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**Training Workers in  
The Shurbagy Textile Factory**

**NAHED TANTAWY**

**2001**

16

2001/44

THE AMERICAN UNIVERSITY IN CAIRO

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

POLITICAL SCIENCE DEPARTMENT

العنوان

TRAINING WORKERS IN THE SHURBAGY TEXTILE FACTORY

NAHED TANTAWY

المؤلف

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTERS OF ARTS IN  
POLITICAL SCIENCE

(June/2001)

2001/44

The American University in Cairo

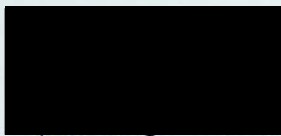
Training Workers in the Shurbagy Textile Factory

A Thesis Submitted by  
Nahed Mohamed Atef El Tantawy

To the Department of Political Science  
( June/2001)

In partial fulfillment of the requirements for  
The degree of Master of Arts  
Has been approved by

Dr. Elizabeth Bishop  
Thesis Committee Advisor:  
Affiliation:



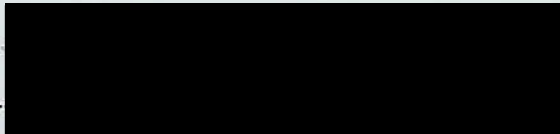
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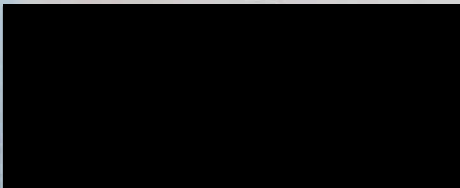


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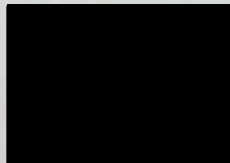


Political Science



Department Chair

31 May 2001  
Date



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May 31, 2001  
Date

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"...Human resources, not material, are the primary factors in development. The traits; knowledge, skills, and aspirations of a people are the priceless assets. Advanced levels of education, wide access to cultural amenities, and achievement in the communicative arts are important elements. Without a high degree of individual freedom and opportunity, human dignity and equality, and democratic values and process in political, economic and social life, what country, no matter its material exertions, can consider itself developed?" (El Rashidi 1997:10).

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## ABSTRACT

This study aims to upgrade the skills of 20 percent of employees in El Nasr Spinning and Weaving and Knitting Company (Shurbagy). The selected company is publicly owned and is due to be privatized in 2000/1. The study suggests several training programs that would help enhance the firm's competitiveness ahead of its privatization, in order to increase its profitability and encourage investors to bid for the firm.

The study aims to provide the selected Shurbagy employees with competitive skills, in sales, marketing, computer and maintenance, that would help them maintain their jobs in Shurbagy, or afford them better opportunities in the labor market should they be included in the government's early retirement program. Shurbagy's chairman has identified these specific skills as necessary to contribute to the firm's development and competitiveness in the local and international textiles markets. Training is hoped to benefit Shurbagy and help it regain part of its traditional profitability and market share ahead of privatization. The chairman admits that training employees alone will not succeed in healing all troubles Shurbagy currently faces, but he points out that developing employees' skills in sales and marketing, computer operations and maintenance would help boost production and sales and decrease waste and workers' defaults. The idea is to implement this training program, with funding shared between the government and a foreign donor organization.

The project is part of a broader objective, of putting more emphasis on training for Egyptian workers that are the country's main wealth. With a population that exceeds 64 million people, Egypt has a lot to benefit from training its workers and bringing their skills to internationally recognized standards, because these workers are considered the country's main wealth.

The paper assesses several government, private and donor-funded training initiatives that already exist, as well as training experiences of multinational firms in Egypt to see how comparable they are to Shurbagy's training needs. It also analyzes several successful training programs adopted by a number of developed and newly industrialized countries that could be used as a guideline in formulating Egyptian training policies.

## CHAPTER 1

### INTRODUCTION

As developing countries adopt economic reform policies and liberalize their economies in the face of globalization, it also becomes necessary to equip their people with the necessary skills and technology needed to compete in such a world economy. Training to strengthen the production capabilities of workers<sup>1</sup> and to upgrade the technical and knowledge-based structure of labor, becomes a necessary tool needed to equip the workers with such skills. Providing a country's labor force with training and technical skills is likely to encourage better labor performance and higher quality production.

On the microeconomic level, training contributes to enhancing a company's competitiveness and profitability. It allows for more efficient labor production, higher quality and reduced wastes, and thus companies can realize higher profits. Furthermore, training allows workers to innovate and diversify a company's line of production, which makes a company more competitive and allows it to offer more attractive products to its customers. In general, training is viewed as one of the prime ingredients "not only in the process of creating jobs and generating growth, but of improving the capacity of economies to 'seize the moment' by capitalizing on opportunities and occupying the many niche markets that emerge from the interface between rapid globalization and technological change" (ILO 1998: 95).

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<sup>1</sup> The term "workers" is used to refer to the general workforce in a country, including skilled, semi-skilled and unskilled labor as well as educated employees and managers.

### The Importance of Training

A paper by Egypt's Technical Secretariat of the Supreme Council for Laborforce Development and Training asserts that developing countries adopting economic reform need to adopt additional programs to control the negative side-effects of reform and to raise the living standards of their populations. It suggests this could be done through "enhancing their efficiency, expertise and skills which will enable the society to make best use of its productive human resources" (Technical Secretariat 1998: 1).

"One of the phenomena of human history has been the vast improvement in the status of employees in those countries which have chosen to recognize them not only as factors of production, but as responsible individuals" (Megginson 1968: 2). Megginson asserts that one basic principle of managing a firm is that individual efficiency is raised through training and improved working conditions. Regardless of a worker's capabilities, they can be improved "through a well-conceived and well-conducted development program" (Megginson 1968: 40). A company pays the cost of lack of training through "waste, scrap, damaged production, absenteeism, high turnover, poor morale, and slowdowns which result from inadequate training and poor methodology" (Megginson 1968: 40).

Kemal Dervis, Regional Vice President of the World Bank, noted how the Middle East and North Africa region (MENA) managed to increase its investments in areas of human development such as education and health care. Dervis however asserted that it is important to put less emphasis on only producing good civil servants. What is needed more is to put emphasis on productivity-oriented education, which would produce well-prepared, trainable labor market entrants into industry, commercial services or agriculture (Dervis 1997: 3).

Therefore, it becomes clear that technical and vocational<sup>2</sup> training are considered an essential part of human development for countries that want to enter the new millennium with a stronger and more efficient work force. Training is significant on all levels, whether managerial or worker levels, as each individual contributes to the company he or she is employed in, which in turn contributes to the overall economy. Furthermore, it is important to focus on training students at a young age, through combining training curricula with general education, in order to produce skilled graduates. It is no longer feasible to focus on academic education alone, because today's labor market demands various workers skills which general education cannot produce.

Furthermore, training is also considered one of the necessary tools to attract much-needed foreign investment into developing economies. "The ability of a country to attract, successfully absorb and benefit from foreign direct investment (FDI), and the transfer of technology which it may bring, depends to a large extent on its own technological capabilities, of which the skills and technical knowledge of its workforce are critical components (ILO 1997: 21). Multinational Corporations (MNCs) that invest in developing countries are encouraged by a skilled workforce. This is because innovative and efficient employees<sup>3</sup> contribute to company profitability by ensuring higher quality products, less defaults and more capability to deal with competition in an efficient and innovative manner. MNCs are also encouraged by skilled labor as this would mean less spending on training and skills upgrading, which would allow such firms to use these funds to expand in specific company-related training programs in marketing or sales or other areas that would contribute to their businesses.

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2 According to training experts, the term vocational training is a general term used to define training to upgrade apprentices with various skills, which include marketing, sales, computer as well as industrial skills.

3 The term "employee" is used throughout the study to refer to Shurbagy sales, marketing and computer department representatives.

### Thesis Justification

This study emphasizes the importance and value of training for workers in public sector firms. The study designs a project to train 20 percent of the employees of a public sector textile company. The aim of the project is to equip employees in El Nasr Spinning and Knitting Company, or Shurbagy, with specific skills to enable them to survive privatization and maintain their jobs or at least have greater opportunities in the labor market should they be forced to retire.

The project is designed to train a total of 482 employees in Shurbagy, to teach them marketing and sales skills, maintenance skills and computer operation skills required in competitive markets. The employees chosen for the training were also recommended by Shurbagy's chairman, who asserts that by supplying these workers with training, this would contribute to the firm's profitability and efficiency, allowing it to become a more competitive player in the textile market and enabling it to cut on maintenance expenses. The outcome of this project is expected to boost the firm's sales and raise its production efficiency.

Such training would include programs to teach salesmen how to promote their products and use attractive incentives when dealing with customers to win more clients and expand their customer base. The courses would also teach marketing employees how to conduct sound research on their targeted markets, on competitive goods available in the market and on ways to improve the firm's products in terms of quality and price. It would also equip them with up-to-date advertising and promotion techniques. Training computer employees would equip them with basic computer skills such as database, word processing and spreadsheets. This would allow them to bring their client and personnel databases to more efficient levels. It would also enable them to keep track of products stored in warehouses, money owed by clients and debts with banks. Training in maintenance would be useful in allowing the firm to rely on its own workers

for machinery repair and safeguarding instead of signing expensive contracts with specialized maintenance firms or firms that sold machinery to Shurbagy.

The chairman admits that training these 482 employees is not enough to eradicate all problems that Shurbagy faces, but that it would contribute to enhancing the firm's competitiveness and increasing its profitability. It must be realized that the firm also lacks funding for new machinery, spare parts and production inputs and suffers from an old-fashioned management system that is mostly narrow-minded and reliant on privatization to solve all the firm's troubles.

The project relies on the cooperation of Shurbagy management with government institutions and a donor agency that will help fund and manage the project. Many donor agencies are increasingly interested in the field of human development. British, German, Swiss and U.S. aid agencies are among the many government agencies funding various human development projects in Egypt. These projects include programs to educate farmers in rural areas and public sector employees as well as providing practical training for workers in different production fields, such as programs introduced by the joint Egyptian-German Mubarak-Kohl project, the United States Agency for International Development (USAID) and the Swedish International Development Cooperation Agency (SIDA). By allowing a donor agency to participate in the Shurbagy project, it can provide both its expertise in human development projects and the financial resources needed to implement the project.

The project would help contribute to current government efforts to train workers in public sector firms ahead of their privatization to encourage investors to buy such firms. The government has repeatedly invited training experts in various fields to train workers in public sector firms that are to be privatized. In fact, in the textile industry, which incorporates



Shurbagy, Indian textile experts have been assigned to train a number of Egyptian textile employees to upgrade their skills and teach them modern textile techniques.

### Academic Justification

Although there have been various studies conducted on training worldwide and its necessity, with regard to Egypt, there are very few studies that deal with specific Egyptian companies and analyze the training deficiencies in these companies and offer solutions for them. Ina Barrett's study on training methods, "A Critique of In-Service Training in the Public Service", is one example of a general study conducted on training. It outlines the significance of the in-service training method and how it equips workers with various new techniques. But the study does not discuss training methods of any particular company. It does not outline any training problems faced by specific firms nor does it attempt to solve such weaknesses.

With regard to Egypt, several studies have been conducted on the issue of training at large. The International Labor Organization report of 1997 "Options in Human Resource Development in Egypt" is one such study that discusses the Egyptian government's progress in human development and training. It outlines the existing training centers in Egypt and pinpoints that training in the public sector has been minimal, but the paper does not focus on training weaknesses in specific companies or industrial sectors.

Hence the novelty of the current study is the fact that it deals with one specific company. It provides an in-depth study of the training problems it currently faces and how this contributes to the general weakness of the company. It then provides a training program to help solve worker deficiencies, which is one of the main problems Shurbagy suffers from. Hence, this study is important, as it allows for a more thorough and detailed study of Shurbagy in identifying

problems faced by Shurbagy alone and hence, it allows for a better approach in dealing with these problems, rather than offering Shurbagy general training programs, which might not be suitable for the company.

There seems to be a general academic gap in this development area in Egypt. The study of workers' training deficiencies and needs in public sector firms has rarely been addressed in development studies conducted on Egypt, whether by donors or the government or private institutions. Hence, the current study shows the significance of studying each company as a separate case, outlining the various training needs of each company's workers, which is likely to vary from one company to the other.

There have however, been several AUC Master's theses that have covered the issue of training. Nevertheless, none of the studies aimed to design a specific training program for the workers of a public or private sector. The AUC Master's theses on training cover a wide range of issues that include training evaluation and its importance and the importance of establishing training centers in rural areas to promote small and micro enterprises in these areas. There have also been several AUC theses on the related issue of privatization. Such studies examined the aims and expected outcomes of privatization in Egypt, and discussed details of how the program is carried out.

An example of such theses is "Establishing Belfia Training and Development Center at Belfia," by Nagla Mohamed Bahr, dated 1999, which proposes a project to establish a training center in a rural area that would help farmers establish their own businesses. Another training-related thesis is that by Alia Abdel-hamid Morsi Aref, dated 1996, and titled "The evaluation of the effectiveness and efficiency of middle management training programs: a case study of the

training centers for executives of the government sector". The aim of the study was to evaluate management training programs for government executives to prove their effectiveness.

These theses have outlined adequate training programs for people in rural areas, and how such programs can be implemented and their possible impact on improving the living standards of rural inhabitants by enabling them to establish their own businesses. They have provided a better understanding of how training evaluation should be carried out and how necessary it is to analyze the outcome of a training in order to judge its effectiveness.

Among the analytical theses on the related issue of privatization is the 1999 study by Gehane Sokkary titled "Privatization through Employee Ownership: An Assessment of the System in Egypt and its Sustainability." The thesis gives a detailed overview of Egypt's privatization program under economic reform. It focuses on employee ownership as one of the options used by the government in selling public enterprises. The thesis has provided great insight on Egypt's economic reform and specifically its privatization program. It provides the reader with a greater understanding of Egypt's privatization policy, and why the government chose to implement a gradual, long-term privatization program, in order to avoid any social uprisings. It also explains how the government has intelligently adopted an employee share ownership policy to ensure the support of the working class.

The current thesis deals with a different area, as it tries to formulate a training program to meet the specific needs of a public sector company with the aim of enhancing this firm's competitiveness and increasing its profitability. The thesis is hoped to contribute to having a better understanding of the skills lacking in public enterprises and how their absence affects the firm's production, efficiency and innovation. It also aims to show the possible impact of training on public workers, the firm and their contribution to the economy.

Furthermore, the conceptual framework of the current study on training workers is based on the combination of theory and practice. The aim here is to show how the idea of training and human development has long been recognized in development theories as well as in practice. The idea of skilling labor has been approached by several development theories such as the theory of Taylorism. Taylorism was introduced at the beginning of this century by Fredrick W. Taylor, whose theory was mainly based on the notion that production could be broken down into specialized, discrete tasks and that the relation between these various tasks could be structured logically through formal study within the factory (Hall 1995: 283)<sup>4</sup>. Taylor devised labor management mechanisms based on task allocation. "Task allocation is the concept that breaking task into smaller and smaller tasks allows the determination of the optimum solution to the task" (Vanderbilt 2001: 1). However, Taylorism encouraged only limited training for workers that would just enable each worker to perform a specific task. At large, the theory's view of labor was not one that encouraged labor innovation, because it believed in minimum worker discretion and heavy reliance on machinery and technology. But in general, Taylorism allowed for worker training, even if it was minimal training that only allowed workers to earn skills to do one specific task.

In 1913 and 1914, a modified form of Taylorism was established in the United States known as *Fordism*, which practically took away the training part of Taylorism in favor of modern technology and machinery. Fordism involved disciplined workers, reliance on modern technology and the development of mass production methods (Hall 1995: 281). Whereas Taylor sought to organize labor around machinery, Ford sought to eliminate workers by machinery (Hall 1995: 283). Ford used technology to mechanize the production process, with less reliance on

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<sup>4</sup> Taylor's main theory was his Principles of Scientific Management theory, where he created a means of detailing a division of labor in time and motion studies and a wage system based on labor performance.

labor (Hall 1995: 284). "A new 'mass worker' had been created-highly paid and unskilled-to accompany the introduction of the new mass technology" (Hall 1995:284). Such development theories display how the human element has always been an important factor in overall economic development.

The current thesis outlines a practical training project designed to fulfill the training needs of Shurbagy employees that would help eradicate some of the problems the company and its workers face. Shurbagy currently suffers from other weakness aside from workers' deficiencies, and these include lack of funding for new machinery or spare parts, lack of new technologies and increasing debts. This thesis only deals with the area of workers' lack of skills, and the training suggested here could help contribute to the company's revival. But it will not however transform the company to a profit-making firm, because other problems in Shurbagy also need to be addressed. Further, the current study provides an in-depth study of public sector training needs and how such needs could be addressed. It does this through its in-depth study of Shurbagy, analyzing some of the reasons that lead to the firm's decline over the years, and by looking at some multinational firms that suffered from similar problems related to workers' skills. The thesis then observes how these other firms managed to deal with their workers' deficiencies and were able to recover, thus offering training ideas that could be adopted by public firms such as Shurbagy, which suffer from similar problems.

The thesis is also unique among projects taken up by donors in the area of training. There have been several training projects implemented in Egypt by donors as well as the private sector. However, none of them so far have addressed the training needs of a single public sector firm by designing an in-house training program for its workers. Most projects rely on general on-the-

shelf training programs in the fields of marketing, sales or management, without revising the curricula to address specific company needs.

### **Thesis Methodology**

This work relies on a comparative study approach, where training practices adopted by other countries and companies are discussed and compared, outlining the best practices and discussing how successful they could be in meeting Shurbagy's training needs. Several developed and newly industrialized countries have been selected for this study, based on the sound and successful training policies adopted by their individual governments.

The logic of selecting these specific countries, which are the United States, Germany, Singapore and Korea, is to outline their training programs in order to analyze whether or not they could be of any use to Egypt in general and to Shurbagy specifically. The training policies of Germany, Singapore and Korea have been applied for years and managed to successfully prove their effectiveness and efficiency. Hence, it would make sense for Egypt to choose from or combine the various training policies used by these countries, where they have proved successful, rather than trying to reinvent the wheel. The aim is to suggest a number of best training practices, which Egypt can select from in order to develop its own training policies, rather than waste time, effort and resources on experimenting various training methods that could or could not prove to be effective. Hence, the training programs adopted by the different countries selected here were used as a model, whereby the government can modify them to fit with its industry's specific training requirements and manpower needs.

The study also brings in the training experiences of several multinational firms that have invested in Egypt, with the aim of outlining their own encounters in this area and how they

identified the main skills needed and addressed these needs. The four companies discussed here are Aventis Group, a pharmaceuticals firm, Mercedes-Benz Egypt, Pepsi-Cola Egypt and Coca-Cola Egypt. Two interesting cases here are the two beverages firms, as both were privatized in the early 1990s. These companies were chosen because, like Shurbagy, they also suffered from lack of adequate workers' skills before their privatization, and after they were privatized the new management conducted successful training programs to enhance their workers' skills, which could be a useful guide for Shurbagy. The study shows how investors in these firms faced drawbacks in terms of inadequate skills and weak company training programs. It then explains how the new management outlined and implemented training programs that aimed to boost the companies' sales and expand their client base. The study also clarifies how lack of training was considered a shortcoming for these firms, emphasizing how training managers of the firms stress on the necessity of training and encourage the government to focus on training public sector workers to increase the profitability of public enterprises.

The other two companies chosen in this study are pharmaceuticals company Aventis Group and Mercedes-Benz Egypt. As private sector firms, they both suffered from weak labor skills and were able to successfully upgrade the training skills of their labor. Following a recent international merger between French and German pharmaceuticals firms, Rhone-Poulenc and Hoechst, Aventis Group was formed and it has started adopting several labor training programs to upgrade its workers to international standards. Hence, this training experience could also serve as a good example of a company that suffered from weak labor skills and is working on identifying its workers' weaknesses and finding an adequate solution.

Mercedes-Benz Egypt was formed in 1997 as a German-Egyptian joint-venture. The company's experience with training is used here because most of its workers were brought in

from the public sector and thus lacked adequate training. Hence, the firm's management has been conducting continuous training programs for these workers since the company's establishment in order to bring the level of skills of its workers to internationally recognized standards. Thus, both of these companies provide sound training experiences that Shurbagy's management could learn from.

The current thesis also summarizes some of the current training practices adopted in Egypt, including training offered by donor agencies, the private sector or government institutions. The aim of illustrating these various training cases is to investigate whether or not the programs and curricula applied are appropriate for Shurbagy workers. Hence, the training case studies are analyzed to consider whether or not they are comparable to the training needs of Shurbagy in the areas of sales, marketing, computer and maintenance.

Data gathered for this study was collected through primary and secondary research sources. Information on the Shurbagy factory's privatization status, financials and employees was obtained from the Public Enterprise Ministry. Several interviews were conducted with privatization officials at the ministry as well as with Shurbagy executives, including the company chairman and the firm's financial officer. Interviews were also conducted with privatization specialists, representatives from donor agencies that work in the field of human development, as well as representatives from Egypt's Social Development Fund. Other interviews were carried out with representatives from multinational firms in Egypt that have implemented successful training programs for their workers<sup>5</sup>. The study has also been compiled using information published in various books, reports and journals. Data posted on the Internet has also been used in this study.

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<sup>5</sup> See bibliography for names of interviewees.



### Objectives of the Shurbagy Project

The project aims to combine donor and government efforts to implement the Shurbagy project, because the company's management lacks the funding to carry out such a project even if it will benefit the firm. Further, company executives, like most public sector employees, have no incentive to exert effort in restructuring the firm and ensuring that all its employees receive adequate training that would help activate all departments in Shurbagy. This is because executives realize that the private sector company or foreign firm that will buy the company is the one that will benefit from the employees' improved productivity. Hence, company executives in this case seem more willing to focus on developing employee skills in departments of sales, marketing, maintenance and computer only rather than restructuring the whole firm. This is more likely so they can guarantee a sound employment position for themselves in one of those departments following the privatization process.

It could be argued that the firm's management is only focusing on upgrading workers' skills in the departments of sales and marketing and computer with the aim of making the firm appear more profitable in the hope of managing these departments after privatization. This would be part of restructuring strategies adopted by some managers in public sector firms to be privatized in various developing countries. An interview with Shurbagy's chairman, Engineer Mohamed Hegazi, showed that management hopes to focus on developing skills of employees in these specified departments. This could be interpreted as a change in the firm's technology restructuring. It could be that management here aims to focus on developing technology used in these departments and raising their productivity and efficiency with the aim of seeking a management position for these departments following privatization.

Although this explanation could be true, it is also important to note that management of public sector enterprises are not necessarily threatened by privatization, as they have stronger chances to find alternative jobs in the private and international markets when compared to normal employees (Sokkary 1999: 98). According to Waterbury, "the property of state managers is not their enterprises but their skills and competence. It is intellectual property, and it is movable" (Cited in Sokkary 1999: 98).

In all cases, it is safe to argue that by allowing employees to acquire up-to-date sales and marketing techniques, this would give room for more innovation, more awareness of competitive products and more insight on attractive pricing and advertising techniques. It would allow the firm to save up money spent on expensive maintenance contracts and will encourage employees to computerize their client and personnel databases. It would also strengthen Shurbagy's sales and marketing techniques, thus enabling the firm to face competition and promote its products in Egyptian markets.

The project is politically significant, as it relates directly with government plans to develop human resources. The government has been increasingly focusing on improving the skills of its workforce throughout the various ministries and public sector enterprises. In order to develop its economy to adapt to and be able to deal with the economies of the developed world, the government needs to equip its civil servants with modern and liberal thinking that would allow for better innovation in public sector production and also in policy making and implementation in the various ministries.

Furthermore, as mentioned earlier, Egypt's government also aims to train workers in public sector firms ahead of the privatization of such firms to encourage more investors to take interest in these. For this cause, the government has invited foreign specialists to train workers in

various industries. This is a politically important move for the government, which hopes to develop the skills of these workers to help them maintain their jobs after privatization or to increase their chances in the job market if they included in early retirement schemes. By doing so, the government is shielding itself against any social instability related to privatization or economic development in general. Hence, any project to support the government's training efforts for public sector workers would be of importance.

Training employees in Shurbagy would also contribute to Egypt's textile industry, which is economically valuable to the country in terms of the number of public sector firms as well as private enterprises that operate in the industry. It is also socially important for Egypt, taking into consideration the number of public and private sector employment opportunities and income generated from companies working in this sector<sup>6</sup>. Although the sector has lost some of its historical significance, with company restructuring and more emphasis on upgrading workers' skills, it could seize new opportunities amid increasing globalization and regional expansion of countries worldwide. Egypt could easily find European and Arab markets for its textile products under free trade agreements with the European Union and bilateral trade relations with most Arab states.

Throughout the 19th century, Egypt was one of biggest textile exporters, especially with regard to lint cotton and hand woven textiles. The industry still remains one of the most leading and a main pillar to the economy despite some drawbacks over the years. Public sector textile companies began to show slower growth and less profit starting in the early 1970s amid the increasing expansion of private sector textile firms which gradually took over the public sector's market share in industries of dyeing, textiles, wool, clothing and ready-made garments. Further, a

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<sup>6</sup> A historical overview of Egypt's textile industry is provided in chapter five.

government policy to provide subsidized textile products to mass consumers led to lack of innovation and up-to-date technology, which in turn, slowed down the industry's development and had a negative impact on product quality and industry expansion. This is because textile firms had no incentive to innovate or compete among each other to produce new textiles and win more customers, as their goods were sold to the public anyway at subsidized, low prices.

Moreover, a government move to raise the price of domestic cotton in the early 1990s resulted in less international demand for Egyptian varieties, which in turn led to accumulated stocks. It also forced many companies to reduce their production and others to stop some of their operations or shut down their factories. Hence, the project would help contribute to the industry's revival and could set an example for other public enterprises in the sector to follow suit.

This project to upgrade employees in Shurbagy is necessary as employees in public-owned entities who receive the least training are at the greatest risk of displacement because of privatization. According to an International Labor Organization report, only ten percent of Egypt's public sector firms provide training to upgrade the production skills of long-tenured employees (ILO 1997: 22). Hence, these employees have a lot to benefit from improving their skills, which would give them a better opportunity in the labor market or to help them start their own businesses (ILO 1997: 22).

By assisting Shurbagy in developing its employees' skills, the government will also help contribute to raising the firm's competitiveness and develop its production capacity ahead of its privatization which is due to take place in 2000/1, which in turn will raise demand for the company when it is offered for privatization. The following section gives a brief overview of Egypt's privatization policy, and factors taken into consideration when valuating Egyptian firms

for privatization and the significance of workers' skills in such valuations. It also lists some of the objections voiced by some economists and politicians against the sale of public enterprises.

### **Egypt's Privatization Policy**

Egypt embarked on its privatization policy in 1991, in line with its Economic Reform and Structural Adjustment Program (ERSAP), which aimed to restore macroeconomic stability, financial liberalization, public sector restructuring and the development of the private sector (Sokkary 1999: 91). Privatization is generally perceived as the cornerstone of Egypt's reform program and is considered the main challenge (Khattab 1999: 1). This is due to the sensitivity of public opinion towards privatization, added to the constraints that confront public enterprise valuation as well as the legislative environment required (Khattab 1999: 1). By issuing Law 203 of 1991, this transformed public sector companies into independent economic entities, with a management framework comparable to that of private sector firms. Law 203 thus governed the removal of all government control over public sector companies (Ministry of Economy 1998: 17).

The main objectives of the privatization program were to raise the efficiency of public assets, reduce the drain on government resources, optimize the use of government management resources and secure strong access to foreign markets, technologies and capital (Sokkary 1999: 94). Other aims included widening the ownership base, increasing job creation, stimulating the development of Egypt's capital market and using privatization revenue to invest in human development and social services (Sokkary 1999: 94). Privatization aimed to transform public sector firms from losers to profit-makers by offering them to foreign or local private sector firms that had the necessary technologies and skills needed to upgrade the performance of these firms.

It also aimed to cut down on government expenses, as the government was paying wages to thousands of redundant workers. The privatization program hoped to alleviate the negative side effects the program might have on these workers, by using privatization revenue to provide them with early retirement benefits, training and the means for setting up small and micro enterprises.

Egypt's privatization program is considered a unique program compared to similar programs adopted by other developing countries. This is due to the pace of the program and the variety of sale techniques used by the government. It is fair to say that the program has developed smoothly, with the complete sale of only three companies between 1991 to 1996- Coca-Cola, Pepsi and Al Nasr Boilers (Khatab 1999: 1). From 1996, the privatization program began to take off at a quicker pace. However, the process is still considered slow, with several delays in the sale of the four public sector banks, the state-owned telecommunications company and sales in the electricity sector. This can be largely attributed to government cautiousness, as privatization is one of the issues that could upset public opinion due to problems of labor, the controversial sale to foreign investors and the valuation process (Khatab 1999: 5).

The Egyptian privatization program's uniqueness is also a result of the diverse selling techniques used by the government. The most common privatization method has been public offerings on the stock exchange, which as of March 1999, accounted for 44.7 percent of total public enterprise sales (Sokkary 1999: 94). Direct sales to anchor investors are another method, which accounted for 10.56 percent while liquidations and asset sales accounted for 22.7 percent (Sokkary 1999: 94).

Majority sale to Employee Shareholder's Associations (ESAs) accounted for 21.9 percent. "Here it is important to highlight the fact that regardless of the method of privatization used, employees were granted the right to own shares in the companies in which they worked, through

the establishment of an Employee Shareholder's Association at preferential terms and conditions" (Sokkary 1999: 94). This is another special feature of the Egyptian privatization program, where ESAs were allowed share ownership as a technique to gain public support for the program, especially the support of the working class. This share ownership, which is also used in a set of other developing countries if not all, aimed to widen the ownership gap, promote participation in decision-making and include company insiders into the privatization process (Sokkary 1999: 94).

Egypt's privatization process has also been special in dealing with foreign ownership. Although foreign investors are allowed to own majority stakes in public sector firms offered for privatization, the government does not seem to approve majority ownership in strategic industrial sectors. As a result, the government can decide to prohibit majority sales, either to foreigners or local investors, in sectors deemed strategic, such as milling, pharmaceuticals and cements. In fact, last year, the government implemented this policy in the cement sector. After a series of offerings in cement companies such as Beni Suef Cement, Tora Portland Cement and Alexandria Cement, the government announced early in 2000 that it was temporary freezing further sales in the sector after it realized that foreigners own a 25 percent share of the local market.

The privatization process has faced several constraints over the years, which include negative public opinion, legal and political constraints. A major constraint was social considerations over labor. According to Khattab, estimates by management in troubled public-sector companies indicate that up to 180,000 redundant workers are currently employed in these firms (Khattab 1999: 12). Most of these workers are employed in administrative, financial and service departments. This excess labor represents 33 percent of the total workforce in public enterprises, causing a serious constraint to the government (Khattab 1999: 12). "The issue of

how to deal with excess labor in PEs (Public Enterprises) when restructuring and privatizing, is a great source of concern for labor and the public" (Khattab 1999: 13).

Furthermore, Khattab adds that by adding 300,000 workers to the privatization process' early retirement scheme, this would put pressure on the labor market, already burdened with 1.6 million unemployed workers (Khattab 1999: 13). The author adds that public enterprises need to gather up to 7.5 billion pounds over the next three to four years in order to finance early retirement schemes for excess labor, where each individual package costs 25,000 Egyptian pounds (Khattab 1999: 13).

One of the major threats to the process is the retirement of large numbers of workers who may stay jobless and assume that the government should compensate them. "There is concern that 'retired' workers (including younger ones) will quickly spend their compensation money and then return to the government and public sector to find jobs" (Khattab 1999: 17). It is therefore essential for the government to work on workers rehabilitation to prepare them to re-enter the labor market with new, up-to-date skills. The government should also expand the establishment of institutions that finance small and micro enterprises needed to absorb the excess labor (Khattab 1999: 17).

Hence, it seems necessary for the government to take strong steps in developing public workers' skills ahead of privatization to prepare these workers for new jobs offered in the labor market. With 300,000 retired workers bombarding the labor market over the next few years, this issue of training needs urgent action to avoid raising the unemployment rates, which is already high at 1.6 million people, and also to prevent social discontent which could lead to violence and uprisings. It is because of such challenges that the privatization program has met strong criticism by some politicians and economists, which are discussed in the section below.



### Valuation of Egyptian Companies

Several Egyptian privatization experts say the valuation of Egyptian companies to be privatized has mostly been fairly transparent. The experts argue that the level of skills of public enterprise workers is an important factor that is taken into consideration when evaluating firms. They assert that workers' skills are reflected in company profitability and efficiency. Hesham Khazindar, Executive-Director of investment banking at EFG-Hermes Securities Brokerage asserted in an interview that the valuation process rarely encourages favoritism, adding that privatization has been fairly transparent. He argues that in some cases, the government might have overvalued companies. This is because the government relies on the Central Agency for Public Mobilization and Statistics (CAPMAS) as one source of company valuations. Valuations of public enterprises by CAPMAS does not necessarily relate to market realities as CAPMAS mainly focuses on asset valuations, and thus in many cases leads to overvaluation (Khazindar 2000).

The EFG executive argues that the government also hires professional investment banks or privatization consultants for company valuations, which provide a more realistic company valuation. This is because investment banks take into consideration market comparables such as benchmarks adopted by investors when evaluating similar companies. Moreover, Khazindar asserts that investment banks also take into consideration the quality of a company's management, staff and human resources, which is reflected in the firm's performance. This translates into sales, profit and cashflow, he argues (Khazindar 2000).

Furthermore, Farouk Nasser, Chairman of the Cairo-based International Development Consultants, a privatization consultancy firm, argues that the valuation process in Egypt, as in any other country, mainly depends on the book value of a firm. Companies that are operational

are evaluated through the discounted cashflow method, which includes projected incomes and profitability over the next 10 to 20 years. This value is then discounted at acceptable discount rates that take into consideration risk and opportunity cost of capital (Nasser 2000). A replacement value is also calculated, to measure whether or not it is cheaper to build a similar company rather than purchasing an existing one.

In general, privatization experts agree that the process of company valuation has been straightforward and based on fairness. The experts assert that there were few occasions when companies were sold at devalued levels, whereas the majority of companies were offered at overvalued levels. The experts argue that favoritism, or the sale of companies to specific investors due to personal interests at the expense of the country's interests, has not been a common practice in Egypt. This is because the government relies on professional valuation procedures that combine the expertise of both CAPMAS and international investment banks.

Furthermore, the privatization experts argue that workers' training becomes an important factor in company valuation. The level of skills of employees in a public enterprise is taken into consideration, as it should reflect in the company's sales, profitability and overall performance. Hence, it is fair to argue here that employee training is likely to benefit Shurbagy factory by enhancing the skills of its workforce. This in turn would lead to better sales and profitability and thus affect the firm's valuation.

Hence, by viewing the opinions of both privatization specialists, it becomes evident that they both agree that Egypt's valuation method has been fairly transparent. But it could be argued that the two executives interviewed may have an interest in arguing that the valuation procedure has been more than fair. The executive from EFG works in a firm that has often been responsible for company offerings on the stock market, and so his firm has been involved in the sale of public

sector firms many times. Further, the executive from the International Development Consultants firm also works in a company that has often been involved in the sale of Egyptian public sector firms. His firm has in fact engaged in the valuation and sale of more than one public sector cement firm during 1999 and 2000. So it could be argued that since both executives work in firms engaged in company valuations and sales, then they are more inclined to view the valuation process with fairness, and might fail to detect its negative points.

But whereas privatization experts argue that the Egyptian valuation procedure has been fairly transparent and straightforward, many economists assert that the process has been stained with corruption. Economist Mahmoud Abdel Fadil asserts that during the 1980s and 1990s, a new type of corrupt practices emerged in the Arab world. He argues that this was introduced through consulting operations handed down by foreign aid agencies to specific local consultancy institutions. Abdel Fadil asserts that the aim was to create a new class of professionals and businessmen, what he terms "globalized elite", whose interests are tied to marketing the programs of these foreign agencies in fields of privatization, trade liberalization and merging Arab economies with world economies (Abdel Fadil 2000: 12).

Furthermore, Abdel Fadil argues that corruption surrounding the privatization process involved insider information made available to specific people on companies being offered. He adds that corruption is also found among high-ranked government officials and heads of public sector companies (Abdel Fadil 2000: 14). Hence, it seems that the degree of transparency in the valuation of public sector firms is a subject of dispute among economists and specialists involved in the actual valuation process.

### Privatization Critics

Many economists object to the privatization process and accuse it of forcing many workers into early retirement, leaving them jobless and lacking adequate skills that could help them re-enter the job market. Others object to liberalization policies in general and to the controversial issues of free trade, foreign ownership and control of strategic industries. Such critics prefer a policy of import-substitution and self-dependency rather than opening up the economy to foreign competition. They believe that such a closed policy would allow domestic industries to emerge and mature gradually, without having to face strong foreign competition.

According to a study by Ramzi Zaki, privatization increases unemployment and liberalization policies hinder human development by minimizing the role of the state to be replaced by market forces. Zaki asserts that this is clear in the weakening of government expenditure and in public sector divestiture. He asserts that this deprives "the State of any economies of surplus that would have been realized through the sold-off enterprises and in the forced liberalization of trade, which the State was compelled to allow, even if it brought about the ruin of local industries" (Zaki 1993: 147-8). Zaki argues that trade liberalization exposes local industries, both public and private sector, to unequal competition. "They cannot compete with imported products, and the result will be continued losses, bankruptcies and closures of local industries, which will have a clear effect on unemployment" (Zaki 1993: 151).

Moreover, Galal Amin asserts that there are two schools of thought: one school supports liberalization and free markets and the other school supports a planned economy and government intervention through the public sector. This latter school argues that poor performance of public sector enterprises could be dealt with, not through privatization and abandoning import-substitution policies, but through greater protection against foreign imports (Amin 1987: 96).

This school attributes external and domestic imbalances to the "rapid integration of Egypt into the world market and to too little...government intervention" (Amin 1987: 96).

However, whereas import substitution and strong government intervention could encourage the growth of domestic industries, it should also be taken in mind that current weaknesses in public sector firms were largely a result of nationalization policies adopted by Egyptian president Gamal Abdel Nasser in the late 1950s and early 1960s. The aim of nationalization was self-reliance and less dependence on imports from abroad, but the end result was that technology transfer was hindered, resulting in traditional technologies being applied and quality of products gradually declined due to lack of competition. Employees in public sector firms gradually became isolated from the outside world, along with its rapidly changing technologies and modern production techniques and quality controls. Factories produced goods at subsidized rates, which left them little profit. Moreover, the policies of import substitution adopted in Nasser's era included currency controls, which devalued the pound compared to foreign currencies. This in turn drove high the cost of buying foreign machinery and as a result most public sector companies failed to replace old machinery, as new machines were unaffordable.

Hence, it is fair to conclude here that privatization could bring prosperity to local industries, as foreign competition will induce workers to innovate and excel in their various industrial fields. It could force local industries to raise their production quality and reduce their prices in order to be able to compete with these foreign firms. It would also mean the easy transfer of foreign technology and the acquirement of up-to-date machinery through private sector funds, which these public firms lacked in the first place. Privatization could help public sector firms, which had turned into losers to once again become profit-making firms, by introducing more

proficient production techniques, better training, higher quality of goods and less inefficiency in production.

So, privatization here seems to be feasible for the economy, provided that the government takes adequate measures to cushion workers from the negative side effects. Such cushioning would entail sound training programs in public enterprises to equip workers with modern skills demanded by the labor market. With 300,000 retired workers entering the labor market over the next few years, this issue of training becomes all the more important. It becomes essential so as to avoid raising the unemployment rate, which is already high at 1.6 million people.

The first several chapters of this study cover a variety of issues related to human development and training. These issues are discussed with the aim of outlining successful human training experiences implemented in other parts of the world as well as in multinational firms inside Egypt. These chapters also aim to show the increasing necessity and importance of worker training, outlining the various positive steps adopted by Egyptian public and private sector institutions as well as donor institutions.

The second chapter covers the training programs of various developed markets as well as emerging markets, with the aim of providing successful examples of training projects implemented in different economies. The countries have been chosen based on the success of their training programs and the programs' simplicity, which shows that such programs can be easily implemented in developing economies such as Egypt. This chapter outlines various training programs that have been tested in other countries and proved feasible, which Egypt could make use of rather than spending time, effort and money on testing new programs that may or may not work.

Chapter three discusses foreign direct investment, starting with a discussion of some of the pros and cons of foreign direct investment. It then analyzes how the level of workers' skills affects the inflow of foreign investment into a country. The chapter also outlines the human development experience of various multinational companies that have approached the Egyptian market, with the aim of proving that a higher level of workers' skills is a priority for such firms. The chapter discusses various trainings undergone in these companies and the outcome of these programs on workers and company production and sales. The four companies discussed in this chapter are Coca-Cola Egypt, Pepsi-Cola Egypt, Mercedes-Benz Egypt and the pharmaceuticals firm Aventis Group.

Chapter four outlines and compares current training programs offered by various government institutions, the private sector and donor agencies. It offers a critique of some of the weaker programs, explaining why they would not be useful if applied in the Shurbagy project. It also praises some of the more professional training programs in use, outlining how they could be useful for Shurbagy. It mainly focuses on successful training programs offered by the government's Social Fund for Development and by the German-funded Mubarak-Kohl initiative. It explains how both training programs could be useful for Shurbagy in terms of their combination of both classroom and on-the-job training methods and their focus on skills demanded by today's labor market. The chapter also explains how these positive training methods could be adopted by Egypt in order to benefit other public sector firms. Chapter four also discusses some of the human development challenges that Egypt currently faces.

Chapter five discusses the historical significance of Egypt's textile industry, outlining some of the drawbacks that have led to the weakening of the industry over the years. The chapter stresses on the importance of Egypt's textile industry, given the large number of workers it

employs. It also explains how a large number of public and private sector firms operate in this industry, which contribute to employment, manufacturing and income-generation. Chapter five also gives a historical overview of the Shurbagy factory, its specialization and number of workers. It outlines some of the reasons that led to its deterioration, which include lack of adequate worker skills, lack of new technologies, increasing debts and lack of sufficient funding to purchase new machinery and spare parts. The chapter outlines the training needs of Shurbagy, with suggested curriculums in the areas of sales, marketing, maintenance and computer, to be applied in the training of the 482 Shurbagy workers who are to be trained under this project. The chapter explains how such training could help boost company sales, upgrade product quality and curb machinery defaults.

Chapter six summarizes the conclusions and recommendations this thesis has reached through its comparison of the various training methods adopted by different countries, companies within Egypt and by the government, the private sector and donor agencies. The chapter explains how some of the successful training programs discussed in this thesis could be applied in the Shurbagy project. It also suggests applying some of these positive training methods in Egypt in general in order to meet market demand for up-to-date skills and to avoid an escalation of Egypt's unemployment figures.

The final chapter of this study is chapter seven, which presents the project document. It outlines in detail the Shurbagy training programs in marketing, sales, maintenance and computer. It describes the project in detail, its target beneficiaries and expected end of project situation. It suggests a strategy for project implementation, outlining the role of trainers, Shurbagy managers, government officials and donor agency representatives. The chapter also provides a detailed plan for project evaluation and review throughout the two-year estimated project period. Chapter



seven discusses some of the potential risks this project could face during its implementation and it also suggests ways of minimizing such risks. The chapter ends with an estimated budget for this two-year project, to be paid jointly by the government and donor agency.

An examination of developed countries and newly industrialized economies shows that many countries have adopted successful training practices that could be a guideline for Egypt. These countries have implemented workers' education programs and have achieved high quality industrial production. More developed countries began to realize early in their economic development process that adopting a manpower development policy should go hand in hand with economic development policies. Among the countries that have adopted positive training policies are the United States, Germany, with its dual system of apprenticeships and study industrialized Asian economies. The 1994-95 World Employment Report by the International Labor Organization (ILO) states that "East Asia's remarkable transition to higher value-added production over the last three decades is largely attributed to the region's adoption of strict controls over technical training, among other factors (ILO 1994: 1). These economies of Newly Industrialized Countries (NICs) managed to equip their work force with the necessary technology and production base required by modern industries.

The chapter also gives a summary of the different training programs adopted by these countries, emphasizing how each country adapted its own unique policies, but nevertheless, all these countries responded to labor market needs and benefited workers. The chapter argues that such policies could be beneficial to Egypt and other developing countries where development and the training process. Rather than waiting until the end of a crisis to adopt such methods, Egypt could choose from policies adopted in countries that have already succeeded in providing

## CHAPTER 2

### COUNTRY EXPERIENCES WITH HUMAN DEVELOPMENT

An examination of developed economies and newly industrialized economies shows that many countries have adopted successful training practices that could be a guideline for Egypt. These countries have implemented workers' training programs and have achieved high quality industrial production. Most developed countries began to realize early in their economic development process that adopting a manpower development policy should go hand in hand with economic development policies. Among the countries that have adopted positive training policies are the United States, Germany, with its dual-system of apprenticeships, and newly industrialized Asian economies. The 1998-99 World Employment Report by the International Labor Organization (ILO) stresses that East Asia's successful transition to higher value-added production over the last three decades is largely attributable to the region's adoption of strict controls over technical training, among other factors (ILO 1998-9: 1). These economies of Newly Industrialized Countries (NICs) managed to equip their workforce with the necessary technology and production base required by modern industries.

The current chapter gives a summary of the different training programs adopted by these countries, emphasizing how each country adopted its own unique policies, but nevertheless, all these countries responded to labor market needs and benefited workers. This thesis argues that such policies could be beneficial to Egypt and other developing countries when developing their own training policies. Rather than wasting funds on trial and error of various training methods, Egypt could choose from policies adopted in countries that have already succeeded in economic

reform and modify such policies so that they are suitable for the Egyptian workforce and industries.

### **The United States of America**

The U.S. public educational system incorporates diverse vocational subjects to the academic curriculum, equipping students at a young age with industry skills. It does this through practical classes that allow students to build their own models or craft objects for example. Also, over 70 percent of organizations in the United States have formal adult training programs and most of them have plans to expand the training function (Hall 1995: 330-331). Further, by 1986, large U.S. businesses and corporations spent an average of \$60 billion annually on corporate-run training and education.

More specifically, the U.S. offers efficient training to employees and students in its textile industry. According to the Washington-based American Textile Manufacturers Institute (ATMI), workers in the U.S. textile sector receive training to enhance their capabilities. Further, the ATMI, itself the national trade association for the U.S. textile industry, offers bi-annual "Excellence in Manufacturing Scholarships" to award qualified students who plan a career in the U.S. textile industry. Further, these students are offered internships in various textile firms, where they expand their knowledge and skills in the textile field (American Textile Manufacturers Institute WebPages).

Thus, this shows that, within the textile industry, the U.S. has succeeded in establishing specific institutions to provide training for employees and students. The programs provided by the ATMI encourage both workers and students to excel their capabilities and pursue successful careers in the textile industry. The ATMI here serves as a successful training experience for

Egypt, whereby the government could seek to establish training centers for its various industries that skill labor and also encourage more students to seek professional careers in these sectors. Further, Egyptian public and private sector textile firms could be encouraged to invite students to train in these firms as interns during summer vacations. This would allow more students to learn about the Egyptian textile industry and encourage such students to specialize in this field.

### **The Federal Republic of Germany**

Germany is a good example of a country that has applied successful training programs; especially in the way it has incorporated training into its educational system. Full-time schooling is compulsory in Germany until the age of 16, the end of Stage I in secondary education. At this stage young people are under no obligation to enter a training program rather than the labor force, but those who enter the labor force, whether employed and unemployed, must still attend special part-time vocational schools, for eight hours per week over a period of three years. They also have the option of a solid block of vocational school work before looking for work (Gross 1998: 8).

Germany has a very structured training system that is largely connected to its education system and the general government strategy for the entire labor market. The aim of the training program is to facilitate the easy transition of young graduates into the labor market and also to allow re-training for a change of trade for older workers. When students graduate from lower secondary school (*Hauptschule*) at the age of 16, they have a choice between entering the labor force or entering the dual system of vocational training (DSVT or apprenticeship system). This system allows the apprentices to take theoretical training courses in various industrial skills, combined with on-the-job practical training in factories.

Trainees enrolled in the DSVT must spend between one and two days a week in a training school and the rest of the time is spent in firms or training workshops. Approximately 360 occupations are covered by this dual system and training ranges from three to four years depending on the trade. The curriculum for the various trades is defined in what is known as the Vocational and Training Act. At the end of the training period, apprentices sit in for an exam and certification is recognized nationwide. During the apprenticeship years, a trainee is covered by social programs and receives a small allowance (Gross 1998: 9). In 1990, around 87 percent of German students leaving lower secondary school, with or without a certificate, engaged in further training; 59 percent of them went into apprenticeship; 14 percent pre-vocational school and 14 percent went to special vocational school (Gross 1998: 8).

Graduates of German intermediate secondary schools (*Realschule*) also have the choice of entering full-time vocational or technical schools (*Fachhochschule*), which offer them training in the fields of business, engineering and health for a period of two to three years. Young people leaving the higher secondary school (*Gymnasium*) have the option of entering university after successfully completing seven years of education (*Abitur*) (Gross 1998: 9). But up to 15 percent of the students leaving higher secondary school decide to enter apprenticeship training rather than choosing the option of seeking university studies.

Although a German company is under no obligation to hire its apprentices after certification, evidence points toward a high retention rate, especially in large firms. Firms employing 500 individuals or more have a retention rate that exceeds 80 percent (Gross 1998: 9). Firms employing less than 10 employees have a retention rate of 56 percent (Gross 1998: 9). Moreover, certified apprentices are less likely to become unemployed when they leave the firm that trained them than members of the employed labor force are. In fact, certified apprentices, including

those in the textile sector, have one chance in seven to become unemployed against one in six for all the employed (Gross 1998: 9).

It must be noted that although the German training system is largely focused on young generations, older workers are also encouraged to seek training continuously, to learn new skills for a change of trade or to acquire more up-to-date skills in their field of specialty. Germany recognizes the need for lifelong training, where enterprises in the textile sector and others continuously encourage workers to upgrade from skilled (Facharbeiter) to master (Meister) and technician (Techniker) (ILO 1998-9: 10).

The German training policies are evidence of the government's will to secure jobs for newly graduates and to ensure that labor skills offered in the market coincide with industry's needs. German training policies have succeeded over the years in graduating a continuous stream of skilled labor, who have in turn been successful in securing employment positions in various German enterprises. Such successful policies could largely benefit countries like Egypt. In fact, Egypt has already been influenced by the German dual-system, which has been implemented through the Mubarak-Kohl Initiative discussed in Chapter 4. This system has proved successful in Egypt so far and it can be taken a step further by expanding it to new areas that have not been endowed with adequate training centers for their workers.

### **Singapore**

The achievement of Singapore is another example of successful training practices, which have contributed to the economy's growth and prosperity. By the late 1970s, with the increased sophistication of industry and modern services sector, the demand for skilled and professional labor increased. So in 1979 the government established a Skills Development Fund (SDF) with

the role of supporting the development of "an employer-based training system" (ILO 1998-9: 26). An ILO paper on "Options in Human Resource Development" states that the SDF was established to provide training for workers with little formal education, who were thus more at risk of displacement by industrial restructuring. School dropouts in Singapore were given the opportunity of training in skills to equip them for industry work. "Similarly, those in employment have also been given incentives to acquire better skills, particularly through the efforts of the Skills Development Fund" (Chong-Yah 1980: 120).

Furthermore, Singapore's government was not only concerned with training future job entrants, but it also focused on training existing workforce (Tan 1997: 17). Singapore has provided extensive training programs to upgrade the skills of existing workers, with specific attention being paid to older workers with low skills and low education. This is a very important point, as these are usually the workers who are at more risk of unemployment due to their old age and lack of skills. Companies usually view these workers negatively and believe that because they are old they are more likely to refuse change or give up their old skills in favor of more up-to-date proficiencies. Hence, by focusing on upgrading the skills of these old workers, Singapore is helping them avoid unemployment and is encouraging more firms to hire them, owing to their new proficiencies.

Singapore studied the training experiences of industrialized countries such as Japan, Germany and Switzerland, and has identified and adopted their best practices. This has been very useful in developing Singapore's own training system, where it has made great use of Germany's dual apprenticeship system and Japan's on-the-job training programs (Tan 1997: 17). This has also allowed the government to avoid costs and time spent on trial and error. This becomes a significant point to the current thesis, which encourages Egypt to adapt training policies that

have already been tested and proved successful in other countries so as to avoid spending on trial and error training policies.

In 1979, Singapore's government set up a Council for Professional and Technical Education (CPTE) working under the Ministry of Trade and Industry. It had the task of coordinating the work of all ministries and agencies dealing with education and labor development (ILO 1998-9: 26). The government's policies here are "proactive, anticipating future needs rather than reacting to emerging bottlenecks" (ILO 1998-9: 26). The CPTE main objective was to ensure that there was a sustainable adequate supply of skilled manpower to meet the industry's needs. The CPTE succeeded in carrying out this role by making recommendations and projections on enrollment targets and corresponding staffing and financial needs for universities, technical schools and vocational training institutes (Tan 1997: 8). The government has succeeded in providing the economy with needed labor through its continuous consulting with private employers, foreign governments and multinational corporations. This has allowed for transfer of "hardware, software and teachware" needed for the development of Singapore's technology and knowledge intensive industries (Tan 1997: 8).

Singapore's training policy approach is significant to the present thesis because it shows that the government played the lead role in the country's implementation of sound training programs. It provided the necessary funds for implementation and set up the needed training institutions. On the other hand, the government also consulted employers, unions and academia in the implementation of its training policies, in order to apply efficient training programs that would benefit the economy (Tan 1997: 17).

The case of Singapore sets a good example for Egypt, as it shows how this newly industrialized country borrowed training ideas from countries such as Japan, Germany and



Switzerland, and combined these ideas to suit its own industrial needs. It is also interesting to note how Singapore's government continuously coordinated with private companies, to monitor changes in their labor needs so that it could adjust its training programs.

### **The Republic of Korea**

The Korean case is another worthy case of a country that has adopted successful training practices, initiated by the government. The government's initial push in the 1960s to expand education at the primary and secondary level was accompanied by an expansion of vocational training to provide labor skills needed in export-oriented industries. Vocational education was expanded in the 1970s, despite public demand for more traditional academic education, and it continued to grow throughout the 1990s (ILO 1998-9: 2). The Korean case is also important in the way the government worked hand in hand with private sector industries to identify skills lacked by workers and working on equipping Korean workers with these skills. The private sector has also played a significant role in Korea's training policies by offering students attractive scholarships in various industries.

An Economic Planning Board (EPB) was formed in the 1970s, working closely with ministries of education, labor and science and technology, in order to coordinate the training and education needs of the country's economic development strategy. The EPB became the linking mechanism between demand for skilled labor and supply. It had three main functions of economic policy planning, coordination of economic and other policies and evaluation of policy effectiveness (ILO 1998-9: 2).

During the years of Korea's rapid economic growth, since the early 1970s, the EPB succeeded in coordinating the training and educational requirements of the economic

development strategy through its close work and consulting with the ministries of education, labor, science and technology. Korean training schools and industries work hand in hand and industry provides many students in technical schools with scholarships (ILO 1998-9: 2). Furthermore, once more the government took the responsibility of devoting substantial resources to training during the recent Asian financial crisis. The slow-down left many workers in the manufacturing sector in need of new skills and the government sought ways to equip them for jobs in knowledge-based sectors, such as information technology (Horiuchi 1999: 1).

Hence, it becomes clear from Korea's experience with human resource development, that a strong government initiative is necessary. Korea's experience shows how the government was able to detect skills needed by the market, through its close coordination with market players. The government also succeeded in equipping workers with the skills and a technical base required by the industrial sector. The Korean case also illustrates that the private industrial sector can also play a strong role in developing a strong and skilled workforce. This is by assisting the government in its training policies and by offering attractive packages, such as scholarships or employment opportunities, which would attract more workers to the various industrial sectors of the economy.

### **Conclusion**

After reviewing the training practices of the United States, Germany, Singapore and Korea, it becomes obvious that all four countries offer various successful training programs that Egypt can borrow from when forming its own training policies. The training experiences of these countries are proof that there are many successful training practices being implemented in various industrialized countries that have proved to be efficient. These practices offer useful

guidelines for Egypt and other developing countries that seek to strengthen their training policies with the aim of meeting labor market demands and contributing positively to industrial expansion and economic prosperity. The cases outlined above are proof that integrating training with education at earlier stages of education could be useful in creating a specialized and skilled workforce, which has been achieved in Germany. This becomes useful also to absorb school dropouts and integrate them into the training system rather than having them face unemployment or seek trivial jobs that offer minimum wages. The training practices of Germany also show that governments should focus on graduating various grades of skills. It is not always beneficial to focus exclusively on training skilled employees, as some industries require semi-skilled employees and are unable to pay higher wages required by skilled workers.

Furthermore, the experiences of these countries are proof that training both younger and older workers is necessary. Young workers just entering the job market need to be equipped with skills that would help them get employed at adequate wages. However, training should be an ongoing process for all employees at all ages. This is because industrial, technical and managerial skills are continuously modified and developed and so workers need to be updated with these changes so as to equip them with the necessary skills needed in today's increasingly competitive economies. It is also necessary to train older workers who decide to have a change of career or who are forced to retire from their former jobs for any reason, which is currently the case of many Egyptian workers who enter the early retirement program of privatization.

In addition, the training experiences of Germany and Singapore show how necessary it is to provide school dropouts with a chance to enter training programs that would help them acquire skills needed for employment. This is an important instrument that Egypt could benefit from to

address rises in its unemployment rate, which is already high at 1.6 million people. In doing so, Egypt will also be curbing some of the negative social features associated with unemployment.

Moreover, training practices of the United States, Germany, Korea and Singapore offer Egypt several training ideas to pick and choose from. Egypt has already been influenced by the German dual-system, which has been implemented through the Mubarak-Kohl Initiative to be discussed in Chapter 5. This system has proved to be successful in Egypt so far and it can be taken a step further by expanding it to new areas that have not been endowed with adequate training centers for their workers. Egypt could also learn from training policies adopted by NICs. The case of Singapore could be useful to Egypt in that it shows how Singapore itself looked at training practices used in Japan, Germany and Switzerland and adopted their best practices. Egypt could also combine practical classes that teach students vocational skills with academic education, similar to the experience of the United States. This allows students to learn at a young age various industry skills.

It is also interesting to see how the governments of these countries continuously coordinate with private companies, to monitor changes in their labor needs so that it could adjust training programs. In Korea, the government initiated successful training policies that graduated skilled labor demanded by the economy. Furthermore, the government was successful in retraining workers with new skills needed to employ many of the workers that had been displaced during the Asian economic crisis. This shows that the government is continuously monitoring the job market to detect any changes in skills needed so as to be able to modify and update its training programs.

Hence, it is clear that Egypt could largely benefit from adopting the best training practices of these countries and many others that have successfully applied training programs. Egypt could

take advantage of the training experiences of these countries to design its own training programs that suit its labor market needs without having to enter an expensive and time-consuming trial and error period. This idea of borrowing successful ideas and practices of other countries is mainly inspired from the modernization theory, which emerged in the 1950's and 1960's as a response to decolonization.

Western scholars began to question how the poor, underdeveloped countries could join the materially advantaged West (Pfeifer 1996: 2). For modernization theorists, the Western experience of modernization and capitalist economic growth has become the blueprint of development throughout the world. Theorists here have an optimistic view that developing countries will gradually reach the same stage of development as the west. The theory asserts that economic growth and development will eventually take place through the transmission of growth impulses from more developed countries to less developed countries by means of aid programs, financial institutions, trade and multinational corporations (Forbes 1984: 57). The modernization approach asserts that human development, through education and training, becomes vital as the economy depends on individuals. Individuals have to be "forward-looking and innovative, ready to overcome the obstacles they find in their way...reflecting a strong entrepreneurial spirit rational, scientific approach to the world" (Webster 1990: 50).

## CHAPTER 3

### TRAINING & FOREIGN DIRECT INVESTMENT

Various country experiences show that countries with a skilled workforce were able to attract more multi-national enterprises (MNCs) into the economy, which in turn creates ample employment opportunities. In India for example, a skilled labor force in the computer technology sector has encouraged many foreign computer firms to open branches there. In the case of India this development could be identified as a modern form of Fordism, where mass production of computer software takes place, owing to the skilled labor. The Fordist industry of the 1913s and 1914s involved disciplined workers, reliance on modern technology and the development of mass production methods (Hall 1995: 281).

In general, more than often, foreign investment by multinational firms has helped contribute to economic reform and industrial expansion of developing countries, provided that conditions attached to investment were not too harsh. This chapter argues that by developing its labor force, Egypt has a better chance of attracting foreign investment, which could benefit the various industries and increase employment opportunities. The first part of this chapter discusses some of the gains and drawbacks of foreign investment in developing countries like Egypt. The second part of the chapter summarizes the training experiences of four of the multinational corporations that have opened in Egypt, in order to draw lessons for the current Shurbagy project in hand.

### FDI & Developing Countries

Most foreign direct investment (FDI) comes from multinational corporations (MNCs), which are firms that own, control or manage production facilities in several countries. FDI has been a controversial issue, where its proponents believe it has many advantages in terms of securing project finance, raising employment opportunities and expanding businesses.

But opponents believe FDI constricts the development of competitive domestic industries and leads to the transfer of irrelevant technologies. FDI has a dual nature as it allows business firms to transfer capital, technology and organizational skill from one country to another but they also tend to restrain competition between firms of different nations (Hymer 1968: 443). Investment by MNCs, which are mostly from North America, Europe and Japan, is usually of a cost-reducing nature. This has benefits for consumers who gain from lower prices as well as benefits of creating demand in other industries (Meier 1989: 256). The cost-reducing nature of breaking bottlenecks in production stimulates expansion by raising profits on all underutilized productive capacity and by allowing the exploitation of economies of scale that had been restricted. When foreign investment in an industry makes its product cheaper, another industry that uses this product benefits from the lower prices. This creates profits and stimulates an expansion in the second industry. There are also benefits of demand creation in other industries that supply inputs to the first industry, benefits in industries that produce complementary products and also benefits in industries that produce goods bought by the factor-owners who now have higher real incomes (Meier 1989: 257).

This benefit by MNCs entry could on the other hand be considered a drawback for artisan and small-scale producers who would not be able to put up with the competition. This is like the

displacement of a less efficient technology by a more efficient one but the negative effects on the welfare of the displaced producers attracts national economic concern (Caves 1996: 225).

Major contributions of foreign investment come from external economies. This FDI brings to the recipient country not just foreign exchange and capital, but also managerial ability, technical personnel, technological knowledge, administrative organization and innovations in products and production techniques. One of the greatest benefits to the recipient country is also the access to foreign knowledge that helps overcome the managerial and technological gaps. The provision of this knowledge can be interpreted as "private technical assistance" which can be spread and have beneficial results in other sectors of the economy. New techniques accompany the inflow of private capital and by the example they set, foreign firms promote the diffusion of technological advance in the economy (Meier 1989: 256).

MNCs however tend to create a division of labor between different countries where it tends to centralize high-level decision-making occupations in key cities in advanced countries and leave lower levels of activity and lower incomes to the rest of the world (Hymer 1968: 446). MNCs are also accused of concentrating research and development in their home nation. For this reason, MNCs are criticized as leading to the transfer of outdated technologies to developing countries. The home country started with a comparative advantage in the production of goods and services that are intensive in research innovating capacity. By the cumulative effects related to direct investments, this comparative advantage tends to become more pronounced and so the host countries tend to sink to a position of second-rate economic powers and remain technologically dependent (Sodersten 1970: 465). The tendency of MNCs to reallocate research activities could also induce scientists and technicians to leave their home countries, which is termed the "brain drain". This is induced by higher wages offered in developed countries, where



skilled immigrants will be provided with more material capital to work with, as the ratio of material to human capital is much higher in rich developed countries (Sodersten 1970: 465).

Another problem that developing countries face with FDI is the disparity between the bargaining power of the corporation and the bargaining power of the government. Corporations are usually very large and have international horizons whereas governments tend to be weak administratively and have limited information. According to Hymer, "in any particular negotiation between one country and one company, power in the form of flexibility, knowledge and liquidity is usually greater on the private side than on the public side of the table" (Hymer 1968: 446).

It could be argued that MNCs bring to the host country Western ideas and products, which do not necessarily meet the needs of the majority. The reasoning here is that a majority of these firms produce luxurious goods that are only demanded by the small rich minority. MNCs are sometimes accused of stimulating "inappropriate consumption patterns through advertising and their monopolistic market power..." (Todaro 1993: 477). Examples of this are food chains such as McDonalds and others, which are not necessarily demanded by the majority of a developing society.

From the above mentioned advantages and drawbacks of foreign investment, it becomes necessary for developing countries like Egypt to try to maximize their benefits from FDI and reduce risks. If countries such as Egypt are interested in maximizing their benefits from MNCs, it becomes necessary for them to attract investments by MNCs into their economies by creating the desired environment and marketing the advantages of investing in their economies to these giant firms. The ILO asserts that decisions by MNCs on location are usually based on the availability of efficient market mechanisms including those of the labor market (ILO 1997: 17).

Germany's BMW car manufacturer, when opening its first Middle East assembly plant in Egypt's Sixth of October Industrial City, set as one of its criteria for selecting Egypt as a location, the supply of good quality labor (ILO 1997: 17). Many MNCs have opened in Egypt, entering with their own quality control programs and training schemes. Standardization and accreditation takes place through international standards offered by the MNCs or by prominent agencies in the field.

However, MNCs also welcome government policies to upgrade workers' production skills. The section below cites experiences of several multinational corporations in Egypt with an emphasis on their training needs and programs. Through several interviews with representatives from four of the most prominent MNCs that have entered Egyptian markets, it becomes evident that these foreign firms fully support training workers in public sector entities. These representatives, mostly training experts or managers, argue that training in public sector firms upgrades workforce skills and thus increases the companies' profitability as well as making them more attractive for foreign investors. Investors would be more willing to pay higher sums for a company with skilled workers than a company with a low-productive workforce, knowing that a skilled workforce contributes positively to the company's profitability by raising production quality, cutting on production costs and innovating and being capable of facing competition.

Hence applying training to increase a firm's profitability ahead of privatization is likely to attract more investors to the firm. A skilled workforce would also allow investors to save up money they would have otherwise spent on vast training courses. The interviewees point out that by upgrading the technical and industrial knowledge of workers, this allows the new firm owners to allocate their training funds to courses related to each firm's specific methods of production, sales and marketing.

### Mercedes-Benz Egypt

Mercedes-Benz Egypt, a German-Egyptian joint venture for manufacturing automobiles in Egypt, uses its own standard training programs to allow workers in Egypt to acquire special skills needed for developing Mercedes cars locally. Since the establishment of the firm in 1997, training programs have been ongoing for the 400 workers employed, some of whom worked in the public sector previously. The training programs cover a wide range of skills that range from marketing, sales, and computer to specific standard and manufacturing quality requirements and maintenance.

The human resource specialist at Mercedes, who is also the person responsible for training, pointed out that training has been necessary to maintain specific production standards in Mercedes, which workers lacked prior to the training. She asserted that training has succeeded in upgrading the workers' skills and equipping them with production, marketing and sales knowledge required to expand the firm's production and sales. The specialist argued that the company realized from the start that workers lacked basic technical and scientific skills. She added that lack of language was another problem since most technical trainers were foreigners who could not communicate with the workers. This led to the development of English and German language six to seven months-long training for foremen to enable them to receive various technical training courses by foreign specialists. The foremen then provide workers under them with on-the-job training (Hamza 2000).

The human resource specialist interviewed mentioned that Mercedes also provides training to teach workers the specific standard and manufacturing quality requirements that are unique to Mercedes. The specialist stated that training for the 400 workers in Mercedes is an on-going process, as workers need to constantly be updated with new manufacturing techniques and new

car models. The specialist urged the Egyptian government to develop more training programs, such as the Mubarak-Kohl initiative (MKI), that would help produce workers that have scientific awareness and on-the-job training in various industries. "We need to produce skilled workers," stated the specialist interviewed, adding that her company had six workers enrolled under the Mubarak-Kohl program (Hamza 2000).

### **Aventis Group**

French and German pharmaceuticals firms, Rhone-Poulenc and Hoechst, recently merged to form Aventis Group. In Egypt, the merger is expected to highly affect workers in the firm in terms of expanding their language, technical and industrial skills. The human resources manager at Aventis in Cairo stated in an interview that the firm currently employs 710 workers and had to lay off another 500 workers who lacked basic skills and would have thus cost the company too much money to train from scratch. The interviewee asserted that so far the newly merged company has started to apply comprehensive training programs for sales and marketing employees. She argued that the firm had to start with training in this area to ensure that the firm's sales do not decline and that its market share stays intact amid fierce competition from other pharmaceutical firms in Egypt. The training for these employees has so far been successful in increasing sales of the firm (Hedayat 2000).

The head of the program mentioned that Aventis in Cairo was in the process of creating a strategic plan to train its management, administration and skilled and semi-skilled labor. The interviewee stated that training would cover production skills and computer skills, as currently only top-level management have computer awareness. She pointed out that for the skilled and semi-skilled workers, which total 200 workers, vocational programs would concentrate on

increasing their productivity and efficiency, to train them on producing medical products in less time, with fewer defaults (Hedayat 2000).

The head of human resources argued that the merger would definitely equip workers with up-to-date manufacturing techniques and computer skills needed for the job. "This will benefit workers 100 percent. We are in a merger where the survival is for the fittest, if you are not highly qualified and competent you won't make it," stated the interviewee (Hedayat 2000).

The methods the firm plans to use for training include classroom training by foreign consultants and self-development methods, by offering workers the place and tools required to develop their own skills through the use of books or visual and listening educational means. The program head believes training in Egypt is becoming increasingly popular, especially among the younger generations, who are more open to change and more willing to learn new methods, whereas the older generations, she says, are more reluctant to change. This is why it becomes necessary for the government to take responsibility for training these older generations, as it seems that most private firms focus on fresh graduates who are more flexible to adapt to a modernizing environment and are more willing to learn new production methods. Older generations also need training as they are at risk of displacement that accompanies privatization. The government needs to equip them with new skills that could help them meet labor market demand or open their own small businesses.

### **Pepsi-Cola Egypt**

According to the human resources manager at Pepsi-Cola Egypt, Pepsi-Cola's bottling industry was a public-sector entity until 1994, at which time the firm offered its workers limited training. In 1994, Pepsi-Cola International became a shareholder in the firm by buying 20

percent. At this time, there was limited manufacturing training and occasional sales training for the workers. The manager stated that in March 1999, Pepsi-Cola International acquired the whole local company, now called Pepsi-Cola Egypt. He pointed out that the company currently employs 6,500 unskilled and semi-skilled workers and most of them were former public sector employees. About 2,000 employees work in the sales department. Most of the company's training is focused on truck drivers, developing customer representatives, by teaching them sales and reporting techniques, according to Pepsi-Cola standards and specifications. The interviewee asserted that training for these workers has so far been effective in increasing company sales and its client base in the districts where truck drivers have been targeted by the training<sup>7</sup> management (Salem 2000).

Training in sales has focused on all levels, ranging from top sales managers to the normal salesman, the manager said. He asserted that the effect of the training has been very significant in increasing sales volumes and market share. Furthermore, the interviewee stated that these customer representatives would receive more training once the firm establishes a thorough training plan for all workers. This is because sales is an important area for the firm, where customer representatives or salesmen, represent their company's products to clients and hence, they need to be equipped with the necessary communication and business skills. The plan will also include training programs for safety procedures, maintenance, computer and operating machines, which are also necessary ensure efficiency in handling and repairing machinery and compiling databases for all company operations. The manager mentioned that there has been some training in computer operations, which has resulted in more awareness and efficient use of computer facilities. Around 70 percent of the employees in the headquarters of Pepsi-Cola Egypt

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<sup>7</sup> The Pepsi manager refused to provide sales figures, which are classified as confidential material, but he stressed that the training effectively increased sales.

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now use email and computer networks regularly. Computer is also used for writing reports, conducting personal payrolls and other procedures. The manager said the firm's marketing department would not receive much training, as it was established after privatization and Pepsi International hired professional marketing personnel to manage the department (Salem 2000).

All training will be conducted according to Pepsi standards, the manager pointed out. He mentioned that Pepsi would use in-house training and on-the-job training methods to train workers. He mentioned that Pepsi had specific centers responsible for safety, sales and operations in all areas and workers will either be sent to their specific Pepsi training centers abroad or trainers will be sent from the United States to Egypt. He asserted that the company was currently formulating a plan to broaden and increase training in the various areas required by the bottling industry. "The plan is to invest in people and train them so as to establish a strong company in the next two to three years," argues the human resource manager. He argued that there were a lot of manual workers, handling cases and operating machines, with very limited skills. The manager stated that a main problem with the company's workers was the former public sector management, which lacked modern market skills, and will thus have to be replaced with strong management from multinational firms or receive effective training (Salem 2000).

He urged the public sector to focus on management training programs to produce a competitive and innovative leadership for public sector firms to be privatized. Such leadership in turn would encourage training for its workforce, to enhance the firm's competitiveness and increase its profitability ahead of privatization. This is evidence that multinational firms support government-backed training, or training sponsored by donor agencies, for public sector workers, as this saves these firms money and time spent on supplying workers with production skills required. This also shows that a change of public sector management mindset is necessary.



Most public sector managers are inward looking and lack innovation and incentives to improve their firms or upgrade their workers' skills. Although the government would be spending highly on such training programs, it will be compensated when multinational firms or local private firms, encouraged by the skilled labor, offer more attractive sums to buy the public sector companies. Hence, by investing a little more in these companies the government will surely turn out to be a winner in the end.

Hence, the case of Pepsi-Cola shows how the firm succeeded in adopting comprehensive training programs for its sales employees and is in the process of conducting similar training programs for employees in other sectors. It is fair to argue that training in these specified areas would be valuable for Shurbagy, in order to enhance its competitiveness, increase its customer base and expand its sales throughout the country.

### **Coca-Cola Egypt**

According to Coca-Cola Egypt's training and development manager, training programs prior to privatization in 1991 were very limited and fragmented. Budgets allocated to training were minute, the manager pointed out in an interview. He mentioned that even when training was offered, public sector companies relied heavily on college teachers for training, which was totally detached and unessential for the companies and the workers. Lack of focus on training dates back to the company's old management, the training manager argues, which, according to him, did not view training as essential but rather as a bonus to award certain workers or groups or departments (Motawi 2000).

Coca-Cola Egypt currently employs around 10,000 workers, 60 percent of these workers are employed in the sales department while the rest work in complementary departments of human

resources, computer, services and finance. The firm's current comprehensive training campaign started seven months ago. About 60 to 65 percent of training effort is focused on training and motivating Coca-Cola's sales personnel, who are responsible for Coca-Cola distribution and dealing with clients. The training has been effective so far in equipping the salesmen with adequate sales techniques, according to Coca-Cola standards and specifications. Thanks to the training, Coca-Cola salesmen have managed to increase their sale outlets and expand their client base to new areas<sup>8</sup> (Motawi 2000).

The manager mentioned that the rest of the program provides training in quality, environment and management skills, which are also important for the firm's expansion and profitability. The manager believes that the main problem Coca-Cola faces now with its workers is a management weakness problem. He argued that training was needed to change the mindset of managers to help them deal with the new challenges they face in Egypt's increasingly competitive market and to allow them to respond adequately to current market dynamics. Training was also important to install in management customer satisfaction priorities, the manager argues (Motawi 2000).

Coca-Cola's training manager believes Egypt needs to expand its current training efforts. He argued that people working in groups need to be trained to do their utmost and to believe that their own success depends on the success of the whole group. He encouraged adopting entrepreneurship management techniques that would help minimize waste and upgrade workers' life standards (Motawi 2000).

Training implemented in the Coca-Cola factory thus highlights how training for salesmen is one of the urgent areas that public enterprises need to address. Similar to Pepsi-Cola, the firm started out by improving the skills of their sales personnel and equipping them with special sales

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<sup>8</sup> The Coca-Cola manager refused to provide sales figures, which are classified as confidential material.

techniques that fit with each firm's specifications. Training Shurbagy's sales employees therefore seems very useful as it is hoped to improve the salesmen's sales and negotiation skills in order to attract more customers. The expected outcome of the training is better sales and a broader client base in various districts in Egypt.

### Conclusion

The interviewees from these four firms seem to agree that the public sector workers they employed lacked adequate skills and hence required a lot of training to upgrade these skills and increase their production knowledge. Further, the representatives of the two beverage companies asserted that prior to privatization, their firms had very weak training programs and training budgets were insignificant. Hence, by addressing this negative feature in Shurbagy, through extensive training for its sales, marketing, computer and maintenance personnel, this would help increase its profitability and create more demand for the firm.

Moreover, the four companies studied above seem to highlight some of the difficulties these firms experienced in the face of weak labor skills, difficulties that seem to coincide with Shurbagy's labor deficiencies. Representatives from all four firms have pointed out that training in sales was one of the initial areas they had to address, because salesmen are a firm's main representatives when dealing with the outside world. The interviewees argue that training in sales and marketing seemed essential in order to preserve their companies' market share and expand their client base to include more and more customers from all over Egypt.

Furthermore, the experience of the two beverage firms that were privatized are evidence that training for salesmen is one of the urgent areas that public enterprises need to address. The experiences of these two companies provide successful examples of efficient training programs

that benefit various workers involved in production. Whereas it could be argued that both firms are largely automated, with heavy reliance on capital-intensive production methods versus labor-intensive methods, representatives from these firms assert that the process of producing and bottling beverages relies strongly on both labor and machinery. The operations development manager at Coca-Cola Egypt states that labor skills are applied throughout the production process, starting with the sorting and purification of glass bottles up to the loading of bottles into cases for distribution (Sewilam 2000).

The development manager asserts that several quality control checks are implemented throughout the purification and bottling procedures, which rely on workers' alertness, skillfulness and ability to identify defaults in glass bottles, purification or taste, odor and color of the various beverages. Workers are also involved in the mechanized part of the production process, as they need to operate and constantly control and maintain the various machines. Moreover, workers in beverage companies are also involved in beverage production and chemical and non-chemical water treatment. Hence, it becomes obvious that training becomes necessary here, as these factories are not just responsible for assembly-line types of industry but are also involved in a multi-process production procedure.

Although Shurbagy specializes in textile production, the firm can still benefit from training techniques applied in these two beverage firms, as Shurbagy also relies both on labor and machinery production methods. Shurbagy can also benefit from the successful training programs for sales personnel in these beverage firms, as Shurbagy suffers from weak sales and its salesmen require up-to-date training to help improve the firm's sales figures.

In the case of Aventis Group, the firm's training experience shows that upgrading workers' skills is necessary in order to protect them against unemployment. Aventis was forced to lay off

500 unskilled workers because it could not afford to supply them with training to equip them with the necessary production skills. Hence, it becomes necessary to provide workers with skills that would benefit their company in order to convince private investors of these workers' efficiency and benefit to the firm.

Some of the interviewees also mentioned that training in marketing, computer and machinery maintenance and operation was important for their companies. Employees in marketing need to be aware of competitive products in the market and of up-to-date marketing and advertising techniques in order to promote their company's products. Computer awareness is also important for employees to establish efficient databases of their firm's operations and sales and for internal network and email uses. Maintenance is also a necessity to avoid machinery defaults and to allow workers to repair machinery in less time and without having to resort to specialized maintenance firms, which are more costly.

Hence, after reviewing the training experiences of these multinational firms in Egypt, it is fair to conclude that their training programs could be used as a model when implementing training in Shurbagy. It is necessary to conduct a special training program for Shurbagy that will meet its urgent needs of increasing sales, expanding marketing and advertising techniques and ending expensive maintenance contracts. The experiences of these multinational firms could be used as guidelines when implementing the Shurbagy training program. The cases discussed in this chapter show how each firm designed a special training program to address the specific needs of its company. Shurbagy should have the opportunity to do the same, by creating a training program that will help the firm retrieve some of its historical profitability, through employee innovation and efficiency.

## CHAPTER 4

### EGYPT AND HUMAN RESOURCE DEVELOPMENT

Over the years, Egypt has adopted several policies that aim at developing the skills and capabilities of its workers. However, it could be argued that despite such ongoing policies, technical and vocational training still lacks strength and is not very effective. This can be attributed to the lack of general public awareness of the benefits and necessities of training and also due to the lack of government funds allocated to training. It is also because of the strong focus on academic education rather than skills. But with a population over 64 million, it becomes necessary for Egypt to take concrete steps in this area to make use of its massive human wealth. However, with the change of government in October 1999, there has been more focus on this area and it appears that the state is beginning to realize that building a strong and skillful workforce has to be an essential part of its development and growth policies.

This chapter starts out by outlining some of the challenges Egypt currently faces in creating a strong-skilled labor force. The chapter then summarizes some of the government, private sector and donor-funded training programs currently being implemented in Egypt.

The section below describes some of the challenges Egypt is facing in its efforts to fulfill market demands for a skilled workforce. These include rising unemployment and population rates. Other problems that contribute to the delay in training labor include lack of information on the market's needs and the heavy reliance on outdated training curricula.

### Challenges

Increasing unemployment and a rise in the number of workers returning from abroad are among the problems hindering Egypt's labor training efforts. "This results in 500,000 new graduates and 60,000 to 200,000 returning, await to be absorbed onto the labor market annually" (Abou Zeid & Barakat 1999: 2). The authors put the current rate of unemployment at around 8.2 percent and add that seven to 10 percent out of two million Egyptians abroad return each year. This means the government is faced with the difficult task of preparing young graduates as well as a large number of unemployed workers to enter the labor market in search of employment opportunities. The government has to do this through up-to-date training programs that meet the market's demand. One of the reasons of the lack of employment opportunities for newly graduates could be because they lack the necessary production skills demanded by the labor market.

So, although thousands of university graduates demand jobs, the market also demands workers, but with specific technological and production skills. Table 4.1 on the next page shows the unemployment rates for different age groups in the area of Greater Cairo alone, which has a population of around 16 million people. The figures show that unemployment reaches its peak (29.6 percent) in workers between the age of 15 to 25 years. The overall unemployment level for greater Cairo stands at 11.1 percent, which could be due to a number of factors that are likely to include workers' displacement as a result of privatization. It could also be due to unequal labor supply and demand, as in many cases the supply of workers does not suit available job descriptions, which require specific industrial or technical skills.

TABLE 1  
UNEMPLOYMENT RATE IN GREATER CAIRO

Age Categories (years)	Unemployment Rate
15-25	29.6
25-35	9.5
35-45	2.3
45-55	2.0
55-65	3.4
Total	11.1

*Source: Nassar, Heba. Survey on Socio-Economic Conditions of Work in Greater Cairo. October, 1999.*

It is important to note that Shurbagy workers range from ages between 23 to 58 years old. Hence, it becomes necessary to seek ways of upgrading the skills of these employees ahead of privatization so that they do not add an excessive unemployment burden, taking into consideration that unemployment is at its highest rate in the age group between 15-25 years. This is because lack of training could result in the laying-off of a number of Shurbagy employees of various age groups, who would in turn add an additional burden to unemployment. Hence, Table 1 shows that training is important for Shurbagy employees in terms of helping them secure their employment positions in the firm or in any other firm should they re-enter the job market. This would also contribute to limiting the spread of unemployment, which creates a burden on the government.

Lack of accurate information on Egypt's labor market, which affects proper planning of training programs and identification of skills needed is another challenge (Abou Zeid & Barakat 1999: 2). With the rapid transition that the Egyptian economy experiences every day, the government has to conduct regular surveys of the market's needs for labor. The government



needs to monitor the changing labor demands of the new firms that are established or the multinational companies that are increasingly spreading in Egypt as a result of current privatization programs. Such multinational firms search for the most skilled and competitive labor that would help expand their businesses across the nation and the Middle East region as a whole.

Another challenge is the lack of proper coordination between trainers and the market, which could lead to "mismatches and duplication" in training (Abou Zeid & Barakat 1999: 2). More coordination and cooperation in training efforts of the various training centers in Egypt, whether public or private, could help minimize duplication and create a division of labor, whereby each center could be responsible for providing the economy's various sectors with the necessary skilled labor. Another suggestion is to divide training in these various centers according to age groups, with each center or group of centers supplying training for a specific age group.

Moreover, limited capabilities of the existing training system pose another problem. The current system does not meet all industrial needs. Many industrial and business firms fail to find adequate employees to fill in positions that require high-skilled labor. Hence, the system needs to focus on training semi-skilled and skilled workers in all trades required by the market so that it supplies the market with all its employee needs. This means more time, effort and funding should be spent on developing and expanding Egypt's training system. The government could allocate more of its budget to develop public training centers, hire training experts and create more suitable curricula to create suitable skills for the market. The private sector could also help in providing funding in this area.

From the challenges outlined above, it becomes clear that more effort, time and financing should be allocated to training that is useful for the overall economic development of the country. The government could very well rely on the experiences of developed and newly industrialized countries that have adopted some of the best training practices used worldwide. The government could make better use of its excess workers by studying the skills required by the various multinational firms that are expanding in Egypt and by the many local private businesses that open up every day.

Egypt needs to equip the workers in public sector firms and students with these needed skills so as to make good use of the country's large workforce. The majority of the multinational firms that enter the country spend vast sums of money on training programs, whether to develop workers' skills or language. So, by offering these firms workers that are already skilled, this would help increase the firm's competitiveness and curb training expenses by the new owners, which in turn would increase their interest in public sector firms that are offered for privatization.

Furthermore, by training public sector workers, this would contribute to the success of the firm, making it further attractive to local and foreign anchor investors. According to Coca-Cola's training manager, training is an added value, whether a company will stay public or be privatized. When evaluating these companies for sale, the quality and skills of the workforce becomes a main factor. The more the training and motivation of the workers, the higher the price investors are willing to pay for the company. The training manager adds that current training efforts by organizations such as the Social Fund for Development and the Mubarak-Kohl dual initiative are good steps on the right track, but they need to be expanded to all governorates (Motawi 2000). Hence, the message here is that such multinational firms are encouraged to

invest in developing economies like Egypt if these economies focus more on upgrading the skills of labor in companies to be privatized, such as Shurbagy.

The ILO's Egypt report on "Options in Human Resource Development" states that Egypt has to concentrate on developing workers' skills if it is interested in attracting more multinational firms to relocate here. This includes ensuring that training centers produce graduates with the necessary production skills that would allow them to work effectively with modern technologies and new forms of work organization (ILO 1997: 18).

It is fair to argue that the government has taken several positive steps to strengthen its training policy and is increasingly paying more attention and allocating more of its budget to achieve this aim. The section below outlines positive steps taken by the government in recent years towards developing its training programs.

### **Positive Steps Towards Training**

Analysts agree that since the early 1980s, the government began to realize the importance of creating a sound training policy and it has taken several positive initiatives to upgrade the skills of its workforce. Although significant developments towards an effective human development policy emerged strongly in the 1990s, especially with the change of government in October 1999, several positive steps were taken before that. In 1982, a presidential decree was issued, stipulating the establishment of the Supreme Council for Human Resources Development (SCHR) (Abou Zeid & Barakat 1999: 2-3). Egypt "recognized the need for a robust labor pool and reflected this through the presidential decree number 459..." (Abou Zeid & Barakat 1999: 2-3).

In February 21, 2000, another presidential decree was issued outlining the membership of the Supreme Council for Human Resources Development and also stating its aims and roles in the development of Egypt's manpower (Cabinet 2000). The new decree also stipulated the establishment of an implementing committee, that would be the main governmental body responsible for implementing and monitoring development plans and projects (Abou Zeid & Barakat 1999: 2-3). Furthermore, in January, 2000, Prime Minister Atef Obeid's government announced that the government would start training 146,500 apprentices in various average and higher education levels as a pre-step to employing them in state jobs in administrative positions as well as in state-run companies. The government stated that the trainees would be given financial encouragement during the training.

The government also announced that a plan would be set-up, to be adopted by the various ministries, to upgrade training programs and training centers and to prepare the necessary trainers according to the skills required for the various jobs. Therefore, it becomes obvious that the government is increasingly recognizing the importance of training its labor force that are the main elements needed for the economy's growth and industrial expansion. The government's increasing focus on training is also evident from the role played by the Social Fund for Development, which has taken several positive steps towards training retired labor and young graduates.

Moreover, in September 1997, the Egyptian government had asked the International Labor Organization to compose a study, which was entitled "Options in Human Development" and was organized by the United Nations Development Program (UNDP). "The government's request reflects its determination to develop appropriate education and training policies and to provide

suitable facilities to equip all its citizens with the knowledge and skills required for gainful productive employment" (ILO 1997: 1).

The ILO study, which completed a survey on 1,700 public sector enterprises in three governorates, commenced in August 1994. This coincided with the rise in the need for a skilled workforce, driven by "the birth and growth of the international market and its effect on Egypt's economic development" (Abou Zeid & Barakat 1999: 1). The rapid change in world technologies and industrial activities meant workers equipped with the necessary skills and knowledge to face these new challenges. It became clear to the government that any transformation of its economy to fit with the new global market had to be equipped with a skilled labor force. This is due to the fact that Egypt does not enjoy an abundance of natural resources and needs to rely heavily on its human wealth to have a competitive advantage (Abou Zeid & Barakat 1999: 1).

The ILO study mentioned that, realizing that most educational efforts had until very recently been focused on university-oriented education which produced a shortage in supply of technical labor in many areas, by the mid-1990s the state began to shift its focus towards technical education and slowed down the growth of higher education (ILO 1997: 3). The survey of 1,700 public enterprises revealed that only 10 percent of the firms provided training to upgrade skills of old employees, although two-thirds provided training for new recruits (ILO 1997: 22). "Workers in these establishments may be at greatest risk of job displacement, due to anticipated privatization, and thus could benefit substantially from training to update and improve their skills" (ILO 1997: 22).

This becomes important to the current study, which aims to train Shurbagy employees who have not received adequate training in sales, marketing, computer and maintenance. By looking

at the ILO study, it becomes clear that such a training program becomes necessary since these public enterprises fail to carry out training programs in sectors needed.

The study, points out that employers of such firms have little incentive to provide such training programs as it is the future employers, following privatization, who will benefit from improved labor productivity (ILO 1997: 22). "At present, there is significantly less training to upgrade workers' skills or improve their productivity, which is the type of training that will be needed most to prepare mid-career workers displaced from state-owned establishments for jobs in the private sector" (ILO 1997: 22). The ILO asserts that workers displaced from privatization schemes should be viewed positively and should be exploited through retraining, redeployment and for starting up self-employment ventures (ILO 1997: 15). The private sector cannot be strongly relied on to provide general machine aptitude as well as management training, adds the report (ILO 1997: 24).

Hence, it becomes clear that more government and donor funds and efforts need to be allocated to fulfill training needs of both the workers staying on after privatization as well as those to be displaced. Such training would benefit the workers, contribute to more efficient production and profitability of public sector companies and also raise the interest of multinational firms to buy these enterprises when they are offered for sale and to let more workers stay on after privatization.

Therefore it is important for the government to realize that it should play a strong role, if not the leading one, in training public enterprise employees such as those in Shurbagy, which will contribute largely to the firms' competitiveness. By upgrading employee skills in Shurbagy, this could heighten private sector interest in the firm and encourage higher bids for it. This in turn would benefit the government in terms of higher privatization revenue that could be used to fund

social or human development projects. It will also benefit the employees, who will be able to maintain their jobs in Shurbagy even after privatization. Furthermore, employees that join the early retirement scheme will have better chances in the labor market, having acquired up-to-date industrial skills.

### **Current Training Efforts in Egypt**

Around 1,603 training centers exist in Egypt, under various ministries and centers, in addition to 454 centers for administrative skills training and 59 private-sector-training centers. According to Roushdy, up to 160 vocational training centers exist in the in-service training area and are comprised of public and private sector companies as well as various ministries. They specialize in training newly employed workers as well as upgrading skills of old workers (Roushdy 1997: 3). Cairo alone has 44 of these centers. The next section provides summaries of several ongoing training projects in Egypt, their effectiveness and success stories when applicable. The projects are organized by type of institution, to distinguish between government-funded training programs and donor-funded programs.

#### **Government-Funded Training Programs**

There are several training programs provided by government institutions and various ministries. Two of these programs are those provided by the Education Ministry and Helwan University. Another significant government body that offers various training programs for public sector workers and newly graduates is the Social Fund for Development.

### The Ministry of Education

Under the Ministry of Education, several technical and vocational education programs at various levels of schooling already exist and are in use. According to the ILO, the ministry has given high priority to this sector since the early 1990s. It provides vocational training to students in various levels of education in industrial, commercial, service and agricultural trades. In 1996/7, the total number of apprentices enrolled in the various technical education programs provided by the ministry exceeded 1.7 million apprentices. Graduates from these programs, under certain conditions, had the opportunity to join higher technical institutes as technical teachers (Roushdy 1997: 1). These higher institutions also assist these graduates in finding employment opportunities in specialized companies, based on the labor market's needs for specific specialties (Roushdy 1997: 1). However, the author fails to clarify the 'certain conditions' under which graduates are allowed entry into these institutions and he also does not provide definite figures for the number of graduates employed.

The ministry's training programs start with a *preparatory vocational education* program (PVE), which begins at the fifth grade and is mainly for students who fail in the general education (Roushdy 1997: 1). There are no employment opportunities for graduates of this program as their ages are too young for employment. A three-year *secondary vocational education* (SVE) program follows the PVE certificate starting at the 10<sup>th</sup> grade. In 1996, graduates of this system reached 1,489 students in agricultural specialties and 5,026 in industrial specialties (Roushdy 1997: 1). The program provides agricultural and industrial vocational courses. Some graduates from this program have the opportunity to become technical teachers in related faculties in universities (Roushdy 1997: 1).



A *technical secondary education* certificate is offered over a three-year program covering commercial, agricultural and industrial specialties. It starts at the 10<sup>th</sup> grade. In 1996/7, 776,505 trainees were enrolled in commercial and service schools, 170,012 trainees in agricultural schools and 715,366 in industrial schools (Roushdy 1997: 1). Graduates from this school are allowed to join technical institutions to work as technical teachers there and they are also assisted by these technical institutions in finding jobs in the labor market (Roushdy 1997: 1).

The ministry offers a five-year vocational system in commercial, agricultural and industrial sectors, also starting from the 10<sup>th</sup> grade. Total graduates of this school exceeded 9,906 apprentices in 1996. These graduates specialized in fields of banking, administration, tourism as well as agriculture and industry. Around 1,027 of the total graduates were trained to become practical training instructors (Roushdy 1997: 2). The rest of the graduates had the choice of joining respective faculties in universities.

The ministry also offers *specialized technical education* three-year certificates in affiliation with other ministries such as health and communication. The schools are supervised by their respective ministries (Roushdy 1997: 2). *Industrial completion studies* by the ministry are offered over a two-year program, whereby graduates become practical teachers for the industrial technical schools. Around 4,054 apprentices graduated from this school in 1996, specializing in industrial and agricultural trades (Roushdy 1997: 2).

It is not clear how effective these courses are, or how successful is coordination between the various ministries involved. In general it might be difficult for the various ministries to agree on the same curriculum to be offered or on the essential skills that training should focus on developing. Also, the education ministry's training programs could be taken a little step further by trying to establish an employment office for its graduates. The current system of employment

is vague, unsystematic and seems to be done on a case by case basis. This modification could help the apprentices find good job opportunities in less time, either as interns for a temporary period of time or a more permanent job, where they could apply their achieved skills and expand them.

### Helwan University

Helwan University is one of Egypt's largest public universities, with 45,000 full-time students. Like many other public universities, it offers training programs. The university's main school is the Faculty of Commerce and Business Administration, with over 20,000 students enrolled. A study by the Growth Through Globalization Project (GTG) on Supply Assessment of Management<sup>9</sup> and Marketing Training in Egypt, shows that, aside from offering Bachelor, Master and Doctorate degrees, the university has a Management Training Center that offers management and marketing training for public sector workers (Growth Through Globalization Project Study 1998: 19).

The study asserts that the center does not offer regular courses, adding that courses offered are more academic and based on outdated teaching material and techniques. The study asserts that training in universities such as Helwan does not respond to the changing needs of the market (Growth Through Globalization Project Study 1998: 1). "Subjects covered and curricula used in Egyptian universities and some institutes are typically not demand-driven..." (Growth Through Globalization Project Study 1998: 1).

Furthermore, the study argues that training courses offered are mostly theoretical, as trainers are mostly academics who lack any practical business experience. Also, the training is

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<sup>9</sup> The term "management" is used to refer to any training related to running a company, including marketing, sales, computer, finance and accounting.

mostly conducted in lecture format or classroom-type training, with limited participation from apprentices. The material lacks emphasis on management and marketing skills such as problem solving, decision-making, team-building skills and communication skills (Growth Through Globalization Project Study 1998: 1).

Hence, it becomes obvious that although Helwan University offers management and marketing courses that are comparable to Shurbagy's training needs, the training material and method of training applied in the university will not be very beneficial for Shurbagy employees. Shurbagy's employees are more in need of a coursework that combines theory with practical, on-the-job experience. They need efficient, up-to-date training that would help them address their current weaknesses and help them develop modern sales, marketing and computer techniques, which seem lacking in the training program offered by Helwan University.

#### Social Fund for Development

In 1991, Egypt established its Social Fund for Development (SFD) through a presidential decree, with the aim of cushioning the vulnerable from the negative side effects of the economic reform program, which was aggressively pursued in the early 1990s. Over the years, this semi-autonomous national fund has grown to be one of the main players in the field of human resource development. The fund provides a number of projects to help in training workers as well as labor readjustment schemes. These projects are part of five main programs: The Public Works Program, the Community Development Program, the Small Enterprise Development Organization, Human Resources Development Program and the Institutional Development Program.

The Social Fund's 1998 Annual Report, states that 26 projects exist under the Human Resources Development Program (HRDP), worth 213.4 million pounds, or with a 17 percent share of total projects contracted by the fund's programs (SFD Annual Report 1998: 47). The second phase of this program began in 1998 and is due to be completed in 2001. So far, this second phase of the HRDP has benefited 13,435 apprentices and has employed 12,390 trainees in temporary jobs and 1,587 trainees in permanent jobs (SFD Annual report 1998 62). Table 4.2 outlines the number of beneficiaries in both phases of the HRDP, giving details of the number of graduates temporarily employed and those permanently employed.

TABLE 2

HUMAN RESOURCE DEVELOPMENT PROGRAM ACTUAL JOB OPPORTUNITIES AND BENEFICIARIES

Project phase	Permanent jobs	Temporary jobs	Beneficiaries
Phase I -1990-1997	2,785	4,211	11,302
Phase II -1998-2001	1,587	12,390	13,435

Source: Social Fund for Development Annual Report, 1998: 61, table 4-19 & 62, table 4-21.

TABLE 3

HUMAN RESOURCE DEVELOPMENT PROGRAM TOTAL AMOUNT CONTRACTED AND EXPENDITURES

Project phase	Contracted grants (LE)	SFD payments (LE)	Sponsoring agency payments (LE)
Phase I -1990-1997	173,826,000	149,713,000	49,842,000
Phase II -1998-2001	213,839,689	93,666,490	79,362,191

Source: Social Fund for Development Annual Report, 1998: 61, table 4-18 & 62, table 4-20.

From the tables, one can see that the SFD's Human Resource Development Program has gained more experience and more funding during the second phase of its project. Actual temporary employment opportunities and total beneficiaries have increased significantly during the second phase. While permanent employment opportunities are lower than those offered to trainees in phase one, this could change before the end of the project in 2001. The increase in beneficiaries shows that more trainees are willing to receive vocational training and acquire more skills. Part of this is due to Social Fund incentives of helping the apprentices find temporary or permanent jobs following the training, providing the apprentices with end-of-training certificates and also by providing them with daily expenses for transport and meals during the period of training. Furthermore, it seems that the project is receiving more financial support, whether through the Social Fund's own resources, or through grants and donor agencies.

Under the HRDP, the Egyptian Labor Adjustment Service (ELAS) unit was established to assist public enterprises in their efforts to mitigate negative effects of economic reform. Among its tasks, ELAS provides workers in public enterprises with skills needed to shift the enterprise to a competitive and profitable firm and to increase these firms' market share. It also provides training courses to redundant workers in skills that are demanded by the market to "find solutions to actual or potential labor market problems, as well as emerging opportunities for job creation and job maintenance" (SFD Annual Report 1998: 31). To date, ELAS has successfully provided training assistance to public enterprises, and has been acknowledged to have expertise to deal with labor adjustment issues. "This is demonstrated by its assisting redundant workers move out of the labor market through the early retirement option..." (SFD Annual Report 1998: 31).

The main objectives of the HRDP/Training Unit include assessing skills that are or will be demanded by the labor market; developing training centers for entrepreneurial and vocational training and upgrading the capacity of training institutes to enable them to implement training programs (SFD Annual Report 1998: 31). The HRDP's training unit provides training to unemployed graduates that seek to join the labor market. Its training covers managerial and vocational aspects demanded. "The purpose of these training/retraining initiatives is to upgrade the skills of the graduates so that they are able to perform new jobs in their existing organization, find new jobs in the private sector, or start their own private enterprise" (SFD Annual Report 1998: 31). ELAS also provides career counseling, skill development and self-employment services to meet the challenge of obtaining workers' full cooperation whom are affected by company restructuring (SFD Annual Report 1998: 31).

The government's commitment to human resource development becomes evident through the 1998 decree to revitalize the Supreme Council for Human Resources Development. The SFD's HRDP was appointed as the permanent technical secretariat for the Supreme Council (SFD Annual Report 1998: 31). Its role here is to advise the Supreme Council on human resource development policies; implement, monitor and evaluate such policies; as well as providing project proposals on reforming the training system, which are suitable for submission to the donor community (SFD Annual Report 1998: 31). Table 4.4 outlines the training goals of the HRDP for the next few years.

TABLE 4

TRAINING OBJECTIVES OF THE SOCIAL FUND'S HUMAN RESOURCE DEVELOPMENT PROGRAM

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The Human Resource Development Program's Long-Term Plans for the Future

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Designing a national vocational qualification standards system and a credible system for the accreditation of up to 100 different trades, according to the priority of different sectors' employers.

Developing the capabilities of existing training centers, including upgrading the equipment and labs, workshops and visual aids. This step will also ensure the development of training programs based on standards.

Developing the institutional capacity and efficiency of the training authority to enable it to provide the training program.

Undertake retraining of unemployed graduates in needed trades and specialization in the labor market.

Introducing an initiative to train 10,000 unemployed graduates as small entrepreneurs.

Conducting a survey of technical and administrative training centers on a national level.

Conducting field studies to evaluate the outputs of the training system.

Establishing a labor market information system through a network that would identify job vacancies and training capabilities, utilizing a current model developed for labor market information.

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*Source Social Fund for Development Annual Report 1998, p.32.*

By achieving these long-term goals outlined in Table 4, the social fund would help strengthen the government's training policy and expand training in various trades required by the market. The SFD will also help make available training for both older generations that might seek new jobs following privatization and also newly graduates that lack adequate skills required by the market. This is through its upgrading of training centers' capabilities and by conducting surveys to evaluate the output of these training centers. Furthermore, through its planned surveys of the labor market, the SFD will have a better opportunity to study skills demanded by the various companies and work on equipping apprentices with matching skills.

Hence, it seems that the Social Fund for Development is increasingly gaining ground in the area of training and employment creation, and therefore provides some of the successful training projects in Egypt. Its projects are also successful because they deal with some of the core development problems in Egypt, through upgrading skills of workers in the public sector and creating employment opportunities for job-hunters. The SFD has also been successful in meeting market demand for labor skills and providing companies with these demanded skills in terms of both temporary and permanent workers. It is also successful in that it is the main government organization that aims to form a comprehensive and centralized training system in Egypt to meet the countries increasing technical and knowledge-based demands.

Furthermore, it becomes clear that the social fund offers a wide range of training programs that vary from managerial skills to normal-worker level skills. This means the program includes training in sales, marketing, computer and maintenance that are needed in Shurbagy factory. However, the project designed for Shurbagy would be more suitable to train the employees as it is designed specifically to meet the needs of this individual company rather than providing general training for workers and apprentices from various backgrounds. Employees in Shurbagy require a specialized training program that would help them address their company's needs. A general program in sales or marketing or computer is not likely to benefit the employees of Shurbagy as they might find it a difficult task to apply these new practices to their company. But a program that would involve on-the-job training within the factory would allow them to understand the material in a more clear way, and to test their newly acquired skills.

Further, the workers that are to be taught maintenance skills would benefit more from an independent training program for Shurbagy rather than a general program with the social fund or any other training center. This is because these workers need to know how to preserve and repair



existing machinery in their factory, which might be of different types than machinery used to teach trainees maintenance techniques in training centers.

#### Private Sector-Funded Training Programs

There are several private sector firms that offer training courses to public and private sector entities. These private training centers rely on on-the-shelf training programs, which are ready-made programs that already exist, or off-the-shelf programs, which are programs especially designed to address specific needs of various firms and thus cost more since they are custom made.

#### TEAMS Misr Engineering and Management Consultants

TEAM is an engineering and management consultancy firm that was first established in Lebanon in 1975, with branches in eight Middle Eastern cities including Cairo. The firm has six main specialized bodies that supply its various clients with a number of services and activities, including training, planning and design and institutional development and support (Growth Through Globalization Project Study 1998: 30). The Arab Center for Management Development (ACMD) is one of the main six bodies in TEAM and it specializes in providing training in management as well as technical and computer skills (Growth Through Globalization Project Study 1998: 30). The center offers over 500 training classes per year, with 15 to 20 trainees per course.

Training offered by the ACMD covers a wide range of topics that include manager self-development, marketing management, time management and strategic planning. The courses are offered to middle managers and senior executives. The courses are taught by TEAM's pool of

experts and faculty members (Growth Through Globalization Project Study 1998: 32). An interesting option in training courses offered by TEAM is that they could either be on-the-shelf training courses that are offered according to a time schedule or they could also be off-the-shelf and in-house training programs that address certain training needs of a company. The center offers its training programs for both private and public sector entities.

The GTG study asserts that management training offered by TEAM is highly organized and uses up-to-date educational techniques. The courses are characterized by trainer-apprentice interaction, with active participation from trainees. Hence, the training offered by TEAM in management and marketing skills seems to be efficient and up-to-date and also seems to rely on professional trainers.

Although the center offers training in the same areas demanded by Shurbagy, the center's program is not likely to benefit the company for two main reasons. The first of these is that even if TEAM provides Shurbagy with an effective, well-designed in-house training program, there would be no easy way to monitor and evaluate the effect of the training should the trainers leave the firm once the program ends.

Hence, what is more useful for Shurbagy is a training program that would be designed to allow trainers to stay on for a certain period of time in order to conduct an effective evaluation to expose the level of success of the training and how beneficial it was for the employees. The problem with the training courses offered by TEAM is that, like most training centers, at the end of the training period, apprentices would be certified and asked to fill a one or two-page survey related to the course's effectiveness. This would not represent an effective evaluation for a training program as large and important as the one needed in Shurbagy.

Furthermore, another problem with the training offered by TEAM is that the cost of courses offered range from 450 Egyptian pounds to 3,750 pounds per trainee (Growth Through Globalization Project Study 1998: 33). Hence, the program could cost over 1.8 million pounds to train the 482 employees in Shurbagy, and it would not have established a training backbone for the company to work on for further training in the firm. It would be more useful to have such large sums of money being spent on a training program for Shurbagy that would supply the firm with training material such as classrooms and training material that could be used in future training for more of Shurbagy's employees.

Another weakness in the program is that its training courses usually last for one week or a maximum of three weeks. But training is likely to take much more time for Shurbagy workers to learn the kind of sales, marketing, computer and maintenance skills needed. This is because these workers have no sales and marketing and computer background and so it will need time to supply them with comprehensive courses in these areas and apply what they are taught through on-the-job training.

#### Total International Expertise Company (Totality)

Totality is an Egyptian private sector firm that offers training courses and management consultancy for both private and public sector firms. Its courses cover a wide range of topics that include developing professional managers, effective presentation skills and strategic marketing planning skills (Growth Through Globalization Project Study 1998: 45). The courses offered are either on-the-shelf programs or off-the-shelf programs that are specifically tailored to meet the training needs of specific companies. The training programs address the needs of individual executives, including medium and top-level managers.

It is not clear how successful the Totality courses are in terms of the number of participants. Furthermore, the program is also criticized of offering management courses that are not of adequate quality. The Growth Through Globalization Project study asserts that the firm needs to improve the quality of its courses to enrich the capacities of apprentices. Hence, it is not likely that these course would be suited to address Shurbagy's sales and marketing needs, since the firm is in need of top-quality training that would help boost its sales and increase its marketing share. Another problem with the training that makes it unsuitable for Shurbagy is that courses last from four days to two weeks, which is a very short period of time for Shurbagy employees to be able to acquire and comprehend the amount of skills outlined in the project.

#### Donor-Funded Training Projects

Many donor agencies have expressed wide interest in human development projects in Egypt. The United Nations Development Program (UNDP) has stressed on the importance of human development through its issuance of the Human Development Report. German, Italian, British, Swedish and American donor agencies have in fact implemented several successful projects in this field. These programs include the German-funded Mubarak-Kohl Initiative (MKI) and the Development Training 2 program (DT2) funded by the United States Agency for International Development (USAID). The Swedish International Development Cooperation Agency (SIDA) has also assisted Egypt in its human development efforts by offering technical cooperation in the form of training.

### German Foundation for Technical Cooperation

Among the successful training programs at the secondary level of education is the dual system, which was first introduced through the Mubarak-Kohl initiative (MKI) agreement to provide vocational training programs in coordination with the Egyptian government and German expertise. In March 1999, up to 3,154 apprentices had graduated from the program, compared to 320 graduates in September 1995, the year the program was launched<sup>10</sup>. The initiative secures employment opportunities for its trainees who sign a contract with a company, guaranteeing them an employment opportunity following the training period (ILO 1997: 13).

The MKI came about in 1991, whereby "a new dimension was added to the already existing Egyptian-German cooperation" (Abou Zeid 1998: 2). Following discussions between President Hosni Mubarak and Germany's ex-Chancellor Helmut Kohl, further technical education and vocational training was stressed and represented by the German Foundation for Technical Cooperation (GTZ). This was through the introduction of Germany's experience in the dual system of technical vocational training (Abou Zeid 1998: 2). This system provides a three-year education and training program, where apprentices spend two days in a technical school, studying theoretical subjects, and spend four days with a specific company for on-the-job training.

The system is in use in the new industrial cities such as the 10<sup>th</sup> of Ramadan, the Sixth of October and El Sadat City. Overall, the number of cities where the project is being implemented expanded to 13 cities in March 1999, up from one city in September 1995 when the project was initially launched (MKI Advisory Group 2000). The MKI relies on close cooperation between employers' association enterprises of each city, the Education Ministry and the regional unit of

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<sup>10</sup> See Table 5 for more details on number of graduates of the Mubarak-Kohl Initiative.

the dual system, including German expertise (ILO 1997: 11-13). The past few years have seen an expansion in the Mubarak-Kohl initiative in Egypt, with an 850 percent increase of MKI institutes from two in 1995 to 19 in March 1999. The number of teachers grew to 440 in March 1999 up from 36 in 1995 (ILO 1997: 11-13). Graduates from the MKI various schools of training either join a company where they apply their adapted skills or continue their university studies.

The MKI project has been providing training in industrial mechanics, industrial electronics, weaving, ready-made garment production, nursing, leather and industrial shoe making. In September 2000, the MKI began industrial management training for apprentices interested in secretarial, accounting, human resources and sales and management jobs (MKI Newsletter 1999: 7). The MKI has been providing training in the textiles and ready-made garments field since 1995. It teaches its apprentices the production of ready-made clothes and industrial electronic in textiles and weaving. This becomes relevant to the current project, as MKI textiles training specialists could be relied on for training Shurbagy employees or advising on the type and procedure of training needed for the employees. However, the initiative so far does not offer sales and marketing for textile firms, which means its management training that was due to start in September, 2000, will not necessarily meet the sales and marketing needs of Shurbagy. This is because general sales and marketing programs will not necessarily meet the training requirements of Shurbagy employees, who need to earn specific skills to market and sell the firm's various textile products.

The MKI is so far one of the most successful training programs in Egypt and has graduated many skilled workers. Several multinational and local companies in Egypt have benefited from the Mubarak-Kohl Initiative through sending some of their workers for training. Mercedes-Benz Cairo, a German-Egyptian joint venture that produces Mercedes cars locally, currently has six

workers enrolled under the Mubarak-Kohl Initiative. Mercedes employs a total of 400 workers, some of whom came from public-sector firms. By providing workers with training, the MKI has helped these individuals sustain their jobs and has prevented them from facing the challenge of unemployment. More industrial firms are now willing to provide their workers with training through the MKI. Recently, a spinning and weaving factory in Amriyah has applied for its workers to receive training under the MKI. Workers will be trained on ready-made clothes, spinning and industrial-electronic textile production. Starting in September 2000, 75 female and male apprentices were due to be given on-the-job and theoretical training classes under MKI (MKI Newsletter 1999: 4).

This shows that the initiative has been successful in providing workers in various fields with efficient training, which has encouraged more and more firms to apply for their own workers to be trained. Furthermore, the MKI has helped a lot of youth face the challenge of unemployment by allowing them to sign contracts with companies following the training period. The MKI has also succeeded in meeting the challenge of lack of skilled labor demanded by the market. It has allowed apprentices to acquire technical skills demanded by the market. It has also shown that there is good coordination between its trainers and the market, as trainers are able to fulfill the market's labor needs and are successful in upgrading skills of workers in various companies.

The project offers various training programs in a wide range of industrial, technical and managerial fields. These include the recently added sales and marketing specialties and training in the textile field. Hence, the program offers several training courses that correspond to Shurbagy's needs. It could be useful for trainers in the Shurbagy project to study the various curricula used in MKI training programs to gain experience on how the dual training system is carried out, as it would be useful to see if similar methods could be applied in teaching Shurbagy

to combine theory with practical training. Despite the program's significant success, it is fair to argue that Shurbagy employees would benefit more from a home-made training program, meaning a program that is solely focused on addressing Shurbagy needs.

TABLE 5  
MUBARAK KOHL INITIATIVE IN FIGURES

Project Information	Sep-95	Sep-96	Sep-97	Sep-98	Mar-99
Number of schools involved in the project	2	8	12	19	19
Number of trainees (males & females)	320	1,350	2,300	3,154	3,154
Number of teachers & supervising admin personal	36	180	370	400	440
Number of factories participating	65	210	310	360	360
Number of cities where the project is being implemented	1	7	10	13	13
Number of teachers sent for training in Germany	14	44	62	80	120
Number of trainers sent for training in Germany	0	14	30	45	50
Number of teachers attended upgrading courses in Egypt	14	114	320	450	600
Number of trainers attended upgrading courses in Egypt	20	80	120	160	200
Number of vocations being trained upon	3	5	7	9	9
Number of German experts (short term)	8	30	54	60	60
Number of German experts (long term)	4	8	9	9	9

Source: Mubarak-Kohl Initiative Advisory Group, April 2000

Table 5 is proof of the MKI's rapid expansion in terms of the number of trainees, participating companies and also industrial cities. The project seems to be meeting positive



demand from apprentices as well as industrial factories, which has prompted more individuals to join the initiative's various training programs and has led more firms to take part in the program. Further, there has also been a significant increase in the number of trainers participating in this initiative. The table shows how local trainers and administrative personnel increased to 440 trainers by March 1999, from 40 trainers and personnel in September 1995, when the project was launched. German experts participating in the project for short periods of time have increased to 60 experts from eight experts at the start of the project.

#### United States Agency for International Development

The United States Agency for Aid and Development (USAID) provides several forms of assistance to the Egyptian government. These include the Development Training 2 six-year project, which started in 1997 and is due to be completed by 2002. Between 1997 and 2000, 4,500 Egyptian apprentices participated in this program. During the life of the project, around 3,000 participants are due to receive training in the U.S. or another country, while 7,000 participants will be trained in Egypt.

The Cairo-based USAID director of training points out that the project, worth 100 million dollars, provides training to public and private sector institutions in various economic fields with the aim of creating a centralized training system. The training covers programs in marketing and computer skills for both public and private sector trainees. Faculty from Georgia State University implements the marketing programs in Egypt. He mentioned that these fields also include training in education, democracy, health and population, sustainable air and water, tourism, natural resource management and training to improve the civil legal system. Training is provided

to the staff of various ministries, universities, non-governmental organizations and other private sector organizations in Egypt (VanDenbos 2000).

The program involves programs in agricultural policy reform, transfer and utilization of technology, telecommunications sector support and small and microeconomic enterprises. DT2 representatives assert that the program has so far been successful in its goals, with a large number of trainees, which include 800 managers in the energy sector alone. It has succeeded in boosting the skills of its trainees as well as heightening their understanding and strengthening their management and technical capabilities. The objective here is to strengthen the work performance of individuals and enhance their professional performance to be able to contribute to higher economic and social objectives. The training director pointed out that almost half of the training provided under this program is working towards accelerated privatization, strengthening export growth, and training to strengthen the private-sector and to stimulate economic growth. "All training is result-oriented and strategically linked," the director argues.

From the brief summary of this USAID-funded project, it seems that it is a large-scale program that aims to spread training to both private and public sector employees in various sectors in order to help strengthen the economy. The program could be very effective, given that it focuses on technology transfer issues and also because it concentrates on training in sectors important to Egypt's economy such as agriculture and tourism. However, it is not clear how the program is exactly carried out, and the role played by executives in the ministries and private institutions and whether or not the program's contractors face any drawbacks in dealing with these entities.

### The British Department for International Development

In October 2000, Britain's Department for International Development (DFID) adopted a new project known as the National Skills Standards Project, under a contract from Egypt's Social Fund for Development (SFD). The aim of the five million-dollar project is to accomplish European skill standards in 100 different trades as well as training Egyptian groups to be able to develop and compare this according to European standards. Implementation of the project has not yet started and so it is difficult to estimate the number of apprentices to receive training under this scheme. The project will determine the equipment needed to upgrade 30 training centers and 20 training companies' units to become centers of excellence. They would require training for centers' managers and trainers and the development of an information database for the project to establish a network. The project also focuses on capacity building of human resource development units and departments in the participant federations as well as the Technical Secretariat of the project.

The DFID is the sole contractor for this four-year project, but other international organizations are taking part in its execution. These organizations are Association pour la Formation Professionnelle Des Adultes (France), Carl Bro Management (Denmark), Internationaler Bund (Germany) and the Scottish Qualifications Authority. Also, the British council has identified Team International, as a local partner to provide Egyptian consultancy expertise. The Manager of development projects at the British Council stated that the project would mainly focus on trades under industry, construction and tourism. It will attempt to bring all workers in a certain trade to work using the same standards, using aspects of what has been adopted in Europe and see how they can fit in Egyptian industries.

The manager pointed out that the project is entirely funded by the Egyptian government, which is a positive sign of the government's determination to upgrade the skills of workers in various trades and to unify their production standards. Since the signing of the contract in October 2000, the manager says two long-term consultants have been hired, one Egyptian and one British. Both consultants are currently working with a support team to analyze the training needs. A number of short-term foreign consultants have also been visiting to assess the project situation and provide recommendation.

It is too early to provide any evaluation on the project or how effective it will be. But the project idea is very useful as it aims to teach workers in various trades standard skills that have been applied and tested in other parts of the world where they proved to be efficient and successful. This includes training workers in the industrial sector, such as Shurbagy employees. One problem that could be foreseen at this stage is that it might seem complicated for the DFID to have to deal with various government ministries and committees that these 100 trades fit under. But the manager says it is believed that the Social Fund for Development is more than capable of "bringing all heads to one table".

### Conclusion

After studying some of the current training projects being implemented by the government, private sector and donor agencies, it becomes clear that several of these programs offer training courses in significant areas but some of these programs lack efficiency and up-to-date training curricula. By revising the management and marketing training courses supplied by Helwan University, it is fair to conclude that the program lacks efficiency and is not of the highest quality, as it relies on outdated training material and theoretically-based training methods.

Furthermore, by revising the management training schemes available at the private sector firms TEAM and Totality, it becomes obvious that some successful private sector training initiatives exist in Egypt. Both firms provide a wide range of training courses in management-related topics, both for private sector and public sector firms. However, the GTG study asserts that the quality of Totality's management training program needs to be raised to enrich the capacity of the trainees. Also, both firms offer short-term training courses, which in many cases is not enough to train workers and allow them to acquire skills that would have a noticeable impact on their work.

Two significant programs that offer training are the Human Resource Development Program (HRDP) offered under the Social Fund for Development and the German-funded Mubarak-Kohl Initiative dual-system training program. The HRDP provides public sector workers with training in a wide range of specialties with the aim of transforming their companies into profit-making firms. The HRDP also trains unemployed workers to equip them with skills demanded by the market. Through its training programs, the HRDP helps workers find jobs and maintain existing jobs. The SFD's HRDP has so far been successful in addressing the labor market's needs and training workers to fulfill those needs. It has helped many redundant workers learn new skills and find new employment opportunities, either for temporary or permanent periods.

The Mubarak-Kohl Initiative (MKI) trains youth and employed workers in various trades. The program's beneficiaries increase every year and the project is being implemented in more and more cities. Furthermore, the MKI is continuously expanding its training programs to include new subjects. It has recently included sales and management and industrial management training programs. The initiative also has a sound training program in the textile sector, which

provides training in the textiles and ready-made garments field. As a result of the success of the MKI, more and more industrial firms, private and public sector, are sending their workers for training under the initiative. About 90 companies currently have some of their workers enrolled in this program (MKI Newsletter 1999: 7). Through its training programs, the MKI has managed to help many workers sustain their jobs by equipping them with up-to-date skills needed by their industries. In addition, the program has helped many of its apprentices find employment positions by allowing them to sign contracts with companies that provide the apprentices with jobs following the period of training.

The strength of the MKI and social fund training programs is that they offer workers theoretical training courses as well as practical, on-the-job training. The programs are also positive in that they help workers upgrade their skills in order to maintain their employment positions or they help redundant workers find new jobs where they could apply their newly acquired skills. Both programs have so far been successful in attracting more and more trainees and in employing them or helping them maintain their jobs. They have also been successful in meeting the labor market's skills needs and have supplied many companies with highly skilled workers. Another important factor is that the training does not cost these apprentices, which encourages more workers to enter into their programs. They also provide workers with daily allowances for transportation and food needs.

## CHAPTER 5

### EGYPT'S TEXTILE INDUSTRY & THE SHURBAGY FACTORY

Egypt was one of the largest exporters of lint cotton and hand woven textiles throughout the 19<sup>th</sup> century (Zaki 1998: 1). Despite many weaknesses, the industry still remains a main pillar in Egypt's economy. Up to the 1950s, the industry was flourishing under private sector management. With the introduction of nationalization during the 1960s, the textile sector became one of the highest employment sectors in Egypt and its exports were among the highest. By the mid-1970s, the industry gradually started deteriorating, as textile markets in other regions began to drown world markets with cheaper and higher quality textile goods. The re-emergence of private sector textile firms in Egypt also weakened the public sector firms, which for years, relied on outdated technologies and produced low-quality goods.

This chapter gives a brief outline of the rise of the Egyptian textile industry and its gradual weakening over the years. It also provides a detailed profile of the Shurbagy factory, factors that have led to its deterioration and possible ways of recovery.

#### **The Egyptian Textile Industry**

Up to the 1950s, the industry witnessed rapid growth while it was under private ownership, after which it went through a change of ownership with nationalization taking place in the 1960s under President Gamal Abdel Nasser. During this period, the government nationalized banking and textile industries among others, and it also established various large-scale modern industries (Encarta 2000). The textile industry continued to see rapid growth during that period with the

former Soviet Union and Eastern European block the industry's main importers. The industry's performance and growth rate of public sector firms started to deteriorate starting in 1973, while private sector firms began to emerge to swallow the public sector's market share in industries of dyeing, textiles, wool, clothing and ready-made garments. The gradual weakening of public sector textile companies came about as a result of a number of factors, which are listed in the sections below.

#### Subsidization Policies & Increasing Competition

During the period between the early 1960s to the late 1970s, public sector textile firms were responsible for fulfilling government requirements to provide subsidized, low priced clothing to mass consumers, specifically to low-income classes (Zaki 1998: 2). The industry succeeded in doing this, but this policy "was reflected in underdeveloped production as well as the inability of the textile industry in Egypt to keep up with the technological progress taking place at the time (Zaki 1998: 2). The focus on producing subsidized goods slowed down the development of industry innovations in fibers, dyeing techniques and new machinery, which in return had a negative impact on production quality and industry expansion. The slowdown in industry innovation was also due to limited technology transfer during this period, which was a result of the government's closed policy that did not encourage imports or the free transfer of technology.

This policy continued into the eighties, with the government specifying prices, quantities and types of textiles produced according to the needs of the lower-income masses and regardless of local and international market conditions. This led to financial losses for these public sector companies. By the late 1970s, the poor performance of public sector companies led President



Mohamed Anwar Sadat to introduce more liberal economic policies (Encarta 2000). During the mid-eighties private sector textile companies began to emerge, mainly concerned with satisfying domestic market needs (Zaki 1998: 2).

#### Government Price Adjustments & Deflationary Policies

Another factor that contributed to the textile industry's weakness was a government policy in the 1990s to raise the price of Egypt's cotton varieties, in response to farmers' move away from cotton to grow more profitable crops (Zaki 1998: 2). This came about under the reform program initiated in the early 1990s, which pushed for an ambitious restructuring process and succeeded in reducing foreign debt and decreasing inflation and raising gross domestic product and foreign reserves. The policies implemented under the reform program and predecessor policies had negative impact on the competitive advantage of Egypt's textile industry (Zaki 1998: 2).

Over the last thirty years, the government implemented a regulatory pricing policy of cotton, which greatly affected the industry. During the 1980s till the early 1990s, the procurement price of government set by the state was far below international prices, which discouraged farmers away from growing cotton and towards growing more profitable crops. In response, the government raised the procurement price of cotton and in 1995, set a high floor price at 500 pounds per qantar. This was much higher than international prices (Zaki 1998: 2).

This resulted in overproduction of cotton by farmers, resulting in stock accumulation. Furthermore, Egypt's market share in cotton exports was lost to other countries such as the United States, whose "pima" cotton enjoys a competitive advantage over some Egyptian cotton varieties. "Consequently, seasonal carry-over stocks accumulated...(Textile) companies were

forced to reduce their production, production capacities were not fully utilized and many small factories eventually stopped operations and shut down (Zaki 1998: 2).

The industry was also highly affected by deflationary policies adopted in the early 1990s under Egypt's reform program to reduce inflation rates. These policies depressed gross domestic product (GDP) and local consumption and led to increased stocks and lower capacity utilization. This was coupled by a soaring of the textile industry's debts, which reached six billion pounds in 1997, with interest rates reaching 868,891 pounds (Zaki 1998: 5). Deflation led to lower demand and the public textile firms suffered from increasing debts, deterioration in their financial status, lower investment and deficiencies in their current account (Zaki 1998: 3).

#### International Factors

The industry was also harmed by developments on the international political front. The collapse of the Eastern European block resulted in the breakdown of the textile industry's main importers. In fact, many Egyptian spinning, weaving and textile factories were established specifically to fulfill the textile demands of these countries (Zaki 1998: 11). The emergence of the "Asian Tigers" and China, with their better quality textile products and lower prices was another hard blow to Egypt's public sector textile firms, as many countries shifted importing textiles away from Egypt and towards these cheaper and more efficient producers. The percentage of Egypt's exports of fibers, textiles and clothing share in merchandise exports thus declined to 30 percent in 1995 from 35 percent in 1990 (Kheir-El-Din 2000: 3).

### Corruption

Corruption was another factor that had negative impact on these government-led textile companies. Examples of management inefficiencies and corruption include selling large quantities without guarantees in return for bad checks and accepting endorsed checks from customers, which were rejected. There was also a large waste of funds due to management's lack of efficiency and experience (Zaki 1998: 11).

Other problems faced by these companies included a burden of surplus labor, resulting from the government's employment policy, as well as the flight of skilled labor to private sector firms offering better wages. The public sector textile firms were gradually replaced by the competitive, expanding private sector firms. The industry thus seems to have suffered badly from economic and political and financial developments over the years.

### Importance of Egypt's Textile Industry

Despite the weaknesses the Egyptian textile industry has witnessed over the years, the sector remains one of the main pillars of the economy, given its contribution to employment and merchandise exports. Given the social and economic significance of this industry to the Egyptian economy, it seems imperative that the government takes necessary action to develop these companies and upgrade their workers' skills. "In order to achieve the required level of competitiveness and efficiency in textiles and clothing production and adjust to a new era of free trade regime, the industry in terms of producers, government, legislation and labor must undergo some necessary changes..." (Zaki 1998: 33). The section below explains the significance of the textile industry to the Egyptian economy.

The social importance of this industry lies in the number of employment opportunities and income generation from the companies that make up this sector. This industry is the largest employer in the south Mediterranean region. In Egypt, it provided around 29 percent of jobs in manufacturing in 1995 (Kheir El-Din 2000: 3). Despite its recent financial losses, the textile sector is also of economic importance to Egypt. This is because up to 31 public enterprises operate in this sector, added to 2,356 private firms and thousands of small factories and workshops (Zaki 1998: 1). These public enterprises employ thousands of workers and thus contribute to the economy by offering these workers wages.

Furthermore, manufacturing, which includes textiles, contributed 27 percent to Egypt's gross domestic product of 89.1 billion dollars in 1999, up from 25.9 percent to a GDP of 82.7 billion dollars in 1998 (World Development Indicators 2000). The aggregate value of domestic textile production reached nearly eight billion pounds on average in 1997, out of which five billion pounds worth of textile products were sold domestically and products worth three billion were exported. The textiles accounted for almost 25 percent of total exports in 1997, compared to 40 percent of total exports in the 1980s (Zaki 1998: 26). The industry is also important because it absorbs almost 80 percent of domestically grown cotton, so it is the largest market for domestic cotton.

The sector could benefit highly from current regional free trade agreements, which could offer new opportunities for textile exports, provided that some of the problems these public enterprises face are dealt with efficiently. Such agreements include the Agreement on Textiles and Clothing (ATC) under the World Trade Organization and the European Union Partnership Agreement. A focus on human resources, new machinery, new technology, repayment of debts and developing industrial production methods are some of the areas the government should focus

on. Shurbagy factory, whose details are summarized below, is one of the public sector textile firms that are in strong need of such reforms.

### **The Shurbagy Factory**

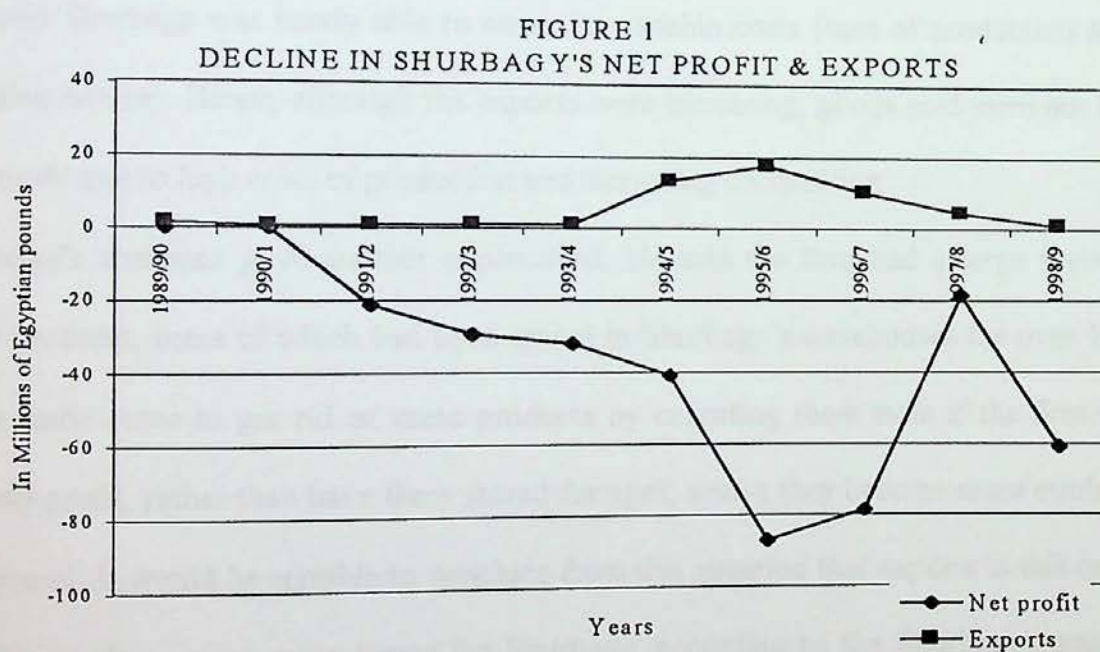
Egypt's El Nasr Spinning and Knitting Company, or Shurbagy, is a public sector firm that was established in 1948 and was at the time a private sector textile company owned by the Shurbagy family. In 1961 the firm was nationalized by the state and its factory was expanded. Shurbagy specializes in the production and export of spinning and weaving products and ready-made clothes. The company is among the public sector firms due to be privatized during 2000/2001. The company's fixed assets and projects under construction totaled 76.38 million pounds in 1997/8 (Shurbagy fact sheet 1999).

According to one Shurbagy official, the company was a profit-making company up to 1990/1 when it reported net profit of 102,000 pounds. After this the company started incurring losses every year up to the present date. Total net loss for the financial year 1999/8 (July-June) stood at 61.05 million pounds, from 18.1 million pounds in 1998/7, 78.65 million in 1996/7 and 87.09 million pounds in loss reported in 1995/6. Exports dropped to 828,000 pounds in 1999/8, from 4.5 million pounds in 1997/8 and from 10.17 million in 1996/7 and 17.6 million in 1995/6 (see figure 5.1) (Shurbagy fact sheet 1999). This is due to several reasons, which are explained below.

### **Competition and Inflation**

At the end of the 1973 October War period, imports from the outside world increased, resulting in intensified competition. This led the company's management to invest highly in the

firm's production lines for restructuring and upgrading purposes to allow it to export to the Eastern European block, Shurbagy's main export market at the time<sup>11</sup>. The protected economies of Eastern Europe used to buy any quality and large quantities of Shurbagy's products, which greatly reduced the need and incentive to improve quality of production or upgrade workers' efficiency, which in turn affected the firm's competitiveness. However, exports to the Eastern Europe ceased with the collapse of the Eastern European Block, whose countries were the main importers of Egyptian textile products. Exports to Western Europe are minute in the face of increasing competition from East Asian countries and China, which provide cheaper and higher quality textiles and clothes.



Source: Shurbagy official, May 10, 2000.

Figure 1 shows the gradual deterioration of Shurbagy's performance, as profits turned into losses. The net loss of 18.398 million pounds reported in 1997/8 was actually higher than this

<sup>11</sup> Shurbagy's management could not provide the necessary empirical data that shows how much was invested in the firm's production lines during the 1970s.

figure, according to a Shurbagy official. The figure was reduced after the National Bank of Egypt renounced part of the interest rates owed by Shurbagy, worth 54 million pounds.

The figure also shows that losses continued at a time when exports were increasing, reaching a peak in the mid nineties when net loss reached its lowest plunge. The firm's financial manager justifies this paradoxical relation between declining profits and increasing exports by arguing that exports were sold at minimum prices to compete with Asian cheaper and higher quality textile goods that were dumped on international markets. The manager mentioned that the cost of textile production in Egypt is much higher than in Asia due to more expensive labor and the higher quality of Egyptian cotton, which costs more. Thus, the manager argues that severe competition with exports from other countries, added to the burden of increasing bank interest rates, meant Shurbagy was barely able to cover its variable costs (cost of production added to part of labor wages). Hence, although the exports were increasing, goods sold were not bringing in much profit due to high costs of production and increasing competition.

Shurbagy's chairman gave another explanation. He said the firm had a large inventory of outdated products, some of which had been stored in Shurbagy's warehouses for over 15 years. Hence, it made sense to get rid of these products by exporting them even if the firm was not making any profit, rather than have them stored for ages, where they become more outdated and not in demand. It would be sensible to conclude from this situation that exports in this case were not feasible as they meant more losses for Shurbagy, according to the Shurbagy management. Thus, by 1995/6, after exports reach their peak, they tend to decline significantly over the following years.

The manager argues that in 1991, bank interest rates rose to 23 percent from a previous eight percent. She added that this interest rate burden continued till 1997, during which time exports

gradually decreased. The financial manager pointed out that exports reached their highest peak in the 1960s and 1970s<sup>12</sup> due to strong demand by Eastern European countries. She argued that exports were stronger then due to less harsh economic conditions, including interest from banks.

Strong borrowing from banks by Shurbagy over the years to help finance investments to upgrade and develop products has increased the company's indebtedness. Deflationary policies adopted in the early 1990s, as part of economic reform to reduce inflation rates increased interest rate on Shurbagy's loans that also increased its total debts. Banks have suspended lending to the company since 1994. The deflationary policies also reduced domestic consumption, which increased production stock and reduced capacity utilization.

Another problem that led to the deterioration of Shurbagy's performance over the years was that, under historical market conditions there was no aggressive competition, so Shurbagy never had to face direct competition that would have encouraged production innovation and technology upgrading. The government used to buy large amounts of the firm's products and sell them to the public at subsidized rates, as part of its social role towards the Egyptian society. State-owned stores such as Omar Effendi, Benzion and Sidnawy were main outlets for Shurbagy goods. However, with the increasing competition in recent years from the private sector, these public sector outlets have diverted their interest away from Shurbagy and towards the private sector, which provides better quality products. This has contributed to a drop in Shurbagy's sales. The firm's sales are currently made by selling to individual cloth and material traders directly or through Shurbagy's 16 showrooms located around Egypt. This is where sales training could make a difference, by expanding Shurbagy's sales outlets and targeting the larger clothes stores to attract a larger customer base.

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<sup>12</sup> Company officials could not supply historical data older than 10 years.



### Management & Employees' Defaults

According to Shurbagy's current chairman, lack of modern technical, financial and production skills among Shurbagy employees also generated the company's losses. He argued that the firm was not equipped with marketing and sales experts due to the old economic system where the public sector used to buy any amounts. Hence the firm's management acted as if it did not produce for selling because there was no need to promote sales due to government past purchases of large quantities and also due to Eastern Europe's past imports of large quantities and any quality. He pointed out that this resulted in the over storage of many products, some of which have been in the company's inventories for the past 15 years.

Hence, it becomes clear here that management as well needs training to change the mindset from inward looking to a more competitive insight on production. The current training program will help address this problem by training managers in sales, marketing, computer and maintenance. The sales managers need to be more outward-oriented and eager to expand the firm's client base to attract more buyers. Further, top-level management training seems to be another program that the company is in need of, together with workers training and spending more on equipment and maintenance in order to allow the company to stand on its feet again and start incurring profits.

Shurbagy's chairman mentioned that another problem related with workers was that the majority of skilled workers in the company have over the years fled to private sector textile firms that offer more attractive job packages and better wages. The training program might be able to curb this problem in the sectors that undergo training. By offering bonuses to workers in the departments that are to experience training, should they apply the skills they acquire effectively.

Hence, if salesmen for example manage to win more clients, or if marketing employees create attractive advertisements for the firm, these employees could be awarded.

#### Outdated Machinery

Shurbagy's chairman argued that a lot of the factory's machinery was outdated and some were out of order and required spare parts. He pointed out that, due to lack of liquidity, the company could no longer purchase large amounts of cotton needed for spinning. As a result of this, only 50 percent of spinning production lines are currently operational. Seventy percent of clothing manufacturing and 80 percent of weaving activities are still operational. He stated that an average 20 million Egyptian pounds were needed to finance purchases of spare parts, and to modernize current machinery and upgrade employees' skills.

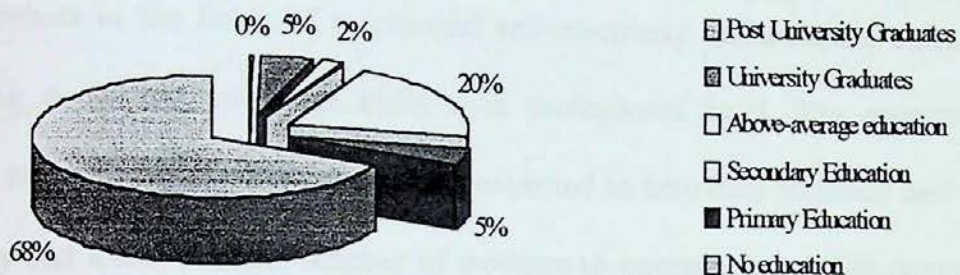
This shows that the complete recovery of Shurbagy does not only depend on training its employees, but it rather depends on a set of factors that include making available financial resources to upgrade machinery and buy the needed spare parts. However, by training employees, this could solve part of Shurbagy's problem, through improving the quality of its products and cutting down on employees' defaults and inefficiencies. This would save Shurbagy resources that can be used elsewhere. Any funding by the government or assisting organizations to spend on needed machinery and spare parts will also contribute to developing Shurbagy.

#### Labor Breakdown

At present, Shurbagy has 2,410 workers on the job, and another 1,768 workers have been included in the government's early retirement scheme. By June 1999, 1,461 of the total workers drawn up for early retirement had left. Out of the current 2,410 workers in the Shurbagy, six

workers have graduate degrees; 117 have university degrees; 45 workers have completed above-average education; 480 have a secondary education; 120 are with a primary education; and 1,642 workers are without any education. Figure 2 shows a breakdown of Shurbagy employees according to their formal education attainment.

FIGURE 2  
EMPLOYEE FORMAL EDUCATION BREAKDOWN



Source: Shurbagy chairman, January 2000

The current project could prove to be very useful for Shurbagy, as Shurbagy's management states that company employees lack adequate marketing and sales skills needed to help bring its products up to international standards and to boost its sales. Employees also lack proper maintenance and computer skills. The firm's management puts the number of workers mostly in need of such skills at 482 workers, including two managers. These employees are mostly with a below-average education, except for the university-educated managers.

It is important to realize that training for these workers is not enough to transform the company into a profit-making entity as it used to be. In order for Shurbagy to become a competitive firm in the textiles industry it also needs complete management training and it needs financial resources for restructuring and to buy needed equipment and production inputs. By starting with

workers' training, this would help the firm expand its production line, improve quality of its goods and cut on waste and inefficient use of inputs.

### Training Needs

There seems to be a clear need to change the mindset of old management and workers in order to allow them to cope with current market forces of competition. The firm's current chairman has suggested implementing a set of training programs on 20 percent, or 482, of the firm's workers in the fields of mechanical and electricity maintenance, computer training, and developing marketing and sales skills at a professional level. The programs for these 482 workers, which include two managers, are expected to help curb technical and electric defaults in machinery and allow a larger number of workers to operate the several computerized machines presently operational in the factory.

Training courses to develop marketing and sales skills are also seen imperative to help the company boost its sales and turn once again into a profit-making firm. It is hoped to contribute to increasing Shurbagy's exports and domestic sales, by upgrading quality, diversifying products and increasing quantity. Shurbagy's management believes that, through these training programs, the company can reduce risk of machinery defaults and will guarantee diversification of products and the maintenance of high quality production. The training is hoped to enhance workers' competitiveness so as to enable them to produce what the market needs at lower or similar prices to those offered by private sector textiles companies. Shurbagy's chairman realizes that training these workers alone is not enough to transform the company into a profit-making firm once again. He admits that the firm needs financial resources for restructuring as well.

Furthermore, from the several interviews conducted with department managers at the firm, it becomes obvious that such managers need training to transform their production outlook. The managers are mostly inward-looking and lack innovation and a competitive personality. They are convinced Shurbagy, like most public-sector firms, was hard hit by the recent economic liberalization and the emergence of giant private sector and foreign competitive firms that swallowed away Shurbagy's market share. The managers seem to believe that Shurbagy's only solution lies in privatization, where a private owner will take on the burden of fixing up the company and working on making it profitable once again. By changing management's mindset to be more competitive and liberal, this will contribute to the firm's development and will also encourage foreign investors to take notice of the firm, with its skilled labor and competitive management. The current project will help address this issue by offering training to managers in sales, marketing, maintenance and computers. Through training, the managers will learn how to become outward looking, innovative and competitive.

Also, as discussed earlier, it is possible that management is strongly supporting training in the outlined departments with the aim of guaranteeing a managerial position in these departments after the company is sold. Management restructuring strategies are common among public enterprises in various developing countries. In order to guarantee a managerial employment opportunity once Shurbagy is turned into a private sector firm, management here could be interested in developing the skills of employees in the sales and management department and the computer operations department. This is to make the firm look more profitable, enhance its competitiveness and work on strengthening its advertising tools. By achieving this, local and foreign investors eyeing the firm would be more inclined to acquire it and could also be encouraged to employ previous managers who took part in upgrading workers' skills.

### Suggested Training Curriculum

The 482 employees the chairman suggests to start with need training in marketing and sales, mechanical and electrical maintenance and training on operating computerized machinery as well as basic computer training. The workers include two managers, sales and marketing manager and a maintenance manager. This section discusses the reasons why training programs outlined in the previous chapter are not suitable for Shurbagy. The section also outlines alternative training courses for both managers and employees in the areas suggested by Shurbagy's chairman<sup>13</sup>.

#### Weaknesses of Existing Training Programs

The previous chapter, which outlined some of the current training practices pursued in Egypt, showed that some of these programs offer successful training in various trades. The programs also offer training courses that seem comparable to Shurbagy's training needs. But a more in-depth analysis would show that these programs are nevertheless unsuitable to meet the firm's needs.

Management and marketing training courses supplied by Helwan University are not up-to date as they are based on outdated training material and theoretically based training methods. Hence, such a program would fail to meet the training needs of Shurbagy, where employees need to be supplied with up-to-date sales and marketing techniques, as well as computer and maintenance training in order for them to be able to contribute to raising the firm's market share and expanding its customer base.

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<sup>13</sup> The training curricula were suggested by Hesham Sewilam, operations development manager at Coca-Cola Egypt during an interview.

Management training schemes offered by the private sector firms TEAM and Totality, are examples of successful private sector training initiatives that exist in Egypt. Both firms provide a wide range of training courses in management-related topics, both for private sector and public sector firms. But the GTG study asserts that the quality of Totality's management training program needs to be raised to enrich the capacity of the trainees. Also, both firms offer short-term training courses, which are not necessarily suitable for Shurbagy. This would be the first training program to teach Shurbagy workers skills in marketing, sales and computer, and so a few-week's training program does not sound very effective in this case.

The Human Resource Development Program (HRDP) offered under the Social Fund for Development is comparable to Shurbagy's training needs as it offers training in various areas ranging from managerial to basic skills. Hence, Shurbagy employees in need of marketing, sales, computer and maintenance training are likely to find programs to address their needs.

Furthermore, the German-funded Mubarak-Kohl Initiative (MKI) is another program that offers training comparable to Shurbagy's needs. It trains youth and employed workers in various trades and is continuously expanding its training programs to include new subjects. It has recently included sales and management and industrial management training programs. The initiative also has a sound training program in the textile sector, which provides training in the textiles and ready-made garments field.

The program offers several training courses that are comparable with Shurbagy's training needs. It offers computer operation training under its industrial management training program, it also offers sales and marketing training and machinery operation and maintenance training courses (MKI Newsletter 1999: 7). Hence, it becomes obvious that the initiative's training specialties correspond to training needs of Shurbagy. These training varieties could be beneficial

to Shurbagy, but they will not however provide sales and marketing programs, especially designed for a textile firm, as the current textile training offered by MKI is mainly industry-oriented.

Moreover, after assessing the social fund's HRDP and the MKI, it is fair to argue that although they provide training in the areas that need to be addressed in Shurbagy, the programs would not be very suitable for Shurbagy's training needs for several reasons. Shurbagy workers would benefit more from a training program that is designed to address weaknesses in the company and weaknesses in the methods used by employees to deal with these company problems. In order to do so, the training program for Shurbagy needs to rely on trainers who are familiar with the company and with its problems in marketing, sales, computer and maintenance.

Hence, it seems that Shurbagy would be better off with a 'home-made' training program that a general one that teaches all workers the same skills, regardless of the needs of their companies. Shurbagy needs a program that is designed specifically to equip employees with skills that would help increase its sales, expand its advertising campaigns and learn how to conduct proper research on market needs and Shurbagy competitors. In addition, such a program would be more useful for Shurbagy in the maintenance area as well, as workers need to be trained on the machinery existing in their company. They need to know how to repair Shurbagy machinery and how to prevent machinery defaults.

Thus, it would not be useful for these workers to be trained under MKI or social fund programs that would provide them with practical training on machinery different from their company's appliances. This is because Shurbagy's machines are mostly outdated, since the firm lacks sufficient funds to modernize its machinery. Hence, it would be difficult to train workers on similar machines under the Mubarak-Kohl Initiative or the social fund's Human Development



Resource Program. In addition, workers in Shurbagy need to receive training without disrupting their working hours, and hence the dual system offered by the MKI or training in the social fund's training centers would not necessarily be useful here.

Therefore, it is fair to argue that the program suggested in this document could have better impact on the company and on Shurbagy workers than any other training program offered by government-funded-institutions or donor-funded institutions. This is because Shurbagy employees need a home-grown training program that would allow them to receive on-the-job training for a large part of the program. This would allow them to acquire new skills in a practical way without disrupting working conditions and without causing workers' animosity from workers who do not receive training. Because these workers might resent the fact that their colleagues are allowed to attend training courses outside the company and their workload becomes a burden on the rest of the employees. Hence, training inside the Shurbagy premises is a more suitable option here.

In addition, a program designed exclusively to address weaknesses in Shurbagy's sales and marketing techniques and computer and maintenance deficiencies is preferable than a general training course in sales, marketing, computer and maintenance similar to courses offered by training centers. This is because Shurbagy employees need special training to help them address their weaknesses and allow them to carry out their work in a more professional manner. In order to receive such training, Shurbagy employees need trainers that are familiarized with the company and its deficiencies, in order to be able to create an adequate curriculum that would address these problems. The company is suffering from weak sales, lack of adequate marketing and lack of computer awareness as well as lack of maintenance techniques.

Thus, for any training program to be effective in Shurbagy, trainers need to conduct detailed studies of the firm's weaknesses and how to address each problem in the most efficient and less time-consuming manner. This is because Shurbagy is one of the public enterprises to be privatized during 2000/2001 and so it is necessary to try to address some of its problems ahead of its privatization in order to raise the firm's competitiveness and assist its workers in sustaining their jobs.

Therefore, a comprehensive program is required to address the firm's urgent needs in departments of sales and marketing, computer operations and maintenance. The following section suggests special training courses for Shurbagy employees.

TABLE 6  
OUTLINE FOR SALES TRAINING COURSE

Sales Training	
For sales manager	For salesmen
Teaching the manager how to do efficient research and development on the company's products.	Knowledge of Shurbagy's business and products.
How to approach new outlets for Shurbagy's products instead of the traditional public sector outlets.	Knowledge of competitive products.
How to give salesmen incentives to expand sales.	Knowledge of sales districts.
How to identify target clients, according to various customer needs in the different urban and rural areas.	Knowledge of customer needs through effective communication and equipping training salesmen with effective negotiation skills.

TABLE 7  
 OUTLINE FOR MARKETING TRAINING COURSE

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Marketing Training for Manager and Employees

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How to compile research and development of quality and packaging of the products.

How to make research and development of competition's products and innovation.

Identification of urban and rural trade areas.

Identification of products demanded by the different trade areas.

Creating attractive price packages for the consumer.

Creating trade discounts for traders.

Sales promotion and creating buy incentives (example buy one gets one free, etc).

Establishing an efficient advertisement network through various media tools.

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Maintenance Training

Training for electrical and mechanical maintenance should focus on *preventive maintenance*-how to conduct regular machinery maintenance check-ups through the use of a timetable and *corrective maintenance*-how to repair machinery in the case of errors or mishaps. This is currently carried out by equipment vendors through an outside contract. The aim here is to reduce the cost of maintenance by relying on in-house maintenance rather than having maintenance contracts with companies that sell Shurbagy machinery<sup>14</sup>. This will allow the firm to reduce its expenses, which could otherwise be used to buy new equipment or production inputs.

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<sup>14</sup> Shurbagy's chairman did not specify how much money would be saved by ending maintenance contracts.

## Computer Training

This training will focus on familiarizing workers with the operation of computerized machines and on teaching them basic computer skills that are applicable to their duties at Shurbagy. Employees could be taught basic skills of word processing, spread sheets and database. Such computer skills could be feasible in monitoring and controlling warehouses, production schedules, and personnel performance, establishing a client database and monitoring sales performance. The aim is to equip the employees with computer skills that would allow them to monitor production and control client and employee databases with more efficiency. The computer training, either on machinery or to acquire computer skills will need on-the-job training courses, as workers need to work with the machines and practice their computer skills.

Through these training courses, employees could perform their same duties in a more efficient way. This is likely to have a positive impact on their performance, output and the quality and quantity of their products. There are several types of training that could be used to train Shurbagy employees in sales and marketing, maintenance and computer. Before referring to the training methods chosen for the current project, it is necessary to give a brief overview of the various training methods used worldwide.

## Training Methods

Various methods of training exist worldwide and are adopted either individually, or by combining several methods together, in order to produce the standard of skills that different governments and companies seek. Many of these methods seem adequate for the current Shurbagy project proposal at hand. Below is a summary of two of the training methods used worldwide, which could be applied, in the current project.

*Classroom training:* This type of training is the traditional school-class method, where an instructor in a classroom, following a set course curriculum, teaches workers and students. It is useful in providing workers with basic information. It is mostly beneficial in courses that require more understanding than just practice. This is because it allows face-to-face interaction with the teacher so that questions could be asked and answered and theories tested inside the classroom. This could be used in Shurbagy for sales and marketing training. But for technical skill courses, classroom training could be useful if it is combined with in-service training explained below.

*In-Service training:* This mode is used to provide labor with new working techniques while they are on the job and thus could be applied for workers with low skills attainments and who choose to stay in the company after it is privatized. This method has a lot of advantage in that it offers a more practical and relevant course content (Barrett 1989: 227). It allows workers to remain on the job for a large portion of the training period. In-service training also contributes to the conservation of financial resources that would have been spent on sending workers abroad for training. It also allows easy access to the training system where newly acquired skills and knowledge can be easily applied and tested, and can be continuously evaluated (Barrett 1989: 227).

For this type of training to be most successful, trainees have to be selected in a rational manner and their future role in the factory or company should be identified from the start in order to make maximum use of their newly acquired skills. Also, the course content has to be selected with care, to guarantee that it is relevant to the training needs of the worker, department and company in general (Barrett 1989: 235). This type of training would be of great use to Shurbagy employees, as they would need to be trained on-the-job to be able to practice the skills

they need to acquire, whether these are sales and marketing or computer skills or learning to protect machinery.

*Distance learning:* This training depends on the use of well-established technologies such as radio, television and video or through the use of tapes and books. It is useful for students tied to their homes or jobs as it allows students to receive training in various skills or fields of science without disrupting their normal routine (Oliveira 1992: 4). It is also useful as it can provide trainees with courses that are not available in their local country or city (Oliveira 1992: 4). Distance learning is also cheaper than having to pay for a training abroad. This training method could be useful to a more sophisticated type of workforce that is familiar with such self-reliance methods and is willing to allocate time and effort and depend on itself for training. It requires a motivated workforce or student base that is willing to rely solely on tapes or books to learn without face-to-face correspondence with a teacher.

Furthermore, this training procedure needs a large amount of money to set up a study area or a library, fully equipped with training books, cassette and video tapes and players. This method of training could benefit Shurbagy employees if combined with other methods. Employees could refer to books to self-teach themselves advanced sales and marketing or books or computer skills following the completion of their basic training courses under the current project.

#### Training Methods Suited for Shurbagy

The current project aims to train 482 Shurbagy employees, including two managers, in the fields of sales and marketing, technical and electronic maintenance and computer skills. Hence, Shurbagy employees are more likely to benefit from classroom-style training and on-the-job

training methods that are run by instructors who explain the material and direct the workers throughout the training.

Training for the sales manager will mostly be conducted through classroom-type courses. It could be useful for the trainer to accompany both manager and salesmen on client visits to ensure that both employees understand how to conduct effective client visits. For salesmen training, the first part of the course, which is the theoretical part, should be conducted through classroom training. The second part should be on-the-job training, where the salesmen's direct boss or supervisor should accompany the salesmen on client visits to ensure proper sales calls are conducted. For marketing, training would be conducted both through classroom and on-the-job training methods, as both are applicable to knowledge and skills that workers need to acquire. On-the-job training will be mostly relied on when training maintenance workers, as workers here need to have practical experience with fixing and safeguarding machinery.

Once again, it is important to note that the training of 20 percent of Shurbagy's workforce, or 482 employees alone, is not the solution to the firm's problems and loss making. The firm is also in need of financing to modernize old machinery and buy spare parts and production inputs that are required. However, the current training is one of the factors that could assist the firm in becoming more competitive, which is a strong incentive for private investors who might be interested in purchasing the firm.

## CHAPTER 6

### CONCLUSIONS & RECOMMENDATIONS

Throughout this paper and its recurrent theme stipulating that training workers is a necessity, it is evident that developing a strong manpower is essential for the growth of the Egyptian economy. If Egypt hopes to play a larger role in the global economy during the new millennium, it needs to exert more effort to develop a skillful workforce. It becomes evident that such a move requires cooperation among government ministries, private sector businesses and the various donor agencies. It is necessary for the Egyptian government to seek to combine all training efforts under a national human resource development scheme, so as to avoid duplication and repetition of training services and to provide a clearer vision of the market's technical and skills requirements. The Social Fund for Development has already taken positive steps in this direction and is currently the main national fund responsible for training and gathering information on labor market needs.

It is clear that the responsibility of training these employees has to be shared by the government and donors. This will in return benefit the government, which will have greater leverage during the company offering, as it could seek a higher price in exchange for the skilled labor and more profitable company. Furthermore, a skilled workforce is highly encouraged by private sector and foreign investors who waste vast amounts of money to give former public sector workers basic skills training. Hence such investors would be more willing to pay a higher price for a public sector firm with skilled labor, than pay a lower price for a firm with a weak workforce, which would require large funding to upgrade its skills.



The current study argues that Egypt could learn a lot from the training experiences of industrialized and newly industrialized countries. Egypt could gain a lot from the successful training experiences of countries such as Germany, Korea and Singapore. Egypt could apply some of the best training practices adopted in these countries to address the specific training needs of Egyptian industries. This would benefit Egypt, as it would allow it to apply programs that have proved successful elsewhere without having to spend time and money on trying out new programs that might or might not prove effective. Furthermore, the experiences of these countries shows that the government should always be alert to new changes in the market's labor needs, so as to avoid training Egyptian labor in skills that are not in demand by the market. By doing so, Egypt would help address the market's needs without delay and it will avoid raising the country's unemployment rate, which is already high at 1.6 million people.

Moreover, the study shows that when applying a training program for Shurbagy, the experience of multinational firms in Egypt becomes a useful guideline. The experience of companies such as Coca-Cola Egypt and Pepsi-Cola Egypt, which were privatized in the mid-1990s, shows that extensive training in sales is one of the main programs foreign firms adopt when they acquire a public sector firm. These firms spend vast amount of money on training sales personnel, which are the main employees that deal with customers and so they need to acquire adequate negotiation skills and they need to be familiar with their firm's products and customer promotions.

This study asserts that providing workers with modern industrial, technical and computer skills not only helps workers maintain their jobs or find better jobs, but it also has positive impact on domestic production and hence the economy in general. A skilled workforce will encourage private investors to invest in public sector companies. Hence upgrading skills of

public sector workers such as those in Shurbagy benefits the employees and the government as well. It guarantees the workers a better chance in the labor market and it allows the government to have a stronger leverage when offering such public sector firms for sale.

The study shows that, despite ongoing efforts to produce a high skilled workforce, there still seems to be in many cases a mismatch in demand and supply for skilled labor. The market necessarily demands not all skills learnt and not all skills demanded by the market are available, according to the ILO (ILO 1997: 20). Hence, more attention should be paid to the skills needed by the labor market and the employment opportunities available to avoid spending time and resources in training that is disadvantageous and unfeasible to the workers and to the economy in general. Such steps become imperative if Egypt hopes to join others in the competitive economic race and to make the best use of its human wealth. There are several training efforts currently being undertaken that should be applauded for their efficiency and positive results so far. Such projects should be expanded in all governorates, with funding shared by the state, businessmen and donor agencies when available.

The government should spend more on gathering labor market information. It needs to be familiar with the market's needs and how to identify what skills are in demand and what skills have become outdated. Accordingly, the government needs to ensure that training centers and the labor market coordinate efficiently, with centers supplying the market with its needed labor skills. Since the Social Fund for Development already plays a strong role in this area, it could act as the government body responsible of bringing both heads together. The Social Fund for Development could coordinate between training centers and the labor market to ensure that various industries receive skills demanded. It could also act as the main recruitment agency for trained workers, either newly graduates or workers displaced from privatized firms.

Further, this study argues that training programs such as those offered by the Social Fund for Development and the Mubarak-Kohl Initiative should be expanded throughout Egypt so that they could reach a large number of workers in need of new skills to face the labor market's needs. Furthermore, public-sector training programs such as those offered by Helwan University and private-sector programs such as those offered by TEAM and Totality need to be modified and updated so as to rely on up-to-date training material. These programs could prove to be successful if they rely more on practical as well as theoretical training methods. Despite the weaknesses in some of the current skills development projects being implemented, these programs are clear proof of the fruits of training and that training is an added value, whether a company is privatized or not. This becomes clear from the increasing number of apprentices that join these programs every year and from employment figures published by the Social Fund for Development, which are evidence that these programs help workers get employed with their newly-acquired skills.

Furthermore, an effective training program in Shurbagy is likely to encourage similar programs in other public sector firms in the textile industry. This would gradually lead to a strengthening of the industry and allow public sector entities to regain some of their market share, which had been lost to newly emerging private, competitive textile firms. The current study also shows that Egypt's textile industry has been an important sector of the economy for many years. The sector is considered one of the most important sectors from both an economic and social point of view. The present paper has outlined how the sector's role has throughout the years diminished from one of the largest textile exporters in the 19<sup>th</sup> century to what it is today.

The textile sector, specifically the 31 public enterprises that operate within it, suffer badly from lack of funding, workers' deficiency and outdated machinery and production techniques.

Any program to deal with one of these weaknesses will surely benefit the company concerned and will have a positive impact on the overall industry. By endowing Shurbagy employees with the necessary skills needed to enhance the firm's competitiveness and increase its sales, this would strengthen one of the main public sector firms in the sector.

From the data reviewed in this thesis, it is fair to argue that by providing Shurbagy workers with training to upgrade their technical, computer and sales and marketing skills, this could help bring the firm to a more competitive level, even if it will not eradicate all the firm's problems. The company seems to be suffering like many other public sector enterprises from lack of funding, indebtedness, lack of machinery, shortage of modern production facilities and a management that lacks incentive. Without a project, funded by the government and donor agencies, these workers would be at a large risk of displacement once privatization of the company is implemented.

Furthermore, it is apparent from interviews conducted with several Shurbagy executives that the firm lacks the funding and the will to train its workforce. The executives are not enthusiastic about upgrading the workers' skills just to have a private investor take them over during privatization. It has also been suggested that the management's focus on training in sales and marketing and computer operations could mean the management is developing these sectors in hope of securing an executive position in these department following privatization.

By providing Shurbagy employees with this kind of training, it would serve to increase the company's customer base and it will also encourage more foreign and private sector firms to acquire Shurbagy when it is offered for sale. These multinational firms complain that public sector workers receive very little training and that many workers have to be laid off as the firms cannot afford to train unskilled workers from scratch. Hence, training for Shurbagy employees

would help them preserve their jobs, following privatization, as the new firm owners would be encouraged to employ skilled and efficient workers that are already familiar with the firm's business and products. In addition, by helping Shurbagy workers develop production skills that would help them survive privatization or offer them better chances in the labor market, the current project will contribute to the overall development of Egypt's human resources.

It can no longer be argued that economic and financial factors alone are enough to drive an economy forward. The human component becomes very significant, especially in countries rich in labor that can be trained to expand various industries and enhance an economy's competitiveness. The Egyptian economy has a large potential for growth, provided that it puts more reliance on its human component.

## CHAPTER 7

### PROJECT DOCUMENT

This chapter provides a specific outline for the Shurbagy training project. It contains a detailed plan for the training courses needed, providing suggestions on the number of trainers needed, equipment needed and an estimated budget.

#### Context

This section describes the target firm and the current problem of lack of training. It also outlines Egypt's strategy towards human development as well as current assistance provided to Egypt in this area.

#### Description of the Subsector

Egypt's El Nasr Spinning and Knitting Company, also known as Shurbagy, is a public sector firm that specializes in the production and export of spinning and weaving products and ready-made clothes. Its largest trade partners are the United States, United Kingdom and Germany. Shurbagy currently employs 2,410 workers and another 1,768 workers have been included in the government's early retirement scheme. Around 1,461 of the total workers drawn up for early retirement had already left by June 1999. Out of the current 2410 workers in the Shurbagy, six workers have post university degrees; 117 or 4.9 percent have university degrees; 45 workers have completed above-average education; 480 or 20 percent have an average education; 120 are

with a below-average education; and 1,642 workers are without any education. Hence, the bulk of the workforce, or 68 percent, lacks adequate education.

Furthermore, the firm's management asserts that workers lack adequate marketing and sales skills needed to bring its products up to international standards and to boost sales. Shurbagy is to be included under the government's privatization program, which began in the early 1990s, and privatization in the company is due to be completed in 2000/2001.

There have been several in-service training programs as well as outside training for these employees in order to upgrade their skills but they seem to have had little effect on upgrading employees' skills, which has contributed to the company's losses made over the years. Lack of human development schemes are major factors affecting these employees, especially training programs that take into account the exact skills needed in Shurbagy to boost sales and promote quality skills needed in the general job market.

#### Host Country Strategy

The government has in recent years started to realize the essentiality of sound human development projects that promote various skills among workers. This has been done through co-operation with several international donor agencies and also under Egypt's Social Fund for Development (SFD). However, more effort and funding is still needed in this area to ensure that the various existing training efforts are not overlapping each other and to guarantee that these projects provide the labor market with skills needed.

### Prior and Ongoing Assistance

The Social Fund for Development has exerted some effort in human development projects; vocational training programs have been funded by the German Technical Co-operation in Egypt, mainly through the Mubarak-Kohl dual-system initiative and the USAID. Other assistance has been through Italian and British agencies.

### Institutional Framework

The key national institutions involved with spinning and weaving production and export are the Ministry of Industry, the Ministry of Trade and the Public Enterprise Ministry. The Ministry of Cooperation will have to be involved in the project as it is normally involved in any donor-funded projects. The Ministry of Industry has broad regulatory powers and supporting programs that affect Shurbagy industry. The Ministry of Trade monitors export and import programs of Shurbagy. The Public Enterprise Ministry is involved with all public-sector firms and administers the privatization and early retirement scheme of Shurbagy. It is also concerned with the company's profitability and in July 1999, it announced its willingness to sign a contract with one or several management companies with the aim of upgrading spinning and weaving companies including Shurbagy. The ministry stated that the aim was to shift these companies to profit-making firms instead of loss-making entities and to supply needed skills on all employee levels.

According to one Shurbagy official, the company was a profit-making company up to 1990/1 when it reported net profit of 102,000 pounds. After this the company started incurring losses every year up to the present date.



### Project Justification

This section gives details of the main problem to be addressed within this project. It also outlines the targeted employees, their training needs and the expected outcome of the project.

#### The problem to be Addressed: the Present Situation

Shurbagy's management asserts that 482 employees (20 percent) out of the firm's total 2,410 workers, with various educational backgrounds, lack basic skills in areas of mechanical and electricity maintenance, operating computerized machinery, and up-to-date marketing and sales skills needed to boost sales. These 482 employees to be trained include a marketing and sales manager and a maintenance manager.

There have not been up to this day any proposals for training programs for these employees to supply them with such skills. This is because company executives, similar to most public-sector management, seem to be relying on privatization and the new company owners to take on the burden of upgrading employees' skills and handling other financial and production problems. Moreover, the 1,768 workers included in the government's early retirement scheme, 1,461 workers of which had left by June 1999, will be jobless. Since they lack basic skills required by other weaving companies in the market, they would face hardships in their search for a replacement job.

#### Expected End of Project Situation

After the implementation of the project, Shurbagy will be able to provide its employees with the kind of training required by the modern technological sector. Employees will be trained in

their respective fields of specialty to help sustain their current jobs at Shurbagy or expand their opportunities elsewhere if they are part of the early retirement scheme.

Large-scale management training is also a project that could be studied once the current project is implemented, as current management in various sectors in Shurbagy lacks a competitive, outward-looking vision. Through interviews with several second-level management personnel, they seem to be convinced that there is nothing more they can do to improve quality, increase production and promote local and international sales. They seem to deal with the fact that competitive firms have stolen away Shurbagy's historical market share as if it is the company's fate and nothing could be done to win back part of its sales.

Moreover, aside from Shurbagy's chairman, company management personnel have no incentive to improve their company and seem to be waiting for privatization to solve all the firm's problems. They are convinced that it is not worth it to exert any effort in improving production or workers' skills since the company will be sold to private owners who should take away the responsibility of developing the company. Therefore, training could be feasible for management to convince them of the benefits of improving the firm's production techniques and paying more attention to training for all employees.

#### Target Beneficiaries

The target beneficiaries of the project are the 482 employees, or the 20 percent of Shurbagy's 2,410 employees that need training in areas of electric and mechanical maintenance, operating computerized machines and in sales and marketing. The actual upgrading of employees will benefit them and will improve efficiency in Shurbagy's production and enhance the competitiveness of its products. It will benefit the employees by allowing them to sustain

their jobs at Shurbagy, given their added value, or by offering them better opportunities in the labor market. It would also benefit the government as it could make Shurbagy a more attractive public-sector firm when privatization dates are announced, which would result in a higher price paid for the firm.

### Project Strategy and Implementation Arrangements

*Project strategy:* The master plan should lead to the implementation of adequate training programs that enhance the level of employees' skills in order to set the stage for long-term sustainable growth in the company and an expansion of employment opportunities for displaced employees. A pilot study could be conducted on a sample of 40 to 50 employees before the start of the actual project to identify its impact on employees.

*Implementation Arrangements:* The project will be implemented under the overall coordination of government counterpart teams. These teams will consist of experts from the Ministries of Industry, Trade, Education and Cooperation as well as other related agencies or institutes as may be required. Progress under the project will be guided and annually reviewed by the training consultants and representatives from the donor agency through meetings by a steering committee.

A project management agency will be created to carry out and monitor the training on a day-to-day basis. The agency, composed of Shurbagy managers and training consultants specialized in the textile field, will be the executing agency for the project. The steering committee with representatives from all government agencies involved, the donor organization and Shurbagy management as well as the training specialists will meet on an annual basis to follow on the developments of the project. This is to give the project management agency more flexibility in

running the project without constant interference or possible clashes with government bodies or donor representatives. This annual involvement of the steering committee members will help cushion the project against the constant intervention by the various ministries involved, which could lead to institutional problems and drawbacks for the project.

*Alternative Implementation Arrangements:* Hiring a professional international training firm was considered. However it would be time consuming and could cause delays, as the firm would be unacquainted with the type of industry in Shurbagy and the skills lacking. Further, hiring such a firm would have been more expensive, financially. Hence, specialists in the textile field, either from local private-sector firms or from foreign countries such as India, which has a sound textiles industry, could be better suited to play a role in the project. In addition, a local consultancy firm working in the field of training will also be hired to coordinate between trainers and government and donor agencies on the training procedure and to cooperate with trainers and Shurbagy management to work out a suitable course curriculum.

#### Reasons for Assistance from Donor Agencies

Donor agencies such as the UNDP and agencies belonging to various developed countries have been involved in various human development projects. International agencies such as the USAID are leading sources of lending for development projects. As this project will provide major human development opportunities, a larger role by such organizations is needed.

However, it is likely that the donors will list their own conditions and terms for assistance in the project, which may or may not be agreeable to government officials and Shurbagy management. For example, they might insist that they can provide assistance, providing Shurbagy buys production inputs from their related country. Hence, assistance here can be

conditional and not very easy to attain, depending on whether or not a donor agency is likely to accept the project as is, without making major changes or applying harsh conditions.

### Special Considerations

The project could lead to some negative impact on the company performance if employees take training classes during working hours. This could also lead to some animosity between target beneficiary employees and the rest of the firm's employees who might see it unfair for them to work while others attend training classes. Staff meetings could be conducted to explain to Shurbagy workers the aim of training these 480 employees and the expected benefits for the company as a whole.

Target employees should also be provided with financial compensation or some sort of incentive to attract them to the desired training courses as some employees could otherwise view the training as an added task to their working duties and responsibilities. Such incentives could either be financial or could be through the means of certificates showing that workers passed a certain training level. Some training centers provide simple compensation through meals offered during training or transportation fees.

Special consideration should be given when dealing with the various government and non-government agencies involved in the project, to avoid conflicts that could arise due to different opinions on how the training should be carried out and on its curriculum. There are several ministries that are likely to be involved in such a project, such as the ministries of labor, public enterprise and cooperation. Each of these ministries is bound to have a list of priorities that do not necessarily coincide with preferences of other ministries involved. The government agencies therefore should not be involved in the day-to-day training operations to avoid clashes that could

prolong the project or divert it from its main goals. These ministries should instead be involved in preparatory arrangements for the training and the end-of-training evaluation phase.

#### Co-ordination Arrangements

The consultancy firm is the key link between the direct trainers from Shurbagy or those hired from outside and the donor agency. It will provide data and similar past training schemes from the key institutions identified above. By means of periodic meetings of the project management agency and annual meetings of the steering committee, the project will seek to evolve working relations that will provide Shurbagy with useful training programs.

#### Counterpart Support and Capacity

Promoting human development has become a priority in government plans. This has led to the establishment of the Social Fund for Development agency in 1991 based on a Presidential decree, in order to deal with various human resources development schemes, ranging from training to reemployment. Shurbagy has been included under the government's privatization list for 2000/1. Hence a lot of research on the firm and its workers has been executed by the Public Enterprise Ministry, which might be persuaded to share the information for development reasons. By understanding how feasible such a training project could be for Shurbagy employees and for contributing to the well-being of the firm, the ministry might be convinced to cooperate. Furthermore, by explaining how such a training program could attract a higher price for the firm during privatization, the ministry is likely to be encouraged to assist in this situation.

### Development Objective

The development objective of this project is to improve the technical proficiency, computer and marketing and sales skills of 20 percent of employees in Shurbagy as an overall step to promote human development in Egypt. This is to allow them to reach accepted standards of qualification, enabling them to increase their opportunities of job maintenance, or giving them an advantage in the labor market should they be displaced. This is also necessary in order to raise the quality and competitiveness of the company and work to transform it into a profit-making firm instead of its current loss-making status.

### Master Plan

The development objective is to improve the productivity of employees at Shurbagy, through upgrading their marketing and sales skills, their computer proficiency and skills in mechanical and electrical maintenance. This development goal comes under the general plan to develop human resources, which has been established with high priority in government plans.

### Advisory Services

This development goal has been stressed strongly by the United Nations Development Program (UNDP) through its annual issuance of the Human Development Report. It has also been stressed by German, Italian, British, Swedish and American donor agencies which have already implemented several successful projects in this field. These programs include the German-funded Mubarak-Kohl Initiative (MKI) and the USAID's Development Training 2 program (DT2). The Swedish International Development Cooperation Agency (SIDA) has also

assisted Egypt in its human development efforts. It has supplied Egypt with technical cooperation in the form of training, worth 15.5 million dollars.

...the technical and...  
...skills and marketing skills  
...productivity of 452 employees at  
...to enable them to make accepted  
...of qualifications and to increase their  
...of up-employment, or giving  
...employment in the labor market. The aim  
...to train Sharhagy workers, to improve  
...the quality of its products and to en-  
...sure the efficiency of its machinery of tools.

By the end of the project:

Sharhagy will be able to provide its employees  
with training clearly recognized by the various  
managers involved by the donor agency and  
by consultants and staff specialists who work  
in the firm.

Sharhagy will be able to carry out training  
courses to provide its employees with  
technical skills required in other different areas  
of the business.

Responsible Parties

By the end of this stage, a range of related  
operating systems and procedures for  
Sharhagy employees in training will have been  
developed and tested.

...of new to revised operating  
...manuals for Sharhagy training  
...

Objectives for Chapter 2

...development of consultant to implement  
...of project

Responsible Party

The donor agency responsible for the project  
and company managers

...development of procedures for assessment of  
...of Sharhagy worker's abilities

Specialist or consultant

...of some equipment

Sharhagy managers and staff consultants

...of training needs

Sharhagy managers and staff consultants

...development of a program of  
...of training to meet identified needs

Sharhagy managers and staff consultants



## Immediate Objectives, Outputs and Activities

### Immediate Objective

To improve the mechanical and electrical maintenance skills, sales and marketing skills and computer proficiency of 482 employees at Shurbagy, enabling them to reach accepted standards of qualification and to increase their opportunities of job maintenance, or giving them an advantage in the labor market. The aim is also to boost Shurbagy sales, to improve quality and quantity of its products and to curb production and machinery defaults.

### Success Criteria

By the end of the project:

Shurbagy will be able to provide its employees with training classes recognized by the various ministries involved, by the donor agency and by consultants and textile specialists who work in the field.

Shurbagy will be able to carry out training courses to provide the employees with technical skills required in their different areas of specialization.

### Output 1

Establishment of new or revised operating systems/procedures for Shurbagy training programs

### Success Criteria

By the end of this stage, new or revised operating systems and procedures for Shurbagy programs in training will have been developed and tested.

### Activities for Output 1

Hiring a specialist or consultant to implement the project

### Responsible Party

The donor agency responsible for the project and company managers

Development of procedures for assessment of type of training needed in Shurbagy

Specialist or consultant

Training needs assessment

Shurbagy managers and staff consultants

Analysis of training needs

Shurbagy managers and staff consultants

Planning development or adaptation of programs in training to meet identified needs

Shurbagy managers and staff consultants

**Output 2**

Technical training classes for the Shurbagy employees that would provide adequate skills for 20% of the labor force that are the most needy for this training

**Activities for Output 2**

Development of procedures for assessing what type of training is required to meet Shurbagy's needs

Planning the development of training courses to meet the identified needs

Working out an adequate curriculum for the different fields of training targeted

Tutoring the trainers in teaching the required curriculum.

Working out a suitable class schedule for the employees that does not affect their work.

Developing a system of course evaluation and assessment of employees' benefit

**Success Criteria**

These classes in mechanical and electrical maintenance, computer and sales and marketing will have been developed and tested. In all courses, there will be an establishment of means of evaluation, course assessment and regular feedback from the trainers, employers and the employees themselves.

**Responsible Party**

Specialist or consultant and Shurbagy management

Shurbagy managers and staff consultants

Shurbagy managers and staff consultants and training specialists

Shurbagy managers and staff consultants and training specialists

The trainers, Shurbagy staff

The trainers, Shurbagy staff

**Output 3**

Upgrading facilities and equipment for Shurbagy training programs

**Success Criteria**

Facilities and equipment will be adequate for the training process

**Activities for Output 3****Responsible Party**

Review of equipment and facility needs in accordance with training courses

Consultant, Shurbagy managers

Acquisition of equipment

Shurbagy manager

Installation and test operation for equipment

Equipment supplier

Co-ordination and planning for classrooms at the Shurbagy site

Shurbagy manager

Construction of the classrooms

Shurbagy manager and staff

Relocation to classrooms

Shurbagy manager and staff

**Output 4**

Implementation of the Shurbagy training classes

**Success Criteria**

Employees will have attended the training classes according to their specific deficiency (lack of maintenance skills, lack of computer proficiency or marketing and sales skills).

**Activities for Output 3**

Dividing the employees into classes of 20 employees each (a total of 24 classes).

**Responsible Party**

Shurbagy staff and trainers

Working out a weekly schedule of 3 classes per week for each group of employees, where classes do not conflict with working hours.

Shurbagy staff and trainers

This will not be applicable in cases where on-the-job training will be used.

Initiation of training classes and appliance of class attendance measures.

Shurbagy staff and trainers

Developing a system of continuous monitoring of effectiveness of classes, through exams, quizzes and trainer assessment. A final evaluation scheme will be implemented after the two-year project comes to an end.

Shurbagy staff and trainers  
Members of the steering committee will be involved in the final evaluation scheme.

### Inputs

The inputs and budget for the current project were estimated by looking at similar human development projects and by discussing possible costs of training with the human resources officer at CARE Egypt, whose job is to organize various training programs<sup>15</sup>.

	National Inputs (US Dollars)	External Inputs (US Dollars)
Trainer wages	85,470	85,470
Other trainer expenses	7,123	7,123
Costs for training materials and stationary	1,373	1,373
Rent of training equipment	3,000	3,000
Miscellaneous	10,000	10,000
<b>Total</b>	<b>106,966</b>	<b>106,966</b>

\*Exchange Rate: \$1 = 3.51 pounds.

This budget was calculated using minimum cost expenses, which means costs could be higher, based on trainers' wages and other expenses. The project intends to hire five trainers for the total 24 training classes, to be divided over the two-year training period. The project assumes that local trainers would be hired, at a minimum wage of 300 pounds per day. This is multiplied by 400 to reach an estimate for the two-year period, which means trainer wages would total

<sup>15</sup> See references for bibliography on interview with Marwa Soliman, Human Resources officer at CARE Egypt.

600,000 pounds (\$170,940). According to CARE Egypt's human resources officer, wages could go up to \$800 per day if foreign trainers were hired.

The training specialist estimates daily transportation and lunch expenses for trainers would at least be 25 pounds, which over a 400-day period, would amount to 50,000 pounds (\$14,245). Training materials and stationary expenses to buy notebooks, pens, etc were estimated to amount to at least 20 pounds per worker, reaching 9,640 pounds (\$2,746).

According to the human resources officer, the rent of classroom equipment such as overhead projectors, data show projectors, televisions, videos or cameras could range from 100 pounds up to 300 pounds daily. But the training specialist added that cost could go down considerably for long-term trainings. Assuming costs could go down to 50 pounds per day for the two-year training period, total cost for rent of equipment could reach 20,000 pounds (\$5,698).

Miscellaneous expenses, which could include other usual and customary training costs, the cost of daily coffee breaks for trainers and trainees and the cost of time workers lose in training were estimated to reach 70,200 pounds (\$20,000).

The government has a lot to benefit by taking part in this training program for Shurbagy employees. This is why it shares the same financial responsibilities as the donor agency. Should the training program prove successful, it would help enhance employees' capabilities, which would translate into higher sales and better company performance. According to privatization experts, this would raise the value of Shurbagy when offered for privatization.

## Potential Risk

At the outset of the project

- i) Employees' animosity against being compelled to attend the courses, which could be considered an additional burden to their daily chores.
- ii) It might be difficult to obtain exact information on Shurbagy's weaknesses and lack of employees' skills as the firm is a government-owned entity and it is usually hard to obtain data from public firms.
- iii) Disagreement could arise between members of the various ministries involved as each ministry might focus on different objectives and could choose a conflicting curriculum.

## Risks

### Estimated Output

The output could be minor if incentives, in terms of financial benefits or certificates to be distributed at the end of the courses, to attract employees to the classes.

Training personnel and Shurbagy management could also organize seminars for the employees to explain the benefits of such training and how this could affect their careers and wages.

Current management at Shurbagy is willing to admit weaknesses and training needs, so the management might be able to persuade staff responsible for data required to be more cooperative for the sake of developing the firm.

With the involvement of a foreign donor agency, it could encourage government officials in the various ministries involved to be more cooperative and transparent for the sake of finding proper funding to upgrade employees' skills.

### Medium

The ministries will not be involved in the day-to-day training activities and will only be consulted on an annual basis.

**Potential Risk****Estimated Output**

During the project

- i) Disagreements on training procedure and effectiveness among Consultants, Shurbagy staff and the donor agency as well as government bodies involved.

Medium

This could be controlled if donor agency and government ministries are only involved at start and end of project period, leaving most project activities to be run by trainers and Shurbagy management.

- ii) Shurbagy production could be affected by implementing training classes during working hours

Medium

Some of the training will be on the job and so it will not affect production negatively. For employees attending classes during working hours, a system could be worked out so that none of Shurbagy's production lines are left without any employees during the training time.



## Obligations and Prerequisites

There are several government and Shurbagy management obligations and prerequisites required for the implementation of this project. This section outlines these obligations and prerequisites.

### Prior Obligations

The Government is committed to supporting the Shurbagy staff-training program, through offering any data on Shurbagy that might be required and through the appointment of the necessary consultants that could contribute to the project. It could also provide part of the funding for the project, taking into consideration that Shurbagy is currently incurring losses and is not likely to have an adequate budget to contribute to the training project. The government should also take into consideration that it would benefit from such a project by receiving higher bids for the company when offered for sale, owing to the higher value of its skilled labor.

### Prerequisites

Training staff mentioned earlier is in place. The government and Shurbagy officials have approved operating budget of Shurbagy training. The project document will be signed by the donor agency and donor assistance will be provided subject to the agency receiving satisfaction that the prerequisites listed above have been fulfilled or are likely to be fulfilled. When anticipation of one or more prerequisites fails to materialize, the agency may, at its direction, either suspend or terminate assistance.

### Project Review, Reporting and Evaluation

The project will be subject to joint review by representatives of the government and the donor agency and the consultant firm at the end of the two-year estimated project period. The project management agency will prepare and submit a Project Performance Evaluation Report (PPER) to the steering committee by the end of the training period. Additional PPERs may be requested if necessary, during the project<sup>16</sup>.

Evaluation is considered one of the most important management processes that would show the effectiveness of this project and ways to improve its quality. It will be carried out based on feedback on the training activities. Below is a list of suggested evaluation activities that can be carried out.

*Pilot study:* Some of the training courses chosen for the project could be tried out on a sample of 40 to 50 employees before the start of the actual project in order to indicate the usefulness of the curriculum chosen for the employees.

*Evaluation of learning materials and program implementation:* This could be carried out through questionnaires that would be sent to employees who received training with the aim of obtaining information on the quality of the learning material, the methods used and the implementation of the program. Monitoring training classes and interviewing participants will be used to evaluate the program's implementation. Personnel involved in the monitoring activities will be chosen from the project management agency.

*Evaluating the impact of the project:* Following the two years of project implementation, a survey could be implemented by the project management agency, in its capacity as program implementer, to measure how well the project met its defined goals.

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<sup>16</sup>The ideas for evaluation were inspired from an article on training in banking education in Indonesia, written by Samali T. Budimulia, Atwi Suparman and Alexander J. Romiszowski (97-100).

The survey will include an evaluation of the training's impact on work performance at Shurbagy. The survey will target participant employees and will focus on their abilities in terms of skills and work performance. Those questioned will include employees, employees' supervisors at Shurbagy and trainers. Using a rating scale, supervisors will be asked to assess employees' abilities and performance before the project began and after its implementation.

### **Legal Context**

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Egypt and the United Nations Development Program<sup>17</sup>. The host country-implementing agency shall, for the purpose of the Standard Basic Assistance Agreement, refer to the Government co-operating agency described in that agreement.

The following types of revisions may be made to this project document with the signature of the UNDP resident representative only, provided he or she is assured that the other signatories of the project document have no objections to the proposed changes:

Revisions in, or addition of, any of the annexes of the project document; revisions which do not involve significant changes in the immediate objectives, outputs or activities of a project, but are caused by the rearrangements of inputs agreed to or by cost increases due to inflation and mandatory annual revisions that re-phase the delivery of agreed project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility.

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### Budgets

This section outlines an estimated budget for the project. The budget is divided into estimated amount to be paid by the government and the amount needed from the donor agency. The budget figures were calculated after reviewing budgets for several human development projects and after taking into consideration estimates suggested by the human resources officer at CARE Egypt, whose job is to organize training programs.

#### Project Budget Covering Donor Contribution (in US dollars)

Trainer wages	85,470
Other trainer expenses	7,123
Costs for training materials and stationary	1,373
Rent of training equipment	3,000
Miscellaneous	10,000
<b>Total</b>	<b>106,966</b>

\*Exchange Rate: \$1 = 3.51 pounds.

<sup>17</sup> It is assumed that the UNDP will fund the project. Agreements with other donor agencies should be adopted should they fund the project.

Project Budget Covering Government Contribution (in US Dollars)

Trainer wages	85,470
Other trainer expenses	7,123
Costs for training materials and stationary	1,373
Rent of training equipment	3,000
Miscellaneous	10,000
<b>Total</b>	<b>106,966</b>

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