Managing Human Resources in the Middle East

Pawan S. Budhwar
Kamel Mellahi

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Managing Human Resources in the Middle East provides the reader with an understanding of the dynamics of HRM in this important region. Systematic analysis highlights the main factors and variables dictating HRM policies and practices within each country. Further, diverse and unique configurations of the cultural, institutional and business environments play a significant role in determining HRM systems in the regions that are elaborated.

The text moves from a general overview of HRM in the Middle East to an exploration of the current status, role, and strategic importance of the HR function in a wide range of country-specific chapters, before highlighting the emerging HRM models and future challenges for research, policy, and practice. This text is invaluable reading for academics, students, and practitioners alike.

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Edited by Pawan S. Budhwar
and Kamel Mellahi

To Laxmi and Gaurav for their continuous support and love

To Ismail, Hamza and Leyla for making my life so much better

To those who have interest in the management of human resources in the Middle Eastern region

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Foreword

Routledge Global Human Resource Management is a series of books edited and authored by some of the best and most well-known researchers in the field of human resource management (HRM). This series is aimed at offering students and practitioners accessible, coordinated and comprehensive books in global HRM. To be used individually or together, these books cover the main bases of comparative and international HRM. Taking an expert look at an increasingly important and complex area of global business, this is a groundbreaking new series that answers a real need for serious textbooks on global HRM.

Several books in this series, **Routledge Global Human Resource Management**, are devoted to HRM policies and practices in multinational enterprises. Some books focus on specific areas of global HRM policies and practices, such as global legal systems, global compensation, global staffing and global labour relations. Other books address special topics that arise in multinational enterprises such as managing HR in cross-border alliances, developing strategies and structures, and globalizing the HR function in multinational enterprises.

In addition to books on various HRM topics in multinational enterprises, several other books in the series adopt a comparative approach to understanding HRM. These books on comparative HRM describe the HRM policies and practices found at the local level in selected countries in several regions of the world. The comparative books utilize a common framework that makes it easier for the reader to systematically understand the rationale for the existence of various HRM activities in different countries and easier to compare these activities across countries. This framework considers a range of national factors including culture, institutions, industrial sector and dynamic changes in the environment. These books, therefore, help us not only to understand the factors that still lead to unique HRM solutions in different countries around the world and the essential elements of localization, but also the opportunities for transfer of best practices.

This book, *Managing Human Resources in the Middle East*, edited by Pawan S. Budhwar and Kamel Mellahi, is an excellent example of one of these books on comparative HRM. In this book the reader will find detailed descriptions of HRM activities in fourteen key countries in the Middle East. Pawan Budhwar and Kamel Mellahi seek to highlight the

similarities and differences related to HRM systems across these countries. In this task, they have brought together a series of prestigious authors for the various country chapters, each of whom has been carefully selected for being experts in the subject area in their chosen countries and for being able to write clearly and concisely. Each chapter is complete with useful and timely references that enable the reader to delve into each country in even more detail than provided in the chapter. To provide a perspective to their book, Pawan S. Budhwar and Kamel Mellahi provide an excellent introductory chapter that briefly describes the countries in the region and conveys their framework for analysing HRM in the Middle East. They provide another excellent chapter that concludes their book by discussing emerging HRM models and future challenges for research and policy in the Middle East. Overall, the co-editors have given the reader a much-needed and very valuable book that provides information on the HRM systems and experiences in a very important region of the world.

This Routledge series, **Routledge Global Human Resource Management**, is intended to serve the growing market of global scholars and professionals who are seeking a deeper and broader understanding of the role and importance of HRM in companies as they operate throughout the world. With this in mind, all books in the series provide a thorough review of existing research and numerous examples of companies around the world. Mini company stories and examples are found throughout the chapters. In addition, many of the books in the series include at least one detailed case description that serves as convenient practical illustrations of topics discussed in the book.

Because a significant number of scholars and professionals throughout the world are involved in researching and practising the topics examined in this series of books, the authorship of the books and the experiences of companies cited in the books reflect a vast global representation. The authors in the series bring with them exceptional knowledge of the HRM topics they address, and in many cases the authors have been the pioneers for their topics. So we feel fortunate to have the involvement of such a distinguished group of academics in this series.

The publisher and editor also have played a major role in making this series possible. Routledge has provided its global production, marketing and reputation to make this series feasible and affordable to academics and practitioners throughout the world. In addition, Routledge has provided its own highly qualified professionals to make this series a reality. In particular we want to indicate our deep appreciation for the work of our series editor, Francesca Heslop. She has been very supportive of the series from the very beginning and has been invaluable in providing the needed assistance and encouragement to us and to the many authors in the series. She, along with her staff, including Emma Joyes, Victoria Lincoln, Jacqueline Curthoys and Lindsie Court has helped make the process of completing this series an enjoyable one. For everything they have done, we thank them all.

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Preface

Despite the economic and political importance of the Middle East in the global economy, there has been very little literature available related to management of human resources in the region. The existing literature mainly highlights the economic aspects and the role of cultural institutions in managing businesses or different conflicts of the region. At times, writers tend to denote the countries of the region as being similar mainly due to cultural, religious and reliance on oil resources (with a small number of countries as exceptions) and largely overlook the subtle to significant differences in the social, economic and political aspects, industrial base, mode of governance, as well as the problems unique to many countries. An attempt has been made in this volume to highlight the similarities and differences related to human resource management (HRM) systems in fourteen countries of the region.

At present, the Middle Eastern region is at the centre of international attention, facing rising oil prices, different ongoing conflicts and important economic, political and social issues. The region, due to a dramatic rise in oil prices, has experienced exceptional economic growth over the past two years (though driven by few countries). This is reminiscent of the oil boom of the 1970s and early 1980s. Nevertheless, the shock created by the fall in oil prices in the late 1980s forced many countries of the region to think about reducing their overreliance on the oil industry and other non-renewable fossil-based industries by developing human resources, diversifying into other sectors such as services and adopting a free-market economic restructuring strategy. Many countries in the region have aggressively pursued such a strategy as a result of which their literacy level has increased significantly. However, the strategy has created high levels of unemployment and other HRM-related issues that will be examined in this volume.

Due to the context-specific nature of HRM, one should expect cross-national variations between the HRM systems of Middle Eastern nations. It is important for managers to be aware of such differences and to realize that HRM strategies vary significantly from country to country and that the strategies used to manage human resources (HR) in one country are sometimes ineffective or irrelevant in another. However, a large number of students from the Middle East have received their higher education from Western countries and are taught what are considered as universal and generalizable HRM

concepts and best practices that have a strong base in the Anglo-Saxon context. Similarly, multinational companies (MNCs) tend to adopt an ethnocentric approach towards the management of their HR in different subsidiaries operating in the Middle Eastern region. In the present globalized world, the applicability of such concepts and practices to different local contexts is clearly questionable.

The challenges regarding HRM in the Middle Eastern countries are complex and demanding. Academics can play a significant role in this regard by providing relevant information to policy-makers and researchers. It is also important for business students to gain an understanding of the different issues relating to HRM in the region. An attempt has been made in this book to highlight in detail how national HRM systems are unique and deeply rooted in the socio-cultural and institutional context of each of the countries covered in this volume.

Thus, the objective of this book is to provide the reader with an understanding of the dynamics of HRM in fourteen countries in the Middle Eastern region: Iran, Oman, United Arab Emirates, Kuwait, Saudi Arabia, Qatar, Jordan, Turkey, Israel, Egypt, Sudan, Tunisia, Algeria and Morocco. It is intended that the reader acquires not only an understanding about the HRM functions in these countries, but also more awareness of the diverse and unique configurations of national factors (cultural, institutional and business environment) which dictate HRM in cross-national settings. Such awareness will enable the reader to better understand the 'context-specific' nature of HRM in these countries and the need to acknowledge the strength of cross-national HRM differences.

To achieve the set objective, all the contributions have been written around a set framework. It highlights

- the socio-economic and political background of the respective country;
- historical developments of the HRM function;
- role and importance of HRM in most companies in the country;
- key factors determining HRM policies and practices (such as national culture, national institutions, dynamic business environment and business sector);
- changes taking place in the personnel function;
- initiatives pursued to develop HR;
- scenario of HRM;
- key challenges facing the HRM function;
- the future of HRM function in the countries covered.

This book consolidates in a single source the dynamics of management of HR in the Middle Eastern countries, i.e., questions pertaining to the 'what', 'why' and 'how' of HRM in these countries. All the chapters in this volume are original contributions to the field and were specially commissioned for the book.

It is hoped that this volume will serve as a catalyst to the development of further theoretical insights and appropriate techniques of HRM in this area. The subject area of the book is suitable for both undergraduate and postgraduate HRM, international

HRM and international management courses. In addition, this book will be of interest to cross-national HRM researchers and practitioners.

The main reasons that gave birth to this book include the scarcity of a single volume that highlighted the scenario of HRM in the Middle Eastern context that can be used on relevant courses. Also, this is a product of long discussions with the series editors and a number of colleagues on the need for such a book. This book, then, fills a gap in the area.

We would like to thank all those who have in various ways helped to make this project a success. Our special thanks to the series editors for accepting our proposal on this project. We would also like to thank all the contributors for their enthusiasm and promptness which helped us to complete this work. Our special thanks to all the reviewers for responding promptly to our requests and for providing invaluable comments on the chapters. Last, we would like to thank Francesca Heslop and Emma Joyes at Routledge for their help and assistance at various stages of the production of this volume.

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1 Introduction: managing human resources in the Middle East

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This volume covers a range of issues related to human resource management (HRM) in fourteen countries of the Middle Eastern region. The comprehensive coverage encompasses basic information related to economic, socio-cultural aspects of the countries, historical development of their personnel function and core determinants of HRM functions and key challenges faced by the same. This introductory chapter has four main aims. First, to highlight the context of the Middle Eastern region within which this volume has been developed. Second, to highlight the main developments related to the management of human resources (HR) in the region and the need for this volume. Third, it discusses a comprehensive framework which has been adopted to develop all the country-specific chapters for this volume. The final section provides a summary of each chapter.

The Middle East Context

The term 'Middle East' defines a cultural area, so it does not have precise borders. There are different versions of what should be included in the Middle Eastern region (see the online encyclopaedia Answers.com 2005). Sometimes it is referred to as an area with its centre in the eastern Mediterranean basin. The most limited version of the region only includes Syria, Lebanon, Israel, Palestine and Jordan. Another version also includes Cyprus, Turkey, Iraq and Egypt. A further broader version of the Middle East includes Iran, Kuwait, Saudi Arabia, Bahrain, Qatar, United Arab Emirates (UAE), Oman, and Yemen. In some cases, the Middle Eastern region is extended to include countries in North Africa with clear connection to Islam, such as Libya, Tunisia, Algeria, Morocco, Mauritania and Sudan, Eritrea, Djibouti and Somalia. For this volume, this last interpretation of the Middle East is used.

Islam is the main religion of the Middle East with approximately 95 per cent of the total population following it. It is also the birthplace of Judaism and Christianity. Further, it is

the site of some of the oldest civilizations of the world, such as Phoenicia, Babylon and Egypt. Arabs, Persians and Turks are its largest population groups and the dominating languages are Arabic, Persian, Turkish, English and several other languages (Encyclopaedia of the Orient 2005).

The Middle East, with some 65 per cent of the world's known oil reserves, has occupied a position of primary strategic importance since the Second World War. Until the 1950s, the Middle Eastern region exhibited one of the lowest levels of economic development in the world. In the 1960s and 1970s it experienced a strong economic growth, especially in countries where oil was discovered. Nevertheless, in 1990s, the GDP growth per worker in the region (with the exception of Israel, Egypt, Turkey and Lebanon) was roughly 1 per cent per year, and there has been a regular decline in total factor productivity (World Bank 2005). As a result, the region grew at only half the rate of other developing countries during the 1990s. A number of factors for slow economic development in the Middle East have been continuously highlighted, which include structural imbalances, the so-called 'curse of natural-resource abundance', deficient political systems, conditions of war and conflict and even culture and religion (for details see Yousef 2004).

Despite such factors, the growth prospects of Middle Eastern region over the past two years have been exceptional. Over 2003 and 2004, the economic growth of the region averaged more than 5.6 per cent annually (World Bank 2005). However, it is worth noting that around 97 per cent of the regional growth was driven by only four countries: Saudi Arabia, Iran, Algeria and the UAE. High oil prices are then helping the GDP growth of oil-producing countries in the region (such as Saudi Arabia, Iran, Kuwait, Algeria, UAE and Libya). Although oil prices are expected to decline in 2006, the negative impact of this decline will be negated by rising oil production. As a result, the present economic growth is expected to persist for the next two years in most oil-producing countries of the region. The non-oil-producing countries (such as Israel, Egypt, Tunisia and Morocco) also experienced an improved growth in 2004; however, due to decelerating import demand in the Organisation for Economic Co-operation and Development (OECD), it is expected to slow down in 2005–6. Perhaps the serious concerns for security overlie the forecast of both kinds of economies in the region (Economists' Intelligence Unit ViewsWire 2004). Such concerns have serious implications for foreign direct investment (FDI) in the region, especially in the non-oil-producing economies, which tend to rely a lot on sectors such as tourism, agriculture and merchandise exports. Table 1.1 presents basic information about the region.

Analysing the overall socio-economic scenario of the region, Abed (2003) identifies five main root causes holding back the economic growth of the Middle East: lagging political reforms, dominant public sectors, underdeveloped financial markets, high trade restrictiveness and inappropriate exchange regimes. Apart from these, some of the other factors include the lack of integration into global economy (Looney 2003), growing unemployment rates (see Abdelkarim 2001; Shaban et al. 1995), closed

Table 1.1 Middle East: fact sheet

Annual data	2003[1]	Historical averages (%)	1999–2003
Population (m)	366.8	Population growth	2.1
GDP (US$ bn)	958.1	Real GDP growth	3.2
GDP per head (US$)	2,612	Inflation	4.8
Real GDP growth (%)	4.4	Current-account balance/GDP	5.5
Inflation (% change)[2]	5.8	Total debt/GDP	47.7
Major exporters (2003)	*% of total*	*Major importers (2003)*	*% of total*
Saudi Arabia	24.0	UAE	16.9
UAE	17.3	Israel	13.1
Israel	9.6	Saudi	12.3
Iran	8.6	Iran	11.7
Leading markets (2003)	*% of total*	*Leading suppliers (2003)*	*% of total*
Japan	15.9	US	9.5
USA	13.9	Germany	8.1
South Korea	7.7	China	6.2
China	4.5	France	6.1
Italy	4.5	Italy	5.8

Notes:
1. Economist Intelligence Unit estimates. Excludes data on the Palestinian Territories.
2. Excludes data on Iraq.

economies, over-dominance on the oil sector and lack of privatization. Even those countries that have pursued privatization programmes (such as Egypt, Tunisia and Morocco) could not reap the benefits because of internal obstructions such as legal frameworks, political uncertainties and the weakness of local entrepreneurial cultures (see Talib 1996, Abed 2003).

Further, the kind of government system existing in the region seems to be contributing to the slow economic growth of the region. Traditional sheikhdoms and absolute monarchies dominate in virtually all of the Arabian Peninsula. The rest of the region has been dominated by military and other autocratic regimes claiming allegiance to socialist, Arab nationalist or Islamist ideologies. Some states have taken tentative steps towards forms of multi-party democracy in recent years, but widespread economic underperformance and the lack of opportunity for political expression have led to an increase in support for militant Islam in many Arab states. No wonder then the Middle East has the highest military spending region of the world. The history of the Middle East, which reveals the existence of a large number of conflicts in the region, clearly supports such enormous expenditures (for details of Middle Eastern conflicts, see

Economist.com 2005). Some commentators tend to blame the traditional laws in some Arab countries as one of the factors for poor economic performance (for details, see Kuran 2004).

Poor economic growth (amongst other factors) has serious implications on the living standards of the region. Table 1.2 provides a comparative picture of the regional countries in this regard.

To summarize, the Middle Eastern region of the world has continuously been in the news and of interest to most nations of the world. It might be because of one or a combination of a few reasons, such as having the largest reserves of oil in the world, poor economic growth, growing unemployment, ongoing conflicts between different nations (for

Table 1.2 Living standards in the Middle East

Countries	HDI Ranking	Life Expectancy (years)	Adult Literacy (%)	Gross Enrolment (%)[1]	GDP Per Head (US$ at PPP)
Israel	22	79.1	95.3	92	19,530
Bahrain	40	73.9	88.5	79	17,170
Kuwait	44	76.5	82.9	76	16,240
Qatar	47	72	84.2	82	19,844
UAE	49	74.6	77.3	68	22,420
Libya	58	72.6	81.7	97	7,570
Oman	74	72.3	74.4	63	13,340
Saudi Arabia	77	72.1	77.9	57	12,650
Lebanon	80	73.5	86.5	78	4,360
Turkey	88	70.4	86.5	68	6,390
Jordan	90	70.9	90.9	77	4,220
Tunisia	92	72.7	73.2	75	6,760
Iran	101	70.1	77.1	69	6,690
Palestinian Territories	102	72.3	90.2	79	2,302
Syria	106	71.7	82.9	59	3,620
Algeria	108	69.5	68.9	70	5,760
Egypt	120	68.6	55.6	76	3,810
Morocco	125	68.5	50.7	57	3,810
Sudan	139	55.5	59.9	36	1,820
Yemen	149	59.8	49	53	870

Note:
1. Includes primary, secondary and tertiary enrolment.
HDI: Human Development Index.

Source: UNDP, Human Development Report, 2004.

example, Israel and Palestine), terrorists threats or for tourism and business purposes. However, like many other parts of the world, most countries in the Middle East are also emphasizing the development of their HR. The oil-producing countries want to reduce their dependence on the oil sector and to develop other sectors such as manufacturing, agriculture or services (all of which need skilled HR). On the other hand, the non-oil-producing countries of the region already rely on an efficient HR bank for a sustained economic growth. Apart from this, there is also a strong trend emerging in many countries of the region which emphasizes using 'locals' and reducing the number of foreigners in their workforce, for example by Saudi Arabia and Oman (Budhwar et al. 2002, Lumsden 1993, Mellahi and Wood 2004). Also, most countries in the region are realizing the need to further assimilate into the global economy. Few countries have initiated reforms in this regard (see Yousef 2004). However, a number of macro-level phenomena unique to the region (discussed above) are creating major hindrances in this regard. Such developments have serious implications for the HR function in the region, especially when HR is known to play a significant role in the economic development of nations (see Debrah et al. 2000, Tayeb 1995).

This book highlights the dynamics of HRM systems in fourteen Middle Eastern countries: Iran, Oman, UAE, Kuwait, Saudi Arabia, Qatar, Jordan, Turkey, Israel, Egypt, Sudan, Tunisia, Algeria and Morocco. The rest of this chapter is structured as follows. The next section highlights the key issues reported in the literature related to the field of HRM in the region. This is followed by a section which discusses the framework adopted by contributors to write their country-specific chapters for this volume. The last section introduces each of the chapters.

Developments in Middle Eastern HRM

In comparison to other parts of the world, the Middle Eastern region has less existing literature related to the field of HRM. A thorough literature search highlights the absence of any systematic analysis that could present a comprehensive picture regarding the dynamics of HRM in the Middle Eastern region. Indeed, there are few reliable country-specific studies that have emerged with the economic development of a particular country in the region. For example, HRM in Turkey (Aycan 2001), HRM and management practices in Saudi Arabia (Mellahi and Wood 2004, Al-Salman and Robertson 1982), employment policy of Kuwait (Al-Enezi 2002), human resource development (HRD) in Oman (Budhwar et al. 2002), HRM and organizational effectiveness in Israel (Bamberger et al. 1989), transformation in HRM in Israel (Sagie and Weisberg 2001) and management in Israel (Baruch 2001, Dale 1978), HRM in Algeria (Branine 2004), management and international business issues in Jordan (El-Said and Becker 2003), challenges for employment in the Arab region (Shaban et al. 1995), market forces and the Middle East's new interest in HRM (Murphy 2002) and management in the Arab Middle East (Weir 2000). There are a few studies that examine women in management-related issues in the Middle Eastern countries (see, for example, Aycan 2004 for Turkey, Izraeli 1987 for Israel and Metle 2002 for Kuwait).

The existing literature also highlights a number of training- and development-related studies for the Middle Eastern region. For example, Ali (1996) highlights the lack of efforts put in by practitioners to understand Arab management styles and their impact on the effectiveness of cross-cultural negotiations and organizational development activities in the region. Similarly, some scholars (see Ali and Camp 1995, Analoui and Hosseini 2001, Anastos et al. 1980, Atiyyah 1991) discuss the effectiveness of management education and its impact on managerial effectiveness in different parts of the Middle East. A number of scholars have emphasized the need for and mechanisms of management development in the Arab world (for details, see Agnala 1997, Al-Rasheed and Al-Qwasmeh 2003) and Israel (Arie 1996).

A significant chunk of relevant literature on the region is about the influence of Arab culture (see, for example, Al-Faleh 1987, Bakhtari 1995, Mellahi 2003, Yasin 1996) and Arab value systems (see Ali and Al-Shakis 1985, Elsayed-Elkhouly and Buda 1997, Hunt and At-Twaijri 1996) on management practices and management systems. In the same regard, Kabasakal and Bodur (2002), on the basis of socio-cultural similarities, identified an Arabic cluster (consisting of Egypt, Morocco, Turkey, Kuwait and Qatar). Countries within this cluster are highlighted to be highly group-oriented, hierarchical, masculine and low on future orientation. Ali (1995), on the other hand, debates that relevant management theories and organizations in the Arab region can only be developed by giving due consideration to the Arab environment. He goes on to state that the foreign element is at best not conducive to the development of sound management practices in the region (also see Ali and Camp 1995).

Scholars have further examined the issue of transfer of management from the West to the Middle East. For example, Yavas (1998) examined the relative importance accorded to a series of managerial skills by Saudi managers who had obtained their undergraduate business education in the USA. Yavas highlights a number of both micro- and macro-factors that may act as barriers to the adoption of such Western-based skills in Saudi Arabia. Similarly, Anwar (2003), while comparing American and Arabian culture, highlights a number of differences between the two and how the American management philosophy and styles in the US multinationals operating in the Middle East are adapted to suit the cultural context of the UAE. Analysis by Saleh and Kleiner (2005) gives a similar message, that is, if American companies want to be successful in the Middle East, then they should develop an understanding of the culture, politics and people of the region. Along the same lines, Hill et al. (1998) highlight the problems of transferring technology designed and produced in developed countries to the Arab region. Based on their investigation in five Arab countries, they point out that since such technologies are culturally biased in favour of developed countries, transferring them to developing countries creates cultural and social obstacles.

With regard to the transfer of HRM practices also, the results are similar. For example, Elmuti and Kathawala (1991) examined the extent to which Japanese HRM practices can be transferred to their subsidiaries in the Arabian Gulf region. Their investigation revealed that either a largely modified version of Japanese-style management or a

brand-new management style composed of elements of local and Japanese management practices were successful in the given context. Similarly, Atiyyah (1996) contends that due to the continued dependence of gulf countries on foreign labour (despite many governments' initiatives to reduce their number), it is best to pay more attention to help expatriates achieve a greater degree of acculturation. Research by Fiegenbaum and Lavie (2000) conveys a similar message for firms entering the Middle Eastern region. To be successful, they need to be responsive to the needs of local stakeholders and customers. Marriot (1986) also confirms similar sentiments regarding advertising strategy adopted by Western firms in the Arab world. In order to avoid ridicule, resentment and anti-Westernism, ad creation must consider the complex, severe social rules, sensitivities and taboos affecting media use in the region. From the above analysis, the message is clear, local adaptation is a must for foreign companies to survive in the Middle East (for details of the local versus global debate, see Bjorkman 2004).

Highlighting the scarcity of research in the field and the contradictory vision about what type of management is found in Arab business organizations, Al-Rasheed (2001) suggests the need to explore the main features of Arab management, to develop Arab management and to advance its organization. Based on comparative empirical research analysis, he proposes that Arab management and organisation (particularly in Jordan) are largely traditional, which is manifested in specific features that are limited in future orientation and lack of delegation of authority. Similarly, in the Turkish context, Yucelt (1984) found that managers in public traditional organizations tend to lean toward a benevolent authoritarian system and less toward participative styles. Yucelt proposed to introduce participative managerial schemes to train prospective managers before they assume managerial responsibility. Enshassi and Burgess (1991), acknowledging the cultural diversity of foreign workforce in the Middle East, point out that site managers who recognize and understand the cultural differences of subordinates and combine both dimensions of leadership – task and employee orientation – tend to be more successful than others (for more details of Middle Eastern manager style, see Badawy 1980).

From the limited literature available and the above analysis, the messages emerging indicate that the Middle Eastern region perhaps has management systems that are similar to most other developing countries (see Debrah and Budhwar 2004), which emphasize sensitivity to local cultural norms and restricted participation in decision-making (see also Hofstede 2001 for cultural dimensions of the Middle East). A number of scholars (see Ali 1992, 2004, Robertson et al. 2001, Tayeb 1997) highlight the immense impact of Islamic values, Islamic work ethics and Islamic principles on the management of HR in Islamic countries (also see Ahmad 1976, Budhwar and Fadzil 2000, Rosen 2002). Issues related to these phenomena are discussed at length in the country-specific chapters of this volume.

Considering the increased acceptance of the contribution of HR towards the achievement of firms' objectives on the one hand (see, for example, Schuler and Jackson 1999) and the increased interest of both academics and practitioners regarding the management of HR in the different parts of the world (due to globalization) on the other hand, there is a need

for more research and publications to provide a reliable and comprehensive picture of HRM systems relevant to different parts of the world (Brewster et al. 1996; Dowling and Welch 2004; Schuler et al. 2002). This applies to the Middle Eastern region as well.

As analysed above, there is some scanty information available regarding different aspects of HRM in the region. However, to the best of our knowledge, there is no comprehensive source that can provide an in-depth view on the scenario of HRM in the region. Also, to understand the context-specific nature of HRM, there is now a need to highlight the major factors that determine HRM policies and practices in the Middle East in the present global context. Such an evaluation will further contribute to the development of HRM theories and relevant policies and practices (Budhwar and Debrah 2001). A thorough cross-national analysis of the key factors that form the basis of national HRM systems (such as national culture, institutions and dynamic business environment) and the level (both depth and acceptance) at which a given HR practice is adopted in different settings can help to examine the convergence–divergence thesis in a more meaningful manner (see Begin 1997, Budhwar and Sparrow 2002). An attempt has been made in this volume to highlight the key determinants of HRM in the respective countries.

Based on the above discussion and the existing literature (which is not reviewed here as it is beyond the scope of this chapter and the volume), at least two conclusions can be drawn. First, due to possible reasons indicated above, both practitioners and academicians are interested in finding out about the HRM systems relevant to the Middle Eastern region. Second, it is clearly evident that the existing HRM research in the Middle Eastern context is both limited and possibly not conducted in a systematic manner with a clear framework, including possible countries that might enable a conclusive and comprehensive picture of the scene to be drawn. As a result, the existing literature does not generally provide insight into underlying processes and contribute to theory development. In the present global context, a highlighting of region- or country-specific phenomena would help to generate theory for global-relevant issues. It can also contribute to validate region-specific constructs to study local and global issues. A possible way forward is to conduct a systematic analysis starting from a basic level and leading to an advanced level. This can help to provide a comprehensive analysis and a more reliable picture of the scene. How can this be conducted? This is discussed in the next section.

Framework for analysing HRM in the Middle East

Before discussing the framework adopted for developing the country-specific chapters for this volume, it will be useful to do a recap of the complex context of the Middle Eastern region, which makes it difficult to conduct a meaningful cross-national HRM analysis. One of the more common mistakes committed by both academics and policy-makers is the use of terms such as 'Middle East', 'Near East', 'Middle East – North Africa (MENA)', 'South-West Asia', 'Greater Middle East', 'Arabian Peninsula' or the 'Arab World' in a very general sense (i.e., applied to a group of nations existing in the region).

However, it is important to acknowledge that despite of some commonalities, each nation within the region has an independent set of socio-economic components. These differ from one another in content, arising inevitably from the interplay of social relations unique to themselves. Hence, there is a clear need to see the management phenomena as part and parcel of the distinctive political, socio-economic, cultural and institutional system of each country in the region (Morishima 1995). Further, countries in the Middle Eastern region are at different stages of industrialization and economic development. The region covers a range of geographical, economic and cultural spheres. This should be kept in mind while analysing HRM systems of different countries of the region.

In order to develop a conceptual framework for examining HRM in a cross-national context involving nations that vary in many respects (as in the case of the Middle Eastern region), it is important to define HRM in the broadest sense. There are some reasons for this. First, the existing literature suggests that the concept of HRM is relatively new and less existent in some regions of the developing world (see Budhwar and Debrah 2004). Second, because several distinctive HR models can exist within firms in a particular country, each of which depends (along with a number of other factors, such as different institutions and national culture) on a number of distinct 'internal labour markets' (Boxall 1995, Osterman 1994). Within each labour market, HRM incorporates a range of sub-functions and practices that include systems for workforce governance, work organization, staffing and development and reward systems (Begin 1992). HRM is therefore concerned with the management of all employment relationships in the firm, incorporating the management of managers as well as non-management labour.

In line with these views, different scholars in the field of HRM have put forth a number of frameworks for conducting international/cross-national HRM research (for an extensive review see Budhwar and Sparrow 2002, Budhwar and Debrah 2004, Jackson and Schuler 1999, Schuler et al. 2002). Based on a critical analysis of the existing frameworks and extensive research in the field, Budhwar et al. (see Budhwar 2004, Budhwar and Debrah 2001, 2004, Budhwar and Sparrow 1998, 2002) have proposed a framework for examining cross-national HRM. They have identified three levels of factors and variables that are known to influence HRM policies and practices and that are worth considering for cross-national examinations (for details, see Budhwar and Sparrow 2002). These are: national factors (involving national culture, national institutions, business sectors and dynamic business environment), contingent variables (such as age, size, nature, ownership, life cycle stage of organization) and organizational strategies (such as the ones proposed by Miles and Snow and Porter) and policies related to primary HR functions and internal labour markets.

However, considering the infancy stage of HRM in most Middle Eastern countries and the argument that HRM in a cross-national context can be best analysed by examining the influence of national factors (Brewster et al. 1996, Budhwar and Sparrow 1998), it is proposed to examine the impact of the main national factors on HRM along with other related basic information in the fourteen selected Middle Eastern countries. A similar approach was successfully adopted by Budhwar (2004) and Budhwar and Debrah (2004)

to examine the HRM systems in a large number of developing and developed countries around the world. The broad national factors, such as culture and institutions, form the macro-environment of organizations in a national context. All the contributors of country-specific chapters for this volume have made a sincere effort to highlight the influence of the national factors (where possible) on the national HRM system on their respective country. For a detailed explanation regarding the rationale for the selection of various factors and variables included in the framework, see Budhwar and Sparrow (2002). The core aspects of each of the four national factors are available in Table 1.3.

Apart from emphasizing the impact of national factors on HRM in the selected countries, we further incorporated a number of other aspects in our framework to make it comprehensive. Following are the main contents of the framework which have been adopted by the contributors to develop their respective country-specific chapter:

1. socio-economic and political background of the respective country;
2. historical developments in HRM/IR/HRD/PM in the country;

Table 1.3 Details of aspects of national factors determining cross-national human resource management

National culture
Socialization process, common values, norms of behaviour and customs, influence of pressure groups, assumptions that shape managers perceptions, insights and mindset, management style, meaning of work and values, personal dispositions, attitudes and manners, approaches to cultural diversity, match to the organization culture.

Institutions
National labour laws, trade unions, politics, educational and vocational training set-up, labour market, professional bodies, international institutions, industry by itself, employers' federation, consulting organizations, placement organizations, trade bodies, government institutions, local authorities, voluntary bodies.

Industrial sector
Common strategies, business logic and goals, regulations and standards, sector-specific knowledge, informal and formal bench-marking, cross-sector co-operation, common developments in business operations, labour or skill requirements, merger activity, workforce mobility, capital mobility.

Dynamic business environment
Competition, business alliances, changing composition of workforce, restructuring, focus on total customer satisfaction, facility of information, technological change, globalization of business.

Source: Budhwar (2004: 8).

3. role and importance of, and degree of partnership in, HRM in most companies in the country;
4. key factors that determine HRM policies and practices in each country (such as national culture, different institutions, business sector and dynamic business environment), with a review of possible HR practices, such as staffing, training, compensation, performance appraisal, etc.;
5. present changes taking place in the personnel function (in the past five years and now) and reasons for the same;
6. key steps taken (both by companies and government) regarding the development of HR in the country;
7. scenario of HRM/HRD in the country;
8. HRM and ethical issues in the country;
9. key challenges facing HRM in the country;
10. what is likely to happen regarding the personnel function in the next five years;
11. details of web sites and current references for the latest information and developments that will provide a lot more information to the reader over the years.

It is believed that adopting possible aspects of this comprehensive framework has significantly contributed in the development of a unique and comprehensive volume. Further, it has not only helped to conduct a systematic analysis but also to pull out context-specific material relating to the personnel functions of the region.

Plan of the book

It is difficult to include all the countries of the Middle Eastern region in one volume. However, by including a wide range of countries, it is hoped to present the reader with a rich flavour of the core aspects of HRM systems and the possible trends and patterns that are emerging for each country and how these are shaped by key determinants of the same. Highlighting the scenario of HRM in the Middle Eastern region and key issues related to it, this volume consists of sixteen chapters. There are fourteen country-specific chapters (Chapters 2–15) and the last chapter summarizes the emerging picture of HRM in the region and key HRM challenges faced by firms operating in the region (Chapter 16).

Most of the contributors are either natives of the country about which they have authored the chapter or have worked and researched for long periods in that country. This helps to minimize the 'Western bias' and has enabled the authors to present a more realistic picture of HRM in the various countries. As indicated above, each of the country-specific chapters follows a common pattern. This has been developed keeping in mind the broad objective of the book, i.e., to highlight the dynamics of HRM system in respective countries. All the authors have made a reasonable attempt to structure their country-specific contributions using the framework presented above.

In Chapter 2, Namazie and Tayeb highlight the changes that have taken place in the business environment of Iran over the past two decades or so and Iran's growing

importance in the global economy. They discuss the contribution of the socio-economic and political set-up of the country to the development of its personnel function. The authors highlight the distinct changes to management structure of organizations since 1970 and divide the time period and accordingly the major changes into four time periods. These are 1970–9 (revolution), 1980–8 (war), 1989–97 (reconstruction) and 1997–present (reform and restructuring). A number of changes are being observed in HRM in Iran, namely, a shift from personnel management towards HRM, moves to professionalize HRM, the creation of professional bodies and modification in laws. They also highlight the main factors responsible for such changes and highlight the roles of political, legal, cultural and economic factors in the development of the HR function in Iran.

Chapter 3 details the dynamics of HRM in Oman. Here, Al-Hamadi and Budhwar give useful socio-economic and HRD-related information to provide the required context to better understand the developments and scenario of HRM in Oman. They highlight a number of initiatives (such as vision 2020 and the Omanization plan) pursued by the State that are contributing to the development of the HRM functions in the country. The chapter provides useful information on the main bodies involved in the development and implementation of HRD-related policies in Oman. The authors also use data from two large studies to provide empirical support to their analysis. The main impact of the triangle of Islam, tribe and family on HRM is emerging to be a significant one in the Oman context.

In Chapter 4, Suliman presents the past and present scenario of HRM in the UAE. He discusses the key challenges faced and the prospects of HRM/HRD in the UAE. Apart from analysing the politico-legal, economic and socio-cultural background of the country and its impact on HRM, Suliman discusses issues related to women in the workforce of UAE. The issue of foreign national workers, the imbalance they have created and the emphasis on 'Emiritization' are also discussed at length in this chapter. This is followed by a presentation on HRM policies practices in UAE private sector. Suliman also points out the key challenges faced by HRM functions in present-day UAE organizations. This chapter concludes with a number of prospective developments expected in future in the field of HRM in UAE.

Chapter 5 highlights employment relations in Kuwait over the past thirty years. Ali and Al-Kazemi highlight the importance of Kuwait in the world and its socio-cultural background and present the structure of its labour market. They also discuss the employment laws and regulations applicable in Kuwait. HRM function in Kuwait is projected to be closely linked to the welfare system of the State. Government, along with culture and traditions, significantly dictate the nature of HRM in Kuwait. Apart from these, four developments influence HRM in Kuwait: influx of expatriates, notable presence of foreign companies, willingness of Kuwaitis to diversify business and competition from neighbouring countries. Ali and Al-Kazemi also present a case study to highlight the nature and overall scenario of HRM in Kuwait.

In Chapter 6 Mellahi provides an overview of the macro-environment and the changes taking place within the same and its impact on HRM in Saudi Arabia. He asserts that

national culture (denoted by religious, social and cultural norms) along with the labour market significantly influence HRM in Saudi Arabia. He also discusses the status of women in employment and the scenario of HRD in the kingdom. Mellahi further elaborates on the status of HRM policies and practices in both Saudi private- and public-sector organizations. Last, he discusses the prospects and challenges for HRM functions in Saudi Arabia.

Chapter 7 is on HRM in Qatar. Here, Abdalla presents an overview of the socio-political and economic setting of Qatar and its impact on Qatari HRM. The author further highlights the business environment of Qatar, which is characterized by the selling of oil to others and buying of technology, raw materials and labour from outside world. He next discusses the dominant managerial practices of Qatar, followed by the significant influence of expatriates on its business sector. Next, Abdalla discusses issues related to industrial relations, the labour market, and women in the labour force. Later in the chapter, an overview regarding the nature of HRM functions is provided and the discussion is focused on the possible impact of socio-political and other factors on the same. Last, the chapter concludes with possible directions for HRM in Qatar.

In Chapter 8, Branine and Analoui present the evolution and development of the HRM functions in Jordan. They contend that, over the years, the nature of economic environment of Jordan has changed and that the latest efforts to bring in possible political and economic reforms (such as privatization) has implications for the HRM functions in the country. The emphasis on the development of a knowledge-based economy has created the need to further develop HRM practices. While discussing these changes, the authors highlight the influence of key factors such as the national cultural values, tribalism and government bureaucratic procedures on HRM system of Jordan. Like most chapters, this chapter also highlights the main challenges facing HRM functions and the possible way forward in the Jordanian context.

Chapter 9 provides an analysis of HRM systems and practices in Turkey. Aycan shows how a mixture of different institutions and the economic structure of the country impact Turkish HRM. The author discusses the historical developments in HRM and highlights the scenario of HRM practices and policies in Turkey. Next, the changing cultural context and its impact on HRM are presented. This is followed by the changing characteristics of Turkish workforce. A special emphasis is laid on current HRM issues and trends in Turkey. Finally, the chapter highlights the current challenges and future directions for HRM in Turkey.

In Chapter 10, Baruch, Meshoulam and Tzafrir discuss the dynamics of HRM in Israel. They highlight the unique political, socio-cultural, economic, religious characteristics of Israel that distinguish it from all its neighbours. While analysing the historical development of HRM in Israel, the authors divide it under two eras: from the establishment of the state of Israel (1948–70) and from late 1970s–present. A number of issues related to HRM are discussed, such as immigration of workers, evolution of high technology and its impact on nature of work, changes in the workforce, legislation, industrial relations and other key factors influencing HRM in Israel. The chapter then

discusses the present changes taking place in the HRM functions and key steps taken in both public and private sectors to adapt to the same. The authors also discuss the overall scenario of HRM in Israel, the key challenges facing the same and the expected direction that it might take.

Chapter 11 is about HRM in Egypt. Hatem highlights Egypt's political, economic and social profile and links it with historical developments in the country's HRM and current changes taking place in the same. Next, the chapter discusses the main factors determining HRM in Egypt. These include the national culture and institutions (such as legislation). Initiatives taken by the Government regarding HRD are also analysed in the chapter. The author also discusses ethical issues related to child labour and social-protection measures in the context of HRM policies. Finally, the key challenges facing HRM in Egypt and prospects of the same are discussed.

Ahmed details the scene of HRM in Sudan in Chapter 12. He initially presents an overview of the Sudanese historical and demographic context and then discusses the HRM scenario on selected organizations based in Sudan. The changing context of Sudan is also briefly highlighted. Some useful references to a number of key enterprises is made in the chapter. Finally, the main conclusions regarding the nature of HRM in these firms are drawn.

Chapter 13 examines the HRM scenario in Tunisia. Yahiaoui and Zoubir initially present the historical evolution of HRM in Tunisia, then they analyse the cultural environment and its impact on HRM in Tunisian firms. A comparison between HRM systems local and foreign is also made and the emergence of a hybrid of HRM practices is highlighted. The key factors influencing HRM are analysed followed by a discussion on the obstacles to the modernization of HRM in Tunisia.

Branine presents HRM in Algeria in Chapter 14. Initially, the socio-economic and political background of Algeria is presented to provide the required context to better understand the developments in HRM in the country. The two main systems of employment relationship – self-management (1962–9) and socialist management of enterprises (1971–90) – which form the historical developments of HRM and the industrial relations of Algeria are next discussed. Along with these, the role of current reforms and other factors determining HRM in Algeria are analysed. This is followed by an overview of basic HRM practices prevalent in the country. Last, the main factors creating problems in the development of HRM and possible ways forward are presented.

Chapter 15 is about the management of HR in Morocco. Benson and Al Arkoubi highlight the geographical importance of Morocco and present its political and socio-economic context. Next they present the historical developments of HRM/HRD and the key factors (such as national culture, institutions and dynamic business environment) impacting the same in Morocco. The authors then discuss the ethical issues related to HRM and, finally, the future of HRM in Morocco.

In the last chapter, Mellahi and Budhwar summarize the emerging scenario of HRM in the Middle Eastern region and discuss the current HRM challenges. It is believed that

these issues will be the focus of future research and will help to further enhance our understanding of HRM in the Middle East.

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2 Human resource management in Iran

PARI NAMAZIE AND MONIR TAYEB

Introduction

Iranian managers work in a turbulent environment that has seen many changes, especially since the mid-1970s, and has not yet settled down. There are various elements in this environment which have left their imprints on the management styles of these managers. The Islamic revolution (1979), which followed a few years of civil and industrial unrest during the last stage of the Shah's reign, set the scene. The nationalization of industries, the politicization of trade and economic decisions, the reshuffling of government employees, the changing parameters for women's employment and the emphasis on loyalty and ideology as distinct from technocracy and expertise are all facets of the same socio-political and socio-economic shifts that emerged as revolutionary events and emotions unfolded. In addition, the Iraq invasion of Iran and the consequent war (1980–8), US antagonism and sanctions imposed on Iran have had a serious impact on the country's socio-economic realities.

Notwithstanding these upheavals and their consequences for the nation, Iran remains an important country in the Middle East. It is located in one of the strategically most important regions of the world, because of the reserves in crude oil, and is the link between the Caspian Basin and the warm waters of the Persian Gulf, two of the main hubs of oil and gas development in the world.

With a population of 70 million, Iran is one of the largest countries in the Middle East with a highly educated workforce and an abundance in natural resources, including oil, gas and minerals. The growing number of foreign joint ventures and multinational companies entering the country is a testimony to the fact that Iran can now be considered an emerging economy. As one recent expatriate manager remarked to the first author,

> Iran is a country you can not afford to neglect, with its geopolitical location, very rich resources and educated and qualified human resources, it is a difficult country to be in, but if a company wants to be global and wants to expand into the Middle East, Iran is a country which can not be missed.

This chapter places human resource management (HRM) policies and practices currently prevalent in the country within this many-faceted context.

Socio-economic and political background

History and politics

Iran is an ancient country with a civilization more than 6,000 years old. Her long history has, on the one side, created a great civilization and, on the other, a nation that has been conquered, invaded and defeated. Much of the Persian Empire's land has been lost in battles and through invasions, a sore point that still dwells on the memory of the proud and nationalistic Iranian. In other words, history and geography have taught Iranians that nothing is sustainable and constant. This state of affairs, as Haas (1946) argues, has resulted in a strong sense of individualism and self-centredness in the Iranian psyche.

For the past century, Iran has discussed and debated democracy and pluralism and has seen many changes to her social, political and economic make-up (Haas 1946). The 1906 revolution which changed the absolute monarchy to a constitutional one was a landmark in this respect. The 1979 Islamic revolution was another; it changed the centuries-old monarchy to an Islamic republic. Islam is an all-encompassing religion and plays a significant role in politics, the economy, business activities and trade and all other aspects of public and private lives of people.

There are a number of political parties and factions in Iran ranging from those that believe in conserving Islamic and traditional values to those that tend to see socio-political reform as a recipe to respond to the present-day challenges under an Islamic republic. Decision-making patterns rely heavily on a continuous consensus-building exercise between these factions and between the appointed religious seats of power and elected institutions in the country. Similar to the Japanese *ringi* decision-making process at organizational levels, the consensus-building measures tend to reduce the pace of decision-making but at the same time reduce damaging internal conflicts.

Following the destructive and debilitating effects of the eight-year long war (1980–8) between Iran and Iraq, the decade of the 1990s saw the start of reconstruction and since 1997, when the reformist President Khatami took power in a landslide victory, the country has embarked on a process of reform.

The picture in the present day is still changing. Although some in the Western world may still consider Iran to be a fundamentalist Islamic state, Islam is being reinterpreted to fit with the modern-day demands and realities of this nation. Iran is being restructured to deal with the same modern-day demands both globally and locally, to satisfy a majority of over 70 per cent of the youth who are under the age of thirty, in need of recognition for the talent of her human resources (HR) and wealth in natural resources.

Economy

According to a resource-based analysis of economic performance, Iran has the potential of being the world's twentieth strongest economy. Rich in natural and human resources, the country's geostrategic position makes it a unique economy. Iran today is Organization of the Petroleum Exporting Countries' (OPEC) second-largest oil producer and accounts for roughly 5 per cent of global oil output. In addition Iran holds 9 per cent of the world's oil reserves, 16 per cent of the world's gas reserves and is rich in other minerals. However, it is an economy that has gone through decades of excesses caused by revolution, war and reconstruction (Khajehpour 2001).

Despite recent reforms, Iran's economy is still based on a protectionist model. Following the Islamic revolution, many large industries were nationalized which still remain in government ownership, despite some privatization efforts. It is estimated that the public sector controls some 80 per cent of the country's economy directly (through ownership) or indirectly (through state-affiliated institutions such as religious and revolutionary foundations). This leaves a 20 per cent share of the economy to two sectors: the private sector (estimated share of 17 per cent) and the cooperatives sector (3 per cent). The private sector is mainly present in agriculture, domestic and foreign trade, small industries and small mining activity, while its role in large-scale economic activity is negligible (Khajehpour 2000).

However, the Government has identified the state domination in the economy as one of the key impediments to economic growth in Iran. In the past few years, the Government's emphasis has been on privatization, breaking of state monopolies and granting more freedom to the private sector. By allowing private banks and insurance companies to operate, the Government has also set the tone for a more liberal approach to financial markets. Furthermore, industries such as downstream oil and gas, telecoms and tobacco have been deregulated, though the Government retains the control of the upstream oil and gas sector. However, even the strategic energy sector is being considered as a target for restructuring in the Fourth Five-Year Plan (2005–10).

Demography

Iran has a population of 70 million (2002 estimate), 70 per cent of whom are under the age of thirty. The population is made up of mainly urban dwellers with over 60 per cent living in urban areas and the remainder in rural areas. While many of the urban citizens are internal migrants, it is also significant to note that more than 50 per cent of the Iranian population have been born and brought up in cities. Latest statistics show that the literate population stands at over 84 per cent. Furthermore, approximately 79 per cent of the employed population are educated and hold high-school diplomas and higher degrees. Estimates indicate that in the next decade Iran will produce an average of 200,000 and 250,000 university graduates every year (Namazie 2003).

Despite some positive reforms, challenges remain and unemployment tops the list of key challenges. The main factor behind unemployment is the country's young demography. This fact translates to some 800,000 new entrants into the job market per annum. At the same time, with the unemployment rate (11.3 per cent 2004 statistical centre of Iran, unofficial rate 20 per cent),[1] it is also noteworthy that Iran suffers from underemployment. An output of more than 200,000 university graduates per annum is a phenomenon that the Iranian economy cannot absorb, hence leading to disturbing social phenomena such as brain drain and underemployment (Khajehpour 2001).

Legal issues

Although Iran has quite a comprehensive legal regime which was established almost half a century ago, some of the laws are not representative of the present-day challenges and do not give security to investors. The labour law, for example, was rewritten in 1985 during the Iran–Iraq war and at a time when it was important to give workers more confidence in the stability of their jobs. The law remains very pro-employee and gives reason for companies to be very hesitant to employ people on permanent contracts, preferring temporary employment contracts.

Since the 1979 revolution, discussions on foreign investment in Iran have been coloured by warnings of foreign influence, entry of spies and exploitation of Iranian resources to the benefit of foreign capitalists. However, there have been some legal and administrative reforms aimed at encouraging foreign investment, through provisions for government guarantees against confiscation and nationalization of their assets.

Historical developments in HRM/PM

In order to understand how HRM and personnel management (PM) have developed and are developing in the country, a background to Iranian management practices and influencing factors shaping management in Iran is necessary.

Bani-Asadi (1984) states that Iran's national culture has three sub-components: traditional or ancient, Islamic and Western. All of these have had an effect on the style of management in Iran. The different styles of management can be seen in various organizations and throughout Iranian management history. The traditional style of management is a very strong style as it is represented by the trade merchants (*bazaaris*) who had and still have a great amount of power and control. The *bazaaris* also follow an Islamic culture and it is fair to say that a combined style of traditional and Islamic culture can be observed in their management style. The traditional style of management is very culture-specific, based on cultural factors, family relationships, hierarchies and nepotism, in which relationships and networks are given a great deal of importance. The Islamic style of management adheres to Islamic values of equality, justice and protection and

support for subordinates and workers. It is common to see paternalistic behaviours in this style of management.

Throughout the nineteenth and twentieth centuries, Iran had close links with the West: the elite in Iran sent their children to be educated in the West, namely Europe and the USA; trade links existed and a large number of Western technicians and engineers were brought to Iran. With these factors came the importation of Western styles of management. Due to the close links with Europe and the USA from pre-revolutionary Iran, the more accepted style of management and accepted enterprise was imported and accepted from the 'West'. This is seen especially in second-generation Iranian repatriates and indeed in many progressive private-sector enterprises.

In terms of HRM and PM in Iran, academics and researchers have different viewpoints. One group active in the public sector during the late 1970s believe Iran was already experiencing the development of HRM in the public sector. Others believe the majority of companies were at a position of pre-personnel management. The current prevailing view among management researchers is that HRM in Iran is indeed very culture-specific and very complex, intertwined with national culture, politics, legal frameworks and economic development.

Expanding on this point, there were clearly two different phenomena in the development of PM or HRM in Iran. First, there were major public-sector organizations such as the National Iranian Oil Company, the Plan and Budget Organization, the Civil Service Commission, the Khuzestan Development Services company, to name a few, which had direct and indirect influences on the development of PM or HRM in Iran. Second, the knock-on effect of these influences saw the emergence of management schools providing training and education for the public and private sectors and the student body in Iran. Management schools in Iran were linked with Harvard Business School, Henley Management Centre and also Pennsylvania State University, among others.

Iran's Administrative and Employment Law was first written in 1922 and was based on a basic merit system, trying to provide equal opportunities and fair play. Although the foundations of the law were ambitious, the realities of a nepotistic country did not allow for a fair and transparent merit-based employment law. The modification of the Administrative and Employment Law in 1966 made the law more in line with the country's present development and growth needs and yet allowed for merit-based performance measures to be introduced. At the time, Iran was experiencing great economic growth due to oil; there were numerous foreign, namely US, UK and European, experts and consultants working in Iran who all brought with them some form of expertise and management know-how, which influenced PM/HRM in Iran at the time.

At the same time that this development and influence on HRM was seen in the public sector, the private sector was slower to develop and more traditional in management styles and practices. Therefore it may be fair to say that even PM had not emerged in the same way in these private and traditional companies.

Interestingly, although the 1966 Administration and Employment Law took performance into consideration, its application was a different matter, as favouritism and nepotism existed then as it does now. Once the oil boom in 1973–4 hit Iran, many public servants left the public sector for better opportunities in the private sector. The remaining personnel in the public sector benefited through a more transparent and flexible merit and performance system.

It could be said that HR policies and practices seen in the public sector in Iran in the years leading up to the 1979 Islamic revolution were one of the most modern in the Middle East.[2] However, the revolution turned everything upside down, all the modern HR and management techniques that were imported into the country and which were beginning to take root in the Iranian culture were eliminated overnight. All the policies, practices and laws changed. Technocracy was replaced with ideology, a skilled workforce was replaced with a loyal workforce. The value of merits was placed, not on actions and competencies, but on loyalties and relationships.

The Islamic revolution brought about many changes not only in management but also in the composition of the workforce. Under the new Islamic code and the new social atmosphere, the role of women in the workforce was suddenly reduced. Both the dress code, working relationships between men and women, authority of women in high-ranking positions and gender segregation were reason for women in the workforce to be dismissed, forced out of office or into early retirement, leaving a gender and professional gap in the Iranian management structure (Namazie 2000).

Furthermore, at the time, many of the leaders and pioneers of Iranian industry fled the country leaving a sudden gap in management of both state-owned and private enterprises. The result of losing women and the sudden disappearance of a skilled and professional workforce was a need to find immediately new HR who could manage these enterprises, re-establish the status quo and, at the same time, be consistent with the newly emerging Islamic values. Furthermore, the recruitment of large numbers of war veterans following the Iran–Iraq eight-year war also had its effect. Skills, years of experience and expertise were replaced by selection factors based on political ideologies, loyalty and the level of trustworthiness.

In Iran today, some of the consequences of decades of mismanagement are being felt in the public and private sector. There are strong forces pushing Iran towards the development of her HR as a major solution to develop and respond to Iran's economic, social, cultural and business challenges. Management researchers in Iran today believe Iran is moving rapidly towards modernization and de-Islamization.[3] This is such that today companies are acknowledging the mistakes of replacing technocracy with ideology. This is not to say that Islamic values are being undermined, replaced or ignored, but rather that economic pressures are causing more importance to be paid to management competencies and professional values than to ideological values. One of the main internal arguments is high unemployment, an educated and skilled workforce and utilizing this resource as a significant human capital in which to develop and invest. External

arguments include economic development, globalization and internationalization of Iranian companies and industries and the speed of technology advancement.

There are a number of pioneers emerging in the development of HR in Iran today. These pioneers interestingly come once again from both the public and the private sectors. These are the companies and organizations that see the need to develop and progress, to modernize systems and practices. The Ministry of Energy, the Industrial Development and Renovation Organization, Iran Khodro and Saipa Group (two of Iran's leading automotive manufacturers) are but a few of the public-sector companies that are leading the development of HR in Iran. Private-sector companies are also influencing the development of HR in Iran. Interestingly, 2003–4 saw an increase in assessment and development centres, as Iran mapped out the Managers for the Future plan. The discussion and indeed debate of identifying competent and capable managers for future Iranian companies is indeed a major development in HRM in Iran. For the first time in post-revolutionary Iran, managers are required to be assessed not on ideological values but rather on management competencies, including factors such as achievement drive, performance management, leading and developing others. Table 2.1 summarizes the changes in management in Iran discussed above.

Table 2.1 Changes in management structure in Iran, 1970–present day

Event/time period	Macro environment	Effects on Iranian management
Revolution/1979	(a) Nationalization (b) Reduction of women in labour market (c) Migration of skilled and professional Iranian managers	(a) Gap in skilled manpower (b) Lack of skilled professionals, able to manage industries (c) Replaced by unskilled people due to nepotism factors; loyalty and trustworthiness, Islamic values
War/1980–8	(d) Reduction on normal business activities	(d) Crisis management, day-to-day management (e) No planning or internationalization (f) Strictly import orientation
Reconstruction/1989–97	(e) First stage of experiencing normality (f) Pressure from different power factions within government (g) Still run on ideological foundations	(g) First implications of management failure (h) Export orientation drive gradually begins

Reform and restructuring/ 1997–present day	(h) Apparent need for skilled and professional managers	(i) Management schools and courses
	(i) Government trying to attract the Iranian brain drain back to the country	(j) Iranian managers entering international negotiations and discussions on developing business
	(j) National Iran – no help from Western countries	(k) Import and export driven, manufacturing under license, joint venture relationships and strategic alliances formed gradually
	(k) New alliances with Eastern countries and liberation from the West	(l) Difficulty in being able to manage the international relationships due to isolation from international arena for two decades
		(m) New form of young Iranian managers returning from abroad, taking over family businesses
		(n) Foreign companies influence management in Iran

Source: Namazie 2004.

Role and importance of partnership in HRM in companies

The public sector is pioneering the HR effort as well as a handful of private-sector companies. This is also the sector that needs to privatize and start developing competent managers who can make these companies global and international. The private sector in some ways is slower at realizing the importance of HRM. In the more modern and progressive private-sector companies, HRM is indeed understood and its importance realized, but in the more traditional companies, the value of HRM is not very significant.

However, a further element causing Iranian companies to react to HRM is the presence of the multinational companies in Iran. These companies are indeed speeding up the process of HR development in the country, as the Iranian workforce would prefer to work for a multinational company, expecting better pay, better training and development, opportunity and the hope of becoming an international assignee within a more relaxed and flexible working environment (see also Tayeb 2005 for further discussion). Therefore, it can be said that the fight for talent has begun. A number of Iranian private-sector companies do indeed realize the need to catch up and to start providing tangible and lucrative alternatives to this workforce. The main skills which are being

fought over are expertise and language. It is fair to say the public sector has not entered this fight for talent, as they are targeting a rather different group of Iranian talent who apply mainly to the public sector, which includes top graduates from the finest of Iran's universities. A great majority of these do not have the same language skills, but they do come for the remuneration benefits and lifetime employment opportunities offered by the public sector.

Many of the Western multinationals apply systematic HRM policies and practices, mostly ethnocentric in strategy. However some also adapt their HR policies and practices to Iranian cultural norms. These multinationals offer the Iranian workforce sustainable development and growth opportunities they have not previously experienced within Iranian companies. This in itself will put pressure on Iranian companies and organizations, both public and private.

Key factors determining HRM policies and practices in Iran

Budhwar et al. (Budhwar and Debrah 2001, Budhwar and Sparrow 1998, 2002) identify three levels of factors and variables which are known to influence HRM policies and practices:

1. national factors, including national culture, national institutions, business sectors and dynamic business environments;
2. contingent variables including age, size, nature, ownership, lifecycle stage of organization, presence of trade unions and the HR strategies and interests of different stakeholders;
3. organizational strategies of companies.

Budhwar et al. further argue that HRM is in its infancy in many developing countries and only the impact of national factors can be further addressed at this point in time. However, the present authors believe that Iran is a country in transition and for this fact, interestingly, it is not only national factors that are seen, but indeed contingent variables as well as organizational strategies of companies are influencing the way HRM is evolving and presenting itself in Iran.

As Tayeb (1998) argues, it is important to note that HRM at both national and company levels are influenced by more than just national culture. She identifies three sets of national factors which play a role in the final shape of national HRM policies: socio-cultural institutions, political economic institutions and policies, and cultural values and attitudes. These in turn affect HRM policies and practices at the company level. Since these macro-levels factors vary considerably across nations, HRM is therefore expected to vary too.

In an ongoing study of HRM in a sample of international joint ventures (IJVs) in Iran, Namazie (2000) found that Iran's perception and role of HRM is very different from that seen in developed countries. Whereas, as was discussed above, Western and many other

developed countries view HRM as a strategic function, seeking to achieve competitive advantage by making full use of human resources (Storey 1995, Lu and Bjorkman 1998), in Iran the role of HRM is more basic and has been dependent on internal and external politics. Indeed it is fair to say this in the Iranian partner sample of IJVs under examination.

However, in present-day Iran and as discussed above, there are a number of factors which are facilitating the gradual formation of modern HRM concepts. Both the external and internal environments have a role to play in this process. This is still quite far off from HRM as a strategic function to achieve competitive advantage, but it is nonetheless the beginning of HRM.

National culture is one of the factors to consider in understanding the Iranian socio-economic framework. This underlines factors that recognize the management style, the meaning of work and values, the attitudes and manners of the workforce, the assumptions that shape managers' perceptions and insights and so forth. The major work-related values that are rooted in a country's culture include power and authority relationships, tolerance of ambiguity and uncertainty, individualism/collectivism, commitment and interpersonal trust, superior–subordinate relationship and role patterns, achievement orientation and feminine/masculine attitude to success (Hofstede 1980, Tayeb 1988).

With regards to the role of religion in Iran, one of the fundamental factors that affect the national culture is the dominance of Islam and Islamic values. However, religion should not be viewed as the only source of Iranian national character. As Bani-Asadi (1984) points out, the Iranian culture is a mixture of three different cultures which have co-existed for centuries: Ancient Persian culture has been in existence for over 6,000 years, the Islamic culture for 1,400 years and the Western culture has a history of over 200 years in Iran. These have all influenced the make-up of the Iranian national culture.

Islam's influence on workplace behaviour may symbolize certain values such as respect for age and seniority, loyalty, obedience of leaders and looking up to seniors for direction, consultative decision-making, trustfulness both between superiors and subordinates. Iranian managers are seen as paternalistic figures (Bani-Asadi 1984, Mortazavi and Karimi 1990, Mortazavi and Salehi 1992). Latifi (1997) found that Iranian employees view their managers as sympathetic brothers and sisters or compassionate fathers and mothers who were frequently involved in their employees' private lives and family matters.

This also reinforces the view found in Hofstede's study of national cultures across forty countries, which showed Iran as a collectivist country where he states 'the employer–employee relationship in collectivist societies is perceived in moral terms, like a family link'. He argues that countries with high power distance (Iran was in the middle of the dimension, slightly above average) support the paternalistic pattern of behaviour. Managers are seen as making decisions autocratically and paternalistically (Tayeb 2001). Latifi's (1997) research on Iranian managers found that managers were frequently performing the duties of a mentor, coach, teacher or an adviser.

However, the present authors believe that due to the past two decades of radical change in Iran, discussed above, Hofstede's dimensions on Iran may have changed, especially the dimension on collectivism and femininity. Hofstede found Iran to be a rather collectivist and feminine country. As was mentioned earlier, historical events have encouraged a degree of individualism in Iranian culture. In addition, studies conducted in emerging countries such as Singapore show that economic advancement and industrialization, leading to financial prosperity and independence, tend to shift people's values away from collectivism and towards individualism (based on a number of recent relevant Ph.D. theses examined by the second author).

As a result, the authors believe, in the workplace, Iran has become more individualistic and more masculine, however in the family and social circles, Iran still remains relatively collectivist and feminine by nature (see also Tayeb 1979, 1988).

It is worth mentioning that, in addition to Islamic values and other factors identified earlier, nationalist sentiments such as pride also play a significant role in Iranian culture. Furthermore, as was argued earlier, a rather harsh and unpleasant history filled with wars, invasions, foreign domination and loss of territory has had quite a profound impact on the Iranian national psyche. Consequently, although in essence Islam should assume trustfulness, this is not generally seen to be the case. Instead there is much distrust between superiors and subordinates. The team spirit is not for instance evident in companies as each individual performs his or her own duties but will not take responsibility for an action without the superior's approval. Decision-making is, as a result, concentrated at the top, and management is mainly autocratic (see also Tayeb 1979, 1999).

Briefly, national institutions and the role of the State include factors such as the national labour laws, politics, educational and vocational establishments, trade unions, government institutions, professional bodies, labour market and so forth. As has been discussed above, Iran follows a rather protectionist policy where the state vigorously follows a socialist pro-employee path in the name of social justice. As a result, employer–employee relationships are overshadowed by the strict provisions of the labour law, which creates additional tensions between the two levels. The Foreign Investment Law has tended to restrict rather than attract foreign investment and indeed there are other laws that need to be modified or reinterpreted to fit in with current-day demands and the expectations of the young workforce. The Government has started the process of reform and the National Industrial Development Strategy Document, (prepared by the Management and Planning Organization) indicates that Iranian industrial development needs to pay greater attention to software and management issues as opposed to the hardware approach of the past. This distinction could also have implications for HRM. In addition, activities such as hosting HR and management conferences, creating a professional HR society, organizing management and HR-related seminars and workshops, increasing educational links with foreign universities, identifying management competencies in the Managers for the Future plan and so forth all show the commitment of the Government to develop Iran's HR and management base.

In terms of educational establishments in Iran, one witnesses a degree of inconsistency. On the one hand, Iran has followed a major literacy campaign over the past decades and now sees the fruits of her labour as over 85 per cent of the population are literate. On the other hand, as Latifi's study (1997) shows, there is a gap between Iranian managers' professional and skills needs in relation to what is offered in universities and business schools in order to operate successfully in the current Iranian economy. MBA courses, for instance, are generally modelled after American and British ones, which are primarily designed for their own domestic needs. The appropriateness of such courses for managers working in a protected economy dominated by the public sector is rather doubtful. In fact, the managers who participated in Latifi's study considered such courses as irrelevant. This is a handicap which holds Iranian companies back with regard to PM as well as other techniques such as marketing and forecasting. However, the current privatization policies would make some of the imported business-education programmes more relevant to the needs of the managers, after appropriate modifications.

As for the industrial sector, the absence of a genuine long-term industrial strategy has led to fragmented industrial strategies based on regional and short-term approaches. However, as discussed above, steps are being taken to change this as the National Industrial Development Strategy document and the twenty-year Perspective show that in the future greater attention will be paid to the development of "software and management" issues but also proposing a way forward for industrial development.

In addition, the growing industrial sector, both in the public, semi-public and private sector, the emergence of joint ventures and multinationals in Iran are all influencing the development of HRM. Another challenge facing the public sector is to catch up with international standards and regulations, in all management spheres. Topics such as investors in people, International Organization for Standardization standards, European Foundation for Quality Management standards and so forth are all issues which the Iranian public and private sector enterprises are pursuing in order to become internationally recognized and up to date.

With regard to dynamic business environment, Iran is in a major shift. In essence, the country is moving from an original structure that relied on basic needs towards a growth-based economic pattern. This translates into a desire to make market structures more competitive, to remove monopolies and to reduce the Government's role in economic activity. A more diversified private-sector economic base will also change the HR realities in the country as more and more employees will have to move away from their expectation of being a 'life-long' government employee to becoming a competitive employee hired by progressive private-sector entities. The emergence of multinationals and foreign investment directly and indirectly influences the business environment, and the workforce in return demands better opportunities, training and development and better packages. This sector sees growth and change not only from the private sector but also from the semi-public sector and those public-sector companies which are due to be privatized.

Prevalent HRM policies and practices in Iran

As mentioned earlier, HRM is not yet applied in Iranian companies and is not seen as a strategic function of management, or as 'critical to achieving competitive advantage'. At present, the focus is more on hiring staff, getting them to perform and function efficiently in their jobs, providing reward and compensation for employees to fulfil their jobs. Training is provided, but it is not an interrelated function within Iranian firms.

Although the present workforce is educated, they are not multi-skilled. This clearly is an effect of the past two decades of isolation from the international business scene. The workforce is unfamiliar with international working standards and also does not exhibit an understanding for a career-path focus. This is gradually changing and improving with the entrance of multinational corporations (MNCs) and the internationalization of many Iranian firms. The existing Iranian workforce working with MNCs in Iran is gradually becoming a highly trained and sought-after workforce. Presently, a number of Iranians who have worked for MNCs in Iran are now becoming international staff in other subsidiaries around the world.

In most public companies, lack of motivation is a very apparent problem. There is a problem with efficiency, productivity and performance. Although HR practices and policies are used, they are not interconnected to show the added value to individuals. Performance appraisals are performed, numerous training and development programmes conducted and diverse compensation packages based on government legislation provided. However, they do not encourage commitment and loyalty, nor do they enhance productivity and efficiency to the employer or company. Compensation is not commonly linked to performance measures. In private-sector companies, this is slightly different, as the emphasis is more on profit-making and as companies need to follow stricter and tighter monetary and budgetary controls. Some companies apply their own systems of performance management, training and development and staff appraisal.

The remainder of this section examines several HR functions and discusses the implications for private, public and multinational companies. The discussion is based on the first author's empirical doctoral research in Iran (Namazie 2004).

Before proceeding further, it is necessary to differentiate between public and private companies in Iran. The public sector, as discussed earlier, controls over 80 per cent of the Iranian economy. These are mainly organizations which were confiscated at the time of the Islamic revolution or major industries which were in government hands. The lower and middle level workforce in these organizations clearly lacks initiative, motivation and leadership. The benefits and compensation packages are rather good and although base-line salaries may not be very competitive, the benefits make the work worthwhile.

On the other hand, private companies are more flexible and profit oriented. For this reason, the staff is selected on better procedures and incentives are tailor made in some instances to retain and motivate key personnel.

MNCs are usually perceived as companies that appreciate and develop their local staff. They are known to be upper quartile in salary and compensation factors, are flexible organizations, pay attention to the human dimension, attempt to develop personnel and increase efficiency and motivation in their staff.

Recruitment and selection

Nepotism is a commonly observed practice in many Iranian companies which prefer to recruit staff through word of mouth and more informal channels. The reason for this goes back to the effects of the macro-environment and the history of Iran. Through an unstable environment, full of unanticipated events and high-risk factors, Iranians are generally suspicious and unsure of the unknown. In order to reduce risks, recruitment and selection of someone known and trusted is better than recruiting a complete stranger. This also explains why many companies consider loyalty as a more significant attribute in a candidate than skills and expertise at the recruitment stage. The belief is that a loyal person can learn new skills, but it is more difficult to teach loyalty to a skilled person.

Nepotism is more commonly seen in higher managerial positions. In middle and lower staffing positions, recruitment is done through official advertisement. Many MNC and Iranian private-sector companies are also using the newly emerged professional recruitment agencies.

There are differences between Iranian companies and MNCs with regard to selection factors. In Iranian companies, selection factors are more traditional and include seniority, level and location of education, work experience and prestige of previous company. Selection in Iranian companies can range from a very informal basis, depending on the years of experience in related industry, personality and cultural fit of the individual to a very formal structure where every factor needs to be tested and assessed. Some public-sector companies even go so far as applying clinical psychometrics tests to recruit staff. In addition to numerous testing stages in the public sector, one of the stages of selection is an ideological test to assess the individual's knowledge of Islamic values and beliefs. This test gradually seems to be declining in importance.

In private organizations, selection methods are simpler and more straightforward. However, seniority and relationships are important factors; at times these factors outweigh relevant experience and competencies.

MNCs can also be put in two categories. The Western MNCs recruit and select mainly on the basis of the individual's potential, competencies and skills (specifically language and computer knowledge). In Eastern MNCs, selection factors are mainly dependant on seniority and experience.

The trend in recruitment and selection is increasingly moving towards selection based on competencies and potential in candidates. However, the authors believe that nepotism in Iranian companies will still remain a selection factor as it is too deep-rooted in the Iranian

culture to be removed entirely. This will especially be seen for higher managerial positions.

Training and development

Training and development is indeed significant for the development of the HR base in organizations, as realized by both Iranian and multinational companies. However, what is available on the market and what is the desired outcome for companies are two very different matters. In terms of availability, there are a number of local training schools that teach very much theoretical and lecture-type courses. There are also a handful of local companies that are filling the professional-training gap. Additionally, in recent months, a number of foreign management schools and colleges have gradually entered the promising Iranian market, offering Master of Business Administration (MBA) and Doctor of Business Administration (DBA) courses, especially proposed to the knowledge-thirsty Iranian population. Many Iranian managers come from engineering backgrounds and, indeed, only a small number of managers have received managerial education. For this reason and also for the fact that Iranians are generally very education- and knowledge-driven, MBA and DBA courses are growing in popularity.

MNCs however, use a more systematic training and development plan for their staff and in many cases bring in expert MNC trainers to offer MNC standard training programmes. The general courses offered in Iranian companies and MNCs are technical and management-development training.

However, although the importance of training and development is felt and more and more training providers are appearing both locally and internationally, the most visible problem is the lack of a systematic training and development framework both for companies and for individuals. Another important point is that although companies prefer to have management-training courses, fewer companies address the greater need in the Iranian workforce, which is skills-development courses.

Performance appraisal

Performance appraisals have been conducted in Iranian companies and, indeed, are well grounded in MNCs. Once again the objectives and outcomes of this HR function are implemented differently in organizations based in Iran. Performance appraisal is normally used as a tool to set goals and expectations, to measure outcomes and to provide feedback to staff. This translates into identifying development needs, career-path growth and promotions, where appropriate. Performance appraisals are conducted in a number of public- and private-sector companies, but not with the same longer-term view of taking on an individual's development. It is seen more as a mechanism to assess the person's actions but not necessarily to develop them as resources to the company. Perhaps the main shortcomings in appraisals conducted in Iranian companies are that they are not

clearly linked to merits, they are not transparent and do not connect performance to pay and development. Furthermore, there is normally much distrust between superiors and subordinates and hence staff feel their managers are not being fair in the appraisal. One common belief among local staff in Iran is that relationships are rewarded more than actions, hence the distrust to performance-appraisal measures and methods.

On the other hand, in MNCs performance appraisals have worked well for the local staff. Initially training was required so that local staff understood the mechanism and concept of the performance appraisal. Done correctly, it has been used as a motivating factor for local staff who are able to see their development and career progression. This is one of the main reasons the Iranian workforce would prefer to work in MNCs.

Compensation and rewards

Socio-economic and cultural differences also play a role in determining compensation strategies in countries. With the harsh economic and demographic challenges in Iran over the past decades, remuneration strategies have tended to respond to some these challenges. For example, the labour law adheres to a strict protectionist policy, which provides social security, food, housing, education and clothing provisions among the most common compensation components. Although the labour law is mandatory mainly for the majority of the private sector and MNCs in Iran, on its own it is minimal and does not provide any motivation to the workforce. The public sector uses a lower base salary but provides a diverse and complex basket of benefits. It also has its own laws and does not need to follow the strict labour law of Iran. The range of diverse benefits and lifelong employment make the public sector attractive to many, but the system is bureaucratic, layered and does not link benefits to performance. The benefits are routinely provided, without any assessment of performance measures.

The private sector competes with a higher base salary and more straightforward and simple financial benefits as defined by the labour law, however, in many cases it retains key staff through the provision of personal loans. Individuals working in the private sector feel they have more flexibility and potential to grow as compared to the public sector.

MNCs follow the highest salary structure and are usually positioned in the upper quartile salary range, not only retaining staff on financial rewards, but also offering an attractive benefits package including loans, additional medical service and recreational club benefits.

It is interesting to note that the emergence of the multinational companies will have a gradual effect on the overall HR practices and policies used by the private sector and, in turn, will put pressure on the public sector (see also Tayeb 1995 and Tayeb 2000 for further general discussion of this issue).

Key steps taken regarding the development of HRM

One of the underlying principles in the development of HRM in Iran is the demographic and employment challenges the country faces. The Government has embarked on a number of plans and strategy documents, such as the National Industrial Development Strategy, the twenty-year perspective and, recently, the fourth Five Year Economic and Development Plan (2005–10). Each of these plans aim to modernize, develop and push Iran to realize her economic, social and HR strengths. The Government also intends to embark on making employment and labour laws more flexible, giving more room to employment agencies. There is indeed a greater awareness to software and management issues, reflected in Iran hosting its second annual management conference in December 2004 and second HR conference in April 2005.

Public- and private-sector companies are inviting more foreign experts and trainers to provide training programmes on HR and management-related topics. There are a number of HR graduate programmes being discussed as joint programmes with foreign universities. There is a major increase in assessment and development centres as the Iranian public- and private-sector companies look to identify potential, expertise and competencies in their future managers who are chosen to lead the path of globalization.

Iran and Iranian companies are indeed paying more attention to HRM. There is an awareness and realization that in order for companies to become more international, to compete in global markets and to progress and gain market share, there is a need for structure and continuity that cannot be achieved with the current level of brain drain and the emergence of MNCs. Therefore, Iranian companies, especially those that are competing in international markets are realizing the potential, significance and strategic alignment of HR. They are beginning to feel the pressure of identifying their HR as part of their assets, especially if they want to be part of the economic and capital growth. It is therefore fair to say that in some private-, semi-public- and public-sector companies HRM is emerging, although at different levels, speeds and degrees. The speed of implementation of HRM is, of course, dependent on the needs of the businesses and the growth of the industries and companies.

Key challenges facing HRM in Iran

It is important that the pace of change and development or the realization of HRM comes at a slow and culturally balanced pace. Otherwise, once again Iran will make the mistake of importing management policies and practices from the West or East without determining how they will fit in with the Iranian national culture and values. Should that happen, there is a danger that the companies will be dissuaded and will return to more traditional functions of personnel management and the already disillusioned youth in the country will continue their brain-drain pattern of the past.

Another major gap and problem in the development of HRM in Iran is, as was mentioned earlier, that most Iranian managers come from engineering backgrounds

and not the social sciences. Many of them do not have any management training behind them, and hence they lack the required education, training, experience and knowledge. One of the key challenges will be to provide the resources to develop these managers into individuals who can lead Iranian companies on the path to globalization.

Moreover, universities do not offer any HR courses, and no professional HR bodies are present. However, there is change in the air: in October 2003 Iran hosted its first HR conference. Gradually, there are more HR seminars being proposed, numerous research studies conducted and a fast-emerging group of HR professionals being developed and trained. These professionals are being sent to international conferences and courses, learning to share their knowledge with HR networks inside and outside Iran. The speed of change is indeed phenomenal.

Another key obstacle to the development of HRM in Iran is a lack of knowledge and belief in the importance and indeed strategic nature of HRM. A senior manager might ask, 'What exactly does HR do for my organization? How does it benefit my organization? What benefit and added value will it bring?' There are many gatekeepers who will hinder the development of HR, mainly due to the fear and insecurity of losing their jobs to HR professionals. HRM is not supported or understood by senior management, who should be the key people to support the HR function. Finally, all said and done, when the importance of HR is realized, then the bigger problem remains as there are no trained HR professionals in Iran who can come forward to fill the much-needed position.

Concluding remarks

It is fair to say that Iran has embarked on the development of HRM. The shift from PM to HRM is being felt in the public sector and also in more progressive and modern private-sector companies. Although much of this at present may just be theory and learning, the journey and transition has begun. It began from the moment Iran realized the mistakes caused by mismanagement over the past two decades. Now companies find it is time to catch up and to try to gain the lost time.

The trends in the development of HRM in Iran can be summarized as follows:

1. Iran is moving from PM to HRM by paying more attention to the value of individuals as strategic resources in a firm's development and future direction.
2. Iran is experiencing a cultural shift to professionalize the workforce and base selection and development of staff on factors such as the value of expertise rather than loyalty.
3. External and internal pressures are causing Iran to respond faster to the development of HRM. These factors include globalization and internationalization, fairer competition, technology advancement, a young and educated workforce, brain drain, job creation and so forth.

4. The Government is responding to these pressures by relaxing and modifying laws, privatization, creating professional bodies, allowing better links for international education, improving training and development and so forth.
5. Iran is moving to a more systematic approach to HRM with procedure and practices being created. This applies for all HR functions: recruitment and selection, compensation, training and development, appraisal and promotion criteria.
6. One of the main challenges, however, is to have HRM as an integrated set of functions rather than islands apart. If companies and organizations treat HRM as separate functions, they will not be successful in bringing about the much-needed change and development in Iranian business environments.

Notes

1. The large disparity between the official and unofficial unemployment rates is due to underemployment, whereby people who hold higher educational and skill qualifications, are being employed for lower level jobs, hence causing underemployment.
2. Interview notes with Dr Fereidoon Azarhoush, Lecturer and Consultant at the Industrial Management Institute, Tehran, October 2004.
3. Interview notes with Dr Shahin Kharazmi, Lecturer and Consultant at the Industrial Management Institute, Tehran, October 2004.

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Useful web sites

http://www.atiehbahar.com, Atieh Bahar Consulting, private strategic management consulting, for information on articles, laws, economic developments and international articles and presentations on and about Iran.

http://www.atiehroshan.com, Atieh Roshan Consulting, private HR consulting company, for information on HRM developments, research and articles on HRM in Iran.

http://www.idro.org, Industrial Renovation and Development Organisation, one of the pioneers in HRM in Iran today, organizer of the annual HRM conference.

http://www.imi-org.com, Industrial Management Institute, management training.

http://www.irankhodro.com, Iran Khodro, one of the pioneers in Iran's HRM today.

http://www.saipa.com, Saipa Group, automotive sector pioneer in HRM in Iran.

http://www.sharif.ac.ir, Sharif University, Iran's best-ranked technical and postgraduate management school, organizer of the annual international management conferences.

Human resource management in Oman

ABDUL BASIT AL-HAMADI AND PAWAN S. BUDHWAR

Introduction

This chapter provides an overview regarding the scenario of managing human resources (HR) in the Omani context. It is structured along the framework discussed in Chapter 1 of this volume. The next three sections provide background information on the Sultanate of Oman, developments in the Omani economy and a broad perspective on the scenario of human resource development in the Sultanate of Oman. The later part of the chapter presents results from two human resource management (HRM)-related surveys. Finally, the main conclusions and future challenges facing the HR functions in Oman are highlighted.

The Omani context

This section presents relevant demographic details of the Omani economy and society. The Sultanate of Oman is an Arab and Islamic country occupying the south-eastern corner of the Arabian Peninsula in the south-western part of the Asian continent. The total land area of Oman is 309,500 square kilometres, which makes it the third-largest country in the Arabian Peninsula, after the Kingdom of Saudi Arabia and the Republic of Yemen. Oman shares a border with Saudi Arabia and the United Arab Emirates (UAE) in the west, Yemen in the south, the Strait of Hormuz in the north and the Arabian Sea in the east (Oman 2003). Oman occupies a strategically important geographical location for internal companies wanting to do business or considering access to Asian, Arabic and African markets (Selway 1997).

The total population of Oman is 2,273,609, of which 1,641,931 are Omanis, representing 73 per cent and 613,678 are non-Omanis comprising 27 per cent of the total population, the majority of which lives in the capital area. The mid-1997 estimates show that Omani women represented 49.2 per cent and men represented 50.8 per cent of the total population. The population of Oman is estimated to be growing at an average annual

growth rate of more than 2.5 per cent (Ministry of National Economy 1998). In the 1996/7 academic year, 25 per cent of the total population were students at all levels of education, while 42 per cent of the total population was in the workforce. The remaining population was composed of school-age children, housewives, the elderly and the unemployed (Ministry of Information 1998). According to Famighetti (1997), the main ethnic groups in Oman are Arabs (74 per cent), Pakistanis (15 per cent), Baluchis (4 per cent), Persians (3 per cent), Indians (2 per cent) and Africans (2 per cent). At the heart of the Omani culture lies Islam, with Ibadhi Muslims (74 per cent) in the majority. The remaining 26 per cent comprises Sunni Muslims and Shiite Muslims (World Almanac and Book of Facts 1997).

Islam has a great impact on most Omanis' life and practice. Sharia'h law is the law of Oman. The Sharia'h principles are contained in the Quran and through the prophet's sayings and practices, which are the second fundamental source of Islamic law after the Quran (Abdulali 1990). The Omani Government follows Islamic law for civic cases and modern civic law for criminal cases. For example, there is an Islamic court of law known as the Sharia'h Court and a Magistrates Court. The Sharia'h Court deals with marriage and divorce, the issue of power of attorney, distribution of an estate in the absence of a will, writing wills and related matters. On the other hand, the Magistrates Court deals with violations of the laws, both felonies and misdemeanours. The Sharia'h Law does not interfere in government affairs; however, the Government consults the Islamic laws and scholars when advice is needed (Naser 1993).

Apart from Islam, the tribe has continued to play an indispensable role in the lives of Omani people. Most people in the Arab states of the Gulf bear a tribal name rather than a family name. Socially, the hierarchy of the tribe still plays a major role in contemporary Oman. The status of the individual is determined by his or her tribal or group affiliation and rarely by individual merits (Kazan 1993: 190).

Along with both Islam and the tribe, the family occupies a central place in both individual and social life in Oman. The tribe and the family are the second top authorities after Islam in formulating the culture of the country. In Islam, the only recognized form of a family is that which comprises a lawfully wedded man and woman. Kinship and the identification of every single relative in the family are extremely important in Muslim families. Inheritance, custody and marriage are all determined by one's kinship. Because of the close ties between family members, shame and honour can be brought to the whole family by the conduct of one single member. The traditional Omani family is characterized by being an extended family and is not confined to parents and children only. It includes many branches and sub-branches which reflect a highly appreciated social cohesion. About 55 per cent of sons and daughters live with their parents and 8 per cent of grandchildren live in their grandparents' houses. Sons can stay in their parents' houses even after getting married or getting a job, and daughters remain in their parents' houses until they are married. Omanis are conservative. One's private behaviour and emotional feelings should remain private (Wikan 1982: 13).

It appears that the triangle of Islam, tribe and family determines an individual's behaviour, level of freedom, rights and duties and even the presentation of oneself to others. It should be noted that the strength of the grip of the traditional/religious ideology on the social structure varies from one Gulf country to another. According to Kazan (1993), Saudi Arabia tends to be the most conservative Gulf country, followed by Qatar, Oman, the UAE and Kuwait.

Arabic is the mother tongue and the official language in Oman. English is the second official language (Wikan 1982). Knowledge of another language or dialect only earns personal credit as it is not deemed a criterion for judgement. English, in contrast, is widely demanded and entered as a criterion in job applications.

Economic developments

Prior to 1970, Oman's economy was based mainly on subsistence agriculture and fishing. There were only three schools, two hospitals, 10 kilometres of tarmac road and 500 telephone lines serving the capital area (Ministry of Development 1997). Modern development in Oman began with the accession to power of His Majesty Sultan Qaboos in 1970 and, primarily, by utilizing the income from oil. Thereafter, Oman has witnessed a sizeable infrastructure and massive development programmes in all sectors of the economy.

Oman's economy, like that of other oil-producing countries in the region, is mainly dependent on oil revenues as major sources of income. Oman's oil production in 1997 averaged less than 900,000 barrels a day. By mid-1998, the decision had been taken to cut production to 30,000 barrels a day and by April 1999 the production rate was reduced to about 26,000 barrels a day in the interests of the oil-producing states and to help stabilize the oil price on world markets. As per the present production rates, Oman's reserves are not expected to last for more than twenty years (Ministry of the National Economy 1999).

Due to its dependence on oil as the main source of income, the economic and financial policies of the country are generally linked to its oil revenues, which are the major drivers of public expenditure and the key source of funding general budgets and economic programmes and plans. Thus, a fall in oil prices and revenues will have a heavy impact on development activities and the economy in general. The Omani Government recognized this troubling feature of its economy. The Sultanate of Oman, like other Gulf states, has been in the process of reducing its dependence on oil revenues and diversifying its economy. It has also instituted policies to afford greater opportunities to the local people to participate in the economy and to contribute to the prosperity of the society. Therefore, the success of these measures depends upon effective HRM/HRD policies that aim to develop a workforce capable of supporting the efforts made by the Government to succeed in today's modern globalized and highly competitive regional and international economies.

By 2020, the expected share of industrial sector to GDP is expected to increase by 29 per cent and that of crude oil expected to decline by 9 per cent (Ministry of Information 1998). The Government has initiated an extensive privatization programme to encourage private-sector development. In line with this, the Commercial Company Law and the Foreign Capital Investment Law have been amended to attract foreign direct investment (FDI). Further, reforms in Oman's income-tax regime have been initiated (see Alastai 1999). Foreign investors are now allowed to own up to 65 per cent of equity in public infrastructure projects. This can be increased to 100 per cent in certain circumstances. Companies with foreign participation are treated on a par with wholly owned Omani companies and may be exempted from corporate tax during the first five years of establishment. They are also free to repatriate profit and capital at will. Oman's laws have been changed to bring them in line with that of the World Trade Organization (WTO) and General Agreement on Tariffs and Trade (GATT) provisions and to meet the new circumstances of a global marketplace (for details, see Mellahi et al. 2003).

Developments in HRM/HRD

To enhance the performance of the economy, in 1995 Oman announced a long-term development plan called Vision 2020. This is not merely a development plan, but a blueprint that is expected to take Oman two decades into the new millennium. It aims, as planned, to work towards the achievement of a diversified, dynamic and globalized economy aided by the operation of an efficient and competitive private sector. The vision's main objectives can be summarized as the development of HR and the capabilities of the Omani people to generate and manage technological changes efficiently (Ministry of Development 1996). Further, in the continuously changing local and international conditions, to find ways that ensure maintenance of the Omani traditions (Ministry of Development 1997). Thus, the purpose of Oman's economic Vision 2020 is to develop Omanis by raising their skills, standards and abilities to face the twenty-first century and to reduce the main challenge of illiteracy. During the twenty-five years from 1996 to 2020, the development of the Omani vision is expected to be guided by the following policies:

1. The development of human resources through upgrading the levels of education systems; promotion of educational and vocational training; improvement in the levels of women's participation in the labour market; development of labour-market mechanisms aimed at increasing the level of the workforce's participation in the economy.
2. The development of the private sector through continued improvement to private-sector development and the privatization policies of services enterprises according to clear and specific rules; elimination of procedural and administrative barriers obstructing private capital entering various production and service sectors; development of trade and investment laws and encouragement of foreign investment.

3. The provision of appropriate conditions for the realization of economic diversification and striving towards the optimal use of HR.

Lately, Vision 2020 has been approved by the Royal Decree. HRD is at the heart of the above-mentioned three major strategies, which are considered critical to the realization of the 'Vision for Oman's National Economy: Oman 2020'. As indicated in the sixth national five-year plan 2001–5, HRD is considered as a basic and crucial aspect of the future national economic vision and development of Oman. This shows the high importance paid to the human factor in Oman's national strategic development process (EFA 2000).

With a serious emphasis on reducing reliance on income from the oil sector, development of HR is precious for Oman in order to actively pursue efforts towards development and modernization programmes. Currently, as well as historically, Oman has suffered from a shortage of skilled and professional workers. At the beginning of the 1970s, the entire labour force in Oman's civil service was 1,750 personnel at various levels, 93 per cent of whom were Omanis. As the economic development plan started in 1970, more and more skilled manpower was required. Hence, Oman resorted to importing foreign manpower from India, Pakistan, the Philippines, Egypt, Jordan, Sudan, Europe (mainly UK) and North America (both the USA and Canada). In 1997, there were 103,575 employees working in the public sector, 60 per cent of whom were Omani and 32 per cent of whom were expatriates. At that time, there were 493,847 foreign labourers working for the private sector, compared to 34,004 Omani nationals registered as employees in the same sector. The Omani labour force represented only 6 per cent of the total labour force in the private sector, while expatriates employees represented 94 per cent (Ministry of National Economy 1998).

The acute shortage of Omani manpower, specifically educated, and a professional Omani cadre during Oman's rapid transformation from a traditional to a modern economy presented administrative difficulties that limited the country's ambitious development plans (Al-Lamki 1998). In recognition of this fact, a fully fledged commitment by the Government of Oman has been to educate, train and develop its national workforce as a measure towards nation-building and economic development. The importance of developing the country's national HR has been one of the main aims and policies throughout the sultanate's successive five-year development plans (Sultanate of Oman 1991, Oman 2003). The recognition of this aspect of development was taken into account in the economic-development aims and policies in the sultanate issued by the Development Council in 1975. Consequently, this was incorporated in the implementation programme of the Economic Development Law 1/75 in which the integral importance of the national HR was recognized as follows:

It is important to pay attention to the development of the national human resources so that they may carry out their full role in the national economy. In this respect there should be an expansion in education and training, nutrition and public health. The purpose of the programmes should be to qualify the citizens to engage in economic

and productive activity and should not be limited to meeting the needs of the administrative body of state.

(Sultanate of Oman 1991: 36)

'Omanization' (the training and development of Omani nationals) was and still is the most crucial argument regarding HR planning in Oman. However, despite constructive policies and measures initiated during the past ten years, the achieved results are still below the aims. This is due to the reluctance of Omanis to perform certain manual occupations, such as plumbing, masonry, carpentry, tailoring and others. In addition, there is a lack of work performance in the private sector because of low incentives and poor working conditions compared to the public sector. This situation has caused Omanization programmes to retreat from 65 per cent in 1975 to 50 per cent in 1980 and to 38 per cent in 1990 (for more details see Al-Lamki 1998).

To rectify the imbalance for occupational preferences in Oman, the fourth five-year development plan stressed a number of strategies to promote participation of the national workforce in various economic activities, as well as correlating graduates of educational and vocational training institutes with the needs of the national economy to avoid unemployment in certain occupations and surplus in others (Sultanate of Oman 1991).

Another aim of the Omanization plan is to accelerate occupations in the public sector. The public sector has been, until recently, the main source of employment for Omani nationals. Nevertheless, the public sector still absorbs a significant expatriate workforce (Al-Azizi 1997). Efforts have been exerted in the past few years to Omanize jobs (i.e. to give jobs to Omani nationals) occupied by expatriates in the public sector, without disturbing or causing imbalance in the level of performance. In this regard, the Government has worked towards Omanizing professional occupations.

However, it is important to remember that the main aim of Omanization is not restricted to the public sector but also involves the private sector. Omanization in the private sector means to reinforce the role and the participation of national manpower in this sector. Data currently available reveals that Omanis prefer to work in certain sectors while rejecting others (such as construction and other manual jobs). On the other hand, Omanis represent 62 per cent, 75 per cent, 25 per cent and 20 per cent of the total workforce in oil and gas companies, commercial banks, insurance companies and hotels respectively (Al-Ansi 1994). In addition, given the current employment situation, the Government has initiated the following measures:

1. setting control procedures on expatriate labour coming into the private sector, particularly in occupations that can easily be Omanized;
2. preparation of suitable manpower-planning that meets the needs of the private sector;
3. improving working conditions in the private sector;
4. supporting willing Omanis in establishing small commercial projects and encouraging vocational institutes graduates as well as technical school graduates to practise being entrepreneurs in their own field of interest by offering them guidelines and suitable incentives through *Intilaaqah* and *Sanad* programmes. The *Sanad* programme

provides financial and other logistical support to young Omanis who are searching for jobs by encouraging self-supported employment to establish their own business. *Intilaaqah* is a non-profit organization that has been modelled on a Shell-funded initiative called LiveWIRE, which also supports unemployed Omanis to start their own businesses.

On the other hand, the fourth five-year development plan has approved the following procedures:

1. Omanization of HRM/personnel-department staff in the private sector;
2. minimizing the use of expatriate labour in management functions in the private sector and filling such posts by Omanis;
3. reimbursing the private sector for all expenses incurred in training Omanis;
4. publishing and applying a social-insurance system to bridge the disparity between the public- and private-sector employment policies and practices;
5. encouraging Omani women to participate in the labour market and to make use of vocational training institutes.

Recent employment figures from the manpower and employment register show that 45,480 nationals found jobs to replace expatriates in the private sector in the years 2000/1 (Oman 2003). A further plan of action was launched in 2002 to regulate the recruitment of expatriate labour. It highlights the partnership between the Government and the private sector. This includes the Sanad Manpower Employment Project (SMEP) and government private-sector Omanization teams and committees. These committees encourage individual enterprise, restrict certain occupations to Omani nationals, improve technical education and vocational training and promote greater private-sector involvement in education and training (Oman 2003: 133).

Present scenario of HRD in Oman

Over the recent past, the Sultanate of Oman has developed an impressive track record in the progress of HRD through education and training (see EFA 2000). In 1996, the Government critically evaluated the performance of each sector and the progress made during the past twenty-five years of Oman's renaissance (the fifth five-year plan). Adhering to the true spirit underlying the 'Expanded Vision of Basic Education', the Omani national-development policy-makers extended the ambit of the policy to embrace the broader and noble concept of 'Human development'. The fifth five-year development plan document uses the phrase 'human resources development'. The HRD plan encompasses all forms of education, including secondary, technical, vocational and tertiary education, occupational and professional training, non-formal education, and Islamic education, social recreational and cultural activities.

Since the early 1990s, Oman has taken a number of steps to develop different sectors (other than oil) to reduce its overreliance on the oil sector. As a result, the non-oil sector's contribution to its GDP has been steadily increasing and was estimated at about 3,932.4

million rial Omani (RO) towards the end of 1998 (6,685.08 million pounds). By 2020, the expected contribution of the industrial sector to GDP is expected to increase by 29 per cent and that of crude oil expected to decline by 9 per cent (Oman 2003). Thus, one of the main aims of the Vision 2020 programme is to develop HR and to upgrade the skills of the Omani workforce through education and training (Ministry of Information 1998: 89). The institutional framework for the administration of HRD in the Sultanate of Oman consists of committees, ministries and authorities. The following is a brief description of the organization and functions of the main bodies involved:

- The Council of the Civil Service is responsible for formulating policies, issuing laws, rules and regulations regarding terms, conditions and benefits of employment in the Civil Service.
- The Ministry of the Civil Services is responsible for all aspects of employment in governmental departments: recruitment, training, leave, salary administration, promotion, end-of-service benefits for government employees. In 1988, the Ministry introduced the Omanization plan for the public sector, and by 1995 it had succeeded in achieving a rate of almost 70 per cent (Omanization) or localizing jobs in the public sector.
- The Ministry of the National Economy is responsible for macro-economic planning, including HR planning. The Ministry sets long-term plans to reconcile the supply of labour with expected demand within the context of Omanization strategy.
- The Ministry of Education is responsible for the provision and management of general education, which is provided by public and private schools. This includes education below university level as well as adult education, which operates in parallel with the regular education system.
- The Ministry of Higher Education supervises most of the higher-education institutions. It is responsible for formulating higher-education policies and their implementation, administration of scholarships and supervision of private colleges.
- The Ministry of Manpower is responsible for all aspects of employment in the private sector. It sets the policies and regulations pertaining to the national workforce as well as foreign labour employed by private companies. Omanization has high priority in the Ministry's agenda and it has taken various measures to ensure that companies are complying with government policies and laws to employ nationals.

The Ministry of National Economy is responsible for issuing annual reports on HRD in the sultanate. The reports also emphasize the achievement of sub-sectors related to HRD including health, general education, vocational training, recruitment and employment. These reports also cover public expenditure for each HR sub-sector, the role of the private sector in their development and actions taken towards the realization of the future vision of HRD in each year of the five-year plan. Progress is continuously monitored through continuous formative evaluation covering all aspects of implementation (material, financial, time targets) in order to pinpoint bottlenecks and to remove obstacles through appropriate measures and modifications, as needed.

Administrative system of HRD in Oman

Budhwar et al. (2002) summarize the HRD system of Oman. There are eight administrative regions of Oman that include fifty-nine districts (called *wilayat*), which are governed by a formal representative of the Minister of the Interior. The structure of the Administrative Development System (ADS) comprises the Council of Civil Service, the Ministry of Civil Service and the Institute of Public Administration (IPA) (see Shaiban 1999). These authorities are responsible for a whole range of activities related to civil servants. For instance, the IPA is involved in developing capabilities and upgrading the skills of government staff. Broadly, bodies forming the ADS fall under the broad umbrella of the Civil Service Law, which governs the whole employment system as well as recruitment, selection, employment relations, job preparation, career development, organizational structures, regulations and work systems in Oman. Due to the official arrangements with other Gulf countries, it is interesting to note that some of these units have a good level of interaction with their counterparts in the Gulf region. Grants, training scholarships, educational and cultural ties, annual meetings and official visits feature prominently in regional and national HRD activities.

In addition to these authorities, as mentioned above, the Ministries of Education, Higher Education, Social Affairs, Labour and Vocational Training and Sultan Qaboos University are also part of the HRD system. They play an important role in supplying and sourcing the state-owned enterprises (SOEs) with an educated and trained workforce. In order to achieve this objective, the Council of Higher Education awards scholarships to Omani nationals to study overseas. This is considered one of the important means of developing HR. Since 1990, HRD has been a major theme in His Majesty's statements and has appeared in many government publications. For example, HRD has featured prominently in the implementation of the sixth national five-year plan (2001–5). According to this plan, HRD initiatives will focus on supporting training activities, revitalizing the training role of the IPA, emphasizing HR resource planning, renewing the work systems and putting in place a new HR database system (Ministry of Information 1999). HRD is now a basic and crucial element of the Government's future economic programme.

Very little has been written about HRD/HRM policies and practices in Oman. To date, the pertinent studies have focused on issues such as Omanization (see Al Ansi 1994, Al-Lamki 1998), HR in Oman (Shaiban 1998, Al Shanfri 1999), and an effective implementation of training and development policies (Al Ameri and Al Farsi 1994). At the state-owned sector level, the Government has initiated two main projects that are expected to improve HRD practice in the foreseeable future. The first one is the annual government training plan initiative. It was set up in 1995 and covers civil-service employees. The second is the job-classification project (for details see Budhwar et al. 2002). The next section presents empirical results from two recent surveys on to the scenario of HRD in Oman and factors influencing HRM in Oman.

Empirical analysis of HRD in Oman

Budhwar et al. (2002) conducted a survey in forty (out of a total of forty-two) SOEs regarding the scenario of HRD in Oman. They assessed the awareness and perceptions of top Omani managers regarding the role of HRD in their organizations and the dynamics of HRD policies and practice in the SOEs of Oman. Oman does not have a significant private sector, hence this research focused only on SOEs. Issues related to the structure of training and the HRD department, the role of HRD function in corporate strategy and change, training and development and employee relations were investigated. Following is a summary of their main findings.

Forty-six per cent of the sample units have HRD departments since their incorporation. In addition, they have sub-units of HRD such as training, co-ordination and legal procedures. The job titles of respondents include HRD Manager, HRD Head of Section (62 per cent), Personnel Administrator (27 per cent) and General Director (11 per cent). Regarding the overall contribution of HRD in the management of change, in 42 per cent of the research organizations, HRD function has effectively contributed to the management of change.

The analysis of results regarding the structure of training and HRD departments shows a *formal representation* for HRD function in the sector under study. Specifically, it highlights three things:

1. The existence of separate HRD departments and sections as an important part of the organizational structure.
2. The satisfactory level of education and qualification that HRD officers in governmental units hold, in spite of the relatively low percentage of professionals and the belief that it is an obstacle in HRD efforts.
3. An optimistic view towards the HRD capabilities and the future of this function.

It is interesting to note that a significant number of top HRD officers have been recruited from other departments that are not related to the HRD field. The HRD function is facing some challenges in the areas of financial support and commitment. In particular, organizations do not have sufficient funds to support HRD programmes and also managers and direct supervisors resist organizational change efforts. Furthermore, the contribution of HRD to strategy building is not of a high level. For example, it is only in 28 per cent of the sample firms that HR managers are involved from the outset in the development of corporate strategy. The findings show that the training needs demanded in practice are in the areas of management and administration, IT, technical skills and financial knowledge. Career path and the job-classification projects are highly needed in most governmental units, as they are believed to be two of the most important concepts for HRD effectiveness. However, more than 50 per cent of the sample units do not have clear career paths for their employees. Also, in 44 per cent of organizations the pay and benefits system is tied to the total work experience rather than performance and competencies. This is due to the requirements of the Civil Service Law. Nevertheless, a mixed compensation approach which takes into

consideration total work experience, performance, skills and competencies of employees is now emerging.

There were three indicators toward employee relation practices. Generally, there is a remarkable increase in the ways of communication, such as by direct verbal and documentary communication, which seems to be a healthy practice. It appears that the representative staff and employee committees need more representation in the sample firms. The second indicator shows that with the exception of management staff, professional and clerical staff need to be briefed about the strategies, performance and unit's objectives. This will make them aware of the essential objectives pursued by the units they work for. However, at present, in 51 per cent of the sample firms, manual employees are not briefed at all about either the strategy or performance of the firm.

The study found a high level of involvement of top management in HRD activities. In particular, the results reveal that 81 per cent of the sample firms have a formal HRD department. On the other hand, HRD managers do not adequately include their employees in the problem-solving process within the HRD departments, thus indicating centralized decision-making.

The findings also highlight that the Omani managers exhibit sufficient awareness and positive views on the importance of the strategic HRD function in their organizations. Generally, the level of that awareness is high and reflects the success of the Government's attempts to push the training agenda to the fore. Three-quarters of the sample believe that training has become more proactive in Oman and there is increasing interest in the development of mission statements and training strategies. This is an indication of the transformation or evolution of the HRD function in Oman.

Based on the research findings, and considering the aims of Vision 2020 and similar plans, Budhwar et al. (2002) have made a number of recommendations. These are in line with the Government's policies regarding HRD. It would be useful to establish a well-structured HRD system, supported by professional committees and clear strategies, to pursue HRD strategies in Oman. There is a strong need to further develop and invest in development of staff as a starting point for an inclusive governmental developmental policy. This can be carried out by revising the existing systems and laws in order to establish a more flexible legal environment for HRD activities that encourage employees to effectively participate in HRD schemes and self-development activities. There is the need to move towards 'capability-driven' HRD, where HRD is used to deliver organizational capabilities. HRD in this role can make a major contribution to the performance of organizations. The IPA should be encouraged more to develop and provide training courses that focus on planning and strategic management applications. The application of the career-path and job-classification projects should be seriously practised. There is also a need to establish a minimum number of training courses or workshops that the normal employee should annually attend. Further, one can relate the pay and benefit system to the performance and competencies of the employees, allowing clear scope for exploring the talents of new blood. Finally, there should be a

sound system in place which can establish a strong and effective system for evaluating and assessing the strategies of HRD and their implementation.

Factors determining HRM in Oman

A strong stream of HRM literature suggests that national HRM practices are determined by national factors (especially national culture and national institutions), also known as the 'culture-bound' factors (see Budhwar and Sparrow 2002). Management writers (such as Hofstede 1993, Laurent 1993, Schneider 1993) have shown a strong influence of culture, especially of national culture, on managerial thinking and accordingly on HRM policies and practices. The literature also indicates that national HRM systems are determined by 'culture-free' (such as age, nature, life stage and ownership of firm) factors as well (see Budhwar and Sparrow 1998, 2002). The examination of all the factors and variables influencing the HRM system(s) of Oman is beyond the scope of this chapter. As suggested by scholars (see Brewster 1995, Budhwar and Sparrow 1998), in the absence of possible information, a good starting point is to examine the influence of national factors on HRM policies and practices. This section presents results from a survey of 712 respondents working in six organizations (both semi-private and public sectors) in the Sultanate of Oman regarding the influence of national culture and national institutions on their HRM policies and practices. The survey was carried out in 2002 in Sultan Qaboos University, Sultan Qaboos University Hospital, Oman Telecommunications Company, the Civil Service, Ministry of Regional Municipalities, Water Resources and Environment and Petroleum Development Oman LLC. A total of 1,500 questionnaires were distributed (250 in each organization). A response rate of 48 per cent was achieved. The items to develop scales of national culture and national institutions have been adopted from Budhwar and Sparrow (2002).

To examine the influence of national factors on HRM policies and practices, the respondents were asked to allocate a maximum of 100 points to different aspects of national culture and national institutions. This forced respondents to differentially weight each item on a finite scale, and is a better technique than asking them to rate each item on a five-point scale, because there is a tendency for ratees to say that all items are important. This type of investigation helps to gain an understanding into the relative influence of national factors on HRM from the employees' viewpoint. Since the impact of the national factors on cross-national HRM is under-researched (especially in the Omani context), to gain more insights into the matter an open-ended question after each national-factor question was asked regarding which factor will significantly influence HRM in future and why.

Demographic details of the sample show that 70 per cent of the respondents were males, 73 per cent were married, 48 per cent were below the age of thirty, around 45 per cent held a higher-educational degree, they were working in a range of levels and specializations and the majority of them (59 per cent) had a work experience of between six and fifteen years.

Influence of national culture and institutions on HRM in Oman

The survey examined the perceptions of employees regarding the relative influence of aspects of national culture and institutional factors on HRM policies and practices in their organizations. Table 3.1 presents results regarding the influence of national culture on HRM.

On average, Omani employees gave high priority to the importance of religion (19.22 per cent), the socialization process (15.92 per cent) and the influence of the expatriate workforce (18.41 per cent). When the respondents were asked via an open-ended question which aspect of national culture would continue to significantly influence their HRM policies and practices, the result of the content analysis of responses to the open-ended question showed the majority of Omani employees (32.3 per cent) believed the influence of the expatriate workforce had the most important impact on their organizations' HRM policies and practices. There were people who were in favour of having expatriate consultants and others not in favour of having them, since they considered the policies designed by expatriate consultants during the 1970s as old, outdated and no longer suited to the Omani context. Sixteen per cent of the employees placed religion as the second most important influence on HRM policies and practices. Religion is the dominant and focal point in Oman. Fourteen per cent of Omani employees mentioned the management style unique to the Omani context as the most important

Table 3.1 Influence of national culture on human resource management in Oman

Aspects of national culture	No. of cases	Mean
The influence of religion	624	19.22
The influence of beliefs, values norms, customs, and rituals and early experiences (i.e. the family, education system and religious socialization)	631	15.92
The influence of the expatriate work force in both the private and public sectors (i.e. expatriates occupying consultancy and higher management positions and their contributions to the development of the civil service and labour laws during the 1970s)	633	18.41
The influence of the social elite (i.e. people educated abroad)	633	12.75
The influence of organization's culture 'the way we do things around here'	639	13.30
Management style, unique to the Omani context	629	12.50

influence in this regard. On the other hand, 12 per cent of Omani employees thought beliefs, values, norms, customs, rituals and early experiences had a strong influence on HRM policies and practices. Employee actions are dictated by these values and norms of behaviour. They also shape an individual's behaviour and integrate it within a particular group. Eleven per cent of the Omani sample thought the organization's culture had a major influence on HRM. This aspect of organizational culture reflects the need for individuals to work in a particular work culture and helps to balance the interests of the organization and give a sense of belonging. Finally, 8 per cent of Omani employees believed people educated abroad did influence HRM policies and practices with what they had learned and had been exposed to in these foreign countries.

Next, results regarding the influence of institutional factors are presented, such as Sharia'h law, Oman's civil-service laws, Oman's labour laws, various administrative establishments (such as the Ministry of Legal Affairs, the Court of Legal Administration and the Court of Royal Diwan, the educational and vocational training set-up – university, private training institutes, private colleges, the Ministry of Manpower and NVQ programmes, the labour market and Omanization programmes. Table 3.2 summarizes these results.

The results show that on average employees gave high priority to Oman's civil-service laws (24.75 per cent), educational and vocational training set up (16.03 per cent), Oman's labour laws (14.87 per cent), labour market and Omanization programmes (13.79 per cent), various local administrative establishments (11.82 per cent) and, finally, regional and international institutions (8.05 per cent) regarding their influence on HRM policies and practices. On the other hand, content analysis of responses to the open-ended question showed just under half of the employees (42 per cent) believe that Oman's

Table 3.2 Influence of national institutions on human resource management in Oman

Aspects of national institutions	No. of cases	Mean
Sharia'a law (Islamic)	609	13.83
Oman's civil service laws	637	24.75
Oman's labour laws	612	14.87
Various administrative establishments (i.e. Ministry of Legal Affairs, Court of Legal Administration, and the Court of the Royal Diwan)	618	11.82
The Educational and Vocational training set-up (i.e. university, private training institutes, private colleges, Ministry of Manpower and NVQ programmes)	630	16.03
Labour market and the Omanization programmes	628	13.79

civil-service laws will continue to influence their organizations' HRM policies and practices the most, because they limit the actions and changes initiated by HRM people. Educational and vocational training came second, as 18.8 per cent of Omani employees thought this factor had a very important influence on HRM policies and practices, because it offers the base for all developments in the country; while 12.9 per cent of Omani respondents believed the labour market and Omanization programmes had a great deal of influence on HRM. Another 12.9 per cent thought Oman's labour laws had a major impact on HRM policies and practices, as most of the private sector is tied in with Omani labour laws to implement Omanization plans. Finally, 7.1 per cent believed the Sharia'h laws (Islamic laws) are the only effective laws that should be used for all aspects of life, including HRM, and without these all other man-made laws are invalid.

To summarize, Omani employees emphasized more the influence of religion on HRM because religion plays a major role in the people's daily lives. In an Islamic country like Oman, when the Government decides to design HRM policies, it has to take into consideration the effects of religion on top of other factors, such as national culture, political ideology, economic conditions and the legal system. Also, the influence of social elites is present in HRM. On the other hand, out of the common institutional determinants, the relative impact of civil law is very apparent, the former is much stronger with the Omanis. In addition to these aspects of national culture, Omani HRM is also determined by the influence of the expatriate workforce (that is, expatriates occupying consultancy and higher-management positions and by their contributions to the development of the civil-service and labour laws during the 1970s). As discussed above, Omani civil-service law was established during the 1970s by a group of foreign expatriate consultants from Egypt and other Arab countries. These laws were made to suit the expatriates more than the locals, as expatriates made up the majority workforce at that time. As regards the social elite (people educated abroad), these had most of their education in Western countries such as the USA and UK and in Arab countries such as Egypt, Syria, Jordan and Iraq and came back to Oman during the early 1970s and some years after. They were the first people to become ministers and policy-makers in Oman. Hence, in the Arab world, management policies and practices serve the interests of powerful elites (see Ali 1995).

Apart from civil-service law, the education and vocational training set-up of Oman is expected to significantly influence its HRM systems. This is mainly because it has to cope with manpower requirements. Due to the needs created by economic development, education and training plans have been drawn to form a HRD plan. As indicated above, no education system existed before the early 1970s. Only three primary schools for boys existed with 900 students in each. No education for girls was provided. The present situation of education and training is the result of rapid developments (Ali 1993). General education in Oman is divided into three levels: primary (six years), preparatory (three years) and secondary (three years). During the academic year 1998/9, basic education (ten years) was introduced and applied in some schools in the sultanate (Ministry of National Economy 2000).

A technical and vocational education and training system was established in the 1980s. The establishment of the first university in 1986 has added a new dimension in completing the educational system. According to the Ministry of National Economy (2000), there are now 980 state schools providing education to 542,580 students at primary, preparatory and secondary levels, with 24,881 teachers – one teacher for every twenty-two students.

In January 1994, the Ministry of Higher Education was created by Royal Decree with special responsibility for all higher education in Oman. The ministry also supervises other education institutions and centres of scientific research and is responsible for formulating higher-education policies and administering the law of grants and scholarships. The Ministry of Higher Education encourages the private sector to establish colleges and institutes of higher education in order to absorb the increasing numbers of secondary-school graduates in recent years. Sultan Qaboos University is the only state university in Oman. It was opened in September 1986 with five disciplines: education and Islamic sciences, medicine, engineering, science and agriculture. The Faculty of Arts was established in 1987, and in 1993 the Faculty of Commerce and Economics was added to the university. Recently, few private universities have been established, such as Suhar University, Nizwa University and Salalah University. Another Royal Decree established the Vocational Training Authority (VTA) in 1991 in support of the country's fourth five-year development plan (1991–5) which aimed to achieve further significant HRD in the sultanate. The VTA established a system of technical industrial colleges, which offered the British General National Vocational Qualification (GNVQ), and vocational training centres, which were intended to supply the labour market with semi-skilled and skilled workers and which now offer the Omani Vocational Qualification (OVQ). It was an objective of the VTA that the responsibility for vocational training would be shared between public- and private-sector institutes and training organizations (Al-Dhabab 1997). Further, in 1997, the VTA was abolished and the responsibility for training was transferred to the Ministry of Social Affairs, Labour and Vocational Training. In the year 2001 this ministry was divided into two and the vocational training came under the Ministry of Manpower.

Conclusions

HRM is very much a new phenomenon in Oman. There are many organizations both in the public and private sectors with no HRM departments. Omani organizations are practising more personnel management than HRM. This is very clear in terms of doing day-to-day personnel work of hiring and firing people. Most employees in many departments do not have job descriptions or a career path. Other challenges are presented in the form of the unwillingness of young Omanis to join certain jobs in the private sector due to low payments and challenging work conditions (for details, see Al-Lamki 1998). As we mentioned above, Islam plays a major role in the design and implementation of HRM policies and practices in Oman. Thus, many ethical issues have to be considered

when it comes to selecting and recruiting staff. These are related to gender equality, equal pay, maternity leave, compassionate leave and other benefits.

Arab culture is traditional, communal and male dominated. The collateral relationship is more valued than individual and hierarchical relationships (Badawy 1980, Abdulla 1997). It also encourages dependence on relatives and friends (Hofstede 1984). According to Mellahi and Wood (2001), Gulf Cooperation Council (GCC) countries are highly collectivist within the in-group (tribe or extended family) and highly individualist with the out-group (non-kin and guest workers). If the outer-group ties between individuals are very loose, interactions are limited and the emphasis is on an individual's accomplishment. When dealing with the out-group, managers apply the same standards to all employees and put strong emphasis on task rather than relationships. The employer–employee relationship within the in-group is 'morally' based, and the corresponding managerial style can be best described as directive but welfare-oriented or paternalistic (Mellahi and Wood 2001). Omanis are by no means different from the rest of the Gulf countries when it comes to hierarchical value orientation, and they enjoy a higher level of hierarchical authority, particularly at work, as boundaries are clearly drawn between levels of management and other employees.

The triangle of Islam, tribe and family play a very significant role in almost everything, including HRM, in Oman. Islam is at the top of the triangle, with its effects on all aspects of life. Tribe and family form the base of the triangle. Both are the second-most influential institutions after Islam in Oman. The tribe and family have exerted tremendous influence on all people's lives. Some of these elements are prevalent in most Gulf countries, although, Islam prohibits tribal prejudices. It has been argued that these culture-building institutions also contribute to the development of HRM policies and practices in the country. However, this needs to be empirically examined. It is also important to emphasize that there are other institutions known to have an influence on HRM that have not been discussed in this chapter, such as industrial relations and labour unions (see Budhwar and Debrah 2001). However, these institutions are not significant here since they do not exist in the Omani context and therefore no information is available. However, to meet the requirement of various international organizations, such as the World Bank and the International Monetary Fund, Oman and other GCC countries have started to encourage the establishment of various associations. For example, in Oman the Government is supporting professionals to establish associations for personnel management, accounting, engineering and other professions. These associations may be one step towards industrial relations and trade unions.

Oman, like the rest of the GCC countries, is an oil-dependent country that needs to diversify its economy through education and HRD policies. It embarked on this project a few years ago through the development of the Oman Vision 2020 and other HRM/HRD programmes in both the private and public sectors. However, there is a long way to go before the results of such initiatives will start to emerge.

To conclude, there is a need for empirical studies with regard to HRM policies and practices in Oman. The findings of such studies will be of particular importance for

policy-makers to achieve the national strategy aimed for HRM and HRD. They will help not only to assess the scenario of HRM in the country but also the process of self-sufficiency of manpower and to guide Oman towards a better future.

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Useful web sites

www.gulfjobsites.com/jobs/oman, Directory and search engine of job and employment related websites from the Arabian Gulf/Persian Gulf region covering Saudi Arabia, United Arab Emirates, Oman, Kuwait, Bahrain, Qatar, Iraq and Iran.

www.Manpower.gov.om, Sultanate of Oman Ministry of Manpower.

www.mocs.gov.om, Sultanate of Oman Ministry of Social Services.

www.moneoman.gov.om, Sultanate of Oman Ministry of National Economy.

www.mrmewr.gov.om/intro.asp, Ministry of Regional Municipalities, Environment and water Resources.

www.pdo.com.om, Petroleum Development Oman (PDO). PDO is the premier hydrocarbon exploration and production company in the Sultanate of Oman.

www.squ.edu.om, Sultane Qaboos University.

4 Human resource management in the United Arab Emirates

ABUBAKR MOHYELDIN TAHIR SULIMAN

Introduction

The United Arab Emirates (UAE) – formerly known as the Trucial States or Trucial Coast – is a federation of seven emirates (sheikhdoms) located in the south-eastern corner of the Arabian Peninsula. It is bordered by the Sultanate of Oman and the Gulf of Oman to the east, Saudi Arabia to the south and west and by the Arabian Gulf to the north. The total land area is 83,000 square kilometres (32,278 square miles).

This chapter examines the past, present and future of human resource management (HRM) in the UAE. The chapter discusses the key challenges and prospects that confront organizations in the area of HRM and human resource development (HRD). The first part analyses the political background of the country, whereas the second and third sections look at the social and cultural backgrounds of the UAE. The historical developments in HRM/HRD are discussed in the fourth section. The fifth and sixth sections examine women's role in the workforce and the issue of population imbalance. The issues of Emiratization and the key challenges facing HRM in the UAE are presented and analysed in the seventh and eighth sections. Possible scenarios for some HR activities in the UAE in 2010 are described in the final part.

Political background

Established in 1971, the UAE comprises the emirates of Abu Dhabi, Dubai, Sharjah, Ajman, Fujairah, Umm al-Qaiwain and Ras al-Khaimah (Ras al-Khaimah joined the union in 1972). The new federal system included a supreme council, a cabinet (or council of ministers), a Federal National Council (FNC) and an independent judiciary, at the apex of which is the Federal Supreme Court. The city of Abu Dhabi is the federal capital and the largest city. The federal authorities, according to Articles 120/121 of the Constitution, are responsible for foreign affairs; security and defence; nationality and immigration issues; education; public health; currency; postal, telephone and other

communications services; and air-traffic control and licensing of aircraft; in addition to a number of other topics specifically prescribed, including labour relations, banking, delimitation of territorial waters and extradition of criminals.

The rulers of the seven emirates agreed that each of them would be a member of a supreme council, the top policy-making body in the new state. It was also agreed that a president and a vice-president would be elected from amongst the Supreme Council members: His Highness/Ruler of Abu Dhabi, His Highness/Ruler of Dubai, His Highness/Ruler of Sharjah, His Highness/Ruler of Ras al-Khaimah, His Highness/Ruler of Fujairah, His Highness/Ruler of Umm al-Qaiwain and His Highness/Ruler of Ajman. The Council of Ministers or the Cabinet includes the usual complement of ministerial portfolios and is headed by a prime minister, chosen by the president in consultation with his colleagues on the Supreme Council. The Prime Minister, currently the Vice-President – although this has not always been the case – selects the ministers, who may be drawn from any of the federation's component emirates, although, naturally, the more populous emirates have generally provided more cabinet members.

The parliament of the federation is called the Federal National Council. It was established in 1972 and is considered a landmark in the constitutional and legislative process of UAE. The FNC advises the Cabinet and the Supreme Council but cannot overrule them. According to the constitution, the FNC consists of forty members who are drawn proportionately from each of the seven emirates. Each ruler appoints the members for his emirate. The Federal Judiciary, whose total independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council of Rulers. The judges decide on the constitutionality of federal laws and arbitrate on inter-emirate disputes and disputes between the Federal Government and the emirates.

Meanwhile, each one of the seven emirates has its own local government consisting of directorates, municipalities and departments, retaining a good deal of political and financial autonomy, a fact that has contributed greatly to the remarkable success of the federation. In short, the political system of the UAE can be summarized in the following points, starting from the most influential to the least influential in terms of policy-making:

1. supreme council members
2. crown princes and deputies of the rulers
3. members of the cabinet
4. federal national council
5. federal judiciary
6. local government
7. federal and local government
8. traditional government.

The labour law in the UAE is loosely based on the model of International Labour Organization. UAE Law No. 8 of 1980, as amended by Law No. 12 of 1986, the Labour Law, governs most aspects of employer–employee relations, such as hours of work,

leave, termination rights, medical benefits and repatriation. The Labour Law, which is administered by the Federal Ministry of Labour and Social Affairs, is protective of employees in general and overrides conflicting contractual provisions agreed under another jurisdiction, unless they are beneficial to the employee. The normal maximum working hours are eight per day or forty-eight per week. However, these hours may be increased to nine or ten daily for people working in hotels, restaurants, retail trade and similar organizations. Commercial and professional firms work forty to forty-five hours a week and government ministries about thirty-five. Similarly, daily working hours may be reduced for difficult, dangerous jobs or jobs that need high concentration. Many businesses work on a two shift system, that is, 8 a.m. to 1 p.m. and 4 p.m. to 7 p.m. There are ten days of public holidays in any year, which are fully paid. The employee's annual leave is two days for every month if his or her service is more than six months and less than a year. In every completed year of service after the first, an employee is entitled to thirty days annual paid leave. This is in addition to public holidays, maternity leave for women and sick leave. Overtime is used extensively, and additional pay is required for manual and lower ranking staff.

The UAE economy

The UAE has a free-market economy based on oil and gas production, trade and light industries. Since the discovery of oil in the UAE, it became critical to its economy; oil exports are considered one of the world's largest, and contributed positively to the per-capita income, which ranks amongst the world's highest. The local government in each emirate owns its own petroleum-production facility. Most of the country's petroleum resources are located in the emirate of Abu Dhabi. The emirate of Dubai is also an oil producer, however it is expected to run out in 2016. That is why Dubai's government has, for a long time, explored new sources of income and has started to grow as a financial, commercial and tourism center in the region. In 2003 Dubai's tourism sector contributed by 18 per cent to its GDP, which is a little higher than that of the oil sector (17 per cent). The remaining five emirates have negligible natural resources (such as oil and gas) and therefore depend in varying degrees on federal-government subsidies. The per-capita income stood at around 72,500 dirham (19,755 US dollars) in 2003, second only to Qatar in the region and one of the highest in the world. Table 4.1 below presents the major economic indicators of the UAE, 1999–2003.

The UAE people

The people of the UAE are Arab, descended from the tribal confederations dominating the peninsula since before recorded history. Arabic is the official language, but English is widely spoken along with some other languages such as Urdu, Malayalam and Tagalong. The medical, social, cultural, politico/legal and economic developments have positively

Table 4.1 Major economic indicators of the United Arab Emirates, 1999–2003

Economic variables	**2003	*2002	2001	2000	1999
Workers	2191298	2090590	1929022	1737771	1631764
Gross domestic product at basic prices	293121	261370	254236	257979	201797
Gross national income	279365	251661	259648	264191	206848
Disposable income	238040	211967	221614	227942	173990
National saving	49327	37395	61251	75383	37363
Final consumption expenditure	188713	174572	160363	152559	136627
Government final consumption expenditure	43489	42540	41800	39885	36262
Private final consumption expenditure	145224	132032	118563	112674	100365
Gross fixed capital formation	63070	60552	60178	57398	53916
Gross fixed capital formation government sector	14120	14016	15533	12758	15231
Gross fixed capital formation public sector	21850	20911	19634	19885	16333
Gross fixed capital formation private sector	27100	25625	25011	24755	22352
Total imports	190831	156641	136961	128574	116495
Total exports	241784	191571	177800	183018	133950
Surplus of the merchandise trade	50953	34930	40839	54444	17455
Wages and salaries	79334	75878	70924	65597	59718

Source: Ministry of Planning.
* Adjusted Data. ** Preliminary Data.

affected social changes in the UAE. For example, they affected the country's population in terms of birth and death rates and labour-force rates. The size of the population has increased from almost 1.8 million in 1990 to about 4 million in 2003. Hence, the workforce increased from 0.9 million in 1990 to 2.4 million in 2003. Further, during the period of 1993–2002, the UAE population has increased by 79 per cent to nearly 3 million, growing by a high average of 6 per cent a year. Table 4.2 presents the UAE population, labour force and employment rates for the period of 1990 to 2003.

The socio-cultural environment

UAE is a Muslim state; social life is highly influenced by the values and culture of Islam. Islam is the official religion of the country. The inherited Arab culture, traditions, customs and morals also play some role in influencing the daily life of UAE citizens. For example, marriage is a family affair rather than a personal choice. Generally speaking, two kinds of value systems regulate the UAE society: Bedouin values and the ancient

Table 4.2 Population, labour force and employment in the United Arab Emirates

Year	Employed (15+) years	Labour force (15+) years	No. of population
1990	911000	924000	1773000
1991	973000	988000	1875000
1992	1040000	1057000	1983000
1993	1111000	1130000	2097000
1994	1188000	1208000	2217000
*1995	1311816	1335894	2411041
1996	1367000 (r)	1389000 (r)	2490000 (r)
1997	1471000 (r)	1499000 (r)	2652000 (r)
1998	1585000 (r)	1621000 (r)	2834000 (r)
1999	1720000 (r)	1760000 (r)	3033000 (r)
2000	1865000 (r)	1909000 (r)	3247000 (r)
2001	2029000 (r)	2079000 (r)	3488000 (r)
2002	2211000	2269000 (r)	3754000 (r)
2003	2485000	2417000 (r)	4041000 (r)

Source: Ministry of Planning.
Mid-year estimates.
* Results of the Census in December.
(r) Revised figures.

values of a sedentary population. As is the case in most cultures (Hofstede 1984), the conflict between these two value systems is inevitable in the UAE society.

The family is the cornerstone of social life in the UAE. According to Ali (1996: 6), 'the family and other social institutions still command the respect of almost all individuals [in Arabia] regardless of their social backgrounds'. The extended family system is the major feature of the household. The UAE household used to consist of a married couple, their married and un-married children and some other relatives, such as parents and unmarried sisters and brothers. However, more recently this form of household has started to diminish in urban areas, such as Abu-Dhabi and Dubai because of factors such as the limited size of modernized houses and apartments and the tendency of young generations to have their own homes and independent lives. Nevertheless, individual social identity and loyalty continue to be oriented to the widely extended family and personal interests are always co-ordinated with those of the grand family.

By the late 1980s, social relationships and values had tended to change in the UAE. The relationships between male and female members of society had started to take a more open form. The new generations have tended to adopt new values, attitudes and customs that are different and that sometimes contradict those adopted by the older generations. Many factors have led to this change, such as increased physical and social mobility and the development of education. Crucially, the revolution of globalization has led to more

Table 4.3 Value orientations of the United Arab Emirates society

Aspect	Characteristic
General ethical orientation	Personalistic and particularistic
Authority	Highly respected
Interpersonal relationships	Group oriented
Status and prestige	Very high concern
Social structure	High degree of vertical (kinship) and lateral (class) stratification

interaction between the world's different cultures through satellite television channels, the Internet and other advanced communication means. The value orientation of UAE society is summarized in Table 4.3.

There are six layers of culture that influence work values in the UAE. These levels are:

1. regional
2. national
3. generation
4. social class
5. gender
6. organizational culture.

The most influential layer of culture in UAE is the regional layer. This regional level includes three factors, namely religion, language and history. The Islamic rules regulate all aspects of human life, including social and economic aspects of Muslim society. Islam is not simply a religion; it is a way of life. For example, the relationship between the individual and God (Allah) is governed by a concept known as *tawheed*. It means the complete loyalty to the sole Creator of this world. Considering this concept, the individual in the UAE is expected to do good deeds, such as working hard, respecting his or her parents and elder people, visiting relatives and neighbours and so on. The *tawheed* concept states that individuals will be rewarded or punished for every good or bad thing they have done on the Day of Judgment. To show kindness and to be kind in speech, to never cheat or act deceitfully towards others in order to benefit yourself and to remain trustworthy at all times, are some values that the UAE society has inherited from the regional layer of culture.

The regional culture of the UAE strongly shapes its national culture, which in turn reflects on the human resources (HR) policies and practices. Table 4.4 below shows one aspect of UAE's national culture, lectures organized by the Cultural Foundation. For example, in Ramadan, the fasting month for Muslims, official working hours are reduced by two hours. Some organizations compensate for the loss of business by staying open longer after *iftar* (fast-breaking). The holidays in most, if not all, organizations are based on the Islamic calendar. Therefore, all employees, whether locals or expatriates, Muslims

Table 4.4 Lectures organized by cultural foundation in the United Arab Emirates, 1998–2003

Year	Subject of lecture					Total
	Artistic	*Political*	*Literary*	*Religious*	*Scientific*	
1998	20	12	6	12	10	60
1999	14	7	10	6	20	57
2000	12	8	9	7	15	51
2001	9	11	10	26	25	81
2002	26	14	9	8	20	77
2003	16	11	12	11	30	80

Source: Cultural Foundation – Abu Dhabi.

or non-Muslims, need to understand this calendar. The weekend for office workers has traditionally been Thursday afternoon and Friday, but, to the employees' benefit, a number of organizations have changed over to a five-day week with Friday and Saturday as the weekend. The conditions for everlasting success or *falah* in Islam are the same for all Muslims – whether carrying out their organizational duties and responsibilities or conducting their daily activities. Therefore, managers do their best to make sure that all employees are treated with dignity and respect. The work climate in most organizations seems to be healthy with open communication between superiors and subordinates. Employees and managers meet almost every day, during prayer time and talk on different issues. Many managers refer to Quranic principles and prophetic prescription when talking to their subordinates and encouraging them to work hard. Although most organizations in the UAE try to develop sound and proactive ethics programmes, some of them face many ethical problems such as employee theft, conflicts of interest, discrimination in hiring and promotion, quality-control issues and misuse of proprietary information. The section of 'Challenges and Prospects' discusses some of these ethical problems.

Nonetheless, organizational culture has the weakest effect on individual behaviour in UAE. As is the case in most Third World countries, organizations in the UAE have failed to establish strong corporate cultures that can compete with the other cultural layers in influencing employees' behaviour. Generally speaking, work values in the UAE are mainly determined by the regional and national cultures. Unlike most Western people, familial and tribal affiliation tends to occupy the priority in most Emiratis' identification hierarchy.

Historical developments in HRM/HRD

The UAE is a newly founded state; it is only thirty-three years old. Before independence, the economy of the UAE (seven independent emirates at that time) was traditionally

linked to agriculture, raising livestock, fishing and pearling. There were also some small businesses specialized in importing and exporting spices, textiles and some other agricultural commodities. The majority of these businesses were self-owned and managed, including HR. Personnel policies and practices were all under the control of the owner(s). The small size of these organizations has led to high levels of standardization and centralization; they are easy to manage and control. The recruitment process was, mainly, based on family members, relatives, friends and favourable word of mouth. Advertising a job would, usually, take place in prayer meetings, parties or any other social gathering. The owner/manager, unilaterally, determined all job-related matters such as salary, work hours and job level. Unlike today, the job security and the daily interactions between managers and employees were very high. In other words, the levels of labour turnover were at lowest rates, as most businesses used to adopt the lifetime-employment policy. The direct communication as well as the simple work environment has led employees to feel at home and to regard the work as fun. Nonetheless, there was no formal, clear and precise measures of performance, rather managers used to depend mainly on observation to punish or reward employees – immediate and contingent reinforcement. Documentation was almost non-existent and managers have recorded, manually, all financial-related activities such as salaries, purchases and sales. Employees' behavioural issues, co-workers' relations and business communications were not documented.

Trade began to grow, especially in Dubai, in 1950s and 1960s. The discovery of oil resulted in a major transformation of the UAE economies. Before federation, oil revenues enriched the country and provided funding for local economic development. After the formation of the UAE, oil revenues, especially from Abu Dhabi and Dubai, continued to fuel local development and increasingly became the main engine of growth for the national economy. Oil revenues became significant in Abu Dhabi in 1963, Dubai in 1970, Sharjah in 1975 and in Ras al-Khaimah in 1984. The governments expend significant portions of oil revenues on infrastructure development, including airports, highways and port facilities. These developments have helped in the growth of existing organizations and in triggering new ones. New and modern business practices in all operation areas, including HRM, started to spread and boom. Today many kinds of business ownership exist in UAE, for example:

- public organizations, owned by government;
- joint ventures, for example between state and private, state and foreign, private and foreign or private and private;
- foreign businesses.

Table 4.5 highlights the distribution of employed persons (UAE nationals) in different economic activities. As can be seen in the table, there are numerous types of organizations in the UAE, such as agriculture, hunting, fishing and forestry, education and health. The majority of these modern organizations are using advanced HRD methods and practices such as job analysis, strategic HR planning, HR information systems and health and safety.

Table 4.5 Employment and economic activity in the United Arab Emirates

Economic activity	***2003	**1995	1985
Agriculture, hunting and forestry	178,342	96794	46,735
Fishing	14,873	8,072	4,558
Mining and quarrying	55,905	30,342	13,919
Manufacturing	264,614	143,618	50,479
Electricity, gas and water	24,127	13,095	14,278
Construction and maint.	467,611	253,794	112,599
Trade, repair services,	337,344	183,092	73,216
Hotels and restaurants	84,415	45,816	23,225
Transport storage and comm.	172,836	93,806	50,727
Financial intermediation	30,781	16,706	23,001
Real estate, renting and business services	61,778	33,530	*
General administration, defence and social security	322,527	175,050	261,992
Education	90,637	49,193	*
Health and social work	43,545	23,634	*
Other social and personal services	73,628	39,961	*
Private households	190,194	103,227	*
Extra-territorial	2,233	1,212	1,096
Not adequately classified or stated	1,610	874	164
Totals	**2,417,000**	**1,311,816**	**675,989**

Source: Ministry of Planning, * Included in previous item, ** Census data , ***Mid-year estimates

Many factors have played important roles in the development of HRM in the UAE. First, the strong and sincere commitment of the Government to develop the people has led to the establishment of many organizations that are solely devoted to developing HR in the country. Second, the adoption of the 'market economy' has encouraged skilled and professional employees to move into the UAE from most countries of the globe. The arrival of expatriates in the UAE has led to the development of their organizations in general and HRM in particular. They played a very important role in creating a strong awareness about the importance of the human factor in all types of organizations. Third, the increasing competition amongst organizations to satisfy customers has led them to seek and adopt new and innovative methods of management. Fourth, the globalization factor, coupled with the development in technology and communication, has provided 'all types of managers in the UAE' with an access to modern HR practices.

Many organizations from the developed world started to explore and conquer the UAE market and to compete, using their world-class standards and businesses as competitive advantage, with local rivals. Accordingly, expectations of both customers and employees from local firms have changed. They started to compare locally produced products and

services with that of newcomers (global companies). Local firms knew that they couldn't stop the wind of change and that they must adapt to it. Last, all these factors together have created a strong intention to increase and to maintain quality, to satisfy customers and to continuously improve products and services. Thus, a new era of quality control and quality prizes started in the country that has positively reflected on the development of HRM. The majority of organizations – local, non-local, public and private – started to seek quality accreditation for their operations from international bodies such as the International Standards Organization. The UAE Government decided to take full advantage of this mature awareness about quality among managers, employees and customers and started to develop the quality road map for all organizations operating in the country. Two quality-control organizations have been launched in the country. The first one is the Dubai Quality Award, which was founded in 1994, and the second one is Sheikh Khalifa Excellence Award, established in 1999. Both prizes played important roles in the development of HRM in the country. For example, in both prizes, people's management and people's satisfaction account for 18 per cent of the total points, whereas leadership accounts for 10 per cent.

Women and the workforce

One of the major social changes directly related to HRM in the UAE is the considerable increase of women joining the workforce. This is caused, mainly, by strong incentives offered by the Government for women's education and the new policies developed and implemented to increase their role in public life. In this context, Nadia Buhannad, Managing Director of Sikologia Consulting, argued:

> Women in the UAE have enthusiastically embraced the educational opportunities provided to them in recent years. This has been evident in the school leaving certificate examination results since 1999 where female students outshine their male counterparts. The presence of so many women in colleges and universities also signals the emergence of the UAE as an advanced country where women have equal opportunity to excel at the workplace.
>
> (http://www.ameinfo.com, March 8, 2003)

UAE women have taken maximum advantage of the educational opportunities made available after the discovery of oil, with more and more women continuing on to higher education. The majority of students at UAE universities and colleges are women. Accordingly, they began to demand more freedom and equality than in the past. Their average age of marriage has risen from the mid-teens to the early and mid-twenties, and they have tended to prefer fewer children. The men have started to accept, and some times to encourage, the work of their wives, sisters and daughters, mainly because there is a need for dual income. Al-Aamri (1998) stated that:

> A number of men recognized the financial advantage of a household with two incomes, and for this reason they support the idea of a female relative or wife working outside the

Table 4.6 Percentage of females in the United Arab Emirates workforce

Emirate	1995	1985
Abu Dhabi	9.2	8.5
Dubai	11.5	9.4
Sharjah	14.4	11.3
Ajman	18.5	9.9
Umm Al-Qiwain	18.1	12.3
Ras Al-Khaima	16.5	12.8
Fujeira	13.5	10.8
Total	**11.7**	**9.6**

Source: Ministry of Planning.

> home. In some instances, as a matter of fact, the female salary may be the only income for the family
>
> (1998: 2)

Thus, bringing up children is no longer the only role open to women in the UAE. The educational opportunities mentioned above, as well as the percentage increase of women in the population have led to greater numbers of women entering the workforce. The percentage of working women almost quadrupled between 1980 and 1990, rising from 5.3 per cent to 16.3 per cent of the total workforce. Table 4.6 shows the percentage of working females according to the census of 1985–95.

Nowadays, the UAE women represent more than 40 per cent of the total number of workers in the public sector. Moreover, female students constitute, in all UAE universities, more than 70 per cent of the total number of registered students. Most female students graduated in the areas of business studies, information technology and engineering. Female citizens also constitute 60 per cent of the jobs and more than 17 per cent of the teaching staff at the UAE University. It has become evident that the UAE woman is attaining notable progress in the world of business. The UAE is considered one of the first countries in the region in this key field, as many local women effectively run business projects. The volume of investments run by women is estimated at a sum of 12.5 billion dirham.

HR and population imbalance

The UAE nationals are outnumbered by foreign-born workers, mostly from other Arabic countries, India, Pakistan, Bangladesh, Sri Lanka, the Philippines and Iran. According to the United Nations Development Programme (UNDP), in its *Report of Human Development of 2004*, the UAE came first of the top 10 countries in terms of migrant

population. These non-UAE nationals were originally attracted by the petroleum boom. All these groups of migrants add to the diversity of the cosmopolitan society of the UAE. Foreigners or expatriate workers constitute about 80 per cent of the population. Due to this population imbalance the UAE authorities started to worry about the erosion of culture and religious values by the expatriates. In this context, the UAE former President Sheikh Zayed bin Sultan al-Nahyan said, in January 2003, 'This imbalance continues to pose a grave problem which threatens the stability of our society and the prospects for future generations' (*Asia Times* 2003).

Meanwhile, these expatriate workers have made a positive impact on the development of HR functions in the country. Generally, they can be classified into two groups: educated and skilled employees and casual or unskilled labour. Educated and skilled employees were recruited to occupy administrative and management positions in industrial, financial, educational, health, agricultural and similar sectors. They brought with them their global and modern skills in managing people and introduced new HR concepts to their organizations, such as job analysis, HR planning and recruitment and employee safety and health. Many HR training and development organizations were developed in the country as a result of increased awareness of the role of HR in organizations. Hand in hand with their unskilled counterparts and locals, the skilled expatriates have had a strong influence on the development of the UAE economy. Many economic experts agree that the high economic growth rate achieved in the past few years would not have been possible without the support of the expatriate workforce. Citizens of the UAE are reluctant to take up employment in traditional, manual and technical jobs, such as draughtsmanship, system analysis and secretarial work. The majority of them seek employment in government departments, where they work as executives or doing work of a clerical nature with more benefits, such as a high salary, suitable working hours and social prestige. Therefore, UAE national employees have become the dominant force in the public sector. In some organizations, local employees have far surpassed foreign workers while in others the gap has largely narrowed and is set to narrow further in favour of the UAE citizens. As far as the private sector is concerned, their number has remained negligible. In this context, the Minister of Labour and Social Affairs issued Ministerial Decision No. 955 of 2002 concerning a standardized employment contract for UAE nationals employed by the private sector. This decision aimed at encouraging locals to seek employment in the private sector instead of queuing up for years to get a public-sector job. The decision made it obligatory for private employers to adopt standardized contracts with UAE nationals and to follow certain procedures for processing and registering their contracts. Nonetheless, UAE nationals do not only represent a minority but also many of them, are also less capable of being involved in managing the new organizational developments which produced new jobs requiring certain qualifications and skills.

The privatization plans are used by many states as a means of reducing government expenditure and of turning around unprofitable state-owned businesses. In order to increase efficiency and competitiveness, to meet World Trade Organization requirements, to integrate into the world economy and to sustain higher growth and

economic well-being, many of the seven emirates have been testing plans for privatization on different economic sectors, such as agricultural and tourism. For example, and as part of its ongoing commitment to the privatization process, in 1996 Abu Dhabi sold shares by public subscription in Food Company, a food products retailer and floated a majority stake in the joint-stock company Abu Dhabi Shipbuilding Company in 1997. Shares were publicly sold in 1997 for al-Kanza Insurance Company and Oasis International Leasing Company. The General Industrial Corporation, a diversified Abu Dhabi-owned company, is also slated for sale, although the emirate would prefer local citizens to be the major purchasers. Moreover, the Abu Dhabi Government has plans to privatize its water and electricity sector within the next ten years. Although eleven companies have been formed in a revamped Abu Dhabi Water and Electricity Authority, the Government still retains control. Likewise, Dubai has also privatized and partly privatized some of its state-owned organizations, mainly in the tourism and financial sectors.

On the other hand, as the Government takes forward steps toward privatization, the local employees and job seekers are getting more concerned about the shrinking of the public sector. Privatization represents a threat to most of them. They are concerned that privatized organizations may tend to cut, sooner or later, their benefits and to overload them with more tasks. The best image that local employees have for private organization is that they ask more and give less.

On the other side, the Government is also concerned about the locals' tendency to avoid employment in the private sector. Therefore, it has taken some steps to resolve this matter, such as:

- developing some programmes and workshops to orient locals about the important role that the private sector plays in developing the economy;
- encouraging them to get involved in this sector not only as employees, but also as business owners (Mohammed bin Rashid Establishment for Young Business Leaders, for example, has been developed in order to give local employees and job seekers the opportunity to set up their own business projects. The establishment also encourages creativity and rewards outstanding performance by small and medium enterprises owned by UAE nationals);
- offering free training programmes to equip and prepare the nationals to take up posts in the private sector.

As the following section discusses, some specialized organizations have been developed to take the responsibility of boosting the recruitment of UAE nationals into the private sector through offering career-guidance services, handling questions on jobs and providing information on skills development, alternative careers, and tools for success.

A strategic approach to HR: Emiratization

As a way of reducing dependency on foreign workers, correcting the population imbalance and curbing the influx of foreign workers, the UAE Government developed a new programme called 'Emiratization' in the 1990s. Meanwhile, correcting the imbalance and bringing locals into the workforce in sufficient numbers seems to be a difficult process and is likely to take a long time. In order to provide the necessary support for the Emiratization programme, many public and private organizations were developed. The majority of these organizations are specialized in providing intensive and constructive training to UAE nationals and in giving them an insight into the firm's operations.

The National Human Resources Development and Employment Authority (Tanmia) is one of the most well-known organizations in this field. Tanmia is a specialized federal organization set up by a presidential decree in November 1999. It plays a major role in the preparation of locals for employment in both public and private sectors. Below are some examples of Tanmia activities and services:

- Advice and guidance: providing all the alternative jobs that are available in the market so that locals can decide what career plan to make and how to achieve their goal.
- Skills development: helping nationals to develop the basic skills required to get a job, such as job-search methods, how to organize and develop a CV and the techniques required for job interviews.
- Exploring alternatives: instead of immediate employment, locals may be guided to explore other opportunities that will be available, including training for a new job or even providing further education if required.
- Creating awareness: empowering UAE nationals with the tools and information to make educated choices and positive changes in life, starting with finding the right job and creating awareness through various sources, such as personal interviews, employment workshops, careers-library orientation programs, occupational seminars, work shadowing and summer work experience.

While Tanmia is specialized in the development of national HR in the country, there are many other institutions that are committed to developing both local and non-local employees and those who are seeking employment. The Institute of Administrative Development, for example, works in the area of HR training and development. In the field of training, the institute has delivered 100 training activities in which 3,141 participants received training for the year 2003. In addition, there are also some organizations that are specialized in developing HR in certain fields. For example, the Emirates Institute for Banking and Financial Studies is a national training and educational entity founded in 1983 to cater to the HRD needs of the UAE banking sector. Furthermore, there are some other institutions that are working to develop HR in the UAE through conducting research and studies rather than getting involved in training employees. They operate in different fields such as employment, labour relations, market research and employees' development. The Centre for Labour Market Research and Information, for example, undertakes policy-oriented researches on a multiplicity of

labour-market issues with the end view of providing major stakeholders with a better understanding of labour-market functioning, impacts of past and current mechanisms and policy options to deal with these impacts. It also collaborates with relevant individuals, scholars and institutions in the conduct of surveys and research.

Companies in the UAE are increasingly taking HR development seriously. Both the Government and private-sector organizations are increasingly investing in HRD in order to increase efficiency of individuals. The annual spending on HR in the UAE is on a continuous increase. In 2002, for example, the expenditure was about 350 million dirham (about 95.37 million US dollars) and is growing at about 5 per cent annually. The private sector, for example, has been doing well in managing its HR, both in terms of deploying HRM strategies and developing employees' commitment. A study conducted by Tanmia (2002) found that over 60 per cent of companies view HR issues strategically. The role of line managers and supervisors in HRM has been recognized and practiced in 44 per cent of companies, while 35 per cent of enterprises say they have been trained to do so. Table 4.7 shows HRM practices in the UAE private sector.

The picture of HR policies and practices is even brighter in the public and mixed sector. This is due to the higher capital and support that it gets from the Government. More recently, and in collaboration with the Ministry of Finance and Industry and Harvard University, the UAE Government launched a programme entitled 'Creating a High Performance Government: Public Sector Innovation.' The programme provided executive training for senior government officials with the aim of enhancing their leadership and management skills, including managing people. Forrest (2003) found that public- and mixed-sector corporations in the UAE provide comprehensive and relevant training courses for personnel in the areas that they report key skills are required. He reported that

Table 4.7 Human resource management practices in the United Arab Emirates private sector

HRM variables	Total (in %)	Employment size (in %)		
		small	**medium**	**large**
Training of employees	35	27.2	31.4	49.1
Formal briefing system	69.9	51.8	76.5	88.2
Productivity committee	35.4	16.4	42.5	51.4
Profit-related pay incentive scheme	49.5	36.4	51.8	65.9
Performance-related pay incentive	65.7	48.3	74.3	81.1
Individual performance-related pay	76.9	71	78.3	81
Formal performance appraisal	52.2	33.5	59.2	70.1
Wages set by management	94.5	90.2	96.4	98.4
Management non-unilateral decision-making	69.7	80	64.6	61.7

Source: Tanmia 2002.

employee development is an organizational value and commitment that is readily observable in this sector. The interviews he conducted showed that HR managers in the UAE are challenged to bridge the gap between the company's strategic objectives of hiring UAE nationals with line managers' expectations to recruit fully qualified workers, of which nationals are in short supply.

In general, organizations across sectors are struggling to develop the HR functions. Many of them have begun to seriously take a second look at their current recruitment practices. The feeling is becoming more and more prevalent among HR professionals that recruitment practices must become more efficient, timely and maybe even more aggressive. Organizations started to track and monitor recruitment methods and to empower departments to decide on their hiring needs and processes, decentralization. In order to attract and retain quality employees, UAE organizations are struggling to provide adequate packages through developing clear compensation structures, such as grade and step systems, grade and open range systems or market-based systems. Also, organizations in the UAE have started to develop policies for work-life balance and for pay plans, such as pay for performance, skills-based pay, competency-based pay, and gainsharing. Nonetheless, in most organizations wages are determined unilaterally by management. There is no minimum wage in the UAE, but in general it seems to be 1000 dirham a month (about 142 pounds). There are no labour unions, and freedom of association is not recognized as a fundamental right in UAE labour law. Accordingly, strikes are illegal and are not recognized as a right that can be used to oppose a certain policy or to demand a specific right. Job enlargement and employee training are significantly under-practiced in the private sector, especially in small-size enterprises as it appears in Table 4.7 above. This may indicate that workers have to do repetitive work and have little chance to be multiskilled, thereby hampering their employability and further career development.

Challenges and prospects

Despite a steady growth over the years, as mentioned earlier, increasing the participation of females in the labour force remains one of the major HR challenges in the UAE, especially in the private sector. According to the statistics of the Ministry of Planning, the female share of the total labour force of 2.26 million stood at only 14.1 per cent at the end of 2002. There are many reasons for this; however, three major reasons can be highlighted. First, the UAE population is heavily dominated by males. Second, some organizations are still reluctant to employ women, stereotyping them as less efficient, demanding more and giving less, and being unable to work under pressure. Third, as mentioned above, some women refuse to take certain jobs and prefer to remain job seekers instead. For example, teaching jobs are favoured over nursing. The Government needs to increase awareness among females and their families about the important role that women play in all aspects of life and that they are equally needed in education, agriculture, health and other sectors.

In addition, there is a need for more regulations and procedures to reform the work of the private sector. As mentioned earlier, most job seekers prefer government jobs, even if it means waiting for employment for a long time. The private sector, especially small and medium size organizations have no clear policies and procedures regarding HRM issues such as recruitment, promotion, compensation, training and development. One of the most important issues that discourages locals and non-locals to take up employment in the private sector is wages. Pay is not only weak compared to the public sector, but also a considerable number of organizations in the private sector either delay or don't pay employees' salaries. According to the *Khaleej Times*, 25 December, 2003, 25/12/2003): 'The total number of labour disputes lodged with the Ministry of Labour and Social Affairs since the beginning of this year have been put at 8,684, with unpaid salary being the highest in number.' Giving wages as an example, the complete reform of the private sector will not only encourage national women and men to seek employment in this market, but will also develop it and increase its participation in the welfare of the society.

Although the population growth in the UAE is the highest in the Arab world and one of the highest in the world, the major challenge that it faces on the national level is the population imbalance that was discussed earlier. The Government needs to develop a clear strategy to deal with this issue. As mentioned earlier, to reduce the gap between nationals and non-nationals the Government introduced the concept of Emiratization. It is hoped that in the long run this problem will ease when expatriates who are made redundant leave the country. Meanwhile, the success of the Emiratization programme is highly dependent on the availability of trained and equipped HR in the country. In this context, Al-Qatami (2003) examined the factors that affect the HRD in the UAE. He reported that the total number of nationals who are in the workforce is around 10 per cent. In other words, 90 per cent of all employees in the country are expatriates.

There is a need to increase the number of students who are attending HRM courses in higher education in the country. Unfortunately, there are no institutions in the UAE that offer students a specialized degree or certificate in HRM. Although it is present in most colleges of business in UAE, the HRM course is only taught to a small number of management students. Instead of being a general department-required course, there is a strong need to teach HRM to all business students, as a college requirement. One would go further than this and argue that since all managers are involved in HR practices such as promoting and hiring and firing, the HRM course may be taught as a university-requirement course. Since the local authorities are concerned about developing local HR and rank it high in the scheme of human development in the world, they might consider developing a clear recruitment policy for the country, a national-level policy. There seems to be a tendency to favour certain types of jobs over others based on unjustifiable factors such as gender. For example, the majority of females are in teaching jobs and those who are seeking employment are encouraged to look for teaching posts. Furthermore, organizations in the UAE have very small budgets for meeting training and developments needs. Many of these organizations are yet to discover the direct link between investing in people and work outcomes such as customers satisfaction, high work performance and profit.

The future of HRM in the UAE

Although the UAE Government is making a concerted effort to develop the HR of the country, this goal remains a shared responsibility. All parts of the community, whether individuals or groups, private or public organizations, need to share and execute this goal. The current serious efforts are likely to lead to many developments in the field of HRM such as:

- computerizing most HR activities as a reflection of the information technology revolution that is booming in the UAE;
- increasing the degree of partnership in HRM in most companies in the country as a result of increased awareness about the vital role that it plays in organizational success;
- adopting and using some HRM functions that are either not currently used or inactive (for example, the issue of equal employment opportunity is not used in most, if any, organizations);

At the national level, and as a result of development in HRM in the country, some changes are likely to happen. For example, a national minimum wage and labour unions may emerge in the next five years.

Meanwhile, there are some points – directly related to the future of HRM in the UAE – that need to be addressed in this section. First of all, organizations need to widen their scope regarding the role of HR department in the workplace. For example, in many organizations the departments of HRM are not involved in some key functions related to HRM such as selection, recruitment and appraisal. Their job is limited to some minor activities, like preparing payroll and managing sick leave. Most top-level managers and line managers don't understand the vital role of HRM. Therefore, there is a strong need to orient these organizations about this matter through workshops, seminars and meetings.

The second point is very much related to the first point. There is a need to professionalize the HR job. Many managers of HR departments in the UAE are not specialized in HRM, which mean that they are not equipped to manage people. The HR jobs in the UAE seem to be the jobs of those who don't have jobs. Unfortunately, many managers think that all you need to manage a HR department is a ten- or fifteen-hour training course on preparing salaries and developing sick leave and vacation forms. As mentioned above, the majority of those who are working in HR are not specialized in HRM. This could be one of the reasons why HR departments are not involved in some HR-related issues. This fact is also closely related to the shortage of specialized degrees and certificates in HRM that discussed in this chapter. Thus, professionalizing HR posts and graduating students who are specialized in HRM (first, second and third degrees) will be a great addition to the status of HRM in the UAE.

Last, the establishment of partnerships in HR between organizations will be positively reflected on the performance of these organizations and the development of personnel management. This will require development of a reliable information system for

personnel departments so that they exchange information related to HR, best practices, and so on. Nonetheless, development of a professional HR entity (at the national level) in the country will facilitate the development of the HRM in the UAE.

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Useful web sites

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www.ajcci.co.ae, Ajman Chamber of Commerce.
www.almajles.gov.ae, Federal National Council.
www.dcci.org, Dubai Chamber of Commerce and Industry.
www.fedfin.gov.ae, Ministry of Finance and Industry.
www.fedfin.gov.ae/mop, Ministry of Planning.
http://www.gia.gov.ae, The General Information Authority.
http://www.mol.gov.ae/, Ministry of Labour and Social Affairs.
http://www.mpw.ae, Ministry of Public Works and Housing.
www.saiuae.gov.ae, UAE State Audit Institution.
www.sharjah.gov.ae, Sharjah Chamber of Commerce.
http://www.tanmia.ae/tanmia/, The National Human Resource Development and Employment
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www.uae.gov.ae, UAE Government.

5   Human resource management in Kuwait

ABBAS J. ALI AND ALI AL-KAZEMI

Introduction

Kuwait is a city-state that is located in the eastern part of the Arab world. Kuwait has a significant economic position and strategic importance in world affairs, disproportionate to its geographical and population size. This is because Kuwait is a major oil-producing country and has special relations with the Western world. The Iraqi invasion of Kuwait on August 2, 1990, triggered a global crisis whose impact is still felt in many parts of the world, especially the Middle East.

Kuwait is situated among three powerful neighbors: Iraq, Iran, and Saudi Arabia. These neighbors have a history of attempting to control or influence events in Kuwait. Since 1990, however, Kuwait has been protected by the presence of large American and British armed forces. The foreign presence gives the appearance of security but deepens personal anxiety and fear. This may explain the fact that most Kuwaitis invest their savings abroad. *The Economist* (2001) estimated that Kuwait foreign investment abroad amounted to 200,000 US dollars for every Kuwaiti.

Since its independence from Britain in 1961, Kuwait has embarked on an economic policy that has aimed at maintaining prosperity and traditional political authority, modernity and tribal and social cohesiveness, market openness, and centralized planning. Despite the inherent contradictions, Kuwaiti society appears to tolerate these conflicting goals. This may reflect certain qualities pertaining to the economic, social, and political environment of Kuwait that prevents the existence of otherwise contradictory elements generating into uncontrollable crisis. In this chapter these qualities are identified and human resource management (HRM) is discussed.

Socio-economic and political perspectives

Kuwait has several characteristics that position it differently from other Arab and market-economy countries. First, relative to their neighbors, the Kuwaitis have been

exposed for a relatively long period to new ideas and customs. As a result, they have developed the spirit of competition, canniness, and gamesmanship in their relationships with others. Nevertheless, they adhere to the traditional aspects of authority in group cohesiveness, and obedience (Ali 1988). Second, the huge oil revenue allows the Government to reward Kuwaitis lavishly, regardless of efficiency (Abdel-Halim and Ashour 1995). Third, the economy and the family systems depend heavily on foreign labor. There are more than 1.4 million foreign residents, relative to 900,000 of Kuwaiti citizens. Most of the foreign residents work in the private business sector and as housemaids (some families have two or more house servants). Fourth, the Government requires foreign business individuals to have a national or a Kuwaiti company as a guarantor or sponsor for their operations. This is an arrangement that aims at legally controlling foreign operations and gives the Kuwaitis a means to easily generate wealth. All these factors may help reinforce a mentality that appreciates affluence and leisure enjoyment rather than hard work and efficiency.

As indicated above, Kuwait gained its sovereignty in 1961 after a long history of being a British protectorate. Previously, and for many decades, Kuwait was part of the Ottoman Empire and administratively it was linked to Basra, Iraq. Historically, Kuwait owed its existence and later its fame to the frequent fighting in the 1700s between the rival governments in Abbadan (a port town in current Iran) and Basra (a commercial political center in Iraq). The fighting disturbed trade and ship movement into Basra. Thus merchants of Basra sought to establish a safe area to load and unload shipments. Consequently, a fort (*kut*) for storage of merchandise and ammunition was built. Since a Bedouin tribe called Beni Khalid dominated the area southwest of Basra, the protection of the fort naturally became its responsibility. As time went by, the Beni Khalids' powerful position started to wane. As such, they entrusted the responsibility of guarding the fort and the road to recent emigrants from the tribe of Beni Utab who lived in the area of central and north Arabia. Sabah was one of the leading figures of the Beni Utab who, unlike other members, showed an interest in the trade caravans and in protecting the trade routes. Others were more inclined toward navigation, fishing and pearling (Ismael 1982).

Sabah was able to cultivate relationships with other tribes in the region. These alliances permitted him and his family to strengthen their political and military clout. Subsequently, a member of the family was selected to administer the affairs of the fort and surrounding area. This role reached significance when the Ottoman Government bestowed on Sheik Abdullah (a descendant of Sabah) the Turkish administrative title of *qaimmagam* (sub-governor) in 1871, and Kuwait became an administrative unit of the Ottoman Empire. This was changed, however, in January 1899, when Sheik Mubarak signed an agreement with the British Representative to make Kuwait a protectorate of Britain. The agreement stated that Mubarak and his heirs and successors were "not to cede, sell, lease, mortgage, or give for occupation of for any other purpose any portion of his territory to the Government or subjects of any other Power without the previous consent of Her Majesty's Government for these purposes" (quoted in Ismael 1982: 49).

The British Government gave Kuwait special attention after the discovery of oil in 1908. Since that time there has been a profound transformation of Kuwait society. While Britain maintained full control of the political and diplomatic affairs until 1961, it gave the Emir of Kuwait from the Sabah family the freedom to strengthen his tribal alliances within Kuwait and across borders with other Bedouin tribes and heads of Arab families. The Emir and his family played a pivotal economic, political, and social role in shaping the internal events and the nature of the Kuwaiti society. Their monopoly of political power and their control of oil revenues allow them to grant economic favor and to gain needed tribal and merchant loyalty (Field 1985, Ismael 1982). During the early 1950s, secular organizations, notably the Arab Nationalist Movement, were established, which played a significant role in countering tribal and sectarian organizations. Since the Iranian revolution in 1979 and during the Iraqi–Iran war in 1980–8, however, religious organizations have come to play a major role in politics. This has been strengthened since the Iraqi invasion of Kuwait in 1990. After the liberation of Kuwait from Iraqi occupation, tribal and religious organizations have controlled the parliament. Both types of organizations have displayed a strong allegiance to the ruling Sabah family.

Despite the influx of the foreign workers into Kuwait, Kuwaiti society was, until the early 1970s, largely a tribal society, where tribal and religious customs and norms governed relationships among people. Since the sudden rise of oil revenues in 1973, Kuwait has experienced profound social and economic changes. It has embarked on ambitious economic development programs and has attempted to improve skills and to accelerate human-capital formation. The most highly qualified Arab scholars staffed the University of Kuwait, which opened its doors in 1966. Furthermore, the Government initiated scholarship programs to send Kuwaitis to study abroad. These efforts and the influx of an educated workforce from abroad have enabled Kuwait to build fine state and business institutions.

Nevertheless, Kuwaiti society is still tribal in nature and is highly stratified. However, while social prestige is still determined by tribal affiliations and ancestry, new social classes based on wealth and educational accomplishments have recently emerged as a potent force in the society. Their impact remains to be seen in a society that is disposed to tribal affiliation and loyalty. Kuwaitis have experienced a fairly respected gross domestic product (GDP) of about 10,057 million Kuwaiti dinar amounting to 18,000 US dollars per capita income (see Table 5.1). Most of Kuwaiti exports, however, is oil. It accounts for about half of its GDP and over 90 percent of its exports (Tables 5.1 and 5.2). The tables shows that utility sector (electricity, gas, water) have a negative contribution to GDP. This is because the Government offers these services at a nominal price for customers. Other sectors' contribution is fairly low. Nevertheless, Kuwait has generally maintained a positive balance of payments over several years.

Table 5.1 Major economic indicators of Kuwait

Year	2001	2000	1999	1998	1997	1996
GDP at purchaser's values	10,057.0	10,991.0	8,885.7	7,656.2	9,059.6	9,302.5
Exports of goods and services	3,506.0	6,534.0	4,212.0	3,468.0	4,866.0	4,930.0
% of petroleum exports	92	94	91	90	95	92
Imports of goods and services	3,762.0	3,488.0	3,616.0	4,040.0	3,645.0	3,695.0
Balance of payments	881	695	282	61	(17)	–
GDP by kind of economic activity						
Agricultural and fishing	38.9	41.1	39.2	35.3	36.3	37.2
Mining and quarrying	4,587.2?	5,543.1	3,328.6	2,356.0	3,633.2	4,130.8
Manufacturing industries	666.7	801.3	1,015.6	926.3	1,218.1	1,101.1
Electricity, gas, and water	(106.2)	(101.9)	(47.2)	(20.5)	0.6	(6.8)
Construction	245.3	242.5	239.6	230.9	235.5	240.8
Wholesale and retail	695.6	676.7	692.8	667.8	631.3	626.9
Transport and communication	507.7	506.4	486.7	432.6	398.6	388.7
Finance and related activities	1,364.3	1,326.8	1,244.4	1,155.5	1,087.5	959.5
Community and social services	2,467.9	2,363.4	2,247.7	2,173.7	2,037.5	1,944.5

Source: Based on Annual Statistical Abstract.

Table 5.2 Government revenues and distribution of expenses in Kuwait

Category	2001/02	2000/01	1999/2000	1998/99	1997/98
Revenues					
Oil	4,525,042	4,528,004	4,754,454	2,254,352	3,208,440
Others	811,603	437,403	446,698	543,333	399,360
Percentage of expenditure					
Salaries	31.00	32.26	33.40	32.17	31.56
Purchase of goods and services	11.49	11.49	8.40	7.64	6.69
Transport means and equipment	0.51	0.75	0.60	0.71	0.70
Construction	6.81	6.73	7.80	9.32	10.41
General expropriation	1.75	0.00	0.00	0.00	0.01
Unclassified expenditures and transfer payments	48.44	47.77	49.80	50.17	50.64

Source: Based on Annual Statistical Abstract.

Structure of the labor market

Table 5.3 indicates that expatriates constitute about 61 percent of the population. There are about 721,470 employees working in the country and about 72 percent of them are employed in the private sector. Of those 83 percent are expatriates. In contrast, the percentage of expatriates working in the government sector is only 26 percent (note: in 2003 the Center for Market Research estimated that the percentage of expatriates in the private sector amounts to 96 percent). Most of the Kuwaitis work in government-owned agencies and enterprises. Basically, this is done for prestige, higher salary and lucrative compensation packages, and for job security. Initially, the Government offered Kuwaitis jobs in various state institutions to buy loyalty, to prevent dissatisfaction, and to build police and military organizations from trusted Kuwaitis. Over the years, however, the Kuwaitis have developed an expectation that it is the Government's duty to offer

Table 5.3 Details of the Kuwaiti workforce, 2002

Population	Kuwaiti	non-Kuwaiti
Male	444,876	947,944
Female	463,566	469,054
Employees in government sector	146,311	52,715 [*]
Employees in the private sector	112,229	752,303
Employees by economic activity		
Agriculture	43	20,752
Mining and quarrying	4,558	2,909
Manufacturing	7,186	74,049
Public utilities	5,956	2,544
Construction	948	107,942
Wholesale, retail, restaurants, and hotels	3,211	212,256
Transportation and communication	6,134	36,087
Finance and related services	7,935	48,882
Social, community, and personal services	485,797	212,367
Not-classified	10,203	70,397
Employees by skills		
Skilled and professionals	232,978	200,350
Semi-skilled	2,214	53,415
Unskilled	12,002	796,014
Unclassified	11,346	11,837

Note: [*] Excluding department that does not use law of civil employees.

Source: Based on Annual Statistical Abstract.

them jobs upon graduation from high school and college. Al-Remahy (1995) succinctly captured this reality when he asserted that Kuwaitis have developed a belief that they are entitled to managerial jobs in government with a stable income, less work, and a socially respected position. Interestingly enough, this attitude has become very evident among female graduates who look for government jobs for security, stability, and prestige (Abdel-Halim and Ashour 1995). The authors found that in terms of job-shifts, women were found to move into the government sector more than men graduates.

Table 5.3 shows that most of the expatriates work in social, community and personal service, just like the Kuwaitis. Furthermore, the expatriates seem to concentrate on working in areas that are not much of interest to Kuwaiti such as construction, manufacturing, wholesale, retail and restaurants. In the workforce most of the Kuwaitis (about 90 percent) are skilled or professionals. In contrast, most of the expatriates are unskilled, about 75 percent. In this context, Abdel-Halim and Ashour (1995) found that Kuwaiti nationals lack technical competence and proper work values and career orientations. Therefore, the authors concluded that Kuwait is heavily reliant on imported, ready-made human capital of all types and skills to run and manage most of the technological and sophisticated operations. This demonstrates that most of the expatriates work in jobs that require effort or are not preferred by Kuwaitis and mostly in manufacturing, retailing, and house services. This is evidence that a functional Kuwaiti economy depends primarily on expatriates. It also indicates that relying on expatriates may have social consequences. Chief among these consequences are children are brought up by foreign workers and Kuwaitis taking things for granted, expecting most services, economics and otherwise, to be rendered to them. In the long run, laziness and dependency may evolve into a chronic problem that ultimately will threaten the existence of a prosperous society once the oil production comes to halt.

Employment laws and regulations

Long before independence, the Kuwaiti labor market was characterized by a heavy reliance on foreign labor and the shortage of skilled indigenous workers to undertake professional and technical jobs. Thus, the country had to import most of the human capital needed to carry out economic and government functions. In 1960, the Government issued Law No. 10 (Civil Service Commission Law) to regulate civil service and employment in government. Law No. 38 in 1964 to regulate labor in the private sector followed this. Currently, there are two laws in Kuwait that specifically affect public and private employment and work in the private and public sectors: the 1999 decree to restructure the workforce and the executive branch of the State and Law No. 19 (2000). The first intended to prepare a program for the Government pertaining to employment, work, and restructuring employment structure and performance. The decree established a general secretary for an agency responsible for implementing the above objectives. This agency coordinates activities related to labor development and obligates institutions to provide it with a comprehensive summary of their workforce, including the percentage of

Kuwaitis to non-Kuwaitis. In addition, the agency offers training programs and encourages the unemployed to find jobs in the private sector and government.

Law No. 19 in 2000 is comprehensive in nature. In fact, it was the first serious attempt on the part of the Government to profoundly address the issue of employment in the context of national development and to provide guidelines for recruitment, compensation, and retention. Article 2 of the law specifies the following objectives:

1. Develop policies for the national manpower employment at various institutions and ensure that the implementation results in equal opportunities among all citizens.
2. Develop programs to encourage non-government organizations to employ a Kuwaiti workforce and to provide appropriate incentives to attract the said manpower. This should be done in a manner that coordinates benefits and rights earned by the workforce at all institutions.
3. Develop measures to ensure coordination between the outcomes of the educational institutions and job opportunities available at various organizations.
4. Develop a system for appointing supervisors for recruitment at ministries, state agencies, and affiliated organizations that report directly to the Civil Service Commission.
5. Suggest policies for revising the structure of manpower in a way that leads to implementing plans for replacing expatriates with a national workforce as it deems possible.

Articles 3 and 4 of the same law oblige the Government to pay citizens engaged in vocational trades, and all others who work at other institutions, social and children's allowances. All unemployed Kuwaitis shall be entitled to a cash allowance according to instructions laid down by the Civil Service Council. Article 9 addresses the issue of the ratio of Kuwaitis in the workforce to which all non-government institutions must adhere. This ratio ranges from 1 percent in agriculture and construction to 38 percent and 39 percent in communication and banking institutions, respectively.

One of the most troubling regulations regarding HRM in Kuwait is one that requires foreign individuals to acquire a national or a Kuwaiti company to be the legitimate endorser of the operation. This regulation, along with the one that demands that an expatriate cannot switch his or her employer without legal permission, constitutes an obstacle to effective HR practices. While both regulations give the Kuwaitis a means to generate wealth easily and to control expatriates, they lead to less optimal utilization of talent and prevent expatriates from freely exercising their natural rights for lawful business opportunities that are suitable for their skills and qualifications.

HRM function

The function of HRM in Kuwait is closely linked to the nature of the society, a welfare state. Since its early inception, Kuwait has transformed gradually from a traditional society that relied heavily on fishing, pearling, and hunting to a modern metropolis

city-state. That is, Kuwait has been transformed from a semi-nomadic society, where small merchant and fishing groups existed to support a larger but mostly unsettled Bedouin population, to a modern society where contemporary amenities are ample and where a foreign workforce performs most of the economic activities. During the early days, the British colonial power was interested in keeping a small civil-servant class to carry out the essential functions of government. These civil bureaucrats were mostly British and Arab expatriates. Skilled Kuwaitis were not readily available and the majority of those with citizenship served primarily in the police and security forces. The rest of the Kuwaitis worked in small establishments where affairs were conducted informally. At that time, the functions of HRM were not addressed adequately and the colonial power focused on day-to-day operations. This picture changed dramatically in the 1950s and early 1960s as the production of oil increased and the ruling family initiated a development program to accelerate economic and social development. In 1952, the Development Board was established to supervise the design and construction of the infrastructure. Various projects were initiated and the influx of expatriates increased substantially; the number of non-Kuwaitis increased from 92,851 in 1957 to 247,280 in 1965 (Annual Statistical Abstract 1977).

After the sudden increase in oil prices in 1973, the Kuwaiti Government initiated ambitious economic development programs and increased its assistance to private organizations, while establishing state organizations in the energy, financial, and utilities sectors, among others. These new organizations and the rapid expansion of government agencies represented a turning point in the view of HRM. Since then, there has been a move from viewing the "personnel" task primarily as keeping record of clerical activities (for example, processing received or issued letters) and advertising for new job openings, to gradually accepting HRM as a necessary function. Both government and private sectors have shown an interest in the role and functions of HRM. This is due mostly to a sudden increase in the size of manpower, the use of foreign consulting services, and the presence of a large number of multinational corporations (MNCs) in Kuwait. This development has been shaped by various factors ranging from government intervention in the labor market to cultural and business concerns. Individually and collectively, these factors have left their impact on the evolution, role, and functions of HRM. Below is a brief discussion of each factor.

Influence of the Government on HRM

The Kuwaiti Government's role in shaping HRM is persuasive, broad, and profound. Indeed, the Government in Kuwait has been the pivotal factor in initiating and steering the direction and evolution of HRM. At the beginning, the Government engaged in modest attempts that aimed at keeping the state running while providing reasonable services to citizens. In 1960, the Government issued Law No. 16 which regulated the employment in the government sector. The law asserted that every suitable citizen had the right to a job in the public sector and that reducing reliance on non-Kuwaitis was a

primary goal. This law was followed in 1964 by Law No. 38, the Private Sector Employment Law. This law specified rules and regulations for employment contracts, disciplinary action, termination of jobs, and end-of-service benefits. In addition, the law had certain provisions that obliged all employees to register with the Ministry of Social Affairs and Labor. The Ministry issued registration cards to employees, and no one could have a permanent job without this registration card. These laws were either revised or amended several times in the years that followed. These amendments were initiated to maintain a specific ratio of Kuwaitis in the workforce and to minimize reliance on expatriates (Al-Enezi 2002).

The core role of the Government in HRM has been based solely on the concept of the welfare state. The concept of a welfare state in Kuwait differs from that commonly held in the Western world. The State in Kuwait is responsible not only for providing social, health, housing, and educational services free or at nominal prices but also for providing secure jobs for all Kuwaitis. Furthermore, the concept of the welfare state means too that the State is not only a force for creating and developing wealth, but primarily to distribute wealth (Al-Tarah 2003).

In particular, Al-Tarah (2003) asserts that citizenship in Kuwait becomes an integral part of development philosophy. This philosophy has resulted in three consequences relevant to HRM. These are (Al-Tarah 2003: 188):

1. Broadening the role of the state in recruiting and employing citizens, which resulted in a phenomenal increase in the size of the government sector, imbalance in relationship between effort and income, weak work ethics, and an avoidance of work in the private sector.
2. Broadening the role of the state in providing social, health, educational, and housing; subsidizing the prices of good and products in all forms; and interfering in the market-economy mechanism in the allocation and distribution of resources and wealth.
3. Misunderstanding the concept of wealth distribution and the disposition of people to apathy and dependency resulting in the emergence patterns of conspicuous consumption.

Law No. 19 (2000) represents the most comprehensive act by the Government to shape and influence the nature and future direction of HRM in Kuwait. The law not only establishes an agency to suggest and develop policies pertaining to manpower but also specifies the role of government in training of manpower, unemployment benefits, ratio of nationals in manpower, social and children's allowance given by government to all citizens engaged in vocational trades and those who are employed by various corporations, recruitment, and employment conditions. In terms of training and development, the Government issued a decree, No. 3/2001, to implement Law No. 19. The decree states that:

> Authorizing a program for restructuring of manpower and the executive branch of the State to train those who seek work and prepare them to work in non-government organizations. This should be done by devising a plan set by the Training Program for Unemployed

according to the market need and the conditions of supply and demand. The Restructuring of Manpower Program covers 100 percent of the training cost.

The decree further specified the kind of training, contents of training, and the conditions that must be met in the training program to be sponsored by the Government. It states that each training program must include the use of the English language, computer skills, behavioral skills, job supervision and direction, and specialized programs according to the needs of the employers. Any training program must meet the following conditions: it must take place in Kuwait, be compatible with the work of the trainees, take nine months or less to complete, not be awarded an academic certificate, meet certain educational prerequisites, and be within the employer's needs.

In terms of job advertising, Decree No. 4/2001 specified hiring procedures and the contents of advertisement. The latter obliged companies to include the following information in each job advertisement: name of the job, conditions for hiring, place and date for applying (no less than fifteen days from the advertisement), required documents, and the criteria for selection. The selection must be based on the following priorities: assessment of the applicant, seniority, age (preference being given to those who are older), and marriage status (preference for married individuals). The decree also instructs companies to invite an officer from the Restructuring of Manpower and the Executive Branch of the State Program to participate in viewing applicants and to be sure that the criteria are met.

Consequently, the influence of the Government on the role and functions of HRM has been visible and, in some cases, pervasive (for example, in the regulating of advertising for new jobs, identifying job requirements, training and its contents, etc.). Indeed, government regulations have been instrumental in increasing sensitivity and awareness of the need for objective treatment of the role and function of HRM. The emphasis on recruitment policies and on sponsoring training and development seminars, underwriting the cost of training seminars and workshops conducted by some private organizations, along with specifications for jobs needs and descriptions helps to navigate new roads for improvements in human resources (HR). Nevertheless, these regulations and instructions have been mostly undertaken within traditional frameworks and outlooks, rendering some of them, on many occasions, a useless exercise and a waste of resources.

Influence of cultural factors and tradition

Cultural and traditional factors represent both opportunities and challenges to HRM. In the mosaic Kuwaiti society, obstacles for effective and sound performance of HRM are real and pervasive. Nevertheless, possibilities and avenues for progress do exist. For example, Kuwaitis are mainly Muslims. In Islam, work and commitment to work are held in high esteem. Indeed, a purposeful engagement in work is the cornerstone of the Islamic work ethic (IWE). Such engagement facilitates personal and societal goals (Ahmad 1976, Ali 1992). Work is viewed as a virtue as it serves self and others. Spiritually, it is viewed

as a creative involvement necessary for establishing equilibrium in one's individual and social life, while fulfilling duties in life toward God. According to Ali (2004), the IWE is built on four primary concepts: effort, competition, transparency, and morally responsible conduct. Ali suggests that these pillars, taken collectively, inspire confidence in the market, reinforce social contract and ethical understanding, and motivate market actors to focus on meeting their primary business responsibilities. Hence, managers and employees acquire faith in each other's good intentions and adequately perform their responsibility at the workplace. Such belief should, therefore, facilitate the activities and functions of HRM. Furthermore, the society is characterized by cohesiveness and multiple social groups with complex networks of individuals, organizations, sub-entities and entities. All function in simultaneous and instantaneous ways. The dynamics of interaction among such individuals, groups, and organizations are unprecedented in Western societies. If this dynamic channels wisely and correctly it could produce a cohesive and energetic group necessary for any effective organization and a healthy work environment.

Nevertheless, in Kuwait, both religion and tradition constitute an obstacle to HRM. Religiously, the Kuwaiti utter religious principles and sayings, but seldom act upon them. In a survey of managers in Kuwait, Al-Kazemi and Ali (2002) found out that participant managers scored high on IWE. While we are not discounting the proposition that Kuwaitis are infatuated with ideals in their ranking in terms of IWE, it is important to mention that the Government's lavish spending on its citizens has made it possible for Kuwaitis to take things for granted and to regard their prosperity as a result of their economic involvement and effort. This feeling is a serious drawback for economic development and for serious involvement in work and organization. As Al-Tarah (2003) and Metle (2002) have indicated, Kuwaiti work attitudes and behavior have never been satisfactory. The authors and along with Al-Remahy (1995), and Abdel-Halim and Ashour (1995) have argued that Kuwaiti culture and tradition negatively influence feelings toward work. These authors suggest that the general environment in Kuwait is not hospitable for hard work and productive work involvement.

In particular, despite the religious prohibition and government guidelines of recruitment and selection, most of the hiring and promotion in Kuwait, especially in the government sector, is influenced highly by social connectivity, tribal identity, and political and sectarian allegiances. For example, Prophet Muhammad, says "When a person assumes an authority over people and promotes one of them because of personal preferences, God will curse him for ever" (quoted in Ali 1999). Furthermore, the fourth caliph, Imam Ali, stated (1989: 321), "Monitor the behavior of your assistants and use [tenure] them only after probation. Do not nominate them on account of favoritism or egotism [nepotism]. Those two attributes reflect injustice and treachery. Select from among them those who have experience and decency."

As Al-Tarah (2003) and Al-Enzi (2002) argue, HRM in Kuwait faces serious social and cultural challenges. These challenges are not expected to be met without a dedicated attempt to reorient the labor market toward performance and positive participation in the workplace. At this time, traditional and tribal relationships, along with government

policies, seem to encourage people to be dependent and clannish rather than independent and involved as promulgated in religion and exemplified by IWE. All these factors have contributed to limiting the role, function and independence of HRM. The functions of HRM have narrowly focused on administrative aspects of processing paperwork (for example, sick leave, maternity and annual leave, and payroll). Consequently, the role of HRM is limited and its independence has been often compromised. Social dignitaries, influential individuals, and politicians normally interfere in the recruitment, retention, and promotion process. Social forces and traditional factors impede personnel function, especially in selection and promotion. In Kuwait, like in most societies in the Middle East, it is often difficult to get things done without *wasta* – personal intervention of influential people on behalf of a particular person. In Kuwait, however, the situation is pervasive. This stems from the fact that Kuwait is a society that is characterized by close networks of individuals and groups who show an interest in the welfare and the status of their members. It is customary for members of these networks to interfere on behalf of other members to get them a job, process their business and government request, or promote them. In most organizations, public and private alike, little attention has been given to development, motivation, and performance evaluation.

Influence of the private sector on HRM

In addition to government regulations, four developments have accelerated changes in the private sector and its practice in the area of HRM. These are: the influx of expatriates into Kuwait; the notable presence of foreign corporations; the willingness of Kuwaiti investors to invest at home and diversify their businesses; and competition from neighboring countries, especially the United Arab Emirates (UAE). The influx of manpower, Arabs and foreigners, has shaped the nature of the labor market. Not only does the private sector seek to recruit and hire expatriates, but executives in the sector have come to understand that the existence and growth of their businesses depends on competent employees. Expatriates are recruited not only because their wages and salaries are much lower than that of Kuwaitis, but also because they are generally more obedient and disciplined and have relevant skills. The increasing numbers of expatriates who are skilled and who work in the private sector have emerged as an important factor in the past few years in determining recruitment and selection. For example, the number of medical doctors, scientists, engineers, and economists has increased from 14,245 in 2001 to 39,696 in 2003 (Ministry of Planning 2004). Such an increase allows both the private and public sector to give attention to qualification and selection criteria.

The presence of MNCs in Kuwait helps to accelerate the adaptation of new management concepts and practices. Not only do individuals working with MNCS become more acquainted with new developments in the field of HRM, but national corporations that deal with MNCs have to upgrade their operations to meet standards that are often ignored by local organizations. In both cases, there has been a sharpening of the competitive edge and a keen awareness of the need to be competitive. Traditionally, most MNCS in Kuwait

were in the oil and energy services. In recent years, MNCs in the areas of high technologies, insurance, marketing, hospitality, and processing have flourished. These companies interact with a wide range of local businesses and government agencies, making knowledge transfer in management and HRM a reality.

Despite the assertion by *The Economist* (2001) that Kuwaitis have a tendency to invest abroad and that few investors find it rewarding to invest in the national market, some businesspeople appear to invest more in Kuwait. In fact, since the Iraqi invasion, Kuwaiti businesspeople and entrepreneurs have expanded their home operations and have embarked on investment programs in new areas in addition to retailing, real estate, and dealerships. This trend has been intensified since Dubai in the UAE has emerged as the shining global business center in the Arab Gulf and the rest of the Middle East. This has motivated Kuwaitis and has energized them to be actively involved in various aspects of business and to widen their partnerships with international and national actors. This new competitive regional environment encourages Kuwaitis to pay close attention to qualifications in recruiting, upgrading skills, and to the significance of the HRM.

Prior to 1973, the private sector was dominated by small businesses and banks. The majority of small businesses were in retailing, financial services, real estates, dealerships, fishing, etc. Among these businesses, the banking institutions were the most active in the area of human resource development (HRD). In particular, the National Bank, which was established in 1952, has embarked on ambitious HRD programs since the 1980s. The bank established its own training department and also hired top international consulting firms to train its managers and employees. These consulting firms established a presence in Kuwait and the larger Gulf market (Saudi Arabia, Bahrain, UAE, Oman, and Qatar). Other banks followed suit and established their own training and development programs. Some of these banks have limited partnerships pertaining to development and training needs and to conferences. The Institute of Banking Studies coordinates conferences and training seminars in the banking industry. This institute has been instrumental in improving skills and disseminating information pertaining to current development in the area of HRM and financial services.

Other industries within the private sector lag behind in either partnership or in sound HRM practices. Nevertheless, the mere engagement in seminars and training programs in the area of HRM is a sign that the traditional practice in recruitment, promotion, and performance evaluation is gradually moving toward acceptable standards. It should be noted, however, that the change has been slow but steady. In terms of staffing, for example, the preferences are still overwhelmingly for expatriates. Private-sector organizations have, in order to avoid government penalties and fines, to meet the ratio set by the Government for the percentage of Kuwaitis in their workforce. Generally, non-government organizations give relatively more attention to qualifications than government entities. Personal recommendations and networking still play significant role in staffing and compensations. As Ali (1995) noted, in most Arab organizations, including Kuwaiti ones, there is two-tier staffing: senior level managers, which is based primarily on personal connection and family position, irrespective of qualifications, and

staffing of middle and lower level personnel which is mainly influenced by need and consideration of qualifications.

Unlike the government sector, where compensation is determined by detailed regulations specified in the Civil Service Commission and based on type of job and seniority, organizations in the private sector have flexibility in determining salary and compensation packages. The compensation package, however, is less attractive in most jobs than that offered by the Government. This, in addition to job security and expectation of a less competitive environment, motivate Kuwaitis to work in the government sector and related enterprises. Researchers in Kuwait (see Al-Enezi 2002) suggest that the Government must intervene in determining the wage structure in the private sector and pay a proportion of wages for Kuwaitis working in this sector. Both proposals are not adequate in addressing the imbalance in the manpower structure in an era of labor mobility and free-market economy. Indeed, one may suggest that it is not the private sector but rather the Government that should be blamed for the current state of the labor market.

The Government, however, has been instrumental in conducting, financing, and cosponsoring training and development programs. It encourages and motivates corporations in the private sector to upgrade the skills of their workforce. In fact, in Kuwait the problem is not the lack of the training and development programs but the attitude toward training and knowledge acquisition. In fact, training activities have been a lucrative business for consultants and HR specialists, and for private national firms who utilize government funds to undertake various training programs. Thus, it is not the absence of training, but rather the nature of the prevailing attitudes and work relationships that constitute a threat to effective knowledge transfer. In Kuwait, because of the Government's lavish expenditures on citizens and the readily available expatriate workers from countries such as India, Pakistan, the Philippines, and Egypt, Kuwaitis have displayed a negative attitude toward the merit of training and have seldom looked at it seriously.

In the context of performance evaluation, Al-Zufairi and Al-Enezi (2003) conducted research on the use of performance appraisal in the private and public sectors and found that most organizations use this in their determination of promotion, recognition and salary increase, or the identification of poor performance. The least utilized application of performance evaluation is in decision-making regarding termination and layoffs. In general, however, performance evaluation of citizens, due to personal relations and social expectations, is not taken seriously.

HRM in practice: the case of Kuwaiti National Petroleum Company

In terms of assets, the Kuwaiti National Petroleum Company (KNPC) is one of the largest oil corporations in the world. It was established in 1960 as a joint venture project between the Government and the private sector. In 1975, KNPC became a wholly owned

state enterprise. In 2004, the company received the Arab Government Institute Award for excellent performance. KNPC has an executive assistant to the managing director who is responsible to two departments that share the functions of HRM: personnel and career-development. KNPC had 5,983 employees in 1999; 72 percent were Kuwaitis. Currently, the number of employees exceeds 7,000. The Personnel Department is in charge of selection, motivation, and promotion. In terms of selection, the department announces new job openings in the local and international press. According to its report, the selection is done after interview and assessment. Even though the practice of HRM is highly praised by the committee that selected KNPC for the above award, the actual performance may not match the excellent design for the recruiting and training of employees. KNPC utilizes various incentive methods: individual and group, monetary, and intangible. Eight yearly types of awards are given: exceptional individual performance, ideal employee, exceptional group performance, best leader, best employee under probation, thank-you card, recognition and awards for team project and its members, and special incentives for safety improvement. Usually 15 percent of the employees receive these incentives. Monetary incentives range between 50 and 300 percent of basic salary. The promotion system has undergone profound revision in recent years to increase morale, retention, and productivity. Salaries have been upgraded substantially and opportunities for mobility have been enlarged.

The Career Development Department is responsible for improving the skill and knowledge of employees through seminars, training programs, and academic scholarships to study at home and abroad. These programs are classified into three categories: the engineering and technical area, management area, and language and management seminars. The department engages in cooperation and partnership activities with national and international professional and academic institutions.

HRM: A future scenario

Any attempt to predict the future state of HRM should take into consideration two interrelated facts: the prosperity in Kuwait is based solely on oil and the Kuwaiti economy can come to a halt without the significant contribution of expatriates. The oil revenues allow the Government to dominate the economy, to subsidize almost all possible services and to influence market conditions. A substantial reduction in oil revenue due to a political crisis or sudden reduction in oil reserves will have a profound effect on government policy and its involvement in HRM. Similarly, any social or political unrest that results in a large exodus of expatriates will mean that the Kuwaiti economy will be in deep trouble and that the majority of basic services will not be provided at the usual level. Assessment of what might happen in the next five to ten years in the personnel function should be based on the assumption that oil revenues will be about the same as the past four years and there will be no severe social or political unrest.

Business competition in the region, especially competition from Dubai, the increasing number of college graduates, and the privatization of state-controlled organizations are

certain to place tremendous pressure on government and business organizations to improve efficiency and effectiveness. This, in return, highlights the centrality of HRM. For many years, this function has been underutilized or largely ignored. Corporations, in particular, will be selective in their selection of employees, wages will be relatively more closely linked to performance than in the 1990s, and training will be more rigorous and task oriented. The State, though under pressure to adopt objectives standards in hiring and promotion, will still be inclined to be generous with Kuwaiti employees. Nevertheless, it may find it necessary to relax its restrictions on hiring expatriates in the private sector. Consequently, investment in HRM will be significantly increased and its functions will attract the attention of senior managers despite the existence of the Kuwaiti social malady.

Indeed, Kuwait is facing a serious economic threat to its existence. This economic threat highlights a political weaknesses and social malfunction. As such, the demand for transparency, accountability, and an increase in openness makes it impossible to manage both business and political affairs in the same old way. Interest groups and individuals benefiting from the generous government assistance are expected to resist reform. This pressure will come mainly from Kuwaitis who have enjoyed easy lives and optimally exploited policies that do not discriminate between competency and laziness, responsible work involvement and mere presence in the workplace. While the struggle between the forces that demand profound reform in personnel practices and the groups that are committed to the continuation of entitlements is expected to intensify, any delay in reforming the employment system and regulation could lead to the deterioration of the competitive position of Kuwaiti-based business firms.

Conclusion

In this chapter the evolution and the function of HRM are covered. The chapter briefly discusses the economic, political, and social environments. The evolution of Kuwait as a city-state gifted with a huge oil reserve is an exceptional example for studying HRM. This is not because Kuwait is wealthy, but because the Kuwaiti Government has utilized wealth to both impede and accelerate sound HRM practice. Its lavish public expenditures and its commitment to providing jobs to citizens have raised their expectations and reinforced negative attitudes toward work. At the same time, the Government was a pioneer in establishing guidelines and rules for hiring and training the workforce. Its development programs and expenditures on training employees in public and private sectors could lead to profound development and spectacular accumulated skills had they been undertaken in a different environment.

The chapter also surveys the composition of the workforce in Kuwait. It documents that most of the employees in the private sector are expatriates. In contrast, most of the employees in the government sector are Kuwaitis. It is government policy to offer or provide jobs to citizens. While this policy helps to reduce unemployment, it has resulted in overstaffing, a huge public bureaucracy, dependence on the Government for

employment, and apathy toward hard work. In addition, the policy is almost entirely responsible for discouraging citizens from actively seeking jobs in the private sector. Furthermore, expatriates often experience discrimination in hiring policies. Law and regulations seem to sanction such policies. In fact, Law No. 19/2000 and consequent regulations seem to institutionalize discrimination that was disguised as Kuwaitization of the workforce.

In recent years, selected private-sector companies and state enterprises have undertaken ambitious training and development programs. These programs have been aimed at improving skills and productivity. Several national and international consulting firms have conducted seminars and training sessions. The chapter presents a scenario for the state of HRM practice in the next five to ten years. It envisions a positive outcome of the struggle between the forces that pull forward and those that attempt to maintain entitlements and discriminatory practice between citizen and expatriates. Nevertheless, the chapter concludes that despite the huge investment in the training programs, there are political and social factors that impose serious obstacles to sound HRM practice. If these factors are not eliminated or neutralized, the prospect for effective HRM practice will be in jeopardy.

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http://www.cbk.gov.kw/, Central Bank of Kuwait.
www.csc.net.kw, Civil Service Commission.
www.gec-web.com, An active company on training and recruiting.
http://www.kcci.org.kw/html/arabic/home.htm, Kuwait Chamber of Commerce and Industry.
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www.kia.gov.kw/kia, Kuwait Investment Authority.
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http://www.knpc.com.kw/, Kuwait national Petroleum Company.
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www.mop.gov.kw, Ministry of Planning.
www.nbk.com, National Bank of Kuwait.
http://www.q8stocks.com.kw/en/index.php3, An Internet Service Solution firm based in Kuwait.

6 Human resource management in Saudi Arabia

KAMEL MELLAHI

Introduction

The Kingdom of Saudi Arabia (hereafter referred to as Saudi Arabia) is the most conservative of the Arab states. It is the largest member of the Gulf Cooperation Council (GCC) states and has the largest known oil reserves in the world. Given its strategic geo-political position and energy resources, Saudi Arabia is a major player in the stability of the global economy. Oil prices are strongly linked to Saudi Arabia's political and social stability. Further, since the 9/11 attacks, unemployment in Saudi Arabia has become an international issue rather than an internal social and security issue (Beeston 2003, Gulf News 2004).

This chapter examines the human resource management (HRM) function in Saudi Arabia and the macro-context within which it operates. The chapter looks at the key challenges facing decision-makers and human resource (HR) managers in Saudi Arabia, and is structured as follows. The first section examines the political, economic, labour market and cultural factors affecting the HRM function in Saudi Arabia. The second section looks at HRM policies and practices in the public and private sector in Saudi Arabia.

The macro-environment

The macro-environment in Saudi Arabia has far-reaching effects on HRM policies and practices. At the time of writing, several changes were taking place in Saudi Arabia on multiple fronts and at a very fast pace. Some of these changes, as will be discussed later, are changing the business environment within which firms operate and are shaping traditional HRM policies and practices. As discussed below, HRM managers are wrestling with the challenges of developing HRM policies that are congruent with the pressures and demands of the current labour-market dynamics, and remaining competitive at the same time. In the following sections, I examine the four macro-forces that are shaping HRM policies and practices in Saudi Arabia: political context, economic context, cultural values and norms and the labour market.

Political context

The political tapestry in Saudi Arabia does not merely provide the external context within which HRM policies and practices are developed and implemented, but has a direct, and often the most important, influence on several aspects of HRM practices in the country. To understand the dynamics and interactions between the political context and HRM in Saudi Arabia, one must understand the recent challenges and developments in the Saudi Arabian political environment.

The political system in Saudi Arabia dates back to the 1920s and the establishment of the Kingdom of Saudi Arabia in 1932 by Ibn Sa'ud (of the House of Sa'ud). Since then, Saudi Arabia has remained an absolute monarchy, where the king is the chief figure in the government and head of state. The royal family dominates most aspects of political life. Despite a substantive introduction of formal rules-based structures in the management of the economy, personalized and idiosyncratic factors based on informal customs and judgements are still dominant in the management of both private and public organizations.

Saudi Arabia is governed by an Islamic monarchy in which Islam makes up the civil, cultural, economic, legal, political and social fabric of the country. The king rules the country through a council of ministers. Political parties or trade unions are not allowed. The king administers Saudi Arabia through royal decrees and ministerial decrees. People participate in the political life of the country through the *Majlis al-Shura* (Consultative Council) which enables them to voice their concerns and communicate their views to the government. The *Majlis al-Shura* consists of ninety appointed members and a chairman who is appointed by the king. The king, however, is the final authority to promulgate laws and determine new policies, although members of bodies like the *Majlis al-Shura* may influence the king's decisions (Al-Twaijry et al. 2003). Further, ministers and the heads of key departments within ministries have the right to make decisions and to make laws on matters relating to their responsibilities, subject to them being consistent with Islamic principles and royal and ministerial decrees (Al-Twaijry et al. 2003). For example, the Ministry of Labour is part of the Council of Ministers and is responsible for the regulation of employment laws, work conditions and creating employment for Saudis.

The Saudi Arabian political system has been subject to dramatic changes over the past few years. Three great forces converged in the early 2000s to shake the political system in Saudi Arabia: the 9/11 attacks and allegations that most of the attackers were from Saudi Arabia, violent attacks in Saudi Arabia during the early 2000s killing a number of foreign workers and, perhaps as a result of the latter two forces, strong external and internal pressures to introduce political reforms (Telhami and Hill 2002, Dekmejian 2003).

Given the aim of this chapter and space limit, I focus in this section on the impact of the political environment on recruitment of Saudis and attraction and retention of highly skilled foreigners. Employment of young Saudis is at the core of the Saudi Arabian political agenda. Urgency about employment of Saudis is accompanied by a heightened

awareness that political stability cannot be achieved and sustained unless the social underpinnings of high unemployment amongst Saudis are identified and dealt with as noted by a development director at the Government's General Organization for Technical Education and Vocational Training: 'I believe that not being able to get a job for young Saudis will lead to disaster, whether in security or moral terms' (Wilson 2004). Further, Saudi Arabia aims to reduce its dependence on 'footloose' foreign labour. Given political instability in the region, Saudi Arabia cannot guarantee that foreign workers would remain in the country if security in the country is compromised. There were around 8.8 million expatriates in the country in 2004, which is nearly half of the indigenous population. The Government aims to cut the number down to around 20 per cent of the total population over the next eight years (Wilson 2004).

To deal with the issue of unemployment, in 2004 the Government introduced strict rules governing the employment of foreigners in the kingdom. In 2004, the Minister of Labour, Al-Gosaibi in his address to the Council of Saudi Chambers of Commerce and Industry in Riyadh argued that 'It is unacceptable that we issued 600,000 job visas last year. At the rate we're going, we will issue 750,000 work visas this year, a figure that I shall never accept as long as I am in a position of responsibility.' While the new rules are not much different from the rules introduced in 1995,[1] the role of the government ministry in charge of implementing the new rules has changed significantly. During the 1990s, the Government limited its role to developing policies that encourage Saudi employers to take on Saudi employees whenever possible. By the early 2000s, abuses of laws regulating the employment of locals by businesses led the Saudi Government to take on the role of 'watchdog' enforcing and regulating employment to preserve political stability and to ensure adherence to employment laws and regulations. For instance, for the first time, the Government, through the Ministry of Labour, has resorted to a name-and-shame policy to persuade business not to disregard the new employment policies. For example, the Ministry's web site lists names of companies that were found to scorn the ministry policy regarding employment of foreigners and employment of Saudis and also lists the restrictions imposed on these companies to deter other companies from doing the same thing. Further, in October 2004, the Ministry of Labour used a half-page advertisement published in a local Arabic newspaper to warn firms not applying the new visa rules

> As per the crown prince's instructions, we would like to alert all on the inevitability to abide by the Saudization rules strictly . . . the ministry had observed that employers were not implementing the Cabinet decision related to Saudization and that there were attempts to circumvent the decision by one way or another.

> (Quoted in Ghafour 2004b)

In addition to the above, for the first time, the Government has hinted that small private firms employing fewer than twenty workers, which were exempted before from employing Saudis, would be required to employ Saudis (Economist Intelligence Unit 2004). Further, the Government is deliberately placing obstacles in the path of HRM managers trying to recruit foreign workforce to encourage the employment of locals. For example, while previously employers could apply for visas in large blocks, enabling them

to bring in large numbers of foreign workers at a time, employers, according to new regulations, can only apply for one work visa at a time, with a two-month period between each subsequent application (see Alzalabani 2002: 134 for a list of government policies to discourage private-sector firms from employing non-Saudis).

In addition, the Government has been cracking down on visa-trafficking in Saudi Arabia. It is reported by the Ministry of Labour (see Abou-Alsamh 2004) that a large proportion of work visas issued are sold on the black market. This is done through ghost or paper-only companies owned by Saudis specializing in importing foreign workers to work freely in Saudi Arabia for a price of around 2,400 US dollars for a visa, and further 27 US dollars a month for remaining in Saudi Arabia (Abou-Alsamh 2004). In order to reduce visa-trafficking, the Ministry of Labour has imposed a five-year ban on firms found guilty of illicit trade in work visas. In brief, although the process of Saudization has been moving at a much slower pace than the Government would like, the Government in Saudi Arabia continues to push the number of foreign workers down. The government plan is to reduce the number of foreign workers to around 2 million in the coming ten years, with nearly all of them in menial jobs that Saudis do not want to do or technical ones that Saudis are not qualified to do (Abou-Alsamh 2004).

However, the recent 'heavy-handed' government intervention in employment policies has become increasingly controversial. On the one hand, the new policies promise genuine political and social benefits via low employment. On the other hand, these regulations are costly for organizations and may damage their regional and international competitiveness. For instance Al Jazirah daily quoted ten leading contractors as saying that the Labor Ministry restrictions would make contractors bankrupt (quoted in Ghafour 2004a). As a manager of a private-sector company put it '(such) a unilateral decision will affect business and productivity especially at a time when there is shortage of manpower to execute real estate projects worth billions of dollars' (Khan and Bachir 2004).

In a research meeting with a group of Saudi managers, the author of this chapter discussed the possible impact of 'forced' Saudization on effectiveness in the private sector. Managers had very strong and polar views. While they all agree that the problem of unemployment is a significant threat that must be dealt with, they disagreed on the viability of current government policies. The discussion became more heated when some managers put the economic case against 'forced Saudization', claiming that while every firm should strive to recruit locals, centrally decided quotas can be damaging and may not achieve their goals. Firms in different sectors and regions have different capabilities and therefore must be given the flexibility to set their 'quotas'. Opponents of flexibility claimed that the issue of employment of locals is strategically important and therefore cannot be left to individual managers. They argued that the traditional soft self-monitoring approach to employment of locals has proved inadequate. What all managers seemed to agree on is that, like several attempts by the Government before, there is a high chance that the recent regulations, yet again, will remain ink on paper and will not be impartially and efficiently enforced (see also Ahmed 2004).

As a result of the recent heavy-handed clampdown on the employment of foreign workers, recruitment of foreign workers dropped by 50 per cent in October 2004 compared to the same period the previous year. However, judging by previous experiences and given the high relationship-based rather than rule-based governance in Saudi Arabia, it is reasonable to expect that the recent hype and name-and-shame tactics will slowly but surely fizzle out. Further, given the political sensitivity of the issue of unemployment, the recent campaign has not challenged the difficult structural problems that underpin unemployment in Saudi Arabia such as the entitlement to an office job in the public-sector culture (Almaeena 2004), but tends to pick the 'low hanging fruit' or easy options such as new regulations that tend to have a quick but often unsustainable effect. Further, as argued above, adverse effects of the recent Saudization strategy such as relocation of business to other Gulf countries with more relaxed employment laws (Middle East and North Africa Financial Network 2003, Kuxford 2003), might force the Government to revisit the current strategy.

Whatever the merits of employment regulations in Saudi Arabia, today, more than ever, managers in Saudi Arabia are under increasing pressure to employ Saudis. As a result, many Saudi businessmen, especially in the small and medium size sector, are grappling with the new political pressures to employ Saudis. Understandably, few are comfortable with the limited choices given to them.

Recent political instability has also had an impact on the employment of foreigners in Saudi Arabia. However, this impact is on a much smaller scale than that reported in several business media. While recent attacks on foreign workers in Saudi Arabia has made the country a less attractive destination for highly skilled foreigners, the attacks did not have a strong impact on foreigners already in Saudi Arabia. Data from interviews with sixteen highly skilled Western employees working in Saudi Arabia in mid-2004 suggest that the violence has not reached the tipping point where one expects a massive exodus of foreign workers. Interviewees argue that current attacks are more of a nuisance that disrupts their lives than a problem that forces them to leave the country. In brief, it seems the recent violence has more of an adverse impact on recruitment of new foreign skilled workers than on retention of already recruited ones.

Economic context

The Saudi economy is an oil-based economy with strong government controls over major economic activities. The country has the largest reserves of petroleum in the world estimated at around 25 per cent of the world proved reserves, and is the largest exporter of petroleum. The petroleum sector accounts for around 75 per cent of budget revenues, 45 per cent of gross domestic product (GDP) and 90 per cent of export earnings. The private sector contributes with around 40 per cent of GDP.

Since the drop in oil prices in the mid-1980s, the country started looking for alternative sources of revenues (Krimly 1999). One such alternative has been the intensification of

global trade relations and investments as well as extensive investment reforms to accelerate international as well as national investment. For example, Saudi Arabia has recently instituted several laws and policies such as privatization laws, investment laws and new foreign direct investment laws to stimulate competition. In addition, it has recently been making genuine efforts to reform and liberalize its economy by giving more responsibility to the private sector, privatizing major sectors, developing and introducing a commercial court system and speeding up integration with the world economy (Al-Sahran and Presley 2001, Looney 2003, 2004). However, although, Saudi Arabia made good progress towards achieving World Trade Organization membership in 1999, significant work remains before the accession negotiations are brought to a successful conclusion. In August 1999, the Saudi Arabian Government established a supreme economic council to accelerate these reforms. The overriding principle of this 'opening up' policy has been the promotion of increased efficiency through competition, both domestically and internationally, with a view to providing a sounder basis for sustainable and real employment-creating economic growth.

Another major aim of these reforms is to speed up the repatriation of Saudi capital held abroad. The prospect of global competition requires Saudi firms to utilize all of their available resources in order to survive and succeed in the global economy. Despite the popular enthusiasm and optimism about economic reforms and the increasing integration of the Saudi economy in the global arena (Kemp 1999), there is a real apprehension and anxiety about the consequences of free, unfettered trading on the survival of so many Saudi firms long sheltered by the Government from foreign competition (Mellahi 2003).

Employment of locals, or lack of it, is linked to economic growth. After experiencing almost two decades of high economic growth, Saudi Arabia has been in a downturn since the mid-1980s. This has had a direct effect on job creation. Since the early 1990s, the Saudi economy has been growing with an average rate of 2 per cent while the population growth rate has been closer to 4 per cent since the oil boom baby boom began in the early 1970s. *The Economist* (2000) estimated that the economy should grow by 6 per cent annually to generate enough jobs for young male Saudis entering the labour market (see also Looney 2004). This disparity in economic growth and population growth has pushed the issue of unemployment to the forefront as baby boomers are now entering the labour market (Kawach 2003, see Figure 6.1).

Unemployment is not officially measured in Saudi Arabia. However, using demographic data and private-sector employment, Saudi American Bank (2000) estimated unemployment of male Saudis in the twenty–twenty-nine age group to be around 15–20 per cent (see Figure 6.1). The Middle East Executive Report (Anon. 2002) puts unemployment in Saudi Arabia at 26.4 per cent for Saudi males from twenty to twenty-four years old and at around 7.6 per cent for Saudi males between twenty-five and twenty-nine years old. The inclusion of female Saudis would make this average much higher. Gavin (2000) reported that more than 100,000 Saudi males enter the workforce every year, yet the non-oil private sector is only creating enough new jobs to absorb about one in three job seekers. Similarly, *The Economist* (2002: 7) estimates that under
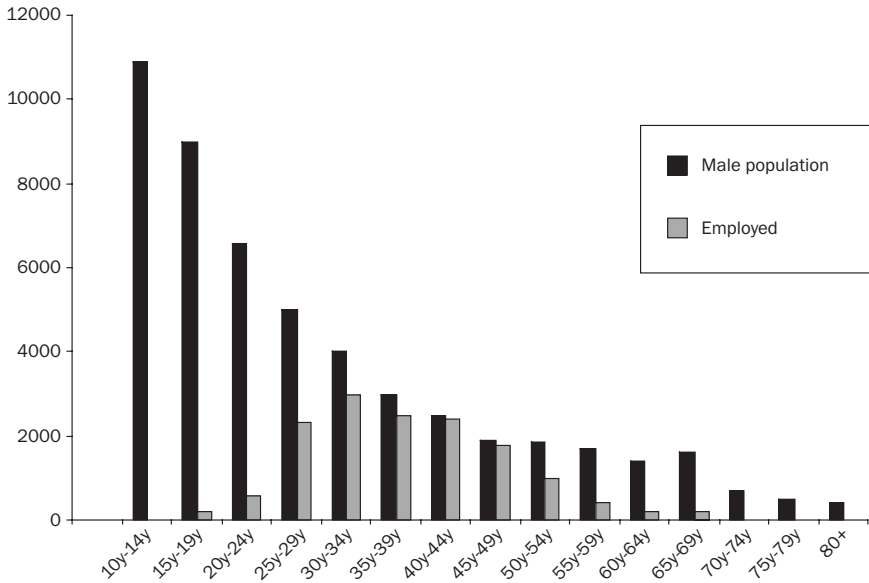
Figure 6.1 Saudi male population: age and employment.

half of the 100,000 job seekers entering the market every year actually find jobs. According to reports in the Saudi media, what is referred to as 'high and persistent' unemployment is straining the very fabric of society and could lead to a wider upheaval (Allen 2000).

The sharp rise in oil prices during the early 2000s relieved the economic situation in Saudi Arabia. In 2004, Saudi Arabia's net revenues for oil export reached 116 billion US dollars, an increase of 35 per cent from 2003 (EIA 2005). While a large amount of this windfall would be used to pay the government's domestic debt, internal security and infrastructure, a significant part of the money would go to the Human Resource Development Fund (HRDF) to subsidize training and employment of young Saudis.

Cultural values and norms

Religious, social and cultural norms are embedded deeply in the everyday life of Saudis. These norms and values are underpinned, to a very large extent by the Quran and the sayings and practices of the Prophet Muhammad (*Sunnat*). These values include *niyat* or intention that accompany every act, mastery (*itqan*), proficiency and efficiency (*ihsan*), sincerity (*ikhlas*), passion for excellence (*al falah*), continuous self-assessment (*mohasabat al nafs*), forever mindful of the almighty, piety (*taqwa*), justice (*adl*),

truthfulness (*amanah* or *sidk*), patience (*sabar*) and moderation, keeping promises, accountability, dedication, gratefulness, cleanliness, consistency, discipline and cooperation (Alhabshi and Ghazali 1994). These deeply held values and norms are, at least in theory, a central organizing principle of Saudis' understanding of work, their approach to it and the way in which they expect to treat subordinates and to be treated by management.

Saudi Arabia is a high-context culture and more collectivist than the rest of the Arab world (see Figure 6.2).[2] That is, individual interests in Saudi Arabia operate in a tightly woven social fabric that elevates concern for in-group relationships above personal concerns. As put by Bhuian et al. (2001: 29) 'typical Saudi management style focuses on the group rather than on individuals resulting in less importance being attributed to task identity'. The latter acts as a coercive force forcing employees to be part of a collective entity. Bhuian et al. (2001) noted that in Saudi Arabia, employees regard not being included in the social circle as a sign of management dissatisfaction that could end up with non-renewal of the job contract for non-Saudis and marginalization for Saudis.

Both employees and employers have moral obligations to develop relationships that lead to increased team or organizational solidarity. Further, employees' personal lives are intricately intertwined with their work and organizational lives. Thus, organizations not

The 5D Model of professor Geert Hofstede

PDI: Power distance index   **MAS**: Masculinity
IDV: Individualism   **UAI**: Uncertainty avoidance index
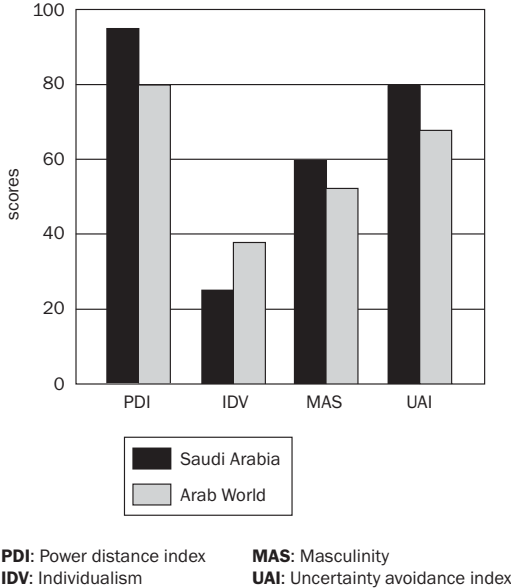
Figure 6.2 Comparative national cultural dimensions: Saudis and Arab world.

only offer financial and economic security, but also provide emotional support based on moral obligation. Atiyyah (1999) noted that managers are expected to show responsibility for work conditions and concern for their families and surrounding society.

Several studies (see Ali 1993, Mellahi and Wood 2001) reported that the high context and collectivist culture in Saudi Arabia is stronger within the in-group, such as tribe or extended family, but weaker within the out-group, such as non-kin, different religious sects and guest workers. Mellahi and Wood (2001) argue that because interactions between individuals belonging to different out-groups are limited, attachment to individuals in out-groups is very low and the emphasis is put on individual achievement rather than social belonging. That is, when managers deal with individuals from the out-group, they put more emphasis on tasks and on the individual's achievement rather than on their relationship. In contrast, within the in-group, from birth onwards, people are integrated into strong, cohesive groups that protect them for unquestioning loyalty (Mellahi 2003).

Saudi Arabia also scores higher in power distance than the rest of the Arab world (see Figure 6.2).[3] In such a context, employees expect to be told what to do by management, and inequalities between managers and subordinates is expected and desired (see Bjerke and Al-Meer 1993) as put by Bhuian et al. (2001: 29) 'in general a Saudi manager would expect employees to do whatever they are told to do, and employee's being left on his or her own may be viewed as an indication of the management's dissatisfaction towards the employees'. That is, being left to your own devices and given the freedom to do what you think is correct is not a sign of management trust in your ability and judgement but rather a sign of rejection and marginalization. Ali (1993) argues that tribal values in Saudi Arabia and most other Arab countries reinforce the concept of absolute right and wrong and 'do not rock the boat' attitudes, and any approach that does not conform to acceptable norms is considered a threat to established authority and organizational stability and therefore is not welcomed (Mellahi 2003).

Quranic principles and prophetic prescription put strong emphasis on respect and obedience to leaders. Beekum and Badawi (1999) note that in Islam at all times the leader must be obeyed and that Islam considers obedience to the leader so important that it views all kinds of insubordination to be abhorrent unless in very specific circumstances. Beekum and Badawi (1999) argue, however, that the majority of Muslim scholars advocate what is called 'dynamic followership'. That is, although Islam emphasizes that followers should comply with the directives of their leader, it does not condone blind subservience. Put differently, while a typical Muslim worker does and should respect his or her leader, the onus in most cases is on the leader to convince subordinates that his or her orders are worth obeying and implementing rather than impose his or her will on employees by administrative fiat (Mellahi 2003). The latter is deeply embedded in Islam through the practice of consultation or *shaura*, where managers consult their employees before a decision is taken.

Another key characteristic of management in Saudi Arabia is informality and social and cultural etiquettes. Several business deals and employment-related issues are dealt with in

informal settings, such as Diwaniyah, which usually take place in the evening outside the environment of formal meetings – often in someone's house – where individuals discuss their concerns more freely (Mellahi 2003). Given the fact that Saudi individuals tend to avoid getting directly to the topic or the business at hand (this is considered as rude behaviour and a sign of impatience) and prefer instead to loop around by starting with introductory greetings and social talk before getting to the business at hand, relaxed and long informal settings lend themselves to such decision-making processes.

Labour market

The demographics, or make-up, of the Saudi Arabian population has undergone a major change since the 1980s. Population growth in Saudi Arabia is considered to be one of the highest in the world. Birth rates are estimated at around 4 per cent per annum. The country has a young population. Around 60 per cent of the population are under the age of twenty-one. Table 6.1 shows that the labour force in 2002 reached over 3 million Saudis, over 80 per cent of them male. The total workforce, including non-Saudis, was 6,241,656 people.

As noted above, within Saudi Arabia, the challenge was, and remains, to provide ongoing employment security and a relatively high standard of living for nationals and, at the same time, to diversify the economy from one primarily dependent on the production of oil and its derivatives. An understanding of the current structure of the Saudi Arabia labour market requires a historical analysis of its evolution.

Historically, prior to the birth of the Kingdom of Saudi Arabia, the region was governed by independent tribes. Saudi Arabia was born out of the unification of different tribes and large families. Against the backlog of a strong need for maintaining a tribal identity within a national state, on the one hand, and the need to control an embryonic state and save it from potential conflicts between competing tribes, on the other, the basic approach of the Saudi economic and social model was to combine central control and interference with laissez-faire approaches to the management of the private sector (Mellahi and Wood 2002).

The dualist nature of the Saudi approach of control and laissez-faire is evident in the case of the labour market. While the Government sought to control the employment of

Table 6.1 Saudi labour force: nationality and gender, 2002

	Male	*Female*	*Total*
Saudi	2,683,383	465,339	3,148,722
Non-Saudi	2,657,428	435,506	3,092,934
Total	5,340,811	900,845	6,241,656

nationals through the provision of jobs in the public sector, it did not regulate employment in the private sector. The high economic growth in Saudi Arabia and other Gulf states during the oil boom in the 1970s and early 1980s resulted in a shortage in the number of workers needed to support the growing economy (Looney 1992). The swift transformation of the economy from an economy based on nomadic trade, fishing and agriculture to an economy based on hydrocarbon, construction and service industries using modern technological production processes, created a need for a new breed of skilled workers not available locally (Shaban et al. 1995, Mahdi and Barrientos 2003). As a result, Saudi Arabia witnessed a major influx of foreign labour. Farjani (1988) reported that at least 25 per cent of the 20 million migrant workers in the world in the 1980s were employed in the Gulf states. A rigidly divided labour market with large numbers of foreign workers represents a defining characteristic of the Saudi Arabian labour market (Mellahi and Wood 2002).

Several factors contributed to the two-tier labour-market structure. First, much of the inflow of the oil revenues in the 1970s and 1980s accrued directly to the public sector (Shaban et al. 1995). As a result, the latter was able to offer well-paid employment to locals with generous reward packages and a good quality of working life. Meanwhile, in the private sector, firms traded off ongoing investment and limited job creation for Saudis in return for state patronage and a relatively free hand in terms of the utilization of foreigners. In this manner, the Saudi economy was able to – albeit in rather limited way – diversify, with minimal disruption to the existing socio-political order.

This has led to a situation where, on average, wages in the public sector exceeded the private sector's wages by many times (Economics and Business 1997). It also resulted in, as Shaban et al. (1995) reported, the state sector becoming the only option that indigenous entrants to the national labour force would consider; a government job was and is perceived as a citizen's right. Given that governments, as employers, are particularly vulnerable to political pressures, public-sector wages are not readily adjustable downwards, whilst large-scale redundancies, given the recent violence in the country, can be potentially destabilizing. Given this, it is likely that the relatively high wages paid by the State will continue to distort the labour market for the foreseeable future in the absence of meaningful structural reforms in the public sector.

Since the late 1980s, however, the Saudi model has been under an increasing strain. The drop in oil prices in 1986 made it harder to maintain an unwieldy institutional framework, underpinned by a large employment intensive bureaucracy. A drastic reduction in oil-export revenues, which subsequently led to a reduction in economic growth as well as the appearance of mass unemployment for the first time since the discovery of oil, indicated that the labour market has entered a new phase. For instance, since the mid-1990s, the Government has frozen employment in the public sector: increasingly Saudi nationals would have to look to the private sector for jobs (Azzam 1997). *The Economist* (2002: 16) states that salaries in the public sector drain 60 per cent of the Saudi state budget.

The private sector has become the main, if not the only, sector where new jobs are created. In 2002, it employed around 6.2 million people, representing 87 per cent of the kingdom's labour force, while the public sector employed 916,000 persons representing 13 per cent of the total workforce. In 2002, a study by Gulf Business reported that 5.1 million expatriates worked for the private sector, representing 96 per cent of its total payroll, against 212,000 expatriates in the service of the public sector (Gulf Business 2002).

The 1999–2004 seventh development plan forecast that 94.6 per cent of all new job opportunities was going to be created in the private sector, compared with 4.6 per cent in the government sector. It is worth pointing out that the private sector has been growing at rates considerably below the level expected to close the employment gap: 0.9 per cent (1995), 4.9 per cent (1996), 4.5 per cent (1997), 2.6 per cent (1998), 4.2 per cent (1999), 4.3 per cent (2000), 3.7 per cent (2001) and 4.4 per cent (Looney 2004a).

Characteristics of the dual labour market in Saudi Arabia

The first characteristic is simply labour cost between and within sectors in Saudi Arabia. The influx of cheap foreign labour during the past three decades has resulted in the private sector being reliant on cheap manual labour deployed in labour intensive occupations. Business services and manufacturing sectors, which rely predominantly on foreign workers, are the largest employers in Saudi Arabia. Indeed, continued profitability hinges on being given a free hand in the utilization of expatriates. Although, since the mid-1990s, Saudi Arabia has increased the cost of hiring foreigners by introducing compulsory health care for expatriates and by increasing the cost of issuing and renewing work visas from SR 1000 (260 US dollars) to SR 2000 (Saudi riyals 320 US dollars), local workers still are very much more expensive to hire than expatriates (Montagu 1995) (see 'Reward systems' below). An official in the Saudi Ministry of Planning notes that wages should equal the marginal productivity of labour but that in Saudi Arabia, 'since we've opened the gates to imported labour, we're talking about the marginal productivity of labour in Bangladesh' (*The Economist* 2002: 8).

Further, socialized into an environment where, as noted earlier, lucrative employment in the public sector was seen as a birthright, there is considerable evidence to suggest that most Saudis remain reluctant to accept relatively poorly paid and insecure work in the private sector. Indeed, owing to the saturated state sector and the essentially weak private sector, a large number of Saudis constitute a 'lumpen intelligentsia' (Mellahi and Wood 2002) educated to assume positions that are no longer available and unwilling to settle for less. A survey by *The Economist* shows that of the 120,000 graduates that Saudi universities produced between 1995 and 1999, only 10,000 had studied technical subjects such as architecture or engineering. The latter accounts for only 2 per cent of the total number of Saudis entering the job market (*The Economist* 2002: 7). Further, it has been argued that more than 85 per cent of jobs in Saudi Arabia are paid less than a Saudi would accept as a minimum (Cooper 1996). This situation has been exacerbated by deeply entrenched managerial stereotypes: it is commonly alleged that locals will

generally demand about six times the salary a skilled foreign worker would be prepared to accept and 'will not work as hard' (*The Economist* 1997). As one Saudi manager quoted in *The Economist* (2000: 8) asked, 'I want to hire Saudis, but why would I hire someone who I know won't show up, won't care and can't be fired?' It must be noted that in late 2004, the Majlis al-Shura (consultative council) approved a new labour law legislation that – in theory at least – allows private firms to terminate contracts of Saudi employees without compensation under certain conditions, which include violence against other staff, failing to perform obligations and disclosing privileged information.

Certainly, expatriates are more willing to accept low salaries because they still earn more than they could earn in their home countries, such as India, Pakistan, the Philippines and Bangladesh (Al-Najjar 1983, Atiyyah 1996, Owen 1986). The majority of expatriate workers are young male bachelors and therefore do not have a family to support in Saudi Arabia, even if they remit a significant proportion of their salary to their extended family back home. For local workers, however, the high cost of living in Saudi Arabia makes the level of wages offered by the private sector incapable of providing what is seen as an acceptable living standard for local workers and their dependants (Alogla 1990, Atiyyah 1996, Lumsden 1993). A survey by Mellahi and Al-Hinai (2000: 183) revealed that managers in Saudi Arabia and Oman ranked the 'demand for higher salaries' as the key and most important difference between local and foreign workers. More importantly, managers considered that the reluctance of indigenous Saudis to accept lower paid positions represented the principal barrier against their greater employment. As *The Economist* (2002: 7) puts it:

> Today young people [in Saudi Arabia] tend to assume that they will enjoy the same lifestyle as their parents, with a desk job and a state salary fat enough to support servants and idle wives, with cash left over for foreign travel and their children's costly weddings, as well as such perks as generous state housing loans.

Second, social and cultural perceptions towards work in the private sector greatly influence companies' ability to recruit and retain qualified local workers. Within Saudi Arabia, the type of work, sector of employment and social interactions at work determine the social status of the worker and his or her family (Mellahi 2000). Most of the jobs in the private sector are manual jobs, which are regarded as lower status jobs by locals. Prior to the large-scale influx of foreign workers, these jobs were allocated to people with low social status. Social interactions with such individuals in the form of marriages were severely restricted (Atiyyah 1996). Indeed, Baxter (1998: 30) suggests that for

> youngsters leaving school the barriers against desirable career paths are almost mythical. They will not accept jobs as salesman because this does not befit their social status; they will not take workshop jobs where there is a threat of physical danger. Low salaries are an insult. [. . .] the Saudi youth has too much pride to swallow.

The third characteristic is control over workers. It is generally held that expatriates are easier to control and more disciplined than local workers (Atiyyah 1994, 1996, Lumsden 1993). Work permits in Saudi Arabia are generally only valid for one year. Foreign

workers do not qualify for permanent residency or naturalization regardless of the length of their stay. Employers have few legal obligations towards expatriates, who can readily be laid off and sent home at short notice. In addition, expatriate workers hold work permits for a specific occupation with a specific employer. They are prohibited from changing jobs without the consent of their employer or sponsor. Hence, labour turnover and job-hopping amongst expatriates simply does not exist. It is hardly surprising that some unscrupulous private employers unfairly treat many foreign workers, especially unskilled, in the absence of strong regulative pressure and low levels of enforcement of even basic legal sub-minima regarding the terms and conditions of employment for expatriates (Atiyyah 1996).

The fourth, and perhaps the most important, characteristic is the lack of social integration in multicultural work environments. There is an astonishing variety of employees in Saudi corporations. It is the norm for a firm to employ people from several countries. The heterogeneous culture and background of workers having a variety of work values, norms, customs and expectations create a challenge but, if properly managed, could be a source of innovation and creativity. However, there is considerable evidence to suggest that a large component of indigenous workers is reluctant to fully integrate into multicultural work environment for fear that it might degrade their existing status (Atiyyah 1996, Baxter 1998, Mellahi and Al-Hinai 2000, Parry 1997). In a society where job security can no longer be taken for granted and where social ratification for perceived status is increasingly hard, identity can readily be founded on what one is not – the ever-more vulnerable foreign worker.

Employment of women in Saudi Arabia

Saudi Arabia is a male-dominated society. Saudi women face several roadblocks in employment. Overall, the percentage of women in employment is very low. Women account for 55 per cent of Saudi graduates, but they constitute only 4.8 per cent of the workforce. (For data on women's employment in the public sector, see Table 6.2.) At present, only 5.5 per cent of an estimated 4.7 million Saudi women of working age are employed (Fatany 2004).

Women in Saudi Arabia are confronted with tough choices between family, social acceptability and professional career. Marriage and strong family values are deeply rooted in the culture of Saudi Arabia. Therefore, it is not surprising that, given the choice in the current context, women choose to raise a family rather than to focus on their career, remain single and, perhaps, pass the 'marriageable' age in Saudi society. Further, several restrictions, such as not being able to drive a car, geographical inflexibility and sex segregation, may have contributed to the exclusion of women from several professions, leaving them with limited employment opportunities. For example, in 2001 there were 54,000 unemployed female graduates who were not able to find work partly because they were not able to work far from their residence (*Al-Riyadh* 2001, quoted in Calvert and Al-Shetaiwi 2002: 121).

Table 6.2 Female employees in the Saudi public sector, 1999

Type of employment	Saudi females	Non-Saudi females	Total of employees	% Saudi females
Education	170,992	7,195	178,187	96
Technical	9,332	26,667	35,999	26
Administrative	12,280	1,324	13,604	90
Academic	2,983	694	3,677	81
Unqualified	8,292	60	8,352	99
Total	203,879	35,940	239,819	85

Source: Ministry of Civil Service (111: 18; quoted in Calvert and Al-Shetaiwi 2002: 120).

In addition to socio-cultural factors affecting the employment of women, the type of education women pursue in Saudi Arabia exacerbates the situation. For instance, while the number of women in education in Saudi Arabia has risen from 2,500 in 1960 to more than 2 million in 1999 (Calvert and Al-Shetaiwi 2002), the majority of women study humanity courses (Ministry of Higher Education 1998; quoted in Calvert and Al-Shetaiwi 2002). For example, in 1999, 80 per cent of female students in higher education were studying subjects such as education, humanities or Islamic studies, only 1.8 per cent were studying medicine, and 0.6 per cent were studying agricultural subjects (Calvert and Al-Shetaiwi 2002: 119). As a result, similar to male employment, the public sector is the main employer of women in Saudi Arabia, as 96 per cent of women were employed in the education sector in 1999 (Calvert and Al-Shetaiwi 2002). While the number of women employed in the private sector has been increasing since the 1980s, the number of Saudi women employed in the private sector has remained relatively low compared to male Saudis in the private sector. For instance, the number of jobs filled by women in the private sector increased from 8,374 in 1989 to 31,052 in 1996, of which Saudi women represented no more than 12 per cent (Calvert and Al-Shetaiwi 2002: 120). The Government has sought to address the issue of women's employment by providing them with the opportunity to take up technical and vocational courses. For instance, the number of vocational training centres for women increased from two in 1973 to over forty centres and seventeen technical institutes in 1999 (Calvert and Al-Shetaiwi 2002). In addition, at the time of writing this chapter, the Majlis al-Shura was discussing possible changes in the law covering the employment of women, such as the right to maternity leave. Observers believe the new law would lead to a sharp increase in the participation of women in the economy.

Human resource development

Since the beginning of the 1970s, Saudi Arabia has made a major investment in human resource development (HRD) in order to raise its average skill level and to

substitute foreign workers with qualified Saudis. Vocational education and training form an important component of the system of human resource (HR) education in Saudi Arabia. Responding to the increasing demand for new skills and capabilities, over the past fifteen years many universities and vocational training colleges and centres have implemented academic and vocational programmes to educate and train young Saudis. The aims of the strategy are:

● to enhance the learning and skills capacities of unemployed Saudis and Saudi employees;
● to enhance the social and professional identity and image of vocational training and vocational-skills-based jobs;
● to foster conditions that facilitate employment of Saudis in the private sector.

Today, these programmes are firmly established in vocational colleges and are in high demand among students from a variety of disciplinary backgrounds.

However, despite the popularity of the vocational training, there is considerable concern over the employability of graduates from universities and vocational-training colleges, raising questions about the effectiveness of some academic courses and the vocational-training policy. Until the mid-1990s, Saudi Arabia's HRD strategy put a strong emphasis on skills development with little emphasis on the utilizations of skills developed. Meeting the demands of the economy in terms of skilled workers cannot be accurately measured by the quantity and quality of skills acquired, but also depends fundamentally on the extent to which skills acquired are used in employment. Evidence, albeit mostly anecdotal, suggests that while Saudi Arabia has continued to spend millions of dollars annually on training, much of it either failed to transfer to work or has been extinguished over time. This failure has occurred particularly with skills in non-administrative jobs such as in the mechanical or building sectors.

Several cultural and organizational factors have been identified as facilitating or impeding transfer of acquired technical skills into technical jobs. One of the main contributory factors is the association of these jobs with expatriates. The absolute majority of these jobs are held by low-paid expatriates with a low social status. In addition, Saudi Arabian families and Bedouin tribes take pride in not being involved in the so-called low-status work and take pride in working in the prestige sectors, such as administrative work in the public sector. As a result, Saudis perceive that their pride and social acceptance are related to the type of work they do and the sector they work in. Although technology has changed the way these jobs are carried out, society still holds the same views about working in those sectors (Al-Salamah and Wilson 2001). According to Al Maeena (2004), 35 per cent of Saudis don't want their sons to join the private sector. A survey conducted in 2003 showed that jobs other than those of an administrative nature, such as technical jobs, do not appeal to young Saudis, nor do they appeal to their parents (Alameena 2004). Another contributory factor is the mismatch between the skills developed and the skills needed by the economy. The latter factor has led to a situation where shortages and surpluses coexist in the labour market. To deal with this problem the Government has involved chambers of commerce in the development of vocational

curriculum (Al-Ali 1997) and, more recently, has introduced an innovative system called the National System for Joint Training. This initiative capitalizes on the newly introduced HRDF. It is a train-to-employ formula where the basic training (around 25 per cent of the programme) is provided by vocational-education training institutions and the rest is on-the-job training conducted by the future employer. The fund covers 75 per cent of the training cost and 50 per cent of the salary for the first two years of employment.

Ethical issues

HRM policies and practices in Saudi Arabia raise two ethical issues. The first ethical issue is specific to foreign workers. First, while the Government has tried to improve working conditions in the public sector, a large number of foreign workers in small and medium private firms work in unsafe and substandard conditions, repressed by a minority of unscrupulous employers and paid rock-bottom wages. Further, work assignments, rewards and employment conditions are segmented on the basis of country of origin and on issues of local versus foreign workers. The logic provided by employers for this discrimination is straightforward: employment in Saudi Arabia offers a higher income and better working conditions for foreign workers from poor countries than do alternatives in their home countries. In other words, the benefits of employment in Saudi Arabia outweigh any problem of low wages and working conditions. This is a weak argument because these practices take place in Saudi Arabia and work conditions in country of origin should not be a major factor in deciding one's work conditions and compensations in the host country. Further, for the private sector to be attractive for local workers, it should reduce inequalities by proving better jobs for all. The second ethical issue is the right of representations. Employees, foreign and local, are not permitted to form formal associations such as trade unions to defend their rights, and collective actions such as strikes are not allowed.

HRM policies and practices

The recruitment of Saudis in the private sector is forcing HRM managers in the private sector to look for new ways of managing HR and the manager– or owner–subordinate relationship. The employment of Saudis in the private sector has altered the organizational climate, ubiquitously leading to new ways of thinking about employee relations and the treatment of employees. Managers in the private sector are used to a hire-and-fire culture and to employing employees who fear authority, who work with minimum demands (Bhuian and Alhassan 1997) and low labour turnover (Bhuian and Al-Jabri 1996). Saudis do not settle for such often sub-minima treatments. For the time being, given the short history of employing Saudis in the private sector, the old ways of employing foreigners coexist with the new ways of managing Saudis. What is evident is that the time of the 'one size fits all' approach to HRM is not valid any more. What is effective with guest workers may not work with local Saudi workers. The two groups

Table 6.3 Comparison between human resource management practices for Saudis and non-Saudis

Factors	Non-Saudis	Saudis (in the public sector)
Recruitment	Mainly by foreign agent	HR department
Compensation	Fixed and very low	Negotiated
HRD	Very low	Extensive
Job-hopping	Very low	Extensive
Administrative cost	High	Low
Management style	Authoritarian	Paternalistic
Basis for control	External, mechanistic, coercive	Internal, driven normative
Basis for compensation	Cost	Cost and socio-cultural
Time horizon	Short-term	Long term

Source: Mellahi and Wood (2001: 141).

have different attitudes, values and efficacy (see Table 6.3). These differences call for differences in HRM practices and policies.

Why does the employment of Saudis in the private sector challenge past HRM policies and practices? They do because Saudis produce interactions and interchange with managers not hitherto dealt with by managers in the private sector. The different expectations, work habits and, perhaps, a feeling of entitlement to a good working environment and good treatment by managers increase the pressure for conflict and change. It is reasonable, for example, to expect Saudis to challenge the judgements, decisions and policies of superiors and management. Thus, whereas management, a few years ago, could get away with poor treatment of employees and could hire and fire with absolute ease, today, a growing number of Saudis ask for improvement of work conditions, question supervisors and management decisions and ask for more influence on how the firm is run. Thus, HR managers have to learn new skills and, perhaps, unlearn some old practices. They should put more emphasis on motivation, employee rights, HRD and retention when employing Saudis than old habits such as coercion, threat and punishment.

Recruitment policies

Saudi firms have a problem attracting qualified Saudis. Several strategies have been developed to attract sufficient, that is, at least the minimum legally required flow of desirable Saudi applicants. Several firms use technical and vocational institutions to attract skilled employees. Further, the Government subsidizes the on-the-job training period by contributing to salaries for the initial period of employment. Firms also use facilities provided by the Ministry of Labour, such as posting a list of vacant jobs with

contact details on a web site developed by the Ministry and use advertisements in regional and national newspapers. By so doing, they aim to widen the net and to make sure that a large number of job seekers are aware of any vacancy. However, this source often fails to yield an adequate flow of candidates considered to be qualified, particularly for professional and technical talents. The use of recruitment firms is minimal in the country, but used widely in the recruitment of skilled foreign workers. Because of the high expenses involved in using employment agencies to identify and screen prospective candidates, only large firms such as SABIC and Aramco are able to afford them. It is worth noting that recently several Saudi agencies have started improving employment services, but the impact of such agencies remains low (Adawi 2004).

As far as the selection process is concerned, we know very little about the manner in which prospects are identified, solicited and selected. Further, very little information is available on the extent to which firms in Saudi use induction programmes and processes by which new employees acquire the attitudes, behaviour and knowledge needed to become, and participate as, an organizational member. While both formal and informal mentoring is well established in large organizations such as Saudi Aramco and SABIC, the practice is not widespread in small and medium private companies.

Interviews are widely used in large firms and public-sector organizations. In the private sector, until very recently, firms imported guest workers and selected employees purely on the basis of their formal qualifications. While most, if not all, job adverts for skilled workers indicate that an interview will take place, little is known about the structure and validity of job interviews.

Promotion

Promotion criteria are often applied inequitably. Nepotism, known locally as *wasta* is perceived to be widespread in Saudi Arabia. Anecdotal evidence suggests that the promotion of people with tribal or family connections is very common. Thus, employees with strong tribal or family connections are often placed in a more advantageous position when it comes to promotion. This is especially true in large and public sector organizations. This is a result of the tribal-based collectivist culture, where an individual's loyalty to the tribe, family and friends is valued over and above that to the organization.

Reward systems

There is no minimum wage in Saudi Arabia (Al-Hassani 2004). As shown in Table 6.4, in 2000, Saudi nationals earned on average 7,034 Saudi riyals, whereas non-Saudis earned on average 2,354 Saudi riyals; that is, a non-Saudi earned around a third of what a Saudi earned in 2000. This gap between Saudi nationals and non-Saudis varied from one sector to another (see Table 6.4). For example, in the administrative sector, the

Table 6.4 Average monthly wages and compensation: comparison of non-Saudi and Saudi nationals, 2000 (Saudi riyals)

Main occupation	Non-Saudis	Saudi nationals	% non-Saudi to Saudi
Professional, technical and related work	4,758	9,394	0.51
Administrative	13,160	14,858	0.88
Clerical	3,816	6,212	0.61
Sales	2,127	4,537	0.47
Services	1,261	3,975	0.30
Agriculture, animal husbandry and fisherman	1,000	3,191	0.31
Production, transport, equipment operator and related work	1,519	5,420	0.28
Not reported	2,512	3,963	0.63
General average	2,354	7,034	0.33

Source: Calculated from data provided by The Ministry of Planning (2000), Saudi Arabia. (www.planning.gov.sa/docs/107.htm) (downloaded 15 August 2002).

non-Saudis-to-Saudis earning was as high as 88 per cent, and as little as 28 per cent in the production and transport sector. An employment and wage survey carried out by the Ministry of Labour in the four dominant provinces in Saudi Arabia – Riyadh, Dammam, Jeddah and Al-Jubail – shows that the monthly average salary was 2,458 Saudi riyals, where Saudis were paid on average 5,446 Saudi riyals compared to an average salary of 1,880 Saudi riyals for non-Saudis. Interestingly, but understandably, non-Saudis are paid higher salaries in the banking and insurance sector than their Saudi counterparts; 8,432 Saudi riyals for Saudis compared to 9,596 Saudi riyals for non-Saudis. This mainly due to the fact that non-Saudis occupy top management positions in the banking and insurance sector (see <http://www.planning.gov.sa/statistic/indexe.htm>). Further, salaries vary according to country of origin. Western expatriates are the highest paid, followed by Saudis, skilled workers from Arab countries, such as Lebanon and Egypt, Indo-Pakistanis and, finally, workers from east Asian countries.

Conclusion: prospects and challenges

This chapter reveals that the national culture and the socio- and politico-economic conditions in Saudi Arabia together determine the HRM system. The chapter shows that high power distance, in-group's collectivism, Islamic values and Arab traditions in Saudi Arabia impacted managers' attitudes towards delegation of authority to lower levels in their organizations and ways of interaction with employees. The high power distance, especially between local managers and foreign employees, is reflected in a centralized

decision-making process and rigidly designed HRM policies. In group collectivism, loyalty to family and friends overrides loyalty to the organization and has an influence on several HRM practices. For instance, inequitable practices in recruitment, promotion and compensation are widely used in the public sector. The influence of Islamic values and principles are manifested in consensus decision-making styles, respect for authority and age and concern for the well being of employees and society at large.

The political pressures associated with the employment of young Saudis in the private sector and the opening up and diversification of the Saudi economy have placed specific pressures on both emerging and established HRM practices in Saudi Arabia. These two forces have led to a contradictory situation where the political context is pushing the Government to regulate the HRM policies and practices heavily, whereas, of equal importance, the quest for economic competitiveness is pushing for more flexibility, arguing that the current heavy-handed Saudization policy is neither feasible nor desirable. Although the Government has emphasized that the two forces are by no means contradictory but, rather, are mutually reinforcing, the private sector is not yet convinced. One expects that the next few years will be dominated by endless and ongoing bargaining between the private sector and the Government to agree a set of HRM rules and procedures that are both efficient and enforceable.

In the current macro-level context, HRM managers have to cope with far-reaching changes that affect all HRM policies and practices, perhaps most strongly in the recruitment, selection, retention and motivation of their HR. At the recruitment level, they have to face the challenge of broadening the pool from which they select their employees and reach out for Saudis who still consider non-administrative jobs in the private sector unattractive. At this stage, it seems that the private sector is still ill equipped to withstand the pressure and demands brought by the employment of young Saudis. HRM managers have to cope with the different demands and attitudes towards work of young Saudis. This perhaps will lead to an end of company-wide HRM policies and the emergence of dual HRM policies and practices: one set of HRM policies for Saudis and one for non-Saudis.

Notes

1. The Saudization programme officially began in 1995 with a royal decree that private-sector companies must replace 5 per cent of their foreign workforce each year with local nationals (see Mellahi and Wood 2001).
2. 'Individualism–collectivism' suggests a loosely knit social fabric in which people take care of themselves (individualism) contrasted with a social fabric in which people are cared for by the group (collectivism).
3. 'Power distance' is the degree to which power is unequally shared among members of a society. Power is unequally shared in high-power-distance cultures and more equally shared in low-power-distance cultures.

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Human resource management in Qatar

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Introduction

There is now a well-established body of theoretical and empirical literature that suggests that human resource management (HRM) plays an important role in enhancing the prospects for success in international markets. Qatar, being aware of this fact, made huge investment and achieved a moderate progress in this domain. However, the progress, in terms of the quality of output, is considered to be less than anticipated. The shortcomings of the quality of HRM practices have recently gained special attention, given their significance for survival in the global markets. Now, they are considered one of the pillars of Qatar's new strategic reorientation. Qatar's economy is becoming more open, new-investment oriented and dependent on the market to direct production, trade and distribution of national incomes. Within this context it is vital to have quality HRM that is capable of appropriately developing and utilizing a skilled and productive labor force. Needless to say that effective HRM has to be an instrument for both economic and social change and it should coincide with Qatar's macroeconomic stability and new economic orientation. A skilled workforce and modern HRM systems in a dysfunctional economic environment will produce high unemployment not high production and returns. On the other hand, traditional HRM systems that regenerate old modes of thinking would ultimately lead to the semi-isolation of Qatar in a world that is decisively globalized and futuristic.

Now, at the beginning of a new century, there is a great concern about the increasing gap between the actual and the desirable HRM practices. This concern has led businesspeople, educators and policymakers throughout the country to call for redirection of Qatar's human resource development (HRD) efforts toward a new multitude of pragmatic and futuristic goals that guarantee the development of world-class skilled professionals and the dominance of problem-solving skills. Hence, HRM has to play an instrumental role in ushering the Qatari workforce in the ever-changing global markets. However, improving the quality of HRM is a challenging task as it requires not only a political will but also social change as well as financial and other resources, such as qualified managers, teachers, trainers, etc.

The sociopolitical settings

Demographic and social scene

The State of Qatar is an emirate with a population of about 667,000 in 2004. The average rate of growth was 3.23 percent in 1985–95 and 2.42 percent in 1995–2003 (General Secretariat of the Arab League et al. 21 2005). The population increased more than threefold between 1975 and 2003 as a result of a high rate of fertility and labor importation. However, the rates of annual population growth have decreased dramatically, almost 75 percent, during that period. Native population is estimated at 30 percent of the total population (see Table 7.1) (EIU, 2004), and the Government seeks to increase the native population's size and its economic participation General Secretariat of the Arab League et al. 2004).

Table 7.1 Selected social indicators of Qatar

HEALTH		EDUCATION	
Life expectancy at birth	75.4 years in 2000	% of male enrolment in higher education	13.7% in 2000
Fertility rate	2.5 in 2002	% of female enrolment in higher education	46.2% in 2000
Safe drinking water and suitable sanitation	100% of the population		
Urban population	93% in 2001		
Population less than 15 years of age	26.8% in 2000	Illiteracy rate	16% women, 19% men in 2001
Population age 15–65	71.8% in 2000 (about 70% of which are men)		
		WOMEN	
		% of women's income out of men's	0.27%
WORKFORCE		Women legislators, senior officials and business mangers	4.7%*

Average work productivity	$54,027 (2001)	Professional women	30.6%*
Unemployment rate	2.3% (females 5.2%; males 1.8%) (1997)	Women in service and sales workers	9.5%*
% of workforce out of population	55.2% in 2001	Women in agricultural and fishery	0.0*
Rate of workforce growth	1.9%	Women in industry	1.1%*
Economic activity rate of men (15+) 1997	91.0%	Women in services	23.1%*
Economic activity rate of women (15+) 1997	35.2%	Women enrolled in education	91%*
% of workforce in services sector	1.3% in 2001	Women enrolled in arts and humanities	88%*
% of workforce in agricultural sector	10.2% in 2001	Women in business, law and social sciences	77%*
% of workforce in industrial sector	88.5% in 2001	Women in science	79%*
Average salary in industry	$7,587 in 2001	Women in engineering	42%*

Note: Percentages of women are calculated out of the total workforce in the relevant group.
Scores with asterisks are calculated from the total workforce of both genders.

Due to low mortality rate, life expectancy at birth has reached levels comparable to several developed countries (seventy-five years in 2000).[1] The fertility ratio is relatively high (2.5 in 2002) despite the recent dramatic decline in fertility from 6.8 in 1970. This rate is not likely to fall below 2 in the foreseeable future (PRB 2003). The proportion of people younger than fifteen years of age was 26.8 percent of the total population and over 35 percent of natives in 2000 (General Secretariat of the Arab League et al. 2004) and it currently accounts for more than twenty times the share of the population aged sixty and above (see Table 7.1). The large young cohort indicates a high dependency ratio and a high expected growth of the workforce, particularly the native one.[2] However, due to changing fertility and mortality levels, it is expected that by the year 2025 the population above age sixty will increase and that the under-fifteens will decrease considerably, hence different pressures on the basic services are expected (PRB 2003). The demographic indicators also show other imbalances, for example, the male population, which

represents 65.6 percent of the total, 3 grows at a higher rate than females (General Secretariat of the Arab League et al. 2004, Jolo 2004).

Qatar started its human resource development (HRD) efforts in the middle of the twentieth century and from very low levels of HRD. Ever since, it has invested relatively heavily in this domain. The proportion of public expenditure directed to HRD, amounting to 4–6 percent of gross domestic product (GDP), is in fact comparable to the average of Organization for Economic Co-operation and Development (OECD) countries. Its HRD programs are managed by the public sector and they are based on extensive networks of free social services, including guaranteed full employment for natives, high salaries, social and child benefits, free access to basic and higher education, free amenities (water and electricity), preventive and curative medical services in addition to subsidized basic consumer's goods and services. The State also levies no income tax and business tax is nominal (about 4 percent of total amount of imports). Until the mid-1990s, private interventions in the HRD domain were slow and development programs were deeply rooted in traditions of 'statism'. The HRD efforts were fruitful and Qatar is now considered by international reviewers to be among the countries with high HRD,[4] though it has a poor quality of education, training and traditional work culture and business environment (Abdalla and Al-Homoud 2001, ESCWA 1999, 2002, UNDP 2003).

The focus of HRD programs was, for many decades, more on delivering quantity than quality output. The most salient discrepancy between performance quantity and quality was in the educational establishment, which was often blamed for its limited focus on developing adequate technical and cognitive skills and for gearing education to produce potential employees for the public sector, which led to mismatch between the educational outcomes and labor-market needs, poor organization performance and over-employment in the public sector (World Bank 1995a, ESCWA 1995, Pritchett 1999, 2001, Abdulwahab Al-Ameen 2002, Fergany 2001).

Despite the malfunction of the education establishment, Qatar has one of the highest averages of population education among Arab countries (about six years) (General Secretariat of the Arab League et al. 2002, 2003, ESCWA 1995). A good number of the native workforce is highly educated, particularly native women who have higher average education than men, however more than two-thirds of women college graduates studied social sciences and humanities, (AFESD 2002, 2003, General Secretariat of the Arab League et al. 2003). Women representation in the workforce is very low (19 percent) and most of the native workforce is young (40 percent of the total workforce is aged between twenty-five and thirty-five). Progressively, the Government has been adjusting or redefining development policies, strategies and programs pertaining to the salient premises of empowering native population, balancing population mix, promoting gender equality, enhancing the opportunities of the high proportion of younger native population and improving the quality of social services. At the present, major restructuring of the social sector is underway in order to boost services' quality. Budget allocations for education and youth welfare have been increased by 66.5 percent in 2004/5 from the previous year.

Political scene

Qatar is undergoing a period of substantial political change as demonstrated by the approval of the country's first permanent constitution in April 2003, the coming elections of the first national assembly, the National Advisory Council and the creation of a constitutional court. The constitutional court, which is an independent judiciary, is considered a new development in the region as it will guarantee the separation of powers between the legislature, executive and judiciary, in addition to freedom of speech and of religion and the fundamental rights of citizens. The draft of the permanent constitution was endorsed by 97 percent of Qatari voters in a nationwide referendum in April 2003. Also, press censorship has been eased (EIU 2004). The present government has drawn its strength from the prosperity accruing from opening up the political, economic and social systems.

While Qatar enjoys relative political stability, it is situated in a region beset by political turmoil; unstable factors behind it are the Palestinian–Israeli conflict, the situation in Iraq, the rise of Islamic fundamentalism and inter-Arab dissent. Together, these factors threaten the national political system and they negatively influence the movement of people, capital, goods and business operations, and prosperity. They have also limited the size of the domestic markets, increased their operating costs, encouraged reactive planning, increased emphasis on security considerations over economic ones, and prevented strategic focus. Also, they have led to the flight of capital, brains and tourism to safe havens (EIU 2003, 2004, Abdalla and Al-Homoud 2001).

Economy

The country's economy is dominated by the oil and gas sector, which accounts for 59.8 percent of GDP. This sector represents 80 percent of total exports and about 90 percent of government budget. Total proven crude oil production reached 681,000 barrels per day in 2001, and proven gas reserves constituted about 21.1 percent of the total reserves in the Middle East, ranking Qatar the second after Iran (EIU 2002). Responding to the rising demand and prices of oil prices, Qatar continues to increase its oil production and it hopes to be one of the biggest liquefied natural gas (LNG) producers in the world by 2006. At the present its economic policy centers on the development of the country's vast non-associated natural gas reserves and on expanding its LNG, condensates and petrochemicals production. The industrialization program is expected to boost growth, and real GDP is expected to rise by 5.5 percent in 2004 and around 7 percent in 2005 (EIU 2004). Qatar has a strong economic standing with one of the highest per-capita incomes in the world (30,800 US dollars in 2003, Global Statistics 2004).

The main developmental challenge facing Qatar for a long time has been to maintain a prudent macroeconomic management in the face of the uncertainty prevailing in the international oil markets and the fluctuations in its oil revenues. To reduce its vulnerability to external factors and to boost revenues, the primary foci of Qatar's

long-term strategies are to diversify the economy away from its reliance on crude gas/oil exports, to encourage investments in medium and large size businesses in non-oil industries through a variety of incentives, such as easy loans, land and lower taxes, and also to adopt cautious domestic economic and fiscal policies that are expected to retain healthy surpluses for years to come. The present record high oil prices are substantially boosting the size of the surplus (Bolbol 1998, ESCWA 2002, EIU 2004, Jolo 2004, IMF 1997).

The Government is keen to attract foreign finance in the social and non-oil industrial sectors (EIU 2002, 2003, 2004). The Qatari business environment is in many ways conducive to foreign direct investment (FDI). Its strength is based on abundant and cheap energy, a strong industrial base in petrochemicals built over the past decade, excellent and inexpensive infrastructure, a reasonably educated labor force, ample supply of capital to cofinance foreign investments, a reasonable level of political stability and predictability, very attractive economic policies, low inflation rate, a mostly free foreign trade and foreign exchange regime and a largely free-enterprise-oriented economy, with little government interference and control (except for oil extraction industry) and tax incentives to FDI. Thus, FDI in certain industries has been growing during the past decade in spite of a small and stagnating domestic market and a lack of natural resources apart from oil. Qatar, however, has not made many promotional efforts to attract FDI, and as a result there are few small and medium-sized foreign investments. Also, political instability around Qatar was behind the sharp fluctuations in FDI flows (AFESD 2002, EIU 2002, 2003, 2004, ESCWA 2002).

Business environment

Qatar has made big strides in institution-building and mobilization of resources, with impressive quantitative and qualitative growth. However, it is still dependent on the outside world to buy its oil and to provide it with modern technology, management, skilled labor, raw material, etc. Among the other main shortcomings of Qatar's economic environment is the residual contribution of the private sector to all economic activities, the dominant role of the public sector and the dependence of the economy on expatriate labor.

The roles of private and public ventures

The private sector is underdeveloped despite the government support of private ventures, especially those undertaken by natives. Among the old measures used to empower natives were regulations that allow expatriates only partial ownership of real estate, stocks or private business. Any firm that went public had to meet the official requirement of at least 51 percent Qatari ownership, however this has been changed in mid-2004 and now foreigners can have full ownership of a business, real estate and stocks. The previous

interdictions did not reflect monopolistic attitudes by Qatar, they were in fact developmental necessities, given the exceptionally small number of economically active Qataris, and they are established practices in several other countries.

The private sector consists of several small and a few medium-sized family-owned commercial businesses. There are no big private firms. Often, these businesses lack separation between ownership and management control, espouse a short-term investment orientation, a guarded attitude toward risk, and enjoy excessive government protection. The business environment lacks well-established capital markets and depends on imported technologies. Also, most of the imports are under government contracts. Thus, the Government is the focal point of business activities and firms compete for government contracts as the size of the domestic market is too small to support businesses with a local focus. The lack of a broad industrial base comprised of medium-sized and large firms poses a major problem for future economic development (Abdalla and Al-Homoud 2001). It is paradoxical to have such a limited role of the private sector in a society that has strong entrepreneurial traditions, entrepreneurial aggressiveness and a desire for financial independence.

The reverse side of the coin is a huge public sector that is leading economic and social development. This is attributed to two main reasons: the State's need to secure control over the exploitation of the country's strategic natural endowments and its social developmental strategy. Hence, the public sector was initially used to establish 'essential industries' deemed imperative for the development of the economy but considered beyond the capacity of the private sector, however, eventually the activities of the public sector mushroomed and covered a wide spectrum of activities, many of which could not be justified on developmental grounds. Indeed public finance policy was the primary determinant of domestic liquidity, aggregate demand and non-oil GDP growth (Abdalla and Al-Homoud 2001).

Despite the huge financial support given to it, the public sector is blamed for stifling initiative, suppressing innovation, inviting mismanagement, operating at a low level of efficiency and impairing economic growth (when the oil revenues are excluded). The malfunctioning of the public sector coupled with the fluctuation of the oil revenues has instigated an interest in economic reform since the mid-1980s. The reform programs call for harnessing the public sector, unleashing the private sector and enhancing its institutional framework, deregulating the economy, eliminating rigidities and distortions, ensuring more efficient utilization of resources, aggressively promoting exports other than oil and developing more open international trade systems. Only modest success has been achieved in most of the components of the reform program. For example, privatization attempts were limited and in the form of sales of public shares and joint ventures. The failure of reform was attributed to the weak government commitment to the programs. However, since the mid-1990s the Government has been a resolved reformer and determined to establish an internationally economic system (Abdalla and Al-Homoud 2001, Bolbol 1998, Fergany 1998, 2001, Girgis 2002).

Managerial practices

The present Qatari managerial styles and organizational practices are profoundly influenced by Islamic, traditional tribal values, bureaucratic ideals, a flourishing economy, fast social and political developments, and, particularly, the State's modernization attempts since the mid-1990s. Qataris have high moral values based on Islamic principles and ideals such as honesty, solidarity, modesty, courtesy, consultation, obedience to seniors, and trusting others. They also strongly endorse Bedouin traditions such as cherishing personal relations and devotion to the in-group. On the other hand, modernization has introduced new values to the local society, for example individualistic orientation, focus on the nuclear family, budgeting one's own financing, investing one's savings in business, seeking more power, social status, and material possessions. These values are gradually replacing the Bedouin values of extravagant hospitality for guests even if they are complete strangers, unconditional moral and financial support of extended family and friends, tribal social security, and humility. In the past, the modern values were despised and treated with contempt and considered thrifty and miserly behaviour (Abdalla and Al-Homoud 2001, Abdel-Raman 1994).

This dynamic process of social change has often contributed to duality of values among the educated population, as they maintain a high sense of pride of their tradition and a strong desire for modern work systems. Thus, they may endorse both traditional and modern values. For example, they endorse the values of humble and simple lives and materialistic ones, collectivism and individualism, consultation and power centralization, modesty, and status consciousness (Abdalla 1997, House et al. 1999). Hence, managers are more likely to be juggling two sets of work systems: on the one hand, they encourage division of work, clarification of authority and responsibility, efficiency and punctuality, and, on the other hand, they have weak orientation toward planning and accountability, a strong loyalty to in-group and a preference for paternalistic managerial styles (Abdalla and Al-Homoud 2001, Abdel-Rahman 1994). As a result, the local work environments are often modern in design but not in execution (Abdalla and Al-Homoud 2001).

Among the societal cultures that have significant effects on managerial practices are "formality" and humane orientation. The Qatari culture is power-stratified and formal, and hence it works better through vertical relations (Abdalla 1997, House et al. 1999). Generally, hierarchical positions of the parties involved have to be defined first in order for smooth relationships to evolve. People are treated differently according to age, gender, social standing, education, etc. Titles, rank and status carry a lot of weight. Power flows smoothly when the subordinates defer to the superiors' orders and seek their guidance, and when the superiors in return protect and give patronage and affection to their subordinates (Abdalla and Al-Homoud 2001).

Also, the Qatari culture has a strong humane orientation which is best manifested by the State's generous welfare system. It provides free social services, full-employment policies and often bails out (by buying or compensating for) failed business ventures. This humane orientation has often encouraged loose accountability, and, hence, it

adversely influenced productivity, particularly that of the public sector (Abdalla and Al-Homoud 2001).

Expatriates' influence in the business sector

The initial stages of the industrialization process were carried out by two main groups, namely, a handful of dynastic business families and expatriates who consisted mainly of Arabs (largely Egyptians and Jordanians) and Asians (largely Indo-Pakistanis). The Egyptians and Jordanians significantly contributed to the establishment of the public sector, particularly in education, while the Indo-Pakistanis have been the main contributors to the development of the private sector. The influence of the Europeans and Americans, though limited, is still felt in the work culture of the oil sector. These expatriates established almost all the vital parts of the modern public and commercial sectors, and, in the process, they introduced, among other things, their own traditional, bureaucratic and power-stratified practices to Qatar. Lately, and due to the fast, though sometimes hasty, nationalization (Qatarization, i.e., replacing expatriates by natives) of jobs, the work environment has probably become more native than before.[5] It is interesting to note that most of the senior native employees (including managers) are first-generation employees and thus a significant number of them were neither familiar with modern work organizations nor with "industrialization" before joining the workforce. At present, the Qatarization policies and the continuous modernization of the sociopolitical environment are constantly changing the texture of Qatari organizations' environment (Abdalla and Al-Homoud 2001).

Industrial relations

Until recently, trade-union activities were completely absent in Qatar except for a few professional associations. However, in 2004, the Government issued new labor laws that allow the formation of "labor-force committees" (US State Department 2005). Even so, Qataris have always maintained a great deal of influence on the country's macro- and micro-policies through open-door policies that are adopted by most statesmen and organizations' top management. National labor laws, regulations, and schemes generally follow international standards. However, while they uphold the sanctity of free enterprise and private-sector activities, at times they condone violations of essential provisions of such laws and regulations.

Labor force (labor market)

Up to 1973 the labor-force growth was sluggish. With the increase of the oil revenues it gained great momentum, however, the fluctuations in the rate of growth seemed to be linked to oil cycles. In 1974 the oil prices and revenues quadrupled and, consequently,

Qatar witnessed an unprecedented economic boom and an increase in the workforce that lasted until 1983. Qatar has large oil and gas revenues, enabling it to initiate and implement ambitious modernization programs and to maintain relatively high workforce growth. Given its limited population base, Qatar has relied heavily on "imported" labor to carry out the development projects (large-scale infrastructure projects and institution-building at all levels) and to assist in running the functions of the State and private businesses. Most of the projects during the 1970s and 1980s were highly labor intensive, resulting in a demand for large numbers and a wide variety of professionals, skilled and unskilled workers. Hence, all types of labor (teachers, clerks, engineers, translators, salesmen, unskilled labor, etc.) flowed steadily to Qatar from Arab and Asian countries.

At the present, most of Qatar's institutions have already been set up and the basic infrastructure has been completed, though further modernization of the infrastructure and work systems are underway. Most of these attempts are taking place in the industrial and service sectors. Obviously, the quantity and composition of the workforce has changed with each stage of development. Compared with the earlier projects, the latter ones are less labor-intensive and more skill- and knowledge-oriented, and, hence, a larger proportion of professionals and a smaller proportion of unskilled labor are needed. Since the 1980s a steady increase in the number and variety of highly qualified nationals have been replacing expatriates, mostly in managerial, professional, and clerical jobs, and typically in the public sector.

Despite the increasing participation of natives in the workforce, Qatar is considered among the highest in the Arabian Gulf region, after the United Arab Emirates, in its dependence on a non-national labor force (Girgis 2002). The proportion of non-nationals in the labor force was 82 percent in 2001, down from 84 percent in 1986. Asians and Arabs are the two major groups of non-nationals in the Qatari workforce, however, the representation of Asians has always been relatively higher, and their ratio is constantly increasing since the beginning of the 1980s. Westerners represent less than 5 percent of the workforce.

Competition between Asians and Arabs is limited to certain types of jobs. Jobs such as nursing, sales, and domestic service are not popular among Arab labor, whereas others, such as those in which knowledge of Arab language is necessary, such as teaching, are not available to Asian labor. The Arabs' share in the private sector is much lower than that of the Asians, perhaps because some of these jobs require fluency in the English language. Besides, salaries are lower for Asians in the private sector than for Arabs with similar abilities. According to previous research (such as Fergany 2001, Girgis 2002), Arab workers, due to the higher cost of living in their home countries, demand higher salaries than Asians. Hence, for jobs that are open to both, the private sector often prefers Asian employees. Asian workers are also perceived to be more obedient. The higher ratio of Asians in the workforce is also attributed to historical reasons. For example, large construction contracts are carried out by expatriate labor, mostly Asian workers, in a work-camp arrangement where their direct contact with the community is limited.

However, some of these workers manage to seep into the labor market after the completion of the projects.

Emigration to Gulf Cooperation Council (GCC) countries gained momentum in the middle of the twentieth century. As the disparities between the oil-producing countries and the other Arab and Asian countries in per-capita income widened considerably, from the mid-1970s to the end of the 1980s, work for a higher income in GCC countries became an aspiration of many Arab and Asian unemployed or low-paid workers, and the numbers of migrant labor dramatically increased. The expatriate workforce has been, and still is, perceived a product of the "cooperation" (a reciprocation of needs) between the labor-sending countries (mainly Egypt, Jordan, Yemen, Lebanon, Syria, Sudan, Pakistan, and India) and labor-receiving countries (such as Qatar). The labor-sending countries have a relative abundance of labor and a shortage of capital, while the labor-receiving countries have capital surplus and a labor deficiency. In general, it is believed that the benefits of exporting/importing labor outweigh the costs. However, there are issues of concern too. Among the concerns of the labor-sending countries are the expenses incurred in educating and training the emigrant labor and the negative impact of remittances, which may lead to inflationary pressures, conspicuous consumption, and sky-rocketing prices, particularly in real estate. Also, migration has not always alleviated unemployment problems because migrants to GCC countries are often in search of better incomes and not merely jobs that are lacking in their homelands. In fact, due to migration, some labor-exporting countries are having growing shortages in certain types of skilled labor.

In contrast, the increasing influx of expatriates has created a situation where the proportion of non-nationals in the population is considered a threat to the country's original identity. In the mid-1980s, once most of the basic physical infrastructure had been constructed in the labor-receiving countries, these countries started addressing the population imbalance. Enhancing the natives' economic participation has been regarded as a major national objective. Several measures were used to achieve these objectives, the most important of which is nationalizing jobs. The Qatarization plan states specific quantitative targets to be achieved by the different sectors. For example, the plan seek to nationalize 57 percent of jobs in the oil and gas sectors and 20 percent in the financial and communication sectors.

Among the other measures imposed by the Government to restrict the growth of the foreign population are tough work-permit restrictions, a high cost of recruiting expatriates, wage differentials between national and non-nationals performing the same jobs, and stringent security policies. Some of these measures are more justified at the present, given the emerging unemployment among natives, particularly women.

Qatarization policies are enforced in the public sector. However, the private sector maintains its preference for expatriates, particularly Asian, labor. Accordingly, natives' participation in the workforce is high in the public sector (62.4 percent of its workforce in 2001, increasing from 15.5 percent in 1981) and almost absent in the private sector (less than 2 percent). Jobs occupied by Arabs are easier to nationalize, since Arabs tend

to work in administrative, professional, and clerical jobs in the public sector, which often require fluency in Arabic (Girgis 2002), and thus, for the past fifteen years, the Qatarization policies have reduced the proportion of Arabs in the workforce.

Women in the labor force

The Arab culture is a masculine culture, and all through the history of this region there has been a strong bias in favor of men in all aspects of life. It is interesting to note that the economic participation of Arabian Gulf women was much greater in the pre-oil era, when women had to shoulder some economic responsibilities during the long absence of their male relatives in pearl-hunting trips. After the start of oil production, their economic participation was reduced to minimal levels while their education was improving. The increased education encouraged women to work, but traditions limited their participation to the education, health and social-service sectors. Recently, the State has adopted an aggressive campaign to ensure gender equality and to institute radical changes in women's rights and liberties, and, as a result, the social, economic, and political opportunities of Qatari women are increasing rapidly. During the past five years, women have been gaining ground in public life. For example, in 1999, native women were allowed to vote and to stand for office in the first-ever nationwide election for a central municipal council, and in 2003 a handful of Qatari women were appointed to senior government positions. Also, not only is the Qatari women's average education one of the highest among Arab women, it is also higher than men's education in Qatar. For example, the number of women in higher education is three times that of men. However, women's education is concentrated in humanities and social sciences. Also, their education is not well utilized. Despite the increase of their workforce participation from 4 percent in 1970 to 35.2 percent in 2002 (General Secretariat of the Arab League et al. 2003), Qatar has one of the biggest gaps in the world between women's education achievements and economic participation. Cultural factors are behind the mismatch between women education and work participation. Qatari women do not work in menial jobs and avoid the private sector; they work mostly in professional jobs. Women with limited education seldom work (see Table 7.1) (General Secretariat of the Arab League et al. 2003).

HRM functions

The highly dynamic sociopolitical environment and the fast rate of change of size and mix of the Qatari workforce are the main challenges facing Qatari HRM. These factors have different impacts on HRM functions in the public and the private sectors, given the different nature of the two sectors. The public sector is richer (contrary to most countries of the world), bigger, and monopolistic, and thus it can afford to allocate generous budgets for development. As a result, it has more modern and chronicled HRM functions. None the less, the performance of these functions in the public sector often

does not supersede that of the private sector. Perhaps the bureaucracy and non-competitiveness of the public sector encourage conformity with traditional practices. Conversely, private organizations are small (often less than twenty employees) and face tough competition; hence, they tend to compromise their HRM functions for economic considerations. The absence of labor unions may also encourage such compromises.

The most important institution in Qatari HRM is the Ministry of Labor and Civil Service, the main objectives of which are to maintain a supply of multiskilled productive employees, to promote labor welfare, to set personnel policies and practices in the government sector, and to coordinate the HRM activities in the various government departments. The two leading workforce-development institutions in Qatar are part of the Ministry of Labor and Civil Service, namely, the Administrative Development Institution (ADI) and the Training Center (TC). Among the other training institutions are Qatar Petroleum Training Center and Qatar National Bank Training Center. The ADI was established in 1997 and it focuses mainly on training government employees in different fields such as management, accounting, communications, and information technology. It also provides its services, upon request, to other sectors. The TC was established in 2000/1, and it provides intensive remedial training to secondary-school graduates with unmarketable skills.

Recent literature about the present actual HRM practices was not available; hence, it was decided to conduct a field survey of the present HRM practices in medium-size and large organizations in the various economic sectors. A set of questionnaires measuring the present actual HRM practices (regarding manpower planning, hiring, performance appraisal, employee development, compensations, and separation) was administered to thirty-four organizations among the biggest organizations in the public and private sectors. Direct questions were used to measure the main dimensions of each function, for example, "Which performance-appraisal methods does your organization use?", "How frequently is each method used?", "Who rates (evaluates) the employee?". A list of responses was included after each question. For example, for the latter question, the responses were "direct supervisor", "other senior staff", "employee him/herself", "peers", "experts", "clients", "others".[6] Later, one of the authors held a series of open discussions with representatives of some of these organizations about these issues, to elaborate on the questionnaire findings. A brief summary of these findings and discussions are presented below.

Salient features of the manpower-planning function

Public organizations and medium-to-large private organizations conduct job analyses and they regularly update the information banks of jobs' descriptions and specifications. For public organizations, job descriptions and specifications are required by law (the 2002 Labor Law). Generally, in designing jobs, private and public organizations use simple job structures, that is, the mechanical approach is used. Skills reservoir, expected transfers, and voluntary and involuntary turnover are the main sources of information on which

future manpower needs are estimated. Extensive study of sales forecasts is not a major source of information on which the predictions are based. Labor surplus is usually reduced through employees' transfers, demotions and downsizing, and labor shortages are handled through new hiring and overtime work.

Salient features of the hiring function

There are salient differences between the private and public sectors regarding their recruitment strategies, which seem to be related to differences in their work environment and organizational priorities. The public sector, due to its commitment to the Qatarization of jobs, gives absolute priority to natives. Article 10 of the Labor Law (1962) stipulates that a vacant position must first be offered to a Qatari national, and then to a non-national Arab, followed by non-Arabs. On the other hand, the private sector has a preference for well-qualified employees who do not need minimal external training (for example, training provided by specialized institutions). In other words, the private sector uses "buy your own employees" recruitment policies.[7] For this reason, among others, it tends to hire expatriates. In contrast, the public sector is more likely to use "grow your own employee" policies, that is, it may employ natives with limited or no work experience and train them, and it also uses "buy your own employees". Attempts to improve the performance of marginal employees in private and public organizations are confined to natives. Seldom would such training be provided to expatriates. On the contrary, often expatriates in these organizations are overqualified for their jobs (Abdalla and Al-Homoud 1995).

Organizations in both sectors get their manpower needs from internal and external markets using local and foreign employment agencies. Sophisticated technologies are rarely used in recruitment and hiring. Neither of the two sectors has a dominant recruitment policy. Some private organizations prefer internal recruitment while others use a mixed approach – both internal and external recruitment. Since the cultures of private and public organizations encourage "conformity" and not "creativity and innovation", one of the desirable traits is the ability of the employee to conform to the organization culture.

To ensure compatibility of organization's culture with its overall strategy, including its hiring strategy, public organizations use written procedures, very clear rules, and special training programs, while private companies do not have a structured system in this matter. Almost all private and public medium- and large-size business organizations are aware of all major legislations, orders, and laws relating to fair employment practices, and they try to accommodate workers' civil rights as necessary.

Among the sources of information used in recruitment and hiring,[8] application forms and medical-examination results are considered the most important. When the organization is looking for certain personality traits, the interviews are considered to be vital. Structured and situational interviews are the most common types used by private and public organizations. Tests such as honesty, drug-taking, and cognitive ability are rarely used.

Natives and expatriates who are seeking jobs in the private sector usually use one or more of the following methods: contacting firms directly to inquire about availability of job vacancies, responding to advertisements, and getting the information from friends or the organizations' web sites. In the public sector, the main job-search method used by natives and expatriates is communications with present employees; expatriates also use advertisement. School placement offices have recently been established to facilitate effective job placement of graduates, in order to alleviate the growth of over-employment and unemployment, especially among native high-school and higher-education graduates. Job applications are submitted through conventional methods or electronic media.

Given Qatar's need for large numbers of expatriates, the recruitment of expatriate workers has become a thriving business for foreign and Qatari employment offices and for intermediaries, who benefit from the employers and the job seekers in the form of commissions, transportation fees, and cash guarantees. Also, private businesses thrive on the consumption of expatriates, such as housing services, health, and educational services, etc. Hence, catering for the needs of the expatriate community has turned out to be an indispensable area of economic activity and source of income in Qatar.

The influence of the sociopolitical environment on the hiring process

One of the main developmental goals since independence has been empowering natives by expanding their economic contribution. Thus, employment strategies such as full employment and affirmative-action targets were instituted. However, due to the mismatch between educational outcomes and labor-market needs, and due to the inclination of natives to work in the public sector, these policies have eventually led to over-employment in the public sector. The reluctance of the private sector to employ natives and the reluctance of natives to seek employment in the private sector have raised the number of unemployed among natives. Natives prefer the lucrative employment packages of the public sector, and private businesses prefer the often more productive, lower paid expatriates. It is ironic to find that while the country relies heavily on expatriates it is enduring a high level of over-employment in the public sector (ESCWA 2002, Fergany 1998, Girgis 2002, IMF 1997, UNDP 2003, AFESD 2002, Wadi 2000).

It is worth noting at this juncture that the hiring process is often compromised for the social habits and values of the decision-makers. The strong in-group orientation in this part of the world may encourage nepotism in employees' selections, as some decision-makers prefer to appoint "people of trust and loyalty" rather than "people of competence".

Salient features of performance-appraisal process

Generally, a private Qatari company uses a variety of performance appraisal (PA) approaches, most important of which is the "simple comparative approach" (comparing an individual's performance with that of others) and also the "behavioral approach" (an employee's behaviors must exhibit to be effective in the job). However, the "results" approach (managing the objectives), which is expected to be more common in private organizations, is rarely used. In contrast, a public organization is more likely to use an assortment of PA approaches, most commonly the "attribute" approach (the extent to which individuals possess attributes pertaining to a company's success) and the "comparative approach". The most frequently used PA methods in private companies are "ranking", "management by objective" and "mixed-standard scale", while public organizations are more likely to use "graphic rating scale" and "mixed-standards".

The frequency of conducting PA is higher in public than in private organizations. Generally, it is conducted annually or biannually in public organizations and every two years in private organizations. Usually, direct supervisors are the sole formal appraisers of subordinates' performance; they often utilize relevant information from peers, subordinates, customers, etc. However, this information is generally extracted in a haphazard way. The PA reports are confidential, and the results are mainly used for administrative rather than developmental and strategic purposes. This is more so in the private than the public sector. The private sector seldom trains its employees, and hence the PA results are rarely used for this purpose. In contrast, the public sector uses PA results, though in a limited way, for determining manpower training needs, rewards, and promotion decisions. For example, a public-sector employee who receives good evaluation for five consecutive years is eligible for a job promotion or salary increase. In the public sector, the PA reports are forwarded by direct supervisors to their superiors, and a copy is sent to the Ministry of Labor and Civil Services. Systems that monitor the effectiveness of the PA program are almost absent.

In sum, the panel suggested that the PA systems are mostly traditional (as they are carried out by the supervisor), authoritative, and centralized (the employee has no say), subjective (based on the impressions of the superiors and selected others, and not actual results), and confidential. For the private sector, they are also punitive, as organizations in this sector are more inclined to use the results to fire poor performers rather than to train them. Because of these characteristics, these systems may not work satisfactorily, and attempts to use the results for administering the incentive systems may produce negative rather than positive results.

The impact of sociopolitical environment on the PA function

Some social values seem to inhibit the effectiveness of the PA systems, most important of which is the strong affiliative motive. This motive has important adverse effects on Qatari managerial styles, productivity, and moral. For example, many organizations

design modern reward systems that are contingent on employees' performance, yet performance evaluation is more likely to be based on employees' characteristics, social behaviors, and affiliation to certain groups, rather than on productivity. That is, PA is often based more on subjective than on objective factors (Abdalla and Al-Homoud 2001).

Another social value that has significant impact on the effectiveness of the PA function is the big egos and immense sense of pride and dignity of the Arabian Gulf people. Even the slightest violation of this ego can provoke strong emotional reactions, despite the well-known description of the Arabian Gulf people as being gentle, non-aggressive, and affable. Hence, to cause someone to lose face should be avoided at all costs. Also, in the Arab culture it is difficult to separate ideas/opinions from the persons holding those ideas. Therefore, criticism, particularly strong criticism, is usually taken personally. Criticism of whatever type is a social affront, an insult to the person. When necessary, indirect means are used. Therefore, the basis of the PA, the identity of the evaluators besides the superiors, and the details of the evaluation results are generally kept confidential. The social value of "criticism avoidance" has a very significant negative influence on the level of disclosure of performance results. Indirect means are generally used to communicate negative evaluation results. The person delivering the results must be considerate and diplomatic. Arabs are subtle and talk around things; communication is often indirect, and they see "directness" as rude and abrasive. They also dislike silence and find spoken communications more courteous than written ones. Generally, avoiding shame and preserving one's face, honor, respect, and dignity are very important social mechanisms. Maintaining social harmony is another important social control mechanism and, hence, confidentiality is important to prevent exposures of error in implementing the PA system. Another social value of importance to PA practices is the very strong humane orientation of the Arab Gulf people. For example, the governments of the Gulf states are frequently criticized for being too forgiving and lenient. Consistent with this orientation, supervisors in the public sector tend to be lenient, forgiving, and tolerant when mistakes are made (Abdalla and Al-Homoud 2001, Abel-Rahman 1994).

Salient features of the personnel-training and management-development function

Among the most important sources of information for assessing training needs in the private and public sectors are the employee's superiors and the requirements of change and development. Other sources of information, though they are of lesser importance, are the views of the employees themselves about their training needs, the PA results, and the success/failure of previous similar training programs. The tools commonly used for gathering information about training needs are interviews, questionnaires, and written sources. Observations are less frequently used.

The most frequently used management-development approaches are business games and case studies. Also important, particularly in the public sector, are classroom instruction and audiovisual techniques. The training approaches that are generally used

for non-managerial staff are self-directed learning, job-rotation, and apprenticeship. The main objectives behind management-development programs in private and public organizations are to increase knowledge and to develop creativity, self-learning, teamwork, and communication skills. In contrast, the most important benefits of training non-managerial staff are to develop their knowledge, applied technical skills, teamwork skills, and to prepare them for promotions or transfers. It is important to note that training follow-up activities are very poor. Systematic evaluation of training programs' effectiveness is rare, and the results are seldom utilized well. When evaluation is conducted, companies often use measures such as "cognitive outcomes" determining the degree to which trainees are familiar with principles, techniques, or procedures emphasized in training) and/or "skill-based outcomes" (learning skills and using them on the job), "affective outcomes" (trainees' perceptions of the program, including facilities, trainers, and content), but "return on investment" (comparing the training's monetary benefits with its cost and determining the training's payoff for the company), is considered to be of less importance.

The impact of sociopolitical environment on the personnel-training and management-development function

Since the start of the oil production, the pace of Qatar's economic and industrial development has been faster than that of its social development. The speedy economic development has led to constant changes in the labor market, which was transformed from a labor-intensive to a knowledge/skill-intensive market. Qatari organizations are keen to import state-of-the-art technologies, which obviously require advanced skills. In contrast, a high proportion of the native workforce is young and inexperienced. Hence, there is a growing need for a new breed of skilled labor that is able to adapt to new technologies and work practices. Intensive efforts and major reforms took place in the fields of education and training in order to develop qualified human-capital stock and to optimally utilize the capacity of the local population. For example, about 9 percent of Qatar's total government expenditure in 2001 was allocated to education. Needless to say, the success of these establishments requires more than their reform, it requires modernizing the whole business environment.

Despite the heavy investment in education for the past six decades and, most recently, in training, a large and persistent gap between quality of education and training and the market needs exists. It is partly attributed to the late and wrong start of formal education. The educational establishment was built about sixty years ago, geared to cater mainly for the needs of the public sector, and it was modelled around educational systems of other Arab countries rather than on Qatar's developmental needs and peculiarities. It also lacks qualified teachers and coordination with training activities.

One of the distinctive features of training activities in the Gulf region is that they are mainly provided by the public sector. In contrast, private organizations – which are mostly very small and employ mainly expatriates – are generally reluctant to provide

training. The justifications given for their reluctance to fully participate in training were cost considerations due to the cutthroat competition they are facing and the relatively high turnover of expatriates. Companies that fund training may find it hard to recoup on investment if trained workers regularly leave. Needless to say, part of their reluctance is related to their short-term focus.

Salaries and financial compensations

The salaries of natives are higher than those of expatriates doing similar jobs. Part of the wage differential is attributed to differences in the various benefits (such as social and child benefits). These differences are justified on the grounds that Qataris ought to enjoy certain benefits similar to those granted to citizens of countries pursuing welfare-state policies. Also, these benefits are perceived as entitlements by the nationals to a share in gas/oil revenues. Furthermore, the higher than average salaries of natives are attributed to their higher educational levels and to the types of jobs they occupy. For example, natives seldom work in menial jobs, which are occupied mostly by Asians. The preferential salaries of natives are beginning to hurt their employment opportunities. With the absorptive capacity of some professions in the government sector reaching their limits, nationals are directed toward the private sector. However, the private sector is reluctant to employ them, mainly because of their high asking salaries.

Expatriates' salaries in the private sector are not only tied to the type of work performed but also to the different wage systems in employees' home (labor-exporting) countries for the same types of work and to the bargaining power of the employees. The private sector enjoys some immunity in the execution of contracts and thus there are wide wage variations among expatriates who are doing similar jobs in the private but not the public sector. The State is currently in the process of re-examining these discriminatory practices in order to be in line with the relevant international agreements and conventions.

Separation

As to employee turnover, the general trend as indicated by the panel is that in the private sector the rate of involuntary turnover is lower than voluntary turnover. (No statistics were disclosed by the panel or found by the author.) In contrast, the rate of voluntary turnover is lower than that of involuntary turnover in the public sector. The most common reasons behind voluntary turnover in both the private and public sectors are better opportunities elsewhere, frustration with job-promotion opportunities, and inadequate salaries. Job routine is also an important reason behind quitting a job in the private sector.

Qatari HRM scenario

The status of HRM in the next five to ten years will certainly depend on the rate and direction of social, political, and economic developments. Since this small country has enough wealth to cover any required level of HRM advancement, it seems that the pace of social development and advances in HRM hinge on the amount of guidance and attention given to them by the political establishment. That is, modernizing HRM is largely insensitive to fluctuation in oil revenues if there is a political commitment to its development.

The State's dominant leadership role in social change is a common feature of all Arabian Gulf states. It is apparent that most of the modernization that took place in the social, political, and economic arenas are direct outcomes of government interventions rather than the efforts of civil societies and informal groups. That is because conservative societies often need assurance from their leaders about the acceptability of new behaviors, for example, whether it is OK for women to drive cars. The present government, which is much less conservative than its predecessors, is gradually granting its people more freedom and is making good strides in social development. Its recent achievements in the education sector are impressive and unprecedented in the Arab world. This social sector is encouraged to modernize its work systems by heavily drawing from the expertise of highly reputable (internationally acclaimed) institutions. For example, in order to improve quality of education, the State, with the help of advanced foreign institutions, has established a new modern private educational system and, simultaneously, has introduced major reforms in the present public educational establishment. Also, a gradual and cautious program of partially privatizing some of public schools is now in effect. As a result, Qatar recently achieved a distinguished place in the Arab world in terms of quality of higher-education institutions. Hence, if the current political elite continues to govern Qatar, the present reform plans, which place a high emphasis on efficiency, HRD, full utilization of manpower, and the setting Qatar on track to successfully competing in the global markets will be successfully implemented. In contrast, a new conservative government may have a drastic negative effect on the present direction of social change. However, irrespective of the direction of social, economic, or political change, Qatar will always be able to attract the needed number, but not necessarily the right quality, of expatriate labor. Hence, its rate of development may slow down if it fails to recruit and manage the right quality of labor.

Most of the development indicators point to greater opportunities for improved HRM. They suggest that the likelihood of any threat to the present political order is slim, and that the royal family supported by a tightly knit and elitist political system will retain its pre-eminent role within the establishment. The indicators also reveal that, apart from few economic risks – most importantly the economy's reliance on earnings from hydrocarbons exports – all other signs suggest that the economy will remain strong. The authorities are well aware of the risks and of the need to diversify the economy and have strategic plans well in hand to this end. They are actively seeking and attracting foreign

finance into the various sectors, such as health, education, and tourism. They are also trying to compete with regional rivals such as Dubai and Bahrain in the financial sector. Furthermore, Qatar's high fiscal surplus is likely to continue, given the expected high oil demand by Asian countries. Moreover, the rapid expansion of Qatar's LNG industry is producing steep increases in exports. Hence, GDP growth should remain strong (EIU 2005). Given a predicted prosperous economy, a stable political order, and a modernization-oriented government, Qatar's HRM is expected to eventually evolve into a progressive efficiency-oriented system. Reforming HRM systems is expected to be very challenging, given the anticipated resistance from some parts of the workforce to objective systems that emphasize accountability and reward productivity. Among the other challenges facing reform are difficulties in monitoring reform progress due to scarcity of reliable information, lack of competent resources, poor commitment to reform by some policymakers, and the challenges of innovation transfer. Also, population growth, which is expected to more than double by 2030, will lead to a substantial increase in the cost of reform. However, the largely young population is expected to contribute significantly to economic development if the quality of education and training are raised to international standards.

Conclusion

In sum, HRM practices often overlooked the most essential aims they were supposed to serve: a better understanding of the employees, a greater appreciation of their needs, and working for the total development of their potentialities. The shortcomings of HRM are increasingly claiming the attention of policymakers, and are attributed to the country's short experience with industrialization, the prevalence of traditional managerial values, the poor quality of education and training, and, ultimately, the weak relationship between national development plans and HRM plans. Until recently, national plans focused on economic growth and ignored the interdependency between development and utilization of skills (for example, educational, training, and HRM establishments). As a result, HRD and HRM policies and programs strayed away from the national plans. Consequently, these programs lacked societal projects inherent to the process of globalization. New improved programs are in progress and time will prove their validity.

What is needed is a major redirection of the HRM systems and a new guiding philosophy to guide Qataris into the global markets. In tandem with the advancement of globalization, the educational establishment should continue to teach increasingly complex programs and to address the training deficiencies of segments of the population that are not participating fully in work organizations. This is a task of tremendous magnitude due to the multifaceted goals of HRM in the new era and to the complexity of the region's sociopolitical environment and the means necessary for the realization of these goals. Globalization requires a labor force capable of quickly learning new technologies and of adapting to new production demands. It also requires new breed of professionals who master the arts of creative problem-solving and who possess

interdisciplinary knowledge and skills. The need for these professionals underscores the serious challenges that face Qatar in the near future. In order to face up to these challenges, Qatari HRM systems should shoulder two awesome responsibilities: to cultivate the creative potentials of each individual and, concomitantly, to contribute to promoting cohesion and to preserving local culture and heritage in an increasingly globalized society. The education and training of such professionals begin in the first years of schooling, traverses the educational ladder to its very top, and then continues throughout their working careers.

Among the requirements of an effective reorientation of the HRM systems are the persistence of the Government's current unwavering desire for change and the resolution for its realization. Given that reform strategies need time to attain their full impact, the commitment has to be long-lasting. It also requires building diagnostic and monitoring systems to measure the effectiveness of the HRM systems and to disseminate the results to concerned parties, bringing together politicians, professional organizations, and trade unions to design better ways of preparing tomorrow's citizens to face the coming societal and economic challenges. It is important to note that the greatest current obstacle to efforts to improve HRM quality is lack of information, especially about the quality of skill-building and skill-utilization as measured against national objectives or international standards. Also, more democratic work systems, adequate training, motivation, improved work environment and simplified work procedures need to be used in order to provide the right environment, that enhances initiatives needed to foster skill-building and use. The Government has already diverted financial resources toward student quality education and employees' training. Fortunately, Qatar has the financial resources that can cover the expected exponential increase of cost of skill-building and utilization, which is demographical driven.

Acknowledgement

Notes

1. Four deaths per 1000 of the population in 2001 down from 12.6 per 1000 of the population in 1970.
2. Most of the expatriates are not accompanied by their families.
3. Most imported workers are male.
4. UNDP uses the human-development index as a summary measure of human development. It measures the average achievements in a country in three basic dimensions: a long healthy life as measured by life expectancy at birth; knowledge as measured by illiteracy and enrolment rates; and a decent standard of living as measured by GDP per capita.

5. This is despite the fact that the proportion of expatriates in the labor force increased, as approximately 97.9 percent of the menial jobs are occupied by expatriates. A quarter of the labor force is household servants (Planning Council, April, 2001, Labor Force by Sample: 79).
6. If the respondent chose "others" he or she was asked to specify.
7. Over 98 percent of the private-sector workforce are expatriates.
8. Initial interview, application blanks, reference checks, psychological tests, employment interviews, approval by the supervisor, physical examination, induction, or orientation.

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http://www.erf.org.eg, Economic Research Forum for Arab Countries, Iran and Turkey.
http://www.escwa.org.lb, Economic and Social Commission for Western Asia.
http://www.prb.org, Population Reference Bureau.

8 Human resource management in Jordan

MOHAMED BRANINE AND FARHAD ANALOUI

Introduction

Jordan is a small country which occupies a strategic and important location in the Middle East. It shares borders with Syria to the north, Saudi Arabia and the Gulf of Aqaba to the south, Iraq to the east and the occupied West Bank by Israel from the West. Jordan has a combined area of 92,300 square kilometres and a short coastline on the Red Sea of 26 kilometres. The population of Jordan is about 5,611,202, and 35.2 per cent of them are under the age of fifteen years (World Bank 2004). In this chapter, we attempt to present, as far as possible because of the limited literature available on the subject, a review of the main aspects of the country's socio-economic and political background, a description of the role and importance of human resource management (HRM) in the current economic reforms, a discussion of the key factors that determine HRM policies and practices and, finally, an analysis of the key challenges and future development in HRM in the light of the recent reforms. Therefore, it is concluded that the practice of HRM in Jordan depends on providing the right environment for the successful implementation of credible socio-economic reforms that will be able to attract knowledge-based investments, make use of the highly educated Jordanian workforce and reduce unemployment. The information used in this chapter has been gathered through personal contacts and the use of secondary sources.

Socio-economic and political background

Jordan has very limited natural resources and its economy depended, until recently, on mainly foreign donations and tax revenues. Its main natural resources are potash, phosphate and fertilisers, which make up to 4 per cent of the national gross domestic product (GDP). Jordan faces environmental challenges such as limited natural fresh-water resources, deforestation, overgrazing, soil erosion and desertification. These problems have led the Government of Jordan to sign several international environmental agreements such as the ones on biodiversity, climate change (Kyoto

protocol), desertification, endangered species, hazardous wastes, marine dumping and ozone-layer protection. In the absence of a strong industrial development, the services sector dominates the economy and makes up to 67.4 per cent of the GDP. The industrial sector does not exceed 29 per cent of the GDP. Agricultural activity contributes with 3.6 per cent of the GDP and is concentrated on the Jordan River valley. The main agricultural products are wheat, barley, citrus fruits, tomatoes, melons, olives and livestock (mainly sheep, goats and poultry) (World Bank 2004). However, despite its limited natural resources and its environmental and political problems, Jordan has been described by international institutions as the 'successful reformer' in the Middle East (IMF 1996). In comparison with other countries (Egypt, Morocco, Tunisia, Algeria, Sudan, Turkey and Lebanon) in the Middle East and North Africa which have been engaged in economic reforms in cooperation with the IMF and the World Bank, Jordan has been relatively successful when considering its limited natural resources (El-Said 2000, World Bank 2004).

Jordan has been transformed from a poor and rural economy to a relatively urban and modern one, with all institutions of a free market. In the 1970s and the 1980s, Jordan enjoyed a relatively high economic growth because of the wealth generated in the region (mainly from the Gulf countries) as a result of increasing oil prices. Between 1973 and 1979, GDP grew by 11 per cent per annum and by nearly 10 per cent between 1980 and 1985 (World Bank 1986). In 1989, the public sector accounted for 47.3 per cent of GDP and employed about 50 per cent of the working population (El-Said 2000). The most significant industry in the 1980s was the pharmaceutical industry, which gained an international reputation. It is estimated to have captured nearly 7 per cent of the neighbouring Arab countries' markets and produced 260 million US dollars worth of drugs a year, employing about 8,000 people and exporting the value of 180 million US dollars (World Bank Report 1986). However, the collapse of oil prices in the second half of the 1980s and the depressed economic recession in most of the Western countries led to declining revenues from taxation, tariffs and customs duties, tourism and remittances from Jordanians working in neighbouring countries. 'The ten years of prosperity and high growth rates between 1973 and 1982 were replaced by five years of recession between 1983 and 1987, culminating in an economic and financial crisis in 1988–9' (El-Said 2000: 9). By 1989, when Iraq invaded Kuwait, the Jordanian economy was in real crisis. In 1990 the Jordanian dinar collapsed, and Jordan had to default on its foreign debt, which reached 8 billion US dollars. The economic crisis was inflamed by a political one because of Jordan's refusal to back the US-led Arab and Western alliance to liberate militarily Kuwait from Iraq. The small kingdom of Jordan was isolated by its closest friends from the West and cut off by its rich Arab neighbours of the Gulf. Many Jordanians and Palestinians were deported from Kuwait after its liberation and had to return to Jordan and join the dole queue. This added to the already acute problem of unemployment. Even the Iraqi market, which was one the main markets for Jordanian goods, was lost because of the economic embargo that was imposed on Iraq by land and air.

After the liberation of Kuwait in 1990, more than 300,000 Jordanians and Palestinians were expelled from some of the Gulf countries and had to return to Jordan. Some of the

returnees set up their own businesses while others deposited their savings in Jordanian banks. The wealth generated by the returnees was enough to stimulate the economy and give sufficient confidence to the establishment of a manufacturing economy by a small but active private sector. Textiles, footwear and processed foods were produced by mainly private-sector companies, which benefited from the policies of the new economic reforms. In 1992, the IMF-backed macro-economic stabilization programme was introduced in order to control inflation and to sustain an economic growth at nearly 6 per cent of GDP. Following the launch of the stabilization programme, the economy grew at a rate that was able to reduce the level of unemployment from more than 25 per cent in 1990 to less than 14 per cent in 1995, but because of high population growth, at 3.4 per cent per annum, unemployment is still a major problem (*Financial Times*, 7 November 2000).

Following the 1994 peace treaty with Israel, part of Jordan's foreign debt was written off by, mainly, the USA and the UK, reducing the debt from 8.4 billion US dollars in 1991 to 5.9 billion US dollars in 1995. Therefore, the rate of inflation was reduced from about 16 per cent in 1990 to just about 4 per cent in 1995. The budget deficit was cut from 10 per cent of GDP in 1991 to 4.5 per cent in 1995 (*Financial Times*, 25 October 1995: 42). Consequently, economic growth exceeded 6 per cent per annum over the 1990s as inflation and interest rates were controlled. In 2000, Jordan joined the World Trade Organization (WTO) and has strengthened its trade links with the USA and Europe as well as with Japan and Arab countries. Foreign direct investments were encouraged, and many foreign companies were attracted to invest in Jordan despite its limited natural resources. Many parts of the Jordanian economy are now open to international competition, and the Government is trying to provide a business environment that will be attractive to international investments. A number of free trade agreements have been signed between Jordan and the countries that are signatories to the WTO agreements as well as the Arab Free Trade Zone Agreement and the Jordanian-European Partnership Agreement. Jordanian products enter the markets of many countries without any customs or duty barriers, giving the Jordanian producers greater scope for increasing the level of their exports.

Politically, Jordan is a liberal monarchy with a democratically elected parliament. For most of its history as an independent state, it was ruled by King Hussein (1953–99). The king is the most powerful 'institution' in Jordan. 'He appointed the prime minister and cabinet, judges, the president and members of the senate and other senior positions within the state and the economy' (El-Said 2000: 8). As a pragmatist politician, King Hussein was a good friend of the Western leaders and kept a balanced relationship with the conflicting parties in the Middle East. The only time when he fell out with his allies in the West was during the Gulf crisis of 1990–1, when he refused to join his neighbouring countries of Saudi Arabia, Egypt and Syria in the US-led allied forces to get Saddam Hussein's army out of the occupied country of Kuwait. However, before reaching a point of complete economic and political crisis, the King had to act fast to restore good relationships with his old allies in the West and in the Arab countries as well as signing a peace treaty with the enemy, Israel, which occupied the Arab land by force. It was a

political gamble that King Hussein had to take, knowing that his peace treaty with Israel could undermine his authority over a country in which most of the citizens are of Palestinian origins. However, he could not be more Palestinian than the Palestinians he led in a delegation to the Middle East peace talks in Madrid in November 1991. He accepted the PLO (Palestinian Liberation Organization), which he never trusted after the 1970–1 civil war, as a partner in peace talks with the Israelis and positioned himself as a man of peace and not a man of war until his death in February 1999.

When King Abdullah II succeeded his father in February 1999, one of his main objectives was to make economic reforms towards a free-market economy. He promised to end the problems that had hindered the reform efforts and that deterred foreign investments from Jordan. He championed transparency in the activities of state institutions and called for an end to incompetence, corruption, unreliability and nepotism. Since 2000, Jordan has made slow but steady progress in economic and social development (UNDP 2004). There have been improvements in the health-care and education services, but the liberalization of the economy has not been matched with credible political reforms. Trade-union activity is controlled by the State and there is very little freedom of speech. Although there is an elected parliament, the members of the government are appointed by the King. There is yet to be any shift of real political powers from the palace to elected representatives in a country where tribal allegiances are still much stronger than political affiliations. Nevertheless, as the economic reforms progress, social and political reforms will have to follow suit in order to meet the demands of a free-market economy. The recent economic reforms have already led to significant changes in employment relationships and in the management of human resources (HR), as explained in the next section.

The role and importance of HRM in the current economic reforms

In November 1999, representatives from the Jordanian private and public sector were gathered by King Abdullah II in a brainstorming economic forum in order to outline the future strategy of the Jordanian economy. They concluded that their country had to face up to the globalizing powers of business by developing a sustainable economy based on private-sector-led information and communications technology (ICT), on tourism and on export-oriented growth. As a result, a Council for Economic Consultancy, comprising representatives from the Government and private-sector employers, was established in order to foresee the implementation of the new economic-reform strategy. The success of the privatization process was seen as key to the successful implementation of the reform strategy.

Privatization

The Jordanian economy is generally privately owned, but most of the private enterprises are small in size. The economically strategic companies, such the Royal Jordanian Airlines, the telecommunications network, the mining industry and electricity and water supplies were under state control until the recent phase of privatization. The public sectors which produced about 47.3 per cent of gross national product (GNP) and employed almost 50 per cent of the workforce in 1989 became generally inefficient and a contributor to public deficit rather than to its growth. Public-sector enterprises were under 'soft budget constraints', which encouraged their managers to engage in wasteful and inefficient projects (El-Said 2000: 10). According to Anani and Khalaf (1989), most public-sector enterprises suffered from overstaffing, politically motivated pricing policies, weak monitoring and control systems and inadequate accounting procedures. Therefore, there was an urgent need for reforms and, hence, privatization.

Although the privatization process started in the 1980s, it was not until the late 1990s that significant sales of public-sector entities were made. The main reason for the delay in the privatization process was the lack of private capital investment from within the country. Private owners did not have enough capital to buy large companies, and the idea of buying shares was, to a great extent, alien to the Jordanian public. It is not part of the culture to separate ownership from the control and management of enterprises. Those who had any capital preferred to own and manage small enterprises than buy shares in large ones. The Government had to make significant changes in ownership laws, buying and selling regulations, taxation and banking and employment legislation in order to create the right environment for private investments.

In July 1996, the Government issued Resolution No. 1173 to set up an executive privatization unit in order to formulate a strategy for the implementation of the privatization programme. The privatization of public-sector enterprises was expected to improve efficiency and competitiveness in the different sectors of the economy and to increase the level of private investments and as well as attracting foreign investments, technology and expertise. A number of state-owned and large companies were put for sale, and most of them were sold to foreign investors because foreign investors had been given the same rights as the domestic ones and it had been made easier for multinational companies to invest in Jordan. To make investments even easier, the Government created an independent Investment Promotion Corporation in charge of dealing with all investment applications and issuing investment licences. Tax reductions and customs duty exemptions have been used to encourage local and foreign investment. Corporate tax was reduced from 40 to 25 per cent and imported capital equipment and spare parts were made exempt from customs duty. Foreign companies can repatriate their capital, profits and any income from the sale of a project or stock without delay in convertible currencies.

By the end of the 1990s, the public-sector share of the GDP did not exceed 14 per cent (Awamleh 2002). The most significant privatizations have been the recent sale of the

telecommunications network and other major public companies, following Jordan's accession to the WTO in 2000 and the signing a free-trade agreement with the USA. The reforms have attracted a modest number of foreign investments, but it is a significant one when taking into consideration the size of the Jordanian economy, the limited natural resources available and the volatile peace in the region. However, the privatization process led to the restructuring and downsizing of many of the newly privatized enterprises, resulting in mass redundancies and adding to the already acute problem of unemployment. Such changes have created an unusual, uncertain and uncomfortable working environment for many employees. Many managers have found themselves in an unprecedented position of having to think globally and act locally in an increasingly competitive business environment. In other words, the managers of the privatized enterprises have to implement the mechanisms by which market economies work. They have had to come to terms with concepts such as rationalization and cost reduction. Management training and development have become the prerequisites for managers' ability to carry out their new managerial roles effectively.

The development of a knowledge-based economy

One of the significant aims of the current reforms is to make Jordan an IT centre in the Middle East through the development of software and IT services industry (Al-Jaghoub and Westrup 2003). In meeting this aim, a core group of members of the Jordan Compute Society (int@j) devised the REACH initiative which is a comprehensive IT framework that embraces actions in terms of Regulatory framework, Enabling environment (infrastructure), Advancement programs, Capital and finance, and Human resource development. According to the REACH Initiative, launching Jordan's software and IT industry, 'Jordan shall become a regional IT leader and internationally recognized exporter of IT products and services, exploiting its core human capital advantages' (REACH 2001: 2). In relation to this initiative, a new Ministry for Information and Communication Technology was created in order to consolidate the Government's efforts in developing a knowledge-based economy. Copyright and censorship laws have been introduced and customs duties on the import and export of ICT software have been scrapped. The creation of e.government and the privatization of the telecommunications network to an international consortium have paved the way for the development of IT culture in the Jordanian society. The realization of a knowledge-based economy is not impossible in a society which is highly educated and among the most literate in the Middle East. More than 99 per cent of those under the age of forty-five are literate, and the majority of them are competent in the use of English language and computers. The teaching of computing and English language has been made compulsory from Year 1 in primary schools. Thousands of computers are made available in schools to make sure that every Jordanian will be computer literate in the future. The high standard of education in Jordan and the easy access to computers as well as the use of English by most Jordanians have made it possible to set the foundations for an IT society.

Jordan has a good communication system, with increased use of digital-switching equipment. Internet services are widely available, and it was estimated that in 2003 there were 457,000 Internet users (World Bank 2004). The recent spread of Internet cafés throughout the country is an indication of an increasing demand in the use of the Internet by the public. By 2000 there were more than 8,000 university graduates in IT-related subjects and more than 2,300 IT students graduate each year (*Financial Times*, 7 November 2000). Recently, ICT companies such as Cisco Systems and One World Software Solutions have benefited from the REACH initiative to invest directly in Jordan. Moreover, the establishment of a UN ICT regional headquarters in Amman is expected to attract international investments in the ICT industry and to facilitate the involvement of international agencies such as the United Nationals Development Programme (UNDP) and the United Nations Educational, Scientific and Cultural Organization (UNESCO) in developing the Jordanian workforce in advanced ICT techniques. As more and more foreign companies invest in Jordan, the competition for better-qualified and well-trained employees increases. The IT industry is expected to create high-quality jobs that would utilize the highly educated population and transfer the country to a knowledge-based economy. Although there is a well-educated and computer-literate population, there is a lack of experience and expertise in operating and managing a sophisticated ICT industry. There is a shortage of managers and professionally qualified employees who are able to meet the demands of the current economic reforms. The pressure is not just on training and development but also on the recruitment and retention of a skilled workforce.

As well as aspiring to become the primary ICT centre of the Middle East, Jordan is expected to become the best destination for tourists in the world. It has many historical sites and an unspoiled desert where there is still a lot to learn from Arab Bedouin culture. Tourism can become a big business that would create more jobs than the country's labour market can meet. There was an explosion in the number of tourists from 1995 until the recent US-led occupation of Iraq. Tourism creates many jobs and is likely to reduce the level of unemployment, but many employees will have to come to terms with the reality of having to provide high-quality services in a very competitive business. Therefore, they need to be trained effectively to be able to do their jobs properly.

The promotion of export-oriented growth

As well as the development of an ICT industry and an attractive tourism economy, there has been a strong emphasis on producing goods for exports in order to promote an export-oriented economic growth. Following the peace agreement with Israel, a number of industrial zones were designated as special economic zones in different parts of the country, initially in the Karak industrial estate, south of the capital Amman, and, recently around the Gulf of Aqaba. The so-called qualifying industrial zones (QIZs) were proposed by the US administration in 1996 in a programme aimed at integrating the economies of the countries in the region and at specifically enhancing economic cooperation of Israel with its neighbours Egypt and Jordan. It was agreed that goods

produced in the QIZs for export to the US market would be exempt from duty and excise tax if 8 per cent of the product content was from Israel. A number of manufacturing plants were set up in order to provide jobs for the Jordanian people and investments for American and Israeli entrepreneurs. Currently, there are sixteen QIZs, employing more than 8,500 people and exporting goods worth more than 56 million US dollars annually to the US markets. However, because of the nature of the jobs that were created, it was reported that by 2000 between 70 and 80 per cent of those employed in QIZs had been women making garments, shoes and other light goods. This led to a significant increase in textile exports to the USA, from a value of 3 million dollars in 1997 to more than 84 million dollars in 2000 (*Financial Times*, 7 November 2000). Female participation in the Jordanian labour market increased significantly from 9.6 per cent in 1990 to 14.5 per cent in 1999 (Gardner 2003). The recent developments in industrial zones around the Gulf of Aqaba are expected to attract Arab investors in IT and tourism industries that would hopefully make use of the highly educated Jordanian workforce. However, such projects are yet to materialize, and it is feared that such investors will bring skilled and relatively cheap labour from the Far East and from other Arab countries such as Egypt and Iraq.

The promotion of export-oriented growth has necessitated further improvements in the quality of Jordanian products and services in order to meet international standards that have been imposed by an ever-increasing competition in the world market as well as the high expectations by local consumers. Jordanian producers have come under pressure to comply with world intellectual property rights standards (Rawabdeh 2002). For example, the pharmaceuticals industry, which is one of the backbones of Jordan's economy, has been accused of pirating and has had to prove to the WTO that it has world-class companies which comply with world-class standards and practices. Jordan has to have a well-trained workforce that will produce high-quality products and provide high-quality services. In 1995, the Jordan Institution for Standards and Metrology (JISM) was set up in order 'to prepare and implement national standards, audit compliance with standards, and certify products that are manufactured in accordance with standards' (Rawabdeh 2002: 31). Since 2000, the work of the JISM has become more important than before, and it has to play a significant role in making the Jordanian producers more aware of the need to produce high-quality products that are accepted in international markets.

Key factors that determine HRM policies and practices

The practice of HRM in Jordan is heavily influenced by national cultural values of tribalism and governmental bureaucratic procedures. There is no clear evidence of HR managers' involvement in strategic decision-making in either the public- or private-sector enterprises. Most companies have personnel or HR departments at their headquarters, with separate divisions or services at the regional and local level, but the formal role of the HRM department, as in most Arab countries, does not go beyond the administration of employees' files from recruitment to retirement or leave. All the terms and conditions of employment are regulated by decrees and statutes that are

approved and signed by the king. In this section, we discuss some of the key factors that determine HRM functions of recruitment and selection, training and development, rewards and employee relations in Jordanian public- and private-sector enterprises.

Recruitment and selection

As in many other Arab countries, the process of recruitment and selection is hardly objective or systematic and is never based on ability and merit. Vacancies are normally filled in through connections, and jobs are normally offered to family members, relatives and friends with very little consideration of competency and achievement. Acts of nepotism and tribalism are normal practice (Al-Rasheed 2001). The process of recruitment and selection is heavily influenced by interpersonal relations and intermediaries in what is usually referred to as *wasta*. The concept of *wasta* means, literally, to go in between, but in practice it is a type of favouritism and nepotism, which gives precedence to family and kin over organizational objectives. As in most Arab countries, the practice of *wasta* is the only way for many people to get employed. El-Said and McDonald (2001) argued that the first source of high transaction costs in Jordan is reflected in tribal mentality that is based on the concept of *wasta*. They explained that 'through Wasta, businessmen can obtain import, export and production licenses, evade taxation, and even ignore rules and regulations, therefore increasing their profits through unproductive and inefficient means' (2001: 77). They added that 'everything, no matter how simple it is, requires a Wasta in Jordan' (El-Said and McDonald 2001: 77).

Job analysis is very often carried out and job descriptions are produced but never referred to in recruitment and selection. Many employees are not aware of their job descriptions and they never ask for them. It seems that job descriptions are produced as part of the personnel-administration process to satisfy bureaucratic needs. It is not surprising to find, therefore, that a job application form is completed after a job had been offered. Some jobs are never advertised formally because the spoken word of mouth spreads quicker than that of the written text. When a job is advertised or heard of in one way or another, the person seeking employment will contact a friend or a relative who knows someone in the company where the vacancy exits. If the right contact is made, the job offer can be made immediately regardless of any formal procedures.

Education, training and development

The Jordanian society is very often described as a students' society because about one-third of the entire population are students. There are at least six public and twelve private universities. More and more private universities and colleges are opened every year. In May 2000, the President of the National Centre for Human Resources Development and Secretary General of Higher Council for Science and Technology, Mundher Masri, announced 'the percentage of Jordan's expenditure on higher education

is one of the highest in the world in comparison to the Kingdom's national income' (*Jordan Times*, Friday–Saturday, 19–20 May 2000). It can be argued that because of its limited natural resources, Jordan has to focus on human resource development (HRD) to survive. Improving the skills and knowledge of employees in both private and public sectors is one of the utmost important priorities.

The Jordanian Government has introduced a number of initiatives in order to provide training to as many citizens as possible. Between 1993 and 1997, the Jordanian Institute of Public Administration (JIPA) introduced the National Training Plan in order to prepare employees of the public sector for the challenges created by the economic reforms at the national and international levels. It was aimed at transforming the attitudes of the public-sector employees to be more aware of the demands of a free-market economy. It was a comprehensive plan, which covered all type of employees at all levels and included workshops and seminars in all areas of business and management, from financial audit to leadership training. The second major training programme was the Career and Training Paths Project, which was introduced between 1997 and 2001 by the JIPA to establish a culture of continuous training in the public-sector enterprises. It made training a prerequisite for career development and progress from a lower to a higher post.

There are also a number of training institutes and centres as well as universities that provide training to public- and private-sector employees. Some ministries have their own training units that are used for the training and development of their employees in different activities to help them to cope with the demands of their tasks. Training is seen as the responsibility of the ministry in charge at the national level. Normally, a central training centre is under the control of the ministry for all employees in organizations that come under the control of that ministry. For example, Al-Husan and James (2003: 1289) reported that training in the Jordanian water company was provided by a central training centre 'for the whole of the Water Authority that provided some technical, language and computer training', but not all employees attended such training courses. They also stated that 'the training expenditure was only around £3 per employee and overseas training was linked to the availability of external funding in the form of donations and aid from other countries and was further limited to a very few senior managers' (Al-Husan and James 2003: 1289). Many private-sector companies have their own training and development units, but most of them suffer from a shortage of resources and a lack of credible and well-thought-through training programmes that meet the real needs of employees for training and development. Training-needs analysis is rarely conducted, and many units are in urgent need of qualified trainers and developers.

A study of training-needs analysis in twenty-eight financial and manufacturing companies by Abu-Doleh and Weir (1997) found that less than one-third of the manufacturing companies and more than two-thirds of the financial companies had a formal management training and development programme, making the services sector more advanced in training and developing managers than other sectors. They also found that in both sectors training-needs analysis had been used for lower managerial levels without taking into consideration any organizational needs. They observed that line

managers in the financial sector, for example, were more active in attending training programmes than their counterparts in manufacturing. They also noticed that the absence of job descriptions in the manufacturing companies was an obstacle for conducting systematic training-needs analyses.

It seems that one of the urgent prerequisites for the enhancement of the current socio- economic reforms is the training and development of as many employees as possible. Despite the fact that Jordan is an educated society, there is a need for more training programmes in general and management-development programmes in particular, in order to meet the increasing demands for an efficient and competent workforce in the areas of ICT, tourism operations and hospitality management, HRM, marketing and corporate finance. Although considerable efforts have been made to mobilize and develop as many people as possible, using different training and learning means, the lack of financial and material resources, the prevalent uncertainty and scepticism towards the reforms and free-market economy in general, and the lack of real commitment from within and outside the country to training and development have, to some extent, hindered the way to significant changes.

Rewards and employee relations

In Jordan, employees in both public and private sectors have the right to form and join trade unions but, as in many less developed countries, the lack of a working-class consciousness and the lack of militant labour organizations have led to the undermining of trade unions' power and to the control of the workers by management. The role of trade unions is very often restricted to social-welfare issues and to basic employee needs. Their activities are restricted by law and constantly observed by the State. The relationship between employees and employers is usually guided by written and unwritten rules. Some of these rules are imposed by the State while others are determined by the constituent norms and values in the Jordanian society.

The unwritten rules of employee relations are tacit in people's relationships with each other in and outside the workplace. For example, it is believed that the employer has a duty to protect the employee, who in turn must show loyalty and obedience to the employer. This kind of relationship is socially constructed and culturally bound as people are normally taught to show loyalty, respect and devotion to their leaders even if they do not like them or do not agree with them. Many Jordanians are born into extended families or tribes that protect them in exchange for loyalty. There is a high emotional dependence of the individual on the group they identify themselves with, and one's opinion is normally predetermined by social relationships. Delegation of authority is very often made to relatives and trusted close friends. In such paternalistic employment relationships, the superiors (leaders and managers) are expected to behave like good parents towards their subordinates. The respect of age and seniority is very strong among the Jordanians, and it is very unlikely that a younger person would oppose the opinion of an older person. But this does not mean that talented and skilled young employees are

denied respect and promotion. There is a difference between merit and respect because many young people are also respected for their hard work and successful achievements. This practice has created an environment where aspects of authoritarian management style thrive through the use of bureaucratic procedures and centralized decision-making. Therefore, it becomes difficult in such environment to organize trade unions that have an adversary role and that can bargain effectively for terms and conditions of employment on behalf of the workers they represent.

The written rules are employment acts that are introduced by the government and approved by the king. They cover all aspects of employment relationships from the content of employment contracts to pay and pensions. The government decides on the levels of payment to all employees in different sectors. Pay is normally closely related to position, experience and age. Most employees receive a basic salary and bonuses depending on their jobs, age and positions within the organization. However, the recent economic reforms have brought foreign investments and, with them, new employee relations. There has been a move towards linking pay to performance in an attempt to align Jordanian salaries with international norms and standards, emphasizing individual employees' contributions and rewards. Different payment systems have been introduced in order to attract skilled and experienced employees as well as to keep the good ones in their jobs.

Key challenges and future developments

At the national level, the key challenges are to sustain the stability of the region, to develop a knowledge-based economy, to reduce the level of unemployment, and to preserve social harmony among the Jordanians. The more stable the Middle East, the better and more secure is the Jordanian economy and society. Resistance to establishing economic and political ties with Israel is still high, and the very often talked-about peace in the region is still being talked about. The two countries signed a range of economic and trade agreements from transport to tourism and production of household goods, but the Jordanians, of whom about 50 per cent are Palestinians, object to direct Israeli investments in their country. The recent investment laws have given equal rights of owning and doing business to foreign and national investors, but there are still some hostilities exercised against foreign investors in general and the Israelis in particular. The region is still volatile and many problems loom in the horizon while most of the Jordanian neighbours are in a state of war.

The REACH Initiative (2001) emphasized the importance of the private sector in playing the central role in the development and provision of ICT services. The main aim of this initiative is to transform Jordan into a knowledge-based economy. This is a challenge because despite the availability of educated HR, there is a poor infrastructure to support the development of a competitive IT industry. There is a need for a high level of ICT-related developments by foreign investors who will bring the know-how and the latest technologies. Moreover, the success of the REACH Initiative depends on the ability

of the private sector to take an active role in developing a credible ICT industry that enables a small country like Jordan to compete internationally. The Government has provided the support needed to develop the industry but is unable to sustain it effectively without the cooperation of international agencies, the investment of multinational companies and the active role of domestic investors. Investments in education and training are a challenge that should be maintained in order to utilize effectively the existing and potential skilled workforce. One of the major problems is encouraging the skilled workforce to stay in Jordan and not to immigrate to neighbouring Arab countries, the USA and Europe, where there are good wages and a better quality of working life.

The high unemployment rate, which is estimated at 20 per cent (World Bank 2004), is still one of the main concerns for the Jordanian Government. The working-age population grows by about 4 per cent per annum (Gardner 2003) while the economy is not creating enough jobs to match that growth. More foreign investments are needed to create more employment for the increasing workforce of mainly young people between the ages of eighteen and twenty-five. There is a serious concern about possible social unrest if the level of unemployment is not reduced and the rate of inflation is not controlled. With the population growth increasing by 2.7 per cent per annum, the economy has to grow faster and by at least 7 per cent per annum to absorb the rising unemployment. Jordan's population increased both through its high birth rate and the successive waves of emigrants (450,000 following the establishment of the state of Israel in 1948, 400,000 after the 1967 war and 300,000 after the 1991 Gulf War). It is estimated that about 30 per cent of the Jordanian population lives under the poverty line (World Bank 2004). Unemployment, poverty and emigration are the source of tension among a population that is dominated by tribalism and conflicting loyalties. It is possible to change the economic system and its institutions, but when it comes to dealing with human behaviour it may take a generation to change people's mindset and to make them accept new ways of dealing with each other. Tribalism, with all its informal and formal norms and values and its good and bad practices, is not going to disappear easily in a country that is founded on tribal politics.

Conclusion

Economic reforms have been judged to be successful so far in terms of economic indicators, but their effects on the Jordanian people have yet to materialize as many people are still unemployed and an increasing number of citizens live under the poverty line. Problems of bureaucracy, tribalism, nepotism and incompetence of the civil services, which have been obstacles to the progress in economic reforms, are still to be resolved. The State is moving gradually from the role of employer and the main provider of services to a supporter and promoter of a free-market economy in which privately owned enterprises dominate the economy, but the right environment should be developed for economic reforms to be successful. Stability and peace in the region are important

factors for international investments in Jordan because, despite the peace treaties that have been signed, the country is still not immune from the problems of the Middle Eastern crisis.

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9 Human resource management in Turkey

ZEYNEP AYCAN

Turkey in brief: historical, political and socio-economic background

Turkey is considered to be one of the crossroads of civilizations. The Republic of Turkey, founded in 1923, has its roots in history of 4,000 years. The history of Turkey goes back to the neolithic period. The Byzantine Empire is the continuation of the Roman Empire and was surrendered in 1453 to the Ottoman Turks. The Ottoman Turks were descendants of Turkoman nomads, who entered Anatolia in the eleventh century as mercenary soldiers of the Seljuks, a group of nomadic Turkish warrior leaders from central Asia. The Ottoman Empire collapsed at the end of the First World War, when its heartland of Anatolia became the Republic of Turkey. Modern Turkey was founded in 1923 as the successor of the Ottoman Empire. After the defeat of the Ottoman Empire in the First World War, Turks won the war of independence and established the Republic of Turkey under the leadership of Mustafa Kemal Atatürk.

Turkey is an independent republic occupying a region partly in Europe and partly in Asia and plays a major role in world history as a bridge connecting East and West. The actual area of Turkey, inclusive of its lakes, is 814,578 square kilometres, of which 790,200 are in Asia and 24,378 are located in Europe. With 70.15 million citizens, Turkey is the third largest population in Europe after Russia and Germany. Around 98 per cent of the population are of the Muslim faith.

Turkey is a democratic, secular and social state, governed by the rule of law. It has a parliamentary democracy – members of the parliment are elected for seats in the Grand National Assembly in every five years. Currently, Turkey is led by a single-party government elected by the 34.3 per cent of the population in 2002. This has brought much-needed political stability to a country that has been led by multi-party coalition governments since 1987.

Since the Second World War, the Turkish economy has been transformed by the steady growth of industry and services and the consequent decline in the share of agriculture in

national income. In the early 1980s, Turkey launched a programme of structural change and economic liberalization. However, since 1986, the achievements of this stabilization programme have been overshadowed by high inflation rising from gradually increasing public-sector deficit. Despite the positive signs of overcoming the effects of the political crisis in Russia in the beginning of 1999, the earthquakes of August and November of the same year, the continuing high interest rates and increasing domestic taxes deepened the declining trend in gross national product (GNP).

The deep economic crisis of Turkey in February 2001 triggered the start of a fundamental reform and design of a new economic programme to strengthen the Turkish economy. When the programme has started to bring up some results, the events of 11 September 2001 happened in the USA. In 2001, inflation rate rose sharply and Turkey was in the midst of its deepest recession for decades with steep increases in unemployment and widespread difficulties in the corporate sector. The economic programme was revised, with strong structural and social elements. This resulted in the recovery of the economy in 2002, but the volatility in the financial markets continued. Thanks to political stability and to macro-economic normalization, the outlook of the Turkish economy remains positive in 2005. The inflation dropped to almost single digits (11.2 per cent in the first quarter of 2004) from 110.2 per cent in early 1980s.

Turkey is one of the more developed Middle Eastern countries, and industrialization is still in progress. The US Commerce Department designated Turkey as one of the world's ten 'Big Emerging Markets'. In 1999, Turkey was included in the G-20 group, along with other major dynamic emerging economies. Turkey is a full member of the European Union (EU) Customs Union and has been recognized as a candidate state for EU membership since the 1999 Helsinki European Council. Following a decision reached at the Brussels Council in December 2004, accession negotiations with the EU started with Ankara on 3 October 2005. Currently, the Government of Turkey is engaged in harmonizing its legislation and institutional framework to match EU standards and requirements. The Turkish Government is implementing an ambitious structural reform and economic stabilization programme with the support of international financial institutions (such as the IMF). The Turkish Grand National Assembly approved numerous legislative changes, paving the way towards broader integration of the Turkish economy with the global economy.

Historical developments in human resource management in the country

In the past twenty years, human resource management (HRM) has been increasingly recognized as a key factor in maintaining competitive advantage in Turkish business organizations. There are a number of important forces behind this development, such as Turkey's adoption of a liberal economy, the changing nature of its market structure, a decrease in government intervention and increase in privatization, legal and economic changes geared towards European Union membership, globalization, and a change in

workforce characteristics as well as societal values. All of these changes required Turkish business organizations to be more profit-oriented and to maintain competitiveness locally as well as globally. HRM is now recognized as one of the key factors in accomplishing these objectives.

In the early years of the Turkish Republic (*c*. 1923), the economy relied heavily on the agricultural output (43 per cent of Turkey's GNP). The production industry gained momentum during the 1950s with the aim of meeting the local demand. Almost 80 per cent of the business organizations in Turkey were established after 1980. Turkey's main economic activity has shifted from agriculture to services. Services, with its share of 66 per cent in total remains to be the most important sector in the Turkish economy followed by manufacturing, which has a 19 per cent share in gross domestic product (GDP), and agricultural production, with 16 per cent of GDP. With this dramatic shift from a predominantly agricultural-based economy to an increasingly industrialized and service-based economy, the emphasis has also shifted from the 'product' to 'human' as the key success factor.

Until the 1950s, personnel-related issues were limited to fulfilling legally required practices that were taking place under the finance departments of organizations (Özden 2004). Around the 1960s, personnel departments emerged as a subdivision within finance departments (Arthur Andersen 2000). With the rapid growth of organizations after the 1970s, personnel departments were officially formed to carry out personnel-related tasks, and the Personnel Management Association was formed in 1971. However, the scope was still limited to compensation, tax and social security premiums (Dereli 2001). In the 1980s, with the liberalization movement, organizations found themselves at the heart of global competition and recognized the importance of human resources (HR) as a competitive advantage. The term 'human resources management' was adopted at the beginning of the 1990s (Kuzeyli 2000). HRM as a term became synonymous with the 'modern management' that organizations were embracing. In 2000, the percentage of organizations with HRM departments has increased to 65 per cent (Arthur Andersen 2000). However, the recent large-scale downsizings following the February 2001 economic crises disturbed the positive sentiments towards HRM departments, which were accused of victimizing employees during the economic crises.

Role, importance and degree of partnership in HRM in most companies in Turkey

According to the Arthur Andersen's (2000) survey of HRM in 307 private sector organizations in Turkey, HRM departments exist in 65 per cent of the participating organizations. These are usually large-size firms in finance, IT and service industries. In 12.2 per cent of the firms, the HR manager is also one of the vice-presidents in the organization. In half of the organizations, there are written HRM strategies that are in line with the firm's overall business strategies. The main functions of HR departments include (in descending order) staffing, wage determination and compensation, training

and development, employee health and safety, performance evaluation, pay-roll administration, employee transfers and promotions, catering services, transportation services, job security and career-planning. As can be seen, HR departments continue dealing mainly with traditional personnel functions. Therefore, what gets changed is the name of the department but not necessarily the function of it. In the majority of the organizations, HRM fulfils the administratively reactive role, followed by administratively proactive and strategically reactive roles (Brockbank 1999). There are almost no organizations playing a strategically proactive role.

Harschnek et al. (1978) provided a typology of HRM climates based on the level of support received from top- and middle-level management. Applying the typology to HRM climates in Turkey, it can be concluded that in only a minority of private-sector organizations does top management act as a 'full partner' with the HR department. In such organizations, HR managers take part in the strategic decision-making and can actually be promoted to higher management positions such as vice-presidency. In the majority of private-sector organizations, top management provides support but considers the HR department as a 'showcase'. In public-sector organizations, top management perceives HR departments, which are usually called 'personnel departments', as providing routine services.

In addition to the public–private sector distinction, there are also variations within private-sector organizations. HRM practices are more developed in organizations with foreign partners or subsidiaries of Western multinational corporations. In family-owned firms, the HR departments fulfil traditional personnel-management functions. Size is another important determinant of structure, roles, functions and quality of services of HR departments. In large-size organizations, HRM practices are more developed than in small and medium enterprises (SMEs). Finally, the sector or industry affects the nature and services of HR departments. In Turkey, the finance and IT sectors have the most sophisticated HR systems, compared to manufacturing.

Key factors that determine HRM policies and practices in Turkey

Institutional context

Turkey is undergoing an important economic and political transformation process. The policies are being developed in line with the EU perspective. The structural reforms mainly aim at scaling down the public sector, further strengthening the financial sector and enhancing the role of the private sector (Commission of the European Communities 2004a). In line with the Accession Partnership, reforms have been introduced by means of a series of constitutional and legislative changes. The EU accession process has a number of important implications for HRM in Turkey, which will be discussed next.

The new labour law

The new labour law, which replaced the one that had been in use since 1971, was accepted in May 2003. One of the major changes in the new labour law is the protection of employment. While employment protection in the state-owned-enterprises is, de facto, very strong and while severance pay is awarded for regular employees in case of dismissal, there was no employment-protection act for the whole economy (Auer and Popova 2003). According to the new labour law, employers carry the burden of proof of inadequate performance in cases of dismissals. This requires that organizations assess and keep the record of workers' performance. It further suggests that organizations have the responsibility to conduct careful selection and placement procedures to enhance the person–job fit; they also have the responsibility to provide proper job descriptions to employees. In short, the obligation of employers to prove inadequate performance requires that simple personnel-management systems be replaced with more sophisticated HRM systems. Currently, many organizations are getting training and consulting to start or improve their HR functions to fulfil the requirement of the new labour law.

In the new labour law, women's maternity leave was extended from twelve to sixteen weeks. In the same circular, it was issued that at least 3 per cent of the staff in public institutions with more than fifty employees should be disabled or ex-convicts, or both. The constitutional amendments adopted by the Parliament in May 2004 introduced the following provision regarding equal treatment of women and men. 'Men and women shall have equal rights. *The State* has the duty to ensure that this equality is put into practice' (emphasis added). Additional regulations referring to minimum health and safety requirements on vibration, noise, safety and health signs were recently adopted (Commission of the European Communities 2004b). In the new labour law, *employers* are given the responsibility to ensure the health and safety of the workers by monitoring the appropriateness of health and safety procedures and by providing regular training to workers.

Women are not allowed to work in mining jobs, but the ban for women to work night shifts has been lifted. Despite accession to the International Labour Organization Convention, child labour is still a significant problem in Turkey (Commission of the European Communities 2004b). With the new labour law, child labour is strictly prohibited, and children and young people under the age of eighteen are not allowed to work in night shifts and in underground jobs.

According to the new labour law, temporary work, outsourced employment, part-time and flexi-time employment are recognized as legitimate forms of employment. Part-time workers will have the same rights and privileges (proportionate to their working hours) as full-time workers. Elimination of discrimination towards part-time employees makes this an attractive employment option for the young unemployed (Başlevent 2002). Özbilgin and Healy (2004) document the impact of state policy and dominant family ideology on both women's and men's careers in academia.

Labour market

Downsizing after the 2001 economic crisis and the resultant increase in unemployment are serious challenges for HRM in Turkey. Turkish labour supply is under-utilized (Auer and Popova 2003). According to the report of the Commission of the European Communities (2004b), labour market imbalances have widened as a result of low growth and low job creation, while the working-age population continued to increase by 2 per cent annually. The employment rate of persons of working age (fifteen to sixty-four) declined from 51 per cent in 1999 to 45.5 per cent in 2003. The unemployment rate increased from 7.7 per cent in 1999 to 12.4 per cent in the first quarter of 2004. Youth unemployment has increased from 15 per cent in 1999 to 23.7 per cent in 2004.

Turkey is in the midst of a restructuring process that will displace thousands of workers from state-owned enterprises to private ones, because of the policy of privatization that is being pursued in the framework of structural adjustment programmes (Auer and Popova 2003). The social consequences of restructuring, privatization and re-employment are being observed. According to the report of Auer and Popova (2003), only a fraction of the workers laid off (around 2.4 per cent) participated in training and retraining. The same authors state that the reasons for the low take-up for training are the low skills and the unlikelihood of any training other than on the job. High unemployment among the better educated and among those who participated in training further discourage low-skilled workers from pursuing training. Cultural factors play a role as well. Many older workers feel that training at their age is would not be appropriate and fruitful.

Underemployment is another problem. The underemployment rate of youth in the labour force is 5.5 per cent (Auer and Popova 2003). The reasons most often cited for underemployment are insufficient income, not working in jobs that are commensurate with the trainings received and working fewer than forty hours a week. High female underemployment is observed in community, social and personal services and high male underemployment in the construction industries.

Educational context

A lack of education prevents the smooth transition of the workforce from agriculture to industry and services (Auer and Popova 2003). UNICEF and EU-funded educational programmes led to an improvement in the enrolment of girls, particularly in the south-eastern regions and eastern Anatolia. EU funds support vocational education and training (VET) programmes, which cover both initial as well as continuing education throughout a person's life, such as formal and non-formal education. A highly centralized educational structure decreases flexibility and autonomy and prevents universities from being more market-oriented. Participation in lifelong learning is very low (Commission of the European Communities 2004b). The enrolment rates for vocational junior high school for both males and females are already very low and have decreased over the

years. Turkey needs not only better general education, but also more effort to extend vocational training (Auer and Popova 2003).

In the present educational system, many young people have to make their career decisions haphazardly. There is insufficient career guidance at schools. In most cases, young people have to study in areas in which they are placed according to their scores from the centralized university entrance exam. Upon graduation, they realize that they do not want to develop a career in the area in which they receive college or university training. They start seeking employment in other areas where there are better employment opportunities. A college or university degree does not adequately prepare young people for business life; hence, organizations have to allocate budgets to job-specific training. Moreover, organizations bear the responsibility of career guidance for young people who do not receive adequate career guidance during their formal education. Excessive parental protection and involvement in every aspect of their children's lives is another factor that delays the development of self-identity and self-oriented (instead of family-oriented) career-planning.

Related to the educational context, another major problem concerning the HRM field is that there is insufficient training on HRM itself. Out of seventy-seven universities, only eight of them offer graduate programmes in HRM or related fields. Many organizations hire HR specialists who have no formal training in the field. There are no professional bodies to grant diplomas in HRM.

Unions

All workers, apart from police and military personnel, have the right to associate freely, to form representative unions and to bargain collectively. This right extends to civil servants, including schoolteachers. However, the constitutional right to strike is restricted. According to the data released by the Ministry of Labour, in 2001, there were 104 trade unions for workers and forty-nine for employers. With respect to trade unions, significant constraints remain on the right to organize and the right to collective bargaining, including the right to strike, and Turkey falls short of International Labour Organization standards (Commission of the European Communities 2004b). The unionization rate dropped from 67.84 per cent in 1999 to 57.78 per cent in 2004.

In line with the requirements of the EU, a tripartite advisory board, composed of representatives from the Government, trade-union confederations, the main employers' union and the public employees' union, was formed and met for the first time in May 2004 (Commission of the European Communities 2004b). The board has the task of advising on matters of working life. The June 2001 Law on Public Employees' Trade Unions limited the right to organize for the purpose of bargaining. Amendments adopted in June 2004 simplify procedures related to union membership, but do not address these issues. As for the private sector, membership procedures are cumbersome and costly. In order for a trade union to be eligible for collective bargaining it must organize at least 50

per cent of workers within the company and 10 per cent of workers within the relevant sector nationwide (Commission of the European Communities 2004b).

Small and medium enterprises, family businesses, foreign direct investment

The private sector accounts for some 80 per cent of Turkey's economy, in which the majority is comprised of family-owned SMEs. SMEs are the stabilizing core of the Turkish economy. Although they account for only about 30 per cent of value added in manufacturing, they represent some 60 per cent of the sector's employment. The percentage of registered family businesses in Turkey is 95 per cent (Genç and Karcıoğlu 2004). SMEs need support for development (Commission of the European Communities 2004b). There is wide agreement among academics and professionals that the traditional management approach in SMEs and family-owned business should be replaced by modern approaches, and effective HRM plays the key role in this transformation.

Beginning from the 1980s, which marks the era of economic liberalization, Turkey has witnessed an ever-increasing rate of international trade and foreign investment. Turkey's dynamic economy, strategic geographical location between Europe and Asia and young, skilled, flexible, and business-oriented workforce makes it an attractive destination for foreign investors. However, despite these advantages, foreign direct investment (FDI) inflows to Turkey have not lived up to the potential of the economy. Turkey's share of global FDI flows remains at a very low level, with an average of 0.2 per cent in the world and 0.6 per cent among the developing countries for the past five years. According to the United Nations Conference on Trade and Development (UNCTAD), Turkey realizes only one tenth of inward FDI potential. A new FDI law has been drafted by taking into consideration international best practices. The new law eases the FDI procedure and regulates the work permits of expatriates in line with international standards (Commission of the European Communities 2004a). FDI not only contributes to the Turkish economy, but also to the development of HRM in Turkey. Through interactions with foreign (mainly Western) counterparts, Turkish business organizations have the opportunity to import Western HRM know-how.

Work life

A recent survey conducted by the European Council for Betterment of Work and Conditions (2003) revealed that the most frequently cited physical risks in Turkish organizations include noise, repetitive actions, lifting heavy objects, steam and high-temperature work environments. Only 10 per cent of employees use protective equipment or gadgets, and fewer than half of them (48 per cent) reported that they received information about the workplace risks. Half of the respondents reported that they worked in monotonous jobs. Compared to EU countries, Turkey seems to enjoy

more flexibility at work. Eighty-eight per cent of respondents reported having some control over their work schedules and methods used in their jobs; 85 per cent reported having freedom in determining their break times (compared to 61 per cent in EU countries), 69 per cent working hours (45 per cent in EU countries), and 66 per cent days of granted leave (57 per cent in EU countries). Despite the fact that the labour law sets a forty-five-hour work week, the average working week was reported to be 61.67 hours long. This is much higher than the average of EU countries, 38.2 hours. Fifteen per cent of Turkish employees reported attending a training in the past twelve months. Days of training per year on average are high: 34.51 days. Eight per cent of respondents work in shifts. Finally, reported rates of discrimination due to gender, age, race or ethnicity and sexual preference are quite low and slightly lower than the EU average. However, one should bear in mind that reporting of incidences of discrimination may be lower than the actual figures.

With respect to benefits and allowances, most workers in Turkey receive non-wage benefits such as transportation and meal allowance and some also receive housing and support for subsidized holidays. In recent years, fringe benefits have accounted for as much as two-thirds of total remuneration in the industrial sector (US Department of State Bureau of Economic and Business Affairs 2002).

A discussion of work conditions must include sexual harassment at work. Wasti et al. (2000) compared Turkish and American women on the frequency with which they have experienced offensive sex-related behaviours from male coworkers or supervisors in the past two years, using a 5-point scale ranging from 1 (never) to 5 (most of the time). It was found that the mean frequency of sexual harassment was 1.13 for the Turkish sample whereas it was 1.21 for the US sample. In another study, Wasti and Cortina (2002) reported that among the 355 Turkish women in their sample, sixty-four (18 per cent) reported sexual harassment in their workplace.

Cultural context

The socio-cultural environment is changing. Since Hofstede's research (1980), Turkey has become somewhat less collectivist (see, for example, Goregenli 1997, Aycan et al. 2000), less hierarchical (Aycan et al. 2000), and more likely to take risks (Kabasakal and Bodur 1998). According to the findings of the GLOBE (Global Leadership and Organizational Behavior) project (Kabasakal and Bodur 1998), Turkey is below the world average on performance and future orientation (i.e., tending towards long-term planning). Another salient cultural characteristic of Turkey is paternalism. In a recent cross-cultural study (Aycan et al. 2000), Turkey was found to be highly paternalistic along with India, China and Pakistan. In the same study, Turkey scored low on fatalism, compared to Russia and India.

What is the impact of socio-cultural environment on work culture and HRM practices in Turkey? Aycan et al. (2000) conducted a cross-cultural research to test the Model of

Culture Fit (MCF). According to MCF, internal work culture is formed on the basis of prevalent managerial assumptions about employee nature and behaviour. Such assumptions are influenced by culture and guide the design and implementation of HRM practices. As stated above, Turkey was found to be highly paternalistic, moderately collectivistic and hierarchical, and non-fatalistic (Aycan et al. 2000). With respect to internal work culture, managers held favourable assumptions and beliefs regarding employee malleability (employees by nature can be changed and improved if given the opportunity), responsibility-seeking (employees accept and seek responsibility in their job) and participation (employees prefer delegation at all levels and like to be consulted in matters that concern them). On the other hand, they commonly believed that employees were not proactive (they do not act proactively towards their job objectives; they do not take initiative). Finally, in HRM practices, Turkey scored high on job enrichment and empowering supervision, but low on performance–reward contingency.

Results showed that lack of fatalism was associated with the managerial belief that employees are malleable which, in turn, led organizations to engage in empowering supervision and job enrichment to improve employee potential and performance. Paternalism had a positive impact on participation but a negative impact on proactivity. Because managers have personalized and family-like relationships with subordinates, they are involved in the decision-making of personal and professional matters of their employees. Participation also takes place at the level of 'seeking opinions' of employees rather than 'implementing' their suggestions. This underscores the indigenous conceptualization of 'participation'. Paternalist leaders are trusted as elderly family members and relied upon as 'authority figures' who can give the right decisions that would benefit employees. Hence, employees prefer to be 'reactive' rather than 'proactive' in their stance towards their jobs. The dark side of paternalism, however, is the differential treatment in organizations, which is reflected in the lack of performance–reward contingency. Those who are closer to the paternalistic leader get the rewards regardless of their performance. The same study also showed that performance–reward contingency was the most important predictor of job satisfaction, whereas empowering supervisory practices were the most important predictor of organizational commitment.

In a recent study by Aycan and Kabasakal (in press), it was found that the social contract affected the way in which organizations coped with the 2001 economic crisis in Turkey. If the prevailing social contract in an organization tended to be more transactional, there was more focus on cost-cutting strategies in HRM practices compared to cost-cutting in production, marketing or financial (PMF) areas. On the other hand, organizations with relational contracts (that is, paternalism) would focus more on cost-cutting in PMF areas, compared to that in HRM areas. Organizations relying on relational exchange preferred to cope with the financial crisis by reducing their production or changing their marketing and finance strategies or both. On the other hand, they protected their employees by not downsizing or reducing salaries, benefits, training expenses and so on. Cost-cutting in PMF yielded lower justice perception in organizations with high transactional contracts. In contrast, cost-cutting in HRM practices yielded lower justice perceptions in

organizations with high relational contracts. Perceptions of injustice were associated with lower psychological well-being and lower organizational commitment and a resulting decrease in self-reported job performance.

Workforce characteristics and changing demographics

There are two trends that are important for HRM practices in Turkey. The first is the changing values and expectations of a young and well-educated workforce; the second is the increasing participation of women in workforce.

Turkey is among the most attractive markets and growing economies in Europe. One of the main forces behind Turkey's economic momentum is the availability of young and educated human capital. Seventy per cent of Turkey's population is comprised of people above the age of fifteen. Turkey also has a very young managerial population (the mean age of those at the managerial position is 27.6). It is important to understand the values and expectations of this young population in order to manage them effectively. Aycan and Fikret-Paşa (2003) conducted a nationwide survey on motivators and leadership preferences of senior business administration students from fifteen different universities in Turkey's six different regions. Participated in this study were 1,213 students. To assess the factors that motivate them in business life, total of twenty-five items such as 'pay', 'close supervision', 'opportunity for self development', and 'power and authority' were ranked by using the Q-sort technique. Results showed that having power and authority, a peaceful work environment, opportunity for career advancement and satisfactory pay were perceived to be the most motivating factors, whereas close supervision and guidance, praise from supervisor, feedback on performance and sense of belonging were the least motivating factors. Findings suggest that young workforce today has aspirations and preferences more aligned with their counterparts in the Western industrialized countries. Erdogmus (2004) found that Turkish professionals who have work experience value organizational stability/security, sense of service and entrepreneurial creativity as the most prevalent career orientations. This suggests that future HRM practices in Turkish organizations should take into account the need for more opportunities for development and empowerment as well as age- and work-experience-related differences in career aspirations while motivating the workforce.

Another important development in the changing workforce is the increasingly active role women play in the economy. According to UNDP's report, Turkey ranks seventy-third in the world for women in scientific, technical and professional related jobs and 137th in administrative, executive and managerial jobs, out of 210 countries. Four per cent of Turkish women are employed in top management positions, whereas this percentage is 2.4 per cent in the USA, 2 per cent in England, 3 per cent in Germany and 1 per cent in Japan (Aycan 2004). In an in-depth qualitative study with fifty-two women at middle-to-top management levels, Aycan (2004) identified key success factors leading to career advancement of women in Turkey. According to the results, the primary factor that leads women to achieve their career objectives is self-confidence, determination and

a belief in self-efficacy. This is followed by the availability of support mechanisms at home and at work. In the same study, Aycan found that there was a positive attitude towards women's participation in the workforce.

Despite the increasing participation of women in the workforce and positive attitudes towards it, societal values and gender-role expectations from women create barriers to women's career advancement. In Turkish culture, maintaining family harmony and taking care of children are the primary responsibilities of women. Expectations regarding a woman's role in the family are not diminished just because she is working. The possible harm to the family by women's employment is the primary concern in society. Women with high potential may not be considered for international assignments or trainings because it is 'assumed' that they will not accept such assignments due to family responsibilities. Similarly, few women are sent to costly leadership programmes. Only a few multinational companies provide leadership training to women. It is a common belief that sending a woman to such training is an investment without return, because it is believed that women will not seek managerial jobs as they do not want to compromise their family and children. HR practices based on these assumptions certainly put barriers to women's career advancement.

HR should also help women to better integrate work and family by making necessary modifications in jobs to allow women work part-time or flexi-time in the first few years after having children or helping women arrange on-site or off-site child-care facilities. These are some of the expectations that women employees had from their employers in a recent study on work–family conflict (Aycan and Eskin 2004). Whereas companies with more than fifty women employees are obliged by law to provide day care, the majority does not offer this service due to the high cost incurred by such arrangements.

With the increasing involvement of women in the workforce, work–family conflict becomes an issue that also affecting male employees. Participating in a recent large-scale work–family conflict study (Aycan and Eskin 2004) were 463 Turkish mothers and fathers in dual-earner families with pre-school children. Results revealed that both men and women allowed greater interference from work to family, rather than from family to work. However, women experienced more work-to-family conflict than did men. Interestingly, for women, spousal support was very critical in relation to work–family conflict, whereas for men, both spousal and organization support decreased the work–family conflict. This suggests that work–life balance is also an issue for males. Indeed, 80 per cent of participants in training programmes on work–family balance designed by the present author were males.

HRM practices in Turkey: current issues and trends

In this section, current HRM practices in Turkish organizations will be briefly presented. Presenting an overall picture is very difficult as there are vast variations in HRM practices among organizations. In the analysis of HRM practices in Turkey, findings

of a large-scale survey conducted by Arthur Andersen (2000) will be used. In this survey, data were obtained from 307 private-sector organizations in finance, automotive, textile, health, IT, fast-moving consumer goods, metal, mass media, durable goods and construction. Among participating organizations, 68 per cent were large (200 employees and above), 7.9 per cent were small (0–49 employees) and 23.7 per cent were medium in size (50–199 employees). Given that SMEs comprise the largest group of organizations in Turkey, Arthur Andersen's sample should not be considered as representing Turkish organizations.

Staffing

Among the participating organizations, only less than half report that they conduct HR planning. This reflects the uncertainty that is caused by the economic instability and political volatility in Turkey in recent years. The most popular recruitment channels include suggestions from employees and other acquaintances. Using social networks in recruitment and selection reflects the collectivistic nature of the culture (see Aycan 2005). Another reflection of collectivism is the heavy reliance on one-on-one interviews as the most frequently used method of selection (almost 90 per cent of organizations). Only a small portion of organizations use objective and standard tests (cognitive ability tests or personality inventories) in employee selection. Interviews are unstructured and heavily influenced by the interviewer's subjective evaluation and personal intuition. The few popular objective tests are used without proper adaptation and standardization procedures. Because the norms were not established for Turkey, interpretation of scores is based on non-Turkish data. There are a few good exceptions such as the adaptation of the Five Factor Personality Inventory to Turkish (Gulgoz 2002).

Among the most required competencies from job candidates are initiative and taking responsibility teamwork, conscientiousness and customer-orientation, whereas risk-taking, proactivity, entrepreneurial orientation and performance-orientedness are down the list and become important competencies only for managerial jobs. Finally, as a method of reducing employee turnover and increasing organizational commitment, 82 per cent of organizations provide opportunities for personal growth and development. This is in line with the results of the nationwide study conducted by Aycan and Fikret-Paşa (2003) showing that opportunities for personal growth and development are the most important motivators for the young workforce.

Performance evaluation

Performance evaluation is one of the most challenging HRM functions in Turkish organizations. There are mainly three reasons for that. First, although 72 per cent of companies report to have a performance-evaluation system with a standard evaluation form, it is difficult to obtain a bias-free appraisal. This is mainly because of the nature

and measurement of performance criteria. One-third of the organizations report that they evaluate performance on the basis of competencies. However, because criteria are not properly explained and operationalized in behavioral terms, the interpretation and evaluation may be highly subjective and biased. Evaluators do not receive training to sensitize them to the possible biases in performance evaluations.

Another problem is related to the evaluation process. As would be expected in a high power-distance culture, the majority of organizations conduct performance evaluations as a top-down process whereby subordinates are evaluated by their superiors only (80 per cent). Organizations who attempted to adopt the 360-degree performance-evaluation system got frustrating results, because employees find it very difficult to evaluate their superiors and colleagues. Especially, the latter method is perceived to be against the collectivistic norms of maintaining group harmony. Moreover, self-assessment did not yield reliable outcomes as people tend to rate themselves lower than the ratings they receive from their supervisors and peers in collectivist cultures. This is referred to as 'modesty bias' (Yu and Murphy 1993). Finally, giving and receiving performance feedback is a real challenge in cultures where people take criticism as personal attacks and get emotional about it (cf. Aycan, in press). This may be why 11 per cent of organizations in Turkey do not show the evaluation results to employees (note that this percentage is higher in public sector organizations).

Reward and compensation

Two-thirds of the organizations reported that they had a system to ensure performance–reward contingency. Performance-based reward allocation is administered mainly for white-collar employees (60 per cent) compared to blue-collar employees (27 per cent). The most frequently administered rewards include bonuses and salary increases. Rewards that single out high performers, such as selecting the 'employee of the month' or presenting plaques for superior performance are not preferred, because it is believed that this will hurt other employees' feeling and disturb group harmony.

Less than half of the organizations conduct performance evaluations and only one-third of them use it in determining salaries. At the entry level, the initial salary is usually determined through negotiations. Usually what is being 'evaluated' is not the job but the individual. Therefore, it may not be surprising to see significant salary differences among employees in the same job family. The most important factor determining the level of salary increase has been the inflation rate. Next comes individual performance and tenure in the company. Close to 10 per cent of organizations reported 'networking' (i.e., good interpersonal relations with supervisors) as an influential factor in determining salary increases.

Other benefits and allowances for white-collar managerial employees include cafeteria benefits (93 per cent), health insurance (71 per cent), company car (86 per cent), mobile phone (69 per cent) and petrol for commuting employees (77 per cent). The benefits and

allowances for white-collar non-managerial and blue-collar employees reflect paternalism in society: cafeteria benefits (95 per cent), health insurance (55 per cent), monetary gifts for religious holidays (42 per cent), fuel or firewood for heating (41 per cent) and contributions to children's educational expenses (29 per cent).

Training and development

Training and development are among the most important functions of HRM departments in Turkey. The hours of training received per person varies from one sector to another. For instance, in finance organizations, it is as high as forty-two hours, whereas in the construction industry it is fourteen hours on average. Training and development opportunities are among the most motivating factors for the young workforce (Aycan and Fikret-Paşa 2003). Also, organizations complain about the fact that university graduates are not well equipped with the necessary knowledge, skills and abilities that are required in the business world. Therefore, organizations try to fill this void by in-house training. Finally, organizations use training as a way to increase organizational commitment and job satisfaction. Some organizations consider costly training (overseas training or MBA studies) as a way of rewarding successful or loyal employees.

Half of the organizations have a separate training department and two-thirds have a separate budget for training. Need assessment is conducted via employee surveys (39 per cent), face-to-face interviews with employees (29 per cent) or on the basis of performance evaluation (21 per cent). Training content and design are determined mostly by employees' supervisors (33 per cent) and employee surveys (27 per cent). The most frequently used training methods include on-the-job training, seminars, computer-mediated training and outdoor training. The most popular training topics include effective teamwork and communication, leadership and project management.

One of the major challenges in training and development is the evaluation of training effectiveness. In evaluating the trainees, there is a heavy reliance on the evaluation of the trainer (82 per cent), whereas 44 per cent of organizations administer tests before and after the training. In evaluating the training, 'happy sheets' are the most frequently used method. Participants whose promotion depends on the completion of a number of training programmes are usually 'happier' about the training compared to those who are sent to training programmes due to inadequate performance. Many companies would like to see the evidence of a return on their investment, but this is difficult, particularly in 'soft training' such as leadership, communication and teamwork.

Career management and planning

Slightly more than half of the organizations (58 per cent) report that they have career-management systems in place and that these are linked to the performance-evaluation system (85 per cent). In 71 per cent of the organizations, career-planning systems fulfil

the replacement needs within the organization. Promotion is contingent upon the level of performance (72 per cent), completion of required training (70 per cent), fulfilment of required service years in a particular position (44 per cent) and competency (31 per cent). Even so, 14 per cent of organizations do not inform their employees about the criteria for promotion.

Current challenges and future directions for HRM in Turkey

HRM in Turkey is a 'developing field' in a 'developing country'. This combination has advantages as well as disadvantages. Because it is a newly emerging field, there is growing interest in the field in the public. The process of EU integration and the new labour law have stimulated the demand for more efficient HRM systems. On the other hand, despite the high demand, there is still not sufficient know-how and expertise to guide practice. In this last section, I would like to outline the key challenges facing HRM and discuss about the possible scenarios of the future of HRM in Turkey.

HRM as a field in Turkey is expected to have a bright future. As indicated in previous sections, the new labour law and integration with EU will help HRM to transform from being a unit that practises basic personnel functions to becoming a strategic partner that contributes to the organizational bottom line. HRM has much to offer to Turkish organizations. Given that the majority of Turkish organizations are family-owned SMEs, transformation of such organizations towards being more professional and institutional can be achieved with the help of well-functioning HRM departments. Ethics and corporate governance are critical issues in this transformation. Corruption is one of the major problems in Turkish organizations. Disagreements concerning the Government's anti-corruption policies played a big role in the financial crisis that erupted in 2001. Although in the past year some progress has been achieved in adopting anti-corruption measures, surveys continue to indicate that corruption remains a very serious problem in Turkey (Commission of the European Communities 2004a). EU integration requires the development of a strong code of ethics in both the public and private sectors. HRM departments could and should contribute to the development and deployment of codes of ethics.

The mandate of HRM in Turkey is to play a strategic role in transforming organizations. However, the challenge is to convince the top management about it. The first thing to do is to prove the added value of the services and practices that HR departments provide. The HR departments must be employed by specialists who receive appropriate HR training. The skills and competencies of the current HR specialists must be updated. The majority of the HR professionals do not have the necessary know-how, nor is there enough research output to guide practices. In the absence of expertise, organizations turn to underqualified consultants and/or other local and international organizations for benchmarking purposes. The result is the creation of partially effective HRM systems and a loss of trust in HRM departments.

To leverage HRM for organizational improvement also requires that practices are based on sound research. In a rapidly developing economy, organizations look for urgent solutions and quick fixes to personnel problems. They do not want to 'waste' time on research that can provide better and more tailor-made solutions to HRM problems. Instead, many organizations attempt to implement the US-based HRM practices without considering whether or not they would fit the cultural context (Wasti 1998). Terpstra and Rozell (1997) conducted a study on the attitudes of practitioners in HRM towards information on academic research. Resistance to collaborate with scientists and use scientifically based knowledge in practice were due mainly to three reasons: time constraints, budgetary constraints and organizational size. Such negative attitudes are also evident in Turkish organizations for similar reasons. Organizations prefer to use the services of ill-equipped consultants. According to an unoffical account, there are more than 1,000 HR consulting firms in Turkey, while there are few academicians conducting research in the field and only eight graduate programmes offering Master's degrees in HRM or related fields (e.g., Organizational Behaviour or Industrial/Organizational Psychology).

The large-scale downsizing after the 2001 economic crisis resulted in the erosion of trust and the loss of credibility for HRM departments in Turkey. There is an urgent need to reinstate trust towards HRM departments. Research shows a positive correlation between efficient HRM practices and trust towards organizations (see, for example, Tzafrir et al. 2004). One way of achieving this is to ensure the fit between social contracts in an organizational (i.e., employee expectations) and HRM practices (see Aycan and Kabasakal, in press). The continuing structural changes for EU accession requires that there is further downsizing, especially in the public-sector organizations. This must be done with the utmost care and competence, and HRM departments will play a crucial role in this process.

HR-related decisions and practices must be fair and just; unethical practices must be eliminated. There are violations of ethics in HRM practices in Turkey. For example, equal-employment opportunity is not always observed. There is a pervasive problem of favouritism and nepotism in recruitment and selection. Given the increased unemployment rate, organizations receive thousands of job applications every day. To make a selection is a serious challenge for HR departments. Applicants who have no social networks helping them to find a job stand little chance of finding employment despite their high credentials. The questions in the job application forms have the potential to create discrimination and violate the rule of equal-employment opportunity. The questions are elusive and include, for example, names and employment situation of the mother and the father of the applicant, marital status of the applicant, number of siblings of the applicant, membership of associations, applicant's property ownership (e.g., house, car) and so on. These questions aim at assessing the socio-economic background of the applicant, which is one of the key criteria for selection. Like many other developing countries, Turkey suffers from unequal income distribution (gini coefficient, showing the level of equality in income distribution, for Turkey is around 0.50) and access to good-quality education. Therefore, the socio-economic status of the

applicant (the education and income level of the parents) largely determines the way he or she is socialized, and this, in turn, becomes a critical factor in evaluating the possible fit of the person to the organizational culture of the private sector, especially in the Westernized urban cities like Istanbul and Izmir.

There is no system to monitor the compliance of HRM practices with law and ethics. It is very difficult to make a court case in incidences of differential treatment in recruitment, selection or promotion. In some cases, people have to apply to the European Human Rights Commission with their complaint of discrimination in employment. Other examples include the long working hours without extra compensation. Disability employment or day-care services are enforced by law, but many organizations do not comply with this. On social policy and employment, progress has been made in areas particularly concerning health and safety at work. The main problem areas remain gender equality, labour law, discrimination and social dialogue. Enforcement and full implementation of the legislation remain to be major challenges.

Another challenge facing HRM professionals is to follow the global trends in the field, while at the same time trying to form the basic HRM systems. The levels of development in the field in Turkey and in industrialized Western countries (mainly US) are very different. For instance, without having an established employee-selection system, HR departments are asked to create an expatriate selection system. Similarly, in some cases where there is no performance-evaluation system, HR departments are asked to implement 360-degree appraisals. Students of HRM use US books and get acquainted with US trends. However, they cannot transfer what they learn in class to real-life situations. Because cross-cultural applicability of North American HRM practices are in question, multinational corporations in Turkey must establish a global–local balance in their HRM practices.

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Useful web sites

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Economic crisis: http://www.belgenet.com/eko/21subat01.html, Organizational statistics.
http://www.belgenet.com/secim/3kasim.html, Current government.
http://www.die.gov.tr/english/SONIST/, State Institute of Statistics.
http://www.die.gov.tr/english/SONIST/ISGUCU/160704/S1.htm, Workforce statistics.
http://www.die.gov.tr/ieyd/troecd/page8.html, Inflation statistics.
http://www.die.gov.tr/ieyd/troecd/page9.html, Unemployment statistics.
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10 Human resource management in Israel

YEHUDA BARUCH, ILAN MESHOULAM
AND SHAY TZAFRIR

Introduction

Geographically, Israel is located in the Middle East, with deep roots in the region. However, it has unique political, social, economic, religious, and cultural characteristics that distinguish it from its various neighboring countries. Culture, religion, political system, and (lack of) natural resources are perhaps the most prominent factors reflected in the Israeli managerial system. The dominant national culture of Israel is close to Western societies along several key points. For example, the education system, the welfare state and, most importantly, the ethical values reflect modern, Western philosophies. A second point deals with the issue of religion. While the vast majority of Middle Eastern populations are Muslims, Israel is a state established for the Jews, and they form more than 80 percent of the population. Another critical point involves the political system. Israel is operating by a democratic system, with relatively frequent shifts of power, subject to voters' choice. Finally, as for natural resources, there is no oil, mining, gold, or steel – apart from some chemicals and minerals of the Dead Sea, and this means that any economic benefit must stem from the human factor.

All of the above demonstrate some of the uniqueness of the general environment of Israel. Looking at the impact of this uniqueness on the organizational environment, we can understand how human capital becomes increasingly important for organizational life cycles in Israel. We will consider the human factor, coupled with a number of challenges and, subsequently, the crucial role of human resource management (HRM) in management. It is yet a struggle to move from this rhetorical truism to realities of practical management.

Israeli socio-economic and political background

Israel was established as a democracy in 1948 after being under the British rule of the area (the Mandate). The creation of the state of Israel, following the Holocaust,[1] was

characterized by fast growth as well as by continual wars with neighboring Arab nations. The pioneering generation was led by strong socialist ideology and was helped by the Histadrut or General Federation of Labor (GFL). Therefore, socialism was the leading socio-economic approach during the first decades of Israel's existence. This approach created strong cohesion in the country and helped to cope with enormous difficulties such as security (which remains an issue through to the present), and heterogeneity of population (Lecker and Shachmurove 1999) caused by numerous waves of mass immigration. These account for most of the population growth: when established, the population was 600,000; by 2003 it had increased more than tenfold to 6,689,700 (Central Bureau of Statistics 2004). The 1990s witnessed massive waves of immigration of around 1 million people, mainly from the former Soviet Union.

A different difficulty is the unique nature of the Israeli industrial-relations system. A powerful GFL and waves of immigration, with only 54 percent of the possible effective people working in the civilian labour market (Central Bureau of Statistics 2004) combined with a significant reduction in union membership changed the power and ideology of actors in the industrial relations system. Not surprisingly, Haberfeld (1995) mentioned that until the mid-1980s the Israeli industrial-relations system could be described as having been highly corporatist in nature. As the years have gone by, with changes in both local and global circumstances as well as in the leadership of the political system (a dramatic change took place in 1977 when the ruling Labor Party was thrown out of power for the first time and the Likud took over), Israeli ideology has changed and followed the American capitalistic model (Sagie and Weisberg 2001).

Historical development

Very little empirical data is available for use as background material for the discussion of the historical development of HRM/human resources development (HRD) in Israel. In Israel, as in most countries, various changes in business needs and demands influenced the development of the HR profession. These changes were shaped, on one hand, by the surrounding economic and political forces and, on the other, by the country's values and cultural uniqueness. Two such eras of vast change in business needs and demands and their impact on the development of the HR profession will be discussed here. The first era, from 1948 to the late 1970s, is the era of infrastructure development and industrial growth, whereas the second, from the 1980s until now, is the era of globalization and the impact of high-technology industry.

First era: from the establishment of the State of Israel (1948) to the 1970s

The civilian labor force in Israel grew from 631,200 in 1955 to 1,001,400 in 1970 (Statistical Abstract of Israel 1960, 1970), a growth rate of 158.6 percent over that period. During this time, the economy grew at a rapid rate of 10 percent per year, until the

worldwide economic recession in the late 1970s (Harpaz and Meshoulam 1993). Several internal and external forces characterized this period, highly influencing the HR profession and activities.

The immigration movement

The first external major force was a fast-growing immigration movement during the 1950s, bringing people from all over the world to settle in Israel. Israel, from the beginning of the 1950s to 1970s developed a large welfare system, which achieved nationwide agreement (Doron 1999). In addition, the country and the business community faced major challenges in assimilation, employment (along with unemployment), training and education of people with significant cultural differences. Absorption, assimilation and training were some of the major roles of the personnel departments or, as they were called at the time, the administration departments.

Government investment in infrastructure

The growing population made it necessary to construct roads and buildings, to install electrical and telephone networks and to invest in transportation and military products (Svirski 2001). The Government's approach to this challenge was to play a major role in the welfare and health service system (Doron 1999) as well as ownership and management of the large infrastructure organizations, such as the telephone company, the national airlines and the train network, and to encourage a very centralized market while discouraging private industry. These organizations were characterized by the classic internal labor management strategy – emphasizing formal and contractual relationships, bureaucratic organizational structures, narrow job designs, paternalism and long-term commitment, heavily unionized and seniority-based pay, job-related training, and an internal focus (Baron and Kreps 2000).

The "Histadrut" organization

The "Histadrut" organization (the GFL) represented more than 80 percent of all salaried workers in Israel (Rosenstein 1984). It was the only labor association in the country and was also one of the larger employers in Israel (through its holding company, Chevrat Ha-Ovdim), employing 18 percent of the Israeli workforce. In the 1970s, its organizational arm, the trade-union department, consisted of approximately forty national unions, including both blue- and white-collar workers (Bartal 1978). The Histadrut owned the largest steel, chemical and construction industries in the country as well as many other basic industries. This follows a unique situation, dating back to the early twentieth century, where the union was the major Jewish organization in what was then Palestine under British mandate. The union established and owned a significant share of

the industry and services (note the contradiction: the trade union is owner and employer of the employees *and* represents them). The strength of the union also meant that sometimes a typical way of defusing militant trade-union activists was to lure them into the position of HR director – an incorporation policy. Such policy is power-oriented rather than professionally oriented, reflecting the strong power position of HR in Israel.

As a large employer and the sole union organization, the Histadrut had a tremendous influence on the HRM function. Labor relations were a major HR activity, dictated mainly by a very strong union and supported by legislation and regulations. One example is the unified employment contract that was adopted by the union and legally extended to other unionized organizations. The internal labor strategy, as described above, was the main theme in personnel management until the late 1970s, when new organizational models and major environmental changes took place.

In addition to the public sector, representing approximately 32 percent of the workforce (the Histadrut represented 18 percent), there was a private sector that encompassed 70 percent of all factory workers, a very high percentage of which were unionized (Shirom 1983). The impact of such a structure on the role of the HR function within the organization was tremendous. Very few of the HR leaders were educated professionals; many were the "product" of union activists and administrators. The availability of higher-education institutions in which the profession could be studied was very limited, and the demand for professionally educated managers was mainly for industrial relations.

Second era: from the late 1970s to now

Since the 1970s, major environmental changes have caused shifts and transformations in Israel's economy and a modernization of its industrial system. Five primary changes influenced this transformation: the Yom Kippur war, inflation, globalization, changes in the work force, and legislation.

The Yom Kippur war and world economic recession

The pressures of the war and the recession considerably slowed Israel's economic growth from an average growth of 10 percent in the years 1948–73 to 3.2 percent in 1980, and 1.2 percent in 1983 (Statistical Abstracts of Israel), forcing the country to search for new ways and solutions to ensure its ability to maintain growth. The exposure of the Israeli market to foreign competition, the reduction of currency control and the reduction of the artificial protection of local products, through means such as custom duties are just a few examples. Concomitantly, the HR function was exposed to new phenomena: On one hand, recession management, emphasizing labor issues of layoff and complex compensation management; on the other, the issue of the changing industrial environment, the introduction of multinationals and a shift to private industry, and from HRM perspective – an increase of professionalism. The new challenges posed

by the complex economical changes and especially the increasing globalization activities increased the demand for higher levels of professionalism. This was expressed in the demand for higher participation of HR people in the organizations' decision-making process, to assist in resolving complex people issues. This required HR people to increase their knowledge of the environment, both in Israel and abroad, to share data with colleagues, to lean more on research and analytical work, and more. For the first time a local HR journal was established assisting HR professionals to share knowledge, experiences, issues, and resolutions.

Inflation

Israel's inflation went from 13 percent in 1971 to 445 percent in 1983. In 1985, the Government adopted an Economic Stabilization Policy, which called for interference in the economy to an extent that was considered "reactionary" among economic theorists. A total freeze on prices of all goods and services was imposed and the linkage mechanism (linking income and cost of goods and services to the changes in the consumer price index) was suspended, reducing inflation to 19 percent in 1986 (Ministry of Foreign Affairs 2001).

This period of inflation had a tremendous impact on HR management. The change in the consumer price index forced ingenuity in compensation management and affected all aspects of people management, including motivation, payments in kind, ethics and more. HR professionals developed new expertise in dealing with inflation and its intricacies. Management grew dependant on these professionals, thus reinforcing the function's position within the organization.

Globalization and the evolution of high technology

Though the first high-tech organizations were founded in 1967–70, it was only at the beginning of the 1980s that Israel witnessed a huge upsurge in this industry. This was mainly due to the availability of a high-level technical workforce, as a result of the downsizing of technical professionals by the defense industry and the immigration of Russian scientists in the 1980s (Bank Hapoalim 2001). In the 1990s, the growth rate of Israel's high-tech export reached 13 percent, in comparison with only 4 percent for all other exports.

Changes in the work force

Since the 1970s, the country's civilian workforce has more than doubled, from 1,001,400 employees in 1971 to 2,546,000 in 2002 (Statistical Abstract of Israel 1970, 2002). As mentioned above, the immense level of immigration, mainly from the ex-Soviet

countries, have led to a substantial transformation in Israeli society. HRM faced the new challenges of assisting organizations in managing a multicultural, multi-value workforce and taking an active role in the assimilation of a "melting pot." Language, concepts, work habits and customs from different origins had to be incorporated into HRM methodology. Concomitantly, another major change took place in the workforce: Women increasingly joined the labor market – from 29.6 percent in 1970 compared to 46.5 percent in 1999 and 49.1 percent in 2003 (Statistical Abstract of Israel 2000, 2004). Gender discrimination was, and still is, a major issue in Israel. HR had to start shifting attention to deal with the issue. Women's status is still problematic: income gaps, low-status jobs and penetration of managerial ranks require further attention and commitment from HRM and management (Halperin-Kaddari 1997). In addition, while many Western societies struggle with racial discrimination, the Israeli system has a major problem with Israeli Arabs, who suffer significant level of discrimination.

Legislation

The final force that influenced the changes in HR management was new legislation. Traditionally, labor legislation in Israel followed the British industrial-relations system (collective bargaining). New legislation follows individual rights and equal opportunities. Israel's legal system promoted civil rights for years starting from 1951 with the law of women's equal rights; however, two fundamental laws were accepted by its parliament (the Knesset) in 1992 and 1994. The first was the human dignity and liberty basic law. It declares that basic human rights in Israel are based on recognition of the value of individuals, the sanctity of their lives and their freedom. The second was the freedom of occupation basic law. The law defines the right of "every citizen or inhabitant to engage in any occupation, profession or trade." Other labor-related laws were the Minimum Wage Law of 1987, the law regulating social benefits and compensation for temporary employees of 1996, the Equal Employment Opportunities Law of 1988, prohibiting discrimination by sex, age, race, and religion in hiring, selection, and promotion and the Equal Pay Law of 1996, equalizing gender discrimination in pay. Indeed the Israeli employment legislation is in line with the most developed Western legal systems.

Industrial relations

Union membership in Israel has declined substantially. Union membership was 23 percent of the wage and salary earners in 1995 and declined between 1985 and 1995 by 77 percent (ILO 1999) or by 42 percent, as reported by Shirom (1995) – a major change from the 80 percent membership of the 1970s. Harel and his colleagues (2000) summarized that "factors related to (1) the desire for a collective voice and (2) bureaucratic pressure had a significantly greater impact than previously thought on the propensity of an individual to be a union member" (2000: 482).

Role and importance of partnership

The HR function during the first era discussed here concentrated mainly on administration, recruitment, labor relations, and some aspects of skills and managerial training. The HR function held a lowly position within the organization. In many organizations it was not part of the leading management team, but reported to the financial organization or any other operational executive. The function had minimal influence on organizational business decisions and strategic direction. HR staff viewed themselves as personnel management or even as an administration office. Most HR "professionals" at that time were also ill prepared to fulfill their role. Very few had a university education or any other relevant educational background. Coupled with the domineering Israeli values, there was no pressure from management, or the system, to establish systematic HRM methodologies or a higher level of HR involvement. Improvisation did not encourage methodology, and lack of planning did not challenge HR or the organization to invest in long-term activities, measurements, or analytical emphasis. Therefore, firms were not taking serious measures to improve HR systems.

The development of high-tech industry attracted new global investors. Large multinationals, such as IBM, Intel, HP, Motorola, and many others, invested billions of dollars in the Israeli economy. These constituted a foundation for thousands of new Israeli start-ups in the technology field. The monthly magazine, *Wired*, rated Israel among the four world high-tech centers, with only the Silicon Valley rated higher. In addition, reflecting that most of the multinational firms from Europe and North America operate subsidiaries in Israel, Harel and Tzafrir (1999) concluded that the Israeli working environment is a "Maduradam" (microcosm) of the developed countries in Western Europe and North America.

The percolation of HR practices from the private to the public sector is one change in the public sector. Harel and Tzafrir (2001/2) suggested that the behavioral results of various HRM practices could be classified into five domains: acquisition, development, motivation, probity, and involvement. Studying 102 Israeli organizations from the public and the private sectors they found similarities and differences. While public firms emphasize selection and grievance procedures, private firms focused on employee growth and motivation. Nevertheless, the results suggested that the public sector is "moving" closer and closer to the private sector model by adopting the "high performance work system."

The effect of this entire process on the HR function was revolutionary. The dramatic change could be grouped into formal and informal results. The formal side was categorized into three effects. First is increasing the HR managerial position, in terms of both hierarchy and status in the organization. The second is more HR directors taking a role in the strategic decision-making process. Finally, legislation became a very importance tool in HR procedures. The informal side could be seen in the raising of informal groups of HR managers who help each other's and transform information about HR procedures. To these factors, we may add the education system, in particular

management education. All leading universities in Israel have management faculties, where HR is one of the core units. This follows the US model of the MBA as well as specific HR (and other specialized) degrees. In addition, there are a number of specific HR courses in colleges and other teaching institutions. Thus, there is a large core of highly professional HR managers in a number of organizations. This is, of course, not necessarily the norm, and other trends in appointing HR managers stem from other traditions (see below regarding trade-union impacts).

Key factors

In this section, we focus on factors that we perceived as being able to make an industry/sector change. We have identified several key factors in the general environment in Israel that are influential on the management of people and have strong impacts on HR strategy, policy, and practice. HR procedures and processes, especially those relating to change management, are listed below.

Globalization and the impact of high-tech industry

The first factor combines globalization and the evaluation of high-tech industry. The cultivation of a different approach to HR is necessitated by several different dimensions of high-tech industry (Bamberger et al. 1989), including such factors as a higher degree of uncertainty, volatility and rapid changes, adaptation of a culture of innovation, a higher turnover rate and mobility of professional employees, and a knowledge-based workforce. The function started to shift towards a more systematic approach and strategy-based form of HRM. Planning, organizational and people development, deployment, data analysis, measurable objectives, and computerized HRM systems began to emerge.

During the past three decades, Israel's high-tech market has grown dramatically (Yeheskel et al. 2001). More than 130 Israeli firms defined as high-tech industries are listed on the US stock exchange – the highest number of any nation outside North America (Lashinski 2000, Yeheskel et al. 2001). Israel has emerged as a hub for IT and telecommunications research. Electronic components, computers and communications equipment make up 25 percent of its manufacturing revenue. High-tech products accounted for half of the country's export in 2000 (or 9.2 billion dollars), according to the Israel Export Institute (Souza 2001). The Israeli high-tech market includes a large variety of firms. It is home to 1,800 R&D-based technology companies that range from homegrown startups such as Mirabilis, to high-level branches of such American technology giants as Intel, IBM, and Hewlett Packard (German 2002). The high-tech sector generated another significant contribution to management practices, including HRM: many multinational corporations (MNCs) opened subsidiaries in Israel. They applied best US practice, and in many cases became the benchmark for other organizations and industries. Therefore, dealing with the new direction of the high-tech

companies in relation to managing their HR requires HR managers in these companies to promote high-performance work practices (Tzafrir 2005, Sagie and Weisberg 2001).

The contribution of high-tech industry to Israel was not limited to its influence on the economy alone. Its uniqueness had a tremendous impact on management philosophy, methods and tools (Sagie and Weisberg 2001) and on the quality and blend of the work force (in 2002, high-tech employees constituted 36 percent of the entire industrial workforce). Further influence is on the distribution of wealth, on labor mobility, and on education (Israel has the highest rate of engineers per population – 135 per 10,000 inhabitants, compared with, for example, eighty-five in the USA) (Bank Hapoalim 2001).

Lack of natural resources

The second factor affecting change related to the lack of natural resources, which implies a high dependency on human capital: the human factor became the driving force of the Israeli economy (Bernard 1991). Such dependency implied a constant need for nourishment – that is, education. Higher education in Israel is of top quality, competing on a global scale (some studies show a considerable amount, disproportionate to its size, of research conducted by Israelis). This phenomenon was reinforced by the large highly educated migration from the former Soviet Union. From 1990 to 2000, Israel absorbed almost 20 percent of its population, new immigrants of which a large number were Russian scientists and engineers (German 2002). Another strong effect of this immigration was a boost to the Israeli economy. These phenomena as well as the economic and social crisis of the GFL (Harel et al. 2000) led the way into high investment in HR.

The industrial relations system

As explained earlier, the Israeli industrial relations system has unique historical roots. The huge decline in union membership and the resulting decrease in the union's income forced the union to sell its ownership in Hevrat Ha'Ovdim, its industrial holding company. The loss of its position as a major employer in Israel, on one hand, and the emergence of many non-unionized high-tech organizations, on the other, further reduced the union's position of power. HR's orientation changed accordingly and the emphasis shifted from industrial relations, contractual relationships and seniority-based practices to HRM and highly committed systems (Baron and Kreps 2000).

Employment legislation

The Israeli legal system is highly developed. It was built initially around the British and Ottoman legal systems and later developed in line with most Western societies. Much is being done to tackle discrimination. As in the USA, academic studies indicate the

positive impact of fighting gender discrimination (for example, Harel et al. 2003). Nevertheless, these laws are of little practical use to combat race discrimination against non-Jewish minorities (mostly Arabs). These comprise about 20 percent of the Israeli population (Central Bureau of Statistics 2004), and have lower levels of education, more unskilled jobs, and lower income (Weisberg and Meltz 1999).

Army service

The army and army service is an important factor in the general environment and has an impact on HR procedures. For example, the transition of high commander from the Israeli army into an HR position in civilian companies had an influence on the way of managing people (Baruch 2001). In addition, another factor that affects human capital is that a considerable share of national gross domestic product (GDP) is dedicated to the defense industry. Israel is a major developer and producer of arms – from the famous Uzi sub-machine-gun to combat aircraft and tanks – and much of the high-tech industry focuses on army and defense-related developments. From a people-management perspective, it is crucial to realize that by the age of eighteen there is compulsory armed-forces service. People are drafted for three years (almost all Jewish and some Christian males, and approximately half of the females – the latter for a two-year period). Moreover, a number of people with strong leadership qualities volunteer for further service or opt to become officers, serving a further period. Finally, yet importantly, is the issue of the "reserve" that makes a major headache for HR managers. The reserved forces consume a significant share of the workforce. Most males (Jewish males, age twenty-one to forty) serve around thirty days a year on average.

Reliance on foreign work

The first wave of Jewish settlers who came to Palestine had work ideology and a work-based philosophy. Physical work was considered a privilege and honor. This came to "rectify" a nation with many people in either non-productive professions, commercial activities, or simply people who merely engaged in biblical study. Later, though, the emphasis returned to associating high prestige with highly educated professions, in the Jewish "tradition" ("my son, the doctor"/"my son, the lawyer"). Regular member's jobs were left for new waves of immigrants and for minorities. Following the Six Day War in 1967, most of the low paid, manual labor jobs were delivered by Palestinians. From the 1990s on, with restriction on their work due to security problems, a significant number of foreign workers were allowed into Israel. The official figures of licensed foreign workers are at the 100,000 level, but un-official estimations of the actual total number vary between 250,000 and 400,000. Prominent examples are the import of nurses from the Philippines and construction workers from Romania and Turkey. From the HR point of view, much of it means outsourcing low-level employment on a wide scale, mostly within specific sectors such as agriculture and construction.

Communication and interpersonal style of Israeli management

Finally, managers in Israel tend to rely on personal contacts and relationships. They rely on contacts, either face to face or over the phone. The growth in sales of mobile phones confirms this, as does Lawrence's (1990) study identifying the bond between the Israeli manager and his or her phone. Within the workplace, there are very few memos or written information. This urgency and desire for immediate action does have drawbacks, however, such as pushiness and lack of tolerance, sometimes even aggression.

Present changes talking place

Understanding the changes in HR during the past five years takes us back to where we started. In the beginning, the impact of the internal labour market strategy on personnel (the administrative departments) was to encourage "maintenance" practices. The emphasis was placed on administrative aspects of people management, such as record-keeping, seniority-based promotions, procedures and regulation, termination protection at all costs, limited flexibility, and so forth. Changing the emphasis of the HR system for high-commitment work practices is due to global and local phenomena. In the global arena, organizations start to understand the importance of people to the success of the firm (Pfeffer 1994). In the local arena, continues changes in Israeli legislation (employees' protective law), as well as in the industrial relations regime and workforce such as the dramatic reduction in union membership and widespread high-educational degree status become another step toward the reinforcement of justice and equality in the workplace, helping to improve the position of HR management in the organization and to achieve a better managerial system.

In summary, from the 1990s onwards, Israel's business environment grew more complex and more diversified, with a growing dependency on the global changing environment. These changes – the growing global competition, and the shift in the blend and level of the workforce – led to both a growing level of uncertainty and a challenge for management in general, and the HR function in particular. The ability to manage those changes will determine Israel's ability to compete in the global marketplace and to maintain its recognized position in knowledge-based industries. For all of that, many of the Israeli HR functions used high performance work systems as a starting point for dealing with their human capital (Harel and Tzafrir 1999). Not surprisingly, the difference between public and private sectors in the HR system is not as high as expected. As Harel and Tzafrir (2001/2: 345) noted, "awareness of the strategic role of human resource practices has finally penetrated to the public organizations."

A different change, not large in its span but still of interest, is the issue of HR in the kibbutzim. The kibbutzim were a leading movement founded on a socialist ideology in the Israeli system, but in recent years lost their popularity and are in a deep economical crisis defeated by capitalism (Simon and Ingram 2003, 2004). One of the subjects that characterized the HR system in the kibbutzim was its collaborative, equality-based

system of promotion, demotion, and moves of Kibbutz members into key-holder positions. The kibbutzim made a separation between the kibbutz and the assets it owned. The kibbutzim moved to employ an external workforce on a large scale in the years preceding the decline in its power. While there are employment relationships between the organization and the external workforce, there was not this relationship between the organization and the kibbutz members who worked there. Because of the inherent conflict between kibbutz members who own the plan and external employees working in the same plant (Netzer 2002), HR management was a major problem in the system, and this was perhaps one of the reasons associated with the ongoing crisis of the movement.

Key steps

Key steps for public- and private-sector Israeli HR can be distinguished along three dimensions. One important step for the Israeli public sector is the Kowersky Commission "which was charged with investigating public-sector procedures and HRM practices for the purpose of recommending the necessary changes needed for advancing efficiency and effectiveness of the public service" (Harel and Tzafrir 2001/2: 346). Some of these recommendations, including decentralization, have already been implemented in the late 1990s.

The second key aspect is the exposure to a global environment, and the introduction of large global organizations benefited from innovative managerial demands, methodologies, and practices to HRM. The new demand for professionalism in the field created a new generation of educated, professional HR managers. The same demands also had an impact on the more conventional industrial and service organizations for the private sector.

The third key aspect is labor legislation. For example, one of the results of legislation has been a decline in union membership. The industrial relations system in Israel was previously characterized by a very high level of unionism (over 80 percent), with one large union (the GFL) having overall responsibility for representation and conducting collective bargaining. After separating the relationship between union membership and health insurance, union membership declined enormously (to about 25 percent in 2005). Continuing with labor legislation, the Israeli parliament (the "Knesset") paved the way from the mid-1990s for decreasing inequity between genders, as well as to ensure occupational freedom. In addition, the "Knesset" enacted a law against sexual harassment.

Scenario

Management style, culture, and values still affect the Israeli business environment. Management awareness of the HR function, role, abilities, and impact on behavior, will determine, to a large extent, HR practices and their contribution to the organization's competitive advantage (Meshoulam 2001). Aharoni (1985), in his discussion of the

typical Israeli management style, identified four main characteristics of Israeli organizations:

First, most firms are relatively small; as a result, most organizations emphasize informality in their operations, open relationships and little power distance between managers and subordinates. Second, many of the political, social and economic systems run on an informal basis, requiring that managers show a high level of personal involvement, are constantly up to date on current changes, and deal frequently with crises – making it difficult to decentralize authority. Third, due to the country's political, social, and economic environment, there is high dependency on foreign elements outside the borders of the country, there are relatively frequent changes in regulations and laws, and there is a lack of emphasis placed on systematic planning: long-range planning is not valued and is extremely difficult to implement. As a result, managers and workers developed methods and skills to bypass this limitation, mainly by adapting a culture of improvisation and ingenuity. Fourth, the lack of emphasis on systematization and processes encourages a culture of "count on me," a culture in which a successful manager is one you may depend upon to solve a problem.

Ethical issues

The ethical issues stem from a combination of conflicting elements in the Israeli system. For example, there is a high value placed on the human being and the need to act from a high moral ground, as implied from biblical teaching. The value system for Israeli management (and hence HRM) is characterized by a number of factors. Managers in Israel tend to do things themselves, a method Lawrence has called MBWA (management by walking about). Lawrence also pointed out that "the Israeli manager is always happier doing something than thinking about what might be done" (1990: 66). Later he added MBM, or management by miracles. These tendencies may be associated with less inclination to follow rules and comply with HRM systems. The typical Israeli manager is direct, innovative, a hard worker, active, and possesses the ability to improvise to reach targets. According to Hofstede (1980), Israeli culture is very low in power distance, leans slightly more towards individualism than collectivism (in the earlier days of Israel it was more collectivist, but the shift towards individualistic society is stronger now than ever), falls centrally between masculinity and femininity, and scores moderately high for uncertainty avoidance. These norms are well reflected in Krau's (1993) study on the value system of the Israeli manager. The most prominent value was the need to achieve. Israeli managers are highly motivated and actively seek promotion. There is also a high need for control. Managers look for individual success and use the organization as a vehicle to achieve it. Krau believed this explains the lack of planning among Israeli managers: They do not plan, they improvise.

Meshoulam (1993), in an article comparing Israeli work values and culture with those of the USA, summarized Israel's main work characteristics: from a systemic point of view, there is little regard for formal authority, reliance on improvisations to resolve

issues, lack of discipline, management by argument and confrontation, emphasis on teamwork, and an informal style reflected in relationships, language, and dress codes. Yet, the system, especially in large and traditional industries, is not free of status symbols. From a behavioral point of view, strong involvement and a sense of belonging, collective responsibility, constructive criticism and openness, along with a lack of privacy and secrecy, characterizes the Israeli managerial style.

What are the key challenges facing HRM in Israel?

Israel is not unique among modern societies in coping with major changes and adjusting to new environmental pressures. Globalization, a technology-domineered environment, new work phenomena such as knowledge employees, work from home, change management and more, are all an integral part of new organizations. These changes require the HRM profession to develop new tools and methods to deal with the new emerging problems.

In the past decade, many researchers and practitioners have expressed an increasing concern about the function's ability to add real value to the organization in its struggle to survive growing environmental demands (Stewart 1996, Pfeffer 1998, Ulrich 1999, Meshoulam 2001). From this point of view, Israel faces challenges similar to those faced by most technologically and globally based societies. The following is a discussion of three major HR challenges that we believe to be major obstacles to the function's ability to grow, develop, and become an equal partner to management.

In a comparative research done on management and employees' perception of the power maintained by the HR department in comparison with other organizational functions (such as finance, marketing, research and development, etc.) the HR department was last in line in both high-tech and conventional organizations (Harpaz and Meshoulam 1997). The low view of the influence of HR on the organization can be largely attributed to three main issues, and these are also the three main challenges facing professional HRM in Israel.

The first challenge is to strive to become an equal business partner. In many cases, HRM professionals are not perceived to understand the core business of the organization. They do not speak the organizational language. A major challenge facing the HR professionals is to train them to understand the real business issues and to link human behavior aspects to those issues. Research conducted by the (American) Society for HRM (SHRM), exploring the background of HR practitioners in twenty-three countries found that Israel scored very low on the issue of body of knowledge. The research measured "whether HR has an officially recognized body of knowledge and is considered a business discipline." On a scale of 0–3.5 Israel scored 2.59, lower than the average of 2.98 and higher only than Thailand and Chile (SHRM 2004). This will require Israeli HR to develop a deeper understanding of the core technology of their business, to develop the ability to read and deal with financials, to understand, observe and experience the reality of sales pressures in the field, and to grasp the issues facing R&D experts under pressure to

deliver better time-to-market products. In many organizations, the HRM position within the organization is still debatable. Should it report to the CEO? Be a member of the executive forum? Report to the CFO or another executive function? Should the function be a partner to major leading organizational processes, such as strategic formulation, merger and acquisitions, or penetration of a new country? Alternatively, should HR function only as administrative support for those decisions?

In many Israeli organizations the HRM role is still of an administrative nature. In far too many organizations, they do not report to the strategic apex of the organization and do not even debate the issue. Only by constantly challenging management, while developing high professional standards and business related skills, can HR gain the organization's acceptance and increase its influence.

The second challenge is management awareness, namely management (with an emphasis on executives) knowledge, comprehension, and understanding of the HR function and role and actual utilization of HRM professional knowledge as a resource in advancing organizational objectives. Traditionally, in Israel, management awareness of HR's contribution to the success of the organization has been relatively low. The reason may lie in the lack of a management tradition. Management education is relatively new in Israel. The country's managerial tradition was based on military traditions, where HRM was far behind modern organizations.

In the past two decades, as a result of multinational penetration, the emergence of high-tech industry and the tremendous growth in management studies and MBA schools, there is a growing awareness of HRM's contribution. Yet there is still a long way to go. In many organizations HRM is perceived as an administrative function, a function with the sole purpose of "keeping the peace" with the union, or of being an executer for a portfolio of "people programs." Management, for some reason, does not place on HRM the same demands it naturally requires from other organizational functions, such as clear deliverables and measurable results. Management does not utilize HRM expertise in change management, relationship management, values system, consultant expertise, and more. To a certain degree, the Israeli system has been promoting a "self-fulfillment" approach to HRM. If its role is administrative, than administration is the main characteristic required of HRM professionals, resulting in an administratively oriented HRM.

Breaking this vicious cycle is a major challenge for HRM professionals, management, and the educational system. There is no doubt that a huge leap towards strategic and systematic HRM has occurred since the 1980s. Yet, in order to enable Israel to compete and survive the new requirements posed by a rapidly changing environment, this direction must be maintained, addressed, and constantly challenged.

The third challenge is establishing a strong professional identity. A few basic principles define professionalism: the existence of a systematic theoretical base, recognition of expert, professional authority by the clients, the existence of a relevant professional community, a code of ethics that defines the expected behavior of the professionals

toward their colleagues, clients and the community in general and formal and informal development of professional culture (Meshoulam 1989).

It is fair to conclude that the level of HR professionalism in Israel is still growing and developing, and as of yet there are several serious gaps between the country and the Western world.

Most research universities and colleges offer advanced degrees in HR and related subjects (MBA, behavioral sciences, or labor studies). Some new programs have been developed in supportive subfunctions, such as organizational development, industrial relations, third-party interventions, and consulting. As a result, a very high percentage of HRM practitioners hold relevant university degrees. A recent survey conducted in 194 organizations in Israel showed that 80 percent of the participants had a university degree (Cranet 2001). However, some basic professional characteristics are still missing. There is a little collaboration between industry and the academic world, and inside the academic world itself, when it comes to HRM.

The number of professional journals in Israel is very limited. There exists only one journal devoted to HRM, providing a platform for issues of professional development, and its content is heavily practitioner-oriented.

The Israeli HRM professional association has existed for the past thirty years, but attracts only a few hundred professional members. Neither professional accreditation nor a code of ethics exists. The profession has not succeeded in promoting sub-functional professional groups, except for training and development. Therefore, compensation, placement, labor relations, etc., are not recognized as independent professions, nor are they supported by their own associations, publications, or any other professional activities.

Another sign of professionalism is the development of formal and informal networks. Only recently have informal networks and discussion groups, sharing common professional interests, begun to emerge. This is a sign of a growing need for professional identification.

In 2004/5, a new attempt has been made to form a professional association, and has already attracted over 600 professionals. This newly formed association, the Israeli Association for HRM Development, together with all HRM professionals, faces the challenge of creating a professional culture in Israel. It needs to be a culture that will promote strong networking, domestically and internationally, between various stakeholders in the profession, a network that will encourage collaboration between industry and the academic world, within the academic world itself, and between the industry and the third sector in HRM-related subjects.

Accomplishing this challenge will enable HRM to overcome the two additional challenges we discussed earlier, elevating management awareness and the acceptance of HRM as equal partners in business.

What is likely to happen in the coming five years?

Human capital remains the main promise as well as the biggest asset of the Israeli economy. Dealing with HR, the main core asset of Israeli business, requires careful and accurate practices. "High-performance work practices" become a key issue in the organization. Therefore, we believe that HR issues will continue to be at the focus of future developments in Israel. Nevertheless, the importance of HR issues spread beyond organizational, professional, and occupational issues. It is also about the economic and international environments. While in most of the developed countries economic stability is a part the environment, Israel needs to consider their rival and the peace process in its economic future. For that reason we base our forecast on economic stability within the wider context of political and national issues.

A peacetime economy will open for Israel new horizons in relation to the HR function. We believe that three main developments are possible. First is the growth in population in the region. Peace will open to Israel the Arab market, bringing with it larger demands, and therefore will increase the need for larger and better-managed organizations. The country will face, on one hand, growing internal new competition, and, on the other hand, new opportunities to supply the demand through mass production plants that are rare today. Second, the larger workforce will create additional pressure for new jobs. New problems, such as labor legislation, labor mobility, work permits, and more will be only some of the issues within, which HRM must deal. Third, a peacetime economy will also bring with it an increased stream of investors, especially into the Israeli core industry, the high-tech sector, into newly developed biological and biochemistry industries, and new technological developments such as nano technology. Those changes will further require greater professionalism and focused HRM that have started in the past two decades. More "commitment orientation" organizations, teamwork emphasis, cultural focused systems coupled with higher exposure to competition and turbulences will characterize this possible new scenario. Strategic approaches to HRM will replace traditional approaches and drive a new HRM partnership for HR systems.

Note

1. The Holocaust, when 6 million Jews, mainly in Europe, were exterminated by the Nazis, is considered a major factor in the global support manifested in the UN decision in 1947 to establish a Jewish state in Israel (alongside an Arab state).

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Useful web sites

http://www.btl.gov.il/English/eng_index.asp, National Insurance Institute of Israel.
http://www.cbs.gov.il/engindex.htm, Central Bureau of Statistics.
http://www.chamber.org.il/english/, Federation of Israeli Chambers of Commerce.
http://www.industry.org.il/Eng/, Manufactures Association of Israel.

Apart from all these web sites, there are a number of important Hebrew based web pages such as:
http://www.hamil.org.il, The Israel Management Center.
http://www.histadrut.org.il/serve/homepage.asp, Histadrut (Labor Union).
http://www.hrisrael.co.il/amuta/, Israeli Association for HRM development.
http://www.ishrm.org.il/, Israeli Association for research developing and manage HR.
http://www.leadersnet.co.il, LeadersNet.

Human resource management in Egypt

TAREK HATEM

Introduction

In today's ever-changing business environment, companies increasingly think of ways to more effectively manage their human resources (HR) as a key to building competitiveness. Recognition of HR as creators of high-performing organizations influences firms to integrate management of their human capital within the overall management processes and consistently to make efforts to win competitive advantage by strategically developing a highly dedicated and qualified labour force through employing a blend of cultural, institutional as well as industry-specific techniques. This chapter provides a detailed examination of HR activities in Egypt. It starts with an overview of the political, economic, and social circumstances that influence human resources management (HRM) in the country, and briefly describes the historical development of HRM and the factors determining it. This chapter also examines some governmental and non-governmental HRM development efforts, ethical issues and challenges to HR activities in Egypt.

Egypt's profile

Political

Politically, Egypt has amended a democratic system ever since the 1980s where it outlined the political system to be divided into three authorities: the executive authority, the judiciary authority and the legislative authority. The executive authority is put in the hands of the president, who is accountable for formulating and supervising the execution of the country's policy. The executive authority also comprises the government, which consists of the ministers who are supervised by the prime minister. The judiciary power is vested in the High Constitutional Court, the Supreme Court and the State Council. The People's Assembly, or the parliament, dominates the legislative authority, the role of

which is to approve the cabinet's policy, newly formulated laws, annual budget and plans for development. The Shura Council acts as a consultant body, which, in addition to offering advice and consultations, advocates new laws and regulations to the People's Assembly (AmCham Egypt 2004, MOFT 2003a, UNDP 2003a: 1). Fourteen active political parties comprise the political structure in Egypt with the National Democratic Party maintaining the bulk of seats in the People's Assembly. Administratively, the country consists of twenty-six governorates, each of which is led by a governor who is assigned by the president (UNDP 2003a: 1, World Fact Book 2003).

Egypt's score of political freedom has yet been quite low. As maintained by the 1992 UNDP report of human development, personal surveillance, rule of law, absence or presence of restriction to expression, political participation and equal opportunity are five measures that measure the political autonomy of the country. In analysing human development, it has been noticed that although Egypt has progressed immensely in the area of human development within the period from 1996 to 2001 (UNDP 2003b: 1), a study measuring the political freedom in Egypt in the 1990s revealed that the country's score of political autonomy is quite low. Egypt, in fact, scored 2.37 out of a total score of 5 indicating a little consideration of human political and civil rights. The country's score of personal security was the lowest, followed by freedom of expression and participation, whereas that of equal opportunity was the highest, indicating equal-opportunity privileges among women and Copts (Al-Sayyid 1999).

Economy

Egypt's gross domestic product (GDP) (purchasing power parity) has reached 316.3 billion US dollars while its real GDP growth rate was 4.5 per cent as at 2004 (World Fact Book 2003). Real GDP per capita has increased over the period 1991–2000 from 769 US dollars to 1,417 US dollars, after which it went down to 1,036 US dollars in 2004, mainly because of the devaluation of the Egyptian pound (AmCham Egypt 2004). Growth rate for commodity exports has also risen to 6.4 billion US dollars as at December 2004 with an increase of 1.9 billion US dollars over 2003's figures, mainly due to the increase in petroleum products by 47 per cent and non-petroleum ones by 37.5 per cent.

The four main sources of national income in Egypt are tourism, remittances of Egyptians working in other countries, proceeds from the Suez Canal, and the oil and petroleum sector. According to World Bank's reports, approximately 50 per cent of the country's GDP is produced by the service sector, which also hires the bulk of the labour force (46 per cent) as compared to the agricultural sector (30.6 per cent) or the industrial sector (23.4 per cent) (AmCham Egypt 2004, The Economic Research Forum for the Arab Countries, Iran and Turkey 2002: 89, UNDP 2003a: 37; World Fact Book 2003).

Social

Egypt's population of approximately 77 million, as per July 2005 estimates, is still expected to grow to reach 100 million by 2020 (World Fact Book 2003). Approximately 96 per cent of Egypt's population resides by the Nile Valley and Delta but, lately, after improvements in infrastructure, population started spreading throughout other parts in the country (McBrierty 1999: 42–3). Recently, the Government has been putting great effort into and undertaking several reforms to combat unemployment problems, poverty, low health conditions, high illiteracy levels, low education quality and, increasing, females' access to education and participation in the political and economic life. But with limited resources, such a fast-growing population undermines the Government's efforts to upgrade the socio-economic environment. For example, despite the Government's efforts to alleviate poverty, according to the World Bank, 23 per cent of Egypt's population survives under the national poverty line, while 12 per cent of infants suffer from inadequate nutrition (UNDP 2003a). Also, according to the UNDP Human Development Index (HDI) of 2004, Egypt's rank was the 120th out of 177 countries with a HDI of 0.653. The best performer in the Arab States was Bahrain with a HDI of 0.843, while the worst performer was Djibouti with a value of 0.454. Egypt ranks forty-seventh among ninety-five developing countries with a Human Poverty Index (HPI) of 30.9 per cent. The best performer in the Arab States is Jordan with a HPI value of 7.2, whereas the worst is Iraq with a value of 42.4 (Human Development Report 2004).

Historical development in HRM/HRD in Egypt

Throughout history, and until Egypt started adopting the 'Open Door' policy in the 1970s, the Egyptian Government has generally been the main employer and job creator of the country, with the exception of some efforts in the private sector to take the lead in job creation, such as in Misr Bank's case in the 1920s and 1930s, and, afterwards when a strong private sector emerged and developed during the Second World War. After the 1952 revolution and throughout the 1960s, the Government was the major employer who, under the employment guarantee scheme, guaranteed jobs for newly graduates (Radwan 1997: 4–5). With the adoption of the Open Door policy in the 1970s, and the migration of 10–15 per cent of the Egyptian labour force to the Gulf states, the economy started improving as a result of remittances of Egyptians working in other countries as well as incoming resources from oil exports, Suez Canal proceeds and tourism, and the unemployment problem was then reduced (Radwan 1997: 5–6). In the 1990s, the private sector had the chance to take the lead in creating employment opportunities when the Government initiated the Economic Reform and Structural Readjustment Program (ERSRP), which increased the private sector's participation in the economy by transforming the ownership and management of several publicly owned enterprises into private business ones. The private sector's effectiveness, however, was hampered by several factors among which were labor protective regulations that tempted companies

to rely on capital-intensive techniques as opposed to labour-intensive production methods (ECES 1997: 28–9, Fawzy 1998: 21).

Current changes in HRM in companies

HR policies and practices vary among companies depending on their orientation, size, management, and so forth. During the 1950s and 1960s when Egypt used to adopt a socialist approach to its economy, most of the companies were state owned and were autocratically run, with a considerable gap between employers and employees. Starting in the mid-1970s, Egypt embraced an open economy and promoted privatization of enterprises. Labour laws (137/1981 and 91/1959) governing HRM during this era did not give workers the right to strike, but endowed them with virtually complete job protection. For example, workers who have over one year service with an employer could only be legally dismissed from their jobs in case of a grave commitment. Recruitment and hiring of employees of the public sector was according to set rules and procedures and promotion was seniority based. Labour laws were mainly enforced in public-sector enterprises.

In privately owned businesses, 99 per cent of which are small and medium enterprises (SMEs), this is not the case however. Recruitment is mainly based upon word of mouth, and to gain more flexibility, avoid taxes and other insurance obligations, private business employers got round restrictions of these laws by not providing their workers with employment contracts or insurance or by making them sign undated resignation letters before taking on the job. Thus, in line with the country's efforts to restructure the economy, the new Unified Labour Law 12 of 2003 was promulgated to replace the two old laws of 1959 and 1981 and to fit with the desired market economy. The new Unified Labour Law gave employers more freedom in laying off workers by compensating them and allowed workers' strikes, but under certain conditions (Freedom House 2004). Though the new law has not yet been totally incorporated in business enterprises, HR departments in many multinational companies started to incorporate personnel functions of recruitment, hiring, making contracts, disseminating wages and benefits, doing performance evaluations, adding on-the-job training and firing unproductive employees. Recruitment is based upon the candidate's qualifications and promotion is merit based. Values like transparency are now incorporated into companies' corporate visions, and employees' satisfaction is believed to produce competent employees who are more capable to improve the company's productivity and satisfy its customers. The people-oriented investment trend in multinationals operating in Egypt has not yet been applied in public enterprises or even considerably enough in the private sector. Still, the first thing that employers choose to cut is employees' training budgets. Some entrepreneurs also fear losing their employees after investing in upgrading their skills (Merzaban 2003). But despite these several differences in applying HR policies among sectors, no differences existed in hiring or firing people with different religions or genders. There are still other cultural, institutional, industry-specific, as well as

exogenous factors which have a critical impact on HRM in Egypt however. The following section, therefore, provides some of these factors in efforts to understand some other elements that influence HRM policies and practices.

Factors determining HRM in Egypt

Cultural assumptions

Understanding the way to effectively manage cultural diversities in an organization requires developing competencies both ensure a favourable organization that avoid the challenges of cultural differences and employee resentment in group work. By 'cultural competency' we mean competing in an economy where everything is global. Dealing with culturally diverse managers, employees, trainees, customers and suppliers necessitates individuals paying closer attention to developing cross-cultural competency. This includes a cultural empathy, including both on-the-job and personal styles, which are necessary to supplement managerial, communication and technical skills. That mix of skills is essential in building relationships across cultures and providing strategies for developing a high performance multicultural team. One's degree of cultural competency can lead either to the success and improved effectiveness of individuals, and greater opportunities for synergy, or can lead to restricted career opportunities, culture shock and failure, when people are unable or unwilling to recognize and appreciate other cultures' distinctiveness.

Becoming culturally aware is the first step in the process of learning intercultural skills. Egypt's culture has been shaped by many factors: its rich ancient history, a long history of colonialism, especially French and British colonialism, several wars and its strategic location. Also, the economic system had a big impact on culture during the 1950s and 1960s when Egypt adopted a socialist approach to its economy in which enterprises were state-owned and decisions were centrally taken, thereby impacting the Egyptian mentality, personality and culture. Starting in the mid-70s, Egypt adopted the open-door policy that embraced Western culture through education, joint development programmes and joint venture agreements.

In line with these developments, the Economic Reform Programme was initiated in the early 1990s to restructure the economy and to enhance liberalization, privatization and an entrepreneurial spirit. Legislation was introduced that provided incentives for private investment (domestic and foreign), opened foreign trade to private companies and eliminated most controls on worker emigration. These and other various factors contributed to the differentiation and emergence of subcultures in Egyptian society.

The following are the most distinguishable subcultures existing in the Egyptian business environment:

(a) **Government subculture**: most dominant during the 1950s and 1960s, characterized by being a very rigid and conservative culture that eased with the shift to privatization and globalization.

(b) **Family-owned subculture**: Egyptian family-owned business and merchants have long endured in the Egyptian economy. These businesses were the most resistant to Western infiltration of their identity and culture. However, the new generation's exposure to Western education eased such cultural resistance.

(c) **Emerging Westernized subculture**: is *the* subculture of Egyptian businessmen who have been exposed to Western education and who have acquired new characteristics that mix their root ethics with new management styles. They are the top managers of most joint-venture companies and have proved very successful in managing their companies in the Egyptian market.

The different subcultures emerging in the Egyptian business environment are, however, still operating within major historical Egyptian cultural traits and characteristics that are viewed and dealt with differently in other countries. Some major cultural characteristics of Egyptians are, thereby, described briefly to help understand the existing Egyptian business culture.

Egyptians are *collectivist* people, who subjugate individual interests to group interests and value group harmony, family, relationships and spirituality over efficiency. An individual's group and harmony are valued over speaking one's mind. Conformity to group standards, policies and procedures is expected. Motivation is affiliation and based on security, and relationships are more important than tasks. Managers' roles in collectivist cultures emphasize coordination and teamwork to produce a supportive working environment.

The cultural loyalty to family is transferred to the organization that employs the person and the quality of one's performance. Work habits are, however, somewhat contradictory. Whereas Egyptian social culture encourages group work and team participation, we find that individualism is an obvious trend in the Egyptian business culture. Individualism could take different shapes and could exist for various reasons, among which are lack of security and a need for power. This might include keeping technical information secure in order to gain more prestige and attention especially in government and military subcultures. Key personnel in these subcultures, who have learned to perform new techniques or complicated procedures, might hold on to this information for fear that losing the fount of knowledge to others would compromise the power edge they perceive they have in their environment.

Egyptians are a personal culture: they stress their affiliations and personal qualities. Greater value is placed on quality of life and relationships than on task accomplishment. Job satisfaction and motivation are based more on the quality of organizational life than on the promise of rewards. Spending time with other people is an activity in itself. Individuals define themselves in terms of their affiliations.

Egyptians are more expressive and readily display emotions. Affectionate body language is an acceptable form of behaviour among acquaintances. Eloquence and subtlety

of expression may be highly valued. Egyptians are formal. They value social customs and rituals, respect rules and procedures, and have a strong sense of history and tradition.

Egyptians sometimes move at their own pace according to the 'Egyptian time', which can be frustrating to Westerners. But, in general, it is common to find the word 'Inshaallah' in chatting with Egyptians implies uncertainty of meeting deadlines as promised if it is not God's will. It is, therefore, important in business agreements between Egyptians and other countries that managers learn to adjust to each other's perception of time and punctuality to prevent disappointments that are likely to arise because of misunderstandings of local time.

Egyptians are more polychronic since they tend to perform multiple tasks simultaneously with a higher commitment to relationship-building rather than to task completion or meeting deadlines, which negatively affects their group performance and competitiveness. Time is not fixed but rather an organic, flowing process, and punctuality is defined in looser terms as some delays are expected and deadlines can be adjusted. Whereas 'soon' in other countries like the USA usually means in the next few minutes, hours or days, 'soon' to an Egyptian may mean three days or even weeks, or whenever they are ready.

Nepotism is common in many Egyptian organizations. On the other hand, the Egyptian business culture is exemplified by high power distance, characterized by acceptance of a superior's opinion simply because it emanates from one's superior. For example, research findings demonstrate that because of the hierarchical structure of the Egyptian society and the Arab society in general, any change in information technology should come from top management, otherwise resistance among employees might occur.

Values and norms

Saving face is of utmost importance in the Egyptian culture. Egyptians hate to say 'No', a phenomenon that may appear to Westerners to be dishonest and lacking integrity, but is instead the result of a strong desire to preserve harmony. Establishing a harmonious business environment in a different country whose culture is different from one's own requires, thereby, mutual respect of values, beliefs and superstitions of various cultures. Examples of areas of business disputes among different cultures could be employment rules, systems, human rights, customer support, and environmental and societal responsibility, as well as political behavior in other societies.

Egyptians operate in hierarchical cultures, they promote centralized power and authority and the maintenance of tightly controlled hierarchical social and organizational structures. Managers tend to make unilateral decisions, and work does not bypass the chain of command. Inequality among hierarchical levels is accepted, and managers are expected to behave in ways that reinforce their more powerful standing. Managers' power over employees is seen as more effective than reward mechanisms.

The Egyptian culture is a high-order culture; it attempts to reduce ambiguity and uncertainty and to make events predictable and interpretable. Egyptians view conflict and change as threatening and perceive a need for rules, regulations and procedures. Members of order cultures feel stress in the face of uncertainty, resist change and are less willing to take risks. Egyptian managers, therefore, express preferential attitudes towards rules and regulations, clear-cut instructions and specifically assigned tasks.

Egyptians belong to a deductively oriented culture, which emphasizes ideas, moral values, theories, principles and abstract thinking. The conceptual world, symbolic thinking and the powers of thought, per se, are valued over the amassing of facts. The focus is on the 'Why' rather than on the 'How'.

Humour is imbedded in the Egyptian culture as a mechanism to say what might otherwise be unacceptable instead of confronting people directly. It provides a way to maintain harmony in a high-context society. As a coping mechanism, it lifts people's spirits from day-to-day harshness and relieves them from pressures. In business dealings, humour is often used to send messages and to communicate with employees. In US society, however, involving humour as a mechanism of business communications is generally considered unprofessional, and humour is typically reserved for use outside business relationships.

Therefore, different managerial concepts might cause effective or ineffective business interactions. For example, while American managers believe in employee empowerment, Egyptian subordinates expect orders from their superiors. In Egyptian dealings, business discussions are often initiated by engaging in a general chat about family or friends in addition to other informal topics. Egyptians, in general, tend to extend role models even outside their work fields. Managers' work and private life are not separate. Good managers are also concerned about other people in the family and are more likely to solve problems for their subordinates.

Much care must also be taken at face-to-face meetings between parties from different cultures who will generally hold different expectations about negotiation stages. For example, at the negotiation table, while Americans might spend from five to ten minutes in small-talk to discuss topics other than business before engaging in international business negotiations, Egyptians will spend a large time in such preliminary talk learning about their partner's background and interests to avoid problems that might develop in later stages of negotiation (Hatem and Hearn 2003). Successfully managing a diverse workplace can, therefore, be challenging without building the cultural competencies needed. Developing your cultural competency is, therefore, vital to success in organizations.

The institutional context of organizations, such as labour laws, terms and conditions of employment and labour rights assist organizations in managing their activities, protecting them from lawsuits and helping them deal with cultural-diversity problems. The following section, therefore, provides some institutional determinants of HRM in Egypt.

Institutions

Labour law of Egypt

In doing business in Egypt, all business enterprises abide by the Egyptian Labour Law 12 of 2003 which regulates all legal matters in the Egyptian labour market. The law, which, consists of 270 articles, was passed in 2003 to supersede laws 137/1981 and 91/1959 which had regulated workforce issues up to that point. The new law was issued in the hope of inviting more foreign direct investment (FDI) and participation from the private sector and regulating the relationship between employees and employers to achieve a balance between each party's rights. The Unified Labour Law provides new labour conditions, attends to individual and groups' business relations, training and professional guidance, security and health of employees and the work environment in general and, finally, work check-up and endorsements (Merzaban 2003, MOFT 2003b). Of the most significant issues dealt with in the new law was the employer's right to terminate the contracts of employees who are unproductive. Economic reasons could also be a suitable condition under which such an act could be fulfilled. It also gives workers the right to strike peacefully and attends to rules of collective bargaining. Disputes around dismissals will be reverted to a committee of five members, two of whom are judges. Also, the new law incorporates changes in leave policies and makes new stipulations as regards annual increments, overtime hours and payment. The law also sets out rules with regards to employment of females and children in accordance with recommended International Labour Organization (ILO) agreement. The law also alleviates limitations on foreign employment, previously enforced by Law 137 of 1981, both with regards to their number and compensation (AmCham 2004, Handoussa and Louis 2003: 15, Merzaban 2003). The previously enforced Law 137 of 1981 used to limit the number of foreigners to only 10 per cent to total labour force and 20 per cent of total labour compensation expended (Embassy of the United States of America 2003).

Contracts of employment

Terms and conditions of employment of the Egyptian labour force are stated in writing and should be in the possession of the employee, the employer and the social-insurance office before the employee starts work. The contractual commitment between the employer and the employee will include the name of the employer and the location of work. It will also include the name of the employees, his/her qualifications, job title and brief description of accountabilities, as well as documents to prove their attributes. The contract should also include an agreement with regard to duration of service, and yearly, monthly or hourly financial compensation terms (AmCham Egypt 2003).

Employers' obligations

Employers are required to inform employees about the business working hours, which should not exceed 8 hours per day, or 48 hours over a working week of six days. Employers should also maintain a file for each employee, which comprises his/her detailed information such as name, position, educational degrees, contact information, military status, social status, date of hiring, salary and holiday entitlement. In cases of termination of service, date of termination and reason should also be recorded in the file, which should be maintained for at least one year after the employee stops work. The employer is also obliged to provide the Ministry of Manpower and Migration with information with regards to employment of disabled individuals, foreigners or any financial penalties imposed on an employee (AmCham Egypt n.d.).

Discontinuation of contracts

An employment contract might terminate as a result of the unsatisfactory performance of an employee within the three-month probation period. End of employment might also occur as the fixed-term contract date expires, or as an employee resigns, retires, dies or becomes medically unfit for the job. Termination of contract might also occur in cases of dismissal. However, according to Article 61 of the law, there are restrictions to when dismissal can occur. For example, dismissal cannot take place except after referring to the local conciliation committee at the Ministry of Manpower and Migration (AmCham Egypt n.d.). The new labour law, however, authorizes employers to dismiss workers for economic reasons, to terminate their business or to downsize it (Embassy of the United States of America 2003).

Leave regulations

Annual holiday entitlements correspond to the number of years of service. For example, employees during the first year of service are entitled to fifteen days. Employees also are entitled to emergency leave when they are not able to perform their responsibilities due to unexpected circumstances, and sick leave up to six months according to the labour law. Employees are permitted up to one month leave for religious events such as pilgrimages or to visit Jerusalem, while females who have worked for ten months are authorized a paid maternity leave of ninety days for three times during their service period. This is in addition to official holidays which are granted to all employees, and which are fully paid, according to the Ministerial Decree No. 63 of 1982 (AmCham Egypt n.d.).

Financial benefits

Egyptian employees are obliged to be covered by the social-security system, which provides benefits such as pensions, disability payments, sickness allowances, unemployment insurance due to company closure or downsizing, as well as maternity and death allowances. Employers are required to grant free health care for their employees and to assist in the pension insurance fund. Other benefits to which employees are allowed are overtime pay for those who stay after working hours, minimum wage ceiling, profit sharing and bonuses (AmCham Egypt n.d.; Embassy of the United States of America 2003).

Labour rights

Egyptian employees have the right, but are not forced to, join associations or trade unions. In Egypt, there are twenty-three industrial unions, which are part of the Egyptian Trade Union Federation (ETUF). The ETUF's aim is to promote the interests of the labour force. Though it is the only recognized labour association, it conventionally refrains from opposing government policies. The new labour law, however, gives employees the right to strike or bargain collectively.

The new Comprehensive Child Law outlined by the National Council for Childhood and Motherhood restricts employment of children below the age of fourteen. Still, some governorates might allow seasonal employment of children between twelve and fourteen years of age, usually on farms. The labour law further regulates the work of children over fourteen, for example deciding upon the nature of work designated to them. Education is also obligatory until the age of fifteen. The Egyptian Government, however, sometimes faces difficulties in enforcing the law with regard to child employment for several reasons among which are lack of inspectors, inefficacy of the educational system, and insufficient government control in remote areas (Embassy of the United States of America 2003, Labour Law in Egypt).

Workforce insurance and pensions

In Egypt, labour-force insurance and pension schemes are mandatory. They rest upon partial contribution by the employer to pension funds and are based on 'pay-as-you-go' general rule. Individuals receive approximately from 70–80 per cent of their salaries at retirement. Pension resources, however, are not administered efficiently in Egypt, which uses such funds to support some governmental plans (The Economic Research Forum for the Arab Countries, Iran and Turkey 2002: 102–4).

Industry-specific factors

In the 1960s, as a result of immense investment in agriculture and industry, a near full employment situation prevailed since many jobs were created and the rate of unemployment fell to 2–3 per cent. As the Government was the major employer at that time, Egypt experienced a labour-surplus economy with both low salaries and low productivity level corners until the 1970s (Radwan 1997: 4–5). With the adoption of the open-door policy, and during the period 1975–85, a 'jobless growth' situation existed. In this period, although the rate of growth was approximately 8 per cent, it was still associated with a high unemployment rate, in spite also of labour migration to Gulf countries. This paradox is attributed to the fact that the employment problem was of a structural nature as employment-creating sectors like agriculture and the public sector were overstaffed, while sectors like construction and services were not creating enough jobs to absorb the unemployed workforce (Radwan 1997: 5–6, 15).

Then the service sector started to be the main contributor to the country's GDP. As per 2003 estimates, it accounts for 50 per cent of GDP whereas the industrial sector accounts for 33 per cent and the agricultural sector only contributes with 17 per cent (World Fact Book 2003). Considering the effect of different economic activities on labour-force employment, according to Egypt's Human Development Report of 2003, the percentage of labour force (15+) in the agriculture, industry and services sectors were 30.6 per cent, 23.4 per cent and 46 per cent, respectively, indicating that the service sector is the leading job-creating sector followed by the agricultural sector then the industrial sector. Also, the percentage of employees in the Government and the public sector was 30.4, as per 2001 estimates indicating that the State is still an important job provider for its population (UNDP 2003b).

Exogenous

The unemployment problem was reduced during the period 1975–85 with the migration of 10–15 per cent of the Egyptian labour force to the Gulf States (Radwan 1997: 5–6). During this period, Egypt's heavy reliance on exogenous sources of income, such as workers' remittances and borrowing, to improve the economy did not help much for long. The subsequent decade was characterized by slow growth (0.3 per cent to 2.5 per cent per annum) and high unemployment rates (10 per cent in 1993) as a result of lower rates of investments, reduced domestic savings and return migration of a large number of Egyptian labour after the Gulf War in 1990/1 (Korayem 1997: 3–18, Radwan 1997: 5–6, 16).

In 1991, the Government initiated the Economic Reform and Structural Adjustment Programme (ERSAP) in hopes of transforming Egypt to a market-based economy, thereby eliminating the imbalances in the economy, which are revealed in balance of payments deficits and high inflation rates. ERSAP embraced public-sector reforms, price controls, investment policies, exchange reforms, trade liberalization, monetary and fiscal

policy reforms, in addition to social policies to reduce the negative effect of ERSAP on people with low incomes by initiating the Social Fund for Development (SFD). However, ERSAP's tightening impact on domestic savings and public enterprise investments curtailed GDP growth. This, together with the slow increase in private investments which were not sufficient to compensate for the drop in the public sector's investments, had an adverse effect on employment. Real wages were also reduced when prices increased, and as the programme recommended decreasing the Government's wage bill by 15 per cent (Korayem 1997: 18–25).

In 1997, recovery of the economy was undermined due to fall in oil prices, the Asian economies crisis, and the regression in tourism after the Luxor events (McBrierty 1999: 42).

HRM policies and practices

The crux of HRM in every organization is hiring and recruitment practices, staff servicing and career-management issues. HR policies, procedures and general provisions typically include types of employment contracts, placement categories, job performance and evaluation criteria, appointment procedures, financial and fringe benefits, leave regulations and disciplinary procedures. Thus, in companies in Egypt, HRM divisions are concerned with understanding and applying the policies and procedures governing personnel management, which are in accordance with the Egyptian labour. They are accountable for planning for and effectively utilizing and training HR in accordance with organizations' needs and strategic goals.

HRD efforts by the Government

Restructuring the labour market

It has been one of those important goals of the Egyptian Government to enhance labour-force growth and to treat imbalances in the labour market. Though the increase of labour supply over demand has been partially explained by demographic trends, a more significant explanation has been the labour-market imbalances. 'Recent statistics show that while Egypt's labour force is now approximately 21 million, only 19 million are employed', declared Egypt's Labour Force Minister in his interview with *Al Ahram* newspaper (*Al Ahram* 2004: 17). Egypt has not yet embraced an educational system capable of producing well-educated personnel in the required fields of work which could play an important part in economic development. The system whether at primary, secondary or university level is still not flexible or responsive to changing requirements of the ever-changing environment, and Egyptian academics continue to contribute their efforts elsewhere (McBrierty 1999: 39, 42–4). As a result, to face such market imbalances, the Government has begun to improve the quality of education and school

enrolments, and is currently committed to improving women's education and lowering drop-out rates in cooperation with the National Council for Motherhood and Childhood (NCCM) (McBrierty 1999: 39, UNDP 2003a).

The Social Fund for Development

The Social Fund for Development (SFD) was created in the 1990s with the assistance of Bretton Woods Institutions as well as other donors, the purpose of which was to alleviate poverty from those who were adversely affected by the ERSAP. SFD is especially effective in creating job opportunities through the small and medium enterprise (SME) sector. SFD assistance, however, faced difficulties reaching women in rural areas who do not have identification cards (UNDP 2003a).

A health reform programme

In an effort to ensure a better health condition for its people, the Government initiated a health programme whereby it financed immunization for children and ensured awareness of such service through numerous promotional campaigns. Now more than 93 per cent of infants are fully immunized against BCG, DPT3, polio and measles. Also, maternal deaths were lowered by 52 per cent from 1992 to 2000. Efforts are being done to control the epidemic Hepatitis C virus in Egypt (UNDP 2003a).

Remedies for rising unemployment

Being aware of the problem of rising unemployment as the crucial challenge for sustained development, the Government directed its efforts towards increasing incomes, creating utmost employment levels and ensuring equality in distribution of incomes. But to what can we attribute this current state of the labour market in Egypt? Factors held responsible for this situation include slow economic growth, domestic effective demand decline, slow-down for Egyptian workforce in other countries especially the oil-rich ones, and low total factor productivity gains (Radwan 2002: 14, The Economic Research Forum for the Arab Countries, Iran and Turkey 2002: 89).

In effect, the Government's plan of action to remedy this problem comprised a twofold solution. First, it focused on enhancing the macro-economic environment by achieving financial liberalization, and by coordinating monetary and fiscal policies to produce stability and secure the local currency. For example, to treat the unemployment problem, GDP growth rate should be increased up to 6 to 7 per cent per annum. Second, it introduced an employment programme to absorb outstripped labour-force growth through government employment, training, the social-fund programme, and private-sector jobs (Radwan 2002: 14). The aim was to create about 900,000 jobs by 2002 (The Economic

Research Forum for the Arab Countries, Iran and Turkey 2002: 89). An example of such programmes is the 'Support to Human Resources Development National Programme' which addresses the unemployment problem and quality of jobs by helping new labour-market entrants find jobs and occupy posts in fields that are underrepresented. The programme will, moreover, enhance SMEs and information systems in the labour market (UNDP 2003a).

Efforts by other organizations

The United States Agency for International Development's Egypt programme

The United States Agency for International Development (USAID) interests in Egypt hinges upon accelerating economic growth. The programme was inaugurated in 2002 targeting the private sector and HR in Egypt. The programme's strategic objectives with regards to enhancing the private sector's capacity to create jobs are enhancing investment environment, improving competitiveness skills and expanding access to utility services by providing training schemes, technical help, increased access to equipment, financial resources and information technology.

To improve the condition of HR, the programme's strategic intents were to advance management of natural resources, to accommodate health benefits, to reinforce participation and governance through training programmes and support provided to non-govermental organizations (NGOs) to increase transparency and participation, and to enhance basic education in southern areas and those parts suffering poverty in Egypt by providing adult literacy programmes and scholarships to encourage more enrolment in schools, especially among girls. Another USAID programme targeting workforce development in Egypt provided several assistance schemes among which were the following:

- business schemes and training sessions to improve management;
- information technology training programmes for university graduates;
- capacity-enhancing plans to educational institutions to provided 'market-responsive education and training' by forming a business school and by focusing on information technology education;
- advanced education and training fellowships in the USA to workers with leadership capabilities.

Supplementary USAID programmes are also initiated to enhance the Egyptian economy. Examples are projects to reduce the rate of malnutrition and mortality among infants and children, to enhance sustainable agricultural output, to combat poverty especially among women and children and to upgrade the macroeconomic environment in general (USAID Library).

HRM and ethical issues

Child labour

In Egypt, the percentage of working children is still relatively high even when compared to other developing countries. There is a strong relationship between child labour and high rates of poverty. Being a great concern to the Government, programmes have been initiated to incorporate street children into society and to provide community services to children with disabilities (The Economic Research Forum for the Arab Countries, Iran and Turkey 2002: 104).

Social-protection measures

Egypt has undertaken several social-protection measures in hopes for more human resources development (HRD). Examples are the Social Funds Program and food subsidies expenditures for those who need assistance (The Economic Research Forum for the Arab Countries, Iran and Turkey 2002: 104–5).

Key challenges facing HRM in Egypt

Egypt's workforce has expanded steadily over the past few years with the movement of an additional 0.5 million each year into the labour market. As per 2003 estimates, the country's labour force is 20.176 million, of which 30 per cent are employed by the public sector, 25.2 per cent work in private business enterprises, while 34.25 per cent work in the informal sector (Embassy of the United States of America 2003) and 33.3 per cent of the labour force is employed in the agricultural sector. Egypt's workforce is a mix of semi-skilled, skilled and highly skilled people who are relatively cheaper than labour in other countries. The country, however, suffers from a surplus in both the skilled and unskilled workers. At the same time foreign businesses entice workers with above average skills by higher salaries and greater benefits (AmCham Egypt 2003). Employment and unemployment issues are among the most significant challenges facing HRM in Egypt. In 2001, though the unemployment rate was 9 per cent, downward from 12 per cent in 1986, still this figure is considered high in comparison to the natural or friction unemployment rate of 4 per cent. This condition is expected to further become more serious with a forecasted labour-supply growth rate of 2.6 per cent during 2001–10, meaning that about 434,362 additional jobs have to be created over the next ten years, which is approximately 46.6 per cent more than the annual average required jobs (ECES 2002, UNDP 2003b: 129). These percentages, however, differ considerably among urban and rural areas, as well as among graduates with different education levels. Unemployment figures were also higher among females than males (UNDP 2003b: 37).

It is clear in the literature on Egypt that there are several challenges facing the labour market. Policy-makers could settle the unemployment problem in Egypt by stimulating labour-intensive techniques. However, this would yield medium-range solutions. Expecting SMEs to absorb the labor supply would generate very modest results that would not solve the problem. Enduring results could only be achieved by initiating a reform programme, the aim of which should be as follows.

Increasing labour demand through economic growth

Egypt's rate of economic growth is slow (4.5 per cent), and below the target rate of 7 per cent–8 per cent that is needed to achieve effective growth. Several elements related to macro-economic management contribute to such slow growth, among which are drifting interest rates, inflating prices and the dollarization phenomena, all of which helped suppress job creation. Also, Egypt's problem of employment and unemployment is characterized by its structural nature. Policies have been biased against production for international markets due to high tariff rates, real interest rates, taxes, and transactions costs charged on exports. Investors have also been favouring capital-intensive investments and temporary labour contracts with more preferential policies like tax releases, cheap land, and labour protective regulations (Fawzy 1998: 24). Further, reforms have not yet been able to mobilize enough foreign direct investments to create job opportunities required. Thus, reforms are still needed to sufficiently activate the economy to allow a job-creating economic growth environment (ECES 2002).

Providing the right skills needed in the labour market

Resolving the unemployment problem in Egypt requires reforms to its educational system. In efforts to reform education, the Government has allocated about 5 per cent of GDP to education (ECES 2002). However, imbalances in allocation of educational budgets on different levels of education and technical training continue to result in a mismatch between supply and demand of skills required in the domestic labour market and low labour productivity (Handoussa 2002: 1–3, Radwan 2002: 19–20). Labour-force surplus is mostly comprised of those with intermediate education for which labour-market demand is minimal (4 per cent as per expected market demand for 2001–5), despite of the fact that they represent about 55 per cent of the jobless labour force. At the other extreme, holders of below-intermediate education, or unskilled labour account for the lion's share, 66 per cent, of total labour-market demand, in spite of comprising only 8 per cent of the employed labour force (Radwan 2002: 1–6). Also, the educational system is also still suffering from high student–teacher ratio in classes, deteriorating maintenance of schools, a curriculum which mainly depends on memorization and inflating numbers of tutors who resort to private lessons due to weak incentive structures and salaries provided (ECES 2002).

Enhancing operations of the labour market

The policies of the Government have been protective to labour in the sense that they prohibit firing for any misconduct except for a grave one (ECES 2002). Government employment policies in the formal sector of the labour market are also considered to be discriminatory and biased resulting in influencing workers to move away from the private sector in favour of job opportunities in the Government (Handoussa 2002: 1–3). The Government is still the primary employer of non-agricultural jobs and accounts for approximately 24 per cent of the total labour force employed. The private sector is accountable for 70 per cent, in spite of the fact that most of this sector's share has been in the informal sector of low-productive and low-income work (Radwan 2002: 7–8).

The deficit of 2 million unemployed workers is attributed to several imbalances in the labour market. For example, while the bulk of employed labour is in agriculture, the demand for labour in this sector accounts for only 4.6 per cent of the total labour-market demand projected over 2001–5. The industrial sector and tourism and hotels sectors account for the highest demand, of 46.5 per cent and 19.4 per cent respectively. This is despite of the fact that these sectors provide low percentages of the employed labour force. For example, the industry and petroleum sector provide only 11.6 per cent of the employed workers in contrast to 42 per cent for agriculture (Radwan 2002: 1–6).

Geographical distribution of the labour force employed is biased towards relatively rich governorates such as Cairo, Giza and Alexandria, which account for two kinds of total labour-market demand. Governorates located in Delta and Upper Egypt, however, account for the lowest levels of labour-market demand and highest unemployment rates (Radwan 2002: 1–6).

Considering the critical role that the private sector might play in pushing Egypt to achieve a sustainable GDP growth rate, up till now it has not fulfilled what was expected from it as the engine of economic growth despite numerous policies and reforms undertaken to carry on privatization and modernization of government-owned enterprises because of the following reasons.

The SME sector which comprises about 99 per cent of enterprises in Egypt and which could provide more employment opportunities than larger companies has faced increasing competitive pressures and institutional constraints, due to limited supportive efforts, as compared to developing countries' standards. It is therefore unsurprising that Egypt lags behind on the human-development scale, which in turn, has contributed to slowness of labour-productivity growth (Handoussa 2002: 1–3).

Prospects of HRM in Egypt

According to Heba Nassar, Economics Professor at Cairo University, 'HR is very underdeveloped in Egypt' (Merzaban 2003). The centre of attention for national HRD still rests on providing everyone with education and guaranteed employment. The result

is, therefore, overstaffing and underemployment, while at the same time companies carry on seeking managers and skilled personnel from abroad as new graduates' skills are not the ones employers are seeking. The missing link here is that some might ignore the important role that training plays. On the other hand, those who might admit the productivity gains of training might fear external threats, feel unable to internalize the pay-offs of investing in training or might be discouraged by high training costs. In a market-oriented economy, HR competence requires not only mastering the English language, or computer skills, but it also depends on training, team spirit, leadership capacity, initiative, interpersonal skills, analytical and critical thinking, and innovative thought. Hence, investing in upgrading HR to create and develop competitive firms should be the 'engine' for development. In fact, upgrading human capital increases labour productivity, which contributes to economic growth and development, especially when accompanied by investments in research and development or adoption of technologies. For example, in high-tech companies, return to human capital training was found to increase more than in other low-tech companies. Hence, enhancing technical competence should be necessary to better the economy.

In Egypt, therefore, with ever-changing business environments and technologies, developing HRM has been the key objective of some ministries like the Ministry of Communications Information Technology (MCIT), which aims at developing IT to be the tool for economic growth. It has also been the focus of many companies especially after the promulgation of the new Unified Labour Law 12 of 2003.

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Human resource management in Sudan

ALLAM AHMED

Introduction

Sudanese academic and research institutions have long suffered from varying degrees of mis-management, poor management and inappropriate management. This chapter will attempt to explore a number of issues about human resource management (HRM) within the Sudanese academic and research institutions, namely the University of Gezira (GU) and Agricultural Research Corporation (ARC). Before that happens, it is necessary to engage in a little background study as an understanding of HRM in these institutions can only be possible in the context of understanding HRM and Sudan. Therefore, the early parts of this chapter will deal with the context and activities of HRM that are applicable to both Sudan and the Middle East. In particular, there will be a focus on the practice and challenges of HRM within ARC and GU as well as a re-conceptualization of our understanding of HRM in Sudan.

With an area of 2.5 million square kilometres (1 million square miles), Sudan is the 'largest country in Africa' and '9th largest in the world' (IMF 1999, Salopek 2003). Sudan boasts the 'largest farm in the world' in the Gezira irrigated cotton scheme (Yousif 1997) and the 'world's largest sugar-producing complex' in the Kenana project. It was also, until recently, the 'biggest producer of Gum Arabic in the world' (Food Matters Worldwide 1991). Sudan was optimistically referred to as an 'awakening giant' by the hype merchants of the 1970s, and its vast plains were seen by development experts as a potential 'bread basket', either for Africa or for the Arab World across the Red Sea (O'Brian 1981).

Sudan is an agricultural country. Agriculture employs 80 per cent of the country's labour force and contributes about 42 per cent of the country's gross domestic product (GDP) (the largest of all sectors), and over 90 per cent of the nation's exports (mainly cotton, sesame, peanuts, livestock, gum arabic and sugar) and foreign-exchange earnings. In addition, it produces over 90 per cent of the national food requirements (Ageeb and Hamdoun 1997, IMF 1999, Salopek 2003, Europa 1998). Therefore, productivity and

efficiency of the agricultural sector are central to any programme of economic recovery and to longer-term political and economic stability.

As indicated by the 1995 census, Sudan is a low-density populated country. Its population, estimated at 28 million people in 1995 and currently 33 million of whom some 80 per cent are rural, form a great mosaic of more than 500 ethnic (52 per cent African, 39 per cent Arab, 9 per cent others), tribal, linguistic, religious (70 per cent Muslim, 25 per cent traditional African and 5 per cent Christian) and cultural affiliations and traditions (Ageeb and Hamdoun 1997, Salopek 2003). Sudan is currently experiencing the sharpest economic deterioration since the early 1970s as a result of the cumulative impact of a number of internal and external factors. Over the past two decades, in all but a few years, the country's economic expansion remained well below the population growth rate. According to the International Monetary Fund (IMF), Sudan's real GDP has increased by an average of less than 5 per cent per annum. Currently the GDP per capita is less than 2000 US dollars (IMF 1999, Salopek 2003). When international wealth is computed, Sudan is not within the top 100 countries of the world. The human development index ranks Sudan even lower, at position 145 among 160 countries covered by the United Nations Development Programme (UNDP) (Grawert 1998, Salopek 2003, UNDP 1992). Economic development indicators depict Sudan with the majority of its 33 million people depending on agriculture; a low degree of industrialization; a disproportionately large and costly public sector; a high rate of consumer price inflation; a state budget hit by soaring 15 billion US dollars foreign debt; employment levels threatened with a rising 30 per cent unemployment in 2002 and an immense war expenditure (Grawert 1998, IMF 1999, Salopek 2003). Oil is one of the main Sudanese exports, particularly during the past six years, providing revenues of more than 2 million US dollars a day and estimated reserves of 3 billion barrels (Salopek 2003). Moreover, Sudan, as part of Africa, lags behind many other countries on all other main indicators of socio-economic development.

The oldest catastrophic civil war in the world, which has plagued Sudan for over thirty-five years, and whose latest phase broke out in 1983, is costing the Sudanese government an estimated 1 million dollars a day, money better spent on the welfare of its people (Ageeb and Hamdoun 1997, IMF 1999, Salopek 2003). Since 1983, the war resulted in the death of more than 2 million people, displacement of 4 million, and 490,000 refugees (mostly southern civilians) (Salopek 2003). Furthermore, the war has also contributed to the destruction of the country's natural resources; and natural disasters have resulted in overgrazing and the land becoming more barren (Food Matters Worldwide 1991, IMF 1999, Salopek 2003).

Theoretical background

Human resource management (HRM) was initially defined by Beer et al. (1984: 1) to 'involve all management decisions and actions that affect the nature of the relationship between the organization and its employees – its human resources'.

Most traditionally minded personnel managers would see nothing in that definition to imply that HRM had emerged as anything radically different. However, there was a strong view that more traditional forms of personnel management focused upon practices to process employees through the organization and to resolve industrial-relations issues. HRM, on the other hand, was closely linked to corporate strategy and was concerned with business outcomes; such transitions will be explored later in this chapter. The growth of personnel management/HRM as a specialist activity has been influenced by a number of key environmental variables. These include the intervention of the state through an increasingly complex system of employment law, the workings of the labour market, the strength of trade unions, the state of the economy and changes in the competitive environment and cultural differences. Table 12.1 includes a detailed list of the various activities traditionally associated with personnel management.

These activities may be categorized as people-processing and industrial relations. In the 1990s, many firms changed their structures to reflect the more integrated approach of HRM and the fact that industrial relations were no longer viewed as a problem. Nonetheless, many of the activities are still relevant to HRM. These core activities of HRM include issues such as: manpower planning and control, recruitment, selection, training and development, appraisal, salary and finance, job satisfaction and incentive to perform, motivation, group dynamics, grievance and disputes handling, legal advice, employee communications and counselling, personnel information and records.

However, the broad definition of HRM offered at the beginning of this chapter gives little hint of what the activity comprise and what makes it particularly different from our traditional view of personnel management. Over the past fifteen or so years, the HRM concept has spawned a vast literature offering a range of varying perspectives. However, there is some measure of agreement that HRM involves a focus on:

- treating employees as individuals but, at the same time, developing mechanisms to integrate individuals into teams;
- the careful selection, training and development of core staff;

Table 12.1 The human resource management system

Application of core ideas of HRM	➡	Changed culture	➡	Improved performance
Management communication		Business awareness		Higher productivity
Employee involvement		Commitment		Lower costs
Scientific selection	➡	Goal congruence	➡	High quality goods and services
Individual rewards		Quality		Profitability
Training & development		Flexibility		Job satisfaction
Integrated strategies		Skills development		

Source: Ahmed and Needle 2002: 118 and Needle 2001: 421.

- reward systems that stress individual performance and commitment and which are linked to employee appraisal and development;
- communication networks and the involvement of employees, preferably as individuals, but allowing for trade-union involvement as well;
- emphasizing a culture which stresses commitment to organizational goals, quality and flexibility (in many cases it is recognized that this will involve a culture change, more especially in those organizations typified by confrontational industrial relations);
- the integration not only of all personnel-related policies as a meaningful whole, but also of these policies within the overall strategy of the enterprise;
- business values as an overriding consideration.

The analysis of such core characteristics of HRM has led some writers to see two strands emerging. One is defined as 'hard' HRM, with a focus on business values and management strategy. The other is defined as 'soft' HRM, focusing as it does upon the selection, development and reward of people (see Legge 1989). Many of the core characteristics of HRM are incorporated in Table 12.1 above.

Analysis and discussion

The ARC is the oldest agricultural research institution in Africa and the major research institution in Sudan, and accounts for nearly half the country's agricultural research capacity in terms of full-time equivalent researchers (Ageeb and Hamdoun 1997 and ISNAR 1995a). The mission of ARC is to provide attractive and realistic technologies to improve and sustain productivity in agriculture. On the other hand, the University of Gezira (GU) is one of the leading universities in Sudan, with mandates mainly for teaching and research. The principal function is teaching undergraduate and graduate students in addition to some basic, applied and adaptive research and community services. It's very much oriented towards agricultural and rural developments in the Central State, with most concentration on the Gezira area.

Selection and recruitment

According to Ageeb (2004), during colonial rule, no Sudanese nationals were involved in agricultural research. The colonial scientific service in Sudan was lucrative. For the British scientists absorbed into the service, the prospects of a fulfilled career were very bright. Many of the colonial research staff spent an entire career or at least a good part of it on the job, thus providing continuity of service. However, with the beginning of Sudan's self-determination in 1954, the Ministry of Agriculture began a massive programme of staff development to replace the British scientists and to create a nucleus of well-trained (in British and US universities) scientists for a national agricultural-research capacity. During the period 1954–64, the Ministry employed international staff on short contracts to handle research work and temporarily filled

the gap (Beshir 2001, cited in Ageeb 2004). Following the successful national staff development programme, agricultural research expanded rapidly into a research network that catered for the needs of expanding agricultural production. A healthy Sudanese economy permitted continuous growth and expansion. Over the past three decades, the total number of agricultural research staff grew considerably, averaging close to 6 per cent per year. During the 1990s, the growth in total researchers slowed to 3 per cent.

Agricultural researchers in Sudan were well resourced in the 1970s, but as total spending declined and total research staff numbers grew, spending per scientist fell from an average of 237,000 US dollars in 1970 to 46,000 US dollars in 2000 (Ageeb 2004). This was half the average level in the east and central African region in that year (Beintema 2003, cited in Ageeb 2004). From 1975, the service of agricultural research was to become less attractive than it once had been. The losses sustained were enormous, especially after it had been practically difficult to train young scientists at the centres of excellence in the British and American universities (as had been the norm in the past).

Manpower planning and control

This process is concerned with matching future manpower requirements with future manpower availability and involves considerations of both the quantity and the quality of the labour force, including the analysis of such factors as the age profile of the staff (see Needle 2001: 450).

In a recent research by the author (Ahmed 2003), 40 per cent of ARC researchers are aged between thirty-five and fifty years old and 74 per cent of them are male, and 45 per cent of GU staff are aged between forty and fifty years old and 88 per cent of them are male. Virtually all of the ARC researchers (sixty-two)[1] and the GU staff (thirty-one)[2] have completed Ph.D. and M.Sc. degrees, (44 per cent Ph.D. and 56 per cent M.Sc. for ARC researchers and 52 per cent Ph.D. and 48 per cent M.Sc. for the GU staff) (see Table 12.2).

Training and development

According to the national research and higher-education training strategies, all the M.Sc. degrees should be undertaken within Sudan to give young researchers and academic staff deeper insight into the Sudanese traditional farming systems and, hence, only 26 per cent of the ARC researchers and 20 per cent of the GU staff M.Sc. degrees were undertaken abroad. However, the situation for the Ph.D. degree is more complicated, as funding for such a degree is not available and national universities are not yet capable of such training, therefore international sponsorships by many international research and academic training institutions, mainly in the UK, USA and Germany are the backbone for ARC and GU[3] to get their staff trained to such a level although a few ARC researchers and GU staff are currently undertaking their Ph.D. training within Sudan.[4] Moreover, some of those who were sent abroad from both ARC and GU have not returned and there

is skewed distribution of ARC scientists and GU staff between specialities (see Table 12.2). There is also skewed distribution of ARC researchers between the different research stations as more than 40 per cent of the total ARC researchers work in the Gezira Research Station (GRS) as well as most of the senior staff.

Table 12.2 Agricultural Research Corporation and University of Gezira staff specialties, qualifications and country of study

Agricultural Research Corporation ARC (n=84)

	Qualifications within Sudan					Qualifications abroad		
Specialty	*B.Sc.*	*Diploma*	*M.Sc.*	*Ph.D.*	*S/Total*	*M.Sc.*	*Ph.D.*	*S/Total*
Soil	0	0	7	3	10	2	46	17
Entomology	5	1	3	1	10	1	34	17
Agronomy	1	0	2	0	3	0	55	10
Pathology	3	0	2	0	5	0	22	8
Engineering	3	0	0	0	3	0	11	5
Weeds	1	0	2	0	3	0	00	4
Forestry	0	0	3	0	3	0	00	4
Economics	0	0	0	0	0	1	12	2
Horticulture	1	0	1	0	2	0	00	2
Textile	0	0	1	0	1	1	01	2
Technology	1	0	0	0	1	0	00	1
Protection	1	0	0	0	1	0	00	1
Pesticide	0	1	0	0	1	0	00	1
Cotton QC	0	0	1	0	1	0	00	1
Tissue	0	0	0	0	0	0	11	1
Botany	0	0	0	0	0	0	11	1
Genetics	0	0	0	0	0	1	01	1
Biochemistry	0	0	0	0	0	0	11	1
Total	**20**	**2**	**26**	**4**	**52**	**9**	**23**	**32**

University of Gezira GU (n=33)

	Qualifications within Sudan				Qualifications abroad			
Specialty	*B.Sc.*	*M.Sc.*	*Ph.D.*	*S/Total*	*M.Sc.*	*Ph.D.*	*S/Total*	*Total(%)*
Soil	0	0	0	0	1	3	4	12
Breeding	0	1	0	1	0	2	2	9
Entomology	0	1	0	1	0	3	3	12
Agronomy	0	0	0	0	0	2	2	6

Pathology	0	1	0	1	0	0	0	3
Engineering	0	1	0	1	1	0	1	6
Weeds	0	0	1	1	0	0	0	3
Forestry	0	1	0	1	0	0	0	3
Economics	0	1	0	1	0	1	1	6
Horticulture	0	0	0	0	0	1	1	3
Extension	1	1	0	2	0	0	0	6
Environment	1	0	1	2	0	0	0	6
Animal	0	5	0	5	1	1	2	21
Biometrics	0	0	0	0	0	1	1	3
Total	**2**	**12**	**2**	**16**	**3**	**14**	**17**	

Source: Field Survey Data.

Salaries and finance

Public-sector wages in Sudan have fallen substantially behind those of comparable workers in the private sector. Moreover, domestic wages are determined by wages overseas and that domestic wages have failed to rise accordingly. On average, salaries accounted for 43 per cent of the total spending of ARC while operational and capital costs averaged 38 per cent and 8 per cent respectively during the 1990s. As a result of the diminishing donor contribution, ARC made virtually no capital investment in recent years. Government allocations for operational expenditure were highly variable during the 1990s and became severely limited (Ageeb et al. 1999). As a result, the ARC physical infrastructure has deteriorated and has become outdated (Salih 2002, cited in Ageeb 2004).

Funding research in Sudan has been the issue of concern and discussion by many organizations – donors as well as institutions – involved in research in and outside Sudan. Funding for public research became inadequate, untimely and externally dependent, due to the low fiscal capacity of the Sudanese economy and the large number of competing sectors for public resources. Such a state of affairs has not been conducive to the sustainability and productivity of either the ARC or GU. Several studies (Ahmed 2003 and Ageeb and Hamdoun 1997) reveal that inadequate national funding to operate the public research and academic institutions is a critical constraint. Efficiency and effectiveness have suffered as a result, and institutional sustainability has become doubtful.

The total agricultural R&D spending declined at an average rate of 2 per cent per year. Over the past three decades, after a few years of growth, total spending fell by two-thirds from 50 million US dollars in the early 1970s to less than 30 million in the 1990s. This resulted mainly from declining external funding and also from the diminishing government contributions. In 2000, Sudan invested 17 cents in agricultural R&D for every 100 US dollars of agricultural output, and this was extremely low when compared with averages for Africa and the developing world in the same period (84 cents and 62 cents, respectively). Growth in agricultural research deteriorated as Sudan's economy

staggered and entered into currency devaluation and structural adjustment. Many Sudanese scientists chose to work outside, as job opportunities became available at the regional and international scene.

The financial resources for ARC come from four main sources (ARC 1998):

- government contribution through the annual budget[5] into Chapter 1 and Chapter 2;
- loans and donations from bilateral and multilateral donors (for example, the ARC received a generous donation from the Netherlands Government in 1994 to its wheat and cool-season food legumes and integrated pest management (IPM) research, a loan from the World Bank to improve the research and technology transfer in the irrigated sector, and a loan from the International Fund for Agricultural Development to improve the research in the Northern State contributing to agricultural development);
- annual contribution from Gezira, Rahad and New Halfa Agricultural Schemes and annual contribution from sugar companies to sugar-cane research;
- income-generating activities and sales of products.

Appraisal and incentives to perform

In both ARC and GU, incentives to perform are grossly inadequate at all levels. Not only are conditions of work poor but also salaries so low that even very dedicated researchers are forced to divert considerable attention to outside interests to be able to support their families. More importantly, pay and promotions are not much linked to performance. Even when performance is evaluated and rewarded, the criteria often refer to academic publications and trials, without much regard to whether these were relevant for developing products that respond to clients' needs.

The GU staff is largely occupied by teaching, which takes up almost all their time, and their research and extension services are generally very limited. The research structure of the university is very weak or lacking and accordingly management is weak. This is attributed to unavailability of funds for research and the rapid increase in the number of students[6] entering the university every year.

Migration and brain drain

A major feature of the Sudanese economy is the large number of its highly qualified labour force working abroad. In recent years, growth in urban labour force has been much faster than that of the rural labour force. Because of social, political, cultural reasons and the economic downswing in many African countries, Sudan suffers a significant 'brain drain', particularly of its professionally qualified university graduates, losing nearly 17 per cent of its doctors and dentists, 20 per cent of its university teachers, 30 per cent of its engineers, and 45 per cent of its surveyors between 1985 and 1990. Mostly the migration is to countries in Europe and North America (Todaro 1997). On the other hand,

reasons for migration are usually many and varied, but largely include poor performance of Sudanese economy, access to better health facilities, further studies, political asylum, employment and associated financial rewards, better opportunities for potential investment and hence personal security, favourable climate and cross-cultural marriages.

According to the World Bank (2002), often good researchers and research managers with superior performance must seek employment elsewhere to get their rewards. Brain drain is a major problem for most Sudanese institutions, including ARC and GU, and most institutes have some areas of expertise where they cannot compete for the best brains. Since the demand for subject-matter specialists, scientists, specialized teaching staff, economists and, increasingly, also for biophysical scientists is rising fast in the private sector, many institutions will likely have even more difficulty in recruiting and retaining skilled employees. It doesn't help that donor interest in supporting long-term training has declined, resulting in the pool of young well-trained scientists actually shrinking in Sudan.

Staffing instability plagues most of Sudanese institutions, including ARC and GU, and the turnover rate in most of them reaches 10 per cent. Reasons include poor management, unattractive conditions of service, lack of job satisfaction, lack of funding, etc. Both donor-driven projects and civil-service procedures used by the Sudanese Government have failed dismally in rewarding individuals who perform and in targeting funds at entities that use them well. The good news is that both donors and the Government are now showing great interest in learning from their errors.

Strategic and policy implications

An organization's most important asset is its people. People are the wealth-creators and, therefore, ARC and GU directors must develop their potential by using their skills and imagination to help their institutions to grow and also to determine their roles in the wider environment. Directors should learn to adopt a supportive style in their relations with others, the need for patience and the ability to stand back and let the groups reach their own decisions. They should always try their best to create a direct link between all departments and with senior management, to improve the systematic communication and quality of information. Also, the enhancement and encouragement of the quality of relations between the divisions and the departments has to be considered, because there is an interdepartmental conflicts always occurring in most institutions. Any institution's management should of no doubt consider front-to-back responsibility for core research process, negotiating overall research targets with employees, sharing the skills, knowledge, experience and the problems with them.

The following interpersonal skills have to be considered by both ARC and GU directors:

- better social awareness, social decision-making, conflict-resolution skills, understanding of others, self-control and planning for solving cognitive tasks;

- more thinking before acting, helpful, considerate, concerned, pro-social strategies for interpersonal problem-solving, skill in handling interpersonal problems, willingness to co-operate and empathy;
- improved communication skills, problem-solving skills, interpersonal effectiveness and improvement in emotion, recognition and understanding.

Motivation

There is surprisingly little direct information in the literature on management motivations in Sudan. Motivation is a perennial institutional problem and the context in which it is faced changes from generation to generation as economic conditions and social values change. Motivation is a topic of continuing psychological significance and is also one that continues to attract the attention of those who would influence and manage the motivation of other people in these institutions. It is true that ARC and GU directors' ability to design institutions that motivate their members to adequate and superlative levels of performance is still poor, although significant developments have been made in this field over the recent past. They all agree and know that fear and money are not the only ways to motivate people to work. Human beings have reasons for the things that they do and our behaviour is actually purposive (Maslow 1970). It seems likely now that employers are motivated by a search for higher productivity, better quality and lower costs when they adopt HRM techniques. Recent developments indicate that management has not been widely imbued with the 'progressive' elements of HRM philosophy. They only appear to adopt HRM techniques to gain more control and dominance over their workers. The employees have, in fact, become more exposed to external market forces; employers are withdrawing employment and income security from workers.

Managing change

ARC and GU directors have to concern themselves with the ways in which their institutions' priorities must adopt the changing conditions and that no meaningful, lasting change is possible, however, without a certain amount of insight into the problems that cause the resistance to occur in the first place and a systematic effort to dismantle their most dysfunctional aspects. Anxiety and resistance among any institution's employees will not quickly disappear and it will take time and much effort to work through and overcome it. Insight is not easily obtained and the success of any institution intervention depends on its managers' abilities to overcome their resistance (Kanter 1983).

Participative management has nowadays become the recommended method, allowing employees to take part with management in making decisions that affect the institution and their work roles in it as well as to those that increase their performance.

Reengineering management

In both ARC and GU there is a lack of managerial skill and leadership as well as clear institutional inefficiency and instability. All research linkages are very poor and all research facilities are moderate, but heavily utilized. These constraints result in a lack of proper planning and priority-setting, coupled with frequent changes of leadership; research programming is characterized by a high degree of instability. The monitoring and evaluation system for both institutions is weak or lacking, a situation which generally leads to routine and poor-quality work. Also, there is a deficiency in priority-setting and a lack of proper linkages with different community partners.

ARC and GU organizational structures need an urgent plan for reengineering management. Thousands of organizations, large and small, have undertaken the mission of reengineering, sparking the transformation in millions of working lives. The principles of reengineering necessarily require not only a sea change in the ways people work, but also a radical new approach to management (Champy 1995). Reengineering management for the whole institution structure requires a complete change and the same management can accomplish it. However, this is unlikely to succeed while the corporate atmosphere is charged with fear. It seemed so much simpler in the past, these institutions simply hired people to work for them – choosing them, evaluating them and rewarding them for their ability to perform a specific task. But that didn't work. Today's management demands that we hire people to work with us as part of a community of shared aspirations, ideas and trust. In today's effective management there will be a restructuring of the institutions' organizational charts. In particular, each institution should become increasingly decentralized, moving decision-making power into the hands of those individuals doing the job.

HR planning

All the results and evidence above suggest that HR in Sudan is grossly underdeveloped, while large-scale imbalances and distortions prevail throughout the academic and research institutions. The labour-market situation for university graduates cannot be analysed here as there is no national data about where graduates are employed and the relationship between their training and the jobs they perform. Therefore, it is not possible to see any rigorous and thorough studies on HRM in the Sudan without such vital data and information.

Conclusion

In conclusion, HR practices in both ARC and GU can be improved by following five recommendations:

1. The job of HRM in any institution has to be moved to the front line. Self-managers and process (and people) managers have to take the responsibility for these matters.

They may get help from HR staff, but the new work demands front-line authority and accountability for educating, hiring, assessing and compensating employees (Dixon 1991).

2. The management processes of choosing, judging and rewarding have to be reengineered to recognize this change. Each process must become a reengineering tool in its own right, and the core of the covenant we managers have with our larger community.

3. People practices should be imbued with strong cultural values of honesty, trust and respect.

4. Open communication and knowledge-sharing should be the cornerstones of HRM design.

5. HRM should be based on the appreciation of human potential, a conviction that when people are freed from the limitations of narrow, fragmented jobs they are capable (with education) of full ownership of the new work.

Acknowledgements

Notes

1. The remaining twenty-two are assistant research scientists.
2. The remaining two are teaching assistants.
3. During the period 1997–9 GU succeeded in securing different training arrangements with the French Government.
4. Five academic staff from GU were completing their Ph.D. training within the Sudan in 1999/2000.
5. Chapter 1 of the ARC budget consists of ARC staff salaries and allowances and Chapter 2 consists of the operations and development budget to assist in developing improved technologies for specific development projects.
6. According to Professor Hatim Mahran (Dean Faculty of Economics and Rural Development), the number of undergraduate students at his faculty have increased from 300 in early 1990s to 3,000 students in 2000, using the same limited facilities and severe staff shortage.

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Useful web sites

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http://www.ilo.org/dyn/depolib/depolib.depolib_SCREENS.view_info_EN?p_country=SDN, International Labour Organization, library and information services about Sudan.
http://www.mof-sudan.com/English/index.htm, Sudan Ministry of Finance and National Economy.
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13 Human resource management in Tunisia

DORRA YAHIAOUI AND YAHIA H. ZOUBIR

Introduction

The smallest of the North African states, the Tunisian Republic was a French Protectorate from 1881 to 1956. This Mediterranean, predominantly Muslim (98 per cent), nation has a population of about 10 million in a territory totalling 163,610 square kilometres. The rest of the population is made up of a Jewish minority, concentrated mainly in the southern island of Djerba and the capital Tunis. Unlike its oil-producing neighbours Algeria and Libya, Tunisia does not possess important natural resources. This disadvantage has compelled Tunisians to bank on human resources (HR) to develop economic activities in a variety of sectors that required little or no natural resources.

Politically, Tunisia's post-independence history has been marked by an authoritarian presidential system, dominated by a single party. President Zine el-Abedine Ben Ali has been in office since November 1987 after he deposed, in a 'legal' coup, the charismatic Habib Bourguiba, who had been president since Tunisia's independence from France in 1956. The Constitutional Democratic Rally (RCD), successor of the Socialist Destourian Party (PSD), dominates political life, in spite of the existence of seven legal opposition parties. The president is elected to five-year terms, with practically no opposition. The president nominates a prime minister and cabinet, who are assigned a strong role in the implementation of policy. The central government appoints regional governors and local administrators. Although mayors and municipal councils are elected, their role is largely consultative. The Chamber of Deputies, a unicameral legislative body, has 182 seats, 20 per cent of which are reserved for the opposition. Even though it has played a greater function in debates on national policy, the Chamber never initiates legislation and nearly always adopts bills submitted by the executive with few, if any, changes. The judiciary is supposedly autonomous but in reality answers to executive directives, particularly in political instances. Contrary to other Middle Eastern states, the Tunisian military plays no role in politics; the French-inspired constitution grants the military largely defensive prerogatives.

The main continuity between Presidents Ben Ali and Bourguiba's regimes has been the strong emphasis on socio-economic development, especially in the areas of education, job creation and emancipation of women. With respect to women, Tunisians adopted shortly after independence a rather revolutionary– in the Middle Eastern context – Personal Status Code. The Code, which outlawed polygamy, granted women full legal status, thus permitting them to manage and own businesses and to hold bank accounts. Today, more than 50 per cent of university students are women. Furthermore, as a result of the Government's successful family-planning programme, Tunisia's population growth rate has been reduced to a little over 1 per cent per year, a factor that has greatly contributed to the country's socio-economic stability. Despite its lack of democratic credentials and blatant human rights violations, the Government's socio-economic policies have proved to be successful, as demonstrated by the high literacy and school attendance rates, low population growth rates and relatively low poverty rates. Tunisia's economic growth rates have, overall, been stable. The active population is, on average, about 40 per cent of the total population of which 43 per cent is concentrated in services, while 34 per cent are employed in industry. Manufacturing is the most dynamic industrial sector and makes up about 20 per cent of the domestic national product, with textiles being the chief activity.

In this chapter, we shall look at the historical evolution of human resource management (HRM) in Tunisia. We will then present and analyse from a cultural perspective the prevalent styles of HRM in Tunisian firms since independence in 1956. We will compare those styles with HRM practices in Western subsidiaries based in Tunisia and discuss the hybridization process that has occurred. Throughout the chapter, we will discuss the factors that affect HRM practices in Tunisia. Finally, we will identify some of the obstacles to the modernization of HRM in the country.

Historical development of HRM/HRD in Tunisia

During the colonial period, the French authorities pursued a policy that consisted of encouraging the immigration to Tunisia of a foreign labour force in order to increase the number of industries in the cities and to induce the population to consume industrial goods. However, such a policy had a negative impact on the peasants and traditional products, a situation that resulted in the proletarization of the peasantry and members of the middle class. In this context, HRM was confronted with serious problems with respect to the enticement and loyalty of the labour force, especially in the mining sector. Because the labour force had a peasant origin, workers preferred harvesting to working in the mines. Faced with such difficulty, the colonial authorities in the mining sector introduced policies aimed at 'ensuring the stability of the workforce' (Zghal 2000a: 37). The policies included, *inter alia*, workers' debt, sanctions and the distribution of neighbouring lands around the mines in exchange for workers' willingness to work part of the year in the mines.

In the post-colonial era, the Tunisian Government pursued a process of development based on industrialization, considered by planners as a factor of modernization and

transformation of the economy. The economic system was partially state-controlled and partly free. In the mid-1960s, the State invested heavily in the public sector and encouraged investment in industry. Industrial organizations paid attention to HRM, but not in its overall aspects. This interest in HRM was in fact triggered by the need for industrial manpower, the implementation of a labour code, the growth in the number of employees, the growing role of the General Union of Tunisian Workers (UGTT) as a social partner and the lessening of labour conflicts.

Key steps taken by the Government and companies

In the 1970s, the partnership with foreign companies, combined with the membership in and signing of international agreements, with the General Agreement on Tariffs and Trade (GATT), World Trade Organization (WTO) and the European Union (EU), among others, compelled Tunisian firms to face increasing competition. It also induced them to find a more skilled workforce. With such new demands, the State implemented innovative reforms, including, *inter alia*, the privatization of public enterprises and encouragement of private investment in new technologies. State officials paid particular attention to HR within organizations through the development of professional training sponsored by the National Labour Institute, which offered support for the improvement of qualified personnel, especially in the recruitment of managers (Zghal 2003). This was undertaken through a national plan, which consisted in the creation of the Tunisian Association for Security and Improvement of Work Conditions and the adjustment of salaries to qualifications. To ensure such measures, the State initiated a contractual policy and collective professional pacts defined in collaboration with the unions (Zghal 2000a). This collective bargain's objective was to set salaries and salary increases every two years for all socio-professional categories. The objective also aimed at conducting workers' performance evaluations so employees could receive equitable annual raises. These important initiatives, taken together by the Tunisian State and the union UGTT aimed at guaranteeing social peace.

The HRM function in Tunisian firms has evolved considerably in the past few decades. While in the past a secretary or accountant administered the HRM function, there now exist HR departments. The firms adopted management practices from Western models. Unfortunately, Tunisians blindly emulated foreign practices without any regard for the necessity to adapt those practices to the country's cultural realities. Thus, given Tunisia's multifaceted cultural components, inherited from civilizations that have impacted upon the country throughout millennia, it is important to analyse the various HRM practices and to explain the behaviour of Tunisian firms to take into account culture as a factor, which shapes Tunisian personality and influences HRM practices.

Other key steps taken by the Government: international convention of business ethics

Because of the authorities' desire to open up to the outside, developed world, the Tunisian State has accorded an important place for the ethical dimension of business. In practice, this was illustrated by the signing and ratification of several conventions related to fundamental human rights in the workplace. Among these conventions, one can cite Law 142 (see <http://www.investintunisia.com>), which guarantees respect for the human being. Indeed, the law assigns value to working people through the granting of professional training coupled with monitoring and orientation, all of which have become mandatory for firms to implement. In addition to the development of competencies and training, Tunisia has emphasized the necessity to provide better working conditions through the institution of flexible work schedules in accordance with seasons and religious holidays. Tunisian labour law established the forty-hour week. However, during the fasting month of Ramadan, as well as the two summer months – because of the scorching temperatures – employees work only half a day. Furthermore, in addition to their yearly one-month vacation, workers receive nine days' holiday. Women are also entitled to pregnancy and maternity leave.

Also in conformity with human rights, Tunisian law has established the minimum wage, a limited working age (sixteen years old), entitlement to social security, probation periods and limited-duration contracts. There are also laws governing conflicts and layoffs and equality between man and woman at work. (All these details can be found in the web site <http://www.investintunisia.com>.) Moreover, in order to demonstrate a degree of equity, the Tunisian Government ratified Convention No. 159, which grants disabled individuals the right to receive professional readaptation. However, despite the existence of such laws, violations may occur, such as the abusive exploitation of groups of employees through the accrual of tasks or even 'undeclared work' that is not reported to social security. There are also various forms of corruption, such as gift-giving or undeclared payments, which have altered the meaning of the law to become a means like any other to achieve certain goals, thus developing new mores, such as the *wasta*, as we shall see below, which has become common practice.

Key factors that impact/characterize HRM practices in Tunisia

In this section, we will present some factors that determine HRM practices in Tunisia. Chief among these factors are *wasta* and the autocratic style of management. In examining these concepts, one cannot avoid but referring to Tunisia's cultural specificities, which will help analyse and explain the existence of such phenomena in that society.

Wasta in Tunisian firms

The concept of *wasta* is widespread in the Middle East and North Africa (MENA). In North Africa (Algeria, Morocco and Tunisia), the term used is *ma'rifa* or 'piston' (borrowed from the French). This is basically the equivalent of the Chinese concept of *guanxi* (relationships), which, in the Chinese business environment, is also identified with the network of relationships among various groups that cooperate together and are there for one another. In general, *wasta* is defined as 'the use of connections for personal gains' (Kilani and Sakijha 2002). The concept of *wasta*, a central concept in the MENA value system, refers to two functions: mediation (resolution of conflict) and intercession (advocacy to obtain benefits) (Cunningham and Sarayrah 1993: 1). It is important to emphasise the fact that 'wasta is rooted in family loyalty and tribal dispute resolution' (Cunningham and Sarayrah 1993: 33).

In this chapter, *wasta* is relevant to the Tunisian context, especially as it pertains to the business environment. If one defines *wasta* as 'power', 'influence', 'connections', or 'networking', it is easy to see how it can be 'inextricably tied up with both personal and positional aspects of the manager's role . . . and symbolize the skills of a broker or middleman, an intermediary or agent.' Furthermore, *wasta* 'can also connote formal as well as informal capabilities' (Weir 2003). The interviews with Tunisian managers revealed that recruitment, for instance, is often done through 'word of mouth' within personal networks. These networks are forged by individuals, employed in firms and who belong to various socio-professional categories, with members of their own families, regions and schools. This only highlights the importance of social membership in Tunisian society and the inevitable practice of *wasta*. Foreigners often mistake *wasta* for corruption when in fact it has positive sides. Indeed,

> the wasta paradox includes a psychic haven amidst the chaos of social change, providing individuals a sense of belonging to a social entity that provides unconditional acceptance, and assistance to the novice in solving problems that are commonplace to someone more experienced. These functions are positive for the individual and for society.
>
> (Cunningham and Sarayrah 1993: 191)

In the Arab world, *wasta* is a common practice that most socio-professional categories employ within the firm and in all other sectors of activity.

In terms of recruitment in the Tunisian context, *wasta* is quite relevant, because some analysts consider social belonging as 'the only guarantee of trust, of predictability of others' reaction' (Zghal 2000c: 17) for hiring in general and for the recruitment of a key manager in particular (Zghal 2000c). According to Letaeif Azaiez (2000) and M. Yagoubi (2003), job openings are often reserved for friends, family members or even clients. This produces negative consequences since it results in the creation of a parallel job market. Despite the changes that have occurred in recent years in the field of management and the evolution of HR in Tunisian firms, illustrated by the search for

increasingly more competent candidates, the *wasta* phenomenon remains prevalent to this day. With respect to the principle of equality/dignity, seen through the Tunisian employee's refusal to work under the authority of another person, the recourse to *wasta* promotes working conditions under which relations between managers and subordinates become more affective and where the manager displays positive attitudes towards subordinates.

Outside the firm's context, *wasta* is also important because, quite often, it allows the development of relations of support and cooperation with partners, such as banks, suppliers and customers. In such cases, the network of relationships is as important even at the highest levels of government and business alike because it provides guarantees to the CEOs and general managers as to the good operation and the durability of their firm (Zghal 1998).

One of the negative consequences of *wasta* is that it creates unequal opportunities for those who do not enjoy a potential political or administrative network of relationships. Furthermore, *wasta* accentuates the degree of deregulation, for it has the undesirable effect of making conditions difficult for hard-working executives who abide by the rules when reminded by family obligations to assist their own. Unfortunately, the problem is that this phenomenon cannot be eradicated if the people who benefit from it and encourage it are still in power positions. Various MENA governments introduced legal measures to eradicate this phenomenon, but all their attempts have so far failed. The reason for this failure is that *wasta* 'springs from the intrinsic texture of social structures and the clan, tribal and family connections which power the social fabric' (Weir 2003: 26). With such conditions, which are culture-bound, one can see how difficult it would be to completely eliminate *wasta* in MENA societies.

Management style in Tunisian firms

In order to study the question of HRM in Tunisian firms, it would be judicious to look at this question from a cultural perspective. Given the importance of the study of management styles in the Western world, it would be appropriate to use the same analysis when examining HRM in Tunisia. In this section, we focus on the links that exist between cultural dimensions and the style of management that Tunisian firms have adopted.

Most studies on Tunisia demonstrate that the prevalent management style in Tunisian enterprises is autocratic (Zghal 2003, Yagoubi 2003, Denieuil 1992). Indeed, the authoritarian management style within Tunisian firms is inspired by the bureaucratic model, which Max Weber (1978) developed. Obviously, Tunisians inherited the model from the French colonial power. The bureaucratic model is a type of organization based on rules and regulations. Weber's focus was on instituting unambiguous positions of authority and control. He also stressed the need for a hierarchical structure of power, which, for evident reasons, acknowledged the importance of the division of labour and

specialization. In order to assure stability and uniformity in the organization, a formal series of rules was bound into the hierarchy structure.

The autocratic style of management, as Hofstede and Bollinger (1987) define it, is characterized by high power distance and strong collectivism, which, incidentally is one of the main cultural traits of Tunisian society. According to R. Zghal (1992), the deregulation and paternalism, which are not only two instruments of power, but also part of Tunisia's cultural dimensions, alter the modality of the exercise of power in Tunisian firms when compared with firms in developed countries, without however the Tunisian firm losing its bureaucratic character. Indeed, the manager can exercise power over subordinates through 'the utilization of means that are more or less in compliance with the rules,' thus, resorting to deregulation by means of social belonging. For instance, the manager can establish some kind of connivance with subordinates by 'inflating overtime, providing loans' in order to motivate employees and to entice them to achieve better performance (Zghal 1992: 245).

Paternalism is also another instrument of power that manifests itself through obedience of the subordinate to his or her boss since the relationship between the two is 'expressed in terms of father-son' (Zghal 1994: 180). This relationship is also explained through age difference (Stambouli 1968) which is an important social and cultural dimension in Tunisia. Similarly to the rest of the MENA, parents teach their children at an early age to respect those who are older. The implication is that there exists within Tunisian firms an obstinate belief among employees that their superior knows everything, has a good feeling towards them, and that they must respect his decisions. Respect due to age difference is not always present in the relation of power and authority between managers and subordinates. This respect is also apparent in the communication among all the socio-professional categories within the firm. The respect factor often results in conflicts and communication problems when the manager is younger than his subordinate. Indeed, for a long time, the traditional authority model was based on the principle that 'older persons command younger ones and not the opposite', which creates tensions within the firm whereby the directives of the manager are rejected without prior discussion (Stambouli 1968: 39). Thus, one can only concur with R. Zghal (1992) that these instruments of cultural power are behind the times and are one of the main characteristics of underdeveloped firms. It should also be pointed out that the bureaucratic model that has marked Tunisian organizations since the colonial period coexists side by side with the traditional model and explains its durability within those firms. This is precisely why, despite the existence of the bureaucratic model, personnel still display resistance to it. Indeed, Tunisian firms suffer from a contradiction that springs out of the hierarchical power system. The Tunisian firm is governed under 'a bureaucratic organizational system associated with economic efficiency objectives', on the one hand, and to 'a cultural configuration determining the behaviour of people, not very adapted to the rationality of this system', on the other hand (Zghal 2000b). In this case, a medium power distance, or even a weak one, combined with avoidance of direct orders, is preferable, for it might create a sort of cooperative spirit that would alleviate the differences among socio-professional categories, while respecting the feeling of pride

and dignity that the Tunisian employee is eager to secure (Zghal 1995, 2000c). Like in other parts of MENA, pride is an important cultural value. As Sania Hamady convincingly put it:

> Pride is one of the main elements on which Arab individualism rests, since its sheer being which is primarily respected. To establish a good rapport with an Arab one must be aware of the fact that foremost in the Arab's view of the self is his self-esteem. It is important to pay tribute to it and to avoid offending it. The Arab is very touchy and his self-esteem is easily bruised. It is hard for him to be objective about himself or to accept calmly someone else's criticism of him . . . Facts should not be presented to him nakedly; they should be masked so as to avoid any molestation of his inner self, which should be protected.
>
> (Hamady 1960)

A preliminary research that Dorra Yahiaoui (2004) conducted among domestic Tunisian firms and foreign companies based in Tunisia seems to corroborate these observations. Indeed, the results reveal the rejection of sanctions, the yearning for negotiation and compromise, and the longing for affectivity by the subordinate from the manager through the diminution of the power distance. In addition, Denieuil (1992) and Stambouli (1968) ascertain that the management style in Tunisia is direct and personalized. Employees look after their problems individually by speaking directly to management. However, at times, as is common in Arab societies, employees may prefer to deal with managers through a third party that would serve as intermediary between the manager and the subordinate.

As Nydell and Margaret (2002: 39) correctly points out, 'mediation or representation through a third party also saves face in the event that a request is not granted, and it gives the petitioner confidence that maximum influence has been brought to bear'. But with respect to decision-making, one should note that there is strong centralization of management; subordinates must always request permission from management even for minor decisions.

In the Tunisian HRM context, we must note the contradiction between the yearning for the feeling of pride and the obedience to management that stems from culture. 'The tendency is to dissolve this contradiction through the assimilation of the boss to the father or to resort to entrepreneurship to remove one's self from the condition of salaried worker' (Zghal 2000b). Now that we have dealt with the styles of management, it seems important to examine the recent evolution of HRM practices in Tunisia.

Toward hybridization of HRM practices in foreign and Tunisian firms

Partnerships with foreign firms

Tunisia has witnessed important changes in the past fifteen years. The country opened its economy and has embarked on the process of globalization. It joined GATT in 1990 and

the WTO in 1995. In 1995, Tunisia concluded an association agreement with the EU. Tunisians introduced advanced forms of technology, which, along with other reforms, have helped the country sustain remarkable economic performance. All these changes have placed Tunisia in the position of an emerging market and make it one of the most promising developing countries. The World Economic Forum confirmed this diagnosis. Indeed, in 2000, this organization ranked Tunisia among leading African countries in terms of global competitiveness. This ranking, coupled with the various measures that the Tunisian state has undertaken at the economic level, have made Tunisia an attractive economic centre for foreign direct investment (FDI).

The geographical location, the low cost of its labour force and other incentives the State has offered foreign investors resulted in an increase of FDI not only in the free-trade zones but also in the industrial sectors. The stock of FDI outside the energy sector jumped from 60.21 million euro in 1990 to 543.9 million euro in 2001. The number of foreign or mixed firms operating in Tunisia has increased as well, from 906 in 1990 to 2,503 by the end of 2002. The majority, 86 per cent, of foreign firms that invest in Tunisia, are from the EU, with France occupying the first position. France remains Tunisia's primary economic partner (23 per cent), followed by Italy (22.6 per cent), Spain (8.5 per cent), Germany (8.3 per cent), Great Britain (5.5 per cent) and the USA (4.3 per cent). These figures do not include energy and privatization projects in 2002. Since 2002, Great Britain has risen to the No. 1 position (31.2 per cent) as a result of the acquisition of the second Global System for Mobile communication licence. Foreign investors have been quite satisfied with the results they obtained in Tunisia. Hence, the Council of French Investors in Africa disclosed that 78 per cent of French companies operating in Tunisia have made profits in 2001. The heads of Western companies' subsidiaries in Tunisia have confirmed this performance (see <http://www.tunisieindustrie.nat.tn>, <http://www.tunisie.com>).

Undoubtedly, Tunisia has succeeded in attracting major multinational corporations (MNCs) among which one can cite Unilever, Henkel, Coca-Cola, Microsoft, Siemens, Alcatel, General Motors, Nestlé, Sony, Benetton and many others. However, this is not without drawbacks. Indeed, Perlmutter (1969) and Perlmutter and Heenan (1974) asserted that the relocation of foreign firms in developing countries exhibit a strong ethnocentric bias of their managerial practices. Based on this observation, one can legitimately ask the question as to what kind of managerial practices Western companies based in Tunisia will implement. One can also ask the question about the characteristics of these practices in Western MNC subsidiaries in Tunisia.

It can be said at the onset that some Tunisian firms seek to emulate Western companies in order to achieve rapidly the level of the developed world. This explains why they import various ready-made HRM foreign practices without any regard whatsoever for the institutional or cultural context from which they emanate or that of where they would be implemented. Various studies have raised questions regarding the identity of transition economies as well as the lack of awareness about the role that culture plays in the majority of management models applied in organizations operating in such economies (Mercure et al. 1997).

Tunisia offers an interesting field of investigation with respect to HR not least because this subject has largely been ignored. The investigation is also relevant at the international level. Since the cultural factor has played a significant function in HR in Tunisia (Yagoubi 2003), the question of cultural interpretation of different organizational interactions between the environment and the organization, on the one hand, and between the members within that organization, on the other hand, becomes particularly important.

Yahiaoui (2004) conducted an investigation in February 2004 among six Western MNC subsidiaries based in Tunisia, as well as three Tunisian firms. The objective of the investigation was to understand and then describe the behaviour of both Western and Tunisian firms with respect to their HRM practices.

Changes and new models: towards hybridization of HRM practices in Tunisia

To facilitate this investigation within both MNC subsidiaries and Tunisian firms, we used four instruments of HRM, which can be influenced by value systems, namely, recruitment, compensation, performance evaluation and career management (Dowling and Welch 2004). The investigation focused on interviews with heads of HR and/or general managers, but also with some managers.[1] In the investigation, we chose Tunisian private firms eager to develop their HRM systems in order to compare the existing HRM within these firms with those in MNC subsidiaries. In order to have a complete picture of HRM practices, we selected medium-sized enterprises in various economic sectors. The selection of MNC subsidiaries from different nationalities aimed at helping determine a broad range of value systems which, by transferring their HRM practices, resist or, on the contrary, adjust to Tunisian cultural specificities. The results of this preliminary investigation show that certain HRM practices that subsidiaries of foreign firms have adopted in Tunisia are also present in Tunisian firms. In the latter case, Tunisian firms imported Western practices. The State, too, appropriated such practices as part of a national project to bring the development of Tunisian firms to the level of Western companies. We can assert that, a priori, certain HRM practices within Tunisian subsidiaries of foreign firms are models resulting from hybridization of practices transferred from the parent country with Tunisian institutional and cultural specificities.

Tunisian HRM, as perceived and practised in Western or Tunisian firms chosen as a sample for our study, provides the following characteristics:

- importance given to the types of diplomas from the *grandes écoles* during the recruitment of managers;
- recruitment through 'word of mouth' and relational networks (*wasta*);
- value of job stability and security;
- recruitment according to needs (no projected management);
- selection of candidates through job interviews and the examination of their CVs;
- importance of gender, age and geographic distance for the recruitment of executives;
- granting of bonuses, especially during religious holidays;

- oral communication;
- absence of career management – instead, advancement through seniority.

With respect to imported HRM practices, generally in the case of Tunisian firms, or transferred from Western parent companies, particularly in their Tunisian subsidiaries, we can identify the following processes:

- recourse to recruitment agencies;
- ads in newspapers;
- spontaneous candidacy;
- internal recruitment;
- projected management;
- planned mode of recruitment and fixing of eventual budget;
- preparation of integration plan;
- attracting of candidates through marketing;
- professional training;
- medical insurance;
- bonuses during holidays.

Furthermore, these firms select their candidates through the use of psycho-technical tests, interviewing and evaluation of CVs; they also look at the quality of previous experience and diplomas for the recruitment of executives. The job description of the available positions is sometimes defined by the parent company, thus showing characteristics influenced by the headquarters' national culture. This confirms the ethnocentric tendencies that MNCs practise in the less-developed countries, which Perlmutter (1969, Perlmutter and Heenan 1974) observed in his studies, referred to earlier in this chapter. Among other HRM policies of Western origin, one can cite the benchmarking of salaries offered in other national or foreign firms, performance evaluation, management by objective (MBO) and project management. Worth citing are also the establishment of the evaluation form, the 'success plan', as an instrument of career management, promotion plan, national and international mobility, and top quality management (TQM) as other HRM practices adopted by some firms chosen for our study but which are alien to the Tunisian context.

Our analysis of the investigation's data, coupled with a review of the literature (Zghal 1994, Stambouli 1968, Yagoubi 2003, the Quran), help highlight the Tunisian cultural dimensions that characterize the employee within Tunisian organizations. The most important characteristics revolve around social affiliation, belief in *maktub* (fate), strong sense of collectivism,[2] oral communication, paternalism, search for equality and dignity, pardon and 'divine clemency', search for ambiguity and deregulation, importance of social prestige, importance of relationship and pre-eminence of the feeling of pride. It is important to also point out that some HRM practices in Western subsidiaries adjust their policies to the Tunisian labour code using a variety of instruments: sub-contracting of manpower, flexible employment, limitation of the probationary period to six months maximum, restriction of the limited-duration contract (*contrat à durée determinée*) to a four-year maximum period, and the State's encouragement of recruitment through the

creation of the SIVP contract (*stage d'initiation à la vie professionnelle*: initiation training to professional life), with the State's financial contribution to the salary as well as an exemption of social charges.

In order to better capture the process of hybridization, we have built a diagram that represents the different actors involved in the process of hybridization of Western and Tunisian practices. Figure 13.1 highlights two types of HRM practices: (a) the type that is transferred by the parent company, and (b) the type that is influenced by the national (Tunisian) culture, the Tunisian labour code, the Tunisian style of management and the levelling programme that the State established. The blending of these two types in the Tunisian subsidiaries of Western firms engenders a new model (see Figure 13.1).

As underlined in the diagram, the head of HR of the parent company transfers the practices influenced by the country's national culture to the parent firm's subsidiary abroad. These practices will later be adapted by the head of HR and/or general manager of the subsidiary, to the Tunisian labour law and to the national collective contracts that are embedded in the Government's levelling programme that will eventually be implemented. Executives in charge of operations and Tunisian employees subjected to these methods react and express their managerial preferences according to their national cultural dimensions.

We have identified a few of the reservations and problems encountered in these companies. The firm's recourse to recruitment through employment agencies and newspaper ads often creates difficulties for them with regard to the recruitment of different types of managers, since these methods are scarcely used in the Tunisian context. Employment sub-contracting is also still not well perceived in Tunisia.

MBO also poses problems, particularly for executives, when objectives and rewards are individually based. Indeed, given that the sense of collectivism is very high inside Tunisian firms,[3] employees become suddenly aware that the solidarity of their group is jeopardized when this rewards method is implemented. It should be noted that Tunisian employees also reject management by objectives in many cases because managers use it without any training or explanation of the principles that this practice entails.

There is also resistance to performance evaluation since the Tunisian employee refuses to accept sanctions. This is mainly because of the sense of pride derived from their culture, but also because of the social class to which they belong. Social class is obviously another dimension to which Tunisians, like most Arabs, accord a great deal of importance. Furthermore, this is complicated by the sense of paternalism inspired from the sacred texts in the Koran and *Hadiths* (Prophet Muhammad's sayings and a second reference for Muslims after the Koran) with respect to forgiveness and clemency.

With respect to the power dimension, the investigation shows that there exists a weak power/hierarchical distance between employees and managers. This can be explained by the affective social relations that characterize Tunisian society. Furthermore, Tunisians often reject the strict application of the TQM practice. One can explain this rejection
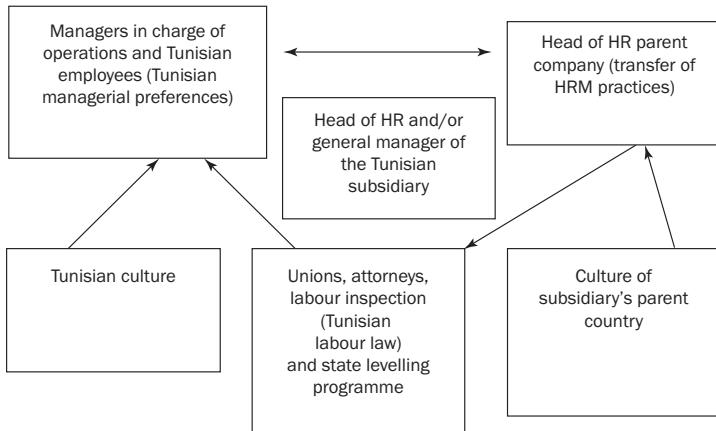
Figure 13.1 Actors of the hybridization process of Western and Tunisian practices.

through the recourse to deregulation and ambiguity, two fundamental characteristics of Tunisian culture.[4] One should also mention that the 'turnover' is well accepted in Tunisian firms because it stems from a type of flexibility and versatility that coincides with the principle of equality–dignity, important cultural factors for individuals in Tunisian organizations. In fact, equality and dignity are two variables that derive from the principle of human uniqueness found in the Koran which calls for the equal treatment of people. However, this presents a dilemma in actual reality between the notion of equality demanded by Tunisian employees and the process of hierarchy necessary in human society.

These few preliminary observations about imported Western HRM practices into Tunisia, which have elicited a great deal of resistance, call for one major conclusion that can, a priori, be drawn from our investigation – which has yet to be validated or generalized. The conclusion is that the following practices characterize the behaviour of Western subsidiaries in Tunisia.

- adaptation to national collective agreements;
- adaptation to local labour laws and regulations;
- transfer of HRM policies not subject to the obligation of institutional adaptation.

With respect to Tunisian firms, we could make the same observations as the ones we made for foreign firms operating under imported Western models of management. But, although Yahiaoui's interviews reveal some elements defining Tunisian culture, it is still quite difficult to draw conclusions about the reality of transfers of practices between the parent company and its subsidiaries in Tunisia. This limitation is due to the fact that only heads of HR, general managers and a few managers have been interviewed for the study. This means that further investigation is necessary. The investigation will

focus on interviews with executives in operations, employees and, if possible, heads of HR in the parent companies in order to better explain the process of hybridization of HR practices.

Key challenges and future perspectives

This chapter has revealed that HRM practices have undergone a dynamic process of change and transformation. The association agreement with the EU for a free-trade zone, increased international competition and new state policies have induced this dynamic of change. These factors have revealed the inevitability of sustained need for new competencies and the introduction of new HRM practices, which, at the same time, must take into account Tunisia's institutional and cultural specificities. The Tunisian state has made moved in the right direction by encouraging professional training and making political decisions, cited above, which have contributed to the satisfaction of some of these indispensable developments. However, with respect to management in general and HRM in particular, we must point to the nearly total absence of links between (university) research and enterprises, a deficiency which Zghal (1998) attributes to the absence of trust and/or the absence of interest in studies in management among heads of companies. The establishment of a relationship between research and management is essential because it will allow future managers not only to familiarize themselves with HRM practices within firms, but will also entice researchers to help managers develop personnel practices. Another important issue relates to corruption. Indeed, corruption has the potential of discouraging investors from coming to Tunisia and compelling those that are operating there who subscribe to the international charter of ethics to leave the country and settle elsewhere.

Conclusion

In this chapter, we tried to analyse the diffusion of HRM practices in the Tunisian context. As has been seen, HRM practices have witnessed important transformations in Tunisia. The evolution of practices owes much to the deliberate policy that the Government has pursued since the liberalization process initiated in 1980s. Tunisian firms took advantage of this policy to import foreign HRM practices which allowed them make their firms more efficient. In some cases, they have adapted those practices to Tunisia's institutional and cultural specificities. In other cases, Tunisian managerial practices were simply hybridized with the imported practices, thus producing a model specific to the Tunisian environment.

Although this research has allowed us to draw some characteristics about HRM in Tunisian firms, as well as in foreign subsidiaries of large MNCs, the conclusions are too limited to be generalized. Our future research will surely reveal additional characteristics which can then be validated. Furthermore, the study will help firms decide which practices can be adopted successfully and what practices ought to be adapted to

local specificities. Finding out to which socio-professional categories imported HRM practices apply best is also a question that would need to be answered in our future research.

Notes

1. The objective of the interviews with HR directors and general managers was to obtain information on HRM practices. Interviews with managers aimed at identifying the constraints and resistance linked to those practices. The interviews were then submitted to a thematic analysis of the data collected for this purpose through transversal cut-outs of the discussions into themes until the attainment of meaningful results, which provide minimum response to the questions posited at the onset.
2. According to Hofstede (2001: 225), 'collectivism stands for a society in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty.' It should be pointed out that the collectivism that prevails in Tunisian firms does not always follow Hofstede's definition of collectivism. According to Stambouli (1968: 37), the group in the firm can be seen as a system of inter-individual relations.
3. M. Yagoubi (2003: 159) states convincingly that

   there is a high sense of collectivism in Tunisia, which views workers largely in terms of the group to which they belong. This supremacy of the group over the individual discourages the establishment of individualized reward systems based on individual performance, and considers creativity and initiative an opposition to the group. These particular socio-culture factors have had disastrous effects on HRM, on employee attitudes at work, and on their productivity, and have introduced serious distortions in the functioning of the labour market.

4. R. Zghal (1994) introduced these two cultural dimensions to describe the behaviour of Tunisian employees in the Tunisian firm.

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Useful web sites

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www.investintunisia.com, Investment in Tunisia.
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14 Human resource management in Algeria

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Introduction

Human resource management (HRM) in Algeria is not too different from that of many other developing and former socialist countries, but it has its distinctive characteristics when considered in relation to other Middle Eastern countries, especially in the light of the past fifteen years of political turmoil and socio-economic problems. In its endeavour to modernize and to move from a planned to a free-market economy Algeria has been facing acute problems at all levels and particularly in managing its human resources (HR). To explain this situation, it is appropriate in this chapter to start with a brief account of the socio-economic and political context in which people are employed and managed. Then the two main systems of employment relationship, self-management (1962–9) and socialist management of enterprises (1971–90), that characterized the historical development of HRM and industrial relations for nearly thirty years are analysed critically, highlighting the reasons for their eminent failure. The role and importance of HRM in the current economic reforms are explained before discussing the key factors that determine HRM policies and practices such as recruitment and selection, training and development, rewards and remuneration and industrial relations. Some of the recent changes in HRM policy and practice are described and the key challenges for future development are explored. Finally, it is concluded that the problems and the characteristics of managing HR in Algeria are intertwined with contradictory policies, practices and attitudes that have their origins in the cultural, historical, political and socio-economic developments of the country. Therefore suggestions are made on how to improve employment relationships, create jobs and ameliorate working conditions in a fast changing, turbulent and volatile free-market environment.

Socio-economic and political background

Algeria is one of the North African countries that constitute the Magrebian (or Western) group of Arab countries (Algeria, Libya, Mauritania, Morocco and Tunisia). Although

geographically Algeria is not in the Middle East, it is politically and economically one of the most important among the Arab and Muslim countries. Its distinctive role in making and shaping the political agendas and the economic directions of many developing countries, notably those in Africa and the Middle East, stems directly from its strategic location, size and history. In terms of land size (2,381,740 square kilometres), it is the second largest country in Africa after the Sudan. Its population was estimated at 32,129,324 of which 65.5 per cent were between the age of fifteen and sixty-four in July 2004 (World Bank 2004). The total average age is 23.8 years. More than 99 per cent of the population are Sunni Muslims and less than 1 per cent are of other religions (mainly Christian and Jewish). Arabic is the national official language while French is widely used and Berber is a recognized national language that is spoken in different dialects in parts of the country. The country is divided into forty-eight provinces (*wilayat*); each *wilaya* is made of a number of constituencies (*dawayar*) and each *dayra* is made of a number of councils (*Baladyat*).

Economically, Algeria is potentially one of the richest countries in Africa because of its natural resources of arable land in the north and hydrocarbons (crude oil and natural gas) in the south. Other significant resources include iron ore, zinc, phosphates, uranium, lead and mercury. The economy is based on the hydrocarbons sector which, according to the National Office of Statistics (NOS), accounts for more than 60 per cent of the national revenues, 30 per cent of gross domestic product (GDP) and more than 95 per cent of exports (NOS 2004). As an influential member of the Organization of the Petroleum Exporting Countries (OPEC) Algeria has the seventh-largest reserves of natural gas, the fourteenth in oil reserves, and is the second-largest gas exporter in the world. However, it experienced depressed economic conditions especially over the 1990s. Industrial production declined by about 25 per cent of that in early 1980s and average economic growth dropped from about 4.4 per cent between 1977 and 1987 to less than 1 per cent between 1988 and 1998 (NOS 1999).

Until the mid-1990s, over 70 per cent of enterprises were owned and controlled by the State. Most of the national enterprises were large and had monopolies over the production of goods or provision of services in their sectors. The emphasis on heavy industry created extra large state-owned companies which were highly structured, formalized and centralized (Zeffane 1981a). They were described as having a wide range of production units, large numbers of workers, authoritarian management, shortages in professional and technical expertise, heavy-handed bureaucracy, and not being able to meet planned targets (*Revolution Africaine*, 18 December 1987). For example, the construction of a large steel-making plant in El-Hadjar near Annaba, which more than three decades after its construction was still operating at less than 20 per cent of its capacity of 2 million tons of steel per annum, and the large biscuit plant in Oued El Bellah near Cherchell which had never exceeded 10 per cent of its capacity of 66 tons of biscuit per day. By the late 1980s, most state-owned enterprises were unable to operate effectively because of bad management, poor planning, inadequate utilization of resources, limited skilled workforces and cumbersome state bureaucracy. Industrial sectors became over-manned but suffered shortages of professional and managerial staff. Other sectors such as

agriculture, housing, health and education had all inadequate investment resulting in acute shortages in housing, health facilities and consumer goods (Lawless 1984: 166).

Moreover, the increase in financial difficulties due to the fall in oil prices and the making of, at best, small profits by the national enterprises put the whole economy in a critical situation. The rate of economic growth dropped from 4.6 per cent per annum in 1985 to –1.4 per cent in 1987 and to –2.9 in 1988 (*Algerie Actualité*, 28 March 1990) while unemployment increased from 16 per cent in 1986 to 19 per cent in 1988 (*Révolution Africaine*, 3 June 1988: 18). Therefore, following a national conference on economic policy held in Algiers on 19 December, 1986, and another one on 29 and 30 September, 1987, the Government ordered that each national enterprise had to be made autonomous in its operations, finance and management (Conseil des Ministres 1988). It became the sole responsibility of managers to make their enterprises more productive and profitable. The Company Law introduced in 1991 urged management to introduce more flexible employment practices such as subcontracting and short-term employment. Therefore, to improve their performance, autonomous enterprises resorted to the reduction of costs through reductions of investments and employee numbers.

While the second quinquennial plan (1984–9) projected an increase in employment by 6 per cent per annum, creating 1 million jobs by 1990, in reality unemployment increased from about 8 per cent in 1984 to 19 per cent in 1988 (*Revolution Africaine*, 3 June 1988: 18). More than 130,000 jobs were shed between 1985 and 1989 (*Revolution Africaine*, 11 July 1989). The restructuring and the privatization of public enterprises led to making more than half a million workers redundant. Unemployment kept increasing from about 10 per cent in 1985 to 26 per cent in 1995 to almost 29 per cent in 2003. Recognizing that the country's demographics would make youth unemployment a serious social problem, the Government established the Youth Employment Programme in 1988 to provide jobs and training for young people between sixteen and twenty-four years of age. The programme failed eventually to meet its target of creating 40,000 training opportunities and 60,000 jobs each year. Therefore in 1990 two other initiatives were introduced. One would subsidize, by up to 30 per cent of the initial investment, the establishment of new enterprises by young people and the other would guarantee bank loans extended to young entrepreneurs. The latter was relatively successful in helping young people to start their own businesses, especially in transport and agriculture, but most of the new entrepreneurs found themselves working for the banks because they had to repay the loan with high interest. Also, the lack of spare parts, of business experience, of knowledge and skills in doing the work (especially agriculture), and the lack of support from the local authorities led to the failure of many young people's new enterprises.

Throughout the 1990s, the Algerian economy was in real crisis as high unemployment was met with high inflation and increasing foreign debts with decreasing oil revenues. Inflation rates varied significantly as they went from 22 per cent in 1991 to 32 per cent in 1992, to 29.8 in 1995 and to 19 per cent in 1996 (World Bank 1997). To reduce inflation and stimulate economic growth, the Algerian dinar was devalued and interest rates increased. The Algerian dinar was devalued by 22 per cent in 1991 and by 40 per

cent in 1994, and continued to slide from four dinars to a US dollar in 1980 to about 72 dinars to a US dollar in 2000 and to 77.39 dinars in 2003. Many state-owned enterprises had to close down and, as thousand of employees were made redundant, social unrest and violence erupted in different parts of the country adding to an ongoing political turmoil. In the midst of increasing violence and political crisis, as explained below, a programme for the privatization and restructuring of public-sector enterprises was approved in 1995. In 1996 the Government put 250 state-owned enterprises up for sale, but only thirty were sold. Thus the privatization law was amended in March 1997 to speed up the process, providing tax incentives, deferred payments and an employee stock-ownership plan. Despite the amendments introduced, only a small number of companies were sold while the number of newly created small and privately owned enterprises increased significantly. The output of the private sector in 1999 was 7 per cent higher than the previous year while that of the public sector declined by 2.7 per cent. Small and medium sized enterprises (SMEs) started to dominate markets in textiles and other light industrial sectors, but most of them have been hit by the devaluation of the dinar, high inflation and high interest rates, as well as by terrorism, sabotage and theft. Such problems forced many small businesses to go bankrupt and to make their employees redundant. Nevertheless, the Government's commitment to the deregulation of the economy continued (Mellahi and Wood 2003). The deregulation legislation introduced in 2003 opened all economic sectors except the hydrocarbons to domestic and foreign private investors and to competitive market forces. A wide-scale privatization programme is currently under way, but unless the country sees a real social and political stability, private investments will still be limited and unable to stimulate economic growth.

Politically, Algeria has experienced periods of political crisis of various kinds since its independence from France on 5 July 1962. The first government of President Ahmed Ben Bella proclaimed socialism as its doctrine and the National Liberation Front (FLN) as the sole governing party of the country. Until the middle of the 1980s the socialist state provided everything possible for everyone either free or at very low prices by subsidizing the economy through revenues from, mainly, the export of oil and gas. However, the situation changed completely as soon as the politics of socialism started to fade away and oil and gas prices started to fall. In 1987, in response to the economic crisis explained above, the Government introduced severe austerity measures in order to control rising external debts, a huge budget deficit and negative balance of payment. As a result, there were acute shortages in consumer goods, prices rocketed and basic standards of living became unaffordable. As unemployment increased and inflation rose at record levels (23 per cent in 1988) there were numerous protests and strikes throughout the country, and on 5 October 1988 riots erupted in Algiers, the capital, spreading to all other big cities. In response to the unrest and riots, which resulted in more than 500 deaths, President Chadli Bendjadid announced constitutional changes which permitted multiparty politics and a free-market economy. A new constitution, making no reference to socialism and ending twenty-seven years of the one-party system, was approved by referendum in February 1989. Consequently, new laws were introduced in July 1989 to reduce the state control and monopoly of the economy.

The first multiparty municipal and provincial elections were contested on 12 June 1990. The Islamic Salvation Front (FIS) party, which rose in an extraordinary wave of popularity, received 55 per cent of the votes. In the first round of general elections on 26 December 1991, the FIS gained 188 seats of the 231 seats that were won outright. Two weeks later, four days before the second round of elections, on 11 January 1992, President Bendjadid was forced by a group of army generals to resign, and the second round of elections was cancelled. On 14 January, five-member High Council of State announced that it would act as a collegiate presidency to be headed by one of the first leaders of the FLN, Mohamed Boudiaf, who was headhunted after twenty-eight years in exile in Morocco. In February 1992, the High Council of State declared a twelve-month state of emergency, and in March the FIS party was dissolved. Violence escalated and the state of emergency was renewed for an indefinite period. After that, violence persisted for more than ten years, resulting in the loss of more than 100,000 lives and the disappearance of more than 20,000 people despite a number of constitutional, presidential and governmental changes. Significant political changes have been made since 1998, such as the introduction of the Civil Harmony Act which gave amnesty to all those who had been involved in and stopped the use of violence against the state. The relative security in the country over the past three years has led to modest improvements in the economy and has attracted some multinational companies to invest in active sectors such as hydrocarbons, pharmaceuticals and telecommunications, but so far significant investments have yet to materialize, as many foreign investors are still wary of the resurgence of violence. Lawlessness is still rife in many parts of the country, and institutional corruption is still widespread. Despite significant improvements in macro-economic indicators, the reforms have been unable to generate enough investments to reduce the rising level of unemployment.

Historical development in HRM and industrial relations

The aforementioned socio-economic and political conditions have had direct effects on the way HR has been managed in different organizations. During the twenty-seven years of planned economy and socialism, employment policies were introduced in the form of politically inspired codes of practice and charters, without much effective consideration of the needs of employees or the economy. Employment laws covered payment systems, workers' participation, health and safety at work, discipline and dismissal and employee rights and duties. The State decided on pay rises and appointed managers in the state-owned enterprises. The most significant forms of employment policies that were imposed under the planned market economy were the self-management system (1962–9) and the socialist management of enterprises system (1971–90).

Self-management (1962–9)

On the eve of independence on 5 July 1962, there were more than 22,000 farms, comprising more than 2.3 million hectares of arable land, hundreds of residential properties, hotels, restaurants and factories, and many other commercial premises left abandoned by the French settlers (Clegg 1971, Benissad 1979). Therefore, some 275,979 Algerians, mainly former workers in the abandoned land and properties, occupied them and ran them collectively. They organized themselves into workers' committees, creating a form of self-managed enterprises. In March 1963 the newly formed government of Ahmed Ben Bella issued sets of decrees, which became known as the 'March Decrees', in order to formally recognize and organize the self-managed enterprises. The March Decrees established that the permanent employees of each self-managed enterprise had to be represented in a general assembly, which had to elect a workers' council for three years. The workers' council had to elect a workers' management committee, which in turn had to elect a president to work with a state-appointed director. Workers' councils were expected to decide on the purchase and sale of equipment for the unit and to see to its maintenance. The workers' management committee was primarily responsible for drawing up the enterprise's development plan, deciding on work schedules, instituting accounting procedures, producing marketing strategies and settling disputes. The president of the workers' management committee was expected to call and preside over all meetings and had the right to sign all financial and legal documents of the self-managed enterprise. The director, who was appointed by the state, had the overall responsibility over the management of the enterprise, including the role of treasurer, chief accountant, coordinator and supervisor of the day-to-day activities.

Self-management was a short-lived experience. Ottaway and Ottaway (1970: 66–7) reported that workers' councils 'died in the effort to give birth to management committees and meetings of the general assemblies rarely took place'. They also reported that elections in many enterprises were held in the spring of 1963 for the first time and seldom thereafter. There were many reasons for the failure of self-management (see Lacks 1970, Ottaway and Ottaway 1970, Clegg 1971, Chaulet 1971, Lazreg 1976, Benhouria 1980), but the main one was the decision of the military government of Colonel Boumedienne, after the *coup d'état* of 1965, to create large state-owned companies and small cooperatives for the benefit of war veterans. The number of self-managed enterprises was reduced, with most of them being converted into small cooperatives. In August 1967, nine state-owned companies were created by taking over a number of self-managed enterprises, and by 1969 all self-managed enterprises were either merged into state-owned companies or transformed into cooperatives and handed over to war veterans.

Socialist Management of Enterprises (1971–90)

The Socialist Management of Enterprises was introduced through Ordinance No. 71–4, dated 16 November 1971 in a document entitled *Charte et code de la gestion socialiste des entreprises* (*Charter and Code of the Socialist Management of Enterprises*). It stated that at the level of every enterprise unit, employing more than thirty people, the workers had to elect a workers' assembly from which two members would represent them at a joint management council, with the rest would be involved in five workers–management executive committees. These were the economic and financial committee, the social and cultural affairs committee, the personnel and occupational training committee, the disciplinary committee, and the health and safety committee. In 1975, a further set of regulations on how to implement the Socialist Management of Enterprises was introduced as *Gestion socialiste des entreprises: charte et textes d'application* (*The Socialist Management of Enterprises: Charter and Texts of Application*).

The implementation of the Socialist Management of Enterprises increased steadily between 1974 and 1982. For example, the number of the so-called socialist enterprises increased from twelve employing more than 66,309 workers in 1974 to fifty employing more than 188,523 in 1976, and to 104 employing more than 508,000 workers in 1982 (Boussoumah 1982, Saadi 1985). However, and despite the increasing number of socialist enterprises, many economically important ones did not apply the Socialist Management of Enterprises. For example, by 1979, about seventy large national enterprises and about 320 SMEs employing more than 900,000 workers in industrial sectors alone had not yet introduced the Socialist Management of Enterprises (Benachenhou 1980). Workers were supposed to be involved in the making of decisions concerning their enterprises through elected workers' representatives, but in practice workers' participation was just a consultative exercise and confined to executive matters of social and individual concern, rather than being extended to technical and developmental issues (Zeffane 1981b, Saadi 1985, Branine 1994). In reality, there was no workers' participation in any of the so-called socialist enterprises.

There were many reasons for the failure of the Socialist Management of Enterprises, as explained elsewhere (Branine 1994), but the most significant is that many workers did not understand the purpose of the system because they were not made aware of its importance to their working lives. They did not attend meetings and had very little to offer when they attended (see Boutefnouchet 1982, Zeffane 1981b, Saadi 1985). Even in 1978, when the introduction of the socialist management system was at its peak, a worker representative was reported saying, 'We are at the end of our mandate and some brothers have not understood the existing texts and confuse the socialist management with self-management' (*Revolution et Travail*, 8 June 1978). Moreover, there was also a clear supremacy of management over the workers at joint management councils (Zeffane 1981b). General managers of enterprises, as presidents of joint management councils, and their management staff dominated discussions in meetings and undermined workers' representatives. Nellis (1977) argued that the difficulty in implementing the Socialist Management of Enterprises in Algeria was partly because of managers' views about the

Algerian workforce. They regarded workers as a 'pre-proletarian' class, with peasant origins and culture that should be closely supervised before it could be entrusted with managerial responsibilities. It was inconceivable for managers who were responsible for the achievement of planned economic objectives to share their powers of decision-making with their subordinates. Managers publicly applauded the idea of workers' participation, but in practice they did what they could to undermine it. There was a psychological barrier between the workers and managers. Workers' feelings of inferiority and managers' feelings of superiority made it difficult to achieve even mutual understanding of their relationship, let alone making it conducive to joint management decision-making.

By 1990, most public-sector enterprises were restructured, and the process of workers' participation was seen no more a priority as the economy was deeper in crisis. Economic reforms and austerity measures were introduced, as explained earlier, and the Socialist Management of Enterprises was eventually abandoned. As the economy is liberalized and most enterprises are privatized, new forms of free-market economy management systems are being forged. Such systems have their significant effects on the way people are employed and managed, as is discussed in the next section.

The role and importance of HRM in the current economic reforms

The main aim of the reforms that were initiated in the 1980s was to transform Algeria's centrally planned economy to one based on free-market principles by reducing state controls over the economy, applying market principles to the management of state-owned firms, encouraging foreign investment, eliminating state monopolies over imports and distribution, and by initiating the privatization of state-owned enterprises. However, the transition from a planned economy to a market economy has been very slow because of the political turmoil and the associated lack of foreign and indigenous investment. As more and more state-owned companies went bankrupt, many thousands of employees lost their jobs. What happened in practice was accompanied by a new management discourse which was repeatedly echoed by politicians in their speeches and through the different media channels (Mellahi and Wood 2003) in order to consolidate the principles of free-market economy led by managers rather than workers.

The recent economic and political reforms have not yet attracted foreign investments outside the hydrocarbons sector and have not turned the privatized large public companies into private and successful enterprises that create opportunities for growth and development. The Economic Recovery Support Programme (PSRE) for 2001–4 has liberalized foreign trade and payments in order to attract foreign investments, privatized public entities to boost domestic private investments and reformed the taxation system giving more opportunities and inducements for foreign and domestic investments outside the oil industry. It envisaged an annual growth to between 5 and 6 per cent and to create 850,000 jobs, but so far, despite an improved economic growth of 6.4 per cent and

controlled inflation at 2 per cent in 2003, unemployment is still on the increase, at 30 per cent in 2004. While it has been possible for the past three years to reduce the balance of payment deficit, to reduce inflation and to improve economic growth, it has been difficult to attract investments and to create new jobs without having to introduce further reforms. Real economic growth was estimated at 7.4 per cent in 2003 (World Bank 2004), but the utilization of HR is still one of the main obstacles for the success of economic reforms. Unemployment has been the major problem, noting that most of the unemployed are young people who have little education, no skills and no professional training. More than 65 per cent of those seeking employment in 2002 were under the age of twenty-five, making youth unemployment one of the major problems in the country.

HR has yet to be seen as a growth factor rather than a burden on the economy. The working population has increased by 139 per cent over the past twenty years (Chemingui and Ayadi 2003: 13). Although the minimum age for employment is sixteen years, as the law (the Penal Code) prohibits the use of child labour or any form of forced employment, the employment of school leavers between the age of twelve and sixteen is on the increase, especially in rural areas. Inspectors from the Ministry of Labour enforce the minimum employment age by making periodic and secret visits to public- and private-sector enterprises, but it has not been possible to enforce the law because of the high level of youth unemployment and poverty that has pushed many school leavers under the age of sixteen to seek paid work. Interestingly, female participation in the labour market increased by 6 per cent over the 1990s, from 12.1 per cent of the working population in 1990 to 18.1 per cent in 1999, while that of men increased by only 4.8 per cent, from 43 to 47.8 per cent over the same period (Gardner 2003).

Key factors that determine HRM policies and practices

HRM in Algeria has been a mere administrative process that is heavily influenced by an inherited French bureaucracy. Despite the introduction of participative management programmes and the establishment of employee relations based on socialist ideology, the French influence is still prominent. This has obviously reflected the kinds of education and training that the Algerian politicians and managers acquire, but there are also a number of key economic, social, cultural and political factors that affect the recruitment and selection of employees, their training, their rewards and their industrial relations.

Recruitment and selection

Until the early 1990s, the staffing of most Algerian organizations was related to the national manpower plan. Over the 1960s and the 1970s, a number of bureaux of employment (similar to the French *bureaux de la main-d'oeuvre*) were set up throughout the country in order to help people get jobs. Their main role was to orient and allocate job seekers to suitable jobs. In a state-controlled system, such bureaux were expected to

implement government policies relating to employment promotion and allocation. It was believed that information on employment and vocational skills could be made available to both employers and job seekers through a network of bureaux throughout the country, and therefore it would be possible to establish an effective manpower-planning system that would control the supply and demand of labour. In practice, they were just bureaucratic centres of corruption and favouritism, providing very little help to job seekers, especially at times when unemployment was on the increase. By the late 1980s, the use of such bureaux was abandoned as was the concept of socialism and jobs for all.

At the organizational level, job analysis is hardly known and proper recruitment and selection procedures are never used. The process of recruitment and selection is merely a bureaucratic and administrative formality and is neither systematic nor objective. It is still normal for organizations to receive unsolicited applications, and there have been many cases of vacancies being filled before they were advertised. It is also a common practice to hire new employees without necessarily having vacancies, especially when friends and relatives apply for jobs. Friendship and kinship can take precedence over qualifications, as managers feel obliged to support their relatives and friends. It is very often difficult to get employment without having contacts with people within the organization. It is also normal practice for managers to be supported by a body of administrative personnel recruited from their relatives and friends (Ecrement 1986). Such contacts as acts of favouritism, nepotism or bribery are summed up in the well-known Algerian concept of the 'piston'. The use of the piston to get jobs, goods and services easily has given many managers with enhanced social prestige and strengthened their positions. Clegg (1971: 170) argued that the piston was a legacy of colonialism in Algeria, which also had roots in the country's indigenous culture and social structure. Application forms and documents that are not followed up through the use of the piston are often lost or ignored. When I asked the general manager of a large textile company about the use of the piston in his company, he replied wisely by saying: 'in the republic of cousins it is impossible to ignore one's family and friends. Even if you don't like it [piston], it can be imposed on you'. The use of piston or *wasta* is common in all Arab countries and practised more often in the public than in the private sector. Although most private-sector enterprises, the SMEs in particular, are dominated by owner-managers 'whose management in many ways assumes a patriarchal role, responsible not only for business decisions, but also for solving the personal problems of employees' (Mellahi and Wood 2003: 373), they tend to recruit the most able and the most trusted. From a study of fourteen SMEs, Mellahi and Wood (2003) found that when the owners or managers of the enterprises

> needed a new employee they earmarked a possible candidate. This would then be followed by a visit to the café that the candidate frequents, or to her or his residence, followed by a short informal discussion. Should the candidate be available, he or she would normally join the firm the following day.
>
> (Mellahi and Wood 2003: 375)

They also found that 80 per cent of the recruited employees had been known by their employers before they applied to work for them. This reinforces the importance of trust

in employment relationships especially in countries that are torn by civil wars and political instability. Mellahi and Wood (2003: 379) concluded that the civil conflict in Algeria over the 1990s 'resulted in such networks being narrowly founded on trust' and that in the recruitment and selection of employees 'personal trust was found to be more important than family connections or any other factor'.

Applying for jobs in the public-sector enterprises, which are still a significant source of employment and job creation (Gardner 2003), can be a traumatizing experience because of the amount of papers one has to produce to satisfy an endless bureaucratic process and of the many unmet promises one is given during the process. For every job vacancy the applicant is required to submit a handwritten letter soliciting the job together with a full dossier that includes original or legally certified copies of qualifications obtained, a birth certificate, a residence certificate, a nationality certificate, a certificate of exemption from national service (for men), a certificate of jurisdiction, four or more photographs, and four or more self-addressed and stamped envelopes. Depending on the type of job applied for, some organizations ask also for the birth certificate and the nationality certificate of both the mother and the father. It takes weeks if not months to get the dossier completed because of the delays and obfuscation one encounters when acquiring the above certificates, and finally none of them are returned if the application is unsuccessful. If any one of the papers requested is not included in the dossier, the application is deemed incomplete and automatically rejected. But in cases when the piston is used and/or when a trusted friend recommends the person (Mellahi and Wood 2003), the required paperwork is minimum and jobs are offered directly.

The emphasis on a handwritten letter of application does not mean that Algerian employers use graphology in their selection procedure. It is simply a practice that was inherited from the French bureaucracy as a way of reducing the number of applications, because writing letters by hand may deter some people from applying. There is also a great emphasis on qualifications. The degree subject plays an important role in the recruitment of managers because it is believed that the knowledge acquired through education should influence the career of the applicant strongly. For managerial jobs, a high priority is also given to language skills, especially the ability to write and communicate fluently in French, despite the fact that Arabic is the national language. This is one of the strongest legacies of French influence on Algerian administration and society as a whole despite nearly four decades of independence.

Training and development

The level of training varies from one organization to another, even among the state-owned enterprises, and there is a big difference between the private and the public sector. Selecting employees for training is rarely made on the basis of a training-needs analysis or after a performance appraisal. The decision about who should or should not be on a training programme is made by managers who normally see training as a cost to the organization and a favour to their employees rather than as an investment for the future.

Budgets for training are very limited and there is a lack of awareness of the importance of continuous training. Spending on training is very limited and does not exceed 1 per cent of the total expenditure in most enterprises. Many SMEs have no training opportunities for their employees.

Although there have been an increasing number of graduates, there is an acute shortage of well-qualified and properly trained managers to meet the demands of the current economic reforms. Most of the managers of state-owned organizations were trained in a command economy when management meant authority, power and control by state-appointed bureaucrats. Most of the senior managers have no managerial qualifications and were appointed by the state only because of their loyalty to the ruling party, their rank in the army, their good friends in high places, and some competence in spoken French. Therefore, in many organizations, being a manager or *cadre* meant having the right to rule and to possess. Being a manager is a privilege that carries with it many economic and social benefits. In the absence of proper management training, many of such managers use the privilege of the post they hold to abuse their position of power. Although more and more managers became available and the level of managerial knowledge increased over the past twenty years, the situation has often become much worse, especially in enterprises where senior managers have built their own niches of sterile bureaucrats from their friends and relatives. Such managers are trained to have a strong capacity for dealing with the bureaucracy created from the top to down the organization and, at the same time, they give less importance to interpersonal communication and to the needs of employees, customers and suppliers. The methods of learning how to solve problems and how to deal with people and to think strategically are currently alien to the Algerian system of management education and training.

The education system is still heavily influenced by that of the French in its mode of delivery and qualifications awarded. Although many teachers and university lecturers were brought from other Arab countries, and many Algerians studied in the USA and Europe, the French system of education, in terms of curriculum and structure, is still dominant. There is a great emphasis on passing examinations and getting certificates as a proof of completing a course. The *baccalauréat* is the examination taken at the end of three years in a *lycée*, before being admitted to university. There are different types of *baccalauréat*, according to the subjects studied in the *lycée*. The most significant type, as far as getting a place into top universities and *grandes écoles* is concerned, is the *BacM* (Baccalaureate of Mathematics) and *BacS* (Baccalaureate of Science), which are based on the study of mathematics, physics and chemistry, biology, philosophy and foreign languages. University education has grown rapidly since the 1960s, moving from one university in Algiers and two *grandes écoles* (Institut National Agronomique and École Nationale Polytechnique) in 1962 to fourteen universities, thirteen university colleges and thirty-one institutes and *écoles superieurs* in 1998. The number of universities is on the increase as is the number of students. The number of students in higher education has been increasing at a rate of 7.5 per cent per annum (CNES 2003), but the economy is not creating enough jobs to employ the increasing number of graduates. There is a clear 'mismatch between the skills required in the modern job market and those provided by

the education system' (Gardner 2003: 7). Unemployment among university graduates is one of the major problems facing the current government.

There is also a clear distinction between formal education and vocational training. Until graduation with a bachelor's degree (*licence*), learning is mainly theoretical and acquired from textbooks and lecturing. In this process, there is no room for group work or innovation as students grasp the information for use in examinations. It is very often the case that those who fail examinations and become excluded from formal education find themselves in centres of vocational training. Over 92 per cent of those who attended vocational training in 1998 were young people who had been excluded from general education (CNES 1999). In a report on vocational education and training in Algeria, the European Training Foundation (2003) stated that technical and vocational education and training was used as an option for pupils who had dropped out of general education schools. It served as a social outlet rather than a gateway to the labour market.

In 1988, the Government introduced the Youth Employment Programme to provide jobs and training for young people between sixteen and twenty-four years of age. The programme failed eventually to meet its target of creating 40,000 training opportunities and 60,000 jobs each year. Over the 1990s, a number of initiatives were introduced to provide low-skilled youth with minimum work experience in a firm in order to enhance their employability. Firms were given state subsidies to give work to the young unemployed, with the aim of training them in skilled jobs. The scheme attracted 150,000 beneficiaries in 1998, but only 2 per cent of those who benefited from the training were able to stay in employment after the end of their training. The increasing rate of youth unemployment has necessitated the introduction of more youth-training, schemes and more investment in vocational training but no credible ones have been introduced so far.

Rewards and remuneration

The Government determines the grades and levels of payment in all sectors and decides on pay rises in all state-controlled organizations and institutions. Since 1978, a fixed monthly minimum wage has been guaranteed for all employees by a state decree. There are two minimum wages that are set by a presidential decree after consultation between the government institutions, employers and the unions. One is the National Guaranteed Minimum Wage (*Salaire National Minimum Garanti, SMNG*), which was paid to the unemployed people and pensioners. The second minimum wage is the Minimum Activity Wage (*Salaire Minimum d'Activité, SMA*), which is paid by the Government to its employees and is the minimum wage paid by all employers. The SMA is calculated in relation to the average consumer prices, average national productivity and the overall conditions of the economy. The National Guaranteed Minimum Wage was 1,000 Algerian dinars per month in 1978 and remained unchanged until 1990. It was raised to 1,800 dinars in 1991 and to 2,000 dinars in July of the same year. It has been raised from 4,800 dinars (83 US dollars) in July 1997 to 5,400 dinars (US$93) in 1998 and to 9,000 dinars (118 US dollars) in 2002. Whereas the Minimum Activity Wage was 2,500 dinars

in July 1991 and was increased to 4,000 dinars in 1998 and to 8,000 dinars (105 US dollars) per month in 2002 (NOS 2004).

The official number of working hours per week was reduced from 44 to 37.5 hours in 2002. Most employees are paid on a monthly basis. Overtime work is normally paid at time and a half to double time depending on whether the overtime was worked on a normal working day, a weekend or a holiday. As well as getting their basic pay, employees get a variety of allowances and bonuses. Most Algerians enjoy a relatively comfortable level of public and welfare services, which have been provided free of charge since independence. The state welfare system provides for sickness and disability allowances, old age pensions, family allowances and unemployment benefits, but such allowances are very low and many of those who get them live below the poverty line. Since 1995, wages have not kept pace with the level of inflation, and the increase in working age population has not been met with the same level of job creation. The result has been increasing unemployment, rising poverty, less consumption, less spending power and limited economic growth. The National Population and Development Research Centre estimated that one-third of the population lives below the poverty live (Gardner 2003).

Until the 1990s, employees of public enterprises were paid according to a salary grid set by the Government. Bonuses were added for seniority, productivity, work-related risks or hardship and professional qualifications recognized by that particular industry. Bonuses can increase the base salary by as much as 75 per cent (World Bank 1994). The recent reforms have changed the centralized payment system, giving the power to employers to decide on their own remuneration, which is very often related to performance. In other words, the collectivist approach to rewards and payment has been replaced by a more unitarist one which emphasizes individual employees' contributions and rewards. The wage-negotiation process has been decentralized, allowing public enterprises to negotiate independently their wages and working conditions with their employees within the limits of the civil service wage scale, which is set by the Government. As a result, the private sector is only obliged to apply the minimum wage, and this led to the exploitation of labour, especially when the level of unemployment is high and many people are content simply to be employed.

Employee relations

From independence until the late 1980s, the system of employee relations depended on state-imposed systems of workers' participation. As explained earlier, the March Decrees of 1963 were introduced in order to regulate the self-managed enterprises that were created after the departure of French settlers, and the Socialist Management of Enterprises Charter and Texts of Application were introduced in 1975 in order to regulate the Socialist System of Management that was introduced in 1971. Moreover, in 1978, the General Statute of the Worker (SGT) was introduced in order to provide the general guidelines for employees to know their rights and their duties, but there were no clear guidelines on the content and format of employment contracts, grievance

procedures or the settlement of industrial disputes. For example, Ordinance No. 75–33 of 29 April 1975, concerning employee relations and social welfare, proposed that a process of conciliation was the only way to settle all kinds of dispute (Article 3). In 1978, the practice of arbitration was added in cases where the conciliation process failed (Article 90 of the SGT of 1978). However, because of the non-specification of collective agreements procedures in the texts of the Socialist Management of Enterprises and the SGT, the conciliation process for settling disputes was rarely used (Boussoumah 1982: 631). The Industrial Relations Law of 1990 proposed that the settlement of industrial disputes would be through third-party conciliation and arbitration, but it did not state the mechanisms for its implementation. Recently, I asked a trade-union leader to explain how disputes had been settled. He simply replied,

> We meet and discuss issues with management. They promise to meet our demands and we tell the workers that everything will be fine but nothing happens. The scenario is repeated until we call for a strike but some of our workers do not like strikes because they are scared of losing their jobs or they do not like upsetting their friends in management. We start fighting each other instead of fighting management and then someone from the top intervenes and suggests solutions which we very often feel obliged to accept. Few weeks later some of our brothers lose their jobs!

The General Union of Algerian Workers (UGTA) was formed on 24 February 1956, during the French occupation of Algeria. The UGTA played a significant role during the War of Liberation (1954–62) in mobilizing the workers to fight for independence. It supported the FLN party and stayed loyal to its principles until the late 1980s when it lost a substantial share of its membership and its close relations with the state. The UGTA was, most of the time, a transmission belt between the one-party state and the workers, and more of an administrative body than an independent organization of workers. For example, it opposed mass strikes and public demonstrations and supported legislation to prohibit strikes in state-owned enterprises. It was the only recognized trade union to represent Algerian workers until a new law on trade-union activity was passed in June 1990. The law gave employees the right to form and to be represented by any trade union of their choice, and by doing so it ended the monopoly power of the UGTA (*Algerie Actualite*, 12 July 1990).

The Industrial Relations Law of 1990 provides for collective bargaining for all trade unions and prohibits any kind of discrimination by employers against union members and leaders. Workers may go on strike only after fourteen days of mandatory conciliation or mediation. Decisions reached in mediation are legally binding on both parties. When the two parties do not reach an agreement after mediation the workers are allowed to go on strike after they vote by secret ballot to do so. However, workers are required to stay at their jobs in the event of an unauthorized strike. Moreover, in 1991, a new company law was introduced, allowing also for the establishment of different unions, accepting the right to strike and at the same time giving management the right to reduce employee numbers on economic grounds. Trade unions' activity increased at an unprecedented rate between 1990 and 1992, organizing strikes, urging workers to participate in peaceful

demonstrations, and helping to establish a labour party, but since then they have come under pressure to avoid any confrontation with the State because of the fear of being accused of escalating violence in a country that has seen plenty of bloodshed. Other factors such as high unemployment, pressures from the state on active trade unionists, lack of investment and low levels of trade-union membership have also contributed to the trade unions' recent low activity profile. Although the UGTA has been closely related to the state apparatus and has been very careful not to upset the system, it very often stood against the privatization programme and called for a two-day national strike on 25 and 26 March 2003. It argued that the privatization programme had been based on ideological objectives rather than the socio-economic needs of the country because it led to the selling of strategically important national companies such as those in petrochemicals, telecommunications, pharmaceuticals and banking, and created mass redundancies. The UGTA leaders have very often said that the privatization programme had to be selective and should target only the closed and the loss-making public-sector enterprises, and they also wanted to play a significant role in the privatization process to make sure that the working population was not disadvantaged.

In recent years, the number of autonomous trade unions has been restricted, because in order to establish a trade union, workers need to have government approval and, in many cases, the Government does not recognize a union if its objectives are seen to be contrary to the established institutional labour system or if they might disturb the public order and the norms and values of the country. The law prohibits unions from associating with political parties or receiving funds from foreign sources, but they are allowed to join federations or confederations and to affiliate with international labour organizations. The UGTA lost its monopoly power as the sole representative of Algerian workers but is still genuinely active because of its involvement with the Government in making decisions on employees' matters. It is the official representative of Algerian workers in international conventions and conferences and is a member of international confederations such as the International Confederation of Free Trade Unions.

Key challenges and future developments

The key challenge for Algeria today is to attract investments that would create enough jobs for the increasing supply of labour. In March 2000, the Algerian labour force was estimated at about 9.5 million from a population of about 31.5 million. The size of the economically active population grows at an annual average rate of about 4 per cent, resulting in high unemployment, which stands currently at about 30 per cent (World Bank 2004). More than 46 per cent of those unemployed are between the age of twenty and twenty-four (NOS 2004). Youth unemployment is one of the main problems facing the current government and the main source of social and political unrest. For the majority of young people in Algeria today, the prospects of finding jobs have been depressing and, as a result, there has been a general sense of frustration among them. Younger and inexperienced people are the most affected in a labour market where vocational training

is very poor and the creation of new jobs is very limited. To address this problem, the following measures have to be taken.

Investment in education and vocational training

Youth unemployment is partly the result of an education system that has been unable to produce a knowledgeable and skilled workforce. More than 70 per cent of those unemployed under the age of twenty-four in 1998 were unable to go to university (CNES 1999). The majority of today's unemployed people either left school at an early age or failed to pass the *baccalauréat* examination, and they have had no other alternative to get to higher education. Compulsory education until the age of sixteen must be enforced, and the whole system of education and vocational training must be reviewed and standards improved. There is a need for vocational training centres that would produce skilled employees and for policies that would encourage the return to employment in rural areas and the return of 'brains' from abroad. Long-term unemployment among the university graduates is also on the increase as many graduates in humanities and social sciences found themselves, after four years of education, with no jobs and no future. University education should focus on the teaching of transferable skills that make graduates employable. Universities should develop strong links with the different sectors of the economy and give more importance to research than has been done. There are some research institutes and departments in major universities, but there is not yet an established framework for integrated and reasonably funded projects for research and development in all sectors.

Creating sustainable growth of SMEs

The creation of SMEs by encouraging private-sector investments will help to reduce unemployment and stimulate economic growth. The output of the private sector in 1999 was 7 per cent higher than the previous year, while that of the public sector declined by 2.7 per cent (NOS 2001). SMEs have dominated markets in textiles and other light industrial sectors, but most of them have been hit by high inflation and high interest rates, as well as by terrorism, sabotage and theft. A programme for the privatization and restructuring of public-sector enterprises was approved in 1995, and in 1996, the Government put 250 state-owned enterprises up for sale but only thirty were sold. Thus, the privatization law was amended in March 1997 to speed up the process, providing tax incentives, deferred payments and an employee stock ownership plan, but there has been a very limited number of buyers of loss-making state-owned enterprises. For example, in 2002, the Government decided to privatize seventy state-owned firms within six months, but two years later none have been sold because of bureaucratic procedures and the high potential risks that have deterred real investors from coming forward. The private sector has not yet been able to stimulate real economic growth because, as Gardner (2003) argued, private-sector ownership is not a sufficient condition for market economies to

grow. Creating a competitive business environment for small businesses to develop is an important step in the process, but this requires the establishment of institutions that support private markets and encourage private-sector investment. Therefore, the state-owned companies should be divided into SMEs and then sold to genuine investors with the use of minimum red tape and no cumbersome bureaucracy.

Moreover, to reduce youth unemployment, the Government introduced a youth-ownership scheme supporting young people to set up their own small businesses. The Government subsidized up to 30 per cent of the initial investment for the establishment of new enterprises by young people and guaranteed bank loans extended to young entrepreneurs. This initiative helped some young people to start their own businesses, especially in transport and agriculture, but most of them found themselves working for the banks because they had to repay loans with high interest. Also, the lack of spare parts, of business experience, of knowledge and skills in doing the work (especially in agriculture) and the lack of support from the local authorities led to the failure of many young people's new ventures. For small businesses to be successful, the new entrepreneurs need to be trained in small-business development rather than just being provided with financial incentives. The lack of knowledge in setting up and managing a small business is one of the main reasons for the failure of the youth-ownership scheme. There is a need for large-scale and real investments in SMEs by experienced and well-established domestic and foreign investors.

Encouraging domestic and foreign investments in sectors outside the hydrocarbons

Algeria has benefited from the relatively higher than expected oil prices over the past four years and has managed to improve its balance of payment and foreign-exchange reserves, but it has not solved the problem of high unemployment. It is very important that investments are made in sectors outside the hydrocarbons. Investments have to be encouraged in other sectors, namely agriculture, tourism, telecommunications, manufacturing, arts, finance and transport. The hydrocarbons industry is capital-intensive and dependent on skilled labour, while agriculture, tourism and manufacturing are labour-intensive and very dependent on unskilled labour, which is plentiful in Algeria. Investing and promoting the agricultural sector will no doubt absorb some of the excessive unskilled workforce. The hydrocarbons sector accounts for 30 per cent of the country's GDP, but provides only 2 per cent of employment (NOS 2004). Algeria was a successful agricultural country during the French occupation, before becoming major oil-producing one. Currently, farming accounts for about 11 per cent of GDP and has increased significantly over the past four years because of good weather and the support to farmers provided by the National Fund for Agricultural Development and Organization under the National Agriculture Development Plan, but more investments in agriculture are needed. The success of investments in sectors outside the hydrocarbons depends on the performance of the financial and banking sector, which is currently in desperate need of improvement.

Objective, constructive and transparent employment policies

The efficient utilization of HR can be achieved only when the recruitment and selection of employees is based on merit and ability not on the use of the piston, when the training and development of employees is continuous and seen as an investment in, not a cost to the organization, when all employees are rewarded on the basis of equality and fairness to their efforts and performance not of their relationships to management and when employee relations are based on transparent and fair employment policies. It is also very important that performance appraisal is used at all levels because at the moment the appraisal of employee performance is nearly non-existent and, in most cases, personal trust and relationships are given priority over business considerations. Therefore, in the absence of any sense of judgement based on fair criteria, discipline may be relaxed or imposed for the wrong reasons, and rewards may be given to those who do not deserve them.

Moreover, the implementation of effective HRM requires the development of managers who will be able to cope with organizational change in a free-market economy. Currently, management decisions are very often muddled because of managers' inability to formulate clear policies that can be translated into meaningful actions. In many cases, it is not clear who is responsible for what and what the priorities might be. Although a number of highly educated managers have graduated from Algerian and foreign universities, it does not follow that they automatically have the ability and the power to make appropriate decisions. Managers should be freed from the shackles of politics and put their efforts into their work and learn how to design and manage change effectively. Managers need to extend their knowledge and skills to deal with new realities and achievable expectations by acting as real change agents and active decision-makers. Management training in general tends to be ineffective because of a shortage of professional trainers and limited training resources. Zeffane and Rugimbana (1995) argued that many managers in developing countries have to play a role in 'the global economic game' but their main obstacle is their lack of know-how about modern management techniques, especially in terms of how to design and manage change.

Conclusion

Until the economic and political reforms of 1988, Algeria's strategy for rapid socio-economic development was based on the ideology of socialism, advocating programmes for workers' participation in management; but socialism in Algeria was little more than a mythical slogan produced by stagnant regime in which indecision led to personality-centred disputes between various leadership factions. It was conceived, therefore, that workers and managers accepted the 'socialist system of management' only because of its legislative power. By submitting to the will of the predominant legislators, those in managerial positions simply conformed to the inherited and established system of bureaucratic and ideological hegemony. Many problems of managing HR were

directly related to inadequate infrastructure, high population growth, lack of housing, limited training facilities, limited investment and inappropriate employment legislation, which are the results of contradictory policies that were designed to institutionalize the structure and management of existing enterprises under autocratic and bureaucratic post-colonial governments. Such contradictory policies, practices and attitudes have their obvious but nevertheless still very influential origins in the cultural, historical and socio-economic developments of the country.

The main aim of the reforms that were initiated in the late 1980s and during the 1990s was to transform Algeria's centrally planned economy to one based on free-market principles by reducing state controls over the economy, by applying market principles to the management of state-owned firms, by encouraging foreign investment, by eliminating state monopolies over imports and distribution, and by initiating the privatization of state-owned enterprises. The reforms seemed to be conducive towards the ongoing development of a capitalist free-market economy, but they have been seriously hindered by terrorism and political crisis. The transition could have been easier and smoother because socialism was never a success in Algeria and the failure of the Socialist Management of Enterprises is a vivid example. Without going into politics, it is sufficient to say that the problem is political and has its roots in the history and culture of the country. From those who took over the vacant properties in the days of independence just because they were veterans of war to the army generals who ordered the President to resign and then cancelled the second round of general elections in 1991, they all have served their own personal needs by making reference to history and culture while constructively destroying the infrastructure for a genuine economic and social development.

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Human resource management in Morocco

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Introduction

Morocco has long occupied a critical strategic point in the world, located at the north-west corner of Africa and thereby having great importance for Mediterranean shipping and transportation. Half of the Strait of Gibraltar can be thought of as being controlled by Morocco, and this has historically been of great military and economic significance. In addition, the close proximity of Morocco to Europe has always made it something of a transitional nation, one deeply tied to African and Middle Eastern roots, but also one open to Western influence. This gives Morocco something of a unique character in the Muslim world.

Yet, as with many countries in the world today, little attention has been given to Morocco by management scholars. Ozbilgin (2004) has pointed out that top journals in the field fail to address many world locations, especially in developing countries, although a few scholars have addressed these issues in recent years (Budhwar and Debrah 2004). Some of these 'forgotten locations' (Thomas 1995) may well have unique characteristics, and the breadth of management scholarship and knowledge can potentially be increased substantially by a wider range of research. This chapter discusses the human resource management context and function in Morocco. The chapter should encourage future research and will help such research build on things known about Moroccan business practices.

To understand organizational practices in Morocco, as in any country, it is necessary to place things in proper cultural perspective, and the first issue to be addressed is the Moroccan political and socio-economic context. By expanding this perspective, it is possible to better tailor human resources (HR) practices to Morocco specifically, and the developing world generally.

Political and socio-economic background

The socio-cultural characteristics of Morocco can be summed up by noting that it is part of an Arabic cluster (Kabasakal and Bodur 2002), a group of countries in the Middle East and North Africa that share certain social norms and have a common historical and religious heritage. These countries are a bridge between East and West, share a Muslim religious base and exhibit shared cultural features such as architecture and literature. These countries are also notable for their high level of group orientation, their hierarchical nature, a masculine orientation and a limited future orientation. Charismatic leaders are respected in these countries (see Hofstede 2001, House et al. 2004).

Moroccan culture has been described as 'diverse but not divided' (Entelis 1996: 25), a traditional culture showing efforts at modernization. Morocco is a country with a 'complex interaction of social and physical features in which the traditional and modern are intertwined into a mosaic or, more appropriately, an arabesque.' Thus, Moroccan culture can be puzzling to the outsider.

There are three identifiable social classes in Morocco (Edwards 1996), consisting of royalty and a small, educated elite, a growing middle class that is mostly professionals and merchants and a large (over half the population) group in the lower class. These groups are not evenly spread throughout the country, and the population is clearly growing (38 per cent of Moroccans are under age fifteen, and 70 per cent are under the age of twenty-five). This youthful aspect of Moroccan society is more pronounced in the north of the country.

All of this has led to extreme growth in the cities, most notably Casablanca. It is the largest city in the country, but also has growing slums and many unemployed and underemployed citizens. This leads to pressures on housing, health care, education and other basic social services. Thus, industrialization and the creation of good jobs are paramount for Morocco's future. All of these issues will be addressed in turn, and all have implications for the profession of HRM in a dynamic, growing, but still troubled land.

The socio-economic context

Morocco has an economy heavily based in agriculture and also heavily reliant on tourism for income. Morocco is the world's largest exporter of phosphates, mostly from the mines in the southern part of the country. Mining has been heavily embroiled in the controversy over the western Sahara, and has to some degree focused world attention (and that of the United Nations) on the region.

According to government sources, Morocco is expecting economic growth of 3 per cent in 2005. This ratio is low, especially in comparison to the expected population growth of 2.5 per cent per year (La Panne de Croissance 2004).

Morocco has declared a series of structural reforms touching the political, economic, social, administrative and judicial arenas since the formation of the Government of 'Alternance' on 14 March, 1998. This was an important event in Moroccan history, as it brought to power a socialist opposition leader, Abderrahmane Al Youssoufi, who was excluded from Moroccan political life for decades. The election results didn't allow for a majority to rule and left Youssoufi faced with the challenge of directing a coalition government composed of individuals with different political views and personal backgrounds. Although supported by King Mohammed VI (who was enthroned in 1999) and by a majority of Moroccans (who were thrilled to observe a political transition for the first time in their lifetime), this government has been unable to promote real development in Morocco. Given the complexity of problems inherited and accumulated since Morocco's independence in 1956, reforms have been very slow, often lacking political and administrative efficacy and sometimes mere rhetoric.

The year 2003 was declared by the King and the Government as the year for restructuring the Moroccan economy. One measure in this regard is upgrading industries through a policy known as *la mise à niveau*, which aims to increase the competitiveness of the Moroccan economy in a global world, one with notable regional economic coalitions, and through the adoption of various free trade agreements (FTAs). In fact, Morocco has already signed several FTAs with different partners (EU, USA, Turkey, Tunisia, Egypt and Jordon), but this process has not been preceded by intensive preparation of Moroccan firms, especially small and medium-sized enterprises (SMEs) on issues pertaining to a global economy.

In Morocco, business enterprises are now seen as a catalyst for change and for economic and social development (Fahim 2004). Enterprises are expected to fulfill a major social responsibility in the current transitional period, and should be *entreprises citoyennes* by targeting human capital growth and cultivating exemplary citizenship behaviour. Nevertheless, the entrepreneurial scene in Morocco is without focus, as the economy is made up of a majority of SMEs run mainly by families.

According to Denoeux (2001), the majority of firms are unfamiliar with long-term strategic planning, modern accounting practices and HRM techniques. Consequently, the Moroccan Government has adopted a policy of upgrading Moroccan firms as a strategy for building capabilities and improving productivity standards. The ANPME (l'Agence Nationale des Petites et Moyennes Entreprises) was created in 2002 to act as a catalyst for development of SMEs, and a wide communication campaign was conducted by the Government 2003 to ensure awareness by a large number of firms. L'Office de Formation Professionnelle et de Promotion de l'Emploi (OFPPE Office for Vocational Training and Employment Promotion) has had a substantial role to play in terms of funding training plans and guiding enterprises towards a professional approach for training-needs assessment.

Despite its incredible importance in energizing the Moroccan economy, the upgrading policy has several shortcomings. First, it has been initiated and implemented too late; in Morocco this was done in December 2002, while the same process started in Tunisia

in 1996. Given the need for proactive approaches to facilitate integration of Morocco into the global economy, this is a difficulty. Second, there is also a lack of funding from banks. Third, there is a multiplicity of bureaucracies (e.g., ANPME, OFPPT, Ministry of Industry and Commerce, etc.) that SMEs must deal with, and administrative practices for enterprises can be a burden because of this (see Benson 2004 regarding the role of bureaucracies in Moroccan administration and government). Fourth, Morocco is taking too non-aggressive an approach to development, and international competition is forging ahead at an alarming rate with negative consequences – during 2000 alone, tens of thousands of jobs were lost in several industries (over 22,000 in textiles, 15,000 in agribusiness, and 10,000 in leather manufacturing, according to Denoeux 2001). Finally, Moroccan entrepreneurs rely too heavily on the Government and do not assess or otherwise question their own management practices, strategies and methods.

Regardless of attempts at modernization, Moroccan industries remain fragmented and poorly organized (Waelbroeck-Rocha et al. 1996). Moroccans still need to develop advanced and responsive economic foundations, an improved physical infrastructure, a more highly skilled workforce, access to new technology, stronger ties between the public and private sectors and a more supportive business climate (Global Workforce in Transition 2003).

To understand modern Morocco, it is important to note a number of contemporary forces, sometimes seemingly at odds with each other that dictate the directions for the country. Entelis (1996: 3) notes that Morocco has been relatively successful 'at blending political pluralism and economic development with traditional values and patrimonial cultural norms', and as the country moves toward modernization, the way these forces will play out is unclear. Morocco is certainly a country of contradictions, and one that will change in the medium-term.

These contradictions can be seen in various ways. Morocco represents the merging of the Arab and Berber cultures and is trying to preserve its rich cultural heritage. At the same time, it is one of the Arab countries most open to Western values and intellectual movements. Many Moroccans who belong to the elite classes, and thus influence society and decisions on a greater scale, have been educated in Europe, Canada and the USA. In an age of increasing globalization, there is still a tendency in Morocco to preserve its own, unique identity in various life arenas. Manifestations of this tendency are clear in the socio-cultural domain (traditional clothing styles, culinary arts, ceremonies, social interactions, etc.), as well as in political and economic arenas. At another level, while forces of reform in Morocco strive for a quick pace of development that would reposition Morocco in the international scene, there are at the same time remaining factors that inhibit these developments. Such hindrances stem from mind-sets that seek personal interests and individual privileges, or those that fear change and are more comfortable with the status quo. Moreover, many decision-makers lack the courage to institute bold initiatives as needed and thus miss the opportunities for development of the country as a whole. It is worth noting here that the power of the king governs Moroccan political activities, and will have a tremendous impact on the future development of the country.

As Willis (2004: 74) notes,

> it should never be forgotten that despite the liberalizing reforms of recent years, political power still remains firmly in the hands of the Makhzen or power structures that surround the Royal Palace. The Palace still reserves the right, both constitutionally and in practice, of veto over the future development of the Moroccan political scene.

Thus, understanding the business context of Morocco requires attention to the political nature of the country's institutions. We turn to those issues next.

The political context

Morocco is a constitutional monarchy, although the king has such strong powers that one could easily think of it as an absolute monarchy (Benson 2004). Indeed, Bourqia (1999) has discussed the history of the sultanate and notes that the authoritarian power structure of the political order is found in parallel form in the social order as well: work organizations have clear power structures and authoritarian styles of leadership. Because of the strong Muslim influence on Morocco, the religious basis to this power structure cannot be ignored.

Geertz (1968) has suggested that the king is given an 'intrinsic' form of authority wherein he attains 'an organic property magically ingredient in the ruler's person' but at the same time also has a 'contractual' form of authority 'conferred upon him, in some occult and complicated way, by the population he rules' (1968: 76). Such inconsistencies seem unlikely, but have served Moroccans for generations and work in practice. Still, the king remains the ultimate authority, and this system of social power permeates Moroccan organizations and Moroccan social life.

In modern Arab countries, management practices carry a legacy of the influences of tribalism, family traditions, Islamic religion and a variety of bureaucratic approaches that were developed during colonial times (Ali 1990). Scandura et al. (1999) have pointed out that the religious basis of Middle Eastern leadership has led to a model wherein 'best' practices are not those of the West (i.e., using consideration), but rather are based in the view of the preferred leader as a strongly directive individual.

This extreme form of authoritarian governance, both at the level of the State and at the level of specific organizations, manifests itself in ways relevant to everyday organizational life. The GLOBE study (House et al. 2004) has listed Morocco as the single highest country in power distance, of sixty-two countries studied. Power distance (Hofstede 2001) is the extent to which a society accepts the premise that people have a proper status in society and organizations. Those who are of high status are seen as having legitimate power over those at a lower status, and thus cultures strong in this characteristic accept the value of deference to powerful leaders or rulers. Moroccans accept very much the idea that some members of society have legitimate control over others.

This view may be more applicable to the Morocco of the past than to the Morocco of the future, as change in this regard is apparent. Younger Moroccans, who have had access to decision-making positions, are attempting to reverse this tendency. Brouksy (2004), who describes Morocco as the 'pays de l'inachevé' (country of the unfinished), blames political parties and criticizes their passivity. In his view, they are living on another planet (2004: 202, my translation), while they need to take seriously their role of supervising, sensitizing, enlightening and guiding Moroccans towards democracy.

Political parties in Morocco have traditionally been weak and not especially well organized, and often take changing positions that seem inconsistent with long-term objectives (Willis 2002a, 2002b). Political parties are not as powerful in Morocco as they would be in many other countries.

Historical development of HRM and human resource development in Morocco

In Morocco, the functions of HRM and human resource development (HRD) have rarely been studied, and little in the professional literature addresses this topic, either within Morocco or in other countries. The studies that have documented Moroccan HR practices have largely been done by consulting firms, have been done recently and are generally hard to locate by researchers working in Western countries.

In addition, Morocco has historically had many small firms, and without a major industrial base, Moroccan HR practices have seen less development than in the USA and Europe. Some sources (e.g., Ziskind 1990) have addressed the history of specific HR functions, such as the historical development of labour laws but, overall, little has been written to document the history of Moroccan HRM/HRD. Likewise, empirical surveys of HR practices have largely not been done in Morocco, limiting the conclusions to be drawn.

In spite of this dearth of a written record, some events are notable. While the professional component of HR in the USA has a long history (see Yoder and Heneman 1979 for an early review), the HR profession is a recent development in Morocco. The Society for Human Resource Management, the largest HR generalist organization in the USA, was founded in 1948 (albeit originally as the American Society for Personnel Administration – see their web site at <http://www.shrm.org>). Professional organizations in Europe and other developed countries and regions likewise have a relatively long history (see Brice 1979 for a detailed treatment of early professional HR associations in the industrialized world). In Morocco, the major professional organization for HR is the Association des Gestionnaires et Formateurs du Personnel, or l'AGEF, and this organization was only formally organized in 1971 (see their web site at <http://www.agef.ma>). However, even though this is a relatively new organization, it is well informed about advances in the field, and this is reflected in the quality of its annual programmes.

The economic and political openness of Morocco has been influential, creating a greater competitiveness based in good HR practices capable of upgrading and developing human capital. Moreover, multinational companies have acted as a role model and leader in terms of adopting 'best' (but clearly Western) practices. Starting in the 1990s, many organizations (public and private) have substituted the name 'Human Resource Manager' for 'Personnel Manager', indicating a willingness to embrace more modern practices and philosophies. Still, the extent to which Morocco has truly adopted modern, Western HR practices is not entirely clear.

Most of the solid data on professional HR practices in Morocco are recent, and are found in unpublished consultancy reports (Arthur Andersen 2000, DIORH 2002, LMS 1999). The following material draws heavily from those reports.

The HR function in Morocco varies substantially among companies, depending on their size. SMEs are operating at a very basic and embryonic stage of HRM: the administrative level is typically what is being implemented. For example, Mathis and Jackson (2003) address (in a Western context) the distinctions among administrative, employee advocate, operational and strategic roles for modern HR, and of these, it is clear that the typical SME in Morocco is dealing with largely administrative (and perhaps some operational) functioning. This has been referred to by Tyson and Fell (1995) as the 'clerk of works' role as opposed to the 'architect role'. The first consists of a prevalence of administrative tasks, while the second requires high-level strategic operators who are able to establish an HR strategy in alignment with organizational strategy. The typical Moroccan HR structure, if it is formally established at all, deals with day-to-day management. Most of the time, the finance manager (or sometimes an accountant) plays the role of HR manager. This dual role reflects the perception of HR as a cost, leading to the need to strictly manage practices such as pay to reduce expenses. There is little awareness of the role HRM can play in performance management and adapting the firm to the requirements of the economic environment where human competencies become a real competitive advantage (see Porter 1990). Therefore, strategic, visionary thinking is almost absent and raises many concerns about the ability of these enterprises to face threats or seize opportunities in their environments.

This often results from poor academic preparation of Moroccan managers in SMEs. More than 80 per cent of these companies are family owned and managed, and usually managers do not have formal academic/university training and do not see clearly the need for strategy development. If they do become persuaded that strategic thinking in HR is indispensable, they are faced with the critical problem of know-how. Hiring a specialist is an expensive venture and often is ineffective in the short term. Many activities, such as setting up a HR policy or restructuring a company, require a long time and sustained efforts. The 'upgrading policy' (*la mise à niveau*), mentioned previously, has attempted to face some of these weaknesses, and it seems that slight improvements are being introduced.

In a recent survey of the importance of training, conducted for the Federation of SMEs, 70 per cent declared that training is essential for employees (both new and senior) while

the rest associated it with the daily experience (or on-the-job training) acquired in the company (Ikram 2004). However, the latter remains informal, relies more on individual initiatives and seems to occur in a closed system, where a noticeable lack of competencies and skills prevent learning. Moreover, most workers experience little exposure to the challenges of the broader economic environment, which in turn results in a limited view of SMEs and a passive view of the future. As a remedy to this situation, the Federation of SMEs decided to conduct training-needs assessment in enterprises that are favourable to training in cooperation with the OFPPE. The objective is to prepare pertinent training plans that will be financially supported and implemented.

The new labour code in Morocco, enacted in 2004, is now strongly encouraging employer-sponsored training for employees (Al Arkoubi and Benson 2005). This includes literacy training, and literacy has long been a difficulty in Morocco (Duane 2001, Lavy and Spratt 1997). The impact this will have in the long term is as yet unclear.

Individual policies pertaining to recruitment and selection, performance management, job design and so forth are absent. Consultants in management and HR, who are rapidly increasing in number, target SMEs in attempts to introduce new management approaches. However, consulting firms' services have always faced strong reticence from these enterprises. A training consultant stated, 'We had a lot of trouble convincing managers in SMEs of our services because they had considered them for a long period as a luxury and they did not show any interest in our advice' (Belkhayat 2004, our translation). Yet, current economic pressures, especially with the development of different FTAs and the fears caused by fierce international competition, have encouraged many SMEs to ask consultants for help.

Based on the consulting studies done, what can be said about HRM/HRD practices in Morocco? According to Arthur Andersen, the HR function is still not well positioned in comparison with the other functions of the enterprise (such as marketing, finance, production or logistics) and is not recognized by decision-makers as a strategic function that should anticipate changes. Within the HR function, training and development is the top priority. Twenty two per cent of enterprises mentioned that it is their first priority, as compared to managing restructuring, employee relations, improvement of work conditions and employee motivation.

The objectives of the HR function in Morocco are similar to those found in other industrialized countries, although there are some specific concerns, such as the constant need for developing skills and competencies and the need for social bargaining to keep an atmosphere of 'social peace'. Although the cooperation between HR managers and other managers is growing, the lack of interaction between a high number of HR specialists and line managers hinders the partnership that should be set up between these two populations.

The study by Arthur Andersen also found that the strategic role of HR is recognized by a majority of practitioners, but only 26 per cent of HR directors participate actively in the strategic planning done in their firm. The HR manager's role as a change agent is also hampered by the lack of qualified professionals and the lack of HR planning. Only 16

per cent of firms have plans for the next three years, and only 18 per cent conduct HR planning. Thirty-nine per cent identify their recruitment needs through day-to-day management.

Job analyses have been conducted in 58 per cent of enterprises, especially for the most important jobs in their firms. Training is seen as a priority, but tends to be limited to supervisory employees and focuses on technical issues (79 per cent). Little training is done in a way linked to career development of workers, and it is not often based in needs assessment (although 82 per cent reported the use of annual performance reviews to assess training needs). External organizations and consultants deliver about 65 per cent of training. Only 32 per cent of HR professionals had a university-level degree. Finally, the two predominant HR roles found in Morocco were administrative and operational.

Another major study (DIORH) found that two-thirds of training managers have no degree in training, HR, or a related field, and other areas of HR have managers with even lower likelihoods of formal education in the field. Also, 64 per cent of HR managers are at least forty years old. Multinational firms are more likely to have formally educated managers, not surprisingly.

Again, few firms were found to have a two- or three-year training plan, and the training done tended to focus on either technical or supervisory issues. On the other hand, almost 80 per cent of firms reported that they conduct evaluations of training, albeit at the level of reactions by trainees.

To summarize, there does appear to be a growing HR function in Morocco, but the level of professionalism is not as high as is found in typical developed countries. Still, the current practices must be viewed as encouraging.

Key factors impacting HRM practice in the Moroccan context

In considering the status of HRM in Morocco (or any country), it is useful to review several key issues. These are the role of national culture, the nature of institutions and the broader industrial sector of the country and its dynamic business environment.

National culture

To understand accepted administrative practices in Morocco, it is necessary to realize the inherently political nature of Moroccan organizations. Al Arkoubi and McCourt (2004) have pointed out that the Moroccan political system has certain enduring qualities and, most importantly, the centre of power is in the palace. The king is seen as having *baraka* (roughly translated as charisma, but see Benson 2004 or Munson 1993 for further details), and Al Arkoubi and McCourt point out that the political nature of organizational life is very clear, especially in the public sector where the organization really is a reflection of the monarchy.

As previously noted in our discussion of the Moroccan political context, the king holds great power and authority, conferred as legitimate by Moroccan citizens. This is also reflected in Morocco's cultural context: Morocco is very high in power distance (Hofstede 2001, House et al. 2004), and other aspects of social life reflect highly structured power roles and relative social importance. Rosen (1984, 1989, 2002) has shown that Moroccans hold very clear views of the importance of social relationships and view a person's reputation and character as of critical importance.

Rosen (1984, 2002) also notes that Moroccans view time as embedded in these social relationships, and although he avoids using the term 'polychronic' to describe the culture, it is clear from his discussion that this concept applies to Moroccan social interactions and power relationships, both within and outside of formal organizations.

In addition to their clear sense of power relationships, Moroccans have a clear moral sense that characterizes organizational life. As D'Iribarne (2002) points out, many organizational practices are readily accepted by Moroccans if parallels can be found in the Quran. In implementing TQM in an electronics manufacturing firm in Casablanca, he found that organizational values apparently at odds with deep-seated religious values could be adopted in Morocco, if local ways of thinking could be incorporated in innovative ways.

According to D'Iribarne (2002: 244), it 'was not the substitution of a new corporate culture for a more traditional one that produced results. Rather, organizational excellence was achieved through effective use of some characteristically Moroccan ways of thinking and behaving that businesses typically do not exploit'. Indeed, the company's promoting a sense of community while respecting individual choices and interests has led to constructive collective participation. In addition, artefacts (such as clothing style, especially by female operators in the factory where modern tailoring and Islamic dress codes coexist) significantly reveal the cultural synergy sought by organizational policy. Also, while leaders preserved their power in the company, they acted as a role model for the other employees and promoted a very humble behaviour style through performing tasks usually reserved for junior positions (waiting in line, clocking in and out, cleaning the work area). Furthermore, D'Iribarne reported that many of his interviewees mentioned that it was easy to teach TQM because the latter reinforces the precepts of Islam that are also found in the Quran, the Prophet's Ahadiths and Arab narratives.

Chappert (1994), who conducted a consulting project in a firm of 200 employees, pointed out that innovative projects in employee involvement, training and motivation can result in a significant success in Morocco, even among low-level employees. Oudghiri (2002), in a study of a merger between two banking institutions, argued that Moroccans should cease blaming their culture as an inhibitor of change in organizations. He suggested that the problem of the enterprise is not to change the societal culture but to change the organizational culture (2002: 188).

In short, Morocco's culture may present some degree of challenge for the integration of modern business practices, but these should not be seen as insurmountable. Attention to

positive HR practices and good management generally can pay substantial dividends to the Moroccan enterprise, and the culture of Morocco can be used as a catalyst as much as become an impediment to growth and change.

Institutions

A critical part of the institutional fabric of any country is the legal structure, and Morocco has a very new legal code for employment issues, the *Code du Travail*. While much detail could be given on this topic, a general overview will suffice here. Substantial detail regarding this law can be found in Al Arkoubi and Benson (2005), and won't be repeated in detail here.

The major achievement in this realm has been the publication of the Moroccan labour law in December 2003, after twenty-five years of debate by several governments. This law, which went into effect on 7 June, 2004, offers numerous advantages. First, it sets up a clear legal framework, and capitalists who have always considered Morocco's legal void as a chief hindrance should find this attractive for outside investment. It also offers opportunities for developing social dialogue among various agents and introduces new ways of managing social relations. The law is also well integrated, as it is compatible with all the international labour conventions signed by Morocco, and is congruent with human-rights depositions and constitutional law. Indeed, the law strongly encourages the recognition of human rights in the workplace.

The labour code is composed of 589 articles covering seven major areas. These are individual and collective relations, work conditions, trade unions and employees' representatives, intermediation (employment agencies), agents of control, resolution of collective conflicts and other regulations. It is applicable to most employees, but not employees of public enterprises, marines, mines, the cinema industry, journalists, cleaning ladies and concierges. Thus far, sixteen decrees of application have been produced, and more than thirty are still expected.

Although a consensual approach among three parties (government, trade unions and employers) was followed to produce the labour law, there are still criticisms and sources of dissatisfaction. Moreover, the adoption and application of this law by enterprises entails multiple efforts for training, raising awareness of the topic and ensuring the necessary resources to be certain of its implementation.

Conversely, one of the main difficulties that this law faces is the impact on the profession of work inspectors (*inspecteurs de travail*) in Morocco. There are currently 476 of them, but only 290 are working. Furthermore, 50 per cent of them will retire in 2010, but recruitment of these workers has remained frozen for an extended time (Agueniou 2004). As a result, only 24 per cent of structured enterprises are visited by labour inspectors annually.

Still, the new labour code is a major step forward. It is likely to add a sense of stability to the employment-relations area, and may well prove advantageous for economic development.

Unions are legally recognized in Morocco, but they remain relatively weak. At least three forces work against the development of strong Moroccan labor organizations (Entelis 1996: 93). First, Morocco has experienced relatively perennial high rates of unemployment, and as in many countries, the ready availability of workers who will take the jobs of striking or otherwise organized laborers makes it difficult to develop strong labour unions. Second, the Government is all too willing to engage in severe power tactics to limit unions' activities, especially since powerful individuals in the palace often fail to share the same ideals as union leaders. Third, the monarchy is very willing to manipulate unions to create divisions among them, making union solidarity hard to develop. (The same technique is also used against opposition political parties.) However, the new *Code du Travail* encourages the possible development of unions as a basic human right (Al Arkoubi and Benson 2005).

Industrial sectors and the Moroccan dynamic business environment

There are four types of enterprises in Morocco: SMEs, large enterprises (whether public or private), Moroccan holdings or consortia (Ominium North Africa, Dounia, etc.) and subsidiaries of multinational companies. Of these, SMEs are most notable.

Representing 95 per cent of enterprises in Morocco, 50 per cent of jobs in the private sector, 31 per cent of exports and 10 per cent of added value, SMEs play a great role in activating and energizing the Moroccan economy (Fédération Marocaine des PME-PMI, Moroccan Federation of SMEs). However, they are facing obstacles that limit their effectiveness and efficiency, such as their fragile structures, the scarcity of their resources, the archaic nature of their management, and their incapacity to cope successfully with new environments. Aware of these weaknesses and their impact on local and national development, the Moroccan Government has embarked on a process of upgrading SMEs. It seems to be slow, however, and far from reaching expected results in short or medium terms.

Large enterprises include public and private organizations. The former are under the supervision and control of the State, although they enjoy substantial autonomy. Their global management philosophy does not differ much from the civil service, and they still follow an administrative mentality of governing. Many of them are now under the process of privatization. The latter (big private firms) are mainly owned by Moroccan families and they vacillate between traditional and modern management techniques.

Moroccan consortiums, although very few, tend to modernize their structures and management methods and strive for creating wealth at the national level and being competitive at a global level.

The subsidiaries of multinational companies follow the policies of their headquarters. Hence, they are very proactive, competitive and utilize advanced management approaches. They set a good example for the rest of Morocco. Procter & Gamble,

Coca-Cola, Pfizer, Microsoft, Unilever, and ST Microelectronics are a few examples of multinational corporations (MNCs) operating in Morocco that have been integrating many transferred HRM/HRD practices into the Moroccan business environment. Some of these functions include recruitment and selection, training and development, and performance-management practices.

An empirical study of HRM practices in a sample of Moroccan businesses has shown that the external environment plays a great role in persuading Moroccan managers of the necessity of restructuring their organizations, especially the functions of quality and HR. The more quality is required by economic partners, the more efforts are made for change (Laval et al. 1995).

In this context, Morocco seems to choose the alternative of developing national champions. These are perceived as large companies capable of promoting the economy, reinforcing industry and playing the role of an economic ambassador abroad. Examples of these companies include Ominium North Africa, AKWA Holding, YNNA Holding and Delta Holding.

Ethics in Moroccan businesses

According to Aboudrar (2002), when the Confédération Générale des Entreprises du Maroc set up a committee for ethics, it faced several hurdles that he summarized in the statement: 'Ethics are good, business is business' (2002: 100, our translation). Aboudrar listed some of the unethical practices still found in some sectors of business, such as child labour and the avoidance of taxes. We add to these low wages, especially in the textile industry (the minimum wage in Morocco is about 160 US dollars a month), 'clandestine' work (*le travail en noir*) that consists of exploiting workers temporarily without declaring them and without helping them to get a social-security card and health insurance, long hours of work for which employees are not paid, and unhealthy conditions of work in some sectors of activity. The new labour law addresses many of these issues (Al Arkoubi and Benson 2005), but long-term effectiveness remains to be seen.

Despite progress, the managerial culture in Morocco needs further development. For example, some company owners do not make a distinction between their personal assets and company assets, considering the money coming from both as their own. They prevent the enterprise from realizing its created value, confirming the slogan 'the owner gets rich and the enterprise gets poor' (Aboudrar 2002, B. Iraqi Houssayni, personal communication, 17 April 2004). This sometimes leads to consequences such as the decline of the company and has negative impacts on development.

Although some senior managers in Morocco are convinced of the advantages of transparency, ethical rigour and objectivity, they do sacrifice these values in some circumstances. This is not unique to Morocco and has been noted in several other developed and developing countries (Aboudrar 2002). Morocco is ranked seventy-seven out of 145 countries and scored 3.2 in the most recent corruption perceptions index

published by Transparency International (2004). Consequently, there remains much to be done at several levels (government, civil society, educational and legal systems) to correct this problem.

Chraibi (2002) suggests that Moroccan business, like other enterprises in transitional countries, has to become a place for collective learning leading to modernism. Nonetheless, to properly assume this societal role, businesses must first promote ethical behaviour and act as a role model for customers and the global environment.

Moroccan enterprises' ethics have to stem from the Islamic culture, one that is extremely rich and is in congruence with the ethos of Moroccan society. Geertz (1968) has listed some of these cultural values, such as spiritual reputation combined with charisma, purity of intentions, equity and a sense of morality, tested by the hardest realities. The Islamic ethos combined with Moroccan and Arab virtues can be used as a catalyst for change and modernization. This view is supported by Drissi (2002), who contends that Moroccan managers should not look for modernism in the West, but instead should seek their own values. By listening to their own values, they can emphasize the extent to which those cultural underpinnings are inspiring and will forge the path to modernism.

The future

Morocco is changing, and the future of HR in the nation is promising but uncertain. While significant gains have been made to professionalize HRM/HRD in Morocco, a few vexing problems remain. Chief among these are unemployment, literacy and the issues in matching the educational system to the country's needs.

One issue that cannot be overlooked in assessing the future of HRM in Morocco is the perennial difficulty of unemployment. Moroccan problems with this issue are not new, but they do present challenges for the present monarchy. Recent statistics (Direction de la Statistique 2004) indicate that the unemployment rate for the first half of 2004 is about 23 per cent among Moroccan graduates, indicating that education in Morocco is not a panacea, and does not ensure that one will be employable. Indeed, one study (Lavy and Spratt 1997) has shown that literacy relates to higher levels of unemployment among young Moroccans, and this suggests that higher education in Morocco is really a way to develop skills that are not utilized in the country. The long-standing 'brain drain' in Morocco is one form of evidence for this problem, and many Moroccans today are employed in various other countries, especially Spain, France and Canada.

Because of this discontinuity between education and job opportunities, about one-third of Moroccan university graduates pursue vocational skill training for practical job qualifications to enhance their position in the job market (Direction de la Statistique 2004). In addition, most graduates hope to find employment in the urban centres of the country (for example, Casablanca or Rabat), but the urban unemployment rates are higher than the rates in rural areas. In addition, Moroccan demographics include a

preponderance of younger citizens, and these are the individuals most impacted by the lack of employment opportunities.

Illiteracy is a major problem for Morocco's development. While many regions of the Middle East have high illiteracy (see Duane 2001), Morocco has for years had the highest rates in this region. Illiteracy is higher in rural areas, and higher among women (especially in rural areas), but overall numbers have been reported as high as 48 per cent (<http://www.statistic.gov.ma>). The Government and various other agencies (especially non-governmental organizations) have worked to reduce the rate of illiteracy, but progress remains slow. This is also reflected in the workforce found in typical SMEs, where illiteracy reaches 50 per cent (FormAction 2004). Because employment generally reflects lower wages for illiterate workers, this high rate tends to be perpetuated, but in an era of globalization and the need for higher levels of worker skills, a policy of hiring illiterates to save wage costs is a threat to future development.

What is needed is a shift to long-term development of higher-skilled and more highly paid jobs. Employment needs to focus on skill-intensive, high-productivity jobs and thereby take advantage of the opportunities presented by increasing globalization (UNDP 2002: 10). It can be argued that it is virtually impossible to build an economy by chasing after low-skilled and low-paid job opportunities, and it is worth noting that the cost of labour in Morocco looks higher than the rates in other developing countries (twice as high as China, and four times as high as India). Some multinationals may well prefer to locate jobs in other venues rather than pay the rates commanded in Morocco.

While Moroccans generally recognize the need to adapt educational programmes to the environment and the requirements of the job market, many vilify the education reform that is taking place. El Moussaoui (2003) states that university management reflects the classic style of government, marked by hierarchy, lack of transparency and central decision-making. The creation of multiple commissions to foster involvement and participation, or producing legal and normative texts, does not alter the status quo. Nevertheless, many change agents seem not to comprehend this issue.

During the 1980s and 1990s, Moroccan companies increasingly adopted modern HR practices, and there has been growing awareness of the field of professional HRM. This is due in part to the requirements and impacts of globalization, and the need to adopt strategic approaches to organizational management and HR. While there is much to debate on the degree to which convergence or divergence will result as the business world becomes increasingly global, it is clear that at least some forces for convergence, both of cultural values and in administrative practices, will occur. Cultural distance will likely shrink as firms standardize their strategies, managerial practices and HR practices (Shenkar 2004: 168). International organizations, and their managers, are likely to 'standardize policies, procedures, and human resource practices throughout the nations in which they operate and attempt to develop a unifying corporate culture' (Punnett and Shenkar 2004: 482). Still, convergence is not likely to be total, and some countries are more open to outside influences than are others, such that there will be a reduction in

cultural distance as globalization increases, 'albeit at different paces across the globe' (Shenkar 2004: 178).

In short, Morocco is a land of promise, but a land of problems. An optimistic view is that continued attention to the nation's HR will pay large dividends, and the future holds great potential. While much remains to be done, progress is steady.

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Useful web sites

www.agef.ma, The Moroccan Association of Trainers and Personnel Managers.

www.anpme.ma, National Agency for SMEs (l'Agence National des PME-PMI).

www.aui.ma, Morocco's only private university, has programs in HRD.

www.cgem.ma, The General Confederation of Moroccan Entrepreneurs.

www.groupe-ona.com, Holding company in Morocco.

www.mcinet.gov.ma, Ministry of Commerce and Industry.

www.mincom.gov.ma, Ministry of Communication.

www.miseaniveau.ma, Web site on the policy of upgrading small and medium size companies in Morocco.

www.morocco-invest.com, Directorate of Foreign Investment (Direction des Investissements Extérieurs).

www.ofppt.org, Office of Vocational Training and Labor Promotion.

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16 Human resource management in the Middle East: emerging HRM models and future challenges for research and policy

KAMEL MELLAHI AND PAWAN S. BUDHWAR

Introduction

The chapters in this volume explored human resource management (HRM) systems, practices and challenges in a number of Middle Eastern countries. The contributors identified the key factors that have shaped the HRM function in the Middle East and highlighted the key characteristics of the different HRM systems in the region. It is not the intention of this closing chapter to summarize the chapters of this volume or to rehearse all the issues raised in each chapter but its intention is to extract common themes and specific characteristics of HRM in the Middle East. As indicated in the first chapter, the authors of all the country-specific chapters adopted a unified framework to highlight the pattern of HRM in their respective countries. This has enabled us to identify the emerging common HRM themes and draw cross-national comparisons. The framework (see Chapter 1) provides a comprehensive list of important factors that one must examine when analysing the nature of HRM systems in national and cross-national settings. Such an approach has enabled us to draw useful conclusions such as whether HRM in the different Middle Eastern countries is similar, to identify the distinct characteristics of HRM in the region, and to speculate about the future of the HRM scenario in the Middle East. The first section of this chapter provides an overview of HRM in the Middle East. The second section explores whether there is a Middle Eastern HRM model, or a mosaic of country-specific HRM models. The third and final section discusses futures challenges and expected scenario for HRM in the Middle East.

An overview of HRM in the Middle East

One key theme that runs through all the chapters in this volume is the impact of national culture on HRM. As discussed in the opening chapter, a significant number of empirical and conceptual studies have examined the key characteristics of national culture in a number of Middle Eastern countries (see, for example, Al-Faleh 1987, Bakhtari 1995, Mellahi 2003, Robertson et al. 2003, Yasin 1996), and the relationship between national culture and various aspects of HRM such as work values and management practices (see Ali and Al-Shakis 1985, Hunt and At-Twaijri 1996, Elsayed-Elkhouly and Buda 1997, Kabasakal and Bodur 2002, Rice 2003). Overall, past studies suggest that despite the accelerating globalization of business in the Middle East, people in the region have retained their work-related cultural values and, as a result, have different attitudes towards employment and work (see Robertson et al. 2001). The discussions in the country-specific chapters in this volume are, then, consistent with past studies on national culture in the Middle East. The chapters (see, for example, those on Kuwait, Egypt, Iran, Saudi Arabia, Turkey and Morocco) show that there is a degree of homogeneity around high power distance, collectivism, Islamic values and Arab traditions in most Middle Eastern countries. Further, it is reported that high power distance in some Middle Eastern countries (such as Kuwait, Saudi Arabia, Morocco and Egypt) has an impact on managers' perception towards the delegation of authority to lower levels in the organization, and level and ways of interaction with employees. This is also reflected in the centralized decision-making process, unwillingness to delegate responsibility and rigidly designed and compulsory HRM policies (see the chapters on Morocco, Kuwait and Egypt). Further, the contributions of Mellahi on Saudi Arabia and Abdalla on Qatar highlight that collectivism and Arab (and Turkish and Persian) traditions (where loyalty to one's family and friends is expected to override loyalty to organizational procedures) have resulted in the use of inequitable criteria in recruitment, promotion and compensation. The influence of Islamic values and principles of *shura*, that is, consultation, social harmony and respect are manifested in consensus decision-making styles, respect for authority and age, and concern for the well-being of employees and society at large is evidenced in the chapters on Kuwait and Saudi Arabia. However, as indicated by Ali and Al-Kazemi in their chapter on HRM in Kuwait, several ideal Islamic values such as equity and fairness are often not adhered to in practice. As they put it 'Kuwaitis utter religious principles and sayings, but seldom act upon them'. This explains the widespread adoption of some HRM practices in the Middle East that are not compatible with Islamic values, such as the use of nepotism in recruitment and compensation, known as *wasta* in Gulf Co-Operation Council (GCC) countries and *piston* in North African countries.

It must be pointed out here that while similarities in attitudes towards work and management practices exist across Middle Eastern countries, there remains considerable variation across countries in the Middle East that the above cultural factors cannot explain. Beyond the aforementioned religious and cultural factors lie a number of other macro-factors that have shaped the HRM function in the region. These factors are discussed below.

First, since the 1990s, the levels of state ownership in several Middle Eastern countries have been significantly reduced as a massive process of privatization swept across the region (see Murphy 2001). At the heart of the new economies in Algeria, Egypt, Jordan, Tunisia, Turkey and Iran is the shift from centrally commanded economies or high government interference to an economic system where market-driven forces rather than government-sponsored and -protected initiatives drive the economy. As a result, the central government control over HRM practices has been greatly reduced. Such a significant development is evidenced in Algeria, Oman and Egypt. Further, economic liberalization has had a strong impact on HRM systems in the above countries. This has resulted, for instance, in the erosion of job security in the public sector as firms in this sector in countries like Saudi Arabia, Morocco and Egypt have downsized, privatized or closed. In addition, economic liberalization coupled with a high level of unemployment has had a strong impact on employment relations in Tunisia, Egypt, Algeria and Morocco. For example, while trade unions still have a strong, albeit declining, membership base, their powers and political clout have been severely curtailed by legislation and job-market dynamics (see the chapter on Algeria by Branine). As a result, collective bargaining and trade-union militancy have not only been reduced, they have become undesirable in Egypt, Algeria, Tunisia and Morocco. There are several reasons for the decline of trade unions in these countries. First, the political landscape has changed radically and the recent years have witnessed the disappearance of leftist governments in Algeria (in the 1990s) and Egypt (in the 1980s) and also the weakening of leftist parties in Tunisia and Morocco. These developments resulted in an unfavourable political environment and the lack of institutional support for unions. Second, trade unions in these countries are shackled by an outmoded socialist ideology. As a result, unions are struggling to adapt to the current domestic conditions characterized by high unemployment rates and global challenges, in particular, international competitiveness and need for foreign direct investment. Third, the traditional role of unions is declining as centralized agreements and systems of settling work disputes and setting national wage levels are breaking apart as more individualistic and decentralized work practices are emerging.

Second, several chapters (such as those on Iran, Turkey, Morocco, Algeria, Kuwait, Saudi Arabia and Egypt) have identified key differences in HRM practices between large and small organizations, public and private sectors and local and multinational firms. First, contributors to this volume (see, for example, Benson and Al Arkoubi) highlight that HRM policies are distinguishable by firms' origin. Multinational firms tend to apply equitable HRM practices for recruitment and selection, pay (on average) higher salaries than local firms and provide more training for their employees. However, they also put more pressure on employees to perform. Second, large private-sector organizations, notably in Algeria, Morocco and Egypt, tend to pay higher salaries than public-sector organizations, but job security is low in private-sector firms as compared to public-sector organizations (such as in Algeria, Morocco and Egypt). In GCC countries (Oman, United Arab Emirates, Kuwait, Saudi Arabia and Qatar), however, public-sector organizations pay higher salaries than most private-sector organizations. Third, small and medium firms often have no HRM department, pay low wages and impose unsafe and

harsh working conditions (see, for example, the contribution of Mellahi on Saudi Arabia). This perhaps explains the reluctance of GCC countries' nationals from taking up employment in small and medium-size private companies. Fourth, in public-sector organizations, promotion and compensation are influenced by nepotism and connection known as 'piston' or *wasta* in North African countries and GCC countries respectively. Branine in his chapter on Algeria shows how companies put unnecessary bureaucratic obstacles to put people without connection or 'piston' off from applying for jobs or promotions or limit their chances from being selected. Further, job security is still relatively high in the public sector. Despite new legislations that give public organizations more freedom in dealing with HRM issues, it is still relatively difficult for public organizations to fire employees in the public sector. Public-sector organizations in Saudi Arabia, for example, must cross several legal hurdles before they are allowed to fire an employee. In the private sector, however, there has been a clear demarcation from the traditional 'lifetime employment' and seniority-based reward systems to a more flexible employment structure and merit-based (which often measured by formal education and work experience) and performance-related pay. These changes have resulted in the creation of individualized HRM practices where an individual's performance and profile are becoming the key determinants of one's wages and promotion in Turkey, Egypt, Algeria and Morocco. This also reflects the emergence of more individualized work values and attitudes of the younger generations as reported in chapter on Algeria, Egypt, Iran, Morocco and Turkey.

Third, all the contributors to this volume have identified the change in the role of the government towards HRM policies and practices. The evidence presented suggests that the role of governments has shifted from an interventionist (where it used to develop centralized HR framework for organizations to follow) to an abstentionist role giving organizations a free hand over HRM matters, albeit within a legal framework in many countries in the region such as in Egypt, Algeria, Turkey, Morocco, Saudi Arabia and Iran. For example, in the case of Algeria, HRM departments are asked by the Government to change from being a purely administrative function to developing effective HRM systems to help firms compete at home and abroad. As a result, HRM departments are asked to undergo radical changes to grapple with the new challenges of the market-driven economy (for example in Algeria). However, given the lack of HRM skills in all Middle Eastern countries (perhaps with the exception of Israel), HR managers have been muddling through, often relying on 'trial and error', to cope with the impact of market liberalization and severe international competition.

Fourth, it is clear from the chapters in this volume that most Middle Eastern countries (for example, Algeria, GCC countries, Israel and Iran) have invested heavily in developing their HR. However, despite these considerable investments, the output of the education system is less then expected and it is experiencing difficulty in meeting the demands of the labour market in terms of both quantity and quality of skills. Past research provides evidence to suggest that the key problem in most of the region is not the level of investment but the education and training provided (see Heeti and Brock 1997, Shaw 2002, Diyen 2004, Rugh 2002). It seems that the emphasis has been put primarily so far

on human resource development (HRD) rather than on the utilization of acquired skills and knowledge. In addition, in GCC countries, vocational education suffers from the overwhelming impact of labour-market distortion and negative social perception of semi-skilled and manual work (see Mellahi's chapter on Saudi Arabia). Further, evidence of increased, but still limited, participation by women in formal employment is emerging in most of the Middle Eastern countries.

Fifth, given the specificities of GCC countries, two HRM issues are specific to Kuwait, Saudi Arabia, Qatar, UAE and Oman. First, the issue of employment of locals is reported to be becoming crucial then ever. Governments in GCC countries are moving from encouraging private-sector firms to employ locals and in some countries such as Saudi Arabia literally forcing them to do so. One evidence of this is the recent scheme introduced in Saudi Arabia which forces private-sector firms, small and large, to employ Saudis (Ahmed 2004). Given the top-down nature of these policies, one would assume that private-sector organizations would implement them less than wholeheartedly. As noted by Mellahi in his chapter on Saudi Arabia, a significant number of private firms view government policies to employ locals as unrealistic ones that would undermine their ability to compete. This is because (as noted in all the chapters on GCC countries), locals are perceived by a significant number of private-sector firms to be less skilled, more expensive to employ and not possessing the required work ethics (also see Mellahi and Al-Hinai 2000). Second, the volume highlighted the reality of cross-cultural work group in all GCC countries. Although, historically there has been a separation of local and foreign employees into different sectors or functions, the recent drive towards employing locals in the private sectors will lead to this separation to disappear. However, this is not expected to lead to the erosion of local–foreign workforce divide. Heterogeneity is set to continue; for instance, local workers, at least in the short term, would obtain higher salaries, be promoted or expect to be promoted more quickly and provided with more training than their foreign counterparts. This often has, and will continue to have, a 'reverse effect' on the employment of locals as private-sector firms attempt to cut costs and improve their performance. Further, while past HRM practices in the private sector, such as having a free hand to 'hire and fire', and compensation based purely on financial rewards, were designed to manage a foreign workforce with minimum rights (see, for example, the chapters on Qatar and Saudi Arabia), these practices are not attuned to the needs of local workers, who are protected by government legislations and have high demands and expectations from their employers. One challenge for HR managers in GCC countries is minimising some of the disparities between local and foreign workers. This can be done by closing the wage gap between foreign workers and locals, applying similar disciplinary procedures, and providing foreign workers equal opportunities in training, work practices and promotion (see Al-Hassai 2004).

HRM in the Middle East: can we talk of a Middle Eastern HRM model?

What do we conclude from reading the previous chapters? Perhaps the strongest conclusion is that there is no such thing as a 'Middle Eastern HRM model', that is, a single HRM model with distinct Middle Eastern characteristics. Given the marked differences between HRM in the different Middle Eastern countries, one should talk about 'HRM *in* the Middle East' instead of emphasising country-specific peculiarities within the Middle East. It is clear from the chapters in this volume that organizations in the Middle East use a whole mosaic of different HRM policies and practices. Further, the current forces shaping HRM in the Middle East are more likely to lead to more divergence than convergence between and within Middle Eastern countries in the foreseeable future. Evidence presented in this volume suggests that the economic and institutional factors that influence and shape HRM in the different Middle Eastern countries are different, and as a result produce distinct HRM models in each country. For example, given their geographical locations, some countries such as Turkey, North African countries (Morocco, Algeria and Tunisia) and Egypt have been influenced by European culture more than GCC countries. For instance, the issue of gender inequality, while it still exists, is expected to be less in Morocco, Algeria and Tunisia, Egypt, Israel and Turkey than GCC countries.

The chapters on Algeria, Iran and Israel show that the current HRM models reflect the distinct historical contexts within which they have developed. In Iran for example, Namazie and Tayeb show how the Islamic revolution shaped HRM practices by moving from merit and competence-based criteria in selecting and rewarding employees to putting more emphasis on ideological orientation and personal trust and loyalty. In the three North African countries (Morocco, Algeria and Tunisia), the contributors highlight the impact of French colonialism on HRM policies, such as the use of the French language as a criteria for professional status and often as a criteria for recruitment and career advancement. In addition to the above factors, national wealth, composition of workforce, trade unions and employment legislations all combine to create a unique country- or region-specific HRM model. For instance, the Middle East has some of the richest countries in the world, such as the UAE and Qatar, and some of the poorest countries in the world, for example, Yemen and Sudan. This radical disparity in national wealth, understandably, results in different approaches to HRM. The chapter on HRM in Morocco by Benson and Al Arkoubi, for example, reported that it is rare for small and medium-sized organizations in Morocco to invest in formal training. While this is partly due to the fact that managers are not convinced or perhaps do not value the possible impact of HRM on improving organizational performance, the cost of conducting such training is prohibitive, especially for small organizations. This is not the case in GCC countries where training and development of locals is extensive. In addition to the impact of wealth disparity on HRD, the structure and composition of the labour market has resulted in different HRM systems. For instance, because of the small size of the indigenous population, GCC countries required an extensive use of foreign labour to

develop their infrastructure and to manage their economies after the discovery of oil. As a result, the structure of the labour market in GCC countries is markedly different from the rest of the Middle East. While unemployment is high in both GCC countries and other Middle Eastern countries, the causes underpinning unemployment are different in GCC countries from those causing unemployment in other Middle Eastern countries. In Algeria, Egypt, Morocco, and Tunisia, unemployment is caused by lack of jobs to absorb the high number of young people entering the job market. In GCC countries, however, unemployment is caused by local people not taking up socially undesirable jobs. Finally, while most Middle Eastern countries provide workers with the right to form and join trade unions, in GCC countries trade unions are not allowed, although a new form of work associations have been emerging since the 2000s. However, the role of these associations is often limited to dealing with abuses of foreign workers, such as delay in payments of salaries and arbitrary deportation. Further, the right to strike is permitted in Algeria, Morocco, Tunisia, Egypt, Israel and Turkey. In GCC countries on the other hand, strikes are not permitted.

Futures challenges and expected scenarios

The chapters in the volume show that HRM policies and practices throughout the Middle East are changing fundamentally and rapidly, both in terms of contexts within which they operate, and in terms of the HRM function and role of HR managers. As indicated above, the contributors provide evidence of increased individualization in HRM policies, such as rewards and promotion in Algeria, Morocco, Turkey and Egypt. Further, there is a strong push in most Middle Eastern countries for firms to move away from relationship-based practices and to use more performance-based criteria in recruitment, selection, rewards and promotion. Such a push for changes in HRM policies and practices has been stimulated by a number of transformations in the macro-business environment, amongst them the intensification of global competition and its impact on all Middle Eastern countries, a dramatic increase in information technologies (especially in Israel and GCC countries) and the influence of Western methods of work organization and management, particularly in Morocco, Algeria, Tunisia, Egypt and Turkey.

Unfortunately, the change required to meet the above challenges is taking place very slowly. The reasons for the slow change are multiple and varied. Organizational inhibitors for a faster organizational change in the Middle East include leadership inaction and lack of capability to manage change, and organizational inertia and beliefs in embedded routines and old ways of doing things (see Mellahi 2003). In addition to the above, the contributors to this volume highlighted the underdeveloped status of HRM in most Middle Eastern countries as another inhibitor for a faster change in HRM policies and practices. Overall, the contributors provide evidence to suggest that the HRM function in most Middle Eastern countries suffers from low status and is often relegated to 'a common-sense' function that, according to top management, does not require professional skills. Because of their low status, HR managers are not properly trained to

enable them to acquire the skills and develop the capabilities needed to manage change and meet current and future challenges. Further, given the lack of skills and capabilities to deal with current and future challenges, as chapters on Turkey, Saudi Arabia and Morocco show, HR departments are making a series of hasty decisions based on piece-meal and fragmented measures to deal with the challenges posed by the imperatives of open-market economy and foreign competition. The failure to 'up-grade' the role of HRM and develop the 'new' HRM skills and capabilities has far-reaching implications for HRM in the Middle East. It takes years to train and develop competent HRM managers, but, given the dearth of HRM courses and the low prestige of the HRM function in the region, the lack of skilled HRM staff is set to continue. We believe that only when organizations in the Middle East appreciate the strategic importance of the HRM function will the HRM function develop and gain strength.

The next most pressing area of action that has preoccupied most of our contributors is the urgent need to move away from the inequitable relationship-based HRM policies such as *wasta* and 'piston' towards a competence- or merit-based approach. The challenge is particularly great now, not least because of the effects that the pace of global economic integration may have on the survivability of poorly performing organizations in the Middle East. This shift demands more commitment from management in the region to equal opportunities in recruiting, developing and rewarding employees. The survival of a large number of Middle Eastern organizations in the future depends on basically unlearning old inefficient or outdated HRM practices and learning new ones. Organizations in the Middle East then have much to learn.

Another source of tension in the Middle East is the problem of high unemployment levels. High birth rates will continue to put pressure on the labour market in most Middle Eastern countries (Abed and Davoodi 2003). While there is a universal agreement in the Middle East that the precarious and potentially dangerous levels of unemployment can be massively destabilizing, the jury is still out on the question of who bears the cost of reducing unemployment. The chapter on Saudi Arabia by Mellahi shows how the Government and the private sector are trying to develop a scheme whereby the Government contributes towards the cost of training locals to encourage private-sector firms to recruit more Saudi workers.

Given the current and the expected future economic and political challenges in the Middle East, we believe that, as far as HRM is concerned, the future is going to involve critical trade-offs. An important trade-off is required between the need for increased global competitiveness and economic efficiency and the strong tradition and pressure for social protection and welfare provisions. Given the current imperatives of the global business environment and the need for global competitiveness, we expect social protection and welfare provisions would be weakened in favour of more liberal and market-oriented socio-economic development. For instance, even in GCC countries where the state still subsidises public- (and some private-) sector organizations and provides employment for locals over and above the required level, the discourse is shifting towards economic efficiency and economic rationalization (see Richards 2001, Rivlin 2001). As a result, we expect that unskilled workers and people possessing

relevant skills who used to be employed in the public sector will bear the brunt of current and future social and economic reforms. It is worth pointing out that, while the above required trade-offs are expected in all Middle Eastern countries, the significance and adjustment problems will vary from country to another. For instance, rich countries such as Qatar and the UAE will continue to provide a generous safety net; less rich countries such as Egypt, Sudan and Morocco will not be able to do so. Further, we expect the central influence on HRM policies and practices will decline, and organizations will have more leeway in the design and implementation of HRM policies and practices. Also, one would expect that trade unions in the Middle East, consistent with the global trend, will continue to decline and lose more power and will be excluded or marginalized from the process of setting future HRM policies and practices.

While we are confident that this volume provides both academics and practitioners interested in management in general and HRM in particular with valuable analysis to understand HRM in the region, we are also aware that we have just scratched the surface of HRM in the Middle East and there is much more work to be done. The first thing that strikes us about HRM in the Middle East during this project is the dearth of conceptual and empirical research in this area. Our extensive review of available literature revealed that very little has been published on HRM in the Middle East (for a broad review of past studies see Chapter 1). Clearly, there is a need for more research to develop a clear view about the key factors that shape the HRM function and determine the performance thereof. Future research should look at the relationship between macro-, organizational and individual factors and HRM policies and practices to provide an insight into the key determinants of HRM in the Middle East. In particular, future research should seek to identify and classify the unique region-specific aspects of national culture and other variables, political institutions and other possible external factors which influence HRM in the Middle East. There is also a need to further examine the association between organizational design and control and HRM outcomes and the relationship between individual values and other individual characteristics and HRM practices.

Another line of research may aim at understanding how HRM policies and practices impact organizational performance and identifying which HRM factors and policies are associated with superior performances in the Middle East. Lately, many international HRM researchers have made a call in the same regard. This line of research would help to provide a basis for evidence-led prescribed best practices in the Middle East. Case-study research of high-performing firms in the Middle East can help identify the key factors and practices associated with high performance. It is important to note here that researchers should include both indigenous HRM practices as well as practices developed elsewhere in their investigations. For instance, while we know a great deal about high performance work systems in other parts of the world, we know literally nothing about them in the Middle East. Research on organizational structures that bundle together innovative work practices, skills, people and technology into an internally coherent configuration that enhance organizational performance in the Middle East is urgently needed. Surveys on the associations of different HRM policies and practices on performance may help establish specific linkages between a set of specific factors

unique to the region and higher performance. For instance, implicitly or explicitly, contributors to this volume advocated a participatory work organization such as high-involvement workplaces. The implicit argument is that more participatory work practices are better than top-down authoritarian ones. Future research may look at the specific types of participatory work practices in such high-power-distances societies and identify complementary bundles of HRM practices that enhance the outcome of such practices. Future research may also compare the effectiveness of participatory work practices with the current paternalistic approach to managing employees.

We recognize that this is a challenging task in an environment where access to reliable data and organizations is very demanding. But until we identify the factors that shape and reshape HRM in the Middle East and understand the mechanisms by which they do so, it is unlikely that we will be able to improve it.

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