitive advantage in the global economy, companies' recruitment methods have changed inevitably to select candidates who are able to manage uncertainty in an ambience of "sudden economic expansions and contractions, diverse cultural influences, and fast-paced technological change" (Chan, 2002). These candidates must possess a strong aptitude for learning as well as be able to work effectively in teams and even lead them. It is preordained for developing countries, if they are to survive in the race for evolution, to besiege themselves from old HR dogmas and start embracing change. "The art of statesmanship is to foresee the inevitable and to expedite its occurrence" (Nunes & Cespedes, 2003). Ghebregiorgis and Karsten (2007) simply summarize most of the studies saying that HRM practices and organizational output have a direct positive relationship. In addition, this creates the sustainable competitive advantage of the organization.

The emergence of the concept of "virtual" employees, competitors, suppliers, or associates was furthered by the advancement in information technology and communication (Chan, 2002). The impact of these changes was quite intense on the developing countries. To these countries, which are mainly composed of small and medium-sized enterprises, globalization effects were hazardous. Inefficient management methodologies and inefficient industries, specifically in the public sector, were ruled out of the market altogether.

By contrast, developed economies were flexible, persistent, and quick at capitalizing on and implementing new techniques to hedge against uncertainty and cater to the new diverse labor force and, hence, the changed employee profiles. The result was a flatter organization in order to maintain overhead

cost minimization, flexibility, efficiency, and customer focus. This organization is not constrained by the traditional management techniques that hold so long as there remains control over the environment. As the company prospects become more and more international, rather than domestic, the degree of control drastically declines (Vicere, 2000). As a result, restructuring the classic Human Resource functions through improved recruitment, training, and appraisal systems was inevitable, resulting in highly efficient knowledge management systems in highly efficient knowledge-based organizations (El-Badawy, 2012).

THE CASE OF EGYPT

Egypt has a long experience of adopting a government-led development path, which resulted in the existence of a wide range of centralized decision-making in public sector institutions. However, the commonly reported problems for starting a business in Egypt include problems in access to financial resources, government bureaucracy, uneducated workforce, and corruption (Doing Business, 2014). The public sector proved to be financially inefficient and resorting to internal and external financial assistance to ensure its sustainability. As a result, the government has seen the public sector as a heavy burden that needed to be "scaled down" and transferred by one way or another to the private hands. Accordingly, the decision of "fragmenting" and "privatizing" these inefficient public sector institutions was taken. The privatization of these public sector institutions was aiming particularly at reducing the government costs, reducing the governmental role in the economy, increasing productivity, and encouraging having a wider base of domestic private and foreign direct investment (Abdel Wahab, 2009; Younis, 1996).

However, the government was hesitant concerning the private companies' ability to meet the objectives of the society in terms of employment because a substantial amount of lay-offs will have to take place in the public enterprises being privatized. This may deepen the unemployment problem Egypt already suffers from. Unemployment rates fluctuated from 11.2 in 2005 to 8.7% in 2008 and reaching 9.2% in 2012 following the January 25th revolution (El-Wassal, 2013).

It is worth noting in this respect that "Egypt has one of the highest levels of government employment among developing countries, with 42 percent of aggregate non-agricultural employment in 1995 compared to 10–15 percent in countries such as Indonesia, Pakistan, Philippines, Singapore, Tunisia, and India" (Handoussa & El Oraby, 2004). It is also worth noting that the Egyptian government's expenditures on salaries and redistributions uphold around 35 percent of the Egyptian population (Sayed, 2004). Such conditions did not improve throughout the years. Latest statistics reflected that during the fiscal year of 2010-2011, employment expenditures on wages have accounted for 26 percent of total government expenditure (El-Wassal, 2013). In addition, the government was mistaken in allowing privatization without sufficient scientific analysis of its consequences on the market (Akoum, 2008). The unreadiness of the market and the inadequate skills of the workforce have made the issue of introducing change far more complicated.

Nevertheless, citizens complain from the low wages and the unequal distribution of wages accompanied by the rising rates of inflation and the decreasing purchasing power of the foreign currency. The January 25th revolution made the modifications of the laws on wages a must for the government to adhere. However, the state had fear of losing its economic and political control. This resulted in having the government somehow cautious in its approach to the privatization of these public enterprises (Youssef, 1996). It made the government also unable to balance between the demands of the citizens and economic and political problems Egypt faces.

Due to the pressing need for a proactive approach in anticipation of globalization and it's rather more than less subtle effect on the workforce, specifically on the level of the developing economies, a research endeavor imposed itself. Focus will be on the Egyptian public sector HR inefficiencies with recommendations for reform.

THE NEW PARADIGM

Globalization has strained both HR professionals and managers prompting them to aid in the emergent downsizing trend as organizations try to become more flexible and hence efficient. Vicere (2000) laments the fact that downsizing per se would not be sufficient, however. To positively utilize globalization, Vicere stresses that organizations need to:

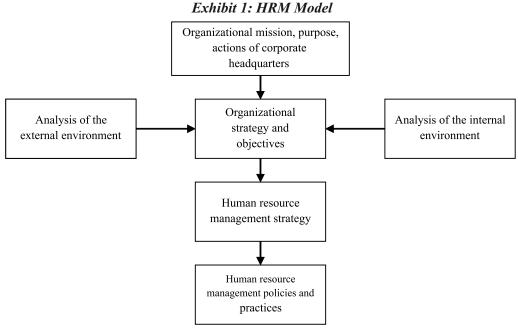
- 1. Focus on their core competencies.
- 2. Establish partnerships through integrating strategic alliances and "outsourcing arrangements". The partners possess core competencies in their respective fields. Pooling their talents would in turn provide an organization with added core competencies.
- 3. Create sophisticated knowledge-management systems to preserve and confine these core competencies.
- 4. Integrate internal software packages that would reinforce efficiency and information sharing within the organization.
- 5. Montoro-Sanchez and Soriano (2011) added entrepreneurship as an important ingredient for organizational development and sustainability in an ever competitive environment.

At the heart of the new policy changes lies the question of which skills, or groups of skills, organizations are looking for in their employee base. All companies are looking for talented candidates, yet talented candidates in this era are also looking for organizations that can foster their talent and enhance it (El-Badawy, 2012). This has lead to the development of the concept of "brand character" of the organization. The brand image of the employer has become as crucial as the recruitment process itself. Motivating tasks, "effective leadership, and ample feedback" should be embedded in the new organizational culture and all HR functions should revolve around that (Vicere, 2000).

HUMAN RESOURCE MANAGEMENT: THE THEORETICAL PERSPECTIVE

HRM DEVELOPED

In the past couple of decades, there has been great stress on the importance of HR management in the literature in general. Different types of organizational strategies were developed, including the "defender, prospector, analyzer, reactor typology". Writers would then, on the basis of the organizational strategy, decide on the relevant HRM policies and practices (Kane and Palmer, 1995). Lately, the 1990s witnessed the development of various HRM models. Despite variety, the following basic HRM model is the most widely accepted (Exhibit 1).



Source: Kane & Palmer (1995)

Kane and Palmer divided the determinants of an organization's HRM policies and practices into external factors, internal factors, and academic or professional influences. The external influences included "international and national economic changes", "technological changes", "national culture/tradition", "industry/sector characteristics", "legislation/regulations", "actions of competitors",

and "actions of unions". The internal ones included "organization size", "organization structure", "history, traditions, and past practices", "top management" strategy, and "line management" approach. Finally, the academic influences included the "power, motives, and knowledge of those involved in the decision-making process." Whether or not management is risk-averse or risk-seeker would also influence the HR practices of the organization, mainly in terms of level of aggression. As we can see from the model, HRM evolves directly from the organization's strategy, and it is ideally shaped and influenced by the above-mentioned factors.

More recently, globalization has put stress on organizations to be flexible and to have their strategies subtle to diversity. For example, spirituality is starting to be integrated in HR policies. With relation to the eastern context, and Egypt, Islamic perspective beliefs that "Knowledge must be put to use and lead to the process of transformation resulting in the betterment of the society" (Khan & Sheikh, 2012). In light of this belief, for performance and productivity to increase, values stemming from religion should be embedded in the organizational context and considered in setting HR policies. These values will give meaning to the work and the changes employees go through.

THE PURPOSE OF HRM

Efficiency and effectiveness are the ultimate goals of an organization. Since HR goals emanate from organizational goals, the HR function has the following objectives (Ivancevich, 2004):

- 1. Assisting in the goal fulfillment process of the organization.
- 2. Enhancing employee skills and utilizing them.
- 3. Effectively recruiting the relevant skill base.
- 4. Training and motivating the workforce of the organization.
- 5. Setting performance appraisal measures.
- 6. Fostering the organizational culture.
- 7. Introducing and maintaining new policies as necessary to the mutual benefits of both the organization and its workforce.
- 8. Effectively announcing and communicating policy changes.

The human resource function is essentially both "action-oriented" and "people-oriented". More recently, it has become both "globally-oriented" and "future-oriented" (Ivancevich, 2004). Nowadays, HR practitioners perform major functions, such as recruitment and selection, welfare and benefits administration, wage administration, performance appraisal, pay and incentive systems, promotion policies, as well as employee participation programs and employee training, that impact the future of the organization as a whole. The HR department, just as the whole organization, employs sophisticated technology through the use of software packages tailored for the specific organization at hand. This change in HRM roles and practices has both external and internal root causes. The external factors include "regionalization of local companies" as well as "the international economic forces at work". Internal factors include "a tight labor market", "a better educated workforce", and "a better quality of work life" (Chew & Goh, 1997). Other factors include the pressing need to employ a more "sophisticated, knowledge-based, and mobile workforce" (Kilcourse, 1996).

Kilcourse (1996) has also written that there are four "imperatives" for organizations to compete in the global world economy; focus of organization goal, mission, and vision, integration of the whole organization functions, flexibility of response, and awareness of the market, the customer needs, and the mega-environment as a whole. Of those, flexibility is most pressing to ensure fast and efficient response to the ever-changing needs of the organizations prospects. Firms will head-hunt "core people whose talents are strategic to their survival" (Kilcourse, 1996). This implies that a firm might automate, for instance, to ensure flexibility and downsize unnecessary average-skill workers. Also, with globalization at hand, firms might locate anywhere in the world where cheap capital, cheap labor, or cheap technology is needed. Firms might also relocate near their customers. As Michael Porter of Harvard University (1998) put it a long time ago, the issue is not of the comparative advantages of nations; rather it is of their competitive advantages. It is how organizations, and nations as the aggregate, are able to achieve efficiency and flexibility, both by strategically manipulating cheap factors of production round the globe, and by a strong HRM infrastructure that knows how to run the organization without any redundancy in its functions, yet at the same time, retaining its 'core-competence' employees.

Choo et al. (2010) believed that the degree of organizational globalization is measured by three pillars; one of them is the organization's mindset. The phrase "by the people; for the people" is supported by the authors' piece. They believed that HR is an important strategic weapon the CEOs must believe in and use to motivate, train and guide employees in order to derive sustainable success from the organization. As shown in the figure (Carrig, 1997, Lepak, Bartol & Erhardt, 2005, mentioned in Choo et al., 2010), HRM should be "transformational" for organizations to face challenges imposed by change in order to gain a competitive advantage (See Exhibit 2).

Transactional Traditional Transformational Compensation Benefits Employee Training Strategic Knowledge administration services planning management Performance Recruiting Management Organisational Record development development management keeping Business Communication Employee partner relations & labour

Exhibit 2: Stages of HRM

The authors concluded the following from their study:

- 1. Organizations with high degree of globalization in their activities practice HRM policies and practices in a strategic forward looking manner. They pay attention to developing their know-how, managing diverse workforce and training their employees.
- 2. The above relation is partially mediated by the CEO's influence on the organization's practices.

THE EXPERIENCE OF THE DEVELOPING COUNTRIES

The idea of changing HR policies to fit the new global economy and survive the fierce competition which it had postulated is easier said than done for the vast majority of the developing countries. One can argue that those developing economies might as well import well-established and tried efficient HR systems and policies; specifically that globalization has indeed resulted in cultural convergence universally. This notion has been reinforced by the presence of huge multinational giants whose worldwide operations accommodate several cultures. However, in practical effect, culture is very complex (McGuire et al., 2002). National differences complicate this process of diffusion to a large extent. Indeed, "diffusion of best practice" is one of the most obvious effects of globalization of HRM policies on these countries; however, they have to be adapted to fit national cultural differences especially of the host country to which these "universal" policies are being transferred (HRM International Digest, 2004).

Strategic HR orientation is also one of the changed benefits imposed upon the developing countries. It is defined as "the alignment of HR planning, selection, performance evaluation, compensation, development and staffing practices with the business strategies of the organization". This trend, as mentioned previously, would aid the organization in creating and maintaining competitive advantage. The notion of strategic HR orientation identifies in a sense with the recently developed Balanced Score-Card concept, in the fact that the whole organization, including the HR, is aligned toward the corporate vision and its achievement. Using HRM as a tool in setting clear strategies and aligning the employees with the strategy of the organization is considered a must for the sustainability of the institution and its productivity, as well as the employees' satisfaction (Andersen & Minbaeva, 2013). HRM policies would provide a clear direction for the employees. In addition, the policies will provide the employees with room for innovation and creating new knowledge which will add value to the organization and drive results at the end.

The HRM International Digest (2004) has even gone further as to suggest the establishment of "multi-country shared (HR) service centers/operations" covering the whole continuum of HRM functions,

arguing that the role of the HR practitioners has moved into important areas. Potential cost savings, administrative efficiencies, quality services, and overall consistencies, due to centralization of HR activities are immense. These centers are predominantly recommended for "large, geographically-dispersed organizations with several lines of businesses". However, the decision to share services and invest millions in this new process has to be studied carefully. Indeed, everything in the world of business has a price (HRM International Digest, 2004).

Egypt, as a developing country, has witnessed several changes in its HR policies and practices, specifically on the public sector level. Following, we will be describing the public sector HR framework and its development, and then, based on that, we will make policy recommendations for improvement of that framework.

THE ROLE OF GOVERNMENT POLICIES AND PRACTICES

The United Nations report on the world public sector (2001) suggested a very interesting slogan, which is "let the managers manage". This mainly reflects that the managers should enjoy flexibility and the freedom to maneuver; in addition, they should be provided with the incentive to be "pro-active, creative, focused on tasks, results oriented, but friendly to the public. Of course, this is the antithesis of the indifferent, overly cautious and rules-addicted bureaucrats, stereotyped by the proponents of reform" (United Nations, 2001).

The 2005 UN report on the public sector addressed HRM's influence on the effectiveness of public administration. The report included few suggestions for governments to follow. They included: viewing HRM as a strategic long-term tool; fair compensation; development of workers; outsourcing; and transformational leadership. The report stressed on the importance of HRM reform for governments to face the challenges of globalization (United Nations, 2005).

Having a seniority-based promotion system, non-performance based incentives, besides the low pay rewards stimulates the public employees' low self esteem and job satisfaction which results in adopting negative working attitudes towards participation in decision-making and innovation. In addition to the above, the Egyptian bureaucratic culture promotes the adoption of apathetic and passive attitudes. This is reflected in the "popular work-related Egyptian proverbs such as 'the more you work the more you make mistakes' and 'tie the mule where his owner wants'" (Sayed, 2004).

This implies that there must be a restructuring of the existing obsolete HRM techniques to make them rely mostly on performance-based assessments based on more intensive monitoring and evaluation techniques. Those HR techniques should also incorporate all the new trends that have already accrued in the developed economies. Globalization pressures imply that "to develop and manage a global organization implies developing and managing people who can think, lead, and act from a global perspective, and who must possess a global mind as well as global skills" (Kim, 1999). Many of these techniques will be adopted from more mature countries; however, cultural diversities sometimes turn somehow problematic which implies adapting these western management models and practices to local cultural conditions. For example, there were many arguments concerning importing training programs from more developed to less developed countries; as, according to Brown and Humphreys (1995) they are not as effective as expected mainly due to "(in)adequate growth in classroom facilities" as well as "cultural factors" like "the quality of the managerial elite" in the Egyptian society.

Brown and Humphreys (1995) tackled the cultural differences between Egypt and the UK from four fronts: (1) Power Distance, which reflects the inequality between more and less powerful employees; in addition to the level of decentralization and consultation of lower-level employees by the higher-level employees. (2) Individualism/collectivism, which measures the level of cohesion and integration between employees in a certain organization. (3) Masculinity/femininity refers to the extent to which "social gender roles are clearly distinct". (4) Uncertainty avoidance, which measures the extent to which a society accepts ambiguous situations and unfamiliar risks, which indicates how important the adaptation of imported techniques is as they are transferred from a society to another, as they will have to be culturally sensitive (Exhibit 3). Leat and El-Kot (2007) support the above discussion. They discussed findings of different authors on Hofstede's cultural dimensions in Egypt.

UK educational Dimension of Egyptian technical culture difference managers educational managers Power Distance 17 42 (Very low) (Moderate) Uncertainty 54 14 avoidance (Very high) (Low) Individualism-90 -12collectivism (High) (Extremely low) Masculinity--19 34 femininity (Extremely Low) (Moderate)

Exhibit 3: Cultural Differences, Egypt and the UK

Source: Brown & Humphreys (1995)

Certain HRM techniques may be widespread in one culture, but they are certainly not universal. "Importing foreign standards and benchmarks, which relate to specific management traditions and sets of expectations, may be a recipe for failure, unless such standards and benchmarks are appropriately reviewed, and adapted to local culture" (United Nations, 2001). Cultural accommodation is an inevitable pre-requisite for success in the race toward permanent sustainable competitive advantage. Leat and El-Kot (2007) believe that cultural plays an important part in setting and implementing successful HRM practices.

THE EGYPTIAN PUBLIC SECTOR HRM POLICIES AND PRACTICES

The public sector in Egypt has long suffered from inefficiencies in its operations. This is clearly reflected in its overstaffing; poor human resources; widespread corruption and unethical behavior; lack of integrity and accountability; inadequate incentives; misaligned organizational structures; and weak administrative capacity to perform the core government 'functions. The main reason behind such negative aspects has proved to lie in the deficiencies of the public sector human resources institutional framework and environment, one which has a serious problem of absence of liability and autonomy in decision making. Ashour (2004) describes the public HRM in the Arab region as being "built on an extensive legal foundation, emphasizing centralization of personnel decisions with detailed regulations governing employment, promotion, and compensation." Nevertheless, research has shown that effective HRM practices in training, development and compensation have significant positive effects on organizational performance (Ghebregiorgis & Karsten, 2007).

ORGANIZATIONAL STRUCTURE

The public sector administrative body suffers from malfunctioning, red tape and inefficiencies. According to Sayed (2004), the reason behind many of the customers' delays is the "overlap in the functions of many ministries and state authorities". These authorities "redundantly conduct similar tasks and operate in the same fields". For instance, the Ministry of Irrigation and Water Resources overlaps with the Ministry of Agriculture and Land Reclamation, the Ministry of Petroleum "crisscrosses" with the General Authority of Petroleum, and the Ministry of Manpower and Irrigation overlaps with the Ministry of Administrative Development, among others (Sayed, 2004).

Another reason is the employees' fear of being accused of corruption if they broke any of the 52,000 laws which specify the hierarchal control of one level of bureaucracy over the other. This implies that they decide to avoid responsibility and delay the course of work till they receive clear orders from their supervisors. Not only is the main reason the fear of employees from breaking the rules, but also the resistance of senior employees to delegate any authorities to the junior staff, as they derive their prestige exclusively from their bureaucratic rank (Sayed, 2004).

THE RECRUITMENT AND SELECTION PROCESSES

Free education has been provided to Egyptians at all stages; which resulted in a high number of graduates with very low quality and specialized in fields not highly demanded in the Egyptian labor market. However, the government guaranteed these graduates jobs in the government and the public sector enterprises, as the Egyptian government has adopted the "Employment Guarantee Scheme" since the early 60's where intermediate and university graduates were guaranteed government employment and tenure for life. It is worth noting that the Egyptian bureaucracy has expanded from 250 thousand employees in 1952 to 5.5 millions in 2001 (Sayed, 2004) to 6.1 million in 2008 (El-Wassal, 2013).

In view of the new globalization implications imposed on modern HRM techniques, this government guarantee was doomed to failure. The scheme adopted by the government had several problems: First, it has always been a burden on the state budget, as it consumed any increase in the state revenues. Second, there has been a mismatch between the qualifications of the graduates being appointed and the requirements needed to fill in a certain position (Doing Business, 2014). This is because the university graduates were registered in the records of the 'Ministry of Labor Force' which assigned them to the various state ministries and agencies randomly based on quantitative and not qualitative criteria (Sayed, 2004). Finally, the 'Employment Guarantee Scheme" also had a negative impact on the aspirations of the fresh graduates, as they became reluctant to search for a job in the private sector or have their own private businesses since they were already guaranteed a job by the government that is highly secure and with relatively lower working hours; one that also ensures guaranteed access to subsidized commodities and housing in addition to other perks (Handoussa & El-Oraby, 2004).

Although the "Employment Guarantee Scheme" has been suspended in 1984; yet, the state still assumes direct responsibility for reducing unemployment among young people (Sayed, 2004). This resulted in having an overstaffed public sector with employees having powerful, "secure" and "non-demanding" jobs (UlHaque, 2003). For example, the General Authority for Free Zones and Investment (GAFI) has more than 1,400 employees. Most of them are in administrative positions. Surprisingly enough, it has been estimated that less than half this number is actually needed to effectively operate (Handoussa & El-Oraby, 2004).

As the burden on the government budget increased, the government targeted reducing the public overcrowded staff yet not letting go of its social responsibility regarding its graduates; the government allowed long unpaid leaves for public sector employees who wanted to work in the private sector or the Arab countries. Additionally, as a means of discouraging graduates from waiting for a public sector job, the waiting period for a public sector job increased to 13 years and the graduates already working in the private sector were no longer entitled to a governmental job (Handoussa & El-Oraby, 2004). However, the public sector remains to be characterized by being overstaffed which had not only resulted in having overlapping responsibilities and resulted in the increase in transaction costs to any customer, but had also led to a negative impact on the public sector compensation system; and hence on the integrity and accountability of the employees.

It is worth noting that the government and public enterprises are currently attempting to solve this problem by resorting to temporary hiring, which allows avoidance of controlled hiring and inflexible wages; however, job security in this context is not ensured anymore (El-Ehwany & Metwally, 2000). Additionally, some of the ministries are attempting to adopt the "parallel systems" strategy, which entails adding another unit to the existing bureaucratic structure that is composed of highly qualified university graduates receiving higher salaries than those in the already-existing unit. The former are "personally accountable" to the minister. However, there is a lack of communication between members of this new unit and the staff of the already existing unit (Handoussa & El-Oraby, 2004). Nevertheless, the policies previously mentioned were halted since the January 25th revolution as temporary workers gained permanent contracts and wages increased (Kamel, 2014).

THE COMPENSATION SYSTEM

In general, the compensation system in the Egyptian public sector is divided into wage and non-wage returns. These non-wage returns may be monetary, non-monetary, tangible or non-tangible.

As a result of the tremendous increase in the number of graduates from the free educational system, in addition to the over-generous hiring system provided by the government, most of the increase

in the current public expenditures during the period 1991/92 to 1999/2000 has been absorbed by the rise in wages and salaries, as "the wage bill increased from 16.3 percent to 23.3 percent of total budget expenditure, and from 24.3 percent to 31.8 percent of current budget expenditure. In fact, current budget expenditure increased by LE 36.7 billion during that period, 39 percent of which was absorbed by the rise in wages and salaries compared to 25 percent and 10 percent by increased interest payments and defense expenditure, respectively" (Handoussa & El-Oraby, 2004).

As a result of the above, the government has seen the public wage bill as a heavy burden on its budget, which made it inevitable to resort to nominal wage freezing; which, in turn, due to the inflationary pressures resulted in real wage reductions. Public employees had to be compensated for the decrease in their real income by providing them with legalized but non-transparent non-wage incomes which are in the form of "perks"; and the tolerance for corruption increased. As a result, more skilled and less corrupt employees decided to quit the public sector and move to the private sector instead. The public sector will, hence, attract only corruptible, incompetent, unqualified and unmotivated employees (UlHaque, 2003). This problem continued to rise making the increase in minimum wages a demand in January 25th revolution. El-Wassal (2013) believes that the government has fallen in an entrapment which will make the Egyptian population pay the government deficit bill.

The wage system in the government administration and the public enterprises is determined according to the "Certificates Pricing" system which classifies employees according to their educational certificates. The state legislation from this point approaches the compensation system in detail because as it includes the minimum wages, cost of living allowance, identification of different job categories, the fields of specialization, qualifications required for each job category, and the corresponding wage ranges. As a result, it is clearly obvious that the wage system is inflexible by nature (El-Ehwany & Metwally, 2000). The "Law of the Price List of Educational Certificate" of 1951 stipulated a fixed initial salary for each educational certificate and a system of periodic increments according to seniority and level of education, regardless of the position occupied. Basic wages in the government are still being set in this manner" (Valsan, 1997). This implied that a unified wage structure has been adopted since the 1960s in both the government and public sector enterprises. This unified wage structure designated wage levels according to education rather than job content; with the exception of certain areas in the public sector such as the Suez Canal Authority and the Petroleum Authority (Handoussa & El-Oraby, 2004).

As mentioned before, the government tended to compensate its employees for the reduction in its real wages by providing them with other non-wage incentives as El-Ehwany and Metwally (2000) describe it, beside the basic salary and the periodic raises set for the government and public sector employees, the government entitles them to several remunerations. There remunerations include allowances, incentives, and overtime compensation. This is with a maximum of 50% of the basic salary for government employees and 100% for employees of public enterprises and they are tied to higher productivity. However, in reality, the remunerations are provided across-the-board to support workers in coping with the increasing rate of inflation. Nevertheless, these additional payments, which actually represent a major part of the incomes of government employees, have two main drawbacks. First, they are responsible for income discrepancies among the different governmental units. This conflict with the aim of the job grade-based wage system applied in Egyptian governmental units, namely, the equalization of wages for government employees occupying the same grade. Second, the wage differentials among government units do not reflect differences in the level of productivity.

As mentioned above, these supplementary payments may differ from an agency to another depending on the nature of the incentive scheme prepared and the influential positions of the heads of these units. For example, supplementary payments constitute 83% of the government employees' incomes in the Ministry of Agriculture; whereas, they constitute only 18.2% for employees of the Ministry of Foreign Affairs (Valsan, 1997). However, the main problem is that these non-wage payments, as mentioned before, are actually not performance-based but rather a kind of compensation to public employees for the sustainable increase in prices given their somehow rigid nominal wages.

Incentives theory postulates that rewards should be based on observables to motivate employees to work hard; i.e. there should be a direct link between the reward given to the employee and his performance and value added to his organization (UlHaque, 2003). Moreover, having "inadequate incentives for the desired performance", may enhance customers of the service "accelerate procedures, bypass routine and activate the needed performance through offering inducements (bribes)" (UlHaque, 2003).

To recap, promotion in the public sector is mainly based on the seniority of the employees; however, it also depends on the budget constraints of the government or the public enterprise. The budget constraint may hinder an employee from being promoted to a higher grade; that is, he will remain receiving the same wage even though his years of experience qualify him to be promoted to a higher grade and thus receive a higher salary (Handoussa & El-Oraby, 2004). Having seniority- based promotion rather than merit-based may de-motivate ambitious and competent employees, which may result in their quittance from the public sector to be transferred to the private sector or Arab countries, hoping to get a chance to upgrade their positions and salaries at a faster pace. Merit-based policies ensure putting the right person in the right place (United Nations, 2005).

THE TRAINING SYSTEM

The government pays great attention to training its senior employees, "as training became an essential qualification for promotion. Currently according to Law No. 5 of 1991 anyone promoted or selected to higher level management positions like Director General, Undersecretary or First Undersecretary should have undergone leadership training at the Agency's newly built training center. Some are sent abroad for training and observation studies according to the arrangements with the donor agencies" (Valsan, 1997). However, the Egyptian government fails to update its education and training techniques to meet the demands of the job market. Companies increasingly complain from the poor quality of the job candidates and their below-average qualifications (El-Wassal, 2013).

There should be a better selection of the employees being subject to training programs, as they should be selected according to their performance and their attitude towards innovation. This is particularly important when we take into account the new globalized organization requirements for employees with strong aptitude for learning, entrepreneurship, and leadership abilities. Providing foreign training to the senior staff approaching the retirement age to authorize their promotion is a waste of resources (Sayed, 2004).

It is believed that entrepreneurship is the most important aspect needed in the public sector of Egypt nowadays. Entrepreneurship on the individual level is the collective acts of members to improve the ways of doing business, encourage growth and development, achieve efficiency, and more importantly, accept change.

Training is significantly important in making the public sector employees capable of adapting to the rapidly advancing technology and the continuous change in market forces (UlHaque, 2003). Adopting outmoded training curricula and tools will result in a poor reap of these training efforts. It is worth noting that the public sector training programs "are not based on accurate needs' assessment and are not linked to a comprehensive civil service reform program. Training sessions, for the most part, are based on seminar and lecturing style and are designed to convey information and knowledge but not skills and attitudes" (Sayed, 2004). The UNDP mission in 1989 criticized negatively the effectiveness of the training programs provided to the public sector employees claiming that they are incompatible with the training needs, provide incompetent trainers, and have a poor quality (Valsan, 1997).

As is evident, the current situation of the public sector in Egypt, in terms of modern HRM policies and practices is pathetic. Advancement of the HR asset and, hence, advancement in general, will not accrue unless serious reform takes place. Hedging against being ruled out of the world market due to inefficient management policies and practices is unavoidable.

THE MINISTRY OF ADMINISTRATIVE REFORM

Civil service reform has been on the government agenda for the last twenty years. The Ministry of Administrative Reform has been established for the aim of improving the efficiency of the state administrative capacity through "sliming state structures, downsizing bureaucracy, improving service delivery, simplifying procedures, improve working conditions and status of civil servants" (Sayed, 2004). In addition to the ministry, there are international organizations paying special attention to the same issue. For example, The United Nations Development Program (UNDP) suggested as a means of Civil Service reform "reducing the size of the civil service, decentralizing government services to local authorities,

encouraging the private sector to take over public sector functions, increasing remuneration levels and differentials, and establishing clear relationships between performance and rewards" (Handoussa & El-Oraby, 2004).

The Ministry attempted to reach the above objectives by suggesting a number of measures to be adopted; the most important of these measures are (The Ministry of Administrative Reform, 2004 www.edara.gov):

- a) Fill in vacant positions of the public sector with top university graduates according to an objective assessment of the needs of the public sector. That was in addition to ensuring transparency and equal opportunities in the selection and recruitment process. This may result in a minimization of the problem of having an overstaffed public administrative body with unqualified employees.
- b) Minimize required procedures, documents, and time limits needed in the service delivery, in addition to improving the working environment of employees. This improves the quality of the public service being delivered and makes it more cost and time efficient.
- c) Facilitate access to public services via internet, telephone-service centers and one-stop shops. For example, the Model Customs and Tax Center (MCTC) has been recently established to combine the three tax departments (Income Tax, Sales Tax, and Customs Department) in one building.

Nevertheless, reforms have become stagnant in recent years due to the economic and political instability. In addition, latest evaluations indicate that Egypt's performance in education quality and training is declining (Refaat, mentioned in International Trade Center, 2014).

MOVING FROM TRANSACTIONAL TO TRANSFORMATIONAL HRM

The changing nature of Human Resource Management (HRM) is a normal response to changing both organizational and customer needs. It is also a logic reaction to the fierce nature of competition in an ever-increasingly 'global' world. Managers of organizations are given signals of 'to be or not to be' in the marketplace; the world marketplace. Pressure to compete, and survive, is greater than ever. Organizations are forced to excel and create competitive advantages tailored to their very specific segments in the global market. No longer are the consumers homogenous. In fact, customer expectations are greater than ever. Nations are forced to 'be quick or be dead'. The philosophy governing the new global economy is the "win or die" philosophy (Williams, 1994). In the following a model will be presented, which may help to solve some of the problems developing countries encounter. It is also suggested that the Egyptian public sector HRM officials look at this model very carefully in their effort to modernize the employment and incentive system in Egypt.

THE SHAMROCK ORGANIZATION

According to Dabbs and Lovat (2002), the increased competitive pressures due to globalization have lead to a new flexible efficient organization known as the "Shamrock Organization". The workforce of this new structure is divided into three sectors, as shown in exhibit (3). The first HR base is the "professional core" and it is comprised of the permanent full-time employees whose expertise and commitment are essential to the organization. They are the "glue that holds the organization together". However, they are an expensive resource and hence, if not competitive and productive enough, are often layered in the current downsizing efforts.

These include the part-timer employees. They are the fastest growing sector in the newly globalized market place. The third and final sector is the "contracted staff", that is normally contracted through strategic alliances, partnership agreements, and or outsourcing agreements. This sector is also increasing in demand due to the organizational realization that focus is a key issue in the road toward sustainable competitive advantages and core competencies, as mentioned previously.

This trend becomes even more visible when we realize the fact that self-employed consultants are name of the day globally in this era (Dabbs & Lovat, 2002) (Exhibit 4).

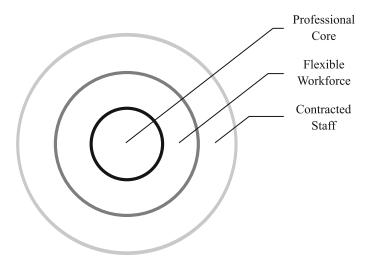


Exhibit 4: The Shamrock Organization

Source: Dabbs & Lovat (1995)

Organizations in the new global economy have also witnessed huge investments in HR information systems. Modern HRM practices rely heavily on data-based systems, as more and more tailoring to each employee exists. Complexity of the modern system and its practices imposes the need for a reliable and efficient HR information technology (Patrickson & Hartmann, 2001). This information technology should aid organizations in becoming more customer-centric rather than sales-centric, "emphasizing structure less, and function more" (Brown, 2000). We now have whole organizations structured around projects and teams; project-based organizational structures.

The performance appraisal system has also developed vastly. Each employee's contribution and addition to the organization is valued and appraised. Upon this heavy appraisal system implementation, largely through the help of computer software, the pay and reward systems have been primarily dependent on the appraisal results (Patrickson & Hartmann, 2001). Moreover, the emergence of the concept of "High-Performance Work Systems" (HPWS), sometimes known as "high involvement" or "high commitment" organizations, has been extensively based on employee involvement and empowerment rather than "employee control" (Tomer, 2001). Organizations have been focusing on creating a community of teamwork, delegation, as well as responsive communication (Bell, 2003). These changes, indeed, present challenges, specifically for the Less Developed Countries. To them, contracting the world into a small highly efficient ball brings about a lot of discomfort.

The new paradigm of having Public-Private Partnerships (PPPs) is considered rewarding for the public sector. The public sector benefits from gaining funds, expertise and know-how from the private sector while maintaining its state and status quo (Abdel Wahab, 2009). Such partnerships will definitely add value to the economy and improve the skills of the labor force. However, they face many challenges when it comes to bureaucracy and legality of the PPPs. Most importantly, governmental employees need sufficient training on how to handle PPP projects.

ELEMENTS OF THE SUCCESFUL TRANSITION

Apart from organizations' building their own company brand, creating a challenging work environment, internally modifying their HR structure, emphasizing leadership, communicating and networking internally and externally, and maintaining flexibility, a new paradigm has to be implemented by HR practitioners in order to properly recruit optimum candidates. This paradigm, as proposed by Brown (2000), includes the following:

- 1. When recruiting, candidates should be evaluated based on what they "can learn rather than what they already know".
- 2. Performance appraisal and reward systems should encourage "informed risk taking and entrepreneurial fervor".
- 3. A "new social contract between the employer and the employee that is based on integrity rather

- than long-term loyalty" should be established.
- 4. Diversity should be defined on the basis of "intellect and culture rather than gender and race".
- 5. Organizations should work on "finding better ways to detect aptitudes that will be increasingly necessary for the organization's competitive edge: flexibility, comfort with change, innovation, honesty, and knowing how to add value to information".
- 6. Layering out all kinds of "impediments" to organizational efficiency and goal attainment is also inevitable. These include "structures, procedures, culture" and employees.
- 7. Capitalizing on new advances in knowledge management and information technology is also essential in the creation of the efficient knowledge-based enterprise.
- 8. Updating the education system and matching the skills learned with the demands of the job market.

Montoro-Sanchez and Soriano (2011) argue that HRM policies can encourage entrepreneurship and help organizations improve their performance and productivity through the following:

- 1. Creating employees who are efficient and capable of creating, exchanging, recording and developing knowledge.
- 2. Creating a compensation system that links rewards to creativity.

Motivation for doing the right work in itself is also an important factor employees should believe in to embrace change and improve their skills and productivity (Khan & Sheikh, 2012). Finally, well-educated policy makers are needed. "It is not globalization as a process that ought to be rejected, but rather it is poor governance of globalization is what needs to be contested" (Akoum, 2008).

CONCLUSION

In view of the new globalization implications mentioned previously in this research, we can conclude that not only is the simplification of procedures needed, but also improvement of the employee incentives to change their negative working attitudes is essential. The new employee incentive system should take into account the evolution toward the Shamrock organization. The inevitable trend toward the three employee divisions of professional core, flexible workforce, and contracted staff postulates that the new developed incentive and compensation system will never be homogenous amongst those three categories. Differences in work requirements, working hours, in addition to job description should be factored in as criteria.

As governments bear the brunt of educational and developmental cost they must take the appropriate initiatives. Instead of lacking behind the private sector and the more developed countries, governments from less developed countries can benefit from the advantages they have as "latecomers". This means that they do not have to repeat the errors and deviations the forerunners had to suffer from. They can, at the same time, take advantage from the common knowledge accumulated worldwide and preserve the most precious elements and traits of the cultures of their countries.

The Shamrock Organization approach ensures expertise and flexibility are provided at a lower cost. In light of this approach, several practical implications and recommendations are provided. First, fast and cost-effective approaches should be the top priority for the Egyptian public sector due to the current critical political and economic situations in Egypt. The government should benefit from globalization, find successful best practices from similar developing countries and apply them in the different institutions. Second, selection of employees, on all levels, should be based on competences rather than subjective opinions and nepotism. Third, tying pay and benefits to performance is suggested to decrease the overall costs and increase productivity. However, this requires the management to put clear objectives to be sought by the different departments and evaluated by the human resources. In addition, the business processes need to be identified and streamlined to reduce redundancy and improve the customer experience. Forth, outsourcing tasks to private institutions (PPPs) such as training is suggested to reduce costs and ensure the delivery of the needed skills successfully to the employees. Post-training performance evaluation should be conducted as well to identify the changes and improvements in performance as a result of the training efforts. Fifth, as the government is currently managing several national projects such as the new Suez Canal, strategic planning and strategic HRM are a must for the successful execution of the projects. Finally, the ministry of Administrative Reform should move from

writing strategies to executing them. These recommendations will pave the way for innovation to spread across public institutions and therefore, become a winner in the global economy.

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