

January 27th, 2009 "Human Resources in Egypt: Maximizing our Best Asset"

Introduction

Unemployment is a symptom of a deep-rooted structural malaise in the Egyptian economy. A conservative estimate holds that approximately 9% of the Egyptian population is unemployed and over 80% of this figure represents fresh University graduates. While over the past decade Egypt has reaped the benefits of its economic reform with unprecedented growth, unemployment remains a key stumbling block to the nation's development.

On January 27, 2009, the Trade Related Assistance Center (TRAC) in cooperation with the Ministry of Manpower and Migration (MME) held a one-day conference entitled "Human Resources in Egypt: Maximizing our Best Asset." The initial impetus for the conference arose from the ongoing negotiations with the European Union on liberalizing trade in services. It was envisaged as a directive to assist negotiators in taking advantage of the potential to export Egyptian labor—an underexploited means to help alleviate pressure on the domestic job market. However, in the process of organizing the conference, TRAC recognized that a narrow focus on the negotiation of labor market access would be insufficient and ineffective.

There is in fact a labor crisis plaguing Egypt that runs much deeper than mere unemployment. A closer look reveals that while there is an abundance of labor, the multitude of the Egyptian workforce largely lacks the knowledge and technical expertise that the market demands, not just internationally but also locally. Though high unemployment persists, various fields in the Egyptian private sector continue to experience acute labor shortages.

Dr. Magda Shahin, Director of TRAC, emphasised in her introductory remarks three central problems that dominate the human resource challenge in Egypt: Firstly there is a structural imbalance that has aggravated the labor market. This structural imbalance is manifest in a disparity between the supply and demand of labor, especially advanced demand by the private sector. Further to this, there is a lack of discipline, commitment and responsibility or what is also known as "work ethics," the lack of which exacerbates the structural unemployment problem.

Secondly there is the steady increase of the workforce in Egypt by 3%, accounting for more than 650,000 new entrants into the labor force, per annum. This problem worsens in light of the economic crisis which will inevitably have an adverse impact upon Egypt due to the loss of jobs locally as well as the return of workers from the Gulf and other countries estimated to be in the thousands. All these factors intensify the challenge which the Ministry of Manpower and Migration and the Ministry of Trade and Industry face in their negotiations for opening new markets.

Lastly there is the ever-increasing informal sector which currently employs one third of the labor force in Egypt. There is no control or supervision over this sector and hence resources and capacities are under-utilized and under-developed, workers and consumers are unprotected, and revenues are lost.

The scope of the conference expanded from its initial vision to explore these key challenges as well as opportunities and solutions to enable the maximization of human resources at home whilst simultaneously preparing the Egyptian labor force to compete abroad, following the negotiation of market access.

The day was divided into three sessions led by experts, practitioner, and academics: Expanding Employment Opportunities, Challenges and Opportunities for Human Resources in Egypt, and Enhancing the Competitiveness of Egyptian Labor. From each session emerged primary and often shared themes. In addition to the aforementioned core problems, these themes included the role of the private sector, enhancing the preparedness of the labor force to compete internationally, and the lack of co-ordination and co-operation of relevant stakeholders—which serves to perpetuate all the core problems. The Conference was concluded by Her Excellency Ms. Aisha Abdel Hady, Minister of Manpower and Migration, who reviewed the integrated plan to develop the Egyptian workforce and presented her vision of the private sector's role to positively and effectively help promote the competitiveness level of Egypt's human capital.

The conference was attended by more than 250 participants representing a variety of stakeholders; high ranking government officials, academics, experts, members of the business community, as well as representatives of non-governmental and civil society organizations. Engaging multiple stakeholders was integral to the success of the conference which generated open discussion on the problems and solutions for Egypt's human resources as well as some holistic and practical approaches to the implementation of these solutions. The timing of the conference proved to be crucial. In the context of the current economic crisis, negotiations with the EU are slowing while those at the multilateral level are at a virtual standstill. Egypt is thus in a transitional period wherein reflection and action is possible. During this transitional period Egypt must develop its best asset—human resources—to serve its immediate and future interests.

I. Effects of Liberalization on Egyptian Labor: Employment, Wages and Job Quality

The impact of liberalization and structural adjustment on the labor market in Egypt between 1998 and 2006 was the theme addressed by Dr. Mona Said in her presentation. This assessment provided a wider picture onto the labor market that revealed not only unemployment trends but also the duration of unemployment, the returns to education and the probability of getting a high quality job. A research project conducted by the American University in Cairo and the University of Southampton on the link between trade and labor market outcomes reveals these trends and contributes to a more nuanced understanding of the current state of the Egyptian labor force.

Covering the same household units from 1998 and 2006 as well as units resulting from splits of original households, the study highlights well quantitative trends i.e. unemployment and employment, earnings, wage differentials and wage inequality (inclusive of skills, skills formation and returns to education), and the decency of new jobs created i.e. quality beyond earnings.

In Egypt, liberalization impacts the labor market on a sector specific level rather than at the aggregate level as developing countries in general tend to have a comparative advantage in labor intensive industries. Unemployment in Egypt has in fact declined over the temporal parameters of the study and the number of unemployed currently remains fairly stable at approximately 2 million. The downside of this trend is that the decline has not benefited all groups equally; females for example are 4 times more likely to be unemployed. Also, the decline in rural areas has been disproportionately greater which is likely linked to the trend of rural to urban migration resulting from a lack of employment opportunities in the agricultural sector.

Significantly, there has been a sharp increase in the share of informal private employment. In general, jobs being created in Egypt are becoming much more informal with this sector accounting for over 70% of jobs in 2005. The share of non-wage workers has risen since 1998 and this explosion in the informal, non-wage earning sector can be partly attributed to the shrinking of public sector employment. There has been some degree of formalization since 2003, perhaps attributable to the new labor law, yet the informal economy remains a significant phenomenon.

Over the period of its trade liberalization, Egypt has experienced a rapid growth in industry and services and a slowing in manufacturing. Import competition introduced by trade liberalization exposed this sector to increased competition which can account for the slow pace of growth. Hourly wages dropped between 1988 and 1998 as well as inequality wage, but have been on the increase since 2006. After 20 years of structural adjustment, labor rewards have essentially gone through a U-turn.

Women's employment has improved significantly, though discrimination in the private sector has come to resemble that of the public sector. The new axis of labor segmentation is between the government and the private sector.

Returns to education pose a worrying trend as they are severely low, in particular for technical and vocational school graduates who are twice as likely to be low earners as even illiterate workers. Technical and vocational graduates are highly represented amongst the poor.

Finally, and perhaps most important for policymakers concerned with human resources in Egypt is the linking of tariff reduction and trade openness to job quality. The job quality index employed in the study includes benefits such as social security, health insurance, union representation, over-employed versus under-employed, commuting time, etc. The results of the study indicate a robust negative relationship—tariff reduction, consistent with theory supporting export oriented growth, has had a positive impact on employment and wages in Egypt. However, job quality has worsened.

While trade liberalization has had a minimal impact on unemployment in the study period, it still has not created sufficient opportunities for new entrants in the labor market. New jobs that are created are largely not decent, many are informal in nature, and the bulk of the unemployed are young University graduates, again bringing low returns to education. Policy makers should be aware of these factors as they move forward to devise strategies to manage and overcome unemployment in Egypt.

II. Thinking Globally and Acting Locally

II.1 Integrated Strategies to Tackle Structural Unemployment

The phenomenon of unemployment and the present fear of its exacerbation by a) the laying off of workers from factories and; b) the return of Egyptian migrant labor from the Gulf in the wake of global recession feature prominently in national discourse. What is not prominent in this discourse is the fact that Egypt actually suffers from acute labor shortages in various fields. While Egypt has a large, youthful labor force, this labor force lacks the necessary skills to meet the needs of private sector employers. What can be done to address this disconnect between supply and demand dubbed as structural unemployment? What is it that Egypt needs to prepare its workforce to be viable locally and globally? These themes were dealt with extensively at the conference by private sector representatives who focused predominately on local concerns and international experts who addressed the global implications for Egyptian labor.

II.1.a Vocational Training in Response to Private Sector Demand

"It is not important which faculty I have graduated from, it is more important that I have a job"

According to Mohamed el Sewedy, Vice Chairman and Managing Director, Zaki El Sewedy Company, the solution to the structural unemployment problem is the production of trained workers who hold certificates approved and recognized internationally. Currently, training programs in Egypt do not produce workers whose skills are consistent with the actual requirements and needs of the Egyptian private sector, let alone skills that meet international qualifications. To this end, there is a need to establish training centers that are recognized internationally, which Egypt is attempting to do through the Accreditation Council.¹ Arab and European countries demand technical labor that is highly trained and qualified. A training certificate that is internationally recognized will enable the Egyptian worker to locate work anywhere.

In order to achieve the ISO standards espoused by the Accreditation Council, the curricula used in training schools and centers must be revised and updated. The curricula of the majority of training and vocational education programs in Egypt have not been updated in a decade, in contrast to the standard 5 year revision cycle. Providing approved curricula should be a top priority of the government who can enter into agreements with the EU and US that ensure Egypt is given translations of the most recent, standardized curricula.

Alongside the government, the Egyptian private sector must take on an active role in supporting the development and management of competitive vocational training.

¹ In his presentation on the Egyptian Accreditation Council, Mr. Hassan Shaarawi highlighted that in its approach to determining competence; EGAC applies internationally agreed upon standards as a baseline in order to ensure that Egypt's national quality structure is in harmony with those employed worldwide. The work of EGAC is then integral to efforts to upgrade vocational education and technical training inline with both domestic and international demand. Once accredited, these schools and institutions can begin to produce trained workers with internationally recognized credentials whose skills respond to market demands.

Private sponsorship could be done on a sector specific basis i.e. firms or institutions select a center or school they wish to sponsor in light of their requirements and activities. The private sector should then provide financial assistance and management to these individual schools.

While in the past the government has invested in training instructors, due to low salaries, many left to neighboring Arab countries and those with foreign language skills traveled further abroad where they earn 10 or 20 times more than their salaries in Egypt. It is therefore essential that the private sector and government cooperate to achieve durable solutions. Under the patronage of the private sector, reasonable salaries for trainers to ensure their high quality and retention, as well as the necessary resources for training, can be acquired. With a concerted effort from all relevant stakeholders, investments in human capital can bring returns. For private sector entities, they receive the dual reward of performing a social function whilst satisfying their bottom line interests by producing an efficient and stable workforce that enhances their competitiveness and profitability.

In addition to redressing the various shortcomings of the vocational training system, there is a need to assess public perceptions of vocational occupations that contribute to the structural unemployment crisis.

From the perspective of vocational training, there is a stark contrast between the numbers of students entering this training and the needs of the Egyptian market, which demands that approximately 80% of workers are vocational graduates as opposed to secondary school graduates. The dearth of students entering into the former category can be attributed in part to a larger social problem of perception.

Vocational graduates face discrimination when they propose marriage and engage in social activities. To combat the cultural attitude that places vocational workers in the lower rungs of an occupational and social hierarchy, the Ministry of Trade and Industry launched the "Train Campaign" which highlighted the concept "It is not important which faculty I have graduated from, it is more important that I have a job." Such a campaign is an important step, but to change the track and transform graduates from general secondary school into technical workers is a long-term project. Graduates from general secondary education should be correctly approached and assisted, and the psychological dimension should be considered.

Time and coordination within the government and between the government and the private sector as well as civil society, will be required to solve the problem of structural unemployment. The need for coordination, especially public-private partnerships (PPPs), is underscored by the fact that despite policies in place to develop technical education and vocational training, which are supported by considerable funding including 33 million euro from the EU alone, graduates are still not qualifying with internationally recognized certificates.

Efforts thus far to improve training have not met expectations; there are multiple training centers and technical schools affiliated to different ministries without the least coordination amongst them. In some areas, however, progress is being made. In terms of accreditation, for example, efforts are underway in cooperation with the EU to have institutional twinning for the recognition of certificates and to open new

markets to the Egyptian labor force. Achieving quality vocational training is a must to make use of these important opportunities.

II.1.b Social Fund for Development: Capacity Building and Engaging the Informal Sector²

"How can we encourage a smooth transition from the informal economy to the formal?"

Devising solutions to bridge the gap between skills acquired and skills on demand in the marketplace is one element of tackling the problem of structural unemployment. The Social Fund for Development (SFD) operates between public and private sectors to execute its human resource development objectives:

- National skills development to fulfill real needs of local and international labor markets (992 skills standards established in the fields of tourism, construction and industry);
- Training entrepreneurs on project management and basic business skills;
- Capacity building (training trainers);
- Training for Direct Employment Activity by training the unemployed on specific skills requested by specific employers (over 4000 trade trainees, 85% of which acquired jobs)
- Upgrading of Vocational Training Centers (to date 152 centers have been upgraded with equipment, 705 newly trained trainers provided and 38 curricula produced);
- Conducting studies in the field of labor market information and training centers assessments;

In her presentation, Hanaa el Helaly, Deputy Director of the Social Fund, highlighted that these objectives seek to redress roots of the structural unemployment problem. In addition to ameliorating the vocational system and seeking skills harmonization with international standards, the SFD directly engages with the private sector to fulfill their specific recruitment needs. Moreover, the SFD studies the labor market which is essential to identifying broadly the supply gaps and employment trends that necessarily inform the restructuring of education and training. However, it is important to remember that without the necessary coordination between stakeholders integrating these objectives into a coherent policy framework, they run the risk of only tending to the symptoms of the structural malaise.

The SFD also combats structural unemployment by concentrating on capacity building through the provision of micro-credit to support small and medium enterprises. Annually, there are between 700,000 and 750,000 new graduates. Even with the proper training, neither the government nor the private sector is equipped to absorb such a staggering amount of new labor force entrants. The steady growth of the informal sector, which constitutes a whopping 30% of the actual economy, attests to this problem. The promotion of SMEs and the creation of incentives to entice informal enterprises to join the formal economy are then key strategies employed by the SFD.

² Presentation of Hanaa El Helaly, Deputy Director of the Social Fund, Session One, *Expanding Employment Opportunities*

The SFD promotes SMEs by recruiting young graduates and entrepreneurs, small farmers, and poor families to start their own projects. In addition to recruitment they provide these individuals and collectivities with the actual tools required to succeed, such as basic business know how and easy access to financial capital.

In order to address the major problem of the informal sector, the SFD asked the question: "How can we encourage a smooth transition from the informal economy to the formal?" Having recognized this key problem, the SFD has endeavored to provide highly attractive incentives. To this end the SFD provides one-stop shop to make licensing easy. Where previously it could take several months to a year of hopping from one office to another to acquire a license, now a temporary license can be issued at one location within 48 hours. Additionally, tax exemptions for limited and conditional periods, as well as other financial incentives are offered.

Promoting the proliferation of SMEs and engaging the informal sector, whilst contributing to the alleviation of the unemployment problem, are central strategies to generate increased revenues for the national economy at large; in the short-term with increased revenues through business formalization and over the long-term through fostering creativity and innovation. Moreover, engaging the informal sector and enabling individuals and families to engage in their own projects can help to provide a higher quality of work.

Decent work may go a long way to improving the faltering work ethics of the Egyptian labor force in terms of responsibility, conscience, good conduct, good performance and overall pride in work. It is essential that the worker appreciates the value of his work and feels that he/she is doing something of great value as a human being.

Human resource development is a key determinant for the economic growth and development of Egypt at large. Beyond matching supply and demand, HR development fosters good citizenship by enabling individuals to contribute meaningfully to society. For Egypt, tackling structural unemployment will require a comprehensive approach to HR development which addresses skills training and qualifications, the roles of stakeholders in general and that of the private sector in particular, and focuses on establishing good management to diagnose ills, develop remedies and implement those remedies effectively and in a sustainable manner.

II.2 Negotiating Market Access to Expand Employment Opportunities

The expansion of employment opportunities internationally is inextricably linked to the capacity and competitiveness of the labor force at home. Currently, Egypt's labor force faces a range of challenges to enhance its competitiveness and serve well its own, domestic market. However, Egypt's labor force also stands to benefit from a range of opportunities if policy makers, educators, employers, and all relevant parties think about solutions to the human resources challenge in an international context. As Egypt devises strategies to tackle structural unemployment, it should do so with a view to preparing the workforce to compete abroad as well as to maximize opportunities at home. Preparedness is an integral element to making the workforce competitive and viable internationally and locally.

II.2.a *Success Stories in Exporting and Importing Labor*³

“Facilitation for overseas employment, Protection, Return, and Reintegration into the Egyptian society”

As a strategy to expand employment opportunities, the exportation of labor holds great potential. In order to harness the potential of temporary labor movement it is useful to examine success stories in facilitating ongoing labor mobility, whilst keeping in mind the present global economy that is generating rising unemployment rates in countries which are natural labor destinations for Egypt. The challenge for Egypt is to locate market niches in the context of widespread recession. In order to take advantage of these niches, Egypt must employ an approach that suits the conditions and needs of the Egyptian public and private sectors as well as the labor force. In his presentation, Johannes Bernabe of the International Center for Trade and Sustainable Development, referred to 3 particular approaches from which Egypt can draw important lessons:

- Structured/Systematic (Philippines)
- Laissez-faire (India)
- Government to Government negotiated agreements (multilateral, regional, bilateral)

A. STRUCTURED/SYSTEMATIC (PHILIPPINES)

In the Asian context, empirical data indicates that the use of a Structured/Systematic approach to labor exportation has proven largely successful. Such an approach requires a clear regulatory framework based on coherent and contract based labor migration policy. It is insufficient to create a policy to facilitate the temporary movement of labor alone; such a policy must be translated into concrete regulations.

The Philippines currently has 12 million workers overseas, 8 million of which are working on temporary contracts (in contrast to permanent migrants of which there are approximately 4 million). 75% of the Philippines temporary labor force goes through a *structured process*, which is facilitated by the Philippines Overseas Agency; an institution created specifically for the regulation of temporary labor movement. Egyptian labor shares with the Philippines certain sectoral affinities—construction work and engineering in particular—that the latter has successfully exported through the Structured/Systematic approach.

The policy of the Philippines as reflected in regulation focuses on 4 areas: facilitation of deployment for overseas employment, protection, return, and reintegration into Philippines society; all of these being key components of 'circular migration'. For Egypt, a constant concern when seeking access for its workers abroad has been overstaying. The promotion of 'circular migration', as in the Structured/Systematic approach employed by the Philippines, is a means of moving around this dilemma. Moreover, circular migration combats the often criticized phenomenon of brain drain as it allows for the return of highly skilled workers, such as doctors and engineers,

³ Presentation of Johannes Bernabe, "Success Stories in Exporting and Importing Labor," Session One, *Expanding Employment Opportunities*

and their re-integration into society. Specific features of a Structured/Systematic regulatory framework designed according to the 4 areas constituting circular migration may include:

1. *Regulations for the deployment of workers* e.g. placing workers abroad through licensed and regulated recruitment agencies. These agencies can guarantee free transportation for return, ensure that a contract includes a return flight, or be endowed with the responsibility to pay for the costs of return. In the case of the Philippines, labor attaches are used to locate opportunities, to match these opportunities with the labor supply, and to verify the legitimacy of international employers to ensure that the labor force is not being lured to work in exploitative conditions.
2. *Pre-Deployment Integration Initiatives* e.g. programs providing education on laws and rights, enrolment in health and life insurance and provision of housing, facilitating recognition of qualifications in order to secure better terms and conditions for employment (bilateral labor agreements are an effective means to do so), and cultivating relationships and creating networks with government authorities, migrant communities and NGOs in the destination country can help to ensure the migrants' protection and provide a comprehensive safety net.
3. *Returning workers' Re-placement and Monitoring Programs* e.g. using cooperatives that capture the remittances of workers abroad is one means of generating employment, training and enhancing skills locally. Co-ops enable business start-ups and also foster brain gain networks whereby knowledge and technology transfer occurs amongst former migrants and subsequently spreads to benefit the population at large. Success in this respect has occurred with IT professionals and engineers working in the Silicon Valley. Upon return these migrants have started research labs and used informal networks to generate new ideas which have then been exported back to the US as software or IT products.

If deliberately managed and well implemented, circular migration can benefit the source and destination countries as well as migrant workers, their families, and local communities. While Egypt stands to benefit from the Structured/Systematic model and the promotion of circular migration, it is significant to note that its implementation and management is highly complex and requires an integrated delivery of programs and services for migrant workers and their families (exemplified in the sampling of features above). It is up to the relevant stakeholders to determine what is preferable and practicable for Egypt.

B. Laissez-faire (INDIA)

In contrast to the Structured/Systemic approach is the Laissez-faire model for labor migration, which is characterized by 'word-of-mouth' information dissemination through family and Diaspora networks. The laissez-faire approach is unstructured, chaotic and ad-hoc yet it has facilitated the movement of more than 10 million workers from India to various locations overseas. Despite the limited government intervention, return is a prominent feature in the case of India as many migrants bring back knowledge and skills that help spur innovation at home. India's comparative advantage in IT in general and software in particular is evidence of this phenomenon.

C. GOVERNMENT TO GOVERNMENT NEGOTIATED AGREEMENTS

Finally, there is the approach of Government to Government negotiated agreements (multilateral, regional, and bilateral). At the multilateral level, GATS mode 4 (on the temporary movement of labor) has been negotiated for the past 9 years without an end in sight. It is possible to speculate that the next US administration will carve out a new way forward for negotiation of the GATS at the WTO; however, other agreements such as the Euro-Med or voluntary regional schemes with agreed mechanisms and regulations might bear more tangible results. It is important to recall the rights accruing to developing nations in the context of the multilateral framework. When negotiating regionally or bilaterally, Egypt must ensure that the distinction between GATS mode 4 temporary labor migrations and permanent migration is maintained so that additional requirements and concessions are not thrust upon it.

On the whole, there are critical elements that Egypt can draw from these approaches/experiences. These include:

1. Identifying niches: In order for labor exportation to be valuable and possible there must be a committed private sector at the other end of the pipeline. Egypt must therefore map needs. Where is the demand? Where are the job cuts and in what sectors? Who should be tasked with needs mapping—a labor agency, a private agency, the International Organization for Migration?
2. Ensuring a licensed and qualified pool of labor: Once niches are identified, Egypt must be sure that its labor force is qualified to fill them. If Egypt is suffering from lacuna of skills then steps must be taken to remedy this problem. It is important to overcome resistance to change internally and to think globally when adapting education curriculum and vocational training.
3. Ensure coordination: In government to government agreements whether multilateral, regional, or bilateral it is important to have continuity and cooperation in negotiations.

In the context of expanding employment opportunities highlighting approaches and successes in labor exportation is useful, not merely in identifying opportunities abroad but also in turning inward to recognize some of the challenges faced at home such as skills gaps and lack of coordination. Accurate statistics and data about needs and specialties as well as communication amongst all relevant parties are crucial, especially now when negotiations are underway with countries such as France; which demands specific professions and specific numbers needed for each profession. Preparation is then a must at the national level to open foreign markets for the Egyptian labor force and to ensure that said labor force is viable.

II.2.b *Integrated Migration Information System (IMIS): Assessment of Labor Supply versus Demand*⁴

⁴ Presentation of Soheir Abdel Rahman, "Integrated Migration Information System (IMIS): Assessment of Labor Supply versus Demand," Session Two, *Challenges and Opportunities for Egyptian Labor*

Analyzing the experience of the IMIS in the field of flows of Egyptian labor migration to Italy through the Integrated Migration Information System can give greater insight into how Egypt has managed labor migration thus far and how it might draw lessons from the approaches and experiences previously outlined.

The IMIS project was implemented in cooperation with the International Organization for Migration (IOM) and was funded by the Italian government. The term of the project was four years with the first phase ending in 2005. Another project, also funded by the Italian government, entitled: "An Awareness Campaign of Risks of Illegal Migration," then followed. Currently, the second phase of the project (IMIS +) is being implemented.

Both projects gave attention to building the capacities of officials in the sectors of migration and external representation management at the Ministry of Manpower and Migration. They were designed to regulate the entry, stay and employment of Egyptian labor seeking to migrate to Italy for work, subject to the laws and regulations applicable in Italy. These projects played a major role in implementing a bilateral cooperation agreement between the Egyptian and Italian governments in November 2005 in the area of flows of Egyptian labor migration to Italy. The agreement remains valid.

The database was useful in the sense that it satisfied the demand of the Italian government for a specific category of labor, which once selected from the database, underwent a number of qualifications tests to determine readiness to migrate. On the whole, perhaps the greatest achievement of the project was to modify the functional designations and titles in Egypt in consistency with the current trends in the foreign labor markets in accordance with the International Standard Classification of Occupations (ISCO) applied in the vast majority of the EU countries.

Important lessons were drawn from testing the compatibility of the Egyptian labor force with the Italian market, which demanded certain specializations within which Egyptian labor had to be categorized. Categorizing certain fields of Egyptian labor along ISCO lines has then provided a solid foundation for Egypt in its current negotiations with the French government to regulate the labor force.

France applies the ISCO in full harmonization with a domestic classification system. There are close similarities between the systems in Italy and France which will facilitate a more rapid closure of the agreement with France, given Egypt's existing level of harmonization with the Italian system.

It is certain that raising the levels of human development, with a view to international standards will maximize decent job opportunities for Egyptians who seek to travel and work abroad. The IMIS shares some of the features of a structured/systematic approach to labor migration management (on a bilateral level), yet Egypt should seek to further develop this approach to maximize the amount of human capital accessing the foreign market—and minimize the emphasis on combating clandestine migration—in its negotiations in general and with France in particular.

The France-Senegal agreement offers a model of how Egypt can gain market access for a greater number and wider range of labor. Senegal, with the assistance of the

IOM, was able to utilize the existing labor classification system in France to specify a range of applicable categories to be opened for substantial numbers of workers. Currently, the France –Egypt agreement is following along the same lines. While Egypt has already harmonized its labor to the international system to some extent, it will need to ensure that the requirements of foreign employers for the listed professions are matched by the skills of its workers. Moreover, in preparation for future bilateral and multilateral negotiations, Egypt must identify what fields in the services sector are demanding foreign labor and/or will be experiencing labor shortages over the next decade.

II.2.c *Perspectives from the EU Private Sector on Labor Importation*⁵

In determining which fields in the European services market are seeking foreign labor, Egypt can benefit from an insiders perspective on both skills in demand and on internal politics governing the negotiation of labor mobility in general and under GATS mode 4⁶ in particular. The European Services Forum (ESF) represents 30 European services companies (the majority of which are multinationals) and is the voice of the European services industries for international trade negotiations. As such, the ESF is a primary source of the insider information that will assist Egypt in devising strategies to prepare the labor force to be internationally viable, and to prepare for negotiating market access within Europe.

According to Pascal Kerneis, Executive Director of ESF, the reality of today's migration, at approximately 200 million worldwide with remittances reaching 240 billion euro annually, is that it is a major driver for economic growth and development. If 3 % of the global workforce was mobile, existing remittances could increase by 200 billion. It is therefore of particular interest to developing and emerging market economies to seek greater mobility for their labor. Yet, the reality of today's migration is actually much more complex than a mere math formula.

There is confusion between the different modes of migration; between permanent migration and temporary labor migration (as in the 4 categories of GATS mode 4). It is difficult to gather reliable statistics on the latter due to this confusion and due to the mixing of manufacturing and services sectors, single and multiple entries, temporary and permanent jobs, high skills and low skills, and intra-corporate transferees and contract service suppliers. Regardless of these points of confusion, what can be determined from the statistics is that Europe is bringing in far fewer labor migrants than its Western counterparts.

The United States, for example, facilitates the entry of foreign labor on a temporary basis through its H1B visas. 195, 000 of these visas were issued in 2000 and 65, 000 per year have been issued since September 11, 2001. In contrast, from 14 EU member states only 34, 219 work permits were issued in 2005 and of these, the

⁵ Presentation of Mr. Pascal Kerneis, “Perspectives from the EU Private Sector on Labor Importation,” Session Two, *Challenges and Opportunities for Egyptian Labor*

⁶ Categories of natural persons covered under GATS Mode 4: Intra-corporate transferees i.e. managers, specialists, graduate trainees; Business visitors; Contract service suppliers i.e. employees of juridical persons; Independent professionals

majority were given to high skilled workers. From the services sector perspective, this figure is far too low.

The EU estimates that in 2050, it will be missing approximately 48 million workers as a result of the consistent decline in population. This means that in the next 40 years 1/4 of the European workforce will be missing, which will pose serious difficulties for the private sector. Some firms are already beginning to taste these difficulties. It is the position of the ESF that legal migration is the best way to alleviate the labor shortage problem. It views legal migration as the optimal way to defuse the demographic time bomb and considers that if proper measures are not taken immediately, Europe's social system will be compromised.

As a key component of its mandate, the ESF is pushing the European government to move forward on labor mobility, especially in light of the measures already enacted by competing countries—the US, Canada, Australia, New Zealand—who now have an advantage in attracting high skills workers. Not only is Europe behind in devising schemes to attract foreign labor, it is also suffering from its own brain drain wherein home educated European citizens are taking their skill sets abroad. Despite the fact that the demographic time bomb is a continental phenomenon, labor issues are still largely dealt with at the individual, member state level.

The individual state approach to addressing labor becomes apparent in the multilateral context. Looking at the EU GATS offer within the WTO negotiations, it appears to defy logic as it does not make openings in the most labor starved sectors. Trade in terms of human capital is not responding to the needs of the economy; there is a need for doctors, nurses, teachers, etc. and these professions are not dealt with sufficiently. The failings at the multilateral level suggest that the focus of Egypt should be on bilateral recognition agreements and bilateral migrant or labor agreements. While the EC directive on recognition of diplomas does not apply outside the community, the directive does exist within the EU and Egypt can turn to this model in order to organize its training and certifications to achieve recognition.⁷

The ESF is making attempts at the EU level to facilitate temporary labor migration policies. To this end, ESF welcomes and supports two legislative proposals dated 23 October, 2007 (adoption in 1st reading by European Parliament late 2008; final text expected 2009; implementation expected 2011):

1. There is a proposal for a directive allowing admission of highly qualified migrant workers under a blue card scheme—this mirrors the US green card system
2. In a parallel process there is a directive on a single application procedure for a single work/residence permit and a common set of rights

The ESF is also advocating for better Mode 4 commitments and favors Mode 4 in regional and bilateral trade agreements. ESF is particularly interested in bringing its staff abroad, either to their subsidiaries (intra-corporate transferees-ICT) or to their

⁷ UK-India provides is a useful example for bilateral recognition. This recognition agreement includes diplomas as well as qualifications.

clients (contract service suppliers- CCS) and also to bring competent natural persons into Europe via the same channels.

While the opportunity remains for Egypt to exploit the movement of independent professionals (IP) under mode 4, the requirements are more stringent than those applied to ICTs and CCSs. Sectors covered under the IP category of relevance to Egypt include construction services, translation services, and computer and related services to name a few. It is significant to note that commitments under this category are subject to the application of a numerical ceiling, to be determined in negotiations. In the interest of quelling the fears of overstaying associated with such freedom, independent professionals must possess:

- A university degree or technical qualification
- The professional qualification where required
- At least 6 years previous experience in the sector

Egypt must also consider the consequences of EU enlargement and the current global economic crisis. On the first front, enlargement will impact Europe's openness to foreign labor—primarily for low skills workers due to an influx of low skilled labor from East and Central Europe. From the European services sector perspective, Egypt would derive greater benefit by focusing on enhancing the competitiveness of its middle to high skills labor.

III. Enhancing the Competitiveness of the Egyptian Labor Force

III.1 A Regional Perspective on the Competitiveness of Labor in Egypt⁸

Prior to devising an effective strategy to enhance the competitiveness of the Egyptian labor force, Dr. Heba Nassar, Vice President, Cairo University, stipulated that it was necessary to first designate what the key measures and dimensions were that determine competitiveness and how Egypt currently rates against these measures. There are 4 measures of competitiveness relevant to Egypt:

1. Abundance and cost
2. Human Capital
3. Intellectual Capital
4. Ability to use technology

In terms of abundance and cost, Egypt boasts both a cheap and abundant labor force. It has the largest labor force base across the Middle East and North Africa (MENA) region. Egypt's population pyramid is largely made up of youth, and individuals below 15 represent one third of the Egyptian population. This means that human resources are continually available.

The growth rate of the Egyptian labor force is one of the highest world-wide. Approximately 22% of the labor force in MENA is Egyptian, placing the size of the Egyptian labor pool beyond that of countries like Jordan, Tunisia or even Israel—

⁸ Presentation of Dr. Heba Nassar, "Enhancing the Competitiveness of Labor in Egypt," in Session Three, *Enhancing the Competitiveness of Egyptian Labor*

though these countries are more successful in exporting their labor force and attracting investment.⁹

Compared to other countries in the MENA region, the cost of the Egyptian labor force is very low and correspondingly actual wages in Egypt are low. Yet, the expected advantage of low cost labor is increasingly offset by technological progress in other countries that reduces the share of per workers cost. Likewise, the productivity of the Egyptian worker is diminishing, and hence the advantage of the low wage is being eroded. While the cost of Egyptian labor in the industry sector is the lowest across the MENA, it is the least productive. Thus low cost is no longer a comparative advantage for Egypt, particularly as low cost and productive labor is abundantly available in Eastern Asia countries.

The second measure of Egypt's competitiveness is human capital. As previously discussed there is a crisis of training and education in Egypt. Illiteracy rates in Egypt are the highest in the region and are also fairly high compared to competing East Asian countries. Illiteracy is remarkably higher amongst females. This trend emerges as a grave concern if we are considering the competitiveness of skilled labor. Low enrollment rates in pre-primary education are a direct contributor to low literacy rates as this stage is crucial for the preparation of children to better acquire knowledge and skills. While enrollment rates at the primary education level are 100%, the number of drop-outs is huge. Given the current rates of drop outs, the educational level of the human resources in Egypt is below the average in the MENA.

The third aspect, intellectual capital, is associated with capabilities of creativity and invention. Again, rates are lower in Egypt than in the MENA countries to the exclusion of Yemen and Morocco. This problem is correlated to quality of education in science and engineering disciplines, expenditure volume on research and invention which is minimal, as well as to the rush on theoretical faculties at the expense of scientific and applied ones.

There is a problem in terms of insufficient financial resources required to finance the intellectual capital. When determining the role of the private sector vis a vis education and training of the workforce, it is significant to underscore that only 0.19% of the gross domestic product (GDP) is spent on research and creativity, which is extremely low compared to other countries where this percentage is not only greater but the volume of the GDP is higher as well.

Finally, the ability to use technology is considered. In the digital era, competitiveness depends on developing, applying and using state-of-the-art technologies. Egypt still fares low in terms of the key indicators such as the number of computer and internet users.¹⁰ The digital divide is increasingly widening between Egypt and other states in the MENA region, especially the Gulf States where high digital literacy correlates to

⁹ These facts are reflected on the annual growth rate of exports and annual growth rate of direct foreign investment (DFI) share. These rates contribute to forming capital at these countries.

¹⁰ Number of computers per one thousand Egyptians is 15.5% which is lesser than the international average standing at 16.5%. The same scenario applies in the case of internet users.

higher rates of investment and exports. Clearly, the competitiveness of human resources is a major component of any growth and development strategy as it influences not only the potential to export labor but also the ability to attract foreign direct investment.

Against these 4 measures, it is apparent that the stumbling block for Egypt in terms of domestic productivity, competitiveness, and the export of its labor is the quality of the labor force. While the problem of the quality of labor has been exposed as part of the structural unemployment issue, this analysis provides further insights that can inform competitiveness enhancing strategies and help to direct coordination efforts towards improved productivity, growth and development.

III. 2 ILO Perspective: Skills for Improved Productivity, Employment Growth and Development¹¹

Luca Azzoni of the ILO attempted to examine competitiveness from an enterprise level; from global value chains down to the level of small enterprises and the informal economy in his presentation.

For developing countries, the classification that Egypt holds, there are 2 key angles to take: addressing skills shortages that persist in high growth sectors and promoting formalization of the growing informal economy. However, in terms of enhancing the competitiveness of the Egyptian labor force the central question is one of skills development. How can improved skill sets contribute to the creation of decent work, productivity, and employment growth?

Skills development should be understood as one of the elements of the virtuous circle, within which we have high wages, high productivity, and high development. Identifying the virtuous circle as the target, or end goal, the policies enacted in its pursuit serve 3 main objectives:

- Matching supply and demand of skills, and to expand availability of training to more people so that they can benefit from economic growth
- Maintaining the employment of workers through re-skilling and lifelong learning
- Building up capabilities to sustain a dynamic development process, using education and training policies to boost technological change, investment, diversification and competitiveness

The latter, highly ambitious goal, speaks to a long-term vision of change, the necessity of which becomes clear in light of the reality of the competitiveness of Egypt's labor force within the region. Pursuit of these goals in particular and the virtuous circle in general has been the path of developed countries with successful economies. Critical factors for their success have been policy co-ordination and coherence facilitated by institutions through which ministries, employers, workers and trainers help link basic education to technical skills and workplace learning, link skills

¹¹ Presentation of Mr. Luca Azzoni, "Skills for Improved Productivity, Employment Growth and Development: an ILO Perspective," Session Three, *Enhancing the Competitiveness of Egyptian Labor*

providers and employers, and synchronize skills policies within national development strategies.

This issue of coordination arose as a priority for Egypt throughout the duration of the conference. This problem was a focus of the keynote address of Her Excellency, Aisha Abdel Hady, Minister of Manpower and Migration.

IV. Conclusion

The conference successfully examined the central features of Egypt's human resources challenge; exploring opportunities and solutions to enable the maximization of human resources at home whilst simultaneously preparing the Egyptian labor force to compete abroad. On the national front, the role of the private sector to support the Egyptian labor force and to coordinate with the state in this respect came to the fore, as did the need to emphasize implementation of policy. More than forging PPPs, coordination should be amongst multiple stakeholders including civil society/non-governmental organizations. Proper coordination on all levels will undoubtedly facilitate the amelioration of the structural employment problem. Most importantly, this coordination will enable the upgrading of training and vocational education with a view to international compatibility and hence labor mobility.

On the international front, the question arose as to whether or not the financial crisis would have an effect on labor mobility and by extension, Egypt's future interests and current preparations. According to Pascal Kerneis, "the answer is yes and no." Europe will focus on core markets and as a result there will be less outsourcing. However, focusing on these difficulties is too short-sighted. Strategizing in terms of government positions on labor mobility must defer to a long-term view. In this sense it is advisable to forget the crisis as the economy will recover. In preparing its labor force, Egypt must simultaneously address the needs of the national market, and identify niches in foreign labor markets. Now—when economies and negotiations are slowing down—is the time to prepare the Egyptian labor force and to negotiate strategy so that when the economy enters the upswing, Egypt will be caught up and ready to maximize its opportunities.

V. Keynote Address: Her Excellency Aisha Abdel Hady, Minister of Manpower and Migration

“A revision of work ethics, quality training and full coordination between the ministries are must-elements for the Egyptian labor force to thrive”

Today's conference raises many issues all of which need to be fully considered, and requires more attention be given to the issue of human resources. I would like to thank Dr. Samir Radwan, a veteran in the International Labor Organization (ILO), who helped us understand the importance of bringing together the three concerned parties i.e. the workers, governments and employers in order to define the rights and duties of each. Mr. Omar Mohanna, AmCham President recapitulates a number of issues, which have been the subject of consideration and debate for a long period. There are multiple bodies and agencies responsible for the development of human resources. This multiplicity amplifies the problems, makes attempts to find solutions inefficient and has given rise to the discussion of how education outputs are inconsistent with the requirements of the labor market and the disparity between education and vocation training and technical education.

Before I came to the conference, the Cabinet adopted a resolution to establish a ministerial group which is mandated to finalize within six months specific training programs that take into consideration all the requirements of the labor market. The group combines Ministers of Manpower and Migration, Education, Military Production and Local Development as well as those concerned with the issue of human development.

I believe that the problem is not restricted to Egypt as the entire Arab world faces the same problem. Discussions at meetings of the Arab Labor Organization (ALO) and the ILO focus on the question of inconsistency between educational outputs and the requirements of the labor market. The issue may be global to the exception of some countries with long experience in preparing educational programs that meet the requirements of the labor market.

Egypt has already started to give attention to this issue. As Mr. Mohanna noted, the issues of discipline and work ethics and behaviors are crucial. As a Minister of Manpower and Migration, I apply a law that protects the Egyptian labor force. However, I cannot obstruct investment in Egypt due to the absence of certain expertise which foreign investment acquires. Sometimes, some jobs are recruited from abroad which have equivalents in Egypt. This is of course against the law. Applying the international standards and criteria observed by those investors who come with high technologies that require advanced skills, we find out that these jobs have no equivalents. I attempt to strike a balance between the structure of the available labor and the actual requirements of investors with a view to increase productivity.

Is the Indian or Bangladeshi worker, with due respect to all people from different nationalities, smarter than the Egyptian laborer on whose shoulders the Egyptian industry has relied for long periods? Is there a change that has undergone values, behaviors, traditions, right to work and the concept of work from one generation to another? Does this change make the current generation heedless to the issues of work commitment and discipline unlike our generation? Is globalization the culprit? Under globalization, we witness the era of the open skies with many things that preoccupy

youth and make them in a state of psychological flaccidity and indefinite anticipation incommensurate with their capabilities. Is drama accused? All these factors make the issue of work commitment and discipline a field of study for the sociologists. Therefore, I call upon sociologists to investigate the issue and understand the impacts different factors have upon work respect and sanctity.

On the other side, there are positive examples. When Mr. Omar Mohanna took control of Suez Cement, he raised the level of labor productivity and so did Mr. Sherif El Gebaly when he took the responsibility for the Organic Fertilizers Company. There is a missing part in terms of work conditions and environment, which constitutes another issue which requires investigation. Are the work conditions and environment favorable or in need of revision? Social and cultural perspectives should be observed in investigating the recent problems of our societies like work commitment and discipline at a time when values, norms and traditions have collapsed. The scope of investigation should extend to embrace the Egyptian drama which no longer reflects our thought or culture but rather promotes other values totally different from those to which we are accustomed.

The point is that our scope of study should not be confined to the educational outputs and their consistency with the requirements of the labor market independently from the social and psychological factors that affect the labor market. The Egyptian worker is creative abroad even in matters remote from his/her academic qualification. However, he/she refuses to do the same thing in his/her country. Investigation of reasons behind refusal reveals that they are related to social issues. This is a second call for sociologists not only to study the case but also to propose recommendations and develop strategies and programs that encourage work and the appreciation of its value.

Now, I turn to discuss the role of the Ministry of Manpower and Migration. Labor Law provides for a Supreme Council for Human Development. Committee of labor force affiliated to the People's Assembly drafted a report on human development, which called for a Supreme Council. Now, the Council is established and we have already started its activation. But how will it work?

The Council combines all the bodies and entities concerned with the development of human resources including the competent ministries, Workers' Federation, the General Federation for Egyptian Industries and the Federation of Commercial Chambers. In the first meeting of the Council, I called for a single action plan to be presented to the government. All the concerned bodies should agree upon this plan which demonstrates our vision of the human development issue. This approach will put an end to the old process where different ministries used to present different plans which may be conflicting. There should be a single overall framework under which we agree to the objectives, programs and a well-defined strategy. Then, each body can implement certain part of the strategy with full coordination which prevents conflict and duplicity of efforts made. Actually, the Ministry started and addressed 29 bodies of which only 19 (about 70%) responded.

We developed the overall framework of the strategy which will be submitted to the Council. The Ministry gives priority to this issue which constitutes the first step towards a science-based systemic methodology which places the issues of training,

education, development of human resources and training centers in one melting pot, before a single body under a unified framework without the control of one entity over another but with full coordination between different entities. Consequently, we actually activated the role of the Supreme Council for Human Development. I can safely say that it is the first step on the right path.

The other aspect the Ministry is interested in is to identify the current training centers. In this context, the Ministry conducted a survey of these training centers and another one of their capabilities. The findings of these surveys showed that some training centers are very advanced and reliable while some others need to be rehabilitated and other centers are useless for industrial programs and plans or developmental plans of Egypt. In the Council, we demand announcement of the programs of the qualified centers and reaching agreements to rehabilitate those centers that need rehabilitation. The third category of training centers should be done away with. In this way, we can depend on a specific number of training centers to provide training and qualification.

We can cooperate with some international institutions including the European Training Foundation (ETF) which developed a plan that covered two aspects: evaluation of qualifications on scientific basis against the international standards which helps draw a training map that qualifies for granting licenses to perform professions. This is a significant step. The Ministry has already started to implement this step and receives great assistance from the ETF. Furthermore, in cooperation with both the ILO and the EU, the Ministry developed what is known as the national skill levels. The Ministry started with three sectors: industry, building and construction and tourism and hotels in which it gives attention to certain features, which other training centers lack, that is, career progress and industrial apprenticeship. The Ministry is interested in developing programs of industrial apprenticeship for juvenile dropouts in such a manner as to qualify them to work at workshops and factories and grow able to earn their livelihood in a decent way.

Noting the sharp decline of ordinary labor, the Ministry, in agreement with Ministry of Trade and Industry (MTI), allowed some factories under the law of career progress to recruit youth below 16 years under the designation of training which lasts till 18. Afterwards, these youth are full labor force which can engage in the work wheel. The Ministry spares no efforts to develop human power at different levels regardless of its make up and skills in order to enter the labor market in an attempt to solve the problem of unemployment which is closely related to the issue of human development. In this way, we are moving towards the direction that boost the value of human power in Egypt and minimize unemployment rate. The Ministry requires foreign investors to provide training for their labor and grants them one-year grace period. As a Minister of Manpower and Migration, I am fully responsible for the protection of both Egyptian and foreign labor working in Egypt. If the Egyptian worker attracts investment due to low wage, it is my duty to increase this wage after enhancing his skills and competitiveness. This issue is not without solution. Some countries adopted good approaches which we are now studying. What is important is how to develop framework for programs that allows for multiple training bodies in light of a clear strategy. This is the task which the Ministry is attempting to perform through the Supreme Council for Human Resources.

Thank you very much.